

Home Product Center Public Company Limited and its subsidiaries
Notes to consolidated financial statements
For the year ended 31 December 2018

1. 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, and the provision of services relevant to retail business, space rental and related services. Its registered address is at 31 Prachachuennonthaburi Rd., Bangkhen, Amphoe Muang, Nonthaburi.

As at 31 December 2018, the Company and its subsidiaries have a total of 108 branches (2017: 102 branches) (The Company only: 90 branches, 2017: 84 branches).

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Home Product Center Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2018	2017
			Percent	Percent
Market Village Company Limited	Management of leasing space together with provision of facilities services	Thailand	100.00	100.00
Home Product Center (Malaysia) Sdn. Bhd.	Retailing of home improvement products as One Stop Shopping	Malaysia	100.00	100.00
Mega Home Center Company Limited	Retailing and wholesaling of construction and home improvement products	Thailand	99.99	99.99
DC Service Center Company Limited	Warehousing and distribution service	Thailand	99.99	99.99

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary company is translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represents the portion of profit or loss and net assets of the subsidiaries that is not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

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

During the year, 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 standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
IFRIC 13 (revised 2017)	Customer Loyalty Programmes
IFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
IFRIC 18 (revised 2017)	Transfers of Assets from Customers

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 recognised 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.

The management of the Company and its subsidiaries is currently evaluating the impact of the standard following the five-step model as mentioned above, including revenue recognition of delivery service and installation service, the Company and its subsidiaries have determined that revenue from sales of goods, and delivery service and installation service should be separately recognised. Revenue from sales of goods should be recognised at the point of time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue from delivery service should be recognised when the service has been completed and revenue from installation service should be recognised over time. In addition, delivery expenses should be reclassified to cost of service, instead of selling and distribution expenses as in the previous, in order to comply with revenue from delivery service.

(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sale of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Sales of goods - Customer loyalty programmes

The Company and its subsidiaries operate a loyalty programme which allows customers to accumulate points when they purchase products in the Company and its subsidiaries' retail stores. The points can then be redeemed for discount of goods purchase in the future. Certain sales consideration is allocated to the points issued, at their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed and the Company and its subsidiaries fulfill their obligations.

Vendors income

The Company and its subsidiaries have agreements with vendors as normal business practice, for volume-related allowances, and sale promotion campaign and marketing allowances. Vendors income is recognised when all obligations are met and can be measured reliably based on the terms of the contract. Portion of vendors income is recognised as a reduction in cost of sales and inventory. Uncollected amount are presented in the statements of financial position as "Other receivables" or otherwise are offset with "Trade account payables" depending on the condition in the contracts.

Rental and service income

Rental and service income are recognised proportionately over the term of the lease and service agreements.

Rendering of other services

Other service revenue is recognised when services have been rendered.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

Dividends are recognised when the right to receive the dividends is established.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

4.4 Inventories

Inventories are valued at the lower of cost (weighted average method) and net realisable value.

Volume incentives received from the supplier are accounted for as a reduction of the value of inventories and recognised in profit or loss when the related inventories are sold.

4.5 Investments

Investments in subsidiaries are accounted for in the separated financial statements using the cost method.

4.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated economic useful lives of 3 - 37 years. No depreciation is provided on land and assets under installation and under construction. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

4.7 Property, buildings and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of buildings and equipment is calculated by reference to their costs, on the straight-line basis over the following estimated economic useful lives:

Buildings	-	20 - 30 years
Buildings on lease land and building improvement	-	useful lives but not over lease periods
Computer equipment	-	1 - 10 years
Furniture, fixtures and office equipment	-	3 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and under construction.

An item of property, buildings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in the profit or loss when the asset is derecognised.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Intangible assets

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets (computer software) with finite lives are amortised on a systematic basis over the economic useful life (10 years) and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

4.10 Leasehold rights

Leasehold rights are stated at cost less accumulated amortisation and allowance for loss on impairment of assets (if any). The Company and its subsidiaries amortise leasehold rights on a straight-line basis over the leasehold period.

The amortisation expense is charged to profit or loss.

4.11 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.12 Long-term leases

Leases of property, buildings or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the assets.

Leases of property, buildings or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

4.13 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.14 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, buildings and equipment, investment properties, other intangible assets and leasehold rights whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.15 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Employee Joint Investment Program (EJIP)

The Company has established an Employee Joint Investment Program (EJIP). The program is monthly contributed by eligible employees and by the Company to EJIP participant. The details of the program are as described in Note 22 to the financial statements. The Company's contributions are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company and its subsidiaries, and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

Defined benefit plans

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

4.16 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.17 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventories

The determination of allowance for diminution in the value of inventories with regard to lost, damaged or obsolete inventories, requires management to make judgements and estimates. This requires detailed analysis of the product life cycle, useful life of each type of inventory, the competitive environment, economic circumstances and the situation within the industry.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Investment properties and property, buildings and equipment/Depreciation

In determining depreciation of investment properties, and building and equipment, the management is required to make estimates of the useful lives and salvage values of the Company and its subsidiaries' investment properties, and building and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review investment properties and property, buildings and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, 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 its subsidiaries and those related parties.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2018	2017	2018	2017	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	159,421	79,817	Actual cost plus margin
Rental and service income	-	-	273,369	268,734	Baht 3 million and Baht 19 million per month (2017: Baht 3 million and Baht 19 million)
Management service income	-	-	87,072	118,336	Actual cost and contract price
Service income	-	-	105,169	62,109	Actual cost and contract price
Service expense	-	-	375,650	317,161	Actual cost and contract price
Other expenses	-	-	11,327	16,957	Actual cost
Interest income	-	-	116,174	152,059	3.00% and 4.50% per annum (2017: 4.50% and 4.75 per annum)
Interest expenses	-	-	2,048	1,750	1.75 % per annum
<u>Transactions with related companies</u>					
Sales income	34,815	36,952	34,815	36,952	Market price
Rental and service income	20,293	17,744	20,293	17,744	Contract price
Interest income	25,426	24,366	25,426	24,366	0.25% - 1.50% per annum (2017: 0.25% - 0.80% per annum)
Rental and service expenses	23,219	23,796	23,219	23,796	Percentage of revenue but not less than a minimum rate

As at 31 December 2018 and 2017, the Company had the outstanding balances with related parties which had been included in the following accounts:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽¹⁾	5,498,732	1,744,446	5,437,262	1,695,780
<u>Trade and other receivables</u>				
Subsidiaries	-	-	398,212	254,083
Related company ⁽¹⁾	553	609	553	609
Related company ⁽²⁾	8,306	3,918	8,256	3,875
Total	8,859	4,527	407,021	258,567

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<u>Short-term loans to related parties</u>				
Subsidiaries	-	-	2,870,000	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	-	-	40,739	28,703
Related company ⁽¹⁾	1,753	1,743	1,753	1,743
Total	1,753	1,743	42,492	30,446
<u>Short-term loan from related party</u>				
Subsidiary	-	-	139,134	120,000

Relationship with the related companies

⁽¹⁾ has common major shareholders⁽²⁾ the major shareholders**Short-term loans to related parties**

As at 31 December 2018, the Company has granted unsecured loans of Baht 2,870 million (2017: Baht 3,338 million) to its subsidiaries on which interest is payable on a monthly basis at a rate of 3.00% per annum (2017: 4.50% per annum). The loans are repayable at call. Movements in the balance of the loans during the year were as follow:

(Unit: Thousand Baht)

	Separate financial statements			Balance as at 31 December 2018
	Balance as at 1 January 2018	During the year		
		Increase	Decrease	
<u>Short-term loans to related parties</u>				
Mega Home Center Company Limited	3,284,000	3,850,000	(4,264,000)	2,870,000
Home Product Center (Malaysia) Sdn. Bhd.	53,970	20,300	(74,270)	-
Total	3,337,970	3,870,300	(4,338,270)	2,870,000

The decrease of short-term loans to Home Product Center (Malaysia) Sdn. Bhd. during the year was resulted from debt restructuring program as described in Note 11.

Short-term loan from related party

As at 31 December 2018, the Company has received unsecured loan of Baht 139 million (2560: Baht 100 million) from its subsidiary on which interest is payable on a monthly basis at a rate of 1.75% per annum. The loan is repayable at call. Movement in the balance of the loan during the year was as follow:

(Unit: Thousand Baht)

	Separate financial statements			Balance as at 31 December 2018
	Balance as at 1 January 2018	During the year		
		Increase	Decrease	
Short-term loan from related party				
Market Village Company Limited	100,000	159,134	(120,000)	139,134

Directors and management's benefits

During the year ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	Short-term benefits	190,718	196,927	180,505
Post-employment benefits	12,651	5,660	11,701	4,613
Total	203,369	202,587	192,206	183,025

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	Cash	260,665	241,676	206,766
Bank deposits	1,597,087	623,237	1,416,515	415,347
Fixed deposits	4,380,000	1,640,000	4,380,000	1,640,000
Total	6,237,752	2,504,913	6,003,281	2,239,065

As at 31 December 2018, bank deposits in saving accounts and fixed deposits carried interests between 0.125% - 1.40% per annum (2017: between 0.25% - 1.00% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Trade accounts receivable	286,232	160,721	268,133	147,735
Other receivables	1,701,295	1,623,612	1,561,933	1,442,279
Income receivables	11,092	12,224	343,934	234,978
Total trade and other receivables	1,998,619	1,796,557	2,174,000	1,824,992

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Trade accounts receivable	97,915	42,293	84,068	38,475
Credit card and coupon receivable	188,667	121,487	184,415	112,319
Total	286,582	163,780	268,483	150,794
Less: Allowance for doubtful debts	(350)	(3,059)	(350)	(3,059)
Total trade accounts receivable - net	286,232	160,721	268,133	147,735

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade receivables</u>				
Not yet due	258,802	157,353	222,522	138,890
Past due				
Up to 3 months	27,061	5,707	45,537	11,271
3 - 6 months	104	59	6	7
6 - 12 months	222	26	49	-
Over 12 months	393	635	369	626
Total	286,582	163,780	268,483	150,794
Less: Allowance for doubtful debts	(350)	(3,059)	(350)	(3,059)
Total trade receivables - net	286,232	160,721	268,133	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 December 2018 and 2017 are aged as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Age of receivables				
Not yet due	831,659	764,644	759,189	678,110
Past due				
Up to 3 months	852,623	815,056	787,095	745,995
3 - 6 months	9,898	22,908	8,726	15,538
6 - 12 months	10,294	12,855	9,599	6,184
Over 12 months	13,856	36,608	12,324	23,036
Total	1,718,330	1,652,071	1,576,933	1,468,863
Less: Allowance for doubtful debts	(17,035)	(28,459)	(15,000)	(26,584)
Total other receivables - net	<u>1,701,295</u>	<u>1,623,612</u>	<u>1,561,933</u>	<u>1,442,279</u>

9. Inventories

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Inventories	13,048,131	13,097,419	10,645,848	10,533,532
Less: Reduce cost to net realisable value	(545,407)	(482,288)	(510,302)	(453,172)
Net	12,502,724	12,615,131	10,135,546	10,080,360
Less: Inventories - repaid its cost when sold	(1,812,970)	(1,816,936)	(1,440,945)	(1,462,457)
Purchase discount	(444,305)	(455,205)	(387,605)	(390,605)
Inventories - net	<u>10,245,449</u>	<u>10,342,990</u>	<u>8,306,996</u>	<u>8,227,298</u>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 151 million (2017: Baht 158 million) (The Company only: Baht 126 million, 2017: Baht 136 million), to reflect the net realisable value. This was included in administrative expenses. In addition, the Company and its subsidiaries

reversed the write-down of cost of inventories by Baht 88 million (2017: Baht 86 million) (The Company only: Baht 69 million, 2017: Baht 73 million), and reduced the amount of inventories recognised as expenses during the year.

10. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Prepaid expenses	105,554	138,380	78,217	102,855
Suspend input value added tax	62,491	36,586	60,163	34,276
Others	11,966	26,436	10,266	11,031
Total other current assets	180,011	201,402	148,646	148,162

11. Investments in subsidiaries

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

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2018	2017	2018	2017	2018	2017	2018	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.	514,469	437,177	100.00	100.00	514,469	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	-	-
					2,021,969	1,944,677	-	-

During the year, the significant changes in investments in subsidiaries are as follows.

Home Product Center (Malaysia) Sdn. Bhd.

On 1 December 2018, Home Product Center (Malaysia) Sdn. Bhd., the Company's 100% owned subsidiary, passed a resolution to enter into debt restructuring program by converting its principal of short-term loans from the Company amounting Baht 74 million and related accrued interest at Baht 3 million, totaling Baht 77 million (MYR 10 million) in exchange with the subsidiary's ordinary shares at the same amount ("the transaction"). Upon the completion of the transaction, the registered capital of the subsidiary would be increased from Baht 437 million (MYR 49 million) to Baht 514 million (MYR 59 million). However, the Company's proportionate holding in the equity of the subsidiary did not change from the transaction. The subsidiary completed its regulatory process of the transaction on 1 December 2018.

12. Investment properties

The net book value of investment properties as at 31 December 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land and land improvement	Buildings and equipment	Assets under installation and under construction	Total
31 December 2018				
Cost	150,000	4,107,487	-	4,257,487
Less: Accumulated depreciation	-	(1,645,414)	-	(1,645,414)
Net book value	150,000	2,462,073	-	2,612,073
31 December 2017				
Cost	150,000	4,057,121	1,721	4,208,842
Less: Accumulated depreciation	-	(1,394,361)	-	(1,394,361)
Net book value	150,000	2,662,760	1,721	2,814,481

(Unit: Thousand Baht)

	Separate financial statements			
	Land and land improvement	Buildings and equipment	Assets under installation and under construction	Total
31 December 2018				
Cost	992,980	4,107,487	-	5,100,467
Less: Accumulated depreciation	-	(1,645,414)	-	(1,645,414)
Net book value	992,980	2,462,073	-	3,455,053
31 December 2017				
Cost	1,326,862	4,057,121	1,721	5,385,704
Less: Accumulated depreciation	-	(1,394,361)	-	(1,394,361)
Net book value	1,326,862	2,662,760	1,721	3,991,343

A reconciliation of the net book value of investment properties for the years 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Net book value at beginning of year	2,814,481	3,046,951	3,991,343	3,889,931
Additions	53,192	52,587	53,192	52,587
Transfer from property, buildings and equipment - at cost	-	-	-	333,882
Transfer to property, buildings and equipment - at cost	-	-	(333,882)	-
Disposals and written-off - net book value	(1,410)	(425)	(1,410)	(425)
Depreciation charged	(254,190)	(284,632)	(254,190)	(284,632)
Net book value at end of year	<u>2,612,073</u>	<u>2,814,481</u>	<u>3,455,053</u>	<u>3,991,343</u>

The fair value of the investment properties as at 31 December 2018 and 2017 stated below:

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Land and buildings	5,847	5,205	5,847	5,205
Land	-	-	843	1,177

As at 31 December 2018 and 2017, the fair values of investment properties have been determined using the following approach.

- Land have been determined based on acquisition cost. The management believes that there are no material differences between the book value and its fair value.
- The fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land and buildings has been determined using the income approach. Key assumptions used in the valuation include yield rate, inflation rate, occupancy rate and long-term growth in real rental rates.

13. Property, buildings and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2017	8,197,965	25,352,237	593,527	7,344,104	72,688	1,003,998	42,564,519
Additions	333,882	220,098	60,571	346,023	440	1,562,975	2,523,989
Disposals and written-off	-	(35,956)	(13,304)	(109,201)	(529)	(162)	(159,152)
Transfers in (out)	-	2,191,248	155	77,455	-	(2,268,858)	-
Translation adjustment	-	646	55	600	-	537	1,838
31 December 2017	8,531,847	27,728,273	641,004	7,658,981	72,599	298,490	44,931,194
Additions	26,111	92,986	58,332	262,365	9,963	2,048,251	2,498,008
Disposals and written-off	-	(47,968)	(13,373)	(116,522)	(2,588)	(697)	(181,148)
Transfers in (out)	-	628,860	426	48,294	-	(677,580)	-
Translation adjustment	-	(7,361)	(574)	(7,839)	-	(717)	(16,491)
31 December 2018	8,557,958	28,394,790	685,815	7,845,279	79,974	1,667,747	47,231,563
Accumulated depreciation:							
1 January 2017	-	7,429,215	485,693	4,971,931	50,519	-	12,937,358
Depreciation for the year	-	1,623,411	65,594	944,658	8,251	-	2,641,914
Depreciation on disposals and written-off	-	(34,301)	(12,929)	(106,324)	(505)	-	(154,059)
Translation adjustment	-	108	32	240	-	-	380
31 December 2017	-	9,018,433	538,390	5,810,505	58,265	-	15,425,593
Depreciation for the year	-	1,717,220	64,074	827,770	5,850	-	2,614,914
Depreciation on disposals and written-off	-	(26,257)	(13,291)	(113,250)	(2,155)	-	(154,953)
Translation adjustment	-	(1,625)	(428)	(4,255)	-	-	(6,308)
31 December 2018	-	10,707,771	588,745	6,520,770	61,960	-	17,879,246
Allowance for impairment loss:							
1 January 2017	41,430	46,020	-	-	-	-	87,450
Decrease during the year	-	(4,320)	-	-	-	-	(4,320)
31 December 2017	41,430	41,700	-	-	-	-	83,130
Decrease during the year	(30,000)	(28,000)	-	-	-	-	(58,000)
31 December 2018	11,430	13,700	-	-	-	-	25,130
Net book value:							
31 December 2017	8,490,417	18,668,140	102,614	1,848,476	14,334	298,490	29,422,471
31 December 2018	8,546,528	17,673,319	97,070	1,324,509	18,014	1,667,747	29,327,187
Depreciation for the year							
2017 (Baht 2,525 million included in selling expenses, and the balance in administrative expenses)							2,641,914
2018 (Baht 2,482 million included in selling expenses, and the balance in administrative expenses)							2,614,914

Separate financial statements							
	Land and land improvement	Buildings and building improvement	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
1 January 2017	7,205,484	21,253,247	548,025	6,351,923	71,910	920,312	36,350,901
Additions	333,882	162,693	47,054	212,964	440	1,014,528	1,771,561
Disposals and written-off	-	(35,956)	(12,855)	(107,687)	(529)	(162)	(157,189)
Transfer to investment properties	(333,882)	-	-	-	-	-	(333,882)
Transfers in (out)	-	1,706,610	-	16,255	-	(1,722,865)	-
31 December 2017	7,205,484	23,086,594	582,224	6,473,455	71,821	211,813	37,631,391
Additions	26,111	47,416	55,408	230,462	9,963	1,965,698	2,335,058
Disposals and written-off	-	(14,569)	(13,298)	(115,347)	(2,588)	(697)	(146,499)
Transfer to investment properties	333,882	-	-	-	-	-	333,882
Transfers in (out)	-	501,644	426	48,294	-	(550,364)	-
31 December 2018	7,565,477	23,621,085	624,760	6,636,864	79,196	1,626,450	40,153,832
Accumulated depreciation:							
1 January 2017	-	6,991,275	459,511	4,561,558	49,852	-	12,062,196
Depreciation for the year	-	1,365,126	53,297	729,454	8,140	-	2,156,017
Depreciation on disposals and written-off	-	(34,301)	(12,802)	(105,162)	(505)	-	(152,770)
31 December 2017	-	8,322,100	500,006	5,185,850	57,487	-	14,065,443
Depreciation for the year	-	1,423,716	52,177	600,287	5,850	-	2,082,030
Depreciation on disposals and written-off	-	(9,000)	(13,229)	(112,194)	(2,155)	-	(136,578)
31 December 2018	-	9,736,816	538,954	5,673,943	61,182	-	16,010,895
Allowance for impairment loss:							
1 January 2017	41,430	46,020	-	-	-	-	87,450
Decrease during the year	-	(4,320)	-	-	-	-	(4,320)
31 December 2017	41,430	41,700	-	-	-	-	83,130
Decrease during the year	(30,000)	(28,000)	-	-	-	-	(58,000)
31 December 2018	11,430	13,700	-	-	-	-	25,130
Net book value:							
31 December 2017	7,164,054	14,722,794	82,218	1,287,605	14,334	211,813	23,482,818
31 December 2018	7,554,047	13,870,569	85,806	962,921	18,014	1,626,450	24,117,807
Depreciation for the year							
2017 (Baht 2,091 million included in selling expenses, and the balance in administrative expenses)							2,156,017
2018 (Baht 2,021 million included in selling expenses, and the balance in administrative expenses)							2,082,030

As at 31 December 2018, the Company and its subsidiaries had vehicles and equipment under finance lease agreements with net book values amounting to Baht 14 million (2017: Baht 10 million) (The Company only: Baht 14 million, 2017: Baht 8 million).

As at 31 December 2018, certain buildings and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 6,147 million (2017: Baht 4,220 million) (The Company only: Baht 5,798 million, 2017: Baht 4,167 million).

During the year 2016, parts of the land of the Company was expropriated under the Royal Decree governing land expropriation in order to construct a motorway that lies across 4 land plots of the Company. The Company reserved a provision for impairment loss on land and construction thereon amounting to Baht 32 million and Baht 20 million, respectively. Nevertheless, due to an unfair compensation, the Company submitted an appeal in writing regarding the compensation with the Central Administrative Court. In the year 2018, the appellate committee had proposed the new compensation amount for the expropriated land to the Company, but the Company determined that such compensation amount was not appropriate. Therefore, the Company filed an appeal with the Central Administrative Court again, seeking a new compensation amount for the expropriated land. However, the Company had accepted and received the compensation for the building on the expropriated land. The balance of the allowance for impairment loss on land as at 31 December 2018 amounted to Baht 2 million.

14. Computer software

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Cost		
1 January 2017	653,569	602,286
Acquisitions during the year	108,642	108,248
Translation adjustment	5	-
31 December 2017	<u>762,216</u>	<u>710,534</u>
Acquisitions during the year	86,203	86,203
Translation adjustment	(35)	-
31 December 2018	<u>848,384</u>	<u>796,737</u>
Accumulated amortisation		
1 January 2017	227,533	210,435
Amortisation for the year	43,391	38,146
Translation adjustment	1	-
31 December 2017	<u>270,925</u>	<u>248,581</u>
Amortisation for the year	94,445	89,295
Translation adjustment	(17)	-
31 December 2018	<u>365,353</u>	<u>337,876</u>
Net book value		
31 December 2017	<u>491,291</u>	<u>461,953</u>
31 December 2018	<u>483,031</u>	<u>458,861</u>

15. Leasehold rights

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
1 January 2017	3,059,168	2,754,819
Acquisitions during the year	198,069	147,828
Written-off	(501)	(501)
31 December 2017	3,256,736	2,902,146
Acquisitions during the year	454,612	398,491
Written-off	-	-
31 December 2018	3,711,348	3,300,637
Accumulated amortisation		
1 January 2017	541,746	532,709
Amortisation for the year	95,903	86,283
Amortisation on written-off	(501)	(501)
31 December 2017	637,148	618,491
Amortisation for the year	100,943	89,668
Amortisation on written-off	-	-
31 December 2018	738,091	708,159
Net book value		
31 December 2017	2,619,588	2,283,655
31 December 2018	2,973,257	2,592,478

16. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	2018	2017	2018	2017	2018	2017
Bill of exchange - Baht	-	1.70	-	145,000	-	-
Bill of exchange - Foreign currency	4.20 - 5.06	3.66 - 4.81	340,177	196,138	-	-
Total short-term loans from financial institutions			340,177	341,138	-	-

As at 31 December 2018, the Company and its subsidiaries had overdraft lines from banks totaling Baht 305 million (2017: Baht 305 million) (The Company only Baht 275 million 2017: Baht 275 million) and other credit Facilities totaling Baht 15,785 million and MYR 56 million (2017: Baht 14,470 million and MYR 38 million) (The Company only: Baht 15,548 million 2017: Baht 14,220 million).

17. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Trade accounts payable	12,151,245	11,900,886	10,537,042	10,032,704
Other payables	614,885	644,417	553,199	562,717
Other payables for purchase of assets	389,262	140,376	387,631	79,433
Accrued expenses	1,215,138	1,399,254	1,107,523	1,220,634
Total trade and other payables	<u>14,370,530</u>	<u>14,084,933</u>	<u>12,585,395</u>	<u>11,895,488</u>

18. Liabilities under financial lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements			
	Portion due within one year		Portion due over one year	
	2018	2017	2018	2017
Liabilities under financial lease agreements	4,966	5,276	10,924	6,500
Less: Deferred interest expense	(699)	(512)	(793)	(775)
Net	<u>4,267</u>	<u>4,764</u>	<u>10,131</u>	<u>5,725</u>

(Unit: Thousand Baht)

	Separate financial statements			
	Portion due within one year		Portion due over one year	
	2018	2017	2018	2017
Liabilities under financial lease agreements	4,966	2,551	10,924	6,500
Less: Deferred interest expense	(699)	(457)	(793)	(775)
Net	<u>4,267</u>	<u>2,094</u>	<u>10,131</u>	<u>5,725</u>

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles and equipment for use in their operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 to 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2018			
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	4,966	10,924	15,890
Deferred interest expenses	(699)	(793)	(1,492)
Present value of future minimum lease payments	4,267	10,131	14,398

(Unit: Thousand Baht)

Consolidated financial statements			
31 December 2017			
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	5,276	6,500	11,776
Deferred interest expenses	(512)	(775)	(1,287)
Present value of future minimum lease payments	4,764	5,725	10,489

(Unit: Thousand Baht)

Separate financial statements			
31 December 2018			
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	4,966	10,924	15,890
Deferred interest expenses	(699)	(793)	(1,492)
Present value of future minimum lease payments	4,267	10,131	14,398

(Unit: Thousand Baht)

Separate financial statements			
31 December 2017			
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	2,551	6,500	9,051
Deferred interest expenses	(457)	(775)	(1,232)
Present value of future minimum lease payments	2,094	5,725	7,819

19. Long-term loans

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	2018	2017	2018	2017	2018	2017
Long-term loans - Baht	3.59	3.59 and 3.71	100,000	400,000	100,000	400,000
Long-term loan - MYR	COF + 1.10*	COF + 1.10*	107,639	111,168	-	-
Total long-term loans			207,639	511,168	100,000	400,000
Less: Current portion of long-term loans			(207,639)	(300,000)	(100,000)	(300,000)
Long-term loans - net of current portion			-	211,168	-	100,000

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

Movement of the long - term loan account during the year ended 31 December 2018 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2018	511,168	400,000
Less: Repayment	(300,000)	(300,000)
Unrealised gain on exchange	(3,259)	-
Balance as at 31 December 2018	207,639	100,000

- a) Long-term loans in Baht are unsecured long-term credit facilities from a financial institution, comprising one loan agreement (2017: 2 loan 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 agreement contain covenants as specified in the agreement that, among other things, require the Company to maintain certain debt to equity ratio according to the agreement.

b) Long-term loan 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 7 years after first principal drawdown. The first installment of the principal is to commence on the 25th month from the first principal drawdown. The loan is 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 agreement contains covenants as specified in the agreement that, among other things, require the subsidiary to maintain certain debt to equity ratio according to the agreement. As at 31 December 2018, debt to equity ratio of the subsidiary is not in compliance with the condition prescribed in the agreement. The subsidiary, therefore presented the balance of long-term loan as current liabilities in the consolidated financial statements. However, the subsidiary is negotiating with the bank to amend the condition.

20. Debentures

No.	Interest rate per annum	Age	Repayment	Maturity	Consolidated and separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					2018	2017	2018	2017
<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
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	-
No. 2/2018	Fixed rate 2.55%	2 years	At maturity	19 October 2020	2,000,000	-	2,000,000	-
No. 3/2018	Fixed rate 3.00%	3 years	At maturity	22 October 2021	2,000,000	-	2,000,000	-
Total					<u>16,700,000</u>	<u>14,200,000</u>	<u>16,700,000</u>	<u>14,200,000</u>
Less: Current portion of debentures							<u>(6,700,000)</u>	<u>(3,500,000)</u>
Debentures - net of current portion							<u>10,000,000</u>	<u>10,700,000</u>

Movements in debentures account during the period ended 31 December 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 year	6,000,000
Less: Redemption of debentures during the year	<u>(3,500,000)</u>
Balance as at 31 December 2018	<u>16,700,000</u>

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.

21. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Provision for long-term employee benefits				
at beginning of year	262,236	185,734	234,406	165,307
Included in profit or loss:				
Current service cost	35,355	40,177	29,440	35,046
Interest cost	9,519	7,366	8,602	6,704
Past service costs	56,949	-	53,972	-
Included in other comprehensive income:				
Demographic assumptions changes	-	2,115	-	1,939
Financial assumptions changes	-	24,034	-	23,722
Experience adjustments	-	33,571	-	32,403
Actuarial loss	-	59,720	-	58,064
Benefits paid during the year	(23,946)	(30,781)	(18,334)	(30,715)
Provision for long-term employee benefits at				
end of year	340,113	262,236	308,086	234,406

As at 31 December 2018, the Company and its subsidiaries expect to pay Baht 30 million of long-term employee benefits during the next year (2017: Baht 27 million) (The company only: Baht 26 million, 2017: Baht 24 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 11 years (2017: 11 years) (The Company only: 11 years 2017: 11 years).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Discount rate	3.0%	3.0%	3.0%	3.0%
Salary increase rate	6.0% - 6.5%	6.0% - 6.5%	6.0% - 6.5%	6.0% - 6.5%
Turnover rate (depending on age)	0 - 40%	0 - 40%	0 - 35%	0 - 35%

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate				
31 December 2018	(14)	15	(13)	14
31 December 2017	(11)	12	(10)	11

(Unit: million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Salary increase rate				
31 December 2018	37	(32)	34	(29)
31 December 2017	17	(30)	16	(27)

(Unit: million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Turnover rate (depending on age)				
31 December 2018	(28)	33	(24)	30
31 December 2017	(18)	22	(16)	19

On 13 December 2018, the National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits. The Company and its subsidiaries have recorded the effect of the change by recognising past service costs as expenses immediately in the income statement.

22. The Employee Joint Investment Program (EJIP)

The significant details of the Employee Joint Investment Program (EJIP) are as follow:

The Company eligible under EJIP	Home Product Center Public Company Limited
The Period of EJIP	1 July 2013 to 30 June 2018, with a total duration of 5 years.
Eligible employees under EJIP	Employees at Division Manager or equivalent level on the voluntary basis. Directors and advisors of the Company are exclude from this program.
EJIP arrangement	The Company will make deduction from the payroll of eligible employees who voluntarily join the EJIP, at the rate 5% of the salary of each month. The Company will contribute 100% of the amount contributed by EJIP participants on a monthly basis.
EJIP buying schedule	Monthly basis.
Conditions for holding the securities	During the 1st year - 3rd year, employee cannot sell any shares After the 3rd year, employee can sell 75% of shares accumulated* After the 4th year, employee can sell 75% of shares accumulated* After the 5th year, employee can sell all shares
EJIP program manager	Phillip Securities Public Company Limited

* Previous conditions: After the 3rd year, employee can sell 25% of shares accumulated and after the 4th year, employee can sell 50% of shares accumulated. The new conditions have been effective starting from 15 June 2017 onwards.

On 11 June 2013, the Company received the approval of Employee Joint Investment Program (EJIP) from Securities and Exchange Commission (SEC).

The Company eligible under EJIP	Home Product Center Public Company Limited
The Period of EJIP	1 July 2018 to 30 June 2023, with a total duration of 5 years.
Eligible employees under EJIP	Employees at Division Manager or equivalent level on the voluntary basis. Directors and advisors of the Company are exclude from this program.
EJIP arrangement	The Company will make deduction from the payroll of eligible employees who voluntarily join the EJIP, at the rate 5% of the salary of each month. The Company will contribute 100% of the amount contributed by EJIP participants on a monthly basis.
EJIP buying schedule	Monthly basis.
Conditions for holding the securities	During the 1st year - 3rd year, employee cannot sell any shares After the 3rd year, employee can sell 25% of shares accumulated After the 4th year, employee can sell 50% of shares accumulated After the 5th year, employee can sell all shares
EJIP program manager	Phillip Securities Public Company Limited

On 5 June 2018, the Company received the approval of Employee Joint Investment Program (EJIP) from Securities and Exchange Commission (SEC).

During the year 2018, the Company contributed Baht 30 million to the program (2017: Baht 28 million).

23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

During the year 2017, the Company has set aside statutory reserve at Baht 55 million. At present, the statutory reserve has fully been set aside.

24. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Salaries and wages and other employee benefits	4,624	4,526	4,045	3,956
Premises expenses	1,855	1,801	1,612	1,603
Depreciation and amortisation	3,064	3,066	2,515	2,565
Sales promotion and operation support expenses	3,699	3,607	3,349	3,278
Financial costs	400	448	381	435
Tax expenses and fees	1,443	1,230	1,415	1,210
Changes in finished goods	34	749	(137)	400

25. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current income tax:				
Current income tax charge	1,306,127	1,110,131	1,299,177	1,106,348
Adjustment in respect of income tax of previous year	(299)	(11,046)	(292)	(10,895)
Adjustment in loss on income tax of previous year	(1,015)	(2,333)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	4,702	3,618	(3,049)	6,080
Income tax expenses reported in the statement of comprehensive income	1,309,515	1,100,370	1,295,836	1,101,533

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2017	2016
Deferred tax on actuarial loss	-	(11,944)	-	(11,613)

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	6,922,138	5,986,758	6,779,013	5,899,818
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	1,384,428	1,197,352	1,355,803	1,179,964
Adjustment in respect of income tax of previous year	(299)	(11,046)	(292)	(10,895)
Adjustment in loss on income tax of previous year	(1,015)	(2,333)	-	-
Unused tax loss which has not recognised as deterred tax assets	18,043	15,886	-	-
Effects of:				
Change in value of investment accounted for the equity method	475	538	-	-
Non-deductible expenses	33,183	29,926	27,956	25,974
Additional expense deductions allowed	(125,911)	(130,011)	(88,235)	(93,568)
Others	611	58	604	58
Total	(91,642)	(99,489)	(59,677)	(67,536)
Income tax expenses reported in the statement of comprehensive income	1,309,515	1,100,370	1,295,836	1,101,533

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax assets				
Allowance for doubtful accounts	3,430	6,242	3,070	5,929
Purchase discount	88,862	91,041	77,521	78,121
Allowance for asset impairment	8,792	16,626	8,792	16,626
Provision for long-term employee benefits	68,022	52,446	61,617	46,881
Deferred purchase discount	9,481	7,740	9,380	7,674
Unused tax loss	149	11,221	-	-
Provision	7,300	4,400	2,300	4,400
Others	-	6	-	-
Deferred tax assets	<u>186,036</u>	<u>189,722</u>	<u>162,680</u>	<u>159,631</u>

As at 31 December 2018, the Company and its subsidiaries have deductible temporary differences and unused tax losses totaling Baht 584 million (2017: Baht 503 million) (The Company only: Baht 510 million, 2017: Baht 453 million). No deferred tax assets have been recognised on these amounts as the Company and its subsidiaries believe that the temporary differences and unused tax losses may not be utilised.

26. Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Profit for the year (Thousand Baht)	5,612,624	4,886,387	5,483,177	4,798,285
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)	0.43	0.37	0.42	0.36

27. 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, and the provision of services relevant to retail and wholesale business, space rental and services (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)

	2018	2017
Sales income from external customers		
Thailand	60,116	58,964
Malaysia	1,465	924
Total	<u>61,581</u>	<u>59,888</u>
Non-current assets (other than deferred tax assets)		
Thailand	35,276	35,127
Malaysia	343	391
Total	<u>35,619</u>	<u>35,518</u>

Major customers

For the years 2018 and 2017, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

28. Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and its subsidiaries and their employees contributed to the fund monthly at the rate of 3% - 5% of basic salary. The fund, which is managed by Land and Houses Fund Management Co., Ltd. will be paid to employees upon termination in accordance with the fund rules.

During the year 2018, the Company and its subsidiaries contributed Baht 87 million (2017: Baht 82 million) to the fund (The Company only: Baht 77 million, 2017: Baht 72 million).

29. Dividend paid

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2016	Annual General Meeting of the shareholders on 5 April 2017	1,973	0.15
Interim dividends for 2017	Board of Director's Meeting on 29 August 2017	1,709	0.13
Total		<u>3,682</u>	
Final dividends for 2017	Annual General Meeting of the shareholders on 9 April 2018	2,367	0.18
Interim dividends for 2018	Board of Director's Meeting on 28 August 2018	1,973	0.15
Total		<u>4,340</u>	

30. Commitments and contingent liabilities

30.1 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 142 million.

30.2 Operating lease commitments - as a lessee

- The Company and its subsidiaries have entered into land lease agreements. 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	
	2018	2017	2018	2017
Payable:				
In up to 1 year	138	125	124	114
In over 1 and up to 5 years	551	547	491	489
In over 5 years	3,573	3,463	2,977	2,851

- b) The Company and its subsidiaries have entered into lease agreements to lease commercial space, rental equipment and service agreements. 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 and services contracts were as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Payable:				
In up to 1 year	302	305	250	228
In over 1 and up to 5 years	912	893	825	812
In over 5 years	1,806	1,683	1,708	1,683

30.3 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. However, as at 1 January 2019, the lease agreement for commercial space including related services with a subsidiary has terminated. By the Company enter to manage the area.

30.4 Long-term lease agreements - as a lessor

As at 31 December 2018 and 2017, the Company has entered into 8 agreements with 4 companies to lease and/or sub-lease parts of its premises in 7 branches for the periods between 18 to 30 years, with a total of rental received in advance amounting 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 December 2018, the outstanding balance of rental received in advance, net of recognised rental income was Baht 359 million (2017: Baht 382 million).

30.5 Guarantees

- a) As at 31 December 2018, there were outstanding bank guarantees of Baht 147 million and MYR 1 million (2017: Baht 145 million) (The Company only: Baht 124 million, 2017: Baht 132 million) issued by banks on benefit of the Company and its subsidiary in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise. Bank guarantee of Baht 23 million and MYR 1 million (2017: Baht 13 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 31 December 2018, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 3 million and CNY 2 million (2017: USD 2 million and CNY 2 million).
- c) As at 31 December 2018, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 114million (2017: Baht 280 million and MYR 76 million) to financial institutions.

30.6 Litigation

- a) As at 31 December 2018, the Company has legal cases for a total claimed amount of Baht 5 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.

31. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were disclosed at fair value using different levels of inputs as follows:

	(Unit: Million Baht)			
	Consolidated Financial Statements			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Asset for which fair value are disclosed				
Investment properties	-	-	5,847	5,847
Liability for which fair value are disclosed				
Long-term loans	-	208	-	208
Debentures	-	16,741	-	16,741
				(Unit: Million Baht)
	Consolidated Financial Statements			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Asset for which fair value are disclosed				
Investment properties	-	-	5,205	5,205
Liability for which fair value are disclosed				
Long-term loans	-	512	-	512
Debentures	-	14,446	-	14,446
				(Unit: Million Baht)

	Separate Financial Statements			
	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Asset for which fair value are disclosed				
Investment properties	-	-	6,690	6,690
Liability for which fair value are disclosed				
Long-term loans	-	100	-	100
Debentures	-	16,741	-	16,741
				(Unit: Million Baht)
	Separate Financial Statements			
	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Asset for which fair value are disclosed				
Investment properties	-	-	6,382	6,382
Liability for which fair value are disclosed				
Long-term loans	-	401	-	401
Debentures	-	14,446	-	14,446

32. Financial instruments

32.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term borrowing, trade and other payables, short-term loans, long-term loans, and debentures. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and loans, as stated in the statements of financial position.

Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relate primarily to its deposits with financial institutions, loans and debentures. However, since the Company's and its subsidiaries' financial assets bear floating interest rates or bear fixed interest rates which are close to the market rate, and financial liabilities bear fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate, are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements						
As at 31 December 2018						
	Fixed interest rates		Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1 - 5 years				
Financial assets						
Cash and cash equivalents	4,380	-	1,206	652	6,238	0.125 - 1.40
Trade and other receivables	-	-	-	1,999	1,999	-
	<u>4,380</u>	<u>-</u>	<u>1,206</u>	<u>2,651</u>	<u>8,237</u>	
Financial liabilities						
Short-term loans from						
financial institutions	340	-	-	-	340	4.20 - 5.06
Trade and other payables	-	-	-	14,371	14,371	-
Liabilities under finance						
lease agreements	4	10	-	-	14	4.85 - 7.21
Long-term loans	100	-	108	-	208	3.59 and COF+1.10
Debentures	6,700	10,000	-	-	16,700	2.00 - 3.47
	<u>7,144</u>	<u>10,010</u>	<u>108</u>	<u>14,371</u>	<u>31,633</u>	

Consolidated financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1 - 5 years				
Financial assets						
Cash and cash equivalents	1,640	-	315	550	2,505	0.25 - 1.00
Trade and other receivables	-	-	-	1,797	1,797	-
	<u>1,640</u>	<u>-</u>	<u>315</u>	<u>2,347</u>	<u>4,302</u>	

Consolidated financial statements

As at 31 December 2017

	Fixed interest rates		Floating interest rate (Million Baht)	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1 - 5 years				
Financial liabilities						
Short-term loans from						
financial institutions	341	-	-	-	341	1.70 - 4.81
Trade and other payables	-	-	-	14,085	14,085	-
Liabilities under finance						
lease agreements	5	6	-	-	11	5.25 - 7.21
Long-term loans	300	100	111	-	511	3.59, 3.71 and COF +1.10
Debentures	3,500	10,700	-	-	14,200	2.10 - 3.47
	<u>4,146</u>	<u>10,806</u>	<u>111</u>	<u>14,085</u>	<u>29,148</u>	

Separate financial statements

As at 31 December 2018

	Fixed interest rates		Floating interest rate (Million Baht)	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1 - 5 years				
Financial assets						
Cash and cash equivalents	4,380	-	1,073	550	6,003	0.125 - 1.40
Trade and other receivables	-	-	-	2,174	2,174	-
Short-term loans to related parties	2,870	-	-	-	2,870	3.00
	<u>7,250</u>	<u>-</u>	<u>1,073</u>	<u>2,724</u>	<u>11,047</u>	
Financial liabilities						
Trade and other payables	-	-	-	12,585	12,585	-
Short-term loan from related party	139	-	-	-	139	1.75
Liabilities under finance						
lease agreements	4	10	-	-	14	4.85 - 7.21
Long-term loan	100	-	-	-	100	3.59
Debentures	6,700	10,000	-	-	16,700	2.00 - 3.47
	<u>6,943</u>	<u>10,010</u>	<u>-</u>	<u>12,585</u>	<u>29,478</u>	

Separate financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating interest rate (Million Baht)	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	Over 1 - 5 years				
Financial assets						
Cash and cash equivalents	1,640	-	157	442	2,239	0.25 - 1.00
Trade and other receivables	-	-	-	1,825	1,825	-
Short-term loans to related parties	3,338	-	-	-	3,338	4.50
	<u>4,978</u>	<u>-</u>	<u>157</u>	<u>2,267</u>	<u>7,402</u>	
Financial liabilities						
Trade and other payables	-	-	-	11,895	11,895	-
Short-term loan from related party	100	-	-	-	100	1.75
Liabilities under finance lease agreements	2	6	-	-	8	5.25 - 7.21
Long-term loan	300	100	-	-	400	3.59 and 3.71
Debentures	3,500	10,700	-	-	14,200	2.10 - 3.47
	<u>3,902</u>	<u>10,806</u>	<u>-</u>	<u>11,895</u>	<u>26,603</u>	

Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arise mainly from good purchase transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Consolidated financial statements / Separate financial statements						
Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Baht per 1 foreign currency unit)	<u>2017</u>
CNY	-	-	8	6	4.71	5.00
USD	-	-	-	1	32.40	32.64

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

Consolidated financial statements / Separate financial statements					
As at 31 December 2018					
Foreign currency	Bought	Sold	Contractual exchange rate		Contractual maturity date
	amount	amount	Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
USD	4	-	32.14 - 32.72	-	Within July 2019

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

32.2 Fair values of financial instruments

As at 31 December 2018 and 2017, the estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position, is as follows:

	(Unit: Million Baht)			
	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	6,238	6,238	6,003	6,003
Trade and other receivables	1,999	1,999	2,174	2,174
Short-term loans to related parties	-	-	2,870	2,870
Financial liabilities				
Short-term loans from financial institutions	340	340	-	-
Trade and other payables	14,371	14,371	12,585	12,585
Short-term loan from related party	-	-	139	139
Liabilities under finance lease agreements	14	14	14	14
Long-term loans	208	208	100	100
Debentures	16,700	16,741	16,700	16,741

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	2,505	2,505	2,239	2,239
Trade and other receivables	1,797	1,797	1,825	1,825
Short-term loans to related parties	-	-	3,338	3,338
Financial liabilities				
Short-term loans from financial institutions	341	341	-	-
Trade and other payables	14,085	14,085	11,895	11,895
Short-term loan from related party	-	-	100	100
Liabilities under finance lease agreements	11	11	8	8
Long-term loans	511	512	400	401
Debentures	14,200	14,446	14,200	14,446

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and deposit at financial institutions, accounts receivables and accounts payables, their carrying amounts in the statements of financial position approximate their fair values.
- b) For loans to and loans from carrying interest approximate to the market rate, their carrying amounts in the statements of financial position approximates their fair values.
- c) For fixed rate debentures, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- e) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies.

During the current period, there was no transfer within the fair value hierarchy.

33. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value.

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with a condition in the stipulations of long-term loans and debentures, which requires the Company to maintain a debt-to-equity ratio of not more than 2.50:1.

34. Events after the reporting period

34.1 In January and February 2019, the Company has granted unsecured loans of totaling Baht 1,030 million to a subsidiary on which interest at a rate of 3.00% per annum. The loans are repayable at call.

34.2 On 26 February 2019, the meeting of the Company's Board of Directors passed the resolution to propose to Annual General Meeting of the Company's shareholders for approval of dividend payment from operating results of July 2018 to December 2018. 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 8 May 2019. As the Company's Board of Directors Meeting held on 28 August 2018 has the resolution to approve interim dividend payment for the operating result for the period as from January 2018 to June 2018 to the shareholders as cash dividend of Baht 0.15 per share. The interim dividend was paid on 26 September 2018. As a result, total dividend per share for the year 2018 is Baht 0.35 per share.

35. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2019.