

Home Product Center Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and six-month periods ended 30 June 2019

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., Bangkokhen, Amphoe Muang, Nonthaburi.

As at 30 June 2019, the Company and its subsidiaries have a total of 109 branches (31 December 2018: 108 branches) (The Company only: 91 branches, 31 December 2018: 90 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 2018. 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 period

During the period, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Company’s and its subsidiaries’ financial statements. However, the new standard involves changes to key principles, which are 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
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 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.

(Unaudited but reviewed)

The Company and its subsidiaries adopted this financial reporting standard without any material affecting to the Company and its subsidiaries' financial statements. In addition, certain items in the statement of comprehensive income for the three-month and six-month periods ended 30 June 2018 have been reclassified as below, for comparison purpose without any affecting to net profit or shareholders' equity previously reported.

(Unit: Thousand Baht)

	Consolidated financial statements		
	Previous		
	<u>accounting policy</u>	<u>Reclassify</u>	<u>TFRS 15</u>
Statement of comprehensive income for the three-month period ended 30 June 2018			
Profit or loss:			
Rental and service income	444,807	106,224	551,031
Other income	575,273	(106,224)	469,049
Cost of sales	11,275,590	146,233	11,421,823
Cost of rental and service	-	365,518	365,518
Selling, distribution and service expenses	2,987,472	(516,234)	2,471,238
Administrative expenses	485,569	4,483	490,052

(Unit: Thousand Baht)

	Separate financial statements		
	Previous		
	<u>accounting policy</u>	<u>Reclassify</u>	<u>TFRS 15</u>
Statement of comprehensive income for the three-month period ended 30 June 2018			
Profit or loss:			
Rental and service income	389,602	103,761	493,363
Other income	565,889	(103,761)	462,128
Cost of sales	9,585,043	128,115	9,713,158
Cost of rental and service	-	328,520	328,520
Selling, distribution and service expenses	2,548,492	(488,783)	2,059,709
Administrative expenses	433,483	32,148	465,631

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements

	Previous		
	<u>accounting policy</u>	<u>Reclassify</u>	<u>TFRS 15</u>
Statement of comprehensive income for the six-month period ended 30 June 2018			
Profit or loss:			
Rental and service income	943,888	206,465	1,150,353
Other income	1,101,774	(206,465)	895,309
Cost of sales	22,159,829	284,989	22,444,818
Cost of rental and service	-	699,003	699,003
Selling, distribution and service expenses	5,950,458	(1,019,325)	4,931,133
Administrative expenses	906,697	35,333	942,030

(Unit: Thousand Baht)

Separate financial statements

	Previous		
	<u>accounting policy</u>	<u>Reclassify</u>	<u>TFRS 15</u>
Statement of comprehensive income for the six-month period ended 30 June 2018			
Profit or loss:			
Rental and service income	832,935	197,280	1,030,215
Other income	1,113,849	(197,280)	916,569
Cost of sales	18,787,836	248,455	19,036,291
Cost of rental and service	-	628,678	628,678
Selling, distribution and service expenses	5,094,199	(940,131)	4,154,068
Administrative expenses	805,645	62,998	868,643

(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company and its subsidiaries is currently evaluating the impact of this standard on 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 2018, and adoption of TFRS 15, *Revenue from Contracts with Customers*. (as described in Note 1.4 (a) to the interim consolidated financial statements.)

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 financial statements		Separate financial statements		Pricing policy
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		
	2019	2018	2019	2018	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	50,953	37,122	Cost plus margin
Rental and service income	-	-	10,498	68,310	Baht 3 million (2018: Baht 3 million and Baht 20 million per month)
Management service income	-	-	9,262	19,879	Contract price (2018: Actual cost and contract price)
Service income	-	-	33,817	22,206	Actual cost and contract price
Interest income	-	-	21,856	26,951	3.00% per annum (2018: 3.00% and 4.50% per annum)
Service expense	-	-	97,100	90,859	Actual cost and contract price
Other expenses	-	-	9,269	4,106	Actual cost
Interest expenses	-	-	-	524	1.75% per annum
<u>Transactions with related companies</u>					
Sales income	15,840	7,513	15,840	7,513	Market price
Rental and service income	4,452	4,612	4,452	4,612	Contract price
Interest income	18,794	6,565	18,794	6,565	0.25% - 1.60% per annum (2018: 0.25% - 1.40% per annum)
Rental and service expenses	7,252	5,339	7,252	5,339	Percentage of revenue but not less than a minimum rate

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	For the six-month periods		For the six-month periods		
	ended 30 June		ended 30 June		
	2019	2018	2019	2018	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	99,436	63,046	Cost plus margin
Rental and service income	-	-	20,995	136,542	Baht 3 million (2018: Baht 3 million and Baht 20 million per month)
Management service income	-	-	18,599	51,162	Contract price (2018: Actual cost and contract price)
Service income	-	-	66,674	44,599	Actual cost and contract price
Interest income	-	-	43,605	65,454	3.00% per annum (2018: 3.00% and 4.50% per annum)
Service expense	-	-	195,272	187,472	Actual cost and contract price
Other expenses	-	-	12,110	7,868	Actual cost
Interest expenses	-	-	180	986	1.75% per annum
Purchases of assets	-	-	4,719	-	Cost plus margin
<u>Transactions with related companies</u>					
Sales income	29,907	14,344	29,907	14,344	Market price
Rental and service income	9,522	9,107	9,522	9,107	Contract price
Interest income	35,639	12,007	35,639	12,007	0.25% - 1.60% per annum (2018: 0.25% - 1.50% per annum)
Rental and service expenses	12,582	12,564	12,582	12,564	Percentage of revenue but not less than a minimum rate

As at 30 June 2019 and 31 December 2018, 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	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽¹⁾	6,134,240	5,498,732	6,094,410	5,437,262

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
<u>Trade and other receivables</u>				
Subsidiaries	-	-	63,054	398,212
Related companies ⁽¹⁾	1,299	553	1,299	553
Related companies ⁽²⁾	6,123	8,306	6,067	8,256
Total	7,422	8,859	70,420	407,021
<u>Short-term loans to related party</u>				
Subsidiary	-	-	2,680,000	2,870,000
<u>Rental guarantee deposit</u>				
Related company ⁽¹⁾	3,000	3,000	3,000	3,000
<u>Trade and other payables</u>				
Subsidiaries	-	-	41,612	40,739
Related company ⁽¹⁾	1,739	1,753	1,739	1,753
Total	1,739	1,753	43,351	42,492
<u>Short-term loans from related party</u>				
Subsidiary	-	-	-	139,134

Relationship with the related companies

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

As at 30 June 2019, the Company has granted unsecured loans of Baht 2,680 million (31 December 2018: Baht 2,870 million) to its subsidiary on which interest is payable on a monthly basis at a rate of 3.00% per annum. The loans are repayable at call. Movements in the balance of the loans during the period were as follow:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	During the period		Balance as at
	1 January 2019	Increase	Decrease	30 June 2019
<u>Short-term loans to related party</u>				
Mega Home Center Company Limited	2,870,000	2,460,000	(2,650,000)	2,680,000

Short-term loan from related party

As at 31 December 2018, the Company has received unsecured loan of Baht 139 million (30 June 2019: Nil) 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 period was as follow:

(Unit: Thousand Baht)

	Separate financial statements			Balance as at 30 June 2019
	Balance as at 1 January 2019	During the year		
		Increase	Decrease	
Short-term loan from related party				
Market Village Company Limited	139,134	-	(139,134)	-

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 periods ended 30 June		For the three-month periods ended 30 June	
	2019	2018	2019	2018
Short-term benefits	62,928	61,281	60,235	60,819
Post-employment benefits	834	1,243	755	1,007
Total	63,762	62,524	60,990	61,826

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Short-term benefits	123,284	119,656	114,785	113,067
Post-employment benefits	1,667	2,487	1,510	2,014
Total	124,951	122,143	116,295	115,081

(Unaudited but reviewed)

3. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Trade accounts receivable	233,833	286,232	229,310	268,133
Other receivables	1,501,437	1,701,295	1,372,429	1,561,933
Income receivables	13,241	11,092	14,221	343,934
Total trade and other receivables	<u>1,748,511</u>	<u>1,998,619</u>	<u>1,615,960</u>	<u>2,174,000</u>

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Trade accounts receivable	75,949	97,915	82,466	84,068
Credit card and coupon receivable	157,923	188,667	146,883	184,415
Total	233,872	286,582	229,349	268,483
Less: Allowance for doubtful debts	(39)	(350)	(39)	(350)
Total trade accounts receivable - net	<u>233,833</u>	<u>286,232</u>	<u>229,310</u>	<u>268,133</u>

The outstanding balances of trade accounts receivable as at 30 June 2019 and 31 December 2018 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
<u>Trade receivables</u>				
Not yet due	217,602	258,802	194,927	222,522
Past due				
Up to 3 months	14,318	27,061	33,053	45,537
3 - 6 months	1,239	104	1,038	6
6 - 12 months	228	222	22	49
Over 12 months	485	393	309	369
Total	233,872	286,582	229,349	268,483
Less: Allowance for doubtful debts	(39)	(350)	(39)	(350)
Total trade receivables - net	<u>233,833</u>	<u>286,232</u>	<u>229,310</u>	<u>268,133</u>

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 30 June 2019 and 31 December 2018 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Age of receivables				
Not yet due	686,043	831,659	630,503	759,189
Past due				
Up to 3 months	792,741	852,623	725,701	787,095
3 - 6 months	14,911	9,898	11,394	8,726
6 - 12 months	13,009	10,294	10,248	9,599
Over 12 months	7,581	13,856	5,631	12,324
Total	1,514,285	1,718,330	1,383,477	1,576,933
Less: Allowance for doubtful debts	(12,848)	(17,035)	(11,048)	(15,000)
Total other receivables - net	1,501,437	1,701,295	1,372,429	1,561,933

4. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Inventories	13,298,040	13,048,131	10,827,758	10,645,848
Less: Reduce cost to net				
realisable value	(580,658)	(545,407)	(543,368)	(510,302)
Net	12,717,382	12,502,724	10,284,390	10,135,546
Less: Inventories - repaid its cost				
when sold	(1,915,950)	(1,812,970)	(1,513,411)	(1,440,945)
Purchase discount	(503,405)	(444,305)	(444,905)	(387,605)
Total inventories - net	10,298,027	10,245,449	8,326,074	8,306,996

(Unaudited but reviewed)

5. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Prepaid expenses	171,245	105,554	141,506	78,217
Suspend input value added tax	40,938	62,491	37,453	60,163
Others	8,737	11,966	6,769	10,266
Total other current assets	220,920	180,011	185,728	148,646

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 six-month periods ended	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	30 June 2018
			(Percent)	(Percent)				
Market Village Company Limited	5,000	5,000	100.00	100.00	5,000	5,000	-	-
Home Product Center (Malaysia) Sdn. Bhd.	516,843	514,469	100.00	100.00	516,843	514,469	-	-
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	-	-
					2,024,343	2,021,969	-	-

Home Product Center (Malaysia) Sdn. Bhd.

In March 2019, Home Product Center (Malaysia) Sdn. Bhd., the Company's 100.00% owned subsidiary, passed a resolution to increase its registered capital, from the existing registered capital of Baht 514.5 million (MYR 58.7 million) to Baht 516.8 million (MYR 59.0 million), and to call for share subscriptions payments from shareholders. The Company made a payment for the share subscription in the same month. The increase in the share capital of the subsidiary did not change the Company's proportionate holding in the equity of such subsidiary.

7. Investment properties

Movements of the investment properties account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Net book value as at 1 January 2019	2,612,073	3,455,053
Acquisitions - at cost	6,410	6,410
Disposals and written-off - net book value	(641)	(641)
Depreciation	(115,492)	(115,492)
Net book value as at 30 June 2019	<u>2,502,350</u>	<u>3,345,330</u>

8. Property, buildings and equipment

Movements of the property, buildings and equipment account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Net book value as at 1 January 2019	29,327,187	24,117,807
Acquisitions - at cost	977,508	979,052
Disposals and written-off - net book value	(18,910)	(18,904)
Depreciation	(1,229,151)	(1,006,695)
Reversal of allowance for impairment of assets	8,000	8,000
Translation adjustment	(14,577)	-
Net book value as at 30 June 2019	<u>29,050,057</u>	<u>24,079,260</u>

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, 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 received the compensation amount for the building on the expropriated land. The balance of the allowance for impairment loss on land as at 30 June 2019 and 31 December 2018 amounted to Baht 2 million.

(Unaudited but reviewed)

9. Computer software

Movements of the computer software account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	483,031	458,861
Acquisitions - at cost	58,201	58,254
Amortisation	(38,591)	(36,055)
Translation adjustment	(27)	-
Net book value as at 30 June 2019	<u>502,614</u>	<u>481,060</u>

10. Leasehold rights

Movements of the leasehold right account during the six-month period ended 30 June 2019 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	2,973,257	2,592,478
Acquisitions - at cost	110,757	53,157
Amortisation	(58,108)	(51,410)
Net book value as at 30 June 2019	<u>3,025,906</u>	<u>2,594,225</u>

11. Short-term loans from financial institutions

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
Bill of exchange -						
Foreign currency	4.02 - 4.82	4.20 - 5.06	<u>277,310</u>	<u>340,177</u>	<u>-</u>	<u>-</u>

As at 30 June 2019, the Company and its subsidiaries had overdraft lines from banks totaling 305 million and MYR 0.50 million (31 December 2018: Baht 305 million) (The Company only: Baht 275 million 31 December 2018: Baht 275 million) and other credit facilities totaling Baht 15,842 million and MYR 62 million (31 December 2018: Baht 15,785 million and MYR 56 million) (The Company only: Baht 15,605 million 31 December 2018: Baht 15,548 million).

12. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Trade accounts payable	12,638,727	12,151,245	10,804,502	10,537,042
Other payables	502,940	614,885	453,319	553,199
Other payables for purchase of assets	227,182	389,262	226,898	387,631
Accrued expenses	1,028,838	1,215,138	946,048	1,107,523
Total trade and other payables	14,397,687	14,370,530	12,430,767	12,585,395

13. Long-term loans

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
Long-term loan - Baht	-	3.59	-	100,000	-	100,000
Long-term loan - MYR	COF + 1.10*	COF + 1.10*	95,699	107,639	-	-
Total long-term loans			95,699	207,639	-	100,000
Less: Current portion of long-term loans			(95,699)	(207,639)	-	(100,000)
Long-term loans - net of current portion			-	-	-	-

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

Movement of the long - term loans account during period ended 30 June 2019 are summarised below:

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2019	207,639	100,000
Less: Repayment	(107,104)	(100,000)
Translation adjustment	(4,836)	-
Balance as at 30 June 2019	95,699	-

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 30 June 2019 and 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.

14. Debentures

No.	Interest rate per annum	Age	Repayment	Maturity	Consolidated and separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					30 June	31 December	30 June	31 December
					2019	2018	2019	2018
<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. 1/2016	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	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	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	2,000,000	2,000,000
Total					<u>16,700,000</u>	<u>16,700,000</u>	<u>16,700,000</u>	<u>16,700,000</u>
Less: Current portion of debentures							<u>(10,700,000)</u>	<u>(6,700,000)</u>
Debentures - net of current portion							<u>6,000,000</u>	<u>10,000,000</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.

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 and six-month periods ended 30 June 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 June		For the three-month periods ended 30 June	
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax charge	343,412	304,996	327,390	303,120
Deferred tax:				
Relating to origination and reversal of temporary differences	6,989	(886)	7,421	110
Income tax expenses reported in the statement of comprehensive income	350,401	304,110	334,811	303,230

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax charge	683,628	598,063	653,180	594,712
Deferred tax:				
Relating to origination and reversal of temporary differences	(3,018)	(8,941)	(4,038)	(6,267)
Income tax expenses reported in the statement of comprehensive income	680,610	589,122	649,142	588,445

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 ended 30 June		For the three-month periods ended 30 June	
	2019	2018	2019	2018
Profit for the period (Thousand Baht)	1,526,625	1,312,559	1,435,016	1,284,352
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)	0.12	0.10	0.11	0.10

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Profit for the period (Thousand Baht)	2,946,466	2,561,033	2,761,229	2,506,151
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)	0.22	0.19	0.21	0.19

17. Dividend paid

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2017	Annual General Meeting of the shareholders on 9 April 2018	2,367	0.18
Total		2,367	
Final dividends for 2018	Annual General Meeting of the shareholders on 9 April 2019	2,630	0.20
Total		2,630	

18. 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 30 June		For the six-month periods ended 30 June	
	2019	2018	2019	2018
Sales income from external customers				
Thailand	16,094	15,073	31,175	29,617
Malaysia	332	371	651	702
Total	16,426	15,444	31,826	30,319

(Unaudited but reviewed)

(Unit: Million Baht)

	As at	
	30 June 2019	31 December 2018
Non-current assets (other than deferred tax assets)		
Thailand	35,137	35,276
Malaysia	297	343
Total	<u>35,434</u>	<u>35,619</u>

Major customers

For the three-month and six-month periods ended 30 June 2019 and 2018, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

19. Commitments and contingent liabilities

19.1 Capital commitment

As at 30 June 2019, 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 95 million (31 December 2018: Baht 142 million).

19.2 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 financial statements		Separate financial statements	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Payable:				
In up to 1 year	142	138	127	124
In over 1 and up to 5 years	543	551	481	491
In over 5 years	3,509	3,573	2,921	2,977

(Unaudited but reviewed)

- 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 were as follows:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
Payable:				
In up to 1 year	291	302	248	250
In over 1 and up to 5 years	797	912	784	825
In over 5 years	1,631	1,806	1,631	1,708

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

19.4 Long-term lease agreements - as a lessor

As at 30 June 2019 and 31 December 2018, 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 30 June 2019, the outstanding balance of rental received in advance, net of recognised rental income was Baht 348 million (31 December 2018: Baht 359 million).

19.5 Guarantees

- a) As at 30 June 2019, there were outstanding bank guarantees of Baht 149 million and MYR 1 million (31 December 2018: Baht 147 million and MYR 1 million) (The Company only: Baht 126 million, 31 December 2018: Baht 124 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, and as bonds with State Enterprise. The bank guarantee of Baht 23 million and MYR 1 million (31 December 2018: Baht 23 million and MYR 1 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 30 June 2019, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 2 million and CNY 2 million (31 December 2018: USD 3 million and CNY 2 million).
- c) As at 30 June 2019 and 31 December 2018, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 114 million to financial institutions.

19.6 Litigation

- a) As at 30 June 2019, the Company has legal cases for a total claimed amount of Baht 1 million (31 December 2018: Baht 5 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.

19.7 Forward contracts

As at 30 June 2019 and 31 December 2018, forward contracts outstanding are summarised below.

Consolidated and Separate financial statements					
As at 30 June 2019					
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
(Baht per 1 foreign currency unit)					
USD	4	-	30.93 - 31.79	-	Within December 2019

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

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 26 July 2019.