

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 2022

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 2022, 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.

Basis for Disclaimer of Conclusion

As disclosed in Note 1.2 to the interim consolidated financial statements, regarding the Group's ability to continue its operations as a going concern, the Group has sustained operating losses for a number of consecutive years. The Group had net loss from operation in the consolidated statements of comprehensive income for the six-month period ended 30 June 2022 of Baht 367 million (the Company only: Baht 290 million). As at 30 June 2022, the Group's total current liabilities exceeded its total current assets by Baht 2,436 million (the Company only: Baht 2,831 million) and the Group had deficit of Baht 3,102 million (the Company only: Baht 2,226 million). The major current liabilities of the Group consisted of the followings:

- Bank overdraft and short-term loans from financial institutions amounting to Baht 3,603 million (the Company only: Baht 2,066 million),
- Trade and other payables amounting to Baht 874 million (the Company only: Baht 965 million), and
- Current portion of long-term loans from financial institutions amounting to Baht 215 million (the Company only: Baht 215 million), that come due from March 2023 onward as a result of a waiver letter from three financial institutions, approving an extension of the principal repayment period for additional one year, starting from 31 March 2022.

Since November 2021, the Group's equity is less than 50% of paid-up share capital and, as a result, the Company's securities are marked "C" (Caution). In the current circumstances, the Group has suffered from a lack of financial liquidity and working capital for purchasing raw materials for productions to fill purchase orders from customers, and settlement of liabilities that will come due. The Group's management has implemented various plans including negotiation with financial institutions for additional working capital, consideration on sales of assets, sales and leaseback of assets and product strategy adjustment to produce and sell to increase the Group's liquidity. Currently, these plans are ongoing.

These factors indicate significant uncertainties which may have potential interaction of the uncertainties and their possible cumulative effect on the financial statements which cast significant doubt to the Group's ability to continue as a going concern. These depend on the success of plans to seek additional sources of funds, settle liabilities within due dates and improve business operations.

Disclaimer of Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of my report, to consolidated financial information of Kulthorn Kirby Public Company Limited and its subsidiaries, and the separate financial information of Kulthorn Kirby Public Company Limited as at 30 June 2022 and for the three-month and six-month periods then ended, I do not express a conclusion on the interim financial information referred to above.

Natteera Pongpinitpinyo

Certified Public Accountant (Thailand) No. 7362

EY Office Limited

Bangkok: 15 August 2022

Kulthorn Kirby Public Company Limited and its subsidiaries

Statements of financial position

As at 30 June 2022

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2022	31 December 2021	30 June 2022	31 December 2021
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents		29,094	19,315	4,120	1,023
Trade and other receivables	2, 3	824,656	1,062,210	291,367	576,390
Short-term loans to related parties	2	-	-	-	10,000
Inventories	4	1,307,665	1,565,871	782,050	976,574
Current tax assets		5,163	13,399	696	849
VAT receivable		48,720	42,047	45,121	37,405
Other current financial assets		16	-	-	-
Other current assets		88,616	85,720	43,639	47,324
Total current assets		2,303,930	2,788,562	1,166,993	1,649,565
Non-current assets					
Investments in subsidiaries	5	-	-	2,086,872	2,086,872
Property, plant and equipment	6	3,591,208	3,766,776	2,193,178	2,284,042
Right-of-use assets		76,820	64,858	6,082	2,241
Goodwill on business combination	7	-	-	-	-
Other intangible assets		60,125	67,008	37,213	40,744
Deferred tax assets		31,904	33,440	13,063	11,815
Other non-current assets		1,278	1,054	882	883
Total non-current assets		3,761,335	3,933,136	4,337,290	4,426,597
Total assets		6,065,265	6,721,698	5,504,283	6,076,162

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 2022

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
		30 June 2022	31 December 2021	30 June 2022	31 December 2021
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	8	3,602,722	3,670,903	2,066,163	2,028,050
Trade and other payables	2, 9	874,265	1,095,920	965,315	1,279,470
Short-term loans from related parties	2	-	-	736,000	736,000
Current portion of long-term loans	10	214,926	420,000	214,926	420,000
Current portion of lease liabilities		18,938	15,947	1,880	2,819
Income tax payable		966	-	-	-
Dividend payable		888	891	884	887
Other current financial liabilities		-	3,112	-	3,112
Other current liabilities		27,025	28,640	12,703	12,263
Total current liabilities		4,739,730	5,235,413	3,997,871	4,482,601
Non-current liabilities					
Long-term loans, net of current portion	10	877,860	682,850	877,860	682,850
Lease liabilities, net of current portion		26,646	20,093	4,230	689
Deferred tax liabilities		57,328	61,633	-	-
Provision for long-term employee benefits		229,379	220,090	110,937	106,368
Total non-current liabilities		1,191,213	984,666	993,027	789,907
Total liabilities		5,930,943	6,220,079	4,990,898	5,272,508

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 2022

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	As at 30 June 2022 (Unaudited but reviewed)	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited but reviewed)	As at 31 December 2021 (Audited)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital				
Registered				
1,500,000,000 ordinary shares of Baht 1 each	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
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	(3,221,995)	(2,913,839)	(2,345,536)	(2,066,975)
Other components of shareholders' equity	<u>828,419</u>	<u>887,560</u>	<u>538,921</u>	<u>550,629</u>
Total shareholders' equity	<u>134,322</u>	<u>501,619</u>	<u>513,385</u>	<u>803,654</u>
Total liabilities and shareholders' equity	<u>6,065,265</u>	<u>6,721,698</u>	<u>5,504,283</u>	<u>6,076,162</u>

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

Directors

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries**Statements of comprehensive income****For the three-month period ended 30 June 2022**

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

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit or loss:					
Revenues					
Revenue from contracts with customers	12	1,498,745	1,650,246	735,636	825,453
Rental income		1,326	559	3,130	3,175
Other income		9,972	30,448	4,876	31,547
Total revenues		1,510,043	1,681,253	743,642	860,175
Expenses					
Cost of sales and services		1,562,217	1,568,288	818,337	824,947
Selling and distribution expenses		19,626	22,063	10,528	11,252
Administrative expenses		109,768	116,248	58,264	71,975
Loss on exchange		5,022	10,553	35	12,893
Total expenses		1,696,633	1,717,152	887,164	921,067
Operating loss		(186,590)	(35,899)	(143,522)	(60,892)
Finance income		10	15	-	265
Finance cost		(50,487)	(43,538)	(42,782)	(32,803)
Loss before income tax		(237,067)	(79,422)	(186,304)	(93,430)
Income tax		(423)	2,251	(604)	3,853
Loss for the period		(237,490)	(77,171)	(186,908)	(89,577)
Other comprehensive income:					
<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		(959)	3,754	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		(959)	3,754	-	-
Other comprehensive income for the period		(959)	3,754	-	-
Total comprehensive income for the period		(238,449)	(73,417)	(186,908)	(89,577)
Basic loss per share (Baht)					
	11				
Loss attributable to equity holders of the Company		(0.16)	(0.05)	(0.12)	(0.06)

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 2022**

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

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit or loss:					
Revenues					
Revenue from contracts with customers	12	3,333,685	3,320,743	1,609,195	1,718,918
Rental income		1,374	1,049	6,460	6,550
Gain on exchange		37,147	-	37,867	-
Other income		10,460	36,460	14,852	38,532
Total revenues		3,382,666	3,358,252	1,668,374	1,764,000
Expenses					
Cost of sales and services		3,385,893	3,128,238	1,734,396	1,671,202
Selling and distribution expenses		38,819	40,095	19,709	17,652
Administrative expenses		204,758	203,790	124,230	133,062
Loss on exchange		-	19,453	-	18,833
Total expenses		3,629,470	3,391,576	1,878,335	1,840,749
Operating loss		(246,804)	(33,324)	(209,961)	(76,749)
Finance income		10	30	49	575
Finance cost		(97,884)	(88,450)	(81,605)	(67,482)
Loss before income tax		(344,678)	(121,744)	(291,517)	(143,656)
Income tax		1,802	3,008	1,248	3,383
Loss for the period		(342,876)	(118,736)	(290,269)	(140,273)
Other comprehensive income:					
<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		(24,421)	3,302	-	-
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods - net of income tax		(24,421)	3,302	-	-
Other comprehensive income for the period		(24,421)	3,302	-	-
Total comprehensive income for the period		(367,297)	(115,434)	(290,269)	(140,273)
Basic loss per share (Baht)					
Loss attributable to equity holders of the Company	11	(0.23)	(0.08)	(0.19)	(0.09)

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 2022

(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			
					Appropriated	Unappropriated	Exchange differences on translation of financial statements in foreign currency	Revaluation surplus on assets	Total other components of shareholders' equity	Total shareholders' equity
Balance as at 1 January 2021	1,500,000	700,000		207,898	120,000	(2,431,901)	7,435	887,666	895,101	991,098
Loss for the period	-	-	-	-	-	(118,736)	-	-	-	(118,736)
Other comprehensive income for the period	-	-	-	-	-	-	3,302	-	3,302	3,302
Total comprehensive income for the period	-	-	-	-	-	(118,736)	3,302	-	3,302	(115,434)
Transfer revaluation surplus on assets to retained earnings	-	-	-	-	-	8,918	-	(8,918)	(8,918)	-
Balance as at 30 June 2021	<u>1,500,000</u>	<u>700,000</u>		<u>207,898</u>	<u>120,000</u>	<u>(2,541,719)</u>	<u>10,737</u>	<u>878,748</u>	<u>889,485</u>	<u>875,664</u>
Balance as at 1 January 2022	1,500,000	700,000		207,898	120,000	(2,913,839)	16,722	870,838	887,560	501,619
Loss for the period	-	-	-	-	-	(342,876)	-	-	-	(342,876)
Other comprehensive income for the period	-	-	-	-	-	-	(24,421)	-	(24,421)	(24,421)
Total comprehensive income for the period	-	-	-	-	-	(342,876)	(24,421)	-	(24,421)	(367,297)
Transfer revaluation surplus on assets to retained earnings	-	-	-	-	-	34,720	-	(34,720)	(34,720)	-
Balance as at 30 June 2022	<u>1,500,000</u>	<u>700,000</u>		<u>207,898</u>	<u>120,000</u>	<u>(3,221,995)</u>	<u>(7,699)</u>	<u>836,118</u>	<u>828,419</u>	<u>134,322</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 six-month period ended 30 June 2022

(Unit: Thousand Baht)

	Separate financial statements					Total shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings (deficits)		Other components of shareholders' equity	
			Appropriated	Unappropriated	Other comprehensive income	
				Revaluation surplus on assets		
Balance as at 1 January 2021	1,500,000	700,000	120,000	(1,619,155)	565,909	1,266,754
Loss for the period	-	-	-	(140,273)	-	(140,273)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(140,273)	-	(140,273)
Transfer revaluation surplus on assets to retained earnings	-	-	-	7,854	(7,854)	-
Balance as at 30 June 2021	<u>1,500,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(1,751,574)</u>	<u>558,055</u>	<u>1,126,481</u>
Balance as at 1 January 2022	1,500,000	700,000	120,000	(2,066,975)	550,629	803,654
Loss for the period	-	-	-	(290,269)	-	(290,269)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(290,269)	-	(290,269)
Transfer revaluation surplus on assets to retained earnings	-	-	-	11,708	(11,708)	-
Balance as at 30 June 2022	<u>1,500,000</u>	<u>700,000</u>	<u>120,000</u>	<u>(2,345,536)</u>	<u>538,921</u>	<u>513,385</u>

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries**Cash flow statements****For the six-month period ended 30 June 2022**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities				
Loss before tax	(344,678)	(121,744)	(291,517)	(143,656)
Adjustments to reconcile loss before tax to net cash provided by (paid from) operating activities:				
Unrealised loss (gain) on exchange	(19,540)	20,210	(20,745)	18,545
Loss (gain) on fair value adjustments of financial instrument	(3,127)	76	(3,111)	1,561
The reduction of inventory to net realisable value (reversal)	(3,038)	(12,591)	(2,101)	3,208
Allowance for expected credit losses (reversal)	5,142	(1,779)	2,574	3,285
Depreciation and amortisation	185,231	187,334	94,910	92,295
Amortise right-of-use assets	6,691	10,333	1,237	2,276
Reversal of allowance for impairment loss on assets	-	(142)	-	-
Amortise deferred revenue from sales and lease back	(52)	(111)	-	-
Loss (gain) on sales of property, plant and equipment	(200)	3,144	(453)	(586)
Loss on write-off of property, plant and equipment	52	239	52	25
Provision for long-term employee benefits	9,993	13,428	4,569	5,658
Write-off of lease liabilities	(1,000)	-	(1,000)	-
Dividend income	(2)	(3)	(2)	(3)
Subsidies income from government grants	(458)	(917)	(458)	(917)
Finance income	(10)	(30)	(49)	(575)
Finance cost	97,885	88,450	81,605	67,482
Profit (loss) from operating activities before changes in operating assets and liabilities	(67,111)	185,897	(134,489)	48,598
Operating assets (increase) decrease				
Trade and other receivables	235,191	(28,736)	284,664	(5,213)
Inventories	261,245	(293,879)	196,625	(210,156)
Other current assets	3,844	13,611	(3,183)	(8,320)
Other non-current assets	(225)	(204)	-	(19)
Operating liabilities increase (decrease)				
Trade and other payables	(204,141)	209,018	(297,182)	277,329
Other current liabilities	(1,107)	27,350	895	(566)
Cash flows from operating activities	227,696	113,057	47,330	101,653
Cash paid for long-term employee benefits	(705)	(5,219)	-	(3,340)
Interest received	10	30	146	646
Interest paid	(98,404)	(88,033)	(82,248)	(66,101)
Tax refund received	-	3,128	-	-
Corporate income tax paid	(5,176)	(4,437)	(696)	(274)
Net cash flows from (used in) operating activities	123,421	18,526	(35,468)	32,584

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

(Unaudited but reviewed)

Kulthorn Kirby Public Company Limited and its subsidiaries**Cash flow statements (continued)****For the six-month period ended 30 June 2022**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash flows from investing activities				
Proceeds from sales of property, plant and equipment	200	5,678	460	9
Acquisition of property, plant and equipment and intangible assets	(4,125)	(72,022)	(1,562)	(49,123)
Decrease in short-term loans to related parties	-	-	10,000	10,000
Dividend income	2	3	2	3
Net cash flows from (used in) investing activities	(3,923)	(66,341)	8,900	(39,111)
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans from financial institutions	5,164,982	4,999,982	2,051,844	1,931,718
Decrease in bank overdrafts and short-term loans from financial institutions	(5,231,342)	(4,915,065)	(2,010,640)	(1,919,665)
Repayment of long-term loans	(10,064)	(4,956)	(10,064)	(4,956)
Payment of principal portion of lease liabilities	(8,100)	(11,090)	(1,475)	(1,912)
Net cash flows from (used in) financing activities	(84,524)	68,871	29,665	5,185
Decrease in translation adjustments	(25,195)	(10,076)	-	-
Net increase (decrease) in cash and cash equivalents	9,779	10,980	3,097	(1,342)
Cash and cash equivalents at beginning of period	19,315	28,864	1,023	13,226
Cash and cash equivalents at end of period	29,094	39,844	4,120	11,884

Supplemental disclosures of cash flows information

1) Non-cash related transactions for investing activities

Other payable from acquisitions of fixed assets	1,366	8,545	24	413
Other receivables from sales of fixed assets	-	-	13,800	19,997
Transfer right-of-use assets to fixed assets	-	1,228	-	-
Transfer promissory notes to long-term loan from debt restructuring	-	20,000	-	20,000
Offset other receivable from sales of fixed assets with trade and other payables	460	372	438	16,502
Increase (decrease) in right-of-use assets	18,644	(96)	5,077	-

2) Non-cash related transactions for financing activities

Dividend payable	888	891	884	887
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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 2022

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. The Group had net loss from operation in the consolidated statements of comprehensive income for the six-month period ended 30 June 2022 of Baht 367 million (the Company only: Baht 290 million). As at 30 June 2022, the Group’s total current liabilities exceeded its total current assets by Baht 2,436 million (the Company only: Baht 2,831 million) and the Group had deficit of Baht 3,102 million (the Company only: Baht 2,226 million). The major current liabilities of the Group consisted of the bank overdraft and short-term loans from financial institutions amounting to Baht 3,603 million (the Company only: Baht 2,066 million), trade and other payables amounting to Baht 874 million (the Company only: Baht 965 million), and current portion of long-term loans from financial institutions amounting to Baht 215 million (the Company only: Baht 215 million), that come due from March 2023 onward as a result of a waiver letter from three financial institutions, approving an extension of the principal repayment period for additional one year, starting from 31 March 2022.

Since November 2021, the Group’s equity is less than 50% of paid-up share capital and, as a result, the Company’s securities are marked “C” (Caution). In the current circumstances, the Group has suffered from a lack of financial liquidity and working capital for purchasing raw materials for productions to fill purchase orders from customers, and settlement of liabilities that will come due. The Group’s management has implemented various plans including negotiation with financial institutions for additional working capital, consideration on sales of assets, sales and leaseback of assets and product strategy adjustment to produce and sell to increase the Group’s liquidity. Currently, these plans are ongoing and the Group’s ability to continue as a going concern depends on the success of the plans. However, the Group’s management believes that the Group will be able to continue as a going concern. Management has therefore decided to prepare the Group’s interim financial statements under the going concern basis. Accordingly, such financial statements do not include any adjustments relating to the value of assets at expected sale price and the amount of liabilities to be repaid, as well as reclassifications, which may be necessary should the Group be unable to continue its operations as a going concern.

1.3 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.

1.4 Basis of consolidation

The interim consolidated financial statements included the financial 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 2021. There have been no change in the composition of its subsidiaries during the period.

1.5 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 2021.

The revised financial reporting standards which are effective for fiscal years beginning on or after 1 January 2022, do not have any significant impact on the Group's financial statements.

2. Related party transactions

During the period, 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 Group and those related parties. There were no significant changes in the transfer pricing policy of transactions with related parties during the current period.

Summaries significant business transactions with related parties as follows.

	(Unit: Thousand Baht)			
	For the three-month period ended 30 June			
	Consolidated financial statements		Separate financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<i>Transactions with subsidiaries</i>				
<i>(eliminated from the consolidated financial statements)</i>				
Purchases of goods	-	-	174,253	219,010
Sales and service income and scrap sales	-	-	23,181	55,888
Other income	-	-	3,033	2,981
Rental income	-	-	3,081	3,126
Interest expenses	-	-	11,015	5,597
Other expenses	-	-	10,536	3,955

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the six-month period ended 30 June

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<i>Transactions with related parties</i>				
Sales and service income and scrap sales	133,076	133,708	45,608	47,393
Purchases of goods	1,944	7,062	1,609	6,931
Other expenses	1,969	4,645	529	707
<i>Transactions with subsidiaries (eliminated from the consolidated financial statements)</i>				
Purchases of goods	-	-	380,608	437,734
Sales and service income and scrap sales	-	-	64,437	94,993
Other income	-	-	6,600	5,978
Rental income	-	-	6,361	6,451
Interest expenses	-	-	20,341	11,133
Other expenses	-	-	20,270	6,386
<i>Transactions with related parties</i>				
Sales and service income and scrap sales	298,653	264,241	91,603	96,611
Purchases of goods	7,981	18,222	7,634	18,039
Other expenses	6,450	9,657	1,395	1,731

The outstanding balances of the accounts as at 30 June 2022 and 31 December 2021 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
<u>Trade and other receivables - related parties</u>				
(Note 3)				
Subsidiary companies	-	-	44,848	215,212
Related companies (related by common director/ shareholder)	120,220	145,780	11,571	15,913
Total trade and other receivables - related parties	120,220	145,780	56,419	231,125
<u>Trade and other payables - related parties</u>				
(Note 9)				
Subsidiary companies	-	-	526,091	650,925
Related companies (related by common director/ shareholder)	12,245	6,441	7,386	3,012
Total trade and other payables - related parties	12,245	6,441	533,477	653,937

(Unaudited but reviewed)

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

During the three-month and six-month periods ended 30 June 2022, 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	30 June
	2022	during the period	during the period	2022
<u>Short-term loans to subsidiary</u>				
Kulthorn Materials and Controls Co., Ltd.	10,000	-	10,000	-
Total	10,000	-	10,000	-

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at			Balance as at
	1 January	Increase	Decrease	30 June
	2022	during the period	during the period	2022
<u>Short-term loans from subsidiaries</u>				
Kulthorn Premier Co., Ltd.	461,000	-	-	461,000
Kulthorn Kirby Foundry Co., Ltd.	155,000	-	-	155,000
Kulthorn Steel Co., Ltd.	120,000	-	-	120,000
Total	736,000	-	-	736,000

Directors and management's remuneration

During the three-month and six-month periods ended 30 June 2022 and 2021, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	For the three-month period ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2022	2021	2022	2021
Short-term employee benefits	9,795	10,106	3,200	3,556
Post-employment benefits	1,324	1,374	983	1,083
Total	11,119	11,480	4,183	4,639

(Unit: Thousand Baht)

	For the six-month period ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2022	2021	2022	2021
Short-term employee benefits	19,632	17,691	6,374	5,287
Post-employment benefits	2,647	2,657	1,966	2,107
Total	22,279	20,348	8,340	7,394

Guarantee obligations with related parties

The Group has outstanding guarantee obligations with its related parties, as described in Note 14.2.

3. Trade and other receivables

The outstanding balance of trade accounts receivable as at 30 June 2022 and 31 December 2021 categorised by their aging from due dates are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
<u>Trade receivables - related parties</u>				
Not yet due	89,406	127,516	11,955	24,175
Overdue				
Less than 3 months	27,710	15,403	6,917	25,661
3 - 6 months	1,801	-	4,487	8,061
6 - 12 months	-	-	6	1,325
Total	118,917	142,919	23,365	59,222
Less: Allowance for expected credit losses	-	-	(499)	(3,286)
Total trade receivables - related parties	118,917	142,919	22,866	55,936
<u>Trade receivables - unrelated parties</u>				
Not yet due	480,950	754,229	105,717	300,968
Overdue				
Less than 3 months	224,252	160,015	129,320	43,764
3 - 6 months	162	787	55	787
6 - 12 months	19	507	21	304
Over 12 months	19,276	13,036	8,250	2,431
Total	724,659	928,574	243,363	348,254
Less: Allowance for expected credit losses	(20,959)	(15,817)	(8,672)	(3,310)
Total trade receivables - unrelated parties	703,700	912,757	234,691	344,944
Total trade receivables - net	822,617	1,055,676	257,557	400,880
<u>Other receivables</u>				
Other receivables - related parties	1,303	2,861	33,553	175,189
Other receivables - unrelated parties	736	3,673	257	321
Total other receivables	2,039	6,534	33,810	175,510
Total trade and other receivables - net	824,656	1,062,210	291,367	576,390

4. 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 2022 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2022	164,597	91,937
Reversal of reduction of inventory to net realisable value during the period	(3,038)	(2,101)
Balance as at 30 June 2022	<u>161,559</u>	<u>89,836</u>

5. Investments in subsidiaries

As at 30 June 2022 and 31 December 2021, the Company has long-term investments in ordinary share of the following companies:

Company's name	(Unit: Thousand Baht)					
	Paid-up capital		Shareholding percentage		Cost	
	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021
			(%)	(%)		
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					<u>3,629,879</u>	<u>3,629,879</u>
Less: Allowance for impairment loss on investments in subsidiaries					<u>(1,543,007)</u>	<u>(1,543,007)</u>
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 period ended 30 June 2022 and 2021.

(Unaudited but reviewed)

6. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2022 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2022	3,766,776	2,284,042
Acquisitions during the period - at cost	2,607	1,011
Write-off during the period - net book value at write-off date	(512)	(497)
Depreciation for the period	(178,336)	(91,378)
Translation adjustment	1,673	-
Net book value as at 30 June 2022	3,591,208	2,193,178

The Group pledged their land and buildings thereon with financial institutions as collateral to secure loans as discussed in Note 10.

In addition, the Group 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 8.

7. Goodwill on business combination

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	30 June 2022	31 December 2021
Goodwill on business combination	37,620	37,620
Less: Accumulated impairment loss	(37,620)	(37,620)
Net book value	-	-

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated		Separate	
		financial statements		financial statements	
		30 June 2022	31 December 2021	30 June 2022	31 December 2021
Bank overdrafts	5.82 - 5.88	86,938	137,101	-	21,582
Short-term loans	4.20 - 4.68	1,045,000	1,045,000	770,000	770,000
Trust receipts	3.25 - 5.25	1,427,033	1,596,541	607,069	664,927
Packing credit	3.25 - 5.25	1,043,751	892,261	689,094	571,541
Total		<u>3,602,722</u>	<u>3,670,903</u>	<u>2,066,163</u>	<u>2,028,050</u>

The Group 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, based on the financial statements as at 30 June and 31 December. 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.

9. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Trade payables - related parties	7,325	2,971	521,030	638,883
Trade payables - unrelated parties	538,386	588,978	219,853	256,575
Other payables - related parties	4,920	3,470	8,816	11,109
Other payables - unrelated parties	222,607	406,436	158,719	318,537
Accrued interest expenses to related parties	-	-	3,631	3,945
Accrued interest expenses to unrelated parties	1,138	1,736	403	732
Accrued expenses - unrelated parties	99,889	92,329	52,863	49,689
Total trade and other payables	<u>874,265</u>	<u>1,095,920</u>	<u>965,315</u>	<u>1,279,470</u>

(Unaudited but reviewed)

10. Long-term loans

(Unit: Thousand Baht)

	Consolidated and Separate financial statements	
	30 June 2022	31 December 2021
Long-term loans	1,092,786	1,102,850
Less: Current portion	(214,926)	(420,000)
Long-term loans, net of current portion	<u>877,860</u>	<u>682,850</u>

Movement of long-term loans during the six-month period ended 30 June 2022 are summarised below.

(Unit: Thousand Baht)

	Consolidated and Separate financial statements
Balance as at 1 January 2022	1,102,850
Less: Repayment during the period	(10,064)
Balance as at 30 June 2022	<u>1,092,786</u>

In December 2016, the Group entered into a Credit Facility Agreement with three financial institutions to obtain long-term syndicated loans facility amounting to Baht 2,000 million.

During the year 2020, the Group entered into the Second Amendment Agreement to the Credit Facility Agreement to extend the repayment period of the outstanding principal for one year, starting from 31 March 2020.

Subsequently, in March 2021, the Group received a waiver letter from three financial institutions, approving an extension of the principal repayment period for additional one year, starting from 31 March 2021. The Group executed the Third Amendment Agreement to the Credit Facility Agreement for such loan repayment extension with the three financial institutions on 30 April 2021.

In March 2022, the Group received a waiver letter from three financial institutions, approving an extension of the principal repayment period for additional one year, starting from 31 March 2022. The Group executed the Fourth Amendment Agreement to the Credit Facility Agreement for such loan repayment extension with the three financial institutions on 29 April 2022.

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

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.

In December 2021 and June 2022, the Group received waiver letters 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 as at 31 December 2021 and 30 June 2022.

As at 31 December 2021 and 30 June 2022, the Group was able to comply with all conditions as specified in the waiver letters and the loan agreement.

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

In addition, during the year 2021, the Company entered into debt restructuring agreements with a financial institution to convert the outstanding principal and interest obligations under the promissory notes that were due totaling Baht 40 million into 24 monthly installment payments. The debt is divided into 2 parts whereby the first half totaling Baht 20 million shall be paid in the first installment on 20 January 2021 and the latter half totaling Baht 20 million shall be paid in the first installment on 20 October 2021. The loan is subject to interest at a prime rate of 1.5% per annum.

11. 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.

(Unaudited but reviewed)

12. Revenue from contracts with customers

(Unit: Thousand Baht)

	For the three-month period ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Type of goods or service:				
Sales of goods	1,490,777	1,632,263	734,048	822,334
Service income	5,186	16,473	1,178	2,555
Income from scrap sales	2,782	1,510	410	564
Total revenue from contracts with customers				
- recognised at a point in time	<u>1,498,745</u>	<u>1,650,246</u>	<u>735,636</u>	<u>825,453</u>

(Unit: Thousand Baht)

	For the six-month period ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Type of goods or service:				
Sales of goods	3,296,549	3,275,231	1,605,613	1,711,785
Service income	29,554	32,963	2,502	5,198
Income from scrap sales	7,582	12,549	1,080	1,935
Total revenue from contracts with customers				
- recognised at a point in time	<u>3,333,685</u>	<u>3,320,743</u>	<u>1,609,195</u>	<u>1,718,918</u>

(Unaudited but reviewed)

13. 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 2022 and 2021, respectively

(Unit: Million Baht)

	For the three-month period ended 30 June													
	Compressors and parts		Enameled wire		Steel sheet		Steel coil center		Total Segments		Adjustments and eliminations		Consolidated financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue														
External customers	773	830	301	363	258	310	167	148	1,499	1,651	-	-	1,499	1,651
Inter-segment	52	71	47	62	110	106	40	62	249	301	(249)	(301)	-	-
Total revenue	825	901	348	425	368	416	207	210	1,748	1,952	(249)	(301)	1,499	1,651
Operating results														
Segment gross profit (loss)	(90)	(15)	10	33	15	54	2	(1)	(63)	71	-	11	(63)	82
Other income													11	30
Loss on exchange													(5)	(11)
Selling and distribution expenses													(20)	(22)
Administrative expenses and allowance for impairment													(110)	(116)
Finance cost													(50)	(43)
Loss before income tax													(237)	(80)
Income tax													-	3
Loss for the period													(237)	(77)

(Unaudited but reviewed)

(Unit: Million Baht)

For the six-month period ended 30 June

	Compressors and parts		Enameled wire		Steel sheet		Steel coil center		Total Segments		Adjustments and eliminations		Consolidated financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	Revenue													
External customers	1,676	1,742	689	698	626	582	343	299	3,334	3,321	-	-	3,334	3,321
Inter-segment	102	125	98	116	225	209	99	130	524	580	(524)	(580)	-	-
Total revenue	<u>1,778</u>	<u>1,867</u>	<u>787</u>	<u>814</u>	<u>851</u>	<u>791</u>	<u>442</u>	<u>429</u>	<u>3,858</u>	<u>3,901</u>	<u>(524)</u>	<u>(580)</u>	<u>3,334</u>	<u>3,321</u>
Operating results														
Segment gross profit (loss)	(144)	20	28	50	41	107	14	17	(61)	194	9	(1)	(52)	193
Other income													12	37
Gain (loss) on exchange													37	(20)
Selling and distribution expenses													(39)	(40)
Administrative expenses and allowance for impairment													(205)	(204)
Finance cost													(98)	(88)
Loss before income tax													(345)	(122)
Income tax													2	3
Loss for the period													(343)	(119)

14. Commitment and contingent liabilities

14.1 Capital commitments

As at 30 June 2022, the Group has capital commitments of approximately Baht 14.5 million (31 December 2021: Baht 8.7 million) (the Company only: Baht 14.0 million, 31 December 2021: Baht 8.1 million), relating to the construction of factory building and purchase and installation of machinery.

14.2 Guarantees

- a) As at 30 June 2022, 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 59 million or equivalent to Baht 315 million (31 December 2021: RMB 60 million or equivalent to Baht 319 million).
- b) As at 30 June 2022, there were outstanding bank guarantees of approximately Baht 53 million (31 December 2021: Baht 53 million), the Company only: Baht 20 million (31 December 2021: Baht 20 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 40 million (31 December 2021: Baht 40 million), the Company only: Baht 7 million (31 December 2021: Baht 7.2 million) and to guarantee import duty, natural gas agreements and others amounting to Baht 13 million (31 December 2021: Baht 13 million), the Company only: Baht 12.8 million (31 December 2021: Baht 12.8 million).

15. Financial Instrument

15.1 Fair value of financial instrument

Most of the Group's financial instruments are classified as short-term or have interest rates that are close to market rate. Therefore, the carrying amounts of these financial instruments is estimated to approximate their fair value.

16. Approval of interim financial statements

These interim financial statements have been authorised for issue by the Company's authorised directors on 15 August 2022.