

**HOME PRODUCT CENTER PUBLIC COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT SEPTEMBER 30, 2002 (UNAUDITED/REVIEWED ONLY)**

**AND AS AT DECEMBER 31, 2001 (AUDITED)**

**1. PREPARATION OF INTERIM FINANCIAL STATEMENTS BASIS**

Notes to interim financial statements have been prepared in conformity with the Accounting Standards no. 41 "Interim Financial Statements" for the purpose to provide an update information on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported. However, the balance sheets, statements of income, statements of retained earnings, statements of changes in shareholders' equity and statements of cash flows are presented the same as previous annual financial statements. Therefore, this interim financial statements should access to the most recent annual financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements have been prepared by using the accounting policy and estimates of the financial statements for the year ended December 31, 2001.

**3. CASH ON HAND AND AT BANK**

	September 30, 2002	Baht	December 31, 2001
Cash on hand	12,269,979.21		16,455,127.35
Current accounts	18,864,719.89		20,770,532.44
Savings deposit	99,324,604.08		229,656,215.00
Total	<u>130,459,303.18</u>		<u>266,881,874.79</u>

#### 4. FIXED DEPOSIT

In 2002, the Company used fixed deposit of Baht 20 million as guarantee from aval promissory notes of Baht 15.5 million (note 10) and guarantee the treatment under land lease agreement of Baht 4.0 million to a commercial bank.

#### 5. ACCOUNTS AND NOTES RECEIVABLE - NET

	September 30, 2002	Baht	December 31, 2001
Accounts receivable	129,724,375.73		82,962,230.06
Cheque return receivable	42,696,398.55		47,806,424.68
Credit card and coupon receivable	15,512,812.34		13,640,263.23
Total	<u>187,933,586.62</u>		<u>144,408,917.97</u>
Less Allowance for doubtful accounts	<u>(60,630,883.00)</u>		<u>(63,074,699.50)</u>
Accounts and notes receivable - net	<u><u>127,302,703.62</u></u>		<u><u>81,334,218.47</u></u>

The Company's trade accounts and notes receivable are long outstanding for over 12 months as at September 30, 2002 and December 31, 2001, for amount of Baht 61.85 million and Baht 63.78 million, respectively.

#### 6. INVENTORIES

	September 30, 2002	Baht	December 31, 2001
Inventories	1,216,555,194.91		834,719,021.27
Less Allowance for damaged goods	<u>(17,673,208.49)</u>		<u>(14,768,583.62)</u>
Total	<u><u>1,198,881,986.42</u></u>		<u><u>819,950,437.65</u></u>

**7. PROPERTY, PLANT AND EQUIPMENT - NET**

	December 31, 2001	Increase	Transfer in (out)	September 30, 2002
Cost :				
Land and improvement				
on land	0.00	136,300,000.00	0.00	136,300,000.00
Building and improvement				
on lease land	683,976,350.33	16,008,764.99	74,090,584.53	774,075,699.85
Computer system	98,632,710.94	16,442,349.47	6,189,302.89	121,264,363.30
Office supplies	46,205,944.60	10,373,834.78	2,988,200.00	59,567,979.38
Furniture, fixtures and				
equipment	203,632,275.25	52,422,204.37	33,081,944.13	289,136,423.75
Vehicles	2,630,347.09	851,214.96	0.00	3,481,562.05
Building under construction				
on lease land	46,027,586.58	79,752,577.52	(74,569,584.53)	51,210,579.57
Computer system under				
installation	1,491,987.19	7,541,782.41	(6,189,302.89)	2,844,466.71
Furniture and equipment				
under installation	308,454.11	39,103,778.02	(35,591,144.13)	3,821,088.00
Total	1,082,905,656.09	358,796,506.52	0.00	1,441,702,162.61
Accumulated depreciation :				
Building and improvement				
on lease land	98,110,383.21	22,387,969.73	0.00	120,498,352.94
Computer system	24,664,752.59	10,037,457.99	0.00	34,702,210.58
Office supplies	22,158,167.27	5,772,239.77	0.00	27,930,407.04
Furniture and equipment				
under installation	50,817,237.60	17,227,659.95	0.00	68,044,897.55
Vehicles	723,487.56	439,409.38	0.00	1,162,896.94
Total	196,474,028.23	55,864,736.82	0.00	252,338,765.05
Net book value	886,431,627.86			1,189,363,397.56
Depreciation :				
For nine months ended September 30, 2002 amounting to Baht				55,864,736.82
For nine months ended September 30, 2001 amounting to Baht				40,560,022.48

Property, plant and equipment at book value before deducting accumulated depreciation in fully amount as at September 30, 2002 and December 31, 2001 amounting to Baht 13,772,327.56 and Baht 12,889,653.38, respectively are still being operated.

As at September 30, 2002, the Company has mortgaged all leasehold and building on lease land and part of furniture, fixtures and equipment for guarantee commitment and contingent liabilities with a bank for credit line of Baht 497.50 million.

## 8. DEFERRED LEASEHOLD

	September 30, 2002 Baht	December 31, 2001
Deferred leasehold	160,896,208.56	126,794,287.56
Add Increase during the year	43,056,618.00	34,101,921.00
Less Accumulated amortization	(24,232,842.70)	(19,173,680.90)
Deferred leasehold - net	<u>179,719,983.86</u>	<u>141,722,527.66</u>
Amortization of leasehold :		
For nine months ended September 30, 2002 amounting to Baht		5,059,161.80
For nine months ended September 30, 2001 amounting to Baht		4,017,596.97

Deferred leasehold are leasehold land and building which amortized on a period of the lease agreement. In 2002, the Company made payment for additional leasehold amount of Baht 43.06 million for the period of the lease is 20-26 years.

## 9. BANK OVERDRAFTS AND LOANS FROM BANKS

	September 30, 2002 Baht	December 31, 2001
Bank overdrafts	5,042,003.58	0.00
Loans from bank - promissory notes	0.00	5,000,000.00
Total	<u>5,042,003.58</u>	<u>5,000,000.00</u>

The Company has overdrafts line with several banks for credit lines of Baht 62 million and some of credit lines guaranteed by leasehold and construction.

As at February 27, 2002, the Company made repayment for loans from bank of Baht 5 million.

## 10. PROMISSORY NOTES

On September 26, 2002, the Company issued promissory notes of Baht 15.5 million for payment leasehold and the aval notes by a commercial bank guaranteed by fixed deposit in whole amount (note 4).

## 11. LONG-TERM LOANS

	September 30, 2002 Baht	December 31, 2001
Loans in Thai Baht	141,461,669.00	305,457,548.03
Loans in foreign currencies	0.00	155,906,251.42
Total	<u>141,461,669.00</u>	<u>461,363,799.45</u>
Less Current portion of long-term debt	<u>(91,334,996.00)</u>	<u>(111,775,255.65)</u>
Long-term loans - net	<u><u>50,126,673.00</u></u>	<u><u>349,588,543.80</u></u>

11.1 Loans in Thai Baht is loans from banks at the interest rate of MLR to MLR+0.25% consist of :

No. of credit line	Amount of credit line (Baht)	Amount of Baht		Repayment conditions per installment/per months
		September 30, 2002 Baht	December 31, 2001	
1	200,000,000.00	0.00	146,517,548.03	- 7/2000 - 12/2001 = Baht 1.6 million
2	83,500,000.00	33,520,000.00	54,940,000.00	Baht 2.38 million
3	30,000,000.00	0.00	28,000,000.00	Baht 0.50 million
4	36,000,000.00	30,000,000.00	36,000,000.00	Baht 0.75 million
5	40,000,000.00	34,166,669.00	40,000,000.00	Baht 0.83 million
6	265,500,000.00	43,775,000.00	0.00	As details
Total		<u><u>141,461,669.00</u></u>	<u><u>305,457,548.03</u></u>	

For the sixth credit line and loans in foreign currencies (note 11.2), the Company entered into loans from bank agreement in type of Revolving Line by dividing into 2 portion : the first portion will be made monthly installment and the second portion issued promissory notes or is able to borrow under Revolving Line which will be transferred to the first portion as detailed following :

No. of credit line	Amount of Baht	Amount of Baht		Repayment conditions per installment/per months
		September 30, 2002	Baht December 31, 2001	
1. Part I	28,500,000.00	11,875,000.00	0.00	- 3/2002 - 2/2003 of Baht 2.38 million each
Part II	114,000,000.00	0.00	0.00	- Transfer to 1st portion of Baht 28.50 million per year
Total	<u>142,500,000.00</u>	<u>11,875,000.00</u>	<u>0.00</u>	
2. Part I	34,800,000.00	31,900,000.00	0.00	- 9/2002 - 8/2003 of Baht 2.9 million each
Part II	88,200,000.00	0.00	0.00	- Transfer to 1st portion of Baht 34.80 million per year
Total	<u>123,000,000.00</u>	<u>31,900,000.00</u>	<u>0.00</u>	
Grand Total	<u><u>265,500,000.00</u></u>	<u><u>43,775,000.00</u></u>	<u><u>0.00</u></u>	

#### 11.2 Loans in foreign currencies

	September 30, 2002	Baht December 31, 2001
Loans - under forward exchange contract	0.00	146,380,908.87
Add (Less) Bank creditors	0.00	153,862,948.01
Bank debtors	0.00	(144,242,628.33)
Discount on deferred management risk	0.00	(94,977.13)
Total	<u>0.00</u>	<u>155,906,251.42</u>

As at December 31, 2001, the Company has loans in foreign currencies from a local company of Yen 431.71 million in worth Baht 146.38 million. Such loans have been made forward exchange contract in full for a period of 3 months for hedging exchange rate risk. On February 27, 2002, the Company made such loans repayment in full by borrowing from a bank for credit lines of Baht 142.50 million (note 11.1).

## 12. DECORATION PAYABLE

	September 30, 2002	Baht December 31, 2001
Decoration payable	17,712,535.00	24,089,026.00
Less Current portion of long-term debt	(8,501,988.00)	(8,501,988.00)
Total	<u>9,210,547.00</u>	<u>15,587,038.00</u>

The Company entered into agreement to hire a company improve and decorate the building space for the amount of Baht 26.25 million and hire purchase of furniture and decoration equipment for the amount of Baht 16.26 million. The both agreements will be made through 60 installments of Baht 437,551.00 and Baht 270,948.00 each, respectively, commencing on November 10, 1999 and maturing on November 10, 2004.

## 13. SHARE CAPITAL

According to the minutes of shareholders' general meeting for the year 2002 held on April 26, 2002, the Company passed the resolution to increase the Company's share capital by another Baht 612,500,000.00 from Baht 375,000,000.00 to be Baht 987,500,000.00 (divided into 987,500,000 common shares of Baht 1.00 each) by issuing 612,500,000 new common shares of Baht 1.00 each. The allocation of new increased shares will be made as follows :

- (1) 375,000,000 new common shares will be allotted to the existing shareholders at the subscription ratio of 1 existing share to 1 new common share at the offering price of Baht 1.00 each.
- (2) 187,500,000 new common shares will be reserved for the exercise of warrants to purchase common shares. If there are any remaining shares as a result of the warrants not being issued or exercised, these remaining shares may be allotted at the discretion of the Board of Directors in one or several tranches from time to time to the private placement as requirement of Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543.

187,500,000 units of warrants will be allotted to the existing shareholders who have subscribed for new common shares under the rights issue, excess entitlement at the ratio of 2 new shares to 1 unit of warrant with 3 years term without offering price. One unit of warrant has exercise right to purchase one common share of Baht 3.00 each with exercise period every three months .

- (3) 50,000,000 new common shares at the offering price of not less than 80 per cent of the market price of shares of the Company. The market price would be calculated from the weighted average prices or the average closing price of share during 10 trading days before the date on which the resolution of the Board of Directors was approved to offer those shares, whether any price is higher to the private placement in accordance with the Notification of the Securities and Exchange Commission No. Kor Jor. 12/2543.

On May 8, 2002, the Company has registered the resolution of increasing share capital of Baht 987,500,000.00 with the Ministry of Commerce and has fully received the payment of first portion on June 5, 2002. The authorized share capital of Baht 750 million was registered with the Ministry of Commerce on June 17, 2002.

The weighted average of common shares issued and paid-up which were divided net profit for three and nine months ended September 30, 2002 were 750,000.000 shares and 542,582,418 shares, respectively and for the three and nine months ended September 30, 2001 were 59,021,739 shares and 53,113,553 shares, respectively.

On July 22, 2002, the Company was permitted by the Securities and Exchange Commission to offer the portion II of warrants to purchase common shares to the existing shareholders.

#### **14. DIRECTORS' REMUNERATION**

Directors' remuneration is all benefits paid to the Company's directors for the period of nine months ended September 30, 2002 of Baht 1,800,000.00. The Company has paid the remuneration to the directors in July 2001 and in year 2001 totalling Baht 1,200,000.00.



## **15. DILUTED EARNINGS PER SHARE**

The Company has given the right on exercised warrants to purchase the increasing 187,500,000 shares (note 13) since as at September 30, 2002, the convertible price of warrants are higher than market value, therefore, there are no effects to diluted earnings per share.

## **16. LEGAL RESERVE**

According to the Public Company Limited Act., the Company has appropriated its reserve as a legal reserve not less than 5% of the annual net profit after deduction of deficit brought forward (if any) as legal reserve until the reserve reaches 10% of authorized share capital.

## **17. DIVIDEND PAID**

According to the resolution of directors' meeting no. 7/2001 held on June 21, 2001, pass to pay interim dividend to the shareholders at Baht 0.45 per share, totalling Baht 24.75 million. In 2002, there are no dividend payment.

## **18. COMMITMENT AND CONTINGENT LIABILITIES**

The Company has commitment on bank and financial institutions of guarantee for rental, purchased goods or hire of work and collateral against to the government agencies as at September 30, 2002 and December 31, 2001 of Baht 11.29 million and Baht 41.89 million, respectively.

## **19. TRANSACTION WITH RELATED COMPANIES**

The Company's financial statements are included the transaction with its related companies of which related by common shareholders and/or directorship. These transaction are determined the value and benefits in the normal course of business based on the market value or the group of company concerned for non-market value.

September 30, 2002 Baht December 31, 2001

Accounts receivable

Land and Houses Plc. and subsidiaries	77,418,261.98	42,920,310.32
Quality Houses Plc.	28,606,270.25	11,718,179.50
Total	<u>106,024,532.23</u>	<u>54,638,489.82</u>

Sales of goods

Land and Houses Plc. and subsidiaries	197,908,488.36	186,618,879.05
Quality Houses Plc.	94,518,689.67	63,616,732.31
Total	<u>292,427,178.03</u>	<u>250,235,611.36</u>