

Kulthorn Kirby Public Company Limited
and its subsidiaries
Review report and interim financial information
For the three-month period ended 31 March 2020

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Kulthorn Kirby Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Kulthorn Kirby Public Company Limited and its subsidiaries as at 31 March 2020, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the interim consolidated financial statements. I have also reviewed the separate financial information of Kulthorn Kirby Public Company Limited for the same period (collectively "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*.

Emphasis of Matters

1. Material Uncertainty related to Going Concern

I draw attention to Note 1.2 to the interim consolidated financial statements, the Group has sustained operating losses for a number of consecutive years, and as at 31 March 2020, the Group's total current liabilities exceed its total current assets by Baht 1,659 million (The Company only: Baht 1,978 million) and the Group has deficit of Baht 1,849 million (the Company only: Baht 1,177 million). In addition, the Company's securities have been posted with "C" (Caution) sign. Currently, the Group is in the process of implementing operational plans to change its strategies and future business model and seek additional sources of funds. Management believes that the Group will be able to continue as a going concern.

Additionally, as disclosed in Note 1.3 to the interim consolidated financial statements, the COVID-19 situation is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries in terms of supply chains, consumer spending, limited or suspended production, operational delays, and more. This situation has significantly affected the Group's business activities in terms of supply chains and operational delays, which is significantly impacting the Group's financial position, operating results, and cash flows at present, and is expected to do so in the future. However, the impact cannot be reasonably estimated at this stage. The Group has continuously monitored developments and assessed the financial impact in respect of the valuation of assets and provisions and contingent liabilities and will record the impact when it is possible to do so.

The financial statements have been prepared under the going concern basis. However, the above circumstances indicate that there are significant uncertainties which may raise substantial doubt about the Group's ability to continue as a going concern. This will depend on the success of plans to improve future operations and the impact of the COVID-19 situation.

2. I draw attention to Note 1.6 to the interim consolidated financial statements, due to the impact of the COVID-19 outbreak, in preparing the interim financial information for the three-month period ended 31 March 2020, the Group has adopted the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in response to the impact of the COVID-19 Pandemic issued by the Federation of Accounting Professions.

My conclusion is not modified in respect of these matters.

Other Matter

Due to the impact of COVID-19 outbreak situation, the Company has postponed the annual general meeting of the Company's shareholders which results in no resolution for the appointment of the auditor of the Group for the accounting period of 2020 yet. However, the Board of Director of the Company has a resolution to propose to the annual general meeting of the Company's shareholders to appoint me as the auditor of the Group for the accounting period of 2020. I therefore have conducted my review on the interim financial information for first quarter of 2020 which is in compliance with the notification of the Capital Market Supervisory Board (CMSB) No. TorChor. 28/2563 dated 27 March 2020.

Sarinda Hirunprasurtwutti

Certified Public Accountant (Thailand) No. 4799

EY Office Limited

Bangkok: 13 May 2020

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 31 March 2020

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	As at	As at	As at	As at	
	<u>Note</u>	<u>31 March 2020</u>	<u>31 December 2019</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)	
Assets					
Current assets					
Cash and cash equivalents		47,682	137,916	16,972	51,426
Trade and other receivables	3, 4	1,180,398	938,946	704,866	589,157
Short-term loans to related parties	3	-	-	45,000	50,000
Inventories	5	1,454,956	1,573,588	881,657	939,771
Current tax assets		2,076	6,461	468	881
VAT receivable		29,128	26,637	22,509	17,820
Other current assets		112,080	88,317	53,226	35,679
Total current assets		<u>2,826,320</u>	<u>2,771,865</u>	<u>1,724,698</u>	<u>1,684,734</u>
Non-current assets					
Investments in subsidiaries	6	-	-	2,086,872	2,086,872
Property, plant and equipment	7	3,119,912	3,177,221	1,817,581	1,788,601
Right-of-use assets	8	99,447	-	8,679	-
Goodwill on business combination	9	-	-	-	-
Other intangible assets	10	83,854	86,708	46,191	47,585
Advance payment for purchase of fixed assets		2,952	5,323	2,952	5,323
Deferred tax assets		209,143	220,261	142,409	150,050
Other non-current assets		1,247	1,363	1,069	1,128
Total non-current assets		<u>3,516,555</u>	<u>3,490,876</u>	<u>4,105,753</u>	<u>4,079,559</u>
Total assets		<u>6,342,875</u>	<u>6,262,741</u>	<u>5,830,451</u>	<u>5,764,293</u>

The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2020

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		31 March 2020	31 December 2019	31 March 2020	31 December 2019
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	11	3,516,244	3,485,579	2,066,214	2,085,734
Trade and other payables	3, 12	789,573	616,780	993,466	799,938
Short-term loans from related parties	3	-	-	506,800	512,000
Current portion of long-term loans	13	100,000	1,075,300	100,000	1,075,300
Current portion of liabilities under financial lease agreement	14	-	15,827	-	568
Current portion of lease liabilities	14	34,591	-	3,685	-
Dividend payable		891	891	887	887
Income tax payable		175	61	-	-
Other current financial liabilities		10,011	-	10,011	-
Other current liabilities		33,401	31,360	22,087	22,088
Total current liabilities		4,484,886	5,225,798	3,703,150	4,496,515
Non-current liabilities					
Long-term loans, net of current portion	13	975,300	-	975,300	-
Liabilities under financial lease agreements, net of current portion	14	-	30,148	-	939
Long-term lease liabilities, net of current portion	14	43,718	-	5,268	-
Provision for long-term employee benefits		274,285	267,747	123,387	120,603
Total non-current liabilities		1,293,303	297,895	1,103,955	121,542
Total liabilities		5,778,189	5,523,693	4,807,105	4,618,057

The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 March 2020

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at 31 March 2020 (Unaudited but reviewed)	As at 31 December 2019 (Audited)	As at 31 March 2020 (Unaudited but reviewed)	As at 31 December 2019 (Audited)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital				
Registered				
1,500,000,000 ordinary shares of Baht 1 each	1,500,000	1,500,000	1,500,000	1,500,000
Issued and fully paid up				
1,500,000,000 ordinary shares of Baht 1 each	1,500,000	1,500,000	1,500,000	1,500,000
Share premium	700,000	700,000	700,000	700,000
Surplus from business combination under common control	207,898	207,898	-	-
Retained earnings (deficits)				
Appropriated - statutory reserve	120,000	120,000	120,000	120,000
Unappropriated	(1,968,593)	(1,794,367)	(1,296,654)	(1,173,764)
Other components of shareholders' equity	5,381	5,517	-	-
Total shareholders' equity	564,686	739,048	1,023,346	1,146,236
Total liabilities and shareholders' equity	6,342,875	6,262,741	5,830,451	5,764,293

The accompanying notes are an integral part of the financial statements.

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Directors

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Kulthorn Kirby Public Company Limited and its subsidiaries**Statements of comprehensive income****For the three-month period ended 31 March 2020**

(Unit: Thousand Baht except loss per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues					
Revenue from contracts with customers	17	1,513,232	1,747,978	806,956	885,837
Rental income		350	345	3,495	2,658
Other income		4,064	2,909	3,527	4,759
Total revenues		<u>1,517,646</u>	<u>1,751,232</u>	<u>813,978</u>	<u>893,254</u>
Expenses					
Cost of sales and services		1,447,382	1,753,214	785,549	891,129
Selling and distribution expenses		19,644	23,244	8,599	11,750
Administrative expenses		124,557	153,206	84,082	98,437
Loss on exchange		19,519	7	3,466	1,253
Total expenses		<u>1,611,102</u>	<u>1,929,671</u>	<u>881,696</u>	<u>1,002,569</u>
Loss from operating activities		<u>(93,456)</u>	<u>(178,439)</u>	<u>(67,718)</u>	<u>(109,315)</u>
Finance income		33	12	529	950
Finance cost		(57,601)	(52,629)	(43,993)	(41,534)
Loss before income tax		<u>(151,024)</u>	<u>(231,056)</u>	<u>(111,182)</u>	<u>(149,899)</u>
Income tax	15	(11,405)	(12,127)	(7,641)	(4,880)
Loss for the period		<u>(162,429)</u>	<u>(243,183)</u>	<u>(118,823)</u>	<u>(154,779)</u>
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currency		(136)	9,513	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(136)	9,513	-	-
Other comprehensive income for the period		<u>(136)</u>	<u>9,513</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>(162,565)</u>	<u>(233,670)</u>	<u>(118,823)</u>	<u>(154,779)</u>
Basic loss per share (Baht)					
Loss attributable to equity holders of the Company	16	(0.11)	(0.20)	(0.08)	(0.13)
Weighted average number of ordinary shares (thousand shares)		<u>1,500,000</u>	<u>1,200,000</u>	<u>1,500,000</u>	<u>1,200,000</u>

The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries**Cash flow statements****For the three-month period ended 31 March 2020**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities				
Loss before tax	(151,024)	(231,056)	(111,182)	(149,899)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Unrealised loss on exchange	15,798	1,571	3,717	1,187
Reversal reduction of inventory to net realisable value	(41,053)	(23,873)	(20,394)	(12,353)
Reversal allowance for doubtful accounts	(3,872)	(9)	(1,151)	-
Depreciation and amortisation	84,339	92,591	37,411	40,479
Amortise right-of-use assets	7,270	-	978	-
Amortise deferred revenue from sales and lease back	(56)	-	-	-
Gain on sales of property, plant and equipment	(7)	(6)	(7)	-
Provision for long-term employee benefits	6,538	4,969	2,784	2,229
Subsidies income from Government grants	(1,132)	(916)	(1,132)	(916)
Interest income	(33)	(12)	(529)	(950)
Deferred interest	1,295	823	154	20
Interest expenses	55,006	50,516	42,978	40,635
Loss from operating activities before changes in operating assets and liabilities	(26,931)	(105,402)	(46,373)	(79,568)
Operating assets (increase) decrease				
Trade and other receivables	(231,479)	(151,402)	(107,473)	(54,268)
Inventories	159,685	86,037	78,508	(14,002)
Other current assets	(26,477)	(301)	(22,558)	(6,077)
Other non-current assets	116	5	59	(34)
Operating liabilities increase (decrease)				
Trade and other payables	163,529	64,578	190,057	30,183
Other current liabilities	3,229	4,196	1,131	1,894
Cash flows from (used in) operating activities	41,672	(102,289)	93,351	(121,872)
Cash received from interest income	33	12	669	813
Cash paid for interest expenses	(56,184)	(52,884)	(42,741)	(43,090)
Cash paid for income tax	(2,248)	(2,335)	(468)	(117)
Net cash flows from (used in) operating activities	(16,727)	(157,496)	50,811	(164,266)

The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries**Cash flow statements (continued)****For the three-month period ended 31 March 2020**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from investing activities				
Proceeds from sales of property, plant and equipment	1,587	7	-	-
Acquisition of property, plant and equipment and intangible assets	(298,596)	(88,851)	(287,246)	(58,941)
Decrease (increase) in short-term loans to related parties	-	-	5,000	(2,039)
Net cash flows used in investing activities	<u>(297,009)</u>	<u>(88,844)</u>	<u>(282,246)</u>	<u>(60,980)</u>
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans from financial institutions	1,878,814	2,895,387	1,060,496	1,701,253
Decrease in bank overdrafts and short-term loans from financial institutions	(1,637,617)	(2,565,270)	(857,262)	(1,395,692)
Decrease in short-term loans from related parties	-	-	(5,200)	(31,286)
Repayment of long-term loans	-	(100,000)	-	(100,000)
Cash paid for lease liabilities	(10,264)	(15,749)	(1,053)	(264)
Net cash flows from financing activities	<u>230,933</u>	<u>214,368</u>	<u>196,981</u>	<u>174,011</u>
Increase (decrease) in translation adjustments	<u>(7,431)</u>	<u>9,554</u>	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(90,234)</u>	<u>(22,418)</u>	<u>(34,454)</u>	<u>(51,235)</u>
Cash and cash equivalents at beginning of period	<u>137,916</u>	<u>96,963</u>	<u>51,426</u>	<u>68,759</u>
Cash and cash equivalents at end of period	<u><u>47,682</u></u>	<u><u>74,545</u></u>	<u><u>16,972</u></u>	<u><u>17,524</u></u>

Supplement cash flows information

1) Non-cash related transaction for investing activities

Payable from acquisitions of fixed assets	58,636	407,244	40,662	390,598
Receivable from sales of fixed assets	7	171	64,388	64,419

2) Non-cash related transaction for financing activities

Dividend payable	891	891	887	887
Assets acquired under lease liabilities	-	2,319	-	-

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

Consolidated financial statements

	Issued and fully paid-up share capital	Share premium	Surplus from business combination under common control	Retained earnings (deficits)		Other components of shareholders' equity Other comprehensive income Exchange differences on translation of financial statements in foreign currency	Total shareholders' equity
				Appropriated	Unappropriated		
Balance as at 1 January 2019	1,200,000	700,000	207,898	120,000	(657,450)	(2,152)	1,568,296
Loss for the period	-	-	-	-	(243,183)	-	(243,183)
Other comprehensive income for the period	-	-	-	-	-	9,513	9,513
Total comprehensive income for the period	-	-	-	-	(243,183)	9,513	(233,670)
Balance as at 31 March 2019	<u>1,200,000</u>	<u>700,000</u>	<u>207,898</u>	<u>120,000</u>	<u>(900,633)</u>	<u>7,361</u>	<u>1,334,626</u>
Balance as at 1 January 2020	1,500,000	700,000	207,898	120,000	(1,794,367)	5,517	739,048
Comulative effect of change in accounting policy (Note 2)	-	-	-	-	(11,797)	-	(11,797)
Balance as at 1 January 2020 -as restated	1,500,000	700,000	207,898	120,000	(1,806,164)	5,517	727,251
Loss for the period	-	-	-	-	(162,429)	-	(162,429)
Other comprehensive loss for the period	-	-	-	-	-	(136)	(136)
Total comprehensive loss for the period	-	-	-	-	(162,429)	(136)	(162,565)
Balance as at 31 March 2020	<u>1,500,000</u>	<u>700,000</u>	<u>207,898</u>	<u>120,000</u>	<u>(1,968,593)</u>	<u>5,381</u>	<u>564,686</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

	Separate financial statements				Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings (deficits)		
			Appropriated	Unappropriated	
Balance as at 1 January 2019	1,200,000	700,000	120,000	58,443	2,078,443
Loss for the period	-	-	-	(154,779)	(154,779)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(154,779)	(154,779)
Balance as at 31 March 2019	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(96,336)</u>	<u>1,923,664</u>
Balance as at 1 January 2020	1,500,000	700,000	120,000	(1,173,764)	1,146,236
Comulative effect of change in accounting policy (Note 2)	-	-	-	(4,067)	(4,067)
Balance as at 1 January 2020 -as restated	<u>1,500,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(1,177,831)</u>	<u>1,142,169</u>
Loss for the period	-	-	-	(118,823)	(118,823)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(118,823)	(118,823)
Balance as at 31 March 2020	<u>1,500,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(1,296,654)</u>	<u>1,023,346</u>

The accompanying notes are an integral part of the financial statements.

Kulthorn Kirby Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month periods ended 31 March 2020

1. General information

1.1 Corporate information

Kulthorn Kirby Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of hermetic compressors. The registered address of the Company is 126 Soi Chalongkrung 31, Chalongkrung Road, Khwaeng Lamplatew, Khet Latkrabang, Bangkok.

1.2 Fundamental accounting assumptions

The Group has sustained operating losses for a number of consecutive years, and as at 31 March 2020, the Group’s total current liabilities exceed its total current assets by Baht 1,659 million (The Company only: Baht 1,978 million) and the Group has deficit of Baht 1,849 million (the Company only: Baht 1,177 million). In addition, since 4 March 2020, the Company’s securities have been posted with "C" (Caution) sign. Currently, the Group is in the process of implementing operational plans to change its strategies and future business model and seek additional sources of funds. Management believes that the Group will be able to continue as a going concern. Management has therefore decided that it is correct and appropriate to prepare the Group’s financial statements for three-month period ended 31 March 2020 under the going concern basis. Accordingly, such financial statements do not include any adjustments relating to the realisation of the recoverable amount and classification of the assets or the amount and classification of liabilities that might be necessary should the Group be unable to continue its operations as a going concern.

1.3 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries in terms of supply chains, consumer spending, limited or suspended production, operational delays, and more.

This situation significantly affects the Group’s business activities in terms of supply chains and operational delays, and this is significantly impacting the Group’s financial position, operating results, and cash flows at present, and is expected to do so in the future. However, the impact cannot be reasonably estimated at this stage. 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 will record the impact when it is possible to do so.

1.4 Basis for the preparation of interim financial statements

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

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

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

1.5 Basis of consolidation

The interim consolidated financial statements included the financials statements of Kulthorn Kirby Public Company Limited and its subsidiaries ("the Group") and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2019. There have been no change in the composition of its subsidiaries during the period.

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

During the period, the Group has adopted the revised (revised 2019) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

The impact of the adoption of these standards on the Group's financial statements is as follows.

- Recognition of credit losses - The Group recognises an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.
- Recognition of derivatives - The Group initially recognises derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

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

The cumulative effect of the change is described in Note 2.

TFRS 16 Leases

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

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

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

The cumulative effect of the change is described in Note 2.

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

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

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

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

- Not to take into account forward-looking information when determining expected credit losses, in cases where the Group uses a simplified approach to determine expected credit losses.
- Not to use information relating to the COVID-19 situation in determining whether sufficient taxable profits will be available in future periods against which deferred tax assets can be utilised.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

1.7 Significant accounting policies

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

1.7.1 Financial instruments

Classification and measurement

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

Financial assets that are equity instruments are measured at fair value through profit or loss.

Financial liabilities are classified and measured at amortised cost.

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

Impairment of financial assets

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

1.7.2 Leases

Right-of-use assets

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

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

Lease liabilities

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

Short-term leases and Leases of low-value assets

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

2. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 1.6 to the financial statements, during the current period, the Group has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

(Unaudited but reviewed)

The impacts on the beginning balance of retained earnings of 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	The impacts of			1 January 2020
31 December 2019	Financial reporting standards related to financial instruments	TFRS 16		
Statement of financial position				
Assets				
Current assets				
Trade and other receivables	938,946	(9,611)	-	929,335
Non-current assets				
Property, plant and equipment	3,177,221	-	(65,413)	3,111,808
Right-of-use assets	-	-	106,717	106,717
Liabilities and shareholders' equity				
Current liabilities				
Current portion of liabilities under financial lease agreements	15,827	-	(15,827)	-
Current portion of lease liabilities	-	-	36,040	36,040
Other current financial liabilities	-	2,186	-	2,186
Non-current liabilities				
Liabilities under financial lease agreements, net of current portion	30,148	-	(30,148)	-
Lease liabilities, net of current portion	-	-	51,239	51,239
Shareholders' equity				
Deficit - unappropriated	(1,794,367)	(11,797)	-	(1,806,164)

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2019	The impacts of Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
Statement of financial position				
Assets				
Current assets				
Trade and other receivables	589,157	(1,881)	-	587,276
Non-current assets				
Property, plant and equipment	1,788,601	-	(1,311)	1,787,290
Right-of-use assets	-	-	9,657	9,657
Liabilities and shareholders' equity				
Current liabilities				
Current portion of liabilities under financial lease agreements	568	-	(568)	-
Current portion of lease liabilities	-	-	3,633	3,633
Other current financial liabilities	-	2,186	-	2,186
Non-current liabilities				
Liabilities under financial lease agreements, net of current portion	939	-	(939)	-
Lease liabilities, net of current portion	-	-	6,220	6,220
Shareholders' equity				
Deficit - unappropriated	(1,173,764)	(4,067)	-	(1,177,831)

(Unaudited but reviewed)

2.1 Financial instruments

Details of the impact on retained earnings as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Recognition of an allowance for expected credit losses on financial assets	(9,611)	(1,881)
Recognition of derivatives at fair value through profit or loss	(2,186)	(2,186)
Impacts on retained earnings due to the adoption of financial reporting standards related to financial instruments	(11,797)	(4,067)

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9 Amortised cost
Financial assets as at 1 January 2020		
Cash and cash equivalents	137,916	137,916
Trade and other receivables	938,946	929,335
Total financial assets	1,076,862	1,067,251

(Unit: Thousand Baht)

	Separate financial statements	
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9 Amortised cost
Financial assets as at 1 January 2020		
Cash and cash equivalents	51,426	51,426
Trade and other receivables	589,157	587,276
Short-term loans to related parties	50,000	50,000
Total financial assets	690,583	688,702

(Unaudited but reviewed)

As at 1 January 2020, the Group has not designated any financial liabilities at fair value through profit or loss except derivative liabilities of which fair value is Baht 2.2 million (Separate financial statements: Baht 2.2 million).

2.2 Leases

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Operating lease commitments as at 31 December 2019	37,435	-
Less: Short-term leases and leases of low-value assets	(2,132)	-
Add: Option to extend lease term	9,213	9,213
Less: Deferred interest expenses	(3,212)	(867)
Increase in lease liabilities due to TFRS 16 adoption	41,304	8,346
Liabilities under finance lease agreements as at 31 December 2019	45,975	1,507
Lease liabilities as at 1 January 2020	<u>87,279</u>	<u>9,853</u>
Comprise of:		
Current lease liabilities	36,040	3,633
Non-current lease liabilities	51,239	6,220
	<u>87,279</u>	<u>9,853</u>

(Unaudited but reviewed)

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Land	29,017	-
Machinery and equipment	61,801	-
Office equipment	6,686	3,180
Motor vehicles	9,213	6,477
Total right-of-use assets	106,717	9,657

3. Related party transactions

During the periods, the Group had significant business transactions with related parties mainly in respect of sales and purchases of goods. Such transactions, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those related parties, are summarised below.

	For the three-month periods ended 31 March				Pricing policy
	Consolidated financial statements		Separate financial statements		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<i>Transactions with subsidiaries (eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	196,606	207,497	Market price
Sales and service income and scrap sales	-	-	35,769	21,732	Approximate market price
Other income	-	-	2,173	3,584	Mutually agreed price as stipulated in the contract
Rental income	-	-	3,445	2,613	Mutually agreed price as stipulated in the contract
Interest expenses	-	-	6,134	6,423	Interest rate at 4.60 - 7.25 percent per annum (2019: 0.25 - 5.80 percent per annum)
Interest income	-	-	529	950	Interest rate at 4.25 percent per annum (2019: 3.25 - 4.75 percent per annum)
Other expenses	-	-	538	372	Mutually agreed price as stipulated in the contract

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Pricing policy
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with related parties</u>					
Sales and service income and scrap sales	117,826	157,211	57,050	79,761	Approximate market price
Purchases of goods	11,156	9,728	9,933	9,237	Market price
Rental expense	667	3,482	-	-	Mutually agreed price as stipulated in the contract
Other expenses	1,517	2,211	728	826	Mutually agreed price as stipulated in the contract
Other income	324	302	30	30	Mutually agreed price as stipulated in the contract

The outstanding balances of the accounts as at 31 March 2020 and 31 December 2019 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<u>Trade and other receivables - related parties</u>				
(Note 4)				
Subsidiary companies	-	-	189,854	238,617
Related companies (related by common director/ shareholder)	138,141	125,959	43,506	40,364
Total trade and other receivables - related parties	138,141	125,959	233,360	278,981
<u>Trade and other payables - related parties</u>				
(Note 12)				
Subsidiary companies	-	-	563,948	472,299
Related companies (related by common director/ shareholder)	18,577	25,072	7,812	8,906
Total trade and other payables - related parties	18,577	25,072	571,760	481,205

(Unaudited but reviewed)

Short-term loans to and short-term loans from related parties

During the three-month period ended 31 March 2020, short-term loans between the Company and its subsidiaries had the following movements:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at			Balance as at
	1 January	Increase	Decrease	31 March
	2020	during the period	during the period	2020
<u>Short-term loans to subsidiaries</u>				
Kulthorn Materials and Controls Co., Ltd.	50,000	-	(5,000)	45,000
Total	50,000	-	(5,000)	45,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at			Balance as at
	1 January	Increase	Decrease	31 March
	2020	during the period	during the period	2020
<u>Short-term loans from subsidiary</u>				
Kulthorn Premier Co., Ltd.	492,000	8,000	(13,200)	486,800
Kulthorn Kirby Foundry Co., Ltd.	20,000	-	-	20,000
Total	512,000	8,000	(13,200)	506,800

Directors and management's remuneration

During the three-month periods ended 31 March 2020 and 2019, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	7,492	10,294	2,978	4,903
Post-employment benefits	1,277	492	1,074	315
Total	8,769	10,786	4,052	5,218

Guarantee obligations with related parties

The Group has outstanding guarantee obligations with its related parties, as described in Note 19.3.

(Unaudited but reviewed)

4. Trade and other receivables

The outstanding balance of trade accounts receivable as at 31 March 2020 and 31 December 2019 categorised by their aging from due dates are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<u>Trade receivables - related parties</u>				
Not yet due	111,199	92,416	58,394	41,477
Overdue				
Less than 3 months	12,354	13,481	5,216	18,203
3 - 6 months	-	-	-	4
Over 12 months	-	4,449	-	-
Total trade receivables - related parties	<u>123,553</u>	<u>110,346</u>	<u>63,610</u>	<u>59,684</u>
<u>Trade receivables - unrelated parties</u>				
Not yet due	901,456	652,602	430,916	266,323
Overdue				
Less than 3 months	139,070	152,699	40,991	43,474
3 - 6 months	141	890	-	1,204
6 - 12 months	1,449	431	1,276	-
Over 12 months	10,455	10,612	1,161	1,147
Total	<u>1,052,571</u>	<u>817,234</u>	<u>474,344</u>	<u>312,148</u>
Less: Allowance for doubtful debts	<u>(11,944)</u>	<u>(6,205)</u>	<u>(3,146)</u>	<u>(2,416)</u>
Total trade receivables - unrelated parties	<u>1,040,627</u>	<u>811,029</u>	<u>471,198</u>	<u>309,732</u>
Total trade receivables - net	<u>1,164,180</u>	<u>921,375</u>	<u>534,808</u>	<u>369,416</u>
<u>Other receivables</u>				
Other receivables - related parties	14,588	15,613	169,750	219,297
Other receivables - unrelated parties	1,630	1,958	308	444
Total other receivables	<u>16,218</u>	<u>17,571</u>	<u>170,058</u>	<u>219,741</u>
Total trade and other receivables - net	<u>1,180,398</u>	<u>938,946</u>	<u>704,866</u>	<u>589,157</u>

5. Reduction of inventory to net realisable value

Movements in the reduction of inventory to net realisable value account during the three-month period ended 31 March 2020 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2020	219,143	102,249
Reversal reduction of inventory to net realisable value during the period	<u>(41,053)</u>	<u>(20,394)</u>
Balance as at 31 March 2020	<u>178,090</u>	<u>81,855</u>

(Unaudited but reviewed)

6. Investments in subsidiaries

As at 31 March 2020 and 31 December 2019, the Company has long-term investments in ordinary share of the following companies:

Company's name	Paid-up capital		Shareholding percentage		Cost	
	31 March	31 December	31 March	31 December	31 March	31 December
	2020	2019	2020	2019	2020	2019
			(%)	(%)		
Kulthorn Kirby Foundry Company Limited	575,000	575,000	100	100	739,999	739,999
Kulthorn Premier Company Limited	1,260,000	1,260,000	100	100	1,936,751	1,936,751
Kulthorn Steel Company Limited	400,000	400,000	100	100	399,999	399,999
kulthorn Materials and Controls Company Limited	650,000	650,000	100	100	540,630	540,630
Kulthorn Research and Development Company Limited	12,500	12,500	100	100	12,500	12,500
Total					3,629,879	3,629,879
Less: Allowance for impairment loss on investments in subsidiaries					(1,543,007)	(1,543,007)
Total investments in subsidiaries - net					<u>2,086,872</u>	<u>2,086,872</u>

7. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2020 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2019	3,177,221	1,788,601
Adjustments of right-of-use assets due to TFRS16 first time adoption (Note 2)	(65,413)	(1,311)
Net book value as at 1 January 2020	3,111,808	1,787,290
Acquisitions during the period - at cost	81,926	64,640
Capitalised interest	1,501	1,501
Disposals during the period - net book value at disposal date	(1,587)	-
Depreciation for the period	(81,090)	(35,850)
Translation adjustment	7,354	-
Net book value as at 31 March 2020	<u>3,119,912</u>	<u>1,817,581</u>

(Unaudited but reviewed)

The Group pledged their land and buildings thereon with financial institutions as collateral to secure loans as discussed in Note 13.

In addition, the Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under these memorandums, the Company and its subsidiaries are not allowed to dispose, transfer, mortgage or provide any lien on their land and buildings thereon and machinery, except to use as collateral for the syndicated loans to pay off the debts to those financial institutions as described in Note 11.

8. Right-of-use assets

Movement of the right-of-use assets account during the three-month period ended 31 March 2020 were summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 31 December 2019	-	-
Adjustment due to TFRS16 first time adoption (Note 2)	106,717	9,657
Net book value as at 1 January 2020	106,717	9,657
Amortisation for the period	(7,270)	(978)
Net book value as at 31 March 2020	<u>99,447</u>	<u>8,679</u>

9. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	31 March 2020	31 December 2019
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	<u>-</u>	<u>-</u>

(Unaudited but reviewed)

10. Other intangible assets

Movements of the other intangible assets account during the three-month period ended 31 March 2020 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	86,708	47,585
Acquisitions during the period - at cost	167	167
Amortisation for the period	(3,249)	(1,561)
Translation adjustment	228	-
Net book value as at 31 March 2020	83,854	46,191

11. Bank overdrafts and short-term loans from financial institutions

		(Unit: Thousand Baht)			
	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		31 March 2020	31 December 2019	31 March 2020	31 December 2019
Bank overdrafts	6.50 - 12.60	79,399	108,582	19,861	24,367
Short-term loans	4.20 - 6.87	1,240,000	1,047,145	918,000	772,145
Trust receipts	3.88 - 6.87	1,117,834	1,408,039	381,361	692,932
Packing credit	3.88 - 6.87	1,079,011	921,813	746,992	596,290
Total		<u>3,516,244</u>	<u>3,485,579</u>	<u>2,066,214</u>	<u>2,085,734</u>

The Group has entered into negative pledge memorandums, which are part of the short-term credit facility agreements with 3 financial institutions. Under the agreements, the Group is required to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio not exceeding 5:1 for the consolidated financial statements and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1. The Group is not allowed to dispose, transfer, mortgage or provide any lien on their assets, both existing and to be acquired in the future, except to use as collateral for the syndicated loan to pay off the debt to those financial institutions.

(Unaudited but reviewed)

12. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Trade payables - related parties	8,520	7,860	535,451	449,250
Trade payables - unrelated parties	488,062	357,868	272,403	198,802
Other payables - related parties	10,057	17,212	32,895	29,707
Other payables - unrelated parties	195,483	166,096	120,329	94,007
Accrued interest expenses to related parties	-	-	3,414	2,248
Accrued interest expenses to unrelated parties	2,507	1,898	1,621	1,049
Accrued expenses - unrelated parties	84,944	65,846	27,353	24,875
Total trade and other payables	<u>789,573</u>	<u>616,780</u>	<u>993,466</u>	<u>799,938</u>

13. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate	
	financial statements	
	31 March 2020	31 December 2019
Long-term loans	1,075,300	1,075,300
Less: current portion	(100,000)	(1,075,300)
Long-term loans, net of current portion	<u>975,300</u>	<u>-</u>

Movement of long-term loans during the three-month period ended 31 March 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Balance as at 1 January 2020	1,075,300
Less: Repayment during the period	-
Balance as at 31 March 2020	<u>1,075,300</u>

(Unaudited but reviewed)

The loan is subject to interest at the rate with reference to THBFIX+3%, and interest is to be paid on a monthly basis.

During the year 2020, the Group entered into the Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020. Therefore, the financial maturity date of the loan which had been drawn down in 2016 and 2018 shall be repaid within the year 2022 and 2024, respectively.

Under the loan agreement, the Group has to comply with certain conditions including maintaining interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio for the consolidated financial statements not exceeding 5:1 and debt to equity ratio for the consolidated financial statements not exceeding 2.75:1, based on the financial statements as at 30 June and 31 December.

As at 31 December 2019, the Group was unable to maintain interest bearing debt to EBITDA plus extraordinary item and non-cash items ratio and debt to equity ratio as specified in the Credit Facility Agreement, resulting in the long-term loan becoming payable on demand. The Group therefore classified total balance of loan as current portion due within one year. The classification of such liabilities as at 31 December 2019 to current liabilities is in accordance with Thai Financial Reporting Standards. However, during the current period, the Group had already received the waiver for such non-compliance from the lenders.

The above long-term loans from financial institutions are secured by mortgage of the Group's properties and plant thereon.

The Company has entered into an interest rate swap contract for a portion of the above loans as discussed in Note 20.

14. Lease liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2020	2019	2020	2019
Long-term lease liabilities	85,633	51,383	9,783	1,623
Less: Deferred interest expenses	(7,324)	(5,408)	(830)	(116)
Total	78,309	45,975	8,953	1,507
Less: Portion due within one year	(34,591)	(15,827)	(3,685)	(568)
Long-term lease liabilities, net of current portion	43,718	30,148	5,268	939

The Group has entered into the lease agreements for rental of land, machinery, office equipment and motor vehicles for use in their operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

15. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2020 and 2019 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax:				
Interim corporate income tax charge	286	135	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	11,119	11,992	7,641	4,880
Income tax expense reported in profit or loss	<u>11,405</u>	<u>12,127</u>	<u>7,641</u>	<u>4,880</u>

16. Loss per share

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

17. Revenue from contracts with customers

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Type of goods or service:				
Sales of goods	1,485,265	1,716,942	806,146	884,641
Service income	27,599	17,350	483	666
Income from scrap sales	368	13,686	327	530
Total revenue from contracts with customers				
- recognised at a point in time	<u>1,513,232</u>	<u>1,747,978</u>	<u>806,956</u>	<u>885,837</u>

18. Segment information

The Group is organised into business units based on its products and services. During the current period, the Group has not changed the organisation of their reportable segments.

The following tables present revenue and profit (loss) information regarding the Group's operating segments for the three-month periods ended 31 March 2020 and 2019, respectively.

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month periods ended 31 March

	Compressors and parts		Enameled wire		Steel sheet		Steel coil center		Total Segments		Adjustments and eliminations		Consolidated	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue														
External customers	844	945	261	333	237	261	171	209	1,513	1,748	-	-	1,513	1,748
Inter-segment	51	40	38	75	110	92	62	48	261	255	(261)	(255)	-	-
Total revenue	<u>895</u>	<u>985</u>	<u>299</u>	<u>408</u>	<u>347</u>	<u>353</u>	<u>233</u>	<u>257</u>	<u>1,774</u>	<u>2,003</u>	<u>(261)</u>	<u>(255)</u>	<u>1,513</u>	<u>1,748</u>
Results														
Segment gross profit (loss)	14	(32)	13	10	27	-	19	18	73	(4)	(7)	(1)	66	(5)
Other income													4	3
Loss on exchange													(20)	-
Selling and distribution expenses													(20)	(23)
Administrative expenses													(124)	(153)
Finance cost													(57)	(53)
Loss before income tax													(151)	(231)
Income tax													(11)	(12)
Loss for the period													<u>(162)</u>	<u>(243)</u>

19. Commitment and contingent liabilities

19.1 Capital commitments

As at 31 March 2020, the Group has capital commitments of approximately Baht 63.5 million (31 December 2019: Baht 147.1 million) (the Company only: Baht 46.5 million, 31 December 2019: Baht 133.4 million), relating to the construction of factory building and acquisition of machinery.

19.2 Long-term service commitments

- a) The Group has commitments relating to service agreements payable in the future as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
<u>Payable:</u>				
In up to 1 year	14.1	13.8	5.1	5.1
In over 1 year	4.4	7.2	1.7	3.0

- b) The Group has commitments related to sales commissions payable to sale agents at the rate stipulated in the agreements or rate agreed between parties.

19.3 Guarantees

- a) As at 31 March 2020, the Company and Kulthorn Materials and Controls Company Limited have contingent liability relating to the guarantee of credit facility of Suzhou Kulthorn Magnet Wire Co., Ltd. to an oversea branch of a commercial bank amounting to RMB 60 million or equivalent to Baht 280 million (31 December 2019: RMB 60 million or equivalent to Baht 262 million).
- b) As at 31 March 2020, there were outstanding bank guarantees of approximately Baht 51.2 million (31 December 2019: Baht 48.2 million), the Company only: Baht 20.0 million (31 December 2019: Baht 17.0 million) issued by the banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business of the Group. These include letter of guarantee to guarantee electricity usage amounting to Baht 38.2 million (31 December 2019: Baht 38.2 million), the Company only: Baht 7.2 million (31 December 2019: Baht 7.2 million) and to guarantee import duty, natural gas agreements and others amounting to Baht 13.0 million (31 December 2019: Baht 10.0 million), the Company only: Baht 12.8 million (31 December 2019: Baht 9.8 million).

20. Foreign currency risk

The Group's exposure to foreign currency risk arises mainly from purchases and sales of goods in foreign currencies. The Group seeks to reduce this risk by entering into forward exchange contracts which generally mature within one year, when they consider appropriate.

Below is the summary of the Group's foreign currencies-denominated financial assets/liabilities.

As at 31 March 2020						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	10	9	7	3	32.5125	32.8298
Japanese yen	-	9	-	-	0.2975	0.3047
RMB	-	-	-	7	4.5463	4.6589
Euro	-	0.2	-	-	35.6113	36.3057

As at 31 December 2019						
Foreign currency	Consolidated financial statements		Separate financial statements		Exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying	Selling
	(Million)	(Million)	(Million)	(Million)	(Baht per one foreign currency unit)	
US dollar	4	9	4	2	29.9767	30.3313
Japanese yen	-	4	-	-	0.2723	0.2796
Euro	-	0.2	-	-	33.3775	34.0846

Forward exchange contracts

The Group had outstanding forward exchange contract with maturities less than one year as follows:

As at 31 March 2020					
Consolidated and separate financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.1	3.2	19 June - 23 September 2020	32.65	29.91 - 31.90

As at 31 December 2019					
Consolidated and separate financial statements					
Foreign currency	Bought	Sold	Contractual maturity date	Contractual exchange rate	
	amount	amount		Bought amount	Sold amount
	(Million)	(Million)		(Baht per one foreign currency unit)	
US Dollar	0.1	3.7	6 February - 19 June 2020	30.79	30.02 - 30.08

Interest rate swap contracts

In November 2017, the Company entered into an interest rate swap contract with a commercial bank for a long-term loan of Baht 850 million in order to change interest calculation from floating interest rate of THB-THBFIX-Reuters plus 3 percent per annum to fixed interest rate at 4.65 percent per annum, calculated based on the loan principal balance as the agreed schedule.

As at 31 March 2020, fair value of interest rate swap contract has decreased from the contract than trade date by Baht 3.0 million (31 December 2019: Baht 2.2 million).

21. Fair value hierarchy

As at 31 March 2020, the Group had the following financial liabilities that were measured at fair value using different level of input as follow:

	(Unit: Million Baht)
	Consolidated and separate financial statements
	<u>Level 2</u>
Financial liabilities measured at fair value	
Derivatives	
Foreign currency forward contracts	(7.0)
Interest rate swap contracts	(3.0)

During the current period, there were no transfers within the fair value hierarchy.

22. Approval of interim financial statements

These interim financial statements have been authorised for issue by the Company's authorised directors on 13 May 2020.