

**Quality Construction Products Public Company Limited and its Subsidiary**  
**Notes to the interim financial statements**  
**For the three-month and nine-month periods ended 30 September 2019 (Unaudited)**

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**Quality Construction Products Public Company Limited and its Subsidiary**  
**Notes to the interim financial statements**  
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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages, and were approved and authorized for issue by the audit committee, as appointed by the Board of Directors of the Company, on 1 November 2019.

**1 General information**

Quality Construction Products Public Company Limited, (the “Company”), is incorporated in Thailand and has its registered office at 144 Moo 16, Udomsorayuth Road, Tambol Bangkrasan, Amphur Bang pa-in, Ayutthaya, 13160, Thailand.

The immediate and ultimate parent companies during the financial period were SCG Building Materials Company Limited and The Siam Cement Public Company Limited. Both are incorporated in Thailand.

The principal businesses of the Company are to produce and distribute of autoclaved aerated concrete blocks, reinforced wall panels, floor panels, and lintels for construction uses.

Details of the Company’s subsidiary as at 30 September 2019 and 31 December 2018 were as follows:

Name of the entity	Type of business	Country of incorporation / nationality	Ownership interest (%)	
			30 September 2019	31 December 2018
<i>Direct subsidiary</i>				
Q-Con Eastern Co., Ltd.	Manufacturer and distributor autoclaved aerated concrete, block, reinforced wall panels, floor panels and lintels for construction uses.	Thailand	100	100

**2 Basis of preparation of the interim financial statements**

**(a) Statement of compliance**

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2018) “*Interim Financial Reporting*”; guidelines promulgated by the Federation of Accounting Professions; and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2018. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiary for the year ended 31 December 2018.

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The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2018 except that the Group has adopted the new and revised TFRSs that are effective for annual periods beginning on or after 1 January 2019. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

The Group has initially applied TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”) from 1 January 2019. TFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognized. It replaced TAS 18 *Revenue* (“TAS 18”), TAS 11 *Construction Contracts* (“TAS 11”) and related interpretations.

Under TFRS 15, the Group recognizes revenue when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled to. In addition, judgment is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. The Group has a timing of revenue recognition mainly from sales of goods which is recognized at a point in time.

In addition to the above new and revised TFRSs, the Federation of Accounting Professions has issued a number of new and revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2020 and have not been adopted in the preparation of these interim financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 15.

**(b) *Functional and presentation currency***

The interim financial statements are prepared and presented in Thai Baht, which is the Group’s functional currency. All financial information presented in Thai Baht has been rounded in the notes to the interim financial statements to the nearest thousand Baht unless otherwise stated.

**(c) *Use of estimates and judgements***

The preparation of interim financial statements in conformity with TFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant assumptions in applying the Group’s accounting policies and the key sources of estimation were the same as those that applied to the financial statements for the year ended 31 December 2018 and included in the following notes:

Note 7	Impairment testing: key assumptions underlying recoverable amounts;
Note 8	Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used; and
Note 10	Measurement of non-current provisions for defined benefit plans - key actuarial assumptions.

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**3 Related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control, common control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In the third quarter of 2019, there is no significant change in related parties and pricing policies regarding the consolidated and separate financial statements for the year 2018.

Significant transactions with related parties for the three-month and nine-month periods ended 30 September were summarized as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	three-month periods 2019	2018	three-month periods 2019	2018
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Administrative expenses	3,043	6,196	2,837	5,609
Distribution costs	24	14	24	14
<b>Subsidiary</b>				
Purchase	-	-	102	19,680
Purchase of property, plant and equipment	-	-	-	65
Service income	-	-	3,540	3,240
Trademark income	-	-	1,733	1,983
Interest expenses	-	-	475	2,459
Other income	-	-	24	181
<b>Others</b>				
Sale of goods	338,417	298,981	269,716	235,977
Purchase	94,393	76,460	77,798	61,638
Administrative expenses	790	525	784	545
Other income	1,791	1,447	843	834

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	nine-month periods 2019	2018	nine-month periods 2019	2018
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
Administrative expenses	10,019	11,481	9,340	10,575
Distribution costs	43	33	43	33
<b>Subsidiary</b>				
Sale of goods	-	-	-	67
Purchase	-	-	25,693	36,866
Purchase of property, plant and equipment	-	-	-	417
Service income	-	-	10,980	10,080
Trademark income	-	-	4,863	5,157
Interest expense	-	-	3,002	7,684
Other income	-	-	267	746

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	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	nine-month periods		nine-month periods	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<b>Others</b>				
Sale of goods	935,762	812,589	744,316	643,979
Purchases	275,604	226,991	220,642	178,438
Administrative expenses	2,062	1,281	2,030	1,289
Other income	6,180	3,966	3,521	2,197
Interest income	14	6	14	6

Balances as at 30 September 2019 and 31 December 2018 with related parties were as follows:

<i>Trade receivables</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	30 September	31 December	30 September	31 December
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<b>Others</b>				
SCG Cement-Building Materials Co., Ltd.	91,099	67,779	74,161	53,151
Land and Houses Public Company Limited	9,640	7,663	9,640	7,663
SCG International Corporation Co., Ltd.	627	-	627	-
SCG Experience Co., Ltd.	28	113	28	113
<b>Total</b>	<b>101,394</b>	<b>75,555</b>	<b>84,456</b>	<b>60,927</b>

<i>Other current receivables</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	30 September	31 December	30 September	31 December
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
Q-Con Eastern Co., Ltd.	-	-	955	1,775
<b>Others</b>				
The Siam Gypsum Industry (Saraburi) Co., Ltd.	97	-	97	-
The Siam Cement (Ta Luang) Co., Ltd.	-	2,010	-	1,661
SCG International Corporation Co., Ltd.	-	94	-	94
<b>Total</b>	<b>97</b>	<b>2,104</b>	<b>1,052</b>	<b>3,530</b>

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<i>Trade payables</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
Q-Con Eastern Co., Ltd.	-	-	2	38
<b>Others</b>				
The Siam Cement (Ta Luang) Co., Ltd.	16,969	11,547	13,596	9,202
SCG Logistics Management Co., Ltd.	2,320	2,034	1,490	1,025
The Concrete Products and Aggregate Co., Ltd.	2,109	1,336	2,109	1,336
SCG Cement-Building Materials Co., Ltd.	845	-	845	-
The Siam Cement (Kaeng Khoi) Co., Ltd.	-	429	-	429
<b>Total</b>	<b>22,243</b>	<b>15,346</b>	<b>18,042</b>	<b>12,030</b>
 <i>Other current payables</i>				
	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>			
<b>Parent</b>				
The Siam Cement Public Company Limited	4,235	2,929	3,689	2,801
SCG Building Materials Co., Ltd.	-	75	-	75
<b>Others</b>				
SCG Cement-Building Materials Co., Ltd.	2,100	3,497	2,100	3,432
SCG Ceramics Public Company Limited	220	65	220	65
SCG Learning Excellence Co., Ltd.	199	-	199	-
IT One Co., Ltd.	72	134	70	111
SCG International Corporation Co., Ltd.	-	361	-	361
SCG Accounting Services Co., Ltd.	-	12	-	12
SCG Legal Counsel Limited	-	1	-	1
<b>Total</b>	<b>6,826</b>	<b>7,074</b>	<b>6,278</b>	<b>6,858</b>

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<i>Short-term borrowings from related party</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>			
<b>Subsidiary</b>				
Q-Con Eastern Co., Ltd.	-	-	<b>60,000</b>	<b>200,000</b>

Movement during the nine-month period ended 30 September on short-term borrowing from related party was as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
At 1 January	-	-	200,000	300,000
Decrease	-	-	(140,000)	(50,000)
<b>At 30 September</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>250,000</b>

<i>The Board of Director and key management compensation</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<b>For the three-month period ended 30 September</b>				
Short-term employee benefits	5,618	5,219	5,618	5,219
Post-employment benefits	624	152	624	152
<b>Total</b>	<b>6,242</b>	<b>5,371</b>	<b>6,242</b>	<b>5,371</b>
<b>For the nine-month period ended 30 September</b>				
Short-term employee benefits	17,026	16,049	17,026	16,049
Post-employment benefits	4,563	455	4,563	455
<b>Total</b>	<b>21,589</b>	<b>16,504</b>	<b>21,589</b>	<b>16,504</b>

#### **4 Current investment**

As at 30 September 2019, the Group had short-term deposit at bank totalling Baht 300 million (*31 December 2018: nil*).

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**5 Trade receivables**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<i>Note</i>	30 September 2019	31 December 2018	30 September 2019	31 December 2018
		<i>(in thousand Baht)</i>			
Related parties	3	101,394	75,555	84,456	60,927
Other parties		102,582	100,189	99,640	98,425
<b>Total</b>		<b>203,976</b>	<b>175,744</b>	<b>184,096</b>	<b>159,352</b>
<i>Less allowance for doubtful accounts</i>		-	-	-	-
<b>Net</b>		<b>203,976</b>	<b>175,744</b>	<b>184,096</b>	<b>159,352</b>

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		2019	2018	2019	2018
		<i>(in thousand Baht)</i>			
<i>Reversal of allowance for doubtful accounts for the:</i>					
Three-month periods ended 30 September		-	-	-	-
Nine-month periods ended 30 September		-	564	-	287
<i>Bad debts expense for the:</i>					
Three-month periods ended 30 September		-	-	-	-
Nine-month periods ended 30 September		-	563	-	286

Aging analyzes for trade receivables were as follows:

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
		<i>(in thousand Baht)</i>			
Within credit terms		201,943	174,019	182,326	157,874
Overdue:					
Less than 3 months		2,033	1,725	1,770	1,478
		<b>203,976</b>	<b>175,744</b>	<b>184,096</b>	<b>159,352</b>
<i>Less allowance for doubtful accounts</i>		-	-	-	-
<b>Net</b>		<b>203,976</b>	<b>175,744</b>	<b>184,096</b>	<b>159,352</b>

The normal credit terms granted by the Group range from 15 to 60 days.



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**6 Investments in subsidiary**

Investments in subsidiary as at 30 September 2019 and 31 December 2018, and dividend from those investment for the nine-month period ended 30 September was as follows:

	<b>Separate financial statements</b>							
	Total direct/indirect holding		Paid-up capital		Cost method		Dividend income	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	30 September 2018
	( <i>%</i> )				( <i>in thousand Baht</i> )			
Q-Con Eastern Co., Ltd.	100	100	590,000	590,000	590,000	590,000	-	-
<b>Total</b>					<u><b>590,000</b></u>	<u><b>590,000</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

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**7 Property, plant and equipment**

*Property, plant and equipment under construction*

The construction of new plant in Lamphun province has been commenced partially during 2015-2016; costs incurred up to the reporting date totaled Baht 240 million (31 December 2018: Baht 240 million).

In the board of directors' meeting held on 27 October 2015, following the current local market condition, the directors approved to suspend temporarily the project construction accordingly. Management and the board of directors have made critically an assessment of the potential initial impact and expect that there will be no material impact on the Company's business and other interest. The management will monitor the market closely and regularly in order to consider the most appropriate time to restart the project.

In the third quarter of 2018, the Company appointed an independent professional valuer to review and determine the impairment of property, plant and equipment under construction in Lamphun province. The fair value of property were determined at Market Data Approach and plant and equipment under construction were determined at Cost Approach. Based on the result of the assessment, the Company recognized an impairment loss of Baht 21 million. In the third quarter of 2019, the Company determined and tested the impairment of property, plant and equipment under construction in Lamphun province by using independent professional valuer's information to recalculate, resulting in recognized an impairment loss of Baht 6 million. The fair value measurement has been categorized as a Level 3 fair value.

**8 Deferred tax assets**

Deferred tax assets were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<i>(in thousand Baht)</i>			
Deferred tax assets	<u><b>25,201</b></u>	<u><b>14,736</b></u>	<u><b>24,112</b></u>	<u><b>13,917</b></u>

The deductible temporary differences and unused tax losses that have not been recognized as deferred tax assets are as the following items:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<i>(in thousand Baht)</i>			
Deductible temporary differences				
- Inventories		24	-	-
(allowance for doubtful accounts)	-			
- Provisions	5,149	920	-	-
Unused tax losses	57,804	208,384	-	-
<b>Total</b>	<u><b>62,953</b></u>	<u><b>209,328</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

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As at 30 September 2019, the Group had unused tax losses loss of Baht 58 million (*31 December 2018: 208 million*). Management has determined that the recoverability of cumulative tax losses, which expire in 2019-2022, based on business plan for the next five years. It is uncertain to utilise the tax. However, if the management considered probable that future taxable profits would be available against which such losses can be used, then deferred tax assets and related income tax benefit could be recognized.

**9 Trade payables**

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
		<i>(in thousand Baht)</i>			
Related parties	3	22,243	15,346	18,042	12,030
Other parties		92,051	89,944	78,786	71,893
<b>Total</b>		<b>114,294</b>	<b>105,290</b>	<b>96,828</b>	<b>83,923</b>

**10 Non-current provisions for employee benefits**

The Group operates defined benefit plans based on the requirement of the Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long-term benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

*Non-current provisions for employee benefits in statement of financial position*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>			
Post-employment benefits				
Legal severance payments plan	50,758	35,822	46,875	33,111
Other long-term employee benefits	3,732	3,462	3,304	3,070
<b>Non-current provisions for defined benefit plans</b>	<b>54,490</b>	<b>39,284</b>	<b>50,179</b>	<b>36,181</b>

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*Movement in the present value of non-current provisions for defined benefit plans*

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
<b><i>For the nine-month period ended 30 September</i></b>				
Non-current provisions for defined benefit plans at 1 January	39,284	48,387	36,181	43,959
<b>Included in profit or loss</b>				
Current service costs	2,775	3,561	2,488	3,192
Interest on obligation	1,151	1,305	1,054	1,182
Past service cost from the amended severance pay for the Labor Law	11,280	-	10,456	-
<b>Non-current provisions for defined benefit plans at 30 September</b>	<b>54,490</b>	<b>53,253</b>	<b>50,179</b>	<b>48,333</b>

On 5 April 2019, the Labor Protection Act has already been announced in Royal Gazette that become effective on 5 May 2019 to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. The Group and the Company recognized the effect of this change as the expense amounted to Baht 11 million and Baht 10 million in consolidated and separate statements of income, respectively and resulting in the decrease in net profit amounted to Baht 9 million and Baht 8 million, respectively.

***Actuarial assumptions***

In the third quarter of 2019, there is no significant change in actuarial assumptions regarding the consolidated and separate financial statements for the year 2018.

**11 Business segment information**

The Group operates in a single line of business, produce and distribute of autoclaved aerated concrete blocks, reinforced wall panels, floor panels, and lintels for construction uses, and has therefore only one business segment.

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**12 Basic earnings (loss) per share**

The calculation of basic earnings (loss) per share for the three-month and nine-month periods ended 30 September were based on the profit (loss) for the period attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the period as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2019	2018	2019	2018
	<i>(in thousand Baht / thousand shares)</i>			
<b><i>For the three-month period ended 30 September</i></b>				
Profit (loss) for the period	44,680	(9,700)	39,822	(5,489)
Weighted average number of ordinary shares outstanding	400,000	400,000	400,000	400,000
<b>Basic earnings (loss) per share (<i>in Baht</i>)</b>	<b>0.11</b>	<b>(0.02)</b>	<b>0.10</b>	<b>(0.01)</b>
<b><i>For the nine-month period ended 30 September</i></b>				
Profit for the period	131,607	7,947	112,499	20,889
Weighted average number of ordinary shares outstanding	400,000	400,000	400,000	400,000
<b>Basic earnings per share (<i>in Baht</i>)</b>	<b>0.33</b>	<b>0.02</b>	<b>0.28</b>	<b>0.05</b>

**13 Dividends**

The dividends paid by the Company to the shareholders are as follows:

	Approval date	Payment schedule	<b>Separate financial statements</b>	
			Dividend rate per share <i>(Baht)</i>	Amount <i>(in million Baht)</i>
<b>2019</b>				
Annual dividend	22 March 2019	19 April 2019	<b>0.06</b>	<b>24</b>
<b>2018</b>				
Annual dividend	26 March 2018	25 April 2018	<b>0.03</b>	<b>12</b>

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**14 Commitments and contingent liabilities**

(a) Commitments

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	<i>(in thousand Baht)</i>			
<b>Capital commitments</b>				
<i>Contracted but not provided for:</i>				
Land, Building and other structures	1,726	1,414	1,726	1,393
Machines and equipment	7,531	3,928	6,110	3,928
Furniture, fixtures and office equipment	226	217	226	217
<b>Total</b>	<b>9,483</b>	<b>5,559</b>	<b>8,062</b>	<b>5,538</b>
<b>Non-cancellable operating lease commitments</b>				
Within one year	26,391	24,847	21,765	21,787
After one year but within five years	30,769	37,233	24,225	30,872
<b>Total</b>	<b>57,160</b>	<b>62,080</b>	<b>45,990</b>	<b>52,659</b>
<b>Other commitments</b>				
Unused letters of credit for goods and supplies	-	12,253	-	12,253
Bank guarantees	14,145	14,614	6,500	6,969
The expense of dam's construction for the purpose of flood protection	11,200	12,025	11,200	12,025
<b>Total</b>	<b>25,345</b>	<b>38,892</b>	<b>17,700</b>	<b>31,247</b>

(b) Other long-term contracts

The Company entered into long-term agreements with two local companies to purchase steam for 10 years from the date of transaction occurs which ends in 2023 and another agreement has a period of 15 years from the date of transaction occurs which has not started trading. The prices in both agreements are agreed based on market price.

In March 2014, the Company entered into a steam purchase agreement for Lamphun Factory with a local company. The Company has committed to purchase steam at a quantity as indicated in the agreement for 10 years, commencing from the effective date to be specified later but not later than 1 October 2021.

**Quality Construction Products Public Company Limited and its Subsidiary**  
**Notes to the interim financial statements**  
**For the three-month and nine-month periods ended 30 September 2019 (Unaudited)**

**15 Thai Financial Reporting Standard (TFRS) that has been issued but is not yet effective**

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these financial statements. The new and revised TFRSs that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2020. The Group does not plan to early adopt these TFRSs.

The new TFRSs are set out below:

<b>TFRS</b>	<b>Topic</b>	<b>Effective</b>
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 16	Leases	2020
TAS 32*	Financial Instruments: Presentation	2020
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

\* *TFRS - Financial instruments standards*

**(a) TFRS - Financial instruments standards**

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Group is presently considering the potential impact of adopting and initially applying TFRS - Financial instruments standards on the financial statements.

**(b) TFRS 16 Leases**

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognizes a right to use and asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The Group is presently considering the potential impact of adopting and initially applying TFRS 16 Leases on the financial statements.