

Home Product Center Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2021

1. General information

1.1 The Company's general information

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

As at 31 December 2021, the Group has a total of 114 branches (2020: 115 branches) (The Company only: 95 branches, 2020: 97 branches).

1.2 Coronavirus disease 2019 Pandemic

A new wave of the Coronavirus disease 2019 (COVID-19) pandemic results in an economic slowdown, adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Group operates. In compliance with preventive measures against the COVID-19 pandemic, the Company and a subsidiary in Thailand, and a subsidiary in Malaysia have temporarily closed some branches and partially temporarily closed some areas of some branches at certain times during the year in accordance with the government announcement. 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.

2. Basis of preparation

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

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

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

2.2 Basis of consolidation

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

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2021	2020
			Percent	Percent
Market Village Company Limited	Management of leasing space together with provision of facilities services	Thailand	100.00	100.00
Home Product Center (Malaysia) Sdn. Bhd.	Retailing of home improvement products as One Stop Shopping	Malaysia	100.00	100.00
Mega Home Center Company Limited	Retailing and wholesaling of construction and home improvement products	Thailand	99.99	99.99
DC Service Center Company Limited	Warehousing management and distribution service	Thailand	99.99	99.99
Home Product Center Viet Nam Company Limited	Retailing and wholesaling of construction and home improvement products	Vietnam	100.00	-

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary company is translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Group has been eliminated from the consolidated financial statements.

g) Non-controlling interests represents the portion of profit or loss and net assets of the subsidiaries that is not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Group has adopted the 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 adoption of these financial reporting standards does not have any significant impact on the Group's financial statements.

Furthermore, the Group elected to adopt the amendments to TFRS 16, *Leases*, relating to COVID-19-related rent concessions. These amendments provide a practical expedient that permits a lessee to not assess whether rent concessions are lease modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the conditions are met, i.e., the change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2022; and there is no substantive change to other terms and conditions of the lease.

The Group applies the practical expedient to all rent concessions that meet the above conditions and the effects of the application of this expedient, due to resulting changes in payments under leases are recognised in statement of comprehensive income for the year ended 31 December 2021, amounting to Baht 29.1 million (2020: Baht 29.4 million) (The Company only: Baht 25.1 million, 2020: Baht 29.4 million). There was no impact on the opening balance of retained earnings.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2022

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2022. 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, for some standards, providing temporary reliefs or temporary exemptions for users.

The management of the Group believes that adoption of these amendments will not have any significant impact on the Group's financial statements.

4. Significant accounting policies

4.1 Revenue and expense recognition

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting discounts and price promotions to customers.

Sales of goods - Customer loyalty programmes

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

Vendors income

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

Rendering of services

Service revenue is recognised when services have been rendered.

Service revenue is recognised in the amount to which the Group has a right to invoice as it corresponds directly with the value to the customer of the Group's performance completed to date.

Dividends

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

Finance income

Finance income is interest income on debt instruments measured at amortised cost and recognised on an accrual basis using the effective interest method. The effective interest rate is applied to the gross carrying amount of a financial asset, unless the financial assets subsequently become credit-impaired when it is applied to the net carrying amount of the financial asset (net of the expected credit loss allowance).

Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

4.2 Cash and cash equivalents

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

4.3 Inventories

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

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

4.4 Investments in subsidiaries

Investments in subsidiaries are accounted for in the separated financial statements using the cost method, net of allowance for impairment loss (if any).

4.5 Investment properties

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

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated economic useful lives of 3 - 48 years. No depreciation is provided on land and assets under installation and under construction. Depreciation of the investment properties is included in determining income.

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

4.6 Property, building and equipment/Depreciation

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

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

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

Depreciation is included in determining income.

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

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

4.7 Borrowing costs

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

4.8 Intangible assets

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

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

4.9 Leases

At inception of contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Group recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

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

Depreciation of right-of-use assets are calculated by reference to their costs on the straight-line basis over the shorter of their estimated useful lives and the lease term.

Land and land improvement	-	2 - 31	years
Building	-	2 - 22	years
Motor vehicles	-	2 - 5	years

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets which are classified as investment properties are presented as part of investment properties in the statement of financial position.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group discounted the present value of the lease payments 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 change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

The Group as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Lease receivables from operating leases is recognised as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as an expense over the lease term on the same basis as the lease income.

4.10 Related party transactions

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

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

4.11 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of non-financial assets

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

An impairment loss is recognised in profit or loss.

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

4.13 Employee benefits

Short-term employee benefits

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

Employee Joint Investment Program (EJIP)

The Company has established an Employee Joint Investment Program (EJIP). The program is monthly contributed by eligible employees and by the Company to EJIP participant. The detail of the program are as described in Note 21. The Company's contributions are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

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

Defined benefit plans

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

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

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

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

4.14 Provisions

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

4.15 Income tax

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

Current tax

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

Deferred tax

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

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

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

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.16 Financial instruments

The Group initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost, or fair value through profit or loss ("FVTPL"). The classification of financial assets at initial recognition is driven by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

These financial assets include derivatives and financial assets with cash flows that are not solely payments of principal and interest.

Classification and measurement of financial liabilities

Except for derivative liabilities, at initial recognition the Group’s financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Group takes into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure (a lifetime ECL).

The Group considers a significant increase in credit risk to have occurred when contractual payments are more than 30 days past due and considers a financial asset as credit impaired or default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to have a significant increase in credit risk and to be in default using other internal or external information, such as credit rating of issuers.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

ECLs are calculated based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.17 Derivative

The Group uses derivative, forward currency contracts, to reduce its foreign currency risks.

Derivative is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in profit or loss. Derivative is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

Derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4.18 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgements and estimates

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

Allowance for diminution in value of inventories

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

Leases

Determining the lease term with extension and termination options - The Group as a lessee

In determining the lease term, the management is required to exercise judgement in assessing whether the Group is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Group to exercise either the extension or termination option.

Estimating the incremental borrowing rate - The Group as a lessee

The Group cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease classification - The Group as lessor

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

Allowance for expected credit losses of trade receivables

In determining an allowance for expected credit losses of trade receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the forecast economic condition for groupings of various customer segments with similar credit risks. The Group's historical credit loss experience and forecast economic conditions may also not be representative of whether a customer will actually default in the future.

Investment properties, property, building and equipment and right-of-use assets/ Depreciation/Impairment

In determining depreciation of investment properties, building and equipment and right-of-use assets, the management is required to make estimates of the useful lives and salvage values of the Group's investment properties, building and equipment and right-of-use assets and to review estimate useful lives and salvage values when there are any changes.

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

Deferred tax assets

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

Allowance for impairment of investment in subsidiaries

In determining allowance for impairment of a investment in subsidiaries, the management is required to exercise judgements regarding determination of the recoverable amount of the asset, its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next 5 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Post-employment benefits under defined benefit plans

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

Litigation

The Group has contingent liabilities as a result of litigation. The Group's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the end of reporting period.

6. Related party transactions

During the years, 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 Group and those related parties.

(Unit: Thousand Baht)					
	Consolidated financial statements		Separate financial statements		Pricing policy
	2021	2020	2021	2020	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales income	-	-	309,956	310,015	Cost plus margin
Rental and service income	-	-	45,149	44,224	Baht 3.7 million per month
Management service income	-	-	35,339	33,712	Actual cost and contract price
Service income	-	-	144,090	138,556	Actual cost and contract price
Interest income	-	-	46,558	64,818	3% per annum
Dividend income	-	-	-	14,999	As declared
Sales of assets	-	-	-	434	Cost plus margin
Service expense	-	-	392,632	376,949	Actual cost and contract price
Other expenses	-	-	17,923	9,619	Actual cost
Purchases of assets	-	-	329	19	Cost plus margin
<u>Transactions with related companies</u>					
Sales income	55,382	47,398	54,177	43,285	Market price
Rental and service income	13,108	16,749	11,616	14,696	Contract price
Other income	60,039	58,166	56,817	55,308	Contract price
Interest income	5,820	14,995	5,747	14,577	0.15% - 0.40% per annum (2020: 0.15% - 1.00% per annum)
Rental and service expenses	38,629	33,439	35,950	30,789	Percentage of revenue but not less than a minimum rate
Purchases of goods and assets	354,735	397,634	305,759	380,130	As mutually agreed upon comparing market price

As at 31 December 2021 and 2020, the Group had the outstanding balances with related parties which had been included in the following accounts:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
<u>Deposits with financial institution</u>				
(included in cash and cash equivalents)				
Related company ⁽²⁾	3,921,159	2,654,251	3,889,563	2,613,547
<u>Trade and other receivables</u>				
Subsidiaries	-	-	151,706	127,920
Related companies ⁽¹⁾	4,726	5,799	4,726	5,799
Related companies ⁽²⁾	3,643	1,462	3,720	1,454
Related companies ⁽³⁾	1,366	783	806	660
Related companies ⁽⁴⁾	13,045	11,063	12,686	10,419
Total	22,780	19,107	173,644	146,252
<u>Short-term loans to related party</u>				
Subsidiary	-	-	1,234,000	1,770,000
<u>Rental guarantee deposits</u>				
Related company ⁽²⁾	5,921	3,000	5,921	3,000
Related company ⁽³⁾	1,425	1,425	1,425	1,425
Total	7,346	4,425	7,346	4,425
<u>Trade and other payables</u>				
Subsidiaries	-	-	40,784	48,176
Related company ⁽²⁾	5,067	1,878	5,067	1,878
Related company ⁽³⁾	167	1,359	167	1,359
Related companies ⁽⁴⁾	81,793	85,607	77,699	81,137
Total	87,027	88,844	123,717	132,550

Relationship with the related companies

⁽¹⁾ the major shareholders

⁽²⁾ has common major shareholders

⁽³⁾ has common shareholders

⁽⁴⁾ has shareholders who related to director

Short-term loans to related party

As at 31 December 2021, the Company has granted unsecured loans of Baht 1,234 million (2020: Baht 1,770 million) to a 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 year were as follow:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	During the year		Balance as at
	1 January 2021	Increase	Decrease	31 December 2021
Short-term loans to related party				
Mega Home Center Company Limited	1,770,000	4,510,000	(5,046,000)	1,234,000

Directors and management's benefits

During the year ended 31 December 2021 and 2020, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Short-term benefits	208,911	198,867	189,522	179,159
Post-employment benefits	4,893	4,406	4,213	3,801
Total	213,804	203,273	193,735	182,960

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Cash	114,264	140,981	86,918	107,885
Bank deposits	530,055	541,710	254,479	357,526
Fixed deposits	3,901,647	2,600,000	3,875,000	2,600,000
Total	4,545,966	3,282,691	4,216,397	3,065,411

As at 31 December 2021, bank deposits in saving accounts and fixed deposits carried interests between 0.05% - 0.15% per annum (2020: 0.05% - 1.00% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
Trade accounts receivable	166,849	220,724	268,249	283,853
Other receivables	1,502,422	1,542,407	1,402,477	1,438,524
Income receivables	5,602	6,252	5,592	6,150
Total trade and other receivables	<u>1,674,873</u>	<u>1,769,383</u>	<u>1,676,318</u>	<u>1,728,527</u>

Trade accounts receivable

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
Trade accounts receivable	78,843	76,249	185,213	147,631
Credit card and coupon receivable	88,006	144,475	83,036	136,222
Total trade accounts receivable	<u>166,849</u>	<u>220,724</u>	<u>268,249</u>	<u>283,853</u>

The outstanding balances of trade accounts receivable as at 31 December 2021 and 2020 are aged as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2021	2020	2021	2020
Aged on the basis of due dates				
Not yet due	143,753	197,031	144,067	188,320
Past due				
Up to 3 months	21,402	21,396	55,059	57,846
3 - 6 months	924	1,637	5,984	32,742
6 - 12 months	39	9	50,702	4,635
Over 12 months	731	651	12,437	310
Total trade receivables	<u>166,849</u>	<u>220,724</u>	<u>268,249</u>	<u>283,853</u>

The normal credit term of trade accounts receivable is 30 to 90 days.

Other receivables

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

The outstanding balances of other receivables as at 31 December 2021 and 2020 are aged as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Aged on the basis of due dates				
Not yet due	789,212	796,981	740,911	743,041
Past due				
Up to 3 months	683,821	722,433	635,152	676,158
3 - 6 months	15,305	22,890	14,508	21,246
6 - 12 months	22,428	6,268	21,152	5,004
Over 12 months	6,806	8,992	3,539	5,867
Total	1,517,572	1,557,564	1,415,262	1,451,316
Less: Allowance for expected credit losses	(15,150)	(15,157)	(12,785)	(12,792)
Total other receivables - net	1,502,422	1,542,407	1,402,477	1,438,524

The normal credit term of other receivables is 30 to 60 days.

Set out below is the movements in the allowance for expected credit losses of other receivables.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Beginning balance	15,157	15,216	12,792	12,851
Amount written off	(7)	(59)	(7)	(59)
Ending balance	15,150	15,157	12,785	12,792

9. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Inventories	15,197,877	13,008,465	12,496,477	10,582,686
Less: Reduce cost to net realisable value	(654,216)	(593,804)	(601,761)	(553,004)
Net	14,543,661	12,414,661	11,894,716	10,029,682
Less: Inventories - repaid its cost				
when sold	(1,401,525)	(1,559,180)	(1,159,527)	(1,214,490)
Purchase discount	(569,934)	(510,921)	(485,336)	(451,385)
Inventories - net	12,572,202	10,344,560	10,249,853	8,363,807

During the current year, the Group reduced cost of inventories by Baht 106 million (2020: Baht 103 million) (The Company only: Baht 84 million, 2020: Baht 81 million), to reflect the net realisable value. This was included in administrative expenses. In addition, the Group reversed the write-down of cost of inventories by Baht 46 million (2020: Baht 82 million) (The Company only: Baht 35 million, 2020: Baht 68 million), and reduced the amount of inventories recognised as expenses during the year.

10. Other current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Prepaid expenses	96,437	71,213	69,069	45,871
Suspend input value added tax	26,229	27,703	21,640	25,476
Others	4,155	10,357	2,156	6,542
Total other current assets	126,821	109,273	92,865	77,889

11. 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		(Unit: Thousand Baht) Dividend received during the period	
	2021	2020	2021	2020	2021	2020	2021	2020
			(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.	538,448	516,843	100.00	100.00	538,448	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	-	-
Home Product Center Viet Nam Company Limited	32,340	-	100.00	-	32,340	-	-	-
Total					2,078,288	2,024,343	-	14,999
Less: Allowance for impairment of investment					(50,199)	(78,697)		
Investments in subsidiaries - net					2,028,089	1,945,646		

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

Home Product Center (Malaysia) Sdn. Bhd.

In December 2021, Home Product Center (Malaysia) Sdn. Bhd., the Company's 100% owned subsidiary, passed a resolution to enter into debt restructuring program totaling Baht 21.6 million (MYR 2.8 million) in exchange with the subsidiary's ordinary shares at the same amount ("the transaction"). Upon the completion of the transaction, the registered capital of the subsidiary would be increased from Baht 516.8 million (MYR 59.0 million) to Baht 538.4 million (MYR 61.8 million). However, the Company's proportionate holding in the equity of the subsidiary did not change from the transaction. The subsidiary completed its regulatory process of the transaction on 30 December 2021.

Home Product Center Viet Nam Company Limited

On 24 November 2020, the Company's Board of Directors meeting passed a resolution approving an investment in Home Product Center Viet Nam Company Limited, in which the Company holds 100%, to operate a retail business in Vietnam. The Company has a registered share capital of VND 23,100 million or USD 1 million. The Company made a payment for the investment in January 2021.

12. Investment properties

The net book value of investment properties as at 31 December 2021 and 2020 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statement				
	Land and land improvement	Building and equipment	Right-of-use assets for rent	Assets under installation and under construction	Total
As at 31 December 2021					
Cost	150,000	5,099,326	886,991	1,225	6,137,542
Less: Accumulated depreciation	-	(2,300,287)	(162,551)	-	(2,462,838)
Net book value	150,000	2,799,039	724,440	1,225	3,674,704
As at 31 December 2020					
Cost	150,000	5,042,473	885,887	3,255	6,081,615
Less: Accumulated depreciation	-	(2,065,644)	(135,918)	-	(2,201,562)
Net book value	150,000	2,976,829	749,969	3,255	3,880,053

(Unit: Thousand Baht)

	Separate financial statement				
	Land and land improvement	Building and equipment	Right-of-use assets for rent	Assets under installation and under construction	Total
As at 31 December 2021					
Cost	992,980	5,099,326	1,165,684	1,225	7,259,215
Less: Accumulated depreciation	-	(2,300,287)	(221,447)	-	(2,521,734)
Net book value	992,980	2,799,039	944,237	1,225	4,737,481
As at 31 December 2020					
Cost	992,980	5,042,473	1,164,580	3,255	7,203,288
Less: Accumulated depreciation	-	(2,065,643)	(184,967)	-	(2,250,610)
Net book value	992,980	2,976,830	979,613	3,255	4,952,678

A reconciliation of the net book value of investment properties for the years 2021 and 2020 is presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Net book value at beginning of year	3,880,053	3,152,426	4,952,678	4,234,898
Additions	57,662	946,896	57,662	946,896
Disposals and written-off				
- net book value	(230)	(29)	(230)	(29)
Depreciation (included in administrative expenses)	(262,781)	(219,240)	(272,629)	(229,087)
Net book value at end of year	<u>3,674,704</u>	<u>3,880,053</u>	<u>4,737,481</u>	<u>4,952,678</u>

The fair value of the investment properties as at 31 December 2021 and 2020 stated below:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Fair value	6,121	6,963	6,738	7,475

The fair value of the above investment properties has been determined based on valuation performed by an accredited independent valuer. The fair value of the land, building and right-of-use assets held for rent has been determined using the income approach. Key assumptions used in the valuation include yield rate, inflation rate, occupancy rate and long-term growth in real rental rates.

13. Property, building and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						Total
	Land and land improvement	Building and improvement	Equipment and machine	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	
Cost:							
As at 1 January 2020	9,055,646	30,595,123	1,233,783	8,101,506	6,860	567,280	49,560,198
Additions	-	88,663	356,987	242,797	400	986,606	1,675,453
Transfer from right-of-use assets	-	-	-	-	413	-	413
Disposals and written-off	-	(20,118)	(9,967)	(98,105)	(1,010)	-	(129,200)
Transfers in (out)	-	1,201,729	13,911	288,300	-	(1,503,940)	-
Translation adjustment	-	3,921	262	3,550	-	(22)	7,711
31 December 2020	9,055,646	31,869,318	1,594,976	8,538,048	6,663	49,924	51,114,575
Additions	-	110,743	76,731	237,075	-	828,649	1,253,198
Transfer from right-of-use assets	-	-	-	-	7,209	-	7,209
Disposals and written-off	-	(69,234)	(60,653)	(121,423)	(7,209)	(319)	(258,838)
Transfers in (out)	-	599,025	65,295	75,677	-	(739,997)	-
Translation adjustment	-	23,897	1,693	21,904	-	60	47,554
As at 31 December 2021	9,055,646	32,533,749	1,678,042	8,751,281	6,663	138,317	52,163,698
Accumulated depreciation:							
As at 1 January 2020	-	12,354,657	672,814	6,895,506	5,391	-	19,928,368
Depreciation for the year	-	1,763,076	170,125	557,004	711	-	2,490,916
Transfer from right-of-use assets	-	-	-	-	172	-	172
Depreciation on disposals and written-off	-	(18,062)	(3,374)	(91,995)	(753)	-	(114,184)
Translation adjustment	-	581	194	1,773	-	-	2,548
As at 31 December 2020	-	14,100,252	839,759	7,362,288	5,521	-	22,307,820
Depreciation for the year	-	1,735,705	192,341	488,284	462	-	2,416,792
Transfer from right-of-use assets	-	-	-	-	3,877	-	3,877
Depreciation on disposals and written-off	-	(45,553)	(60,580)	(106,134)	(3,877)	-	(216,144)
Translation adjustment	-	7,406	1,593	17,934	-	-	26,933
As at 31 December 2021	-	15,797,810	973,113	7,762,372	5,983	-	24,539,278
Allowance for impairment loss:							
As at 1 January 2020	9,400	700	-	-	-	-	10,100
Increase during the year	-	37,654	-	19,000	-	-	56,654
Decrease during the year	-	(700)	-	-	-	-	(700)
Translation adjustment	-	(456)	-	-	-	-	(456)
As at 31 December 2020	9,400	37,198	-	19,000	-	-	65,598
Increase during the year	-	3,186	-	-	-	-	3,186
Decrease during the year	-	-	-	(3,410)	-	-	(3,410)
Written-off	-	(12,700)	-	(14,500)	-	-	(27,200)
Translation adjustment	-	2,074	-	-	-	-	2,074
As at 31 December 2021	9,400	29,758	-	1,090	-	-	40,248
Net book value:							
As at 31 December 2020	9,046,246	17,731,868	755,217	1,156,760	1,142	49,924	28,741,157
As at 31 December 2021	9,046,246	16,706,181	704,929	987,819	680	138,317	27,584,172
Depreciation for the year							
2020 (Baht 2,417 million included in selling, distribution and service expenses, and the balance in administrative expenses)							2,490,916
2021 (Baht 2,325 million included in selling, distribution and service expenses, and the balance in administrative expenses)							2,416,792

(Unit: Thousand Baht)

Separate financial statements							
	Land and land improvement	Building and improvement	Equipment and machine	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
Cost:							
As at 1 January 2020	8,063,166	25,784,553	1,173,691	6,924,894	6,082	556,951	42,509,337
Additions	-	85,402	351,179	234,376	100	974,255	1,645,312
Transfer from right-of-use assets	-	-	-	-	413	-	413
Disposals and written-off	-	(19,497)	(9,859)	(89,262)	(1,010)	-	(119,628)
Transfers in (out)	-	1,200,045	13,911	275,392	-	(1,489,348)	-
As at 31 December 2020	8,063,166	27,050,503	1,528,922	7,345,400	5,585	41,858	44,035,434
Additions	-	76,891	73,395	168,344	-	803,997	1,122,627
Transfer from right-of-use assets	-	-	-	-	7,209	-	7,209
Disposals and written-off	-	(40,257)	(54,169)	(119,817)	(7,209)	(320)	(221,772)
Transfers in (out)	-	579,584	65,295	70,123	-	(715,002)	-
As at 31 December 2021	8,063,166	27,666,721	1,613,443	7,464,050	5,585	130,533	44,943,498
Accumulated depreciation:							
As at 1 January 2020	-	11,108,513	616,723	5,925,299	4,613	-	17,655,148
Depreciation for the year	-	1,489,383	166,540	440,876	710	-	2,097,509
Transfer from right-of-use assets	-	-	-	-	172	-	172
Depreciation on disposals and written-off	-	(17,732)	(3,268)	(83,321)	(753)	-	(105,074)
As at 31 December 2020	-	12,580,164	779,995	6,282,854	4,742	-	19,647,755
Depreciation for the year	-	1,471,193	186,947	401,848	402	-	2,060,390
Transfer from right-of-use assets	-	-	-	-	3,877	-	3,877
Depreciation on disposals and written-off	-	(24,461)	(54,096)	(104,561)	(3,877)	-	(186,995)
As at 31 December 2021	-	14,026,896	912,846	6,580,141	5,144	-	21,525,027
Allowance for impairment loss:							
As at 1 January 2020	9,400	700	-	-	-	-	10,100
Increase during the year	-	16,000	-	19,000	-	-	35,000
Decrease during the year	-	(700)	-	-	-	-	(700)
As at 31 December 2020	9,400	16,000	-	19,000	-	-	44,400
Increase during the year	-	2,350	-	-	-	-	2,350
Decrease during the year	-	-	-	(3,410)	-	-	(3,410)
Written-off	-	(12,700)	-	(14,500)	-	-	(27,200)
As at 31 December 2021	9,400	5,650	-	1,090	-	-	16,140
Net book value:							
As at 31 December 2020	8,053,766	14,454,339	748,927	1,043,546	843	41,858	24,343,279
As at 31 December 2021	8,053,766	13,634,175	700,597	882,819	441	130,533	23,402,331
Depreciation for the year							
2020 (Baht 2,025 million included in selling, distribution and service expenses, and the balance in administrative expenses)							2,097,509
2021 (Baht 1,970 million included in selling, distribution and service expenses, and the balance in administrative expenses)							2,060,390

As at 31 December 2021, certain building and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to approximately Baht 10,807 million (2020: Baht 9,024 million) (The Company only: Baht 9,682 million, 2020: Baht 8,206 million).

14. Computer software

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Cost		
As at 1 January 2020	919,576	867,841
Acquisitions during the year	101,022	101,022
Translation adjustment	20	-
As at 31 December 2020	1,020,618	968,863
Acquisitions during the year	109,089	107,601
Written-off	(35,618)	(35,618)
Translation adjustment	193	-
As at 31 December 2021	1,094,282	1,040,846
Accumulated amortisation		
As at 1 January 2020	443,546	410,986
Amortisation for the year (included in administrative expenses)	88,195	83,065
Translation adjustment	7	-
As at 31 December 2020	531,748	494,051
Amortisation for the year (included in administrative expenses)	92,922	87,699
Amortisation on written-off	(35,618)	(35,618)
Translation adjustment	71	-
As at 31 December 2021	589,123	546,132
Net book value		
As at 31 December 2020	488,870	474,812
As at 31 December 2021	505,159	494,714

15. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated		Separate	
	(% per annum)		financial statements		financial statements	
	2021	2020	2021	2020	2021	2020
Bill of exchange - Baht	0.58	0.90	1,000,000	1,000,000	1,000,000	1,000,000
Bill of exchange - Foreign currency	3.01 - 3.44	3.07 - 3.42	231,829	248,714	-	-
Total short-term loans from financial institutions			1,231,829	1,248,714	1,000,000	1,000,000

As at 31 December 2021, the Group had overdraft lines from banks totaling Baht 340 million and MYR 2.5 million (2020: Baht 315 million and MYR 0.5 million) (The Company only: Baht 310 million 2020: Baht 285 million) and other credit facilities totaling Baht 11,437 million, USD 40 million and MYR 70 million (2020: Baht 19,964 million, USD 55 million and MYR 66 million) (The Company only: Baht 11,204 million and USD 40 million 2020: Baht 19,426 million and USD 55 million).

16. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Trade accounts payable	12,253,471	11,280,098	10,743,269	9,874,371
Other payables	603,917	634,353	533,278	586,134
Other payables for purchase of assets	242,453	233,909	237,205	228,157
Accrued expenses	872,778	901,949	796,593	826,536
Total trade and other payables	13,972,619	13,050,309	12,310,345	11,515,198

17. Leases

17.1 The Group as a lessee

The Group has lease contracts for various items of property, building, and equipment used in its operations. Leases generally have lease terms between 2 - 31 years.

a) Right-of-use assets

Movements of right-of-use assets for the years ended 31 December 2021 and 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Land and land improvement	Building	Motor vehicles	Total
As at 1 January 2020	4,068,190	2,070,815	15,028	6,154,033
Acquisitions	356,899	-	1,657	358,556
Transfer to property, building and equipment - net book value	-	-	(241)	(241)
Depreciation for the year	(179,460)	(200,250)	(3,675)	(383,385)
Difference from rental reduction	(2,026)	(16,397)	-	(18,423)
Translation adjustment	-	1,446	-	1,446
As at 31 December 2020	4,243,603	1,855,614	12,769	6,111,986
Acquisitions	758,528	397,510	9,010	1,165,048
Transfer to property, building and equipment - net book value	-	-	(3,332)	(3,332)
Depreciation for the year	(206,696)	(224,906)	(3,815)	(435,417)
Decrease from rental period reduction	-	(181,976)	-	(181,976)
Translation adjustment	-	2,905	-	2,905
As at 31 December 2021	4,795,435	1,849,147	14,632	6,659,214

(Unit: Thousand Baht)

	Separate financial statements			
	Land and land improvement	Building	Motor vehicles	Total
As at 1 January 2020	3,057,954	2,027,847	15,028	5,100,829
Acquisitions	356,899	-	1,657	358,556
Transfer to property, building and equipment - net book value	-	-	(241)	(241)
Depreciation for the year	(142,050)	(165,825)	(3,675)	(311,550)
Difference from rental reduction	(2,026)	(16,397)	-	(18,423)
As at 31 December 2020	3,270,777	1,845,625	12,769	5,129,171
Acquisitions	758,528	302,952	9,010	1,070,490
Transfer to property, building and equipment - net book value	-	-	(3,332)	(3,332)
Depreciation for the year	(169,320)	(184,739)	(3,815)	(357,874)
Decrease from rental period reduction	-	(181,976)	-	(181,976)
As at 31 December 2021	3,859,985	1,781,862	14,632	5,656,479

The movements of right-of-use assets exclude the right-of-use assets which are classified as investment property which is presented in Note 12.

b) Lease liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Lease payments	7,464,558	6,519,580	6,770,450	5,870,650
Less: Deferred interest expenses	(2,351,828)	(1,896,956)	(2,116,017)	(1,649,826)
Total	5,112,730	4,622,624	4,654,433	4,220,824
Less: Portion due within one year	(247,268)	(249,328)	(201,780)	(240,863)
Lease liabilities - net of current portion	<u>4,865,462</u>	<u>4,373,296</u>	<u>4,452,653</u>	<u>3,979,961</u>

Movements of the lease liability account during the years ended 31 December 2021 and 2020 are summarised below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Beginning balance	4,622,624	4,681,412	4,220,824	4,240,740
Additions	1,166,153	406,538	1,071,595	406,538
Increase from amortisation of deferred interest in the year	156,514	130,659	142,313	117,821
Payments	(597,962)	(572,224)	(546,998)	(520,261)
Decrease from rental period reduction	(208,196)	-	(208,196)	-
Rental reduction	(29,088)	(24,014)	(25,105)	(24,014)
Translation adjustment	2,685	253	-	-
Ending balance	<u>5,112,730</u>	<u>4,622,624</u>	<u>4,654,433</u>	<u>4,220,824</u>

A maturity analysis of lease payments is disclosed in Note 33.2 under the liquidity risk.

c) Expenses relating to leases that are recognised in profit or loss

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Depreciation expense of right-of-use assets	454,560	519,303	394,355	496,517
Interest expense on lease liabilities	156,514	130,659	142,313	117,821
Expense relating to short-term leases	41,816	21,187	40,975	21,187
Expense relating to leases of low-value assets	23,606	24,777	20,195	20,841
Expense relating to variable lease payments that do not depend on an index or a rate	67,392	58,906	67,392	58,906

The Group has lease contracts for building space that contains variable payments based on sales. The lease term is 1 - 22 years.

d) Others

The Group had total cash outflows for leases for the year ended 31 December 2021 of Baht 731 million (2020: Baht 677 million) (The Company only: Baht 676 million, 2020: Baht 621 million), including the cash outflow related to short-term lease, leases of low-value assets and variable lease payments that do not depend on an index or a rate. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 31.2.

17.2 Group as a lessor

The Group has entered into operating leases for its investment properties portfolio consisting of property, building, and right-of-use assets of lease land (see Note 12) of the lease terms are between 3 to 30 years.

The Group has future minimum rentals receivable under non-cancellable operating leases of investment properties as at 31 December 2021 and 2020 as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Within 1 year	19,748	78,833	62,539	112,917
Over 1 and up to 5 years	78,992	333,635	103,696	363,555
Over 5 years	281,564	893,955	281,564	863,955
Total	380,304	1,306,423	447,799	1,340,427

During 2021 the Group has sub-lease income amounting to Baht 34 million (2020: Baht 59 million) (The Company only: Baht 76 million, 2020: Baht 103 million).

18. Long-term loan

(Unit: Thousand Baht)

	Interest rate (% per annum)		Consolidated financial statements	
	2021	2020	2021	2020
Long-term loan - MYR	COF + 1.10*	COF + 1.10*	61,608	75,167
Less: Current portion of long-term loan			(61,608)	(75,167)
Long-term loan - net of current portion			-	-

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

Movement of the long-term loan account during the year ended 31 December 2021 and 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2021	2020
Beginning balance	75,167	84,195
Repayments	(17,480)	(10,236)
Translation adjustment	3,921	1,208
Ending balance	61,608	75,167

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 31 December 2021 and 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.

19. Debentures

					Consolidated and separate financial statements			
Interest/discount					Number of debenture (Units)		Amount (Thousand Baht)	
No.	rate per annum	Age	Repayment	Maturity	2021	2020	2021	2020
<u>Unsubordinated and unsecured debentures</u>								
No. 1/2018	Fixed rate 2.00%	3 years	At maturity	16 February 2021	-	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
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	3,150,000*	3,150,000*
No. 2/2020	1.85%	2 years 11 months	At maturity	12 October 2023	1,000,000	1,000,000	1,000,000*	1,000,000*
		28 days						
No. 3/2020	Fixed rate 1.85%	2 years 11 months	At maturity	12 October 2023	1,000,000	1,000,000	1,000,000	1,000,000
		28 days						
No. 1/2021	1.50%	3 years	At maturity	12 January 2024	1,000,000	-	1,000,000*	-
No. 2/2021	1.40%	3 years	At maturity	9 February 2024	1,000,000	-	1,000,000*	-
No. 3/2021	1.07%	3 years	At maturity	1 October 2024	2,000,000	-	2,000,000*	-
Total					12,320,000	12,320,000	12,320,000	12,320,000
Less: Deferred interest							(255,735)	(264,413)
Debenture - net							12,064,265	12,055,587
Less: Current portion of debentures							(3,120,897)	(4,000,000)
Debentures - net of current portion							8,943,368	8,055,587
* Zero Coupon Bond								

* Zero Coupon Bond

Movements in debentures account during the period ended 31 December 2021 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	2021	2020
Beginning balance	12,320,000	13,170,000
Add: Issuance of debentures during the year	4,000,000	5,150,000
Less: Redemption of debentures during the year	(4,000,000)	(6,000,000)
Ending balance	12,320,000	12,320,000

Such debentures contain certain covenants and restrictions regarding the maintenance of debt to equity ratio, restriction on dividend payment and disposal and transfer of assets.

20. Provision for long-term employee benefits

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Provision for long-term employee benefits				
at beginning of year	574,052	528,170	521,757	480,430
Included in profit or loss:				
Current service cost	54,562	49,572	47,779	43,361
Interest cost	8,421	7,922	7,657	7,231
Included in other comprehensive income:				
Actuarial gain arising from				
Demographic assumptions changes	(29,334)	-	(26,560)	-
Financial assumptions changes	(29,513)	-	(26,867)	-
Experience adjustments	(22,776)	-	(20,646)	-
Benefits paid during the year	(9,518)	(11,612)	(7,901)	(9,265)
Provision for long-term employee benefits				
at end of year	545,894	574,052	495,219	521,757

As at 31 December 2021, the Group expects to pay Baht 56 million (2020: Baht 22 million) (The Company only: Baht 54 million, 2020: Baht 21 million) of long-term employee benefits during the next year.

As at 31 December 2021, the weighted average duration of the liabilities for long-term employee benefit is 7 years (2020: 9 years) (The Company only: 7 years 2020: 9 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Discount rate	1.7%	1.5%	1.7%	1.5%
Salary increase rate	5.5% - 6.0%	6.0% - 6.5%	5.5% - 6.0%	6.0% - 6.5%
Turnover rate (depending on age)	0 - 40%	0 - 40%	0 - 35%	0 - 35%

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2021 and 2020 are summarised below:

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate				
31 December 2021	(19)	20	(17)	18
31 December 2020	(35)	11	(31)	11

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Salary increase rate				
31 December 2021	44	(39)	39	(35)
31 December 2020	45	(64)	41	(58)

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Turnover rate				
(depending on age)				
31 December 2021	(33)	38	(29)	33
31 December 2020	(36)	55	(32)	48

21. The Employee Joint Investment Program (EJIP)

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

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

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

During the year 2021, the Group contributed Baht 38 million to the program (2020: Baht 36 million) (The Company only: Baht 36 million 2020: Baht 35 million).

22. Statutory reserve

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

At present, the statutory reserve has fully been set aside.

23. Revenue from contracts with customers

23.1 Disaggregated revenue information

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Type of goods or service:				
Sale of goods related to houses and residences	59,969,667	57,862,707	52,253,457	50,315,988
Renovation and improvement services	277,100	206,284	277,100	206,284
Installation maintenance and other service	321,145	277,778	298,713	249,286
Total revenue from contracts with customers	<u>60,567,912</u>	<u>58,346,769</u>	<u>52,829,270</u>	<u>50,771,558</u>
Timing of revenue recognition:				
Revenue recognised at a point in time	60,290,812	58,140,485	52,552,170	50,565,274
Revenue recognised over time	277,100	206,284	277,100	206,284
Total revenue from contracts with customers	<u>60,567,912</u>	<u>58,346,769</u>	<u>52,829,270</u>	<u>50,771,558</u>

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	
	2021	2020	2021	2020
Revenue from external customers	60,512,530	58,299,399	52,465,137	50,418,285
Revenue from related parties	383,243	367,004	364,133	353,273
	60,895,773	58,666,403	52,829,270	50,771,558
Eliminations	(327,861)	(319,634)	-	-
Total revenue from contracts with customers	<u>60,567,912</u>	<u>58,346,769</u>	<u>52,829,270</u>	<u>50,771,558</u>

23.2 Revenue recognised in relation to contract balances

During the current year, amounts of Baht 963 million (2020: Baht 955 million) (The Company only: Baht 902 million 2020: Baht 889 million) that were included in advances received from customers at the beginning of the year were recognised as revenue.

24. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Salaries and wages and other employee benefits	4,639	4,524	4,162	4,069
Premises expenses	1,142	1,198	1,002	1,062
Depreciation and amortisation	3,208	3,182	2,779	2,721
Sales promotion and operation support expenses	2,258	2,102	2,112	1,964
Financial cost	416	459	391	432
Tax expenses and fees	1,255	1,013	1,126	949
Changes in finished goods	(2,288)	56	(1,935)	208

25. Finance cost

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Interest expense of loans and debentures	259,098	328,128	248,712	314,364
Interest expense on lease liabilities	156,514	130,659	142,313	117,821
Total	415,612	458,787	391,025	432,185

26. Income tax

Income tax expenses for the years ended 31 December 2021 and 2020 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Current income tax:				
Current income tax charge	1,238,501	1,236,873	1,118,952	1,156,953
Adjustment in respect of income tax of previous year	(25,072)	(8,033)	(20,461)	(8,030)
Deferred tax:				
Relating to origination and reversal of temporary differences	(19,461)	(193,487)	(23,315)	(177,351)
Income tax expenses reported in profit or loss	1,193,968	1,035,353	1,075,176	971,572

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2021 and 2020 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Deferred tax on actuarial gains	16,325	-	14,815	-

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

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Accounting profit before tax	6,634,488	6,190,054	6,060,176	5,759,852
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	1,326,898	1,238,011	1,212,035	1,151,970
Adjustment in respect of income tax of previous year	(25,072)	(8,033)	(20,461)	(8,030)
Effects of:				
Revenues that are granted income tax exemption	-	-	-	(3,000)
Non-deductible expenses	14,693	12,786	11,102	9,392
Additional expense deductions allowed	(131,755)	(173,395)	(116,274)	(144,744)
Others	9,204	(34,016)	(11,226)	(34,016)
Total	(107,858)	(194,625)	(116,398)	(172,368)
Income tax expenses reported in profit or loss	1,193,968	1,035,353	1,075,176	971,572

The components of deferred tax assets are as follows:

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Deferred tax assets				
Allowance for expected credit losses	3,030	3,032	2,557	2,558
Purchase discount	113,987	102,184	97,067	90,277
Allowance for asset impairment	3,228	8,880	3,228	8,880
Lease	248,997	235,429	240,324	226,058
Provision for long-term employee benefits	109,179	114,810	99,044	104,352
Deferred purchase discount	6,370	8,568	6,237	8,368
Provision	123,836	132,588	114,746	114,210
Total	608,627	605,491	563,203	554,703

As at 31 December 2021, the Group has deductible temporary differences totaling Baht 654 million (2020: Baht 594 million) (The Company only: Baht 602 million, 2020: Baht 553 million). No deferred tax assets have been recognised on these amounts as the Group believes it is uncertain on the temporary differences may not be probable utilised in the future.

27. Earnings per share

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

	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Profit for the year (Thousand Baht)	5,440,519	5,154,702	4,958,000	4,788,280
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)	0.41	0.39	0.38	0.36

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

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

Geographic information

Sales income from external customers is based on locations of the Group which are summarised as follow.

	(Unit: Million Baht)	
	2021	2020
Sales income from external customers		
Thailand	59,522	57,128
Malaysia	990	1,171
Vietnam	1	-
Total	<u>60,513</u>	<u>58,299</u>
Non-current assets (other than deferred tax assets)		
Thailand	38,764	39,443
Malaysia	292	214
Vietnam	2	-
Total	<u>39,058</u>	<u>39,657</u>

Major customers

For the years 2021 and 2020, the Group has no major customer with revenue of 10% or more of an entity's revenues.

29. Provident fund

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

During the year 2021, the Group contributed Baht 103 million (2020: Baht 101 million) to the fund (The Company only: Baht 91 million, 2020: Baht 90 million).

30. Dividend paid

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Interim dividend 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 dividend 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	
Dividend from operating results from July 2020 to December 2020	The Annual General Meeting of the shareholders on 8 April 2021	2,630	0.20
Interim dividend from operating results from January 2021 to June 2021	Board of Directors' Meeting of the Company on 31 August 2021	1,578	0.12
Total		4,208	

31. Commitments and contingent liabilities

31.1 Capital commitment

As at 31 December 2021 and 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.

31.2 Operating lease commitments - as a lessee

As at 31 December 2021 and 2020, the Company has future lease payments required under these non-cancellable leases contracts that have not yet commenced amounting to Baht 701 million (2020: Baht 205 million).

In February 2022, the Company registered lease land with Department of Lands amounting to Baht 300 million.

31.3 Service commitments and land and building rental commitments

- a) The Company has entered into the inventory management services agreement with a subsidiary. Under the conditions of the agreement, the Company is to pay the monthly service fee at a percentage of the subsidiary's actual cost, as stipulated in the agreement.
- b) The Company has entered into agreements to provide administrative services 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 at rates stipulated in the agreements. The agreements are non-cancelable, except with the consent of the counterparties.

31.4 Long-term lease agreements - as a lessor

As at 31 December 2021, the Company has entered into 5 agreements (2020: 8 agreements) with 4 companies (2020: 4 companies) to lease and/or sub-lease parts of its premises in 5 branches (2020: 7 branches) for the periods between 18 to 30 years (2020: 14 to 30 years), with a total of rental received in advance amounting Baht 572 million (2020: Baht 609 million). The terms of the agreements are ended in the year 2033 to the year 2039. The Company recognised this income systematically on a straight-line basis over the lease periods which are the useful lives of the leaseholds.

As at 31 December 2021, the outstanding balance of rental received in advance, net of recognised rental income was Baht 259 million (2020: Baht 298 million).

31.5 Guarantees

- a) As at 31 December 2021, the Group has outstanding bank guarantees of Baht 163 million and MYR 1 million (2020: Baht 150 million and MYR 1 million) (The Company only: Baht 134 million, 2020: Baht 127 million) issued by banks on benefit of the Group in respect of guarantees provided for leasing, purchases of goods or hire of work, as bonds with State Enterprise. Bank guarantee of Baht 29 million and MYR 1 million (2020: Baht 23 million and MYR 1 million) issued in the name of subsidiary was guaranteed by the Company.
- b) As at 31 December 2021, the Company had commitments under letters of credit opened with commercial bank, amounting to USD 0.8 million and CNY 4.7 million (2020: USD 0.4 million and CNY 5.4 million).

- c) As at 31 December 2021, the Company secured credit facilities of its subsidiaries of Baht 280 million and MYR 103 million (2020: Baht 580 million and MYR 114 million) to financial institutions.

31.6 Litigation

- a) As at 31 December 2021, the Company has legal cases for a total claimed amount of Baht 5.0 million (2020: Baht 2.6 million) (The Company only: Baht 2.6 million, 2020: Baht 0.2 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. The Administrative Court decided to dismiss the case on 25 March 2021. The plaintiff has not submitted an appeal within time frame. Therefore, the case is final.

32. Fair value hierarchy

As at 31 December 2021 and 2020, the Group had the assets and liabilities that were measured at fair value or for which fair value was disclosed using different levels of inputs as follows:

(Unit: Million Baht)				
Consolidated Financial Statements				
As at 31 December 2021				
	Level 1	Level 2	Level 3	Total
Liability measured at fair value				
Derivatives				
Foreign currency forward contracts	-	1	-	1
Asset for which fair value are disclosed				
Investment properties	-	-	6,121	6,121
Liability for which fair value are disclosed				
Debentures	-	12,161	-	12,161

(Unit: Million Baht)

Consolidated Financial Statements				
As at 31 December 2020				
	Level 1	Level 2	Level 3	Total
Liability measured at fair value				
Derivatives				
Foreign currency forward contracts	-	1	-	1
Asset for which fair value are disclosed				
Investment properties	-	-	6,963	6,963
Liability for which fair value are disclosed				
Debentures	-	12,238	-	12,238

(Unit: Million Baht)

Separate Financial Statements				
As at 31 December 2021				
	Level 1	Level 2	Level 3	Total
Liability measured at fair value				
Derivatives				
Foreign currency forward contracts	-	1	-	1
Asset for which fair value are disclosed				
Investment properties	-	-	6,738	6,738
Liability for which fair value are disclosed				
Debentures	-	12,161	-	12,161

(Unit: Million Baht)

Separate Financial Statements				
As at 31 December 2020				
	Level 1	Level 2	Level 3	Total
Liability measured at fair value				
Derivatives				
Foreign currency forward contracts	-	1	-	1
Asset for which fair value are disclosed				
Investment properties	-	-	7,475	7,475
Liability for which fair value are disclosed				
Debentures	-	12,238	-	12,238

33. Financial instruments

33.1 Derivatives

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2021	2020	2021	2020
Derivative liability				
Derivative liability not designated as hedging instruments				
Foreign exchange forward contracts	1	1	1	1
Total derivative liability	1	1	1	1

Derivatives not designated as hedging instruments

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 6 months.

33.2 Financial risk management objectives and policies

The Group's financial instruments principally comprise cash and cash equivalents, trade accounts receivable, short-term loans, long-term loans and long-term debentures. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade accounts receivable, deposits with banks and financial institutions and other financial instruments. Except for derivatives, the maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position. The Group's maximum exposure relating to derivatives is noted in the liquidity risk topic.

Trade receivables

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by customer type and rating and other forms of credit insurance. Other forms of credit insurance are considered an integral part of trade receivables and taken into account in the calculation of impairment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial instruments and cash deposits

The Group manages the credit risk from balances with banks and financial institutions by making investments only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Executive Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on debt instruments and derivatives is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

There is a type of market risk comprising currency risk. The Group enters into foreign exchange forward contracts derivative to reduce the foreign currency risk arising on the import of goods.

Foreign currency risk

The Group's exposure to the foreign currency risk relates primarily to its trading transactions that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2021 and 2020, the balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Consolidated and separate financial statements						
Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	-	-	2	-	33.37	-
CNY	-	-	50	8	5.23	4.60

As at 31 December 2021 and 2020, foreign exchange contracts outstanding are summarised below.

Consolidated and separate financial statements					
As at 31 December 2021					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(Baht per 1 foreign currency unit)		
USD	3	-	32.73 - 33.57	-	Within July 2022
CNY	30	-	5.20 - 5.25	-	Within July 2022

Consolidated and separate financial statements					
As at 31 December 2020					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
	(Million)	(Million)	Bought	Sold	
			(Baht per 1 foreign currency unit)		
USD	1	-	30.93 - 31.32	-	Within May 2021

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its debentures and long-term borrowings. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The Group manages its interest rate risk by having a portfolio of fixed rate loans and borrowings more than variable rate. The Group's policy is to maintain borrowings at fixed rates of interest of not less than 50%.

As at 31 December 2021 and 2020, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2021							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	More than 5 years				
Financial assets							
Cash and cash equivalents	3,992	-	-	160	394	4,546	0.05 - 0.15
Trade and other receivables	-	-	-	-	1,675	1,675	-
	<u>3,992</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>2,069</u>	<u>6,221</u>	
Financial liabilities							
Short-term loans from financial institutions	1,232	-	-	-	-	1,232	0.58 - 3.44
Trade and other payables	-	-	-	-	13,973	13,973	-
Lease liabilities	247	764	4,102	-	-	5,113	1.44 - 5.35
Long-term loans	-	-	-	62	-	62	COF + 1.10
Debentures	3,121	8,943	-	-	-	12,064	1.07 - 1.85
	<u>4,600</u>	<u>9,707</u>	<u>4,102</u>	<u>62</u>	<u>13,973</u>	<u>32,444</u>	

(Unit: Million Baht)

	Consolidated financial statements						
	As at 31 December 2020						
	Fixed interest rates						
	Within 1 year	1 - 5 years	More than 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
Financial assets							
Cash and cash equivalents	2,600	-	-	243	440	3,283	0.05 - 1.00
Trade and other receivables	-	-	-	-	1,769	1,769	-
	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>2,209</u>	<u>5,052</u>	
Financial liabilities							
Short-term loans from financial institutions	1,249	-	-	-	-	1,249	0.90 - 3.42
Trade and other payables	-	-	-	-	13,050	13,050	-
Lease liabilities	249	772	3,602	-	-	4,623	2.42 - 5.35
Long-term loans	-	-	-	75	-	75	COF + 1.10
Debentures	4,000	8,056	-	-	-	12,056	1.65 - 3.00
	<u>5,498</u>	<u>8,828</u>	<u>3,602</u>	<u>75</u>	<u>13,050</u>	<u>31,053</u>	

(Unit: Million Baht)

	Separate financial statements						
	As at 31 December 2021						
	Fixed interest rates						
	Within 1 year	1 - 5 years	More than 5 years	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
Financial assets							
Cash and cash equivalents	3,875	-	-	17	324	4,216	0.05 - 0.15
Trade and other receivables	-	-	-	-	1,676	1,676	-
Short-term loans to related party	1,234	-	-	-	-	1,234	3.00
	<u>5,109</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>2,000</u>	<u>7,126</u>	
Financial liabilities							
Short-term loans from financial institutions	1,000	-	-	-	-	1,000	0.58
Trade and other payables	-	-	-	-	12,310	12,310	-
Lease liabilities	202	717	3,735	-	-	4,654	1.44 - 5.35
Debentures	3,121	8,943	-	-	-	12,064	1.07 - 1.85
	<u>4,323</u>	<u>9,660</u>	<u>3,735</u>	<u>-</u>	<u>12,310</u>	<u>30,028</u>	

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2020							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	More than 5 years				
Financial assets							
Cash and cash equivalents	2,600	-	-	108	357	3,065	0.05 - 1.00
Trade and other receivables	-	-	-	-	1,729	1,729	-
Short-term loans to related party	1,770	-	-	-	-	1,770	3.00
	<u>4,370</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>2,086</u>	<u>6,564</u>	
Financial liabilities							
Short-term loans from financial institutions	1,000	-	-	-	-	1,000	0.90
Trade and other payables	-	-	-	-	11,515	11,515	-
Lease liabilities	241	750	3,230	-	-	4,221	2.42 - 5.35
Debentures	4,000	8,056	-	-	-	12,056	1.65 - 3.00
	<u>5,241</u>	<u>8,806</u>	<u>3,230</u>	<u>-</u>	<u>11,515</u>	<u>28,792</u>	

Liquidity risk

The Group monitors the risk of a shortage of liquidity through the use of trade payable, bank loans, debentures and lease contracts. Approximately 57% of the Group's debt will mature in less than one year at 31 December 2021 (2020: 60%) (The Company only: 55%, 2020: 58%) based on the carrying value of borrowings reflected in the financial statements. The Group has assessed the concentration of risk with respect to refinancing its debt and concluded that the Group has access to a sufficient variety of sources of funding.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities and derivative financial instruments as at 31 December 2021 and 2020 based on contractual undiscounted cash flows:

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2021					
	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-derivatives					
Short-term loans from financial institutions	1,233	-	-	-	1,233
Trade and other payables	-	13,973	-	-	13,973
Lease liabilities	-	414	1,371	5,680	7,465
Long-term loans	-	67	-	-	67
Debentures	-	3,170	9,183	-	12,353
Total non-derivatives	<u>1,233</u>	<u>17,624</u>	<u>10,554</u>	<u>5,680</u>	<u>35,091</u>
Derivative					
Derivative liability: net settled	-	1	-	-	1
Total derivative	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>

(Unit: Million Baht)

Consolidated financial statements				
As at 31 December 2020				
On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-derivatives				
Short-term loans from financial institutions	1,250	-	-	1,250
Trade and other payables	-	13,050	-	13,050
Lease liabilities	-	390	1,287	6,520
Long-term loans	-	80	-	80
Debentures	-	4,088	8,379	12,467
Total non-derivatives	1,250	17,608	4,843	33,367
Derivative				
Derivative liability: net settled	-	1	-	1
Total derivative	-	1	-	1

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2021				
On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-derivatives				
Short-term loans from financial institutions	1,001	-	-	1,001
Trade and other payables	-	12,310	-	12,310
Lease liabilities	-	355	1,277	6,770
Debentures	-	3,170	9,183	12,353
Total non-derivatives	1,001	15,835	5,138	32,434
Derivative				
Derivative liability: net settled	-	1	-	1
Total derivative	-	1	-	1

(Unit: Million Baht)

Separate financial statements				
As at 31 December 2020				
On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-derivatives				
Short-term loans from financial institutions	1,000	-	-	1,000
Trade and other payables	-	11,515	-	11,515
Lease liabilities	-	369	1,211	5,871
Debentures	-	4,088	8,379	12,467
Total non-derivatives	1,000	15,972	4,291	30,853
Derivative				
Derivative liability: net settled	-	1	-	1
Total derivative	-	1	-	1

33.3 Fair values 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 except debentures are not expected to be materially different from the amounts presented in the statements of financial position. The estimated fair value of debentures, in comparison with the related amount carried in the statement of financial position, is as follows:

(Unit: Million Baht)				
Consolidated and separate financial statements				
2021		2020		
Carrying value	Fair value	Carrying value	Fair value	
Financial liability				
Debentures	12,064	12,161	12,056	12,238

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) The carrying amounts at loans to and loans from carrying interest at rates approximating the market rate, in the statements of financial position approximates their fair value.
- c) The fair value of fixed rate debentures is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- d) The fair value of derivatives has been determined 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 and yield curves of the respective currencies. The Group considers counterparty credit risk when determining the fair value of derivatives

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

33.4 Offsetting of financial instruments

The following table presents the recognised financial instruments that are offset as at 31 December 2021 and 2020.

(Unit: Thousand Baht)

	Consolidate financial statements				
	Effects of offsetting in the statement of financial position			Gross amounts	
			Net amounts recognised in the statement of financial position	not offset in the statement of financial position	Net amounts in the statement of financial position
	Gross amounts	Amounts offset			
As at 31 December 2021					
Trade and other receivables	-	-	-	1,674,873	1,674,873
Trade and other payables	13,002,065	(748,594)	12,253,471	1,719,148	13,972,619
As at 31 December 2020					
Trade and other receivables	-	-	-	1,769,383	1,769,383
Trade and other payables	12,007,837	(727,739)	11,280,098	1,770,211	13,050,309

(Unit: Thousand Baht)

Separate financial statements					
Effects of offsetting in					
the statement of financial position			Gross amounts		
Net amounts			not offset in		Net amounts in the statement of financial position
recognised in			the statement		
the statement of			of financial		
Gross amounts	Amounts offset	financial position	position		
As at 31 December 2021					
Trade and other receivables	-	-	-	1,676,318	1,676,318
Trade and other payables	11,410,504	(667,235)	10,743,269	1,567,076	12,310,345
As at 31 December 2020					
Trade and other receivables	-	-	-	1,728,527	1,728,527
Trade and other payables	10,531,794	(657,423)	9,874,371	1,640,827	11,515,198

Gross amounts not offset in the statement of financial position reflect amounts subject to conditional offsetting arrangements.

As at 31 December 2021, The Group has had rental guarantee deposits of Baht 448 million (2020: Baht 432 million) (The Company only: Baht 445 million 2020: Baht 428 million) presented in other non-current liabilities and other form of credit insurance with netting arrangements with other receivables. The Group has pledged rental guarantee deposits of Baht 76 million (2020: Baht 63 million) (The Company only: Baht 65 million 2020: Baht 53 million) and bank guarantees issued by banks which had netting arrangements with trade and other payables.

34. Capital management

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

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

35. Events after the reporting period

On 22 February 2022, the meeting of the Company's Board of Directors passed the resolution to propose to Annual General Meeting of the Company's shareholders for approval of dividend payment from operating results of July 2021 to December 2021. The dividend will be paid by cash at the rate of Baht 0.20 per share or in the total amount not exceeding Baht 2,630.24 million. The payment of cash dividend shall be made within 6 May 2022. As the Company's Board of Directors Meeting held on 31 August 2021 has the resolution to approve interim dividend payment for the operating result for the period as from January 2021 to June 2021 to the shareholders as cash dividend of Baht 0.12 per share. The interim dividend was paid on 28 September 2021. As a result, total dividend per share for the year 2021 is Baht 0.32 per share.

36. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2022.