

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 2020

1. General information

1.1 The Company's general information

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

As at 30 June 2020, the Group has a total of 113 branches (31 December 2019: 113 branches) (The Company only: 95 branches, 31 December 2019: 95 branches).

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 (COVID-19) pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the group operates. The Group has a temporary closure of branches in The Greater Bangkok and some provinces since 22 March 2020 until 16 May 2020 including partial of all branches in Malaysia since 18 March 2020 until 3 May 2020 as a preventive measure over the pandemic of COVID-19 virus of the Government. The Group's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

1.3 Basis of preparation of interim financial information

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

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

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

1.4 Basis of consolidation

This interim financial information includes the financial statements of Home Product Center Public Company Limited and its subsidiaries (“the Group”) and has been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2019. During the current period, there was no change in the structure of the Group.

1.5 New financial reporting standards that became effective in the current period

During the period, the Group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. 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 Group’s financial statements. However, the new standard involves 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.

These standards do not have any significant impact on the Group's financial statements.

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.

The Group adopted these financial reporting standards using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 2 to the interim consolidated financial statements.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Group has elected to apply the following temporary relief measures on accounting alternatives:

- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

1.6 Significant accounting policies

The interim financial information is prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2019 except the changes in accounting policies related to financial instruments and leases.

1.6.1 Financial instruments

Classification and measurement

Financial assets that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is driven by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial liabilities are classified and measured at amortised cost.

Derivatives are classified and measured at fair value through profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses on its financial assets measured at amortised cost, without requiring a credit-impaired event to have occurred prior to the recognition. The Group accounts for changes in expected credit losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables or contract assets that do not contain a significant financing component, the Group applies a simplified approach to determine the lifetime expected credit losses.

1.6.2 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

2. Cumulative effect of change in accounting policy due to the adoption of new financial reporting standard

As described in Note 1.5 to the interim consolidated financial statements, during the current period, the Group has adopted financial reporting standard related to financial instruments and TFRS 16 Leases. The cumulative effect of initially applying TFRS 16 is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated. The Group has elected to apply TFRS 16 to the leases previously classified as operating leases by recognition right-of-use assets as lease-by-lease basis. The carrying amount of the right-of-use assets at if the Standard had been applied since the commence date, but discounted using the lessee's incremental borrowing rate as at 1 January 2020.

The impacts on the beginning balance of retained earnings of 2020 from change in accounting policy due to the adoption of TFRS 16 are presented as follows:

(Unaudited but reviewed)

(Unit: Thousand Baht)

Consolidated financial statements

	31 December 2019	The impacts of TFRS 16	1 January 2020
Statement of financial position			
Assets			
Current assets			
Other current assets	176,118	(33,571)	142,547
Non-current assets			
Investment properties	2,425,151	352,161	2,777,312
Property, buildings and equipment	29,636,758	(15,028)	29,621,730
Right-of-use assets	-	6,529,147	6,529,147
Leasehold rights	3,169,422	(3,169,422)	-
Deferred tax assets	218,983	193,021	412,004
Liabilities and shareholders' equity			
Current liabilities			
Current portion of lease liabilities	3,474	281,980	285,454
Non-current liabilities			
Lease liabilities - net of current portion	12,156	4,383,802	4,395,958
Other non-current liabilities	694,379	(152,924)	541,455
Shareholders' equity			
Retained earnings - unappropriated	6,085,859	(656,550)	5,429,309

(Unit: Thousand Baht)

Separate financial statements

	31 December 2019	The impacts of TFRS 16	1 January 2020
Statement of financial position			
Assets			
Current assets			
Other current assets	148,254	(33,571)	114,683
Non-current assets			
Investment properties	3,268,131	352,161	3,620,292
Property, buildings and equipment	24,859,117	(15,028)	24,844,089
Right-of-use assets	-	5,715,435	5,715,435
Leasehold rights	2,745,597	(2,745,597)	-
Deferred tax assets	193,604	183,748	377,352

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements		
	The impacts of		
	31 December 2019	TFRS 16	1 January 2020
Liabilities and shareholders' equity			
Current liabilities			
Current portion of lease liabilities	3,474	242,948	246,422
Non-current liabilities			
Lease liabilities - net of current portion	12,156	3,982,162	3,994,318
Other non-current liabilities	635,284	(133,511)	501,773
Shareholders' equity			
Retained earnings - unappropriated	5,530,862	(634,451)	4,896,411

2.1 Financial instruments

As at 1 January 2020, the Group has not determined on what any financial assets at fair value through profit or loss or at fair value through other comprehensive income and no what any financial liabilities at fair value through profit or loss.

2.2 Leases

Upon initial application of TFRS 16, the Group recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Group recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Operating lease commitments as at 31 December 2019	6,384,231	5,695,841
Less: Short-term leases and leases of low-value assets	(11,606)	(9,929)
Add: Reverse of straight-line basis adjustment	152,924	133,511
Less: Others	(17,097)	(11,601)
Less: Deferred interest expenses	(1,842,670)	(1,582,712)
Increase in lease liabilities due to TFRS 16 adoption	4,665,782	4,225,110
Liabilities under finance lease agreements as at		
31 December 2019	15,630	15,630
Lease liabilities as at 1 January 2020	4,681,412	4,240,740

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Comprise of:		
Current lease liabilities	285,454	246,422
Non-current lease liabilities	4,395,958	3,994,318
	<u>4,681,412</u>	<u>4,240,740</u>

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Land and land improvement	2,185,741	1,838,823
Buildings and building improvement	1,511,117	1,468,148
Leasehold rights	3,169,422	2,745,597
Vehicles	15,028	15,028
Total	6,881,308	6,067,596
Less: Right-of-use assets - investment properties	(352,161)	(352,161)
Total right-of-use assets	<u>6,529,147</u>	<u>5,715,435</u>

3. Related party transactions

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		Pricing policy
	2020	2019	2020	2019	
Transactions with subsidiary companies					
(eliminated from the consolidated financial statements)					
Sales income	-	-	58,746	50,953	Cost plus margin
Rental and service income	-	-	11,096	10,498	Baht 3 million per month
Management service income	-	-	8,266	9,262	Actual cost and contract price
Service income	-	-	30,975	33,817	Actual cost and contract price
Interest income	-	-	16,476	21,856	3.00% per annum
Dividend income	-	-	14,999	-	As declared
Service expense	-	-	92,196	97,100	Actual cost and contract price
Other expenses	-	-	1,190	9,269	Actual cost

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	For the three-month		For the three-month		
	periods ended 30 June		periods ended 30 June		
	2020	2019	2020	2019	
<u>Transactions with related companies</u>					
Sales income	11,255	21,887	9,907	16,924	Market price
Rental and service income	3,305	5,396	2,955	4,706	Contract price
Interest income	7,251	19,044	6,858	18,794	0.15% - 0.90% per annum (2019: 0.25% - 1.60% per annum)
Rental and service expenses	2,905	13,116	2,905	13,116	Percentage of revenue but not less than a minimum rate

(Unit: Thousand Baht)

	Consolidated		Separate		Pricing policy
	financial statements		financial statements		
	For the six-month		For the six-month		
	periods ended 30 June		periods ended 30 June		
	2020	2019	2020	2019	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	136,393	99,436	Cost plus margin
Rental and service income	-	-	22,032	20,995	Baht 3 million per month
Management service income	-	-	16,904	18,599	Actual cost and contract price
Service income	-	-	67,053	66,674	Actual cost and contract price
Interest income	-	-	34,666	43,605	3.00% per annum
Dividend income	-	-	14,999	-	As declared
Service expense	-	-	189,126	195,272	Actual cost and contract price
Other expenses	-	-	4,424	12,110	Actual cost
Interest expenses	-	-	-	180	1.75% per annum
Purchases of assets	-	-	7	4,719	Cost plus margin
<u>Transactions with related companies</u>					
Sales income	25,474	42,155	22,052	31,775	Market price
Rental and service income	7,824	11,167	6,735	9,803	Contract price
Interest income	12,848	35,889	12,455	35,639	0.15% - 1.00% per annum (2019: 0.25% - 1.60% per annum)
Rental and service expenses	18,822	41,983	16,172	39,333	Percentage of revenue but not less than a minimum rate
Purchases of leasehold rights	-	110,757	-	53,157	Contract price

(Unaudited but reviewed)

As at 30 June 2020 and 31 December 2019, the Group 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 2020	31 December 2019	30 June 2020	31 December 2019
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽¹⁾	3,277,178	2,278,106	3,250,837	2,197,373
<u>Trade and other receivables</u>				
Subsidiaries	-	-	94,770	78,230
Related companies ⁽¹⁾	515	1,951	354	1,951
Related companies ⁽²⁾	7,803	4,376	7,803	4,351
Related company ⁽³⁾	494	6,000	351	2,607
Total	8,812	12,327	103,278	87,139
<u>Short-term loans to related party</u>				
Subsidiary	-	-	1,914,000	2,530,000
<u>Rental guarantee deposits</u>				
Related companies ⁽¹⁾	3,000	3,000	3,000	3,000
<u>Trade and other payables</u>				
Subsidiaries	-	-	30,824	95,572
Related company ⁽¹⁾	1,898	1,902	1,898	1,902
Related company ⁽³⁾	967	6,828	967	6,828
Total	2,865	8,730	33,689	104,302
Relationship with the related companies				
(1) has common major shareholders				
(2) the major shareholders				
(3) has common shareholders				

Short-term loans to related party

As at 30 June 2020, the Company has granted unsecured loans of Baht 1,914 million (31 December 2019: Baht 2,530 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:

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			Balance as at 30 June 2020
	Balance as at	During the period		
	1 January 2020	Increase	Decrease	
Short-term loans to related party				
Mega Home Center Company Limited	2,530,000	1,100,000	(1,716,000)	1,914,000

Directors and management's benefits

The Group had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the three-month periods ended 30 June		For the three-month periods ended 30 June	
	2020	2019	2020	2019
Short-term benefits	27,702	62,928	24,236	60,235
Post-employment benefits	1,101	834	950	755
Total	28,803	63,762	25,186	60,990

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the six-month periods ended 30 June		For the six-month periods ended 30 June	
	2020	2019	2020	2019
Short-term benefits	89,876	123,284	77,851	114,785
Post-employment benefits	2,203	1,667	1,900	1,510
Total	92,079	124,951	79,751	116,295

4. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Trade accounts receivable	92,583	216,347	135,340	204,022
Other receivables	1,306,287	1,685,282	1,203,714	1,570,139
Income receivables	15,700	10,775	15,614	10,411
Total trade and other receivables	1,414,570	1,912,404	1,354,668	1,784,572

(Unaudited but reviewed)

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Trade accounts receivable	67,694	105,178	112,222	97,058
Credit card and coupon receivable	24,889	111,169	23,118	106,964
Total trade accounts receivable	92,583	216,347	135,340	204,022

The outstanding balances of trade accounts receivable as at 30 June 2020 and 31 December 2019 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
<u>Trade receivables</u>				
Not yet due	77,961	187,350	68,909	154,960
Past due				
Up to 3 months	12,983	26,987	38,301	38,616
3 - 6 months	411	1,324	25,156	10,080
6 - 12 months	624	44	2,671	56
Over 12 months	604	642	303	310
Total trade receivables	92,583	216,347	135,340	204,022

Other receivables

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

(Unaudited but reviewed)

The outstanding balances of other receivables as at 30 June 2020 and 31 December 2019 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Age of receivables				
Not yet due	604,686	854,132	557,171	792,821
Past due				
Up to 3 months	669,241	825,525	617,674	773,849
3 - 6 months	35,497	7,666	33,603	6,164
6 - 12 months	5,656	6,196	4,052	5,382
Over 12 months	6,423	6,979	4,065	4,774
Total	1,321,503	1,700,498	1,216,565	1,582,990
Less: Allowance for doubtful debts	(15,216)	(15,216)	(12,851)	(12,851)
Total other receivables - net	<u>1,306,287</u>	<u>1,685,282</u>	<u>1,203,714</u>	<u>1,570,139</u>

5. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Inventories	12,103,081	13,108,707	9,787,772	10,802,145
Less: Reduce cost to net realisable value	<u>(591,303)</u>	<u>(572,740)</u>	<u>(553,007)</u>	<u>(540,163)</u>
Net	11,511,778	12,535,967	9,234,765	10,261,982
Less: Inventories - repaid its cost when sold	<u>(1,656,215)</u>	<u>(1,627,768)</u>	<u>(1,280,785)</u>	<u>(1,251,553)</u>
Purchase discount	<u>(492,937)</u>	<u>(486,936)</u>	<u>(431,906)</u>	<u>(425,905)</u>
Total inventories - net	<u>9,362,626</u>	<u>10,421,263</u>	<u>7,522,074</u>	<u>8,584,524</u>

(Unaudited but reviewed)

6. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Prepaid expenses	107,521	95,003	83,076	71,736
Suspend input value added tax	33,039	65,771	31,070	63,362
Others	6,486	15,344	3,935	13,156
Total other current assets	147,046	176,118	118,081	148,254

7. 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 period	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
			(Percent)	(Percent)				
Market Village Company Limited	5,000	5,000	100.00	100.00	5,000	5,000	14,999	-
Home Product Center (Malaysia) Sdn. Bhd.	516,843	516,843	100.00	100.00	516,843	516,843	-	-
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	-	-
Total					2,024,343	2,024,343	14,999	-
Less: Allowance for impairment of investment					(115,519)	(115,519)		
Investments in subsidiaries - net					1,908,824	1,908,824		

8. Investment properties

Movements of the investment properties account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2020	2,425,151	3,268,131
Adjustments of right-of-use assets due to TFRS 16 adoption	352,161	352,161
Acquisitions - at cost	106,483	106,483
Disposals and written-off - net book value	(29)	(29)
Depreciation	(100,612)	(100,612)
Net book value as at 30 June 2020	2,783,154	3,626,134

9. Property, buildings and equipment

Movements of the property, buildings and equipment account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	29,636,758	24,859,117
Acquisitions - at cost	762,777	751,213
Transfer to right-of-use assets - net book value	(15,028)	(15,028)
Disposals and written-off - net book value	(6,927)	(6,912)
Depreciation	(1,282,311)	(1,079,352)
Translation adjustment	(2,390)	-
Net book value as at 30 June 2020	<u>29,092,879</u>	<u>24,509,038</u>

10. Right-of-use assets/Leasehold rights

Movements of the right-of-use assets/leasehold rights account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	3,169,422	2,745,597
Adjustments of right-of-use assets due to		
TFRS 16 adoption	3,344,697	2,954,810
Acquisitions - at cost	1,657	1,657
Transfer from property, buildings and equipment		
- net book value	15,028	15,028
Amortisation	(193,751)	(159,333)
Difference from rental reduction	(18,423)	(18,423)
Translation adjustment	422	-
Net book value as at 30 June 2020	<u>6,319,052</u>	<u>5,539,336</u>

11. Computer software

Movements of the computer software account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	476,030	456,855
Acquisitions - at cost	21,625	21,625
Amortisation	(39,586)	(37,035)
Translation adjustment	(7)	-
Net book value as at 30 June 2020	<u>458,062</u>	<u>441,445</u>

12. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Bills of exchange - Baht	1.59 - 1.99	-	2,500,000	-	2,500,000	-
Bills of exchange - Foreign currency	3.35 - 3.74	3.91 - 4.78	259,651	280,742	-	-
Total short-term loans from financial institutions			<u>2,759,651</u>	<u>280,742</u>	<u>2,500,000</u>	<u>-</u>

As at 30 June 2020, the Group had overdraft lines from banks totaling Baht 315 million and MYR 0.50 million (31 December 2019: Baht 305 million and MYR 0.50 million) (The Company only: Baht 285 million 31 December 2019: Baht 275 million) and other credit facilities totaling Baht 15,887 million and MYR 63 million (31 December 2019: Baht 15,863 million and MYR 61 million) (The Company only: Baht 15,850 million 31 December 2019: Baht 15,626 million).

(Unaudited but reviewed)

13. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Trade accounts payable	10,410,913	11,715,766	8,847,036	10,222,159
Other payables	412,125	578,798	361,718	584,576
Other payables for purchase of assets	353,465	602,157	352,650	588,354
Accrued expenses	790,285	1,172,360	712,148	1,078,707
Total trade and other payables	<u>11,966,788</u>	<u>14,069,081</u>	<u>10,273,552</u>	<u>12,473,796</u>

14. Lease liabilities

The movements of lease liabilities for the six-month period ended 30 June 2020 are presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
As at 1 January 2020	15,630		15,630	
Adjustments due to TFRS 16 adoption	4,665,782		4,225,110	
Additions	1,780		1,780	
Increase from amortisation of deferred interest in the period	59,804		53,549	
Payments	(177,364)		(146,264)	
Difference from rental reduction	(24,014)		(24,014)	
Translation adjustment	(361)		-	
As at 30 June 2020	<u>4,541,257</u>		<u>4,125,791</u>	
Less: current portion	<u>(257,953)</u>		<u>(238,780)</u>	
Lease liabilities - net of current portion	<u>4,283,304</u>		<u>3,887,011</u>	

(Unaudited but reviewed)

15. Long-term loan

(Unit: Thousand Baht)

	Interest rate		Consolidated	
	(% per annum)		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Long-term loan - MYR	COF + 1.10*	COF + 1.10*	76,261	84,195
Less: Current portion of long-term loan			(13,263)	(20,207)
Long-term loan - net of current portion			<u>62,998</u>	<u>63,988</u>

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

Movement of the long-term loan account during the six-month period ended 30 June 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated
	financial statements
Balance as at 1 January 2020	84,195
Less: Repayment	(6,779)
Translation adjustment	(1,155)
Balance as at 30 June 2020	<u>76,261</u>

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. On 22 April 2020, the subsidiary received a Supplemental Letter of granting cease the principal repayment schedule commencing from May 2020 to October 2020 and extend the principal repayment for 6 months. 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.

16. Debentures

No.	Interest/discount rate per annum	Age	Repayment	Maturity	Consolidated and separate financial statements			
					Number of debenture (Shares)		Amount (Thousand Baht)	
					30 June 2020	31 December 2019	30 June 2020	31 December 2019
<u>Unsubordinated and unsecured debentures</u>								
No. 1/2017	Fixed rate 2.48%	3 years	At maturity	27 April 2020	-	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
No. 1/2019	1.85%	3 years	At maturity	14 November 2022	3,170,000	3,170,000	3,170,000*	3,170,000*
No. 1/2020	1.65%	3 years	At maturity	3 March 2023	3,150,000	-	3,150,000*	-
Total					<u>12,320,000</u>	<u>13,170,000</u>	<u>12,320,000</u>	<u>13,170,000</u>
Less: Deferred interest							<u>(268,523)</u>	<u>(162,336)</u>
Debentures - net							<u>12,051,477</u>	<u>13,007,664</u>
Less: Current portion of debentures							<u>(4,000,000)</u>	<u>(6,000,000)</u>
Debentures - net of current portion							<u>8,051,477</u>	<u>7,007,664</u>

* Zero coupon Bond

Movements in debentures account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated and separate financial statements
Balance as at 1 January 2020	13,170,000
Add: Issuing of debenture during the period	3,150,000
Less: Repayment of debenture	(4,000,000)
Balance as at 30 June 2020	<u>12,320,000</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.

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

	(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	
	2020	2019	2020	2019
Type of goods or service:				
Sale of goods related to houses and residences	13,710,338	16,426,535	11,855,602	14,307,503
Renovation and improvement services	39,634	47,554	39,634	47,553
Installation, maintenance and other services	74,194	71,213	68,186	63,141
Total revenue from contracts with customers	<u>13,824,166</u>	<u>16,545,302</u>	<u>11,963,422</u>	<u>14,418,197</u>
Timing of revenue recognition:				
Revenue recognised at a point in time	13,784,532	16,497,748	11,923,788	14,370,644
Revenue recognised over time	39,634	47,554	39,634	47,553
Total revenue from contracts with customers	<u>13,824,166</u>	<u>16,545,302</u>	<u>11,963,422</u>	<u>14,418,197</u>

	(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	
	2020	2019	2020	2019
Type of goods or service:				
Sale of goods related to houses and residences	28,134,487	31,826,298	24,371,811	27,577,493
Renovation and improvement services	93,751	85,186	93,752	85,186
Installation, maintenance and other services	141,513	130,709	126,857	116,511
Total revenue from contracts with customers	<u>28,369,751</u>	<u>32,042,193</u>	<u>24,592,420</u>	<u>27,779,190</u>
Timing of revenue recognition:				
Revenue recognised at a point in time	28,276,000	31,957,007	24,498,668	27,694,004
Revenue recognised over time	93,751	85,186	93,752	85,186
Total revenue from contracts with customers	<u>28,369,751</u>	<u>32,042,193</u>	<u>24,592,420</u>	<u>27,779,190</u>

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month		For the three-month	
	periods ended 30 June		periods ended 30 June	
	2020	2019	2020	2019
Revenue from external customers	13,812,911	16,523,415	11,894,769	14,350,320
Revenue from related parties	71,191	82,181	68,653	67,877
	13,884,102	16,605,596	11,963,422	14,418,197
Adjustments and eliminations	(59,936)	(60,294)	-	-
Total revenue from contracts with customers	<u>13,824,166</u>	<u>16,545,302</u>	<u>11,963,422</u>	<u>14,418,197</u>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2020	2019	2020	2019
Revenue from external customers	28,344,277	32,000,038	24,433,975	27,647,979
Revenue from related parties	166,291	153,772	158,445	131,211
	28,510,568	32,153,810	24,592,420	27,779,190
Adjustments and eliminations	(140,817)	(111,617)	-	-
Total revenue from contracts with customers	<u>28,369,751</u>	<u>32,042,193</u>	<u>24,592,420</u>	<u>27,779,190</u>

18. 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 2020 and 2019 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	
	2020	2019	2020	2019
Current income tax:				
Interim corporate income tax charge	209,586	343,412	193,921	327,390
Deferred tax:				
Relating to origination and reversal of temporary differences	(6,025)	6,989	(5,111)	7,421
Income tax expenses reported in profit or loss	203,561	350,401	188,810	334,811

	(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	
	2020	2019	2020	2019
Current income tax:				
Interim corporate income tax charge	496,516	683,628	464,280	653,180
Deferred tax:				
Relating to origination and reversal of temporary differences	(7,356)	(3,018)	(6,031)	(4,038)
Income tax expenses reported in profit or loss	489,160	680,610	458,249	649,142

19. 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		For the three-month	
	periods ended 30 June		periods ended 30 June	
	2020	2019	2020	2019
Profit for the period (Thousand Baht)	942,677	1,526,625	861,969	1,435,016
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)	0.07	0.12	0.07	0.11

	Consolidated		Separate	
	financial statements		financial statements	
	For the six-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2020	2019	2020	2019
Profit for the period (Thousand Baht)	2,209,199	2,946,466	2,019,810	2,761,229
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)	0.17	0.22	0.15	0.21

20. Dividend paid

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Final dividends for 2018	Annual General Meeting of the shareholders on 9 April 2019	2,630	0.20
Total		2,630	
Interim dividend from operating results from July 2019 to December 2019	Board of Directors' Meeting of the Company on 9 April 2020	2,761	0.21
Total		2,761	

21. Segment information

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

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

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

Geographic information

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	
	2020	2019	2020	2019
Income from external customers				
Thailand	13,546	16,191	27,808	31,342
Malaysia	267	332	536	658
Total	13,813	16,523	28,344	32,000

(Unit: Million Baht)

	As at	
	30 June 2020	31 December 2019
Non-current assets (other than deferred tax assets)		
Thailand	38,830	35,875
Malaysia	261	265
Total	39,091	36,140

Major customers

For the three-month and six-month periods ended 30 June 2020 and 2019, the Company and its subsidiaries have no major customer with revenue of 10% or more of an entity's revenues.

22. Commitments and contingent liabilities**22.1 Capital commitment**

As at 30 June 2020, the Company had capital commitments with several companies relating to the construction of retail stores. The obligations of construction are subject to the retail stores expansion and construction plan of each period determined by the management.

22.2 Operating lease commitments - as a lessee

- a) The Group has entered into land lease agreements. The terms of the agreements are generally between 15 to 38 years and they are non-cancelable, except with the consent of the counterparties.

As at 31 December 2019, the future minimum lease payments required under these operating leases contracts were as follows:

(Unit: Million Baht)

	31 December 2019	
	Consolidated financial statements	Separate financial statements
Payable:		
In up to 1 year	180	158
In over 1 and up to 5 years	627	541
In over 5 years	3,226	2,696

As at 30 June 2020, the Group had no obligations under land lease agreements as a result of the adoption of the TFRS 16 as at 1 January 2020. The Group recognised the lease liabilities previously classified as operating lease at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, as described in Note 2 to the interim consolidated financial statements.

- b) As at 30 June 2020, the Group has entered into lease agreements to rental equipment and service agreements (31 December 2019: lease commercial space, rental equipment and service agreements). The terms of the agreements are generally 3 years (31 December 2019: 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
	2020	2019	2020	2019
Payable:				
In up to 1 year	3	284	2	246
In over 1 and up to 5 years	7	792	6	779
In over 5 years	-	1,275	-	1,275

As at 30 June 2020, the Group had no obligations under lease agreements for commercial spaces and related service agreements as a result of the adoption of the TFRS 16 as at 1 January 2020. The Group recognised the lease liabilities previously classified as operating lease at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, as described in Note 2 to the interim consolidated financial statements.

22.3 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.

22.4 Long-term lease agreements - as a lessor

As at 30 June 2020 and 31 December 2019, 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 2020, the outstanding balance of rental received in advance, net of recognised rental income was Baht 326 million (31 December 2019: Baht 337 million).

22.5 Guarantees

- a) As at 30 June 2020, there were outstanding bank guarantees of Baht 153 million and MYR 1 million (31 December 2019: Baht 153 million and MYR 1 million) (The Company only: Baht 140 million, 31 December 2019: Baht 129 million) issued by banks on benefit of the Group in respect of guarantees provided for leasing, purchases of goods or hire of work, and as bonds with State Enterprise. The bank guarantee of Baht 23 million and MYR 1 million (31 December 2019: Baht 23 million and MYR 1 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 30 June 2020, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 1 million and CNY 3 million (31 December 2019: USD 1 million and CNY 3 million).
- c) As at 30 June 2020, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 114 million (31 December 2019: Baht 280 million and MYR 114 million) to financial institutions.

22.6 Litigation

- a) As at 30 June 2020, the Company has legal cases for a total claimed amount of Baht 1 million (31 December 2019: Baht 2 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.

22.7 Forward contracts

As at 30 June 2020 and 31 December 2019, forward contracts outstanding are summarised below.

Consolidated and Separate financial statements					
As at 30 June 2020					
Foreign currency	Bought	Sold	Contractual exchange rate		Contractual maturity date
	amount	Amount	Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
USD	2	-	30.93 - 32.00	-	Within December 2020

Consolidated and Separate financial statements					
As at 31 December 2019					
Foreign currency	Bought	Sold	Contractual exchange rate		Contractual maturity date
	amount	Amount	Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
USD	2	-	30.05 - 30.62	-	Within July 2020

23. Fair value of financial instruments

Since the majority of the Group's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value are not expected to be materially different from the amounts presented in the statements of financial position.

The carrying value and fair value of foreign currency forward contracts and debentures as at 30 June 2020 and 1 January 2020 are presented below.

(Unaudited but reviewed)

(Unit: Million Baht)

Consolidated and separate financial statements as at 30 June 2020				
	Carrying value			Fair value
	Fair value through profit or loss	Amortised cost	Total	
Financial liabilities				
Foreign currency forward contracts	1	-	1	1
Debentures	-	12,051	12,051	12,095

(Unit: Million Baht)

Consolidated and separate financial statements as at 1 January 2020				
	Carrying value			Fair value
	Fair value through profit or loss	Amortised cost	Total	
Financial liability				
Debentures	-	13,008	13,008	13,120

The methods and assumptions used by the Group 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 foreign currency forward contracts, 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.

24. Event after the reporting period

On 15 July 2020, the Company issued bill of exchange with a financial institution amounting to Baht 1,500 million, with maturity period of 86 days at an interest rate of 1.05% per annum, for the purposes of working capital of the Company.

25. Approval of interim financial information

This interim financial information was authorised for issue by the Company's authorised directors on 27 July 2020.