

Kulthorn Kirby Public Company Limited  
and its subsidiaries  
Review report and interim financial information  
For the three-month and six-month periods ended 30 June 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 30 June 2020, the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, the related consolidated statements of changes in shareholders' equity and cash flows for the six-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 periods (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 30 June 2020, the Group's total current liabilities exceed its total current assets by Baht 1,857 million (the Company only: Baht 2,145 million) and the Group has deficit of Baht 2,025 million (the Company only: Baht 1,289 million). 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 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 and six-month periods ended 30 June 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.**

3. I draw attention to Note 1.8 to the interim consolidated financial statements, during the current period, the Group changed its accounting policy for the value of property, plant and equipment for land and land improvement and building from cost method to revaluation method.

My conclusion is not modified in respect of these matters.

Sarinda Hirunprasurtwutti  
Certified Public Accountant (Thailand) No. 4799

EY Office Limited  
Bangkok: 5 August 2020

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 30 June 2020

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>		
	As at	As at	As at	As at	
	<u>Note</u>	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		26,484	137,916	5,765	51,426
Trade and other receivables	3, 4	917,481	938,946	623,447	589,157
Short-term loans to related parties	3	-	-	40,000	50,000
Inventories	5	1,565,160	1,573,588	1,040,777	939,771
Current tax assets		3,277	6,461	560	881
VAT receivable		35,940	26,637	29,725	17,820
Other current assets		123,174	88,317	60,944	35,679
<b>Total current assets</b>		<u>2,671,516</u>	<u>2,771,865</u>	<u>1,801,218</u>	<u>1,684,734</u>
<b>Non-current assets</b>					
Investments in subsidiaries	6	-	-	2,086,872	2,086,872
Property, plant and equipment	7	4,152,322	3,177,221	2,478,637	1,788,601
Right-of-use assets	8	96,869	-	8,335	-
Goodwill on business combination	9	-	-	-	-
Other intangible assets	10	80,480	86,708	44,687	47,585
Advance payment for purchase of fixed assets		1,851	5,323	1,851	5,323
Deferred tax assets		31,626	220,261	6,176	150,050
Other non-current assets		1,023	1,363	844	1,128
<b>Total non-current assets</b>		<u>4,364,171</u>	<u>3,490,876</u>	<u>4,627,402</u>	<u>4,079,559</u>
<b>Total assets</b>		<u><u>7,035,687</u></u>	<u><u>6,262,741</u></u>	<u><u>6,428,620</u></u>	<u><u>5,764,293</u></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 30 June 2020

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from financial institutions	11	3,511,026	3,485,579	2,058,163	2,085,734
Trade and other payables	3, 12	753,156	616,780	1,156,268	799,938
Short-term loans from related parties	3	-	-	506,800	512,000
Current portion of long-term loans	13	200,000	1,075,300	200,000	1,075,300
Current portion of liabilities under financial lease agreement	14	-	15,827	-	568
Current portion of lease liabilities	14	31,257	-	3,778	-
Dividend payable		891	891	887	887
Income tax payable		61	61	-	-
Other current financial liabilities		2,402	-	889	-
Other current liabilities		29,664	31,360	18,963	22,088
<b>Total current liabilities</b>		<b>4,528,457</b>	<b>5,225,798</b>	<b>3,945,748</b>	<b>4,496,515</b>
<b>Non-current liabilities</b>					
Long-term loans, net of current portion	13	875,300	-	875,300	-
Liabilities under financial lease agreements, net of current portion	14	-	30,148	-	939
Long-term lease liabilities, net of current portion	14	39,106	-	5,264	-
Deferred tax liabilities		22,119	-	-	-
Provision for long-term employee benefits		265,750	267,747	115,337	120,603
<b>Total non-current liabilities</b>		<b>1,202,275</b>	<b>297,895</b>	<b>995,901</b>	<b>121,542</b>
<b>Total liabilities</b>		<b>5,730,732</b>	<b>5,523,693</b>	<b>4,941,649</b>	<b>4,618,057</b>

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 30 June 2020**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	As at 30 June 2020 (Unaudited but reviewed)	As at 31 December 2019 (Audited)	As at 30 June 2020 (Unaudited but reviewed)	As at 31 December 2019 (Audited)
<b>Liabilities and shareholders' equity (continued)</b>				
<b>Shareholders' equity</b>				
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	(2,145,358)	(1,794,367)	(1,409,101)	(1,173,764)
Other components of shareholders' equity	922,415	5,517	576,072	-
<b>Total shareholders' equity</b>	<b>1,304,955</b>	<b>739,048</b>	<b>1,486,971</b>	<b>1,146,236</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,035,687</b>	<b>6,262,741</b>	<b>6,428,620</b>	<b>5,764,293</b>

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 30 June 2020

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

	Note	Consolidated financial statements		Separate financial statements	
		2020	2019	2020	2019
<b>Revenues</b>					
Revenue from contracts with customers	17	1,257,204	1,721,933	772,762	923,579
Rental income		349	345	3,295	2,631
Other income		3,346	3,534	3,390	5,946
<b>Total revenues</b>		<b>1,260,899</b>	<b>1,725,812</b>	<b>779,447</b>	<b>932,156</b>
<b>Expenses</b>					
Cost of sales and services		1,195,205	1,776,149	711,728	952,604
Selling and distribution expenses		19,220	25,976	10,320	12,266
Administrative expenses		115,551	164,063	76,085	106,649
Loss on exchange		1,052	1,745	2,030	4,055
Allowance for impairment of assets	7	64,638	-	56,975	-
<b>Total expenses</b>		<b>1,395,666</b>	<b>1,967,933</b>	<b>857,138</b>	<b>1,075,574</b>
<b>Loss from operating activities</b>		<b>(134,767)</b>	<b>(242,121)</b>	<b>(77,691)</b>	<b>(143,418)</b>
Finance income		28	163	478	858
Finance cost		(54,983)	(55,130)	(43,020)	(44,385)
<b>Loss before income tax</b>		<b>(189,722)</b>	<b>(297,088)</b>	<b>(120,233)</b>	<b>(186,945)</b>
Income tax	15	12,957	9,100	7,786	5,153
<b>Loss for the period</b>		<b>(176,765)</b>	<b>(287,988)</b>	<b>(112,447)</b>	<b>(181,792)</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income not to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Actuarial gain (loss)		-	580	-	(762)
Less: Income tax effect		-	(155)	-	152
		-	425	-	(610)
Revaluation surplus on assets		1,130,409	-	720,090	-
Less: Income tax effect		(212,609)	-	(144,018)	-
		917,800	-	576,072	-
Other comprehensive income not to be reclassified		917,800	425	576,072	(610)
<i>Other comprehensive income to be reclassified</i>					
<i>to profit or loss in subsequent periods:</i>					
Exchange differences on translation of					
financial statements in foreign currency		(766)	(1,587)	-	-
Other comprehensive income to be reclassified		(766)	(1,587)	-	-
to profit or loss in subsequent periods - net of income tax		(766)	(1,587)	-	-
<b>Other comprehensive income for the period</b>		<b>917,034</b>	<b>(1,162)</b>	<b>576,072</b>	<b>(610)</b>
<b>Total comprehensive income for the period</b>		<b>740,269</b>	<b>(289,150)</b>	<b>463,625</b>	<b>(182,402)</b>
<b>Basic loss per share (Baht)</b>					
Loss attributable to equity holders of the Company	16	(0.12)	(0.24)	(0.07)	(0.15)
Weighted average number of ordinary shares (thousand shares)		1,500,000	1,200,000	1,500,000	1,200,000

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



## Kulthorn Kirby Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the six-month period ended 30 June 2020

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

	Note	Consolidated financial statements		Separate financial statements	
		2020	2019	2020	2019
<b>Revenues</b>					
Revenue from contracts with customers	17	2,770,436	3,469,911	1,579,718	1,809,416
Rental income		699	690	6,790	5,289
Other income		7,410	6,443	6,917	10,705
<b>Total revenues</b>		<b>2,778,545</b>	<b>3,477,044</b>	<b>1,593,425</b>	<b>1,825,410</b>
<b>Expenses</b>					
Cost of sales and services		2,642,585	3,529,363	1,497,277	1,843,733
Selling and distribution expenses		38,864	49,220	18,919	24,016
Administrative expenses		240,108	317,269	160,167	205,086
Loss on exchange		20,571	1,752	5,496	5,308
Allowance for impairment of assets	7	64,638	-	56,975	-
<b>Total expenses</b>		<b>3,006,766</b>	<b>3,897,604</b>	<b>1,738,834</b>	<b>2,078,143</b>
<b>Loss from operating activities</b>		<b>(228,221)</b>	<b>(420,560)</b>	<b>(145,409)</b>	<b>(252,733)</b>
Finance income		61	175	1,007	1,808
Finance cost		(112,586)	(107,759)	(87,013)	(85,919)
<b>Loss before income tax</b>		<b>(340,746)</b>	<b>(528,144)</b>	<b>(231,415)</b>	<b>(336,844)</b>
Income tax	15	1,552	(3,027)	145	273
<b>Loss for the period</b>		<b>(339,194)</b>	<b>(531,171)</b>	<b>(231,270)</b>	<b>(336,571)</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial gain (loss)		-	580	-	(762)
Less: Income tax effect		-	(155)	-	152
		-	425	-	(610)
Revaluation surplus on assets		1,130,409	-	720,090	-
Less: Income tax effect		(212,609)	-	(144,018)	-
		917,800	-	576,072	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		917,800	425	576,072	(610)
<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		(902)	7,926	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		(902)	7,926	-	-
<b>Other comprehensive income for the period</b>		<b>916,898</b>	<b>8,351</b>	<b>576,072</b>	<b>(610)</b>
<b>Total comprehensive income for the period</b>		<b>577,704</b>	<b>(522,820)</b>	<b>344,802</b>	<b>(337,181)</b>
<b>Basic loss per share (Baht)</b>					
Loss attributable to equity holders of the Company	16	(0.23)	(0.44)	(0.15)	(0.28)
Weighted average number of ordinary shares (thousand shares)		1,500,000	1,200,000	1,500,000	1,200,000

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

**Kulthorn Kirby Public Company Limited and its subsidiaries****Cash flow statements****For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>				
Loss before tax	(340,746)	(528,144)	(231,415)	(336,844)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Unrealised loss on exchange	4,894	7,216	1,547	7,434
Reversal the reduction of inventory to net realisable value	(44,526)	(15,281)	(30,652)	(16,324)
Allowance for doubtful accounts	1,324	1,421	527	-
Depreciation and amortisation	166,839	183,753	74,549	79,343
Amortise right-of-use assets	15,390	-	2,322	-
Allowance for impairment loss on assets	64,612	-	56,975	-
Amortise deferred revenue from sales and lease back	(111)	-	-	-
Write-off withholding tax	-	529	-	529
Loss (gain) on sales of property, plant and equipment	375	1,379	(7)	(145)
Provision for long-term employee benefits	13,071	71,493	5,564	34,350
Dividend income	(2)	(1)	(2)	(1)
Subsidies income from Government grants	(2,264)	(2,264)	(2,264)	(2,264)
Interest income	(61)	(175)	(1,007)	(1,808)
Deferred interest	2,507	1,506	295	39
Interest expenses	107,433	103,485	84,870	83,918
Loss from operating activities before changes in operating assets and liabilities	(11,265)	(175,083)	(38,698)	(151,773)
Operating assets (increase) decrease				
Trade and other receivables	10,769	(134,343)	(41,745)	(142,238)
Inventories	52,954	491,089	(70,354)	272,089
Other current assets	(44,481)	38,734	(37,491)	23,488
Other non-current assets	340	298	284	87
Operating liabilities increase (decrease)				
Trade and other payables	147,433	(230,693)	373,750	(112,453)
Other current liabilities	679	3,978	(861)	1,042
Cash flows from (used in) operating activities	156,429	(6,020)	184,885	(109,758)
Cash paid for long-term employee benefits	(11,889)	-	(10,830)	-
Cash received from interest income	61	175	1,177	1,685
Cash paid for interest expenses	(109,627)	(109,210)	(86,522)	(89,384)
Cash paid for income tax	(3,579)	(4,336)	(560)	(250)
<b>Net cash flows from (used in) operating activities</b>	<b>31,395</b>	<b>(119,391)</b>	<b>88,150</b>	<b>(197,707)</b>

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 six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>				
Proceeds from sales of property, plant and equipment	100	13,603	-	145
Acquisition of property, plant and equipment and intangible assets	(381,962)	(248,354)	(348,562)	(262,297)
Decrease in short-term loans to related parties	-	-	10,000	233
Dividend income	2	1	2	1
<b>Net cash flows used in investing activities</b>	<b>(381,860)</b>	<b>(234,750)</b>	<b>(338,560)</b>	<b>(261,918)</b>
<b>Cash flows from financing activities</b>				
Increase in bank overdrafts and short-term loans from financial institutions	4,527,016	4,478,947	1,750,320	2,062,225
Decrease in bank overdrafts and short-term loans from financial institutions	(4,263,320)	(3,936,976)	(1,538,265)	(1,417,832)
Decrease in short-term loans from related parties	-	-	(5,200)	(10,016)
Repayment of long-term loans	-	(200,000)	-	(200,000)
Cash paid for lease liabilities	(22,375)	(32,502)	(2,106)	(525)
<b>Net cash flows from financing activities</b>	<b>241,321</b>	<b>309,469</b>	<b>204,749</b>	<b>433,852</b>
<b>Increase (decrease) in translation adjustments</b>	<b>(2,288)</b>	<b>15,118</b>	<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(111,432)</b>	<b>(29,554)</b>	<b>(45,661)</b>	<b>(25,773)</b>
Cash and cash equivalents at beginning of period	137,916	96,963	51,426	68,759
<b>Cash and cash equivalents at end of period</b>	<b>26,484</b>	<b>67,409</b>	<b>5,765</b>	<b>42,986</b>

**Supplement cash flows information**

## 1) Non-cash related transaction for investing activities

Trust receipt and payable from acquisitions of fixed assets	27,357	350,009	11,820	324,186
Other receivable from sales of fixed assets	7	-	37,309	64,419
Revaluation surplus on assets	1,130,409	-	720,090	-
Transfer right-of-use assets to fixed assets	6,631	-	-	-

## 2) Non-cash related transaction for financing activities

Dividend payable	891	891	887	887
Assets acquired under lease liabilities	-	16,641	-	-

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 six-month period ended 30 June 2020

(Unit: Thousand Baht)

Consolidated financial statements

	Other components of shareholders' equity								
					Other comprehensive income				
				Surplus		Exchange		Total other	
	Issued and fully paid-up share capital	Share premium	from business combination under common control	Retained earnings (deficits)		differences on translation of financial statements in foreign currency	Revaluation surplus on assets	components of shareholders' equity	Total shareholders' equity
			Appropriated	Unappropriated					
<b>Balance as at 1 January 2019</b>	1,200,000	700,000	207,898	120,000	(657,450)	(2,152)	-	(2,152)	1,568,296
Loss for the period	-	-	-	-	(531,171)	-	-	-	(531,171)
Other comprehensive income for the period	-	-	-	-	425	7,926	-	7,926	8,351
Total comprehensive income for the period	-	-	-	-	(530,746)	7,926	-	7,926	(522,820)
<b>Balance as at 30 June 2019</b>	1,200,000	700,000	207,898	120,000	(1,188,196)	5,774	-	5,774	1,045,476
<b>Balance as at 1 January 2020</b>	1,500,000	700,000	207,898	120,000	(1,794,367)	5,517	-	5,517	739,048
Cumulative effect of change in accounting policy (Note 2)	-	-	-	-	(11,797)	-	-	-	(11,797)
<b>Balance as at 1 January 2020 - as restated</b>	1,500,000	700,000	207,898	120,000	(1,806,164)	5,517	-	5,517	727,251
Loss for the period	-	-	-	-	(339,194)	-	-	-	(339,194)
Other comprehensive loss for the period	-	-	-	-	-	(902)	917,800	916,898	916,898
Total comprehensive loss for the period	-	-	-	-	(339,194)	(902)	917,800	916,898	577,704
<b>Balance as at 30 June 2020</b>	1,500,000	700,000	207,898	120,000	(2,145,358)	4,615	917,800	922,415	1,304,955

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 six-month period ended 30 June 2020**

(Unit: Thousand Baht)

<b>Separate financial statements</b>						
		<u>Retained earnings (deficits)</u>		<u>Other components of shareholders' equity</u>		
	<u>Issued and fully paid-up share capital</u>	<u>Share premium</u>	<u>Appropriated</u>	<u>Unappropriated</u>	<u>Other comprehensive income</u>	<u>Total shareholders' equity</u>
					<u>Revaluation surplus on assets</u>	
<b>Balance as at 1 January 2019</b>	1,200,000	700,000	120,000	58,443	-	2,078,443
Loss for the period	-	-	-	(336,571)	-	(336,571)
Other comprehensive loss for the period	-	-	-	(610)	-	(610)
Total comprehensive loss for the period	-	-	-	(337,181)	-	(337,181)
<b>Balance as at 30 June 2019</b>	<u>1,200,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(278,738)</u>	<u>-</u>	<u>1,741,262</u>
<b>Balance as at 1 January 2020</b>	1,500,000	700,000	120,000	(1,173,764)	-	1,146,236
Cumulative effect of change in accounting policy (Note 2)	-	-	-	(4,067)	-	(4,067)
<b>Balance as at 1 January 2020 - as restated</b>	1,500,000	700,000	120,000	(1,177,831)	-	1,142,169
Loss for the period	-	-	-	(231,270)	-	(231,270)
Other comprehensive loss for the period	-	-	-	-	576,072	576,072
Total comprehensive loss for the period	-	-	-	(231,270)	576,072	344,802
<b>Balance as at 30 June 2020</b>	<u>1,500,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(1,409,101)</u>	<u>576,072</u>	<u>1,486,971</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 and six-month periods ended 30 June 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 30 June 2020, the Group’s total current liabilities exceed its total current assets by Baht 1,857 million (the Company only: Baht 2,145 million) and the Group has deficit of Baht 2,025 million (the Company only: Baht 1,289 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 and six-month periods ended 30 June 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 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 that may affect financial forecasts used in measuring the fair values of property, plant and equipment.
- 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, leases and property, plant and equipment.

### **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.

## **1.7.3 Property, plant and equipment**

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

Land and buildings are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus" in respect of the same asset.

(Unaudited but reviewed)

### 1.8 Change in accounting policy for land and land improvement and building from cost method to revaluation method

During the current period, the Group reviewed and changed its accounting policy on the value of property, plant and equipment for land and land improvement and building from cost method to revaluation method to reflect appropriate present value.

Regarding the change in the accounting policy, the Group has complied with TAS8. This is considered a revaluation of assets in accordance with TAS16 Property, Plant and Equipment, which does not require that the change be applied retrospectively. Therefore, the Group applied the change prospectively.

This change affects to the statements of financial position as at 30 June 2020 and the statement of comprehensive income for the three-month and six-month periods then ended as follow:

	(Unit: Thousand Baht)	
	30 June 2020	
	Consolidated	Separate
	financial	financial
	statements	statements
<b>Statement of financial position:</b>		
Increase in property, plant and equipment	1,130,409	720,090
Increase in deferred tax liabilities	212,609	144,018
Increase in surplus on revaluation of asset	1,130,409	720,090

  

	(Unit: Thousand Baht)	
	For the three-month and six-month periods ended	
	30 June 2020	
	Consolidated	Separate
	financial	financial
	statements	statements
<b>Statement of comprehensive income:</b>		
<b>Other comprehensive income:</b>		
Increase in gain on revaluation of asset (net of income tax)	917,800	576,072

## 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.

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	
<b>Statement of financial position</b>				
<b>Assets</b>				
<b>Current assets</b>				
Trade and other receivables	938,946	(9,611)	-	929,335
<b>Non-current assets</b>				
Property, plant and equipment	3,177,221	-	(74,610)	3,102,611
Right-of-use assets	-	-	115,914	115,914
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
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
<b>Non-current liabilities</b>				
Liabilities under financial lease agreements, net of current portion	30,148	-	(30,148)	-
Lease liabilities, net of current portion	-	-	51,239	51,239
<b>Shareholders' equity</b>				
Deficit - unappropriated	(1,794,367)	(11,797)	-	(1,806,164)

(Unaudited but reviewed)

(Unit: Thousand Baht)

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

## 2.1 Financial instruments

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<u>                    </u>	<u>                    </u>
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	<u>(11,797)</u>	<u>(4,067)</u>

- b) 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
	<u>                    </u>	<u>                    </u>
		Amortised cost
		<u>                    </u>
<b>Financial assets as at 1 January 2020</b>		
Cash and cash equivalents	137,916	137,916
Trade and other receivables	938,946	929,335
<b>Total financial assets</b>	<u>1,076,862</u>	<u>1,067,251</u>

	(Unit: Thousand Baht)	
	Separate financial statements	
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9
	<u>                    </u>	<u>                    </u>
		Amortised cost
		<u>                    </u>
<b>Financial assets as at 1 January 2020</b>		
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
<b>Total financial assets</b>	<u>690,583</u>	<u>688,702</u>

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 first time 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>

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Land and land improvement	38,214	-
Machinery and equipment	61,801	-
Office equipment	6,686	3,180
Motor vehicles	9,213	6,477
Total right-of-use assets	<u>115,914</u>	<u>9,657</u>



(Unaudited but reviewed)

### 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.

(Unit: Thousand Baht)

	For the three-month periods ended 30 June				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 subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	230,344	169,319	Market price
Sales and service income and scrap sales	-	-	21,593	23,728	Approximate market price
Other income	-	-	1,807	3,720	Mutually agreed price as stipulated in the contract
Rental income	-	-	3,246	2,586	Mutually agreed price as stipulated in the contract
Interest expenses	-	-	6,116	6,603	Interest rate at 4.60 - 7.25 percent per annum (2019: 0.25 - 7.25 percent per annum)
Interest income	-	-	476	749	Interest rate at 4.25 percent per annum (2019: 3.25 - 4.94 percent per annum)
Other expenses	-	-	729	543	Mutually agreed price as stipulated in the contract
<u>Transactions with related parties</u>					
Sales and service income and scrap sales	145,781	147,240	60,570	66,353	Approximate market price
Purchases of goods	10,860	8,286	10,842	8,270	Market price
Rental expense	666	3,474	-	-	Mutually agreed price as stipulated in the contract
Other expenses	1,260	3,431	434	690	Mutually agreed price as stipulated in the contract
Other income	36	36	30	30	Mutually agreed price as stipulated in the contract

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June				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 subsidiaries</u>					
<i>(eliminated from the consolidated financial statements)</i>					
Purchases of goods	-	-	426,950	376,816	Market price
Sales and service income and scrap sales	-	-	57,362	45,460	Approximate market price
Other income	-	-	3,980	7,304	Mutually agreed price as stipulated in the contract
Rental income	-	-	6,691	5,199	Mutually agreed price as stipulated in the contract
Interest expenses	-	-	12,250	13,026	Interest rate at 4.60 - 7.25 percent per annum (2019: 0.25 - 7.25 percent per annum)
Interest income	-	-	1,005	1,699	Interest rate at 4.25 percent per annum (2019: 3.25 - 4.94 percent per annum)
Other expenses	-	-	1,267	915	Mutually agreed price as stipulated in the contract
<u>Transactions with related parties</u>					
Sales and service income and scrap sales	263,607	304,451	117,620	146,114	Approximate market price
Purchases of goods	22,016	18,014	20,775	17,507	Market price
Rental expense	1,333	6,956	-	-	Mutually agreed price as stipulated in the contract
Other expenses	2,777	5,642	1,162	1,516	Mutually agreed price as stipulated in the contract
Other income	360	338	60	60	Mutually agreed price as stipulated in the contract

(Unaudited but reviewed)

The outstanding balances of the accounts as at 30 June 2020 and 31 December 2019 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b><u>Trade and other receivables - related parties</u></b>				
<b>(Note 4)</b>				
Subsidiary companies	-	-	174,730	238,617
Related companies (related by common director/ shareholder)	116,495	125,959	36,002	40,364
<b>Total trade and other receivables - related parties</b>	<b>116,495</b>	<b>125,959</b>	<b>210,732</b>	<b>278,981</b>
<b><u>Trade and other payables - related parties</u></b>				
<b>(Note 12)</b>				
Subsidiary companies	-	-	680,544	472,299
Related companies (related by common director/ shareholder)	8,608	25,072	7,205	8,906
<b>Total trade and other payables - related parties</b>	<b>8,608</b>	<b>25,072</b>	<b>687,749</b>	<b>481,205</b>

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

During the six-month period ended 30 June 2020, short-term loans between the Company and its subsidiaries had the following movements:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 1 January 2020	Increase during the period	Decrease during the period	Balance as at 30 June 2020
<b><u>Short-term loans to subsidiary</u></b>				
Kulthorn Materials and Controls Co., Ltd.	50,000	-	(10,000)	40,000
Total	50,000	-	(10,000)	40,000

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 1 January 2020	Increase during the period	Decrease during the period	Balance as at 30 June 2020
<b><u>Short-term loans from subsidiaries</u></b>				
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

(Unaudited but reviewed)

### **Directors and management's remuneration**

During the three-month and six-month periods ended 30 June 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 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	7,038	10,766	2,378	5,420
Post-employment benefits	1,229	874	1,034	314
Total	<u>8,267</u>	<u>11,640</u>	<u>3,412</u>	<u>5,734</u>

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	14,530	21,060	5,356	10,323
Post-employment benefits	2,506	1,366	2,108	629
Total	<u>17,036</u>	<u>22,426</u>	<u>7,464</u>	<u>10,952</u>

### **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 30 June 2020 and 31 December 2019 categorised by their aging from due dates are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<u>Trade receivables - related parties</u>				
Not yet due	94,459	92,416	46,894	41,477
Overdue				
Less than 3 months	16,346	13,481	11,393	18,203
3 - 6 months	-	-	-	4
Over 12 months	-	4,449	-	-
Total	110,805	110,346	58,287	59,684
Less: Allowance for doubtful debts	(293)	-	(1,901)	-
Total trade receivables - related parties	110,512	110,346	56,386	59,684
<u>Trade receivables - unrelated parties</u>				
Not yet due	630,397	652,602	361,510	266,323
Overdue				
Less than 3 months	168,686	152,699	47,261	43,474
3 - 6 months	4,682	890	3,235	1,204
6 - 12 months	1,387	431	1,220	-
Over 12 months	9,891	10,612	1,109	1,147
Total	815,043	817,234	414,335	312,148
Less: Allowance for doubtful debts	(16,847)	(6,205)	(2,923)	(2,416)
Total trade receivables - unrelated parties	798,196	811,029	411,412	309,732
Total trade receivables - net	908,708	921,375	467,798	369,416
<u>Other receivables</u>				
Other receivables - related parties	5,983	15,613	154,346	219,297
Other receivables - unrelated parties	2,790	1,958	1,303	444
Total other receivables	8,773	17,571	155,649	219,741
Total trade and other receivables - net	917,481	938,946	623,447	589,157

**5. Reduction of inventory to net realisable value**

Movements in the reduction of inventory to net realisable value account during the six-month period ended 30 June 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	(44,526)	(30,652)
Balance as at 30 June 2020	174,617	71,597

## 6. Investments in subsidiaries

As at 30 June 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	
	30 June	31 December	30 June	31 December	30 June	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>

The company did not received dividend during the six-month periods ended 30 June 2020 and 2019.

## 7. Property, plant and equipment

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

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Net book value as at 31 December 2019</b>	3,177,221	1,788,601
Adjustments of right-of-use assets due to TFRS16 first time adoption (Note 2)	(74,610)	(1,311)
<b>Net book value as at 1 January 2020</b>	3,102,611	1,787,290
Acquisitions during the period - at cost	135,055	98,155
Capitalised interest	1,501	1,501
Revaluation of assets	1,130,409	720,090
Transfer from right-of-use assets (Note 8)	6,631	-
Disposals during the period - net book value at disposal date	(482)	-
Allowance for impairment loss	(64,612)	(56,975)
Depreciation for the period	(160,338)	(71,424)
Translation adjustment	1,547	-
<b>Net book value as at 30 June 2020</b>	<u>4,152,322</u>	<u>2,478,637</u>

(Unaudited but reviewed)

During the current period, the Group arranged for an independent professional valuer to appraise the value of its land and buildings. The basis of the revaluation is as follows:

- Land was revalued using the market approach.
- Land improvement and buildings were revalued using the depreciated replacement cost approach.

The result of the revaluations showed increases of Baht 599.5 million and Baht 530.9 million (the Company only: Baht 517.5 million and Baht 202.6 million) in the net book value of the Group's Land and Land improvement and building, respectively. The Company recorded the revaluation increase in other comprehensive income and the cumulative increase is recognised as the "Revaluation surplus on assets" in the shareholders' equity.

Had the land and land improvement and building been carried in the financial statements on a historical cost basis, their net book value as of 30 June 2020 would have been as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
	<hr/>	<hr/>
Land	349,727	221,024
Land improvement and building	592,095	324,718

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.

(Unaudited but reviewed)

## 8. Right-of-use assets

Movement of the right-of-use assets account during the six-month period ended 30 June 2020 were summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Net book value as at 31 December 2019</b>	-	-
Adjustment due to TFRS16 first time adoption (Note 2)	115,914	9,657
<b>Net book value as at 1 January 2020</b>	115,914	9,657
Acquisitions during the period - at cost	3,342	1,000
Decrease from termination of lease contract during the period	(390)	-
Transfer to fixed assets (Note 7)	(6,631)	-
Amortisation for the period	(15,390)	(2,322)
Translation adjustment	24	-
<b>Net book value as at 30 June 2020</b>	<u>96,869</u>	<u>8,335</u>

## 9. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	30 June 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>



**10. Other intangible assets**

Movements of the other intangible assets account during the six-month period ended 30 June 2020 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>Net book value as at 1 January 2020</b>	86,708	47,585
Acquisitions during the period - at cost	227	227
Amortisation for the period	(6,501)	(3,125)
Translation adjustment	46	-
<b>Net book value as at 30 June 2020</b>	<u>80,480</u>	<u>44,687</u>

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

		(Unit: Thousand Baht)			
	Interest rate (percent per annum)	Consolidated financial statements		Separate financial statements	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
Bank overdrafts	5.25 - 7.12	139,551	108,582	60,501	24,367
Short-term loans	3.75 - 4.49	1,135,000	1,047,145	860,000	772,145
Trust receipts	3.25 - 6.87	1,350,080	1,408,039	625,084	692,932
Packing credit	3.25 - 6.87	886,395	921,813	512,578	596,290
Total		<u>3,511,026</u>	<u>3,485,579</u>	<u>2,058,163</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	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Trade payables - related parties	6,942	7,860	676,538	449,250
Trade payables - unrelated parties	456,422	357,868	295,784	198,802
Other payables - related parties	1,666	17,212	8,735	29,707
Other payables - unrelated parties	205,530	166,096	138,950	94,007
Accrued interest expenses to related parties	-	-	2,476	2,248
Accrued interest expenses to unrelated parties	1,436	1,898	669	1,049
Accrued expenses - unrelated parties	81,160	65,846	33,116	24,875
<b>Total trade and other payables</b>	<b>753,156</b>	<b>616,780</b>	<b>1,156,268</b>	<b>799,938</b>

## 13. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate	
	financial statements	
	30 June	31 December
	2020	2019
Long-term loans	1,075,300	1,075,300
Less: current portion	(200,000)	(1,075,300)
<b>Long-term loans, net of current portion</b>	<b>875,300</b>	<b>-</b>

Movement of long-term loans during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
<b>Balance as at 1 January 2020</b>	<b>1,075,300</b>
Less: Repayment during the period	-
<b>Balance as at 30 June 2020</b>	<b>1,075,300</b>

(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.

In June 2020, the Group received a waiver letter from three financial institutions, approving a waiver for certain financial conditions including a waiver maintenance of the interest bearing debt to EBITDA plus extraordinary items and non-cash items ratio and debt to equity ratio for the period ended 30 June 2020.

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

#### 14. Lease liabilities

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
30 June	31 December	30 June	31 December	
2020	2019	2020	2019	
Long-term lease liabilities	76,899	51,383	9,734	1,623
Less: Deferred interest expenses	(6,536)	(5,408)	(692)	(116)
Total	70,363	45,975	9,042	1,507
Less: Portion due within one year	(31,257)	(15,827)	(3,778)	(568)
Long-term lease liabilities, net of current portion	39,106	30,148	5,264	939

(Unaudited but reviewed)

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 loss before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses (revenue) for the three-month and six-month periods ended 30 June 2020 and 2019 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	16	496	302	631
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(12,973)	(9,596)	(1,854)	2,396
<b>Income tax expense (revenue) reported in profit or loss</b>	<b>(12,957)</b>	<b>(9,100)</b>	<b>(1,552)</b>	<b>3,027</b>

(Unit: Thousand Baht)

	Separate financial statements			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	-	-	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(7,786)	(5,153)	(145)	(273)
<b>Income tax revenue reported in profit or loss</b>	<b>(7,786)</b>	<b>(5,153)</b>	<b>(145)</b>	<b>(273)</b>

**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 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Type of goods or service:</b>				
Sales of goods	1,240,216	1,703,101	771,144	922,221
Service income	4,211	16,520	1,113	516
Income from scrap sales	12,777	2,312	505	842
Total revenue from contracts with customers				
- recognised at a point in time	<u>1,257,204</u>	<u>1,721,933</u>	<u>772,762</u>	<u>923,579</u>

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Type of goods or service:</b>				
Sales of goods	2,725,481	3,420,043	1,577,290	1,806,862
Service income	31,810	33,870	1,596	1,182
Income from scrap sales	13,145	15,998	832	1,372
Total revenue from contracts with customers				
- recognised at a point in time	<u>2,770,436</u>	<u>3,469,911</u>	<u>1,579,718</u>	<u>1,809,416</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 and six-month periods ended 30 June 2020 and 2019, respectively.

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month periods ended 30 June

	Compressors		Enameled wire		Steel sheet		Steel coil		Total Segments		Adjustments and eliminations		Consolidated	
	and parts						center							
	<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>
<b>Revenue</b>														
External customers	797	983	226	285	130	238	104	216	1,257	1,722	-	-	1,257	1,722
Inter-segment	35	37	64	50	108	77	60	47	267	211	(267)	(211)	-	-
<b>Total revenue</b>	<u>832</u>	<u>1,020</u>	<u>290</u>	<u>335</u>	<u>238</u>	<u>315</u>	<u>164</u>	<u>263</u>	<u>1,524</u>	<u>1,933</u>	<u>(267)</u>	<u>(211)</u>	<u>1,257</u>	<u>1,722</u>
<b>Results</b>														
<b>Segment gross profit (loss)</b>	36	(77)	7	2	19	(4)	2	15	64	(64)	(2)	10	62	(54)
Other income													4	4
Loss on exchange													(1)	(2)
Selling and distribution expenses													(19)	(26)
Administrative expenses and allowance for impairment													(181)	(164)
Finance cost													(55)	(55)
<b>Loss before income tax</b>													(190)	(297)
Income tax													13	9
<b>Loss for the period</b>													<u>(177)</u>	<u>(288)</u>

(Unaudited but reviewed)

(Unit: Million Baht)

For the six-month periods ended 30 June

	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>
	<b>Revenue</b>													
External customers	1,641	1,928	487	618	367	499	275	425	2,770	3,470	-	-	2,770	3,470
Inter-segment	86	77	102	125	218	169	122	95	528	466	(528)	(466)	-	-
<b>Total revenue</b>	<u>1,727</u>	<u>2,005</u>	<u>589</u>	<u>743</u>	<u>585</u>	<u>668</u>	<u>397</u>	<u>520</u>	<u>3,298</u>	<u>3,936</u>	<u>(528)</u>	<u>(466)</u>	<u>2,770</u>	<u>3,470</u>
<b>Results</b>														
<b>Segment gross profit (loss)</b>	50	(109)	20	12	46	(4)	21	33	137	(68)	(9)	9	128	(59)
Other income													8	7
Loss on exchange													(21)	(2)
Selling and distribution expenses													(39)	(49)
Administrative expenses and allowance for impairment													(305)	(317)
Finance cost													(112)	(108)
<b>Loss before income tax</b>													(341)	(528)
Income tax													2	(3)
<b>Loss for the period</b>													<u>(339)</u>	<u>(531)</u>

## 19. Commitment and contingent liabilities

### 19.1 Capital commitments

As at 30 June 2020, the Group has capital commitments of approximately Baht 24.5 million (31 December 2019: Baht 147.1 million) (the Company only: Baht 21.3 million, 31 December 2019: Baht 133.4 million), relating to the construction of factory building and installation 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	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<u>Payable:</u>				
In up to 1 year	13.1	13.8	5.1	5.1
In over 1 year	1.7	7.2	0.4	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 30 June 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 266 million (31 December 2019: RMB 60 million or equivalent to Baht 262 million).
- b) As at 30 June 2020, there were outstanding bank guarantees of approximately Baht 52.4 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 39.4 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 30 June 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	9	6	8	3	30.7151	31.0658
Japanese yen	-	9	-	1	0.2830	0.2906
Euro	-	0.2	-	0.1	34.3318	35.0711

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	34.0711

### Forward exchange contracts

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

As at 30 June 2020					
Consolidated financial statements					
Foreign currency	Bought amount	Sold amount	Contractual maturity date	Contractual exchange rate	
	(Million)	(Million)		Bought amount	Sold amount
(Baht per one foreign currency unit)					
US Dollar	1.6	0.2	7 July - 29 December 2020	31.11 - 32.76	30.11 - 30.77

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

(Unaudited but reviewed)

As at 30 June 2020

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	0.6	0.2	21 July - 29 December 2020	31.11 - 32.76	30.11 - 30.77

As at 31 December 2019

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 using 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.

However, the Company had already terminated the interest rate swap contract with a commercial bank on 29 April 2020, with an early termination fee of Baht 3.3 million.

## 21. Fair value hierarchy

As at 30 June 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	Separate
	financial statements	financial statements
	Level 2	Level 2
<b>Financial liabilities measured at fair value</b>		
Derivatives		
Foreign currency forward contracts	2.4	0.9

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 5 August 2020.