

Pacific Pipe 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 Pacific Pipe Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Pacific Pipe 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, and 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 Pacific Pipe 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 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 34 *Interim Financial Reporting*.

**Emphasis of Matter**

I draw attention to Note 1.4 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. My conclusion is not modified in respect of this matter.

Wattoo Kayankannavee

Certified Public Accountant (Thailand) No. 5423

EY Office Limited

Bangkok: 13 August 2020

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 30 June 2020

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2020 (Unaudited but reviewed)	31 December 2019 (Audited)	30 June 2020 (Unaudited but reviewed)	31 December 2019 (Audited)
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		451,549	282,048	436,810	263,871
Trade and other receivables	4	895,964	915,826	896,426	919,614
Unbilled receivables		1,227	9,333	1,227	9,333
Inventories	5	1,259,507	1,312,633	1,259,507	1,312,633
Advance payment for raw material		6,084	17,790	6,084	17,790
Other current assets		21,340	17,565	21,340	17,565
<b>Total current assets</b>		<b>2,635,671</b>	<b>2,555,195</b>	<b>2,621,394</b>	<b>2,540,806</b>
<b>Non-current assets</b>					
Investments in subsidiaries		-	-	1,799	1,799
Property, plant and equipment	6	1,790,996	1,808,842	1,790,996	1,808,842
Intangible assets		40,377	25,635	40,377	25,635
Other non-current assets		400	694	400	694
<b>Total non-current assets</b>		<b>1,831,773</b>	<b>1,835,171</b>	<b>1,833,572</b>	<b>1,836,970</b>
<b>Total assets</b>		<b>4,467,444</b>	<b>4,390,366</b>	<b>4,454,966</b>	<b>4,377,776</b>

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 30 June 2020**

(Unit: Thousand Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</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>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	7	1,790,493	1,614,522	1,790,493	1,614,522
Trade and other payables	8	115,507	146,790	115,506	146,789
Current portion of lease liabilities	9	6,545	-	6,545	-
Income tax payable		16,785	2,775	16,734	2,724
Other current liabilities		26,700	25,322	26,700	25,322
<b>Total current liabilities</b>		<b>1,956,030</b>	<b>1,789,409</b>	<b>1,955,978</b>	<b>1,789,357</b>
<b>Non-current liabilities</b>					
Lease liabilities, net of current portion	9	37,570	-	37,570	-
Deferred tax liabilities		104,558	106,340	102,105	103,887
Provision for long-term employee benefits		34,520	32,813	34,520	32,813
Other non-current liabilities		-	2,859	-	2,859
<b>Total non-current liabilities</b>		<b>176,648</b>	<b>142,012</b>	<b>174,195</b>	<b>139,559</b>
<b>Total liabilities</b>		<b>2,132,678</b>	<b>1,931,421</b>	<b>2,130,173</b>	<b>1,928,916</b>

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

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of financial position (continued)**

**As at 30 June 2020**

(Unit: Thousand Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<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>Shareholders' equity</b>				
Share capital				
Registered				
660,000,000 ordinary shares of Baht 1 each	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>
Issued and fully paid up				
660,000,000 ordinary shares of Baht 1 each	660,000	660,000	660,000	660,000
Share premium				
Share premium on ordinary shares	514,845	514,845	514,845	514,845
Surplus on treasury shares	1,011	1,011	1,011	1,011
Retained earnings				
Appropriated - statutory reserve	67,000	67,000	67,000	67,000
Unappropriated	706,628	830,807	696,655	820,722
Other components of shareholders' equity	<u>385,282</u>	<u>385,282</u>	<u>385,282</u>	<u>385,282</u>
<b>Total shareholders' equity</b>	<u>2,334,766</u>	<u>2,458,945</u>	<u>2,324,793</u>	<u>2,448,860</u>
<b>Total liabilities and shareholders' equity</b>	<u>4,467,444</u>	<u>4,390,366</u>	<u>4,454,966</u>	<u>4,377,776</u>
	-	-	-	-

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

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Directors  
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(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of comprehensive income**

**For the three-month period ended 30 June 2020**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

		<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income		1,796,687	2,423,775	1,796,687	2,405,701
Exchange gain		-	608	-	608
Dividend income	3	-	-	-	149,782
Other income		16,515	51,627	16,494	50,742
<b>Total revenues</b>		<u>1,813,202</u>	<u>2,476,010</u>	<u>1,813,181</u>	<u>2,606,833</u>
<b>Expenses</b>					
Cost of sales and services		1,682,091	2,279,112	1,682,091	2,266,773
Selling and distribution expenses		33,788	45,626	33,788	48,154
Administrative expenses		73,800	92,089	73,799	83,561
<b>Total expenses</b>		<u>1,789,679</u>	<u>2,416,827</u>	<u>1,789,678</u>	<u>2,398,488</u>
<b>Profit before finance cost and income tax expenses</b>		23,523	59,183	23,503	208,345
Finance cost		<u>(10,843)</u>	<u>(14,836)</u>	<u>(10,840)</u>	<u>(14,789)</u>
<b>Profit before income tax expenses</b>		12,680	44,347	12,663	193,556
Income tax expenses	10	<u>(2,925)</u>	<u>(9,539)</u>	<u>(2,925)</u>	<u>(9,623)</u>
<b>Profit for the period</b>		<u>9,755</u>	<u>34,808</u>	<u>9,738</u>	<u>183,933</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial losses		-	-	-	(1,310)
Less: Income tax effect		-	-	-	262
<b>Other comprehensive income for the period</b>		-	-	-	(1,048)
<b>Total comprehensive income for the period</b>		<u>9,755</u>	<u>34,808</u>	<u>9,738</u>	<u>182,885</u>
<b>Earnings per share</b>					
11					
Basic earnings per share					
Profit for the period		<u>0.01</u>	<u>0.05</u>	<u>0.01</u>	<u>0.28</u>

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

(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries****Statement of comprehensive income****For the six-month period ended 30 June 2020**

(Unit: Thousand Baht, except earnings per share expressed in Baht)

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales and service income		3,762,967	4,866,854	3,762,967	4,640,162
Exchange gain		-	609	-	609
Dividend income	3	-	-	-	149,782
Other income		35,419	100,290	35,398	98,169
<b>Total revenues</b>		<b>3,798,386</b>	<b>4,967,753</b>	<b>3,798,365</b>	<b>4,888,722</b>
<b>Expenses</b>					
Cost of sales and services		3,482,749	4,583,210	3,482,749	4,384,196
Selling and distribution expenses		73,254	93,001	73,254	95,152
Administrative expenses		153,271	169,415	153,147	150,751
<b>Total expenses</b>		<b>3,709,274</b>	<b>4,845,626</b>	<b>3,709,150</b>	<b>4,630,099</b>
<b>Profit before finance cost and income tax expenses</b>		<b>89,112</b>	<b>122,127</b>	<b>89,215</b>	<b>258,623</b>
Finance cost		(22,152)	(29,034)	(22,143)	(27,663)
<b>Profit before income tax expenses</b>		<b>66,960</b>	<b>93,093</b>	<b>67,072</b>	<b>230,960</b>
Income tax expenses	10	(12,939)	(19,071)	(12,939)	(17,011)
<b>Profit for the period</b>		<b>54,021</b>	<b>74,022</b>	<b>54,133</b>	<b>213,949</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial losses		-	-	-	(1,310)
Less: Income tax effect		-	-	-	262
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,048)</b>
<b>Total comprehensive income for the period</b>		<b>54,021</b>	<b>74,022</b>	<b>54,133</b>	<b>212,901</b>
<b>Earnings per share</b>					
11					
Basic earnings per share					
Profit for the period		0.08	0.11	0.08	0.32

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

(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Consolidated financial statements						Total shareholders' equity
	Issued and fully paid-up share capital	Share premium on ordinary shares	Surplus on treasury shares	Retained earnings		Other components of equity	
				Appropriated - statutory reserve	Unappropriated	Other comprehensive income Surplus on revaluation of assets	
<b>Balance as at 1 January 2019</b>	660,000	514,845	1,011	67,000	792,338	385,282	2,420,476
Profit for the period	-	-	-	-	74,022	-	74,022
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	74,022	-	74,022
Dividend paid (Note 12)	-	-	-	-	(33,018)	-	(33,018)
<b>Balance as at 30 June 2019</b>	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>833,342</u>	<u>385,282</u>	<u>2,461,480</u>
<b>Balance as at 1 January 2020</b>	660,000	514,845	1,011	67,000	830,807	385,282	2,458,945
Profit for the period	-	-	-	-	54,021	-	54,021
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	54,021	-	54,021
Dividend paid (Note 12)	-	-	-	-	(178,200)	-	(178,200)
<b>Balance as at 30 June 2020</b>	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>706,628</u>	<u>385,282</u>	<u>2,334,766</u>

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

(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries**

**Statement of changes in shareholders' equity (continued)**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	Separate financial statements						Total shareholders' equity
	Issued and fully paid-up share capital	Share premium on ordinary shares	Surplus on treasury shares	Retained earnings Appropriated - statutory reserve	Unappropriated	Other components of equity Other comprehensive income Surplus on revaluation of assets	
<b>Balance as at 1 January 2019</b>	660,000	514,845	1,011	67,000	510,092	385,282	2,138,230
Profit for the period	-	-	-	-	213,949	-	213,949
Other comprehensive income for the period	-	-	-	-	(1,048)	-	(1,048)
<b>Total comprehensive income for the period</b>	-	-	-	-	212,901	-	212,901
Dividend paid (Note 12)	-	-	-	-	(33,000)	-	(33,000)
<b>Balance as at 30 June 2019</b>	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>689,993</u>	<u>385,282</u>	<u>2,318,131</u>
<b>Balance as at 1 January 2020</b>	660,000	514,845	1,011	67,000	820,722	385,282	2,448,860
Profit for the period	-	-	-	-	54,133	-	54,133
Other comprehensive income for the period	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	54,133	-	54,133
Dividend paid (Note 12)	-	-	-	-	(178,200)	-	(178,200)
<b>Balance as at 30 June 2020</b>	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>696,655</u>	<u>385,282</u>	<u>2,324,793</u>

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

(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries**

**Cash flow statement**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>				
Profit before tax	66,960	93,093	67,072	230,960
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	69,585	66,646	69,585	62,054
Bad debts	-	913	-	395
Allowance for doubtful accounts	10,758	13,094	10,758	1,335
Reversal of reduction of inventory cost to net realisable value	(4,652)	(8,443)	(4,652)	(7,852)
Reversal of allowance for impairment of advance payment for raw material	-	(1,305)	-	(1,305)
Loss on disposals/write-off of equipment	109	487	109	-
Provision for long-term employee benefits	1,707	11,121	1,707	10,239
Deferred rental expenses (write-off)	(2,859)	164	(2,859)	164
Unrealised gain on exchange	(1,588)	(632)	(1,588)	(632)
Dividend income	-	-	-	(149,782)
Interest income	(463)	(580)	(463)	(393)
Interest expenses	21,250	28,068	21,250	26,778
Profit from operating activities before changes in operating assets and liabilities	160,807	202,626	160,919	171,961
Operating assets (increase) decrease				
Trade and other receivables	9,104	(219,078)	12,430	(431,097)
Unbilled receivables	8,106	(16,726)	8,106	(16,726)
Inventories	57,778	(251,318)	57,778	(314,322)
Advance payment for raw material	11,706	94,449	11,706	88,050
Other current assets	(3,408)	(5,008)	(3,408)	(12,587)
Other non-current assets	294	(534)	294	(13)
Operating liabilities increase (decrease)				
Trade and other payables	(35,705)	52,295	(35,705)	111,961
Other current liabilities	1,378	5,939	1,378	2,503
Cash flows from (used in) operating activities	210,060	(137,355)	213,498	(400,270)
Cash paid for interest expenses	(21,465)	(27,263)	(21,465)	(25,752)
Cash paid for corporate income tax	(1,075)	(7,564)	(1,075)	(1,575)
<b>Net cash flows from (used in) operating activities</b>	<b>187,520</b>	<b>(172,182)</b>	<b>190,958</b>	<b>(427,597)</b>

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

(Unaudited but reviewed)

**Pacific Pipe Public Company Limited and its subsidiaries**

**Cash flow statement (continued)**

**For the six-month period ended 30 June 2020**

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Cash flows from investing activities</b>				
Acquisition of plant and equipment	(14,752)	(36,460)	(14,752)	(35,700)
Interest income	461	578	461	391
Proceeds from disposals of equipment	33	-	33	-
<b>Net cash flows used in investing activities</b>	<u>(14,258)</u>	<u>(35,882)</u>	<u>(14,258)</u>	<u>(35,309)</u>
<b>Cash flows from financing activities</b>				
Cash received from short-term loans from financial institutions	3,480,502	4,628,621	3,480,502	4,514,460
Cash paid for short-term loans from financial institutions	(3,302,943)	(4,297,937)	(3,302,943)	(4,020,370)
Payment of lease liabilities	(3,120)	-	(3,120)	-
Dividend paid	(178,200)	(33,018)	(178,200)	(33,000)
<b>Net cash flows from (used in) financing activities</b>	<u>(3,761)</u>	<u>297,666</u>	<u>(3,761)</u>	<u>461,090</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>169,501</u>	<u>89,602</u>	<u>172,939</u>	<u>(1,816)</u>
Cash and cash equivalents at beginning of period	<u>282,048</u>	<u>379,004</u>	<u>263,871</u>	<u>255,594</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>451,549</u></u>	<u><u>468,606</u></u>	<u><u>436,810</u></u>	<u><u>253,778</u></u>
	-		-	
<b>Supplemental cash flows information:</b>				
Non-cash transactions				
Acquisition of building and equipment				
for which no cash has been paid	4,637	7,332	4,637	7,332
Transfer equipment to intangible assets	18,736	-	18,736	-
Addition of right-of-use asset from leases	1,458	-	1,458	-

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

**Pacific Pipe Public Company Limited and its subsidiaries**  
**Notes to interim consolidated financial statements**  
**For the three-month and six-month periods ended 30 June 2020**

**1. General information**

**1.1 Coronavirus disease 2019 Pandemic**

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the group operates. The Group's management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

**1.2 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.

**1.3 Basis of consolidation**

The interim consolidated financial statements included the financial statements of the Company 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. On 1 December 2019, the Company acquired the entire business transfer of two subsidiaries; namely, Tamose Trading Company Limited and Meesup Transport Company Limited, at the net book value of their assets and liabilities. The subsidiaries registered their dissolution with the Ministry of Commerce on 4 December 2019 and are currently in the process of liquidation. There has been no change in the composition of the Group during the current period.

#### 1.4 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.

These standards do not have any significant impact on the Group's financial statements.

##### **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 land.

### **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 2019 except the changes in accounting policies related to financial instruments and leases.

## 1.5.1 Financial instruments

### **Classification and measurement**

Financial assets are classified and measured at amortised cost.

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.

## 1.5.2 Leases

### ***Right-of-use assets***

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

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

### ***Lease liabilities***

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

**Short-term leases and Leases of low-value assets**

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

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

As described in Note 1.4 to the financial statements, during the current period, the Group has adopted 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 from changes are presented as follows:

	(Unit: Thousand Baht)		
	Consolidated / Separate financial statements		
	31 December 2019	The impacts of TFRS 16	1 January 2020
<b>Statement of financial position</b>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	-	45,777	45,777
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Current portion of lease liabilities	-	6,428	6,428
<b>Non-current liabilities</b>			
Lease liabilities, net of current portion	-	39,349	39,349

(Unaudited but reviewed)

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.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Operating lease commitments as at 31 December 2019	70,166
Less: Short-term leases and leases of low-value assets	(40)
Add: Option to extend lease term	3,769
Less: Contracts reassessed as service agreements	(16,675)
Less: Deferred interest expenses	(11,443)
Increase in lease liabilities due to TFRS 16 adoption	45,777
Liabilities under finance lease agreements as at 31 December 2019	-
Lease liabilities as at 1 January 2020	45,777
Comprise of:	
Current lease liabilities	6,428
Non-current lease liabilities	39,349
	45,777

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

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Land and land improvement	33,414
Buildings and building improvement	5,943
Office equipment	1,089
Motor vehicles	5,331
<b>Total right-of-use assets</b>	45,777

### 3. Related party transactions

During the periods, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	For the three-month periods ended 30 June				Transfer 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 subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	-	86.4	Reference to market price
Rental income	-	-	-	0.2	Contract price
Service income	-	-	-	0.2	Contract price
Dividend income	-	-	-	149.8	As declared
Purchases of goods	-	-	-	28.4	Reference to market price
Transportation expenses	-	-	-	35.2	Reference to market price
<u>Transactions with related parties</u>					
Office rental and service expenses	1.1	1.1	1.1	1.1	Contract price
Land rental expenses	1.3	1.3	1.3	1.3	Contract price

(Unit: Million Baht)

	For the six-month periods ended 30 June				Transfer 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 subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	-	442.1	Reference to market price
Rental income	-	-	-	0.4	Contract price
Service income	-	-	-	0.4	Contract price
Dividend income	-	-	-	149.8	As declared
Purchases of goods	-	-	-	33.4	Reference to market price
Transportation expenses	-	-	-	70.9	Reference to market price
<u>Transactions with related parties</u>					
Office rental and service expenses	2.1	2.2	2.1	2.1	Contract price
Land rental expenses	2.6	2.6	2.6	2.6	Contract price

(Unaudited but reviewed)

The 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		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b><u>Other receivables - related parties (Note 4)</u></b>				
Tamose Trading Company Limited	-	-	439	3,772
Meesup Transport Company Limited	-	-	23	16
<b>Total other receivables - related parties</b>	<b>-</b>	<b>-</b>	<b>462</b>	<b>3,788</b>
<b><u>Lease liabilities - related parties</u></b>				
Related companies (related by shareholders)	37,398	-	37,398	-

#### Directors and management's benefits

During the three-month and six-month periods ended 30 June 2020 and 2019, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	7,793	9,864	13,992	19,242
Post-employment benefits	139	242	278	484
Total	<u>7,932</u>	<u>10,106</u>	<u>14,270</u>	<u>19,726</u>

(Unaudited but reviewed)

#### 4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	648,545	637,904	648,545	637,904
Past due				
Up to 3 months	214,166	235,036	214,166	235,036
3 - 6 months	12,333	14,903	12,333	14,903
6 - 12 months	19,203	13,497	19,203	13,497
Over 12 months	48,883	50,034	48,883	50,034
Total	943,130	951,374	943,130	951,374
Less: Allowance for doubtful debts	(49,732)	(38,974)	(49,732)	(38,974)
Total trade receivables - net	893,398	912,400	893,398	912,400
<u>Other receivables</u>				
Other receivables - related parties (Note 3)	-	-	462	3,788
Other receivables - unrelated parties	2,566	3,426	2,566	3,426
Total other receivables	2,566	3,426	3,028	7,214
Total trade and other receivables - net	895,964	915,826	896,426	919,614

#### 5. Inventories

Movements of the reduce cost of inventory to net realisable value account during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements
<b>Balance as at 1 January 2020</b>	32,445
Reversal of reduction of inventory cost to net realisable value during the period	(4,652)
<b>Balance as at 30 June 2020</b>	<u>27,793</u>

## 6. 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 / Separate financial statements		
	Assets		Total
	on revaluation basis - land	Assets on cost basis	
<b>Net book value as at 1 January 2020</b>	741,462	1,067,380	1,808,842
Adjustments of right-of-use assets due to			
TFRS16 adoption	-	45,777	45,777
Acquisitions during the period	-	19,389	19,389
Addition of right-of-use assets during the period	-	1,458	1,458
Disposals/Write-off during the period - net book value at disposals/write-off date	-	(142)	(142)
Transfer to intangible assets during the period	-	(18,736)	(18,736)
Depreciation for the period	-	(65,592)	(65,592)
<b>Net book value as at 30 June 2020</b>	<b>741,462</b>	<b>1,049,534</b>	<b>1,790,996</b>

Land were measured at fair value using level 3 input.

## 7. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate		Consolidated / Separate	
	(Percent per annum)		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Short-term loans from financial institutions	1.68 - 2.09	2.10 - 2.51	648,648	614,366
Trust receipt	1.68 - 2.52	2.02 - 3.10	1,141,845	1,000,156
			<b>1,790,493</b>	<b>1,614,522</b>

The credit facilities agreement with the banks contain financial covenants that, among other things, maintain certain debt to equity ratios according to the agreement and required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks.

(Unaudited but reviewed)

## 8. 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 - unrelated parties	26,328	70,404	26,328	70,404
Other payables - unrelated parties	50,370	43,783	50,369	43,783
Accrued expenses	38,809	32,603	38,809	32,602
Total trade and other payables	<u>115,507</u>	<u>146,790</u>	<u>115,506</u>	<u>146,789</u>

## 9. Lease liabilities

The carrying amounts of lease liabilities and the movement for the during the six-month period ended 30 June 2020 are presented below.

(Unit: Thousand Baht)

	Consolidated / Separate
	financial statements
As at 1 January 2020	-
Adjustments of lease liabilities due to TFRS 16 adoption	45,777
Addition	1,458
Accretion of interest	1,490
Payments	(4,610)
As at 30 June 2020	44,115
Less: Current portion	(6,545)
Lease liabilities - net of current portion	<u>37,570</u>

**10. Income tax**

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

(Unit: Thousand Baht)

	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	2,924	15,552	2,924	14,460
Adjustment in respect of income tax of previous year	(364)	6	(364)	12
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	365	(6,019)	365	(4,849)
<b>Income tax expenses reported in profit or loss</b>	<u>2,925</u>	<u>9,539</u>	<u>2,925</u>	<u>9,623</u>

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	15,085	22,157	15,085	17,682
Adjustment in respect of income tax of previous year	(364)	6	(364)	12
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(1,782)	(3,092)	(1,782)	(683)
<b>Income tax expenses reported in profit or loss</b>	<u>12,939</u>	<u>19,071</u>	<u>12,939</u>	<u>17,011</u>

(Unaudited but reviewed)

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2020 and 2019 are made up as follows:

(Unit: Thousand Baht)

	For the three-month periods end 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Deferred tax on actuarial losses	-	-	-	262
	-	-	-	262

(Unit: Thousand Baht)

	For the six-month periods end 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Deferred tax on actuarial losses	-	-	-	262
	-	-	-	262

## 11. Earnings per share

Basic earnings per share is calculated by dividing profit 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.

## 12. Dividends

<u>Dividend</u>	<u>Approved by</u>	<u>Total dividends</u> (Million Baht)	<u>Dividend per share</u> (Baht)
Final dividend for 2018	Annual General Meeting of the shareholders on 25 April 2019	33.0	0.05
Total for 2019		33.0	0.05
Final dividend for 2019	Annual General Meeting of the shareholders on 24 April 2020	178.2	0.27
Total for 2020		178.2	0.27

**13. Commitments and contingent liabilities****13.1 Capital commitments**

As at 30 June 2020, the Company had capital commitments of approximately Baht 1.6 million (31 December 2019: Baht 1.8 million), relating computer system development.

**13.2 Letters of credit**

As at 30 June 2020, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 5.8 million (31 December 2019: USD 8.6 million).

**13.3 Service agreement**

As at 30 June 2020, the Company had commitments of approximately Baht 15.2 million (31 December 2019: 16.7 million), relating service agreement for using of facilities in office building with related parties. The term of the agreement was 6 years.

**13.4 Guarantees**

As at 30 June 2020, there were outstanding bank guarantees of approximately Baht 16 million (31 December 2019: Baht 16 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee to guarantee as follows:

	(Unit: Million Baht)	
	30 June 2020	31 December 2019
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer and / or exporter to the Customs Department	1	1

**14. Segment information**

The one main reportable operating segment of the Group is the manufacture and distribution of steel pipes, structural steels and contract of steel productions for construction work and the main single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

**15. Foreign currency risk**

As at 30 June 2020 and 31 December 2019, the Company has financial asset and liabilities denominated in foreign currency which mature within one year as follows:

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	-	0.72	2.71	30.8016	30.0645

**16. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's Board of Directors on 13 August 2020.