

Home Product Center Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month period ended 31 March 2018

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 2018 the Company and its subsidiaries have a total of 103 branches (31 December 2017: 102 branches) (The Company only: 85 branches, 31 December 2017: 84 branches).

1.2 Basis of preparation of interim financial statements

These interim financial statements are 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 statements are 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. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 Basis of consolidation

These consolidated interim financial statements include the financial statements of Home Product Center Public Company Limited and its subsidiaries ("the Group") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2017. During the current period, there was no change in the structure of the Group.

1.4 New financial reporting standards

(a) Financial reporting standards that became effective in the current year

During the period, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standard that will become effective in the future

During the period, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019. Key principles of this standard are summarized below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when it is adopted.

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2017.

2. Related party transactions

During the periods, the Company and its subsidiaries 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 Company and those related parties.

(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		Pricing policy
		2018	2017	2018	2017	
<u>Transactions with subsidiary companies</u>						
(eliminated from the consolidated financial statements)						
Sales income		-	-	25,924	16,228	Actual cost plus margin
Rental and service income		-	-	68,232	64,395	Baht 3 million and Baht 20 million per month (2017: Baht 2 million and Baht 18 million per month)
Management service income		-	-	31,283	30,088	Actual cost and contract price
Service income		-	-	22,393	15,017	Actual cost and contract price
Interest income		-	-	38,503	41,044	4.50% per annum (2017: 4.50% and 4.75% per annum)
Service expense		-	-	96,613	84,659	Actual cost and contract price
Other expenses		-	-	3,762	4,837	Actual cost
Interest expenses		-	-	462	432	1.75% per annum
<u>Transactions with related companies</u>						
Sales income		6,831	7,037	6,831	7,037	Market price
Rental and service income		4,495	3,845	4,495	3,845	Contact price
Interest income		5,442	4,255	5,442	4,255	0.25% - 1.50% per annum (2017: 0.75% - 1.00% per annum)
Rental and service expenses		7,225	6,473	7,225	6,473	Percentage of revenue but not less than a minimum rate

As at 31 March 2018 and 31 December 2017, the Company and its subsidiaries had the outstanding balances with related parties which had been included in the following accounts in the statement of financial position:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽¹⁾	4,523,968	1,744,446	4,477,889	1,695,780
<u>Trade and other receivables</u>				
Subsidiaries	-	-	308,087	254,083
Related company ⁽¹⁾	674	609	674	609
Related company ⁽²⁾	2,837	3,918	2,617	3,875
Total	3,511	4,527	311,378	258,567
<u>Short-term loans to related parties</u>				
Subsidiaries	-	-	3,398,270	3,337,970
<u>Rental guarantee deposits</u>				
Related company ⁽¹⁾	3,000	3,000	3,000	3,000
<u>Trade and other payables</u>				
Subsidiaries	-	-	15,285	28,703
Related company ⁽¹⁾	3,666	1,743	3,666	1,743
Total	3,666	1,743	18,951	30,446
<u>Short-term loans from related party</u>				
Subsidiary	-	-	120,000	100,000

Relationship with the related companies

⁽¹⁾ has common major shareholders

⁽²⁾ the major shareholders

Short-term loans to related parties

As at 31 March 2018, the Company has granted unsecured loans of Baht 3,398 million (31 December 2017: Baht 3,338 million) to its subsidiaries on which interest is payable on a monthly basis at a rate of 4.50% per annum (31 December 2017: 4.50% 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 2018	Increase	Decrease	31 March 2018
Short-term loans to related parties				
Mega Home Center Company Limited	3,284,000	650,000	(610,000)	3,324,000
Home Product Center (Malaysia) Sdn. Bhd.	53,970	20,300	-	74,270
Total	3,337,970	670,300	(610,000)	3,398,270

Short-term loans from related party

As at 31 March 2018, the Company has received unsecured loans of Baht 120 million (31 December 2017: Baht 100 million) from Market Village Company Limited, the Company's 100% owned subsidiary, on which interest is payable on a monthly basis at a rate of 1.75% per annum (31 December 2017: 1.75% per annum). The loan is 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 2018	Increase	Decrease	31 March 2018
Short-term loans from related party				
Market Village Company Limited	100,000	20,000	-	120,000
Total	100,000	20,000	-	120,000

Directors and management's benefits

The Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(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	
	2018	2017	2018	2017
Short-term benefits	56,025	59,531	49,898	50,375
Post-employment benefits	1,719	830	1,482	590
Total	57,744	60,361	51,380	50,965

3. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
Trade accounts receivable	148,531	160,721	124,290	147,735
Other receivables	1,409,161	1,623,612	1,246,082	1,442,279
Income receivables	12,045	12,224	276,819	234,978
Total trade and other receivables	1,569,737	1,796,557	1,647,191	1,824,992

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2018	2017	2018	2017
Trade accounts receivable	70,858	42,293	53,289	38,475
Credit card and coupon receivable	80,732	121,487	74,060	112,319
Total	151,590	163,780	127,349	150,794
Less: Allowance for doubtful debts	(3,059)	(3,059)	(3,059)	(3,059)
Total trade accounts receivable - net	148,531	160,721	124,290	147,735

(Unaudited but reviewed)

The outstanding balances of trade accounts receivable as at 31 March 2018 and 31 December 2017 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Trade receivables				
Not yet due	140,848	157,353	109,057	138,890
Past due				
Up to 3 months	9,912	5,707	17,616	11,271
3 - 6 months	284	59	155	7
6 - 12 months	25	26	-	-
Over 12 months	521	635	521	626
Total	151,590	163,780	127,349	150,794
Less: Allowance for doubtful debts	(3,059)	(3,059)	(3,059)	(3,059)
Total trade receivables - net	148,531	160,721	124,290	147,735

Other receivables

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

The outstanding balances of other receivables as at 31 March 2018 and 31 December 2017 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Age of receivables				
Not yet due	762,487	764,644	701,297	678,110
Past due				
Up to 3 months	604,549	815,056	525,997	745,995
3 - 6 months	19,485	22,908	11,603	15,538
6 - 12 months	17,012	12,855	9,125	6,184
Over 12 months	33,992	36,608	24,582	23,036
Total	1,437,525	1,652,071	1,272,604	1,468,863
Less: Allowance for doubtful debts	(28,364)	(28,459)	(26,522)	(26,584)
Total other receivables - net	1,409,161	1,623,612	1,246,082	1,442,279

(Unaudited but reviewed)

4. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Inventories	12,828,276	13,097,419	10,166,627	10,533,532
Less: Reduce cost to net realisable value	(505,566)	(482,288)	(469,267)	(453,172)
Net	12,322,710	12,615,131	9,697,360	10,080,360
Less: Inventories - repaid its cost when sold	(1,991,419)	(1,816,936)	(1,612,239)	(1,462,457)
Purchase discount	(462,705)	(455,205)	(393,605)	(390,605)
Total inventories - net	9,868,586	10,342,990	7,691,516	8,227,298

5. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Prepaid expenses	134,066	138,380	103,508	102,855
Suspend input value added tax	41,267	36,586	36,145	34,276
Others	26,399	26,436	10,421	11,031
Total other current assets	201,732	201,402	150,074	148,162

6. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the three-month periods ended	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
			(Percent)	(Percent)				
Market Village Company Limited	5,000	5,000	100.00	100.00	5,000	5,000	-	-
Home Product Center (Malaysia) Sdn. Bhd.	437,177	437,177	100.00	100.00	437,177	437,177	-	-
Mega Home Center Company Limited	1,500,000	1,500,000	99.99	99.99	1,500,000	1,500,000	-	-
DC Service Center Company Limited	2,500	2,500	99.99	99.99	2,500	2,500	-	-
					1,944,677	1,944,677	-	-

7. Investment properties

Movements of the investment properties account during the three-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2018	2,814,481	3,991,343
Acquisitions - at cost	14,115	14,115
Disposals and written-off - net book value	(402)	(402)
Depreciation	(62,304)	(62,304)
Net book value as at 31 March 2018	<u>2,765,890</u>	<u>3,942,752</u>

8. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2018	29,422,471	23,482,818
Acquisitions - at cost	419,770	371,094
Disposals and written-off - net book value	(3,466)	(3,406)
Depreciation	(659,174)	(525,941)
Reversal of allowance for impairment of assets	5,000	5,000
Translation adjustment	1,591	-
Net book value as at 31 March 2018	<u>29,186,212</u>	<u>23,329,565</u>

Part of the land of the company were expropriated by the Royal Decree for expropriation of land in order to construct motorways which will pass through our 3 land plots. Currently the number of land plot and boundary line is still uncertain, it is on the process of setting the boundary line for the land to be expropriated between the Department of Highways and the Department of Lands. The Company reserved allowance for impairment loss on land and building Baht 32 million and Baht 20 million, respectively.

9. Computer software

Movements of the computer software account during the three-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2018	491,291	461,953
Acquisitions - at cost	15,978	15,978
Amortisation	(11,115)	(9,844)
Translation adjustment	3	-
Net book value as at 31 March 2018	496,157	468,087

10. Leasehold rights

Movements of the leasehold right account during the three-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2018	2,619,588	2,283,655
Acquisitions - at cost	219,687	163,587
Amortisation	(24,569)	(21,917)
Net book value as at 31 March 2018	2,814,706	2,425,325

11. Short-term loans from financial institutions

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Bill of exchange - Baht	-	1.70	-	145,000	-	-
Bill of exchange - MYR	4.30 - 5.05	3.66 - 4.81	294,780	196,137	-	-
Total short-term loans from financial institutions			294,780	341,137	-	-

As at 31 March 2018, the Company and its subsidiaries had overdraft lines from banks totaling Baht 305 million (31 December 2017: Baht 305 million) (Company only: Baht 275 million 31 December 2017: Baht 275 million) and other credit facilities totaling Baht 15,538 million and MYR 62 million (31 December 2017: Baht 14,470 million and MYR 38 million) (Company only: Baht 15,300 million 31 December 2017: Baht 14,220 million).

12. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Trade accounts payable	11,310,616	11,900,886	9,437,758	10,032,704
Other payables	483,503	644,417	415,803	562,717
Other payables for purchase of assets	366,185	140,376	320,243	79,433
Accrued expenses	966,498	1,399,254	871,503	1,220,634
Total trade and other payables	<u>13,126,802</u>	<u>14,084,933</u>	<u>11,045,307</u>	<u>11,895,488</u>

13. Long-term loans

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Long-term loans - Baht	3.59 and 3.71	3.59 and 3.71	400,000	400,000	400,000	400,000
Long-term loans - COF + 1.10*	COF + 1.10*	COF + 1.10*	111,752	111,168	-	-
MYR						
Total long-term loans			511,752	511,168	400,000	400,000
Less: Current portion of long-term loans			(300,000)	(300,000)	(300,000)	(300,000)
Long-term loans - net of current portion			<u>211,752</u>	<u>211,168</u>	<u>100,000</u>	<u>100,000</u>

* The Bank's cost of fund ("COF") plus 1.10% per annum.

- a) Long-term loans in Baht are unsecured long-term credit facilities from a financial institution, comprising two loans agreements. Payment of interest is scheduled on a quarterly basis and payment of principal is scheduled in installments, every 6 months. Full repayment is to be made within 10 installments or within 60 months after first principal draw down. The loan agreements contain covenants as specified in the agreements that, among other things, require the Company to maintain certain debt to equity ratio according to the agreements.
- b) Long-term loans in MYR are loan facilities from an overseas financial institution of Home Product Center (Malaysia) Sdn. Bhd., the Company's 100% owned subsidiary. Payment of interest and principal is scheduled on a monthly basis. Full repayment is to be made within seven years after first principal drawdown. The first installment of the principal is to commence on the 25th month from the first principal drawdown. The loans are secured by a 100% corporate guarantee provided by the Company, together with the requirement to maintain the Company's shareholding directly or indirectly, of the subsidiary at not less than 51%. The loan agreements contain covenants as specified in the agreements that, among other things, require the subsidiary to maintain certain debt to equity ratio according to the agreements.

14. Debentures

					Consolidated and separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					31 March	31 December	31 March	31 December
					2018	2017	2018	2017
No.	Interest rate per annum	Age	Repayment	Maturity				
<u>Unsubordinated and unsecured debentures</u>								
No. 5/2014	Fixed rate 3.47%	5 years	At maturity	26 December 2019	1,000,000	1,000,000	1,000,000	1,000,000
No. 1/2015	Fixed rate 3.05%	3 years	At maturity	24 February 2018	-	1,000,000	-	1,000,000
No. 2/2015	Fixed rate 2.25%	3 years	At maturity	15 September 2018	2,500,000	2,500,000	2,500,000	2,500,000
No. 1/2016	Fixed rate 2.10%	3 years	At maturity	5 August 2019	2,700,000	2,700,000	2,700,000	2,700,000
No. 2/2016	Fixed rate 2.25%	3 years	At maturity	14 October 2019	3,000,000	3,000,000	3,000,000	3,000,000
No. 1/2017	Fixed rate 2.48%	3 years	At maturity	27 April 2020	4,000,000	4,000,000	4,000,000	4,000,000
No. 1/2018	Fixed rate 2.00%	3 years	At maturity	16 February 2021	2,000,000	-	2,000,000	-
Total					15,200,000	14,200,000	15,200,000	14,200,000
Less: Current portion of debentures							(2,500,000)	(3,500,000)
Debentures - net of current portion							12,700,000	10,700,000

Movements in debentures account during the three-month period ended 31 March 2018 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Balance as at 1 January 2018	14,200,000
Add: Issuance of debentures during the period	2,000,000
Less: Redemption of debentures during the period	(1,000,000)
Balance as at 31 March 2018	15,200,000

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.

15. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2018 and 2017 are made up as follows:

	(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	
	2018	2017	2018	2017
Current income tax:				
Interim corporate income tax charge	293,067	253,194	291,592	251,394
Deferred tax:				
Relating to origination and reversal of temporary differences	(8,055)	(4,057)	(6,377)	(2,469)
Income tax expenses reported in the statement of comprehensive income	285,012	249,137	285,215	248,925

16. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods		For the three-month periods	
	ended 31 March		ended 31 March	
	2018	2017	2018	2017
Profit for the period (Thousand Baht)	1,248,474	1,046,227	1,221,799	1,044,968
Weighted average number of ordinary shares (Thousand shares)	13,151,198	13,151,198	13,151,198	13,151,198
Earnings per share (Baht/share)	0.09	0.08	0.09	0.08

17. 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 Company and its subsidiaries 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 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.

Geographic information

Sales income from external customers is based on locations of the Company and its subsidiaries which are summarised as follow.

	(Unit: Million Baht)	
	For the three-month periods ended 31 March	
	2018	2017
Sales income from external customers		
Thailand	14,544	14,132
Malaysia	331	139
Total	<u>14,875</u>	<u>14,271</u>

	(Unit: Million Baht)	
	As at	
	31 March 2018	31 December 2017
Non-current assets (other than deferred tax assets)		
Thailand	35,064	35,127
Malaysia	381	391
Total	<u>35,445</u>	<u>35,518</u>

Major customers

For the three-month periods ended 31 March 2018 and 2017, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

18. Commitments and contingent liabilities**18.1 Capital commitment**

The Company and its subsidiaries 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. In addition, the Company has capital commitments relating to expand center warehouse amounting to Baht 399 million.

18.2 Operating lease commitments - as a lessee

- a) The Company and its subsidiaries have entered into land lease agreements. The terms of the agreements are generally between 15 to 30 years and they are non-cancelable, except with the consent of the counterparties.

Future minimum lease payments required under these operating leases contracts were as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Payable:				
In up to 1 year	125	123	114	112
In over 1 and up to 5 years	552	538	493	480
In over 5 years	3,523	3,355	2,915	2,743

- b) The Company and its subsidiaries have entered into lease agreements to lease commercial space. The terms of the agreements are generally between 3 to 30 years and they are non-cancelable, except with the consent of the counterparties.

Future minimum lease payments required under these operating leases contracts were as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Payable:				
In up to 1 year	162	154	111	107
In over 1 and up to 5 years	520	479	408	402
In over 5 years	882	768	766	768

18.3 Long-term service commitments and 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 agreements to provide administrative services to two subsidiaries and inventory management services to one subsidiary. Under the conditions of the agreements, the Company receives monthly services fee at a percentage of sales, rental and service income, and a percentage of the actual cost, as stipulated in the agreements.
- c) The Company has entered into land lease agreements and an agreement to lease commercial space including related services with two subsidiaries. The terms of the agreements are 3 and 30 years. Under the conditions of the agreements, the Company receives monthly rental and service fees at rates stipulated in the agreements. The agreements are non-cancelable, except with the consent of the counterparties.

18.4 Long-term lease agreements - as a lessor

As at 31 March 2018, the Company has entered into 8 agreements (31 December 2017: 8 agreements) with 4 companies (31 December 2017: 4 companies) to lease and/or sub-lease parts of its premises in 7 branches (31 December 2017: 7 branches) for the periods between 18 to 30 years, with a total of rental received in advance amounting Baht 649 million (31 December 2017: Baht 649 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 2018, the outstanding balance of rental received in advance, net of recognised rental income was Baht 376 million (31 December 2017: Baht 382 million).

18.5 Guarantees

- a) As at 31 March 2018, there were outstanding bank guarantees of Baht 158 million and MYR 2 million (31 December 2017: Baht 145 million) (The Company only: Baht 132 million, 31 December 2017: Baht 132 million) issued by banks on benefit of the Company and its subsidiaries in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise. The bank guarantee of Baht 26 million (31 December 2017: Baht 13 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 31 March 2018, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 3 million and CNY 1 million (31 December 2017: USD 2 million and CNY 2 million).
- c) As at 31 March 2018, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 116 million (31 December 2017: Baht 280 million and MYR 76 million) to financial institutions.

18.6 Litigation

- a) As at 31 March 2018, the Company has legal cases for a total claimed amount of Baht 6 million (31 December 2017: Baht 4 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.
- b) In April 2015, the local officials who are responsible for one of the branches of the Company were sued in Administrative Court by local entrepreneurs regarding issuance of license to local businesses. In such case, the Company has filed an interpleader action and became a party in the lawsuit in order to preserve the Company's right. The Company submitted statement to the court that the use of the land by the Company was neither against nor violated the ministerial regulations governing central city planning, building control law, city planning law, and other related laws. However, the legal department of the Company viewed that the Company has proceeded according to the law and believes that the outcome of the case would be in the favour of the Company. The case is currently under the consideration of the Administrative Court.

18.7 Foreign exchange contracts

As at 31 March 2018 and 31 December 2017 foreign exchange contracts outstanding are summarised below

Consolidated and Separate financial statements					
As at 31 March 2018					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(Baht per 1 foreign currency unit)		
USD	1	-	31.31 - 32.14	-	Within July 2018

Consolidated and Separate financial statements					
As at 31 December 2017					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(Baht per 1 foreign currency unit)		
USD	2	-	32.42 - 33.05	-	Within June 2018

19. Events after the reporting period

On 9 April 2018, the Annual General Meeting of the Company's shareholders passed the resolutions to approve the dividend payment from the operation result of July 2017 to December 2017 of the separate financial statement, by cash at the rate of Baht 0.18 per share or in the total amount not exceeding Baht 2,367.22 million. The payment of cash dividend shall be made within 8 May 2018.

As the Board of Director Meeting of the Company held on 29 August 2017 has the resolution to approve interim dividend payment to the shareholders as cash at Baht 0.13 per share. The interim dividend was paid on 27 September 2017. As a result, total dividend per share for the year 2017 is Baht 0.31 per share.

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 23 April 2018.