

Home Product Center Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month period ended 31 March 2022

1. General information

1.1 The Company's general information

Home Product Center Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. Its major shareholders are Land and Houses Public Company Limited and Quality Houses Public Company Limited, which were incorporated in Thailand. The Company is principally engaged in the trading of a complete range of goods and materials for construction, addition, refurbishment, renovation, and improvement of buildings, houses, and residences place, and provision for related services to retail business, together with space rental and provide utilities service. Its registered address is at 31 Prachachuennonthaburi Rd., Bangkhen, Amphoe Muang, Nonthaburi.

As at 31 March 2022, the Group has a total of 114 branches (31 December 2021: 114 branches) (The Company only: 95 branches, 31 December 2021: 95 branches).

1.2 Basis of preparation of interim financial information

This interim financial information is prepared in accordance with Thai Accounting Standard No.34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial information is intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. This interim financial information should therefore be read in conjunction with the latest annual financial statements.

The interim financial information in Thai language is the official statutory financial information of the Company. The interim financial information in English language have been translated from the Thai language financial information.

1.3 Basis of consolidation

This interim financial information includes the financial statements of Home Product Center Public Company Limited ("the Company") and its subsidiaries ("the subsidiaries") (collectively as "the Group") and has been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2021, with no change in shareholding structure of subsidiaries during the current period.

1.4 Significant accounting policies

The interim financial information is prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2021.

The revised financial reporting standards which are effective for fiscal years beginning on or after 1 January 2022, do not have any significant impact on the Group's financial statements.

2. Related party transactions

During the periods, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Group and those related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the three-month periods ended 31 March		For the three-month periods ended 31 March		Pricing policy
	2022	2021	2022	2021	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	108,832	85,828	Cost plus margin
Rental and service income	-	-	11,476	11,144	Baht 3.8 million per month (2021: Baht 3.7 million per month)
Management service income	-	-	9,835	9,135	Actual cost and contract price
Service income	-	-	38,351	38,425	Actual cost and contract price
Interest income	-	-	8,959	12,661	3.00% per annum
Sales of assets	-	-	-	320	Cost plus margin
Service expense	-	-	90,791	94,162	Actual cost and contract price
Other expenses	-	-	1,651	-	Actual cost
<u>Transactions with related companies</u>					
Sales income	10,968	13,048	10,483	13,006	Market price
Rental and service income	2,825	3,528	2,904	2,971	Contract price
Other income	10,538	15,808	9,966	14,798	Contract price
Interest income	1,228	2,523	1,228	2,523	0.15% - 0.40% per annum
Rental and service expenses	10,018	12,373	10,018	9,723	Percentage of revenue but not less than a minimum rate
Purchases of goods and assets	84,125	79,287	70,351	74,059	As mutually agreed upon comparing market price

The balances of the accounts between the Group and those related companies are as follow:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽²⁾	3,990,830	3,921,159	3,756,091	3,889,563
<u>Trade and other receivables</u>				
Subsidiaries	-	-	167,384	151,706
Related companies ⁽¹⁾	2,640	4,726	2,640	4,726
Related companies ⁽²⁾	4,890	3,643	4,983	3,720
Related companies ⁽³⁾	1,008	1,366	489	806
Related companies ⁽⁴⁾	7,348	13,045	7,044	12,686
Total	15,886	22,780	182,540	173,644
<u>Short-term loans to related party</u>				
Subsidiary	-	-	1,050,000	1,234,000
<u>Rental guarantee deposits</u>				
Related company ⁽²⁾	5,921	5,921	5,921	5,921
Related company ⁽³⁾	1,425	1,425	1,425	1,425
Total	7,346	7,346	7,346	7,346
<u>Trade and other payables</u>				
Subsidiaries	-	-	20,073	40,784
Related company ⁽²⁾	1,879	5,067	1,879	5,067
Related company ⁽³⁾	63	167	62	167
Related companies ⁽⁴⁾	70,192	81,793	55,032	77,699
Total	72,134	87,027	77,046	123,717

Relationship with the related companies

(1) the major shareholders

(2) has common major shareholders

(3) has common shareholders

(4) has shareholders who related to director

Short-term loans to related party

As at 31 March 2022, the Company has granted unsecured loans to its subsidiary on which interest is payable on a monthly basis at a rate of 3.00% per annum (31 December 2021: 3.00% per annum). The loans are repayable at call. Movements in the balance of the loans during the period were as follow:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	During the period		Balance as at
	1 January 2022	Increase	Decrease	31 March 2022
Short-term loans to related party				
Mega Home Center Company Limited	1,234,000	1,050,000	(1,234,000)	1,050,000

Directors and management's benefits

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 31 March		For the three-month periods ended 31 March	
	2022	2021	2022	2021
Short-term benefits	69,561	62,939	61,388	55,848
Post-employment benefits	1,378	1,223	1,222	1,053
Total	70,939	64,162	62,610	56,901

3. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
Trade accounts receivable	118,134	166,849	229,151	268,249
Other receivables	1,209,054	1,502,422	1,116,026	1,402,477
Income receivables	5,534	5,602	5,525	5,592
Total trade and other receivables	1,332,722	1,674,873	1,350,702	1,676,318

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
Trade accounts receivable	79,135	78,843	194,294	185,213
Credit card and coupon receivable	38,999	88,006	34,857	83,036
Total trade accounts receivable	118,134	166,849	229,151	268,249

The outstanding balances of trade accounts receivable as at 31 March 2022 and 31 December 2021 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
<u>Aged on the basis of due dates</u>				
Not yet due	90,742	143,753	96,233	144,067
Past due				
Up to 3 months	24,533	21,402	73,913	55,059
3 - 6 months	1,795	924	12,082	5,984
6 - 12 months	296	39	34,045	50,702
Over 12 months	768	731	12,878	12,437
Total trade receivables	118,134	166,849	229,151	268,249

Other receivables

Other receivables mainly consist of receivables from sale support operation and area rental and related service receivables.

(Unaudited but reviewed)

The outstanding balances of other receivables as at 31 March 2022 and 31 December 2021 are aged as follows:

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
<u>Aged on the basis of due dates</u>				
Not yet due	569,597	789,212	534,033	740,911
Past due				
Up to 3 months	622,105	683,821	568,138	635,152
3 - 6 months	14,802	15,305	13,712	14,508
6 - 12 months	7,070	22,428	5,765	21,152
Over 12 months	10,630	6,806	7,163	3,539
Total	1,224,204	1,517,572	1,128,811	1,415,262
Less: Allowance for expected credit losses	(15,150)	(15,150)	(12,785)	(12,785)
Total other receivables - net	1,209,054	1,502,422	1,116,026	1,402,477

4. Inventories

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Inventories	15,596,988	15,197,877	12,814,061	12,496,477
Less: Reduce cost to net realisable value	(666,469)	(654,216)	(609,321)	(601,761)
Net	14,930,519	14,543,661	12,204,740	11,894,716
Less: Inventories - repaid its cost when sold	(1,482,455)	(1,401,525)	(1,230,722)	(1,159,527)
Purchase discount	(572,934)	(569,934)	(488,335)	(485,336)
Total inventories - net	12,875,130	12,572,202	10,485,683	10,249,853

5. Investment in associate

(Unit: Thousand Baht)

Company's name	Consolidated		Separate	
	financial statements		financial statements	
	Carrying amounts based on		Carrying amounts based on	
	equity method		cost method	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
OneStockHome Company Limited	33,000	-	33,000	-

In February 2022, the Company has entered into an agreement on share purchase and subscription with the current shareholders of OneStockHome Company Limited, a limited company incorporated in Thailand and is principally engaged in online sale and service. On 8 March 2022, the Company has paid Baht 33.0 million for 18,152 ordinary shares. On 28 March 2022, the Extraordinary General Meeting of Shareholders of this company passed a resolution the increase in its registered capital, and the Company planned to purchase another 19,641 shares for capital increase, amounting to Baht 35.7 million, as stipulated under the agreement. As a result, the Company's shareholding percentage in this company will be 30%.

6. Investment properties

Movements of the investment properties for the three-month period ended 31 March 2022 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2022	3,674,704	4,737,481
Acquisitions - at cost	2,695	2,695
Depreciation	(61,161)	(63,588)
Net book value as at 31 March 2022	3,616,238	4,676,588

7. Property, building and equipment

Movements of the property, building and equipment for the three-month period ended 31 March 2022 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2022	27,584,172	23,402,331
Acquisitions - at cost	382,589	359,660
Transfer from right-of-use assets - net book value	360	360
Disposals and written-off - net book value	(408)	(406)
Depreciation	(576,743)	(497,401)
Translation adjustment	(2,442)	-
Net book value as at 31 March 2022	<u>27,387,528</u>	<u>23,264,544</u>

8. Right-of-use assets

Movements of the right-of-use assets for the three-month period ended 31 March 2022 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2022	6,659,214	5,656,479
Additions - at cost	294,999	294,999
Transfer to property, building and equipment - net book value	(360)	(360)
Depreciation	(110,975)	(91,640)
Translation adjustment	(789)	-
Net book value as at 31 March 2022	<u>6,842,089</u>	<u>5,859,478</u>

9. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Bills of exchange - Baht	-	0.58	-	1,000,000	-	1,000,000
Bills of exchange -						
Foreign currency	3.01 - 3.43	3.01 - 3.44	197,573	231,829	-	-
Total short-term loans from financial institutions			197,573	1,231,829	-	1,000,000

As at 31 March 2022, the Group had overdraft lines from banks totaling Baht 370 million and MYR 2.5 million (31 December 2021: Baht 340 million and MYR 2.5 million) (The Company only: Baht 340 million 31 December 2021: Baht 310 million) and other credit facilities totaling Baht 12,222 million, USD 23 million and MYR 85 million (31 December 2021: Baht 11,937 million, USD 40 million and MYR 70 million) (The Company only: Baht 11,990 million and USD 23 million 31 December 2021: Baht 11,704 million and USD 40 million).

10. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Trade accounts payable	11,765,551	12,253,471	10,067,063	10,743,269
Other payables	493,674	603,917	444,128	533,278
Other payables for purchase of assets	178,921	242,453	165,961	237,205
Accrued expenses	647,551	872,778	590,753	796,593
Total trade and other payables	13,085,697	13,972,619	11,267,905	12,310,345

11. Lease liabilities

Movements of lease liabilities for the three-month period ended 31 March 2022 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
As at 1 January 2022	5,112,730	4,654,433
Additions	294,999	294,999
Increase from amortisation of deferred interest in the period	42,160	38,768
Payments	(252,291)	(236,395)
Translation adjustment	(822)	-
As at 31 March 2022	5,196,776	4,751,805
Less: current portion	(239,348)	(195,285)
Lease liabilities - net of current portion	4,957,428	4,556,520

12. Long-term loan

			(Unit: Thousand Baht)	
			Consolidated financial statements	
Loan	Interest rate (percent per annum)	Repayment schedule	31 March 2022	31 December 2021
1	COF* + 1.10	Monthly repayment since April 2019 to February 2025	60,905	61,608
2	COF* + 0.80	Monthly repayment since April 2022 to March 2027	124,075	-
Total long-term loans			184,980	61,608
Less: Current portion			(85,720)	(61,608)
Long-term loans - net of current portion			99,260	-

* The Bank's cost of fund ("COF")

Movement of the long-term loans for the three-month period ended 31 March 2022 are summarised below:

	(Unit: Thousand Baht)
	Consolidated
	financial statements
Balance as at 1 January 2022	61,608
Additional borrowings	122,273
Translation adjustment	1,099
Balance as at 31 March 2022	184,980

Long-term loans denominated in MYR were loan facilities granted by two overseas financial institutions for Home Product Center (Malaysia) Sdn. Bhd., the Company's 100% owned subsidiary. The loans were secured by a 100% corporate guarantee provided by the Company. The loan agreements contained covenants as specified in the agreements that, among other things, require the subsidiary to maintain a certain debt to equity ratio and the Company to maintain its shareholding, directly or indirectly, in the subsidiary of no less than 51% for the loan no. 1 and require the consolidated financial statement of the Company to maintain a certain debt to equity ratio for the loan no. 2.

As at 31 March 2022, long-term loan amounted to Baht 61 million (31 December 2021: Baht 62 million), of which on 22 April 2020, the subsidiary received a letter of consent allowing for a moratorium on principal repayment commencing from May 2020 to October 2020 and an extension of principal repayment for another 6 months. Subsequently, on 14 October 2021, the subsidiary received a letter of consent allowing for a moratorium on principal repayment commencing from November 2021 to April 2022 and an extension of principal repayment for another 6 months. The debt to equity ratio of the subsidiary was not in compliance with the conditions prescribed in the agreement. Therefore, the Group presented the balance of long-term loan as current liabilities in the consolidated financial statements. However, the Group is currently in negotiation with the bank on modification and amendment of the contractual conditions.

13. Debentures

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	31 March 2022	31 December 2021
Debentures	12,320,000	12,320,000
Less: Deferred interest	(212,839)	(255,735)
Debentures - net	12,107,161	12,064,265
Less: Current portion of debentures	(6,238,528)	(3,120,897)
Debentures - net of current portion	5,868,633	8,943,368

Such debentures contain certain covenants and restrictions regarding the maintenance of debt to equity ratio, restriction on dividend payment and disposal and transfer of assets.

14. Revenue from contracts with customers**Disaggregated revenue information**

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended 31 March		For the three-month periods ended 31 March	
	2022	2021	2022	2021
Type of goods or service:				
Sale of goods related to houses and residences	15,581,406	14,911,652	13,414,183	12,882,746
Renovation and improvement services	86,500	61,121	86,500	61,121
Installation, maintenance and other services	93,031	79,633	87,034	73,481
Total revenue from contracts with customers	15,760,937	15,052,406	13,587,717	13,017,348
Timing of revenue recognition:				
Revenue recognised at a point in time	15,674,437	14,991,285	13,501,217	12,956,227
Revenue recognised over time	86,500	61,121	86,500	61,121
Total revenue from contracts with customers	15,760,937	15,052,406	13,587,717	13,017,348

Set out below, is a reconciliation of the revenue from contracts with customers with financial information classified by source of revenue.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month		For the three-month	
	periods ended 31 March		periods ended 31 March	
	2022	2021	2022	2021
Revenue from external customers	15,750,317	15,039,455	13,468,402	12,918,611
Revenue from related parties	121,451	105,354	119,315	98,737
	15,871,768	15,144,809	13,587,717	13,017,348
Eliminations	(110,831)	(92,403)	-	-
Total revenue from contracts with customers	15,760,937	15,052,406	13,587,717	13,017,348

15. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Company's Board of Directors.

The Group are principally engaged in the trading of a complete range of goods and materials for construction, addition, refurbishment, renovation, and improvement of buildings, houses, and residences place, and provision for related services to retail and wholesale business, together with space rental and provide utilities service (as having revenue and/or operating profit and/or assets less than 10% of total revenue and/or total operating profit and/or total assets of all segments, which do not meet the quantitative thresholds as set out in the financial reporting standard).

Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment.

16. Commitments and contingent liabilities

16.1 Capital commitment

As at 31 March 2022 and 31 December 2021, the Company had capital commitments with several companies relating to the construction of retail stores. The obligations of construction are subject to the retail stores expansion and construction plan of each period determined by the management.

16.2 Rental lease commitment - as a lessee

As at 31 March 2022, the Company had future lease payments required under non-cancellable lease contracts that have not yet commenced amounting to Baht 402 million (31 December 2021: Baht 701 million).

16.3 Service commitments and land and building rental commitments

- a) The Company has entered into the inventory management services agreement with a subsidiary. Under the conditions of the agreement, the Company is to pay the monthly service fee at a percentage of the subsidiary's actual cost, as stipulated in the agreement.
- b) The Company has entered into an agreement to provide administrative services and inventory management services to a subsidiary. Under the conditions of the agreements, the Company receives monthly services fee at a percentage of sales, and a percentage of the actual cost, as stipulated in the agreements.
- c) The Company has entered into land lease agreements with a subsidiary. The terms of the agreements are 3 years. Under the conditions of the agreements, the Company receives monthly rental fees at rates stipulated in the agreements. The agreements are non-cancelable, except with the consent of the counterparties.

16.4 Long-term lease agreements - as a lessor

As at 31 March 2022 and 31 December 2021, the Company has entered into 5 agreements with 4 companies to lease and/or sub-lease parts of its premises in 5 branches for the periods between 18 to 30 years, with a total of rental received in advance amounting Baht 572 million. The terms of the agreements are ended in the year 2033 to the year 2039. The Company recognised this income systematically on a straight-line basis over the lease periods which are the useful lives of the leaseholds.

As at 31 March 2022, the outstanding balance of rental received in advance, net of recognised rental income was Baht 254 million (31 December 2021: Baht 259 million).

16.5 Guarantees

- a) As at 31 March 2022, the Group has outstanding bank guarantees of Baht 176 million and MYR 1 million (31 December 2021: Baht 163 million and MYR 1 million) (The Company only: Baht 146 million, 31 December 2021: Baht 134 million) issued by banks on behalf of the Group in respect of guarantees provided for leasing, purchases of goods or hire of work, and as bonds with State Enterprise. The bank guarantee of Baht 29 million and MYR 1 million (31 December 2021: Baht 29 million and MYR 1 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 31 March 2022, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 1.0 million and CNY 3.8 million (31 December 2021: USD 0.8 million and CNY 4.7 million).
- c) As at 31 March 2022, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 130 million (31 December 2021: Baht 280 million and MYR 103 million) to financial institutions.

16.6 Litigation

As at 31 March 2022 and 31 December 2021, the Group has legal cases for a total claimed amount of Baht 5.0 million (The Company only: Baht 2.6 million) which are currently being considered by the Court. The legal department of the Company believes that the outcome of these cases will not have significant effect to the Company. As such, the Company has not set aside any amount of provision in the financial statements.

16.7 Forward contracts

As at 31 March 2022 and 31 December 2021, forward contracts outstanding are summarised below.

Consolidated and Separate financial statements					
As at 31 March 2022					
Foreign currency	Bought amount	Sold Amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(Baht per 1 foreign currency unit)		
USD	14	-	32.40 - 33.26	-	Within August 2022
CNY	68	-	5.11 - 5.21	-	Within August 2022

Consolidated and Separate financial statements					
As at 31 December 2021					
Foreign currency	Bought	Sold	Contractual exchange rate		Contractual maturity date
	amount	Amount	Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
USD	3	-	32.73 - 33.57	-	Within July 2022
CNY	30	-	5.20 - 5.25	-	Within July 2022

17. Financial Instrument

Fair value of financial instruments

Since the majority of the Group's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value except debentures are not expected to be materially different from the amounts presented in the statements of financial position. The estimated fair value of debentures, in comparison with the related amount carried in the statement of financial position, is as follows:

(Unit: Million Baht)

	Consolidated and separate financial statements			
	31 March 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Debentures	12,107	12,163	12,064	12,161

18. Events after the reporting period

On 8 April 2022, the Annual General Meeting of the Company's shareholders passed a resolution to approve the dividend payment from the operation result of July 2021 to December 2021. The dividend will be paid by cash at the rate of Baht 0.20 per share or in the total amount not exceeding Baht 2,630.24 million. The payment of cash dividend shall be made within 6 May 2022. As the Board of Director Meeting of the Company held on 31 August 2021 has the resolution to approve interim dividend payment from the operation result of January 2021 to June 2021 to the shareholders as cash at Baht 0.12 per share. The interim dividend was paid on 28 September 2021. As a result, total dividend per share for the year 2021 is Baht 0.32 per share.

19. Approval of interim financial information

This interim financial information was authorised for issue by the Company's authorised directors on 25 April 2022.