

Home Product Center Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and nine-month periods ended 30 September 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 September 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 had 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

a) 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
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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.

b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. 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 Group is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

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 a) 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:

	(Unit: Thousand Baht)		
	Consolidated financial statements		
	31 December 2019	The impacts of TFRS 16	1 January 2020
Statement of financial position			
Assets			
Current asset			
Other current assets	176,118	(33,571)	142,547
Non-current assets			
Investment properties	2,425,151	727,275	3,152,426
Property, buildings and equipment	29,636,758	(15,028)	29,621,730
Right-of-use assets	-	6,154,033	6,154,033
Leasehold rights	3,169,422	(3,169,422)	-
Deferred tax assets	218,983	193,021	412,004
Liabilities and shareholders' equity			
Current liability			
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

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements		
	31 December 2019	The impacts of TFRS 16	1 January 2020
Statement of financial position			
Assets			
Current asset			
Other current assets	148,254	(33,571)	114,683
Non-current assets			
Investment properties	3,268,131	727,275	3,995,406
Property, buildings and equipment	24,859,117	(15,028)	24,844,089
Right-of-use assets	-	5,340,321	5,340,321
Leasehold rights	2,745,597	(2,745,597)	-
Deferred tax assets	193,604	183,748	377,352
Liabilities and shareholders' equity			
Current liability			
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.

(Unaudited but reviewed)

	(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
Comprise of:		
Current lease liabilities	285,454	246,422
Non-current lease liabilities	4,395,958	3,994,318
	4,681,412	4,240,740

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

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	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	(727,275)	(727,275)
Total right-of-use assets	6,154,033	5,340,321

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.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the three-month periods ended 30 September		For the three-month periods ended 30 September		Pricing policy
	2020	2019	2020	2019	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	90,689	62,291	Cost plus margin
Rental and service income	-	-	11,096	10,497	Baht 3 million per month
Management service income	-	-	8,409	8,404	Actual cost and contract price
Service income	-	-	37,688	30,781	Actual cost and contract price
Interest income	-	-	14,888	21,153	3.00% per annum
Service expense	-	-	95,833	126,863	Actual cost and contract price
Other expenses	-	-	1,831	5,261	Actual cost
<u>Transactions with related companies</u>					
Sales income	9,507	18,683	8,997	14,924	Market price
Rental and service income	4,728	5,719	4,186	4,940	Contract price
Interest income	1,611	10,472	1,611	10,472	0.15% - 0.70% per annum (2019: 0.25% - 1.20% per annum)
Rental and service expenses	7,684	13,362	7,021	12,699	Percentage of revenue but not less than a minimum rate
Purchases of goods and assets	76,357	42,112	71,546	38,440	Market price
Purchases of leasehold rights	-	37,260	-	37,260	Contract price

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September		
	2020	2019	2020	2019	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	227,082	161,727	Cost plus margin
Rental and service income	-	-	33,128	31,492	Baht 3 million per month
Management service income	-	-	25,313	27,003	Actual cost and contract price
Service income	-	-	104,741	97,455	Actual cost and contract price
Interest income	-	-	49,554	64,758	3.00% per annum
Dividend income	-	-	14,999	-	As declared
Service expense	-	-	284,959	322,135	Actual cost and contract price
Other expenses	-	-	6,255	17,371	Actual cost
Interest expenses	-	-	-	180	1.75% per annum
Purchases of assets	-	-	142	4,719	Cost plus margin
<u>Transactions with related companies</u>					
Sales income	34,981	60,838	31,049	46,699	Market price
Rental and service income	12,552	16,886	10,921	14,743	Contract price
Interest income	14,459	46,361	14,066	46,111	0.15% - 1.00% per annum (2019: 0.25% - 1.60% per annum)
Rental and service expenses	25,181	53,357	23,193	52,032	Percentage of revenue but not less than a minimum rate
Purchases of goods and assets	237,118	130,593	224,255	110,809	Market price
Purchases of leasehold rights	-	148,017	-	90,417	Contract price

As at 30 September 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 September	31 December	30 September	31 December
	2020	2019	2020	2019
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽¹⁾	2,856,714	2,278,106	2,820,944	2,197,373
<u>Trade and other receivables</u>				
Subsidiaries	-	-	101,687	78,230
Related companies ⁽¹⁾	1,261	1,951	1,261	1,951
Related companies ⁽²⁾	3,655	4,376	3,502	4,351
Related companies ⁽³⁾	139	6,000	113	2,607
Total	5,055	12,327	106,563	87,139
<u>Short-term loans to related party</u>				
Subsidiary	-	-	1,770,000	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	-	-	42,506	95,572
Related companies ⁽¹⁾	1,895	1,902	1,895	1,902
Related company ⁽³⁾	291	6,828	291	6,828
Related companies ⁽⁴⁾	79,107	53,086	73,974	48,657
Total	81,293	61,816	118,666	152,959
Relationship with the related companies				
(1) has common major shareholders				
(2) the major shareholders				
(3) has common shareholders				
(4) has individuals related to director				

Short-term loans to related party

As at 30 September 2020, the Company has granted unsecured loans of Baht 1,770 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	During the period		Balance as at
	1 January 2020	Increase	Decrease	30 September 2020
Short-term loans to related party				
Mega Home Center Company Limited	2,530,000	2,110,000	(2,870,000)	1,770,000

Directors and management's benefits

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

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 30 September		For the three-month periods ended 30 September	
	2020	2019	2020	2019
Short-term benefits	70,785	26,214	66,611	22,788
Post-employment benefits	1,101	833	950	755
Total	71,886	27,047	67,561	23,543

	Consolidated		Separate	
	financial statements		financial statements	
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
	2020	2019	2020	2019
Short-term benefits	160,661	149,498	144,462	137,573
Post-employment benefits	3,304	2,500	2,850	2,265
Total	163,965	151,998	147,312	139,838

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
Trade accounts receivable	112,307	216,347	136,934	204,022
Other receivables	1,202,286	1,685,282	1,108,146	1,570,139
Income receivables	14,187	10,775	14,110	10,411
Total trade and other receivables	1,328,780	1,912,404	1,259,190	1,784,572

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
Trade accounts receivable	92,916	105,178	119,869	97,058
Credit card and coupon receivable	19,391	111,169	17,065	106,964
Total trade accounts receivable	112,307	216,347	136,934	204,022

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
<u>Trade receivables</u>				
Not yet due	100,951	187,350	71,895	154,960
Past due				
Up to 3 months	10,107	26,987	61,708	38,616
3 - 6 months	589	1,324	2,980	10,080
6 - 12 months	357	44	41	56
Over 12 months	303	642	310	310
Total trade receivables	112,307	216,347	136,934	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 September 2020 and 31 December 2019 are aged as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Age of receivables				
Not yet due	540,033	854,132	503,273	792,821
Past due				
Up to 3 months	638,156	825,525	583,518	773,849
3 - 6 months	19,898	7,666	19,232	6,164
6 - 12 months	12,405	6,196	10,406	5,382
Over 12 months	7,010	6,979	4,568	4,774
Total	1,217,502	1,700,498	1,120,997	1,582,990
Less: Expected credit losses (2019: allowance for doubtful debts)	(15,216)	(15,216)	(12,851)	(12,851)
Total other receivables - net	1,202,286	1,685,282	1,108,146	1,570,139

5. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Inventories	12,632,262	13,108,707	10,097,676	10,802,145
Less: Reduce cost to net realisable value	(590,985)	(572,740)	(554,371)	(540,163)
Net	12,041,277	12,535,967	9,543,305	10,261,982
Less: Inventories - repaid its cost when sold	(1,668,166)	(1,627,768)	(1,301,917)	(1,251,553)
Purchase discount	(495,936)	(486,936)	(434,905)	(425,905)
Total inventories - net	9,877,175	10,421,263	7,806,483	8,584,524

(Unaudited but reviewed)

6. Other current assets

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Prepaid expenses	93,037	95,003	69,256	71,736
Suspend input value added tax	43,288	65,771	41,226	63,362
Others	9,204	15,344	4,261	13,156
Total other current assets	145,529	176,118	114,743	148,254

7. Investments in subsidiaries

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

	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht) Dividend received during the period	
Company's name	30 September 2020	31 December 2019	30 September 2020 (Percent)	31 December 2019 (Percent)	30 September 2020	31 December 2019	30 September 2020	31 December 2019
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 nine-month period ended 30 September 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate 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
Transfer from right-of-use assets - net book value	375,114	375,114
	727,275	727,275
Acquisitions - at cost	773,712	773,712
Disposals and written-off - net book value	(29)	(29)
Depreciation	(159,928)	(159,928)
Net book value as at 30 September 2020	3,766,181	4,609,161

9. Property, buildings and equipment

Movements of the property, buildings and equipment account during the nine-month period ended 30 September 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
Transfer to right-of-use assets - net book value	(15,028)	(15,028)
Acquisitions - at cost	1,169,288	1,155,909
Depreciation	(1,885,366)	(1,585,365)
Transfer from right-of-use assets - net book value	241	241
Disposals and written-off - net book value	(8,843)	(8,795)
Increase in allowance for impairment	(7,891)	-
Translation adjustment	10,288	-
Net book value as at 30 September 2020	28,899,447	24,406,079

10. Right-of-use assets/Leasehold rights

Movements of the right-of-use assets/leasehold rights account during the nine-month period ended 30 September 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
Transfer from property, buildings and equipment - net book value	15,028	15,028
Transfer to investment properties - net book value	(375,114)	(375,114)
Acquisitions - at cost	1,657	1,657
Amortisation	(286,776)	(236,818)
Transfer to property, buildings and equipment - net book value	(241)	(241)
Difference from rental reduction	(18,423)	(18,423)
Translation adjustment	1,692	-
Net book value as at 30 September 2020	5,851,942	5,086,496

11. Computer software

Movements of the computer software account during the nine-month period ended 30 September 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	51,442	51,442
Amortisation	(61,004)	(57,164)
Translation adjustment	27	-
Net book value as at 30 September 2020	466,495	451,133

12. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (% per annum)		Consolidated financial statements		Separate financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Bills of exchange - Baht	1.05	-	1,500,000	-	1,500,000	-
Bills of exchange - Foreign currency	3.07 - 3.42	3.91 - 4.78	254,942	280,742	-	-
Total short-term loans from financial institutions			1,754,942	280,742	1,500,000	-

As at 30 September 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 19,935 million, USD 56 million and MYR 66 million (31 December 2019: Baht 14,240 million, USD 54 million and MYR 61 million) (The Company only: Baht 19,398 million, and USD 56 million 31 December 2019: Baht 14,003 million and USD 54 million).

13. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
Trade accounts payable	11,441,311	11,715,766	9,686,027	10,222,159
Other payables	494,065	578,798	434,285	584,576
Other payables for purchase of assets	481,932	602,157	481,729	588,354
Accrued expenses	958,770	1,172,360	877,046	1,078,707
Total trade and other payables	13,376,078	14,069,081	11,479,087	12,473,796

14. Lease liabilities

The movements of lease liabilities for the nine-month period ended 30 September 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	18,433	18,433
Increase from amortisation of deferred interest in the period	94,897	85,297
Payments	(276,227)	(233,934)
Difference from rental reduction	(24,014)	(24,014)
Translation adjustment	724	-
As at 30 September 2020	4,495,225	4,086,522
Less: current portion	(258,061)	(245,723)
Lease liabilities - net of current portion	4,237,164	3,840,799

15. Long-term loan

(Unit: Thousand Baht)

	Interest rate		Consolidated	
	(% per annum)		financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Long-term loan - MYR	COF + 1.10*	COF + 1.10*	80,551	84,195
Less: Current portion of long-term loan			(80,551)	(20,207)
Long-term loan - net of current portion			-	63,988

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

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

(Unit: Thousand Baht)

	Consolidated financial statements
Balance as at 1 January 2020	84,195
Less: Repayment	(6,779)
Translation adjustment	3,135
Balance as at 30 September 2020	80,551

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. As at 30 September 2020, debt to equity ratio of the subsidiary is not in compliance with the condition prescribed in the agreement. The Group, therefore presented the balance of long-term loan as current liabilities in the consolidated financial statements. However, the Group is negotiating with the bank to amend the condition.

16. Debentures

					Consolidated and separate financial statements			
					Number of debenture (Units)		Amount (Thousand Baht)	
No.	Interest/discount rate per annum	Age	Repayment	Maturity	30 September 2020	31 December 2019	30 September 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							(241,592)	(162,336)
Debentures - net							12,078,408	13,007,664
Less: Current portion of debentures							(4,000,000)	(6,000,000)
Debentures - net of current portion							<u>8,078,408</u>	<u>7,007,664</u>

* Zero coupon Bond

Movements in debentures account during the nine-month period ended 30 September 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 September 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 financial statements		Separate financial statements	
	For the three-month periods ended 30 September		For the three-month periods ended 30 September	
	2020	2019	2020	2019
Type of goods or service:				
Sale of goods related to houses and residences	14,946,716	15,219,711	13,029,419	13,283,873
Renovation and improvement services	51,177	53,197	51,176	53,197
Installation, maintenance and other services	66,413	60,223	60,045	50,210
Total revenue from contracts with customers	<u>15,064,306</u>	<u>15,333,131</u>	<u>13,140,640</u>	<u>13,387,280</u>
Timing of revenue recognition:				
Revenue recognised at a point in time	15,013,129	15,279,934	13,089,464	13,334,083
Revenue recognised over time	51,177	53,197	51,176	53,197
Total revenue from contracts with customers	<u>15,064,306</u>	<u>15,333,131</u>	<u>13,140,640</u>	<u>13,387,280</u>

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
	2020	2019	2020	2019
Type of goods or service:				
Sale of goods related to houses and residences	43,081,203	47,046,009	37,401,230	40,861,366
Renovation and improvement services	144,928	138,383	144,928	138,383
Installation, maintenance and other services	207,926	190,932	186,902	166,721
Total revenue from contracts with customers	<u>43,434,057</u>	<u>47,375,324</u>	<u>37,733,060</u>	<u>41,166,470</u>
Timing of revenue recognition:				
Revenue recognised at a point in time	43,289,129	47,236,941	37,588,132	41,028,087
Revenue recognised over time	144,928	138,383	144,928	138,383
Total revenue from contracts with customers	<u>43,434,057</u>	<u>47,375,324</u>	<u>37,733,060</u>	<u>41,166,470</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 financial statements		Separate financial statements	
	For the three-month periods ended 30 September		For the three-month periods ended 30 September	
	2020	2019	2020	2019
Revenue from external customers	15,054,799	15,314,448	13,040,954	13,310,065
Revenue from related parties	102,028	86,563	99,686	77,215
	15,156,827	15,401,011	13,140,640	13,387,280
Eliminations	(92,521)	(67,880)	-	-
Total revenue from contracts with customers	<u>15,064,306</u>	<u>15,333,131</u>	<u>13,140,640</u>	<u>13,387,280</u>

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
	2020	2019	2020	2019
Revenue from external customers	43,399,076	47,314,486	37,474,929	40,958,044
Revenue from related parties	268,319	240,335	258,131	208,426
	43,667,395	47,554,821	37,733,060	41,166,470
Eliminations	(233,338)	(179,497)	-	-
Total revenue from contracts with customers	<u>43,434,057</u>	<u>47,375,324</u>	<u>37,733,060</u>	<u>41,166,470</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 nine-month periods ended 30 September 2020 and 2019 are made up as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		For the three-month periods ended 30 September		For the three-month periods ended 30 September	
		2020	2019	2020	2019
Current income tax:					
Interim corporate income tax charge		306,479	348,189	286,883	332,275
Deferred tax:					
Relating to origination and reversal of temporary differences		(5,370)	(314)	(4,252)	(94)
Income tax expenses reported in profit or loss		301,109	347,875	282,631	332,181

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
		2020	2019	2020	2019
Current income tax:					
Interim corporate income tax charge		802,995	1,031,817	751,163	985,455
Deferred tax:					
Relating to origination and reversal of temporary differences		(12,726)	(3,332)	(10,283)	(4,132)
Income tax expenses reported in profit or loss		790,269	1,028,485	740,880	981,323

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 financial statements		Separate financial statements	
	For the three-month periods ended 30 September		For the three-month periods ended 30 September	
	2020	2019	2020	2019
Profit for the period (Thousand Baht)	1,400,518	1,482,251	1,273,327	1,400,522
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)	0.11	0.11	0.10	0.11

	Consolidated financial statements		Separate financial statements	
	For the nine-month periods ended 30 September		For the nine-month periods ended 30 September	
	2020	2019	2020	2019
Profit for the period (Thousand Baht)	3,609,717	4,428,717	3,293,137	4,161,751
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)	0.27	0.34	0.25	0.32

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
Interim dividends from operating results from January 2019 to June 2019	Board of Directors' Meeting of the Company on 27 August 2019	2,235	0.17
Total		4,865	
Interim dividends from operating results from July 2019 to December 2019	Board of Directors' Meeting of the Company on 9 April 2020 and proposed to the Annual General Meeting of the shareholders for acknowledgment on 10 July 2020	2,761	0.21
Interim dividends from operating results from January 2020 to June 2020	Board of Directors' Meeting of the Company on 25 August 2020	1,315	0.10
Total		4,076	

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 follows.

	(Unit: Million Baht)			
	For the three-month periods ended		For the nine-month periods ended	
	30 September		30 September	
	2020	2019	2020	2019
Income from external customers				
Thailand	14,720	15,022	42,528	46,364
Malaysia	335	292	871	950
Total	15,055	15,314	43,399	47,314

	(Unit: Million Baht)	
	As at	
	30 September 2020	31 December 2019
Non-current assets (other than deferred tax assets)		
Thailand	39,176	35,875
Malaysia	247	265
Total	39,423	36,140

Major customers

For the three-month and nine-month periods ended 30 September 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 September 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 September 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 September 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 financial statements		Separate financial statements	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Payable:				
In up to 1 year	3	284	2	246
In over 1 and up to 5 years	6	792	6	779
In over 5 years	-	1,275	-	1,275

As at 30 September 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 September 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 September 2020, the outstanding balance of rental received in advance, net of recognised rental income was Baht 303 million (31 December 2019: Baht 337 million).

22.5 Guarantees

- a) As at 30 September 2020, there were outstanding bank guarantees of Baht 155 million and MYR 1 million (31 December 2019: Baht 153 million and MYR 1 million) (The Company only: Baht 131 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 names of subsidiaries were guaranteed by the Company.
- b) As at 30 September 2020, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 1 million and CNY 5 million (31 December 2019: USD 1 million and CNY 3 million).
- c) As at 30 September 2020, the Company secured credit facilities of its subsidiaries of Baht 580 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 September 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 31 December 2019, forward contracts outstanding are summarised below (30 September 2020: Nil).

Consolidated and Separate financial statements					
As at 31 December 2019					
Foreign currency	Bought amount	Sold Amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(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 debentures as at 30 September 2020 and 1 January 2020 are presented below.

(Unit: Million Baht)		
Consolidated and separate financial statements as at 30 September 2020		
Carrying value -		
	Amortised cost	Fair value
Financial liability		
Debentures	12,078	12,160

(Unaudited but reviewed)

(Unit: Million Baht)

Consolidated and separate financial
statements as at 1 January 2020

	Carrying value -	
	Amortised cost	Fair value
Financial liability		
Debentures	13,008	13,120

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

- 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.
- 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.
- 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.

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

24. Event after the reporting period

On 14 October 2020, the Company issued unsubordinated and unsecured debentures for a maturity period of 2 years 11 months 28 days to institutional investors to be used as the Company's working capital. The maturity date is 12 October 2023. The debentures are as follows:

- The number of units offered was 1 million units with a par value of Baht 1,000 each for a total of Baht 1,000 million with interest at discount rate of 1.85% per annum. No interest payments are made over the life of debentures.
- The number of units offered was 1 million units with a par value of Baht 1,000 each for a total of Baht 1,000 million. The debentures carry an interest rate at 1.85% per annum.

25. Approval of interim financial information

This interim financial information was authorised for issue by the Company's authorised directors on 26 October 2020.