

Pacific Pipe Public Company Limited and its subsidiaries
Review report and interim financial information
For the three-month and nine-month periods ended
30 September 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 September 2020, the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, the related consolidated statements of changes in shareholders' equity and cash flows for the nine-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 pandemic, in preparing the interim financial information for the three-month and nine-month periods ended 30 September 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: 11 November 2020

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 30 September 2020

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Assets					
Current assets					
Cash and cash equivalents		222,139	282,048	207,856	263,871
Trade and other receivables	4	846,959	915,826	847,000	919,614
Unbilled receivables		482	9,333	482	9,333
Inventories	5	1,462,509	1,312,633	1,462,509	1,312,633
Advance payments for raw material		3,103	17,790	3,103	17,790
Other current assets		15,568	17,565	15,568	17,565
Total current assets		<u>2,550,760</u>	<u>2,555,195</u>	<u>2,536,518</u>	<u>2,540,806</u>
Non-current assets					
Investments in subsidiaries		-	-	1,799	1,799
Property, plant and equipment	6	1,776,132	1,808,842	1,776,132	1,808,842
Intangible assets		38,739	25,635	38,739	25,635
Other non-current assets		400	694	400	694
Total non-current assets		<u>1,815,271</u>	<u>1,835,171</u>	<u>1,817,070</u>	<u>1,836,970</u>
Total assets		<u>4,366,031</u>	<u>4,390,366</u>	<u>4,353,588</u>	<u>4,377,776</u>

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2020

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		
	<u>Note</u>	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	7	1,541,874	1,614,522	1,541,874	1,614,522
Trade and other payables	8	193,492	146,790	193,471	146,789
Current portion of lease liabilities	9	6,473	-	6,473	-
Income tax payable		19,372	2,775	19,372	2,724
Other current liabilities		11,629	25,322	11,629	25,322
Total current liabilities		1,772,840	1,789,409	1,772,819	1,789,357
Non-current liabilities					
Lease liabilities - net of current portion	9	35,972	-	35,972	-
Deferred tax liabilities		105,566	106,340	103,113	103,887
Provision for long-term employee benefits		35,373	32,813	35,373	32,813
Other non-current liabilities		-	2,859	-	2,859
Total non-current liabilities		176,911	142,012	174,458	139,559
Total liabilities		1,949,751	1,931,421	1,947,277	1,928,916

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 30 September 2020

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>30 September 2020</u>	<u>31 December 2019</u>	<u>30 September 2020</u>	<u>31 December 2019</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Shareholders' equity				
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	781,262	830,807	771,293	820,722
Other components of shareholders' equity	<u>392,162</u>	<u>385,282</u>	<u>392,162</u>	<u>385,282</u>
Total shareholders' equity	<u>2,416,280</u>	<u>2,458,945</u>	<u>2,406,311</u>	<u>2,448,860</u>
Total liabilities and shareholders' equity	<u>4,366,031</u>	<u>4,390,366</u>	<u>4,353,588</u>	<u>4,377,776</u>
	-	-	-	-

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

.....
Directors
.....

(Unaudited but reviewed)

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

(Unit: Thousand Baht except earnings (loss) 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>
Profit or loss:					
Revenues					
Sales and service income		1,829,194	2,337,716	1,829,194	2,336,086
Exchange gain		-	466	-	466
Other income		27,939	48,712	27,939	48,515
Total revenues		1,857,133	2,386,894	1,857,133	2,385,067
Expenses					
Cost of sales and services		1,648,361	2,315,785	1,648,361	2,315,648
Selling and distribution expenses		42,568	43,351	42,568	50,338
Administrative expenses		63,884	50,865	63,884	47,461
Total expenses		1,754,813	2,410,001	1,754,813	2,413,447
Profit (loss) from operating activities		102,320	(23,107)	102,320	(28,380)
Finance cost		(8,971)	(15,439)	(8,969)	(15,429)
Profit (loss) before income tax benefits (expenses)		93,349	(38,546)	93,351	(43,809)
Income tax benefits (expenses)	10	(18,714)	8,150	(18,712)	8,902
Profit (loss) for the period		74,635	(30,396)	74,639	(34,907)
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Changes in surplus on revaluation of assets		8,600	-	8,600	-
Less: Income tax effect	10	(1,720)	-	(1,720)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		6,880	-	6,880	-
Other comprehensive income for the period		6,880	-	6,880	-
Total comprehensive income for the period		81,515	(30,396)	81,519	(34,907)
Earnings (loss) per share					
11					
Basic earnings (loss) per share					
Profit (loss) for the period		0.113	(0.046)	0.113	(0.053)

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries**Statement of comprehensive income****For the nine-month period ended 30 September 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>
Profit or loss:					
Revenues					
Sales and service income		5,592,161	7,204,570	5,592,161	6,976,248
Exchange gain		-	1,075	-	1,075
Dividend income	3	-	-	-	149,782
Other income		63,358	149,002	63,337	146,684
Total revenues		5,655,519	7,354,647	5,655,498	7,273,789
Expenses					
Cost of sales and services		5,131,111	6,898,995	5,131,111	6,699,844
Selling and distribution expenses		115,822	136,352	115,822	145,490
Administrative expenses		217,155	220,280	217,031	198,212
Total expenses		5,464,088	7,255,627	5,463,964	7,043,546
Profit from operating activities		191,431	99,020	191,534	230,243
Finance cost		(31,123)	(44,473)	(31,112)	(43,092)
Profit before income tax expenses		160,308	54,547	160,422	187,151
Income tax expenses	10	(31,653)	(10,921)	(31,651)	(8,109)
Profit for the period		128,655	43,626	128,771	179,042
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial losses		-	-	-	(1,310)
Changes in surplus on revaluation of assets		8,600	-	8,600	-
Less: Income tax effect	10	(1,720)	-	(1,720)	262
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		6,880	-	6,880	(1,048)
Other comprehensive income for the period		6,880	-	6,880	(1,048)
Total comprehensive income for the period		135,535	43,626	135,651	177,994
Earnings per share					
11					
Basic earnings per share					
Profit for the period		0.195	0.066	0.195	0.271

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the nine-month period ended 30 September 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 -		Other comprehensive income	
				statutory reserve	Unappropriated		
Balance as at 1 January 2019	660,000	514,845	1,011	67,000	792,338	385,282	2,420,476
Profit for the period	-	-	-	-	43,626	-	43,626
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	43,626	-	43,626
Dividend paid (Note 12)	-	-	-	-	(33,018)	-	(33,018)
Balance as at 30 September 2019	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>802,946</u>	<u>385,282</u>	<u>2,431,084</u>
Balance as at 1 January 2020	660,000	514,845	1,011	67,000	830,807	385,282	2,458,945
Profit for the period	-	-	-	-	128,655	-	128,655
Other comprehensive income for the period	-	-	-	-	-	6,880	6,880
Total comprehensive income for the period	-	-	-	-	128,655	6,880	135,535
Dividend paid (Note 12)	-	-	-	-	(178,200)	-	(178,200)
Balance as at 30 September 2020	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>781,262</u>	<u>392,162</u>	<u>2,416,280</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the nine-month period ended 30 September 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		Other components of equity	
				Appropriated - statutory reserve	Unappropriated	Other comprehensive income Surplus on revaluation of assets	
Balance as at 1 January 2019	660,000	514,845	1,011	67,000	510,092	385,282	2,138,230
Profit for the period	-	-	-	-	179,042	-	179,042
Other comprehensive income for the period	-	-	-	-	(1,048)	-	(1,048)
Total comprehensive income for the period	-	-	-	-	177,994	-	177,994
Dividend paid (Note 12)	-	-	-	-	(33,000)	-	(33,000)
Balance as at 30 September 2019	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>655,086</u>	<u>385,282</u>	<u>2,283,224</u>
Balance as at 1 January 2020	660,000	514,845	1,011	67,000	820,722	385,282	2,448,860
Profit for the period	-	-	-	-	128,771	-	128,771
Other comprehensive income for the period	-	-	-	-	-	6,880	6,880
Total comprehensive income for the period	-	-	-	-	128,771	6,880	135,651
Dividend paid (Note 12)	-	-	-	-	(178,200)	-	(178,200)
Balance as at 30 September 2020	<u>660,000</u>	<u>514,845</u>	<u>1,011</u>	<u>67,000</u>	<u>771,293</u>	<u>392,162</u>	<u>2,406,311</u>

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the nine-month period ended 30 September 2020

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities				
Profit before tax	160,308	54,547	160,422	187,151
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Depreciation and amortisation	104,082	100,356	104,082	93,431
Bad debts	-	913	-	395
Expected credit losses/Doubtful accounts	18,097	15,638	18,097	2,648
Reduction (reversal) of inventory cost to net realisable value	(12,850)	53,394	(12,850)	54,035
Reversal of allowance for impairment of advance payments for raw material	-	(1,781)	-	(1,781)
Loss (gain) on disposals/write-offs of equipment	(134)	515	(134)	22
Impairment loss on land	1,159	-	1,159	-
Provision for long-term employee benefits	2,560	12,058	2,560	11,111
Deferred rental expenses (write-off)	(2,859)	246	(2,859)	246
Unrealised loss (gain) on exchange	1,800	(8)	1,800	(8)
Dividend income	-	-	-	(149,782)
Interest income	(464)	(581)	(464)	(394)
Interest expenses	29,828	43,018	29,828	41,727
Profit from operating activities before changes in operating assets and liabilities	301,527	278,315	301,641	238,801
Operating assets (increase) decrease				
Trade and other receivables	50,770	(68,510)	54,517	(343,911)
Unbilled receivables	8,851	(17,929)	8,851	(17,929)
Inventories	(137,026)	98,366	(137,026)	30,930
Advance payments for raw material	14,687	(991)	14,687	(7,390)
Other current assets	2,357	4,771	2,357	(7,099)
Other non-current assets	294	-	294	-
Operating liabilities increase (decrease)				
Trade and other payables	43,672	9,148	43,652	43,120
Other current liabilities	(13,693)	14,404	(13,693)	18,650
Cash flows from (used in) operating activities	271,439	317,574	275,280	(44,828)
Cash paid for interest expenses	(30,021)	(43,485)	(30,021)	(41,973)
Cash paid for corporate income tax	(17,907)	(27,131)	(17,854)	(18,635)
Net cash flows from (used in) operating activities	223,511	246,958	227,405	(105,436)

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

(Unaudited but reviewed)

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the nine-month period ended 30 September 2020

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from investing activities				
Acquisition of plant and equipment	(26,537)	(64,626)	(26,537)	(63,789)
Acquisition of intangible assets	(405)	(5)	(405)	(5)
Dividend income	-	-	-	149,782
Interest income	461	579	461	391
Proceeds from disposals of equipment	499	-	499	-
Net cash flows from (used in) investing activities	<u>(25,982)</u>	<u>(64,052)</u>	<u>(25,982)</u>	<u>86,379</u>
Cash flows from financing activities				
Cash received from short-term loans from financial institutions	5,225,687	6,555,798	5,225,687	6,441,637
Cash paid for short-term loans from financial institutions	(5,300,135)	(6,665,044)	(5,300,135)	(6,387,477)
Payments of lease liabilities	(4,790)	-	(4,790)	-
Dividend paid	(178,200)	(33,018)	(178,200)	(33,000)
Net cash flows from (used in) financing activities	<u>(257,438)</u>	<u>(142,264)</u>	<u>(257,438)</u>	<u>21,160</u>
Net increase (decrease) in cash and cash equivalents	<u>(59,909)</u>	<u>40,642</u>	<u>(56,015)</u>	<u>2,103</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>
Cash and cash equivalents at end of period	<u>222,139</u>	<u>419,646</u>	<u>207,856</u>	<u>257,697</u>
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Acquisition of plant and equipment for which no cash has been paid	3,223	3,662	3,223	3,662
Transfer equipment to intangible assets	18,736	-	18,736	-
Addition of right-of-use assets from leases	1,458	-	1,458	-

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and nine-month periods ended 30 September 2020

1. General information

1.1 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is 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 (revised 2020) 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

a) 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
--------	-------------------------------------

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 temporary relief measures on accounting alternatives by 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.

b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. 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 management of the Group is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

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
Statement of financial position			
Assets			
Non-current asset			
Property, plant and equipment	-	45,777	45,777
Liabilities and shareholders' equity			
Current liability			
Current portion of lease liabilities	-	6,428	6,428
Non-current liability			
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	<u>45,777</u>

Comprise of:

Current lease liabilities	6,428
Non-current lease liabilities	39,349
	<u>45,777</u>

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
Total right-of-use assets	<u><u>45,777</u></u>

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 September				Transfer pricing policy
	Consolidated		Separate		
	financial statements		financial statements		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	-	25.7	Reference to market price
Rental income	-	-	-	0.1	Contract price
Service income	-	-	-	0.1	Contract price
Purchase of goods	-	-	-	3.9	Reference to market price
Transportation expenses	-	-	-	40.6	Reference to market price
<u>Transactions with related companies</u>					
Office rental and service expenses	1.0	1.0	1.0	1.0	Contract price
Land rental expenses	1.3	1.3	1.3	1.3	Contract price

(Unit: Million Baht)

	For the nine-month periods ended 30 September				Transfer pricing policy
	Consolidated		Separate		
	financial statements		financial statements		
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	-	467.8	Reference to market price
Rental income	-	-	-	0.5	Contract price
Service income	-	-	-	0.5	Contract price
Dividend income	-	-	-	149.8	As declared
Purchase of goods	-	-	-	37.3	Reference to market price
Transportation expenses	-	-	-	111.5	Reference to market price
<u>Transactions with related companies</u>					
Office rental and service expenses	3.1	3.1	3.1	3.1	Contract price
Land rental expenses	3.9	3.9	3.9	3.9	Contract price

(Unaudited but reviewed)

The balances of the accounts as at 30 September 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 September 2020	31 December 2019	30 September 2020	31 December 2019
<u>Other receivables - related companies (Note 4)</u>				
Tamose Trading Company Limited	-	-	41	3,772
Meesup Transport Company Limited	-	-	-	16
Total other receivables - related parties	-	-	41	3,788
<u>Lease liabilities - related companies</u>				
Related companies (related by shareholders)	36,374	-	36,374	-

Directors and management's benefits

During the three-month and nine-month periods ended 30 September 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 September		For the nine-month periods ended 30 September	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	7,174	5,516	21,207	24,758
Post-employment benefits	139	242	417	726
Total	7,313	5,758	21,624	25,484

(Unaudited but reviewed)

4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	641,447	637,904	641,447	637,904
Past due				
Up to 3 months	161,920	235,036	161,920	235,036
3 - 6 months	41,676	14,903	41,676	14,903
6 - 12 months	12,931	13,497	12,931	13,497
Over 12 months	44,186	50,034	44,186	50,034
Total	902,160	951,374	902,160	951,374
Less: Allowance for expected credit losses/ allowance for doubtful debts				
	(57,071)	(38,974)	(57,071)	(38,974)
Total trade receivables - net	845,089	912,400	845,089	912,400
<u>Other receivables</u>				
Other receivables - related parties (Note 3)	-	-	41	3,788
Other receivables - unrelated parties	1,870	3,426	1,870	3,426
Total other receivables	1,870	3,426	1,911	7,214
Total trade and other receivables - net	846,959	915,826	847,000	919,614

5. Inventories

Movements of the reduction of inventory cost to net realisable value account during the nine-month period ended 30 September 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated / Separate
	financial statements
Balance as at 1 January 2020	32,445
Reversal of reduction of inventory cost to net realisable value during the period	(12,850)
Balance as at 30 September 2020	19,595

6. Property, plant and equipment

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements		
	Assets		
	Assets on revaluation basis - land	Assets on cost basis	Total
Net book value as at 1 January 2020	741,462	1,067,380	1,808,842
Adjustments of right-of-use assets due to			
TFRS16 adoption (Note 2)	-	45,777	45,777
Acquisitions during the period	-	29,760	29,760
Revaluation of land	8,600	-	8,600
Impairment loss on land	(1,159)	-	(1,159)
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	-	(365)	(365)
Transfer to intangible assets during the period	-	(18,736)	(18,736)
Depreciation for the period	-	(98,045)	(98,045)
Net book value as at 30 September 2020	748,903	1,027,229	1,776,132

During the period, the Company arranged for an independent professional appraiser to appraise the value of land, using the market approach. 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 September 2020	31 December 2019	30 September 2020	31 December 2019
Short-term loans from financial institutions	1.60 - 1.80	2.10 - 2.51	389,238	614,366
Trust receipt	1.55 - 2.15	2.02 - 3.10	1,152,636	1,000,156
			1,541,874	1,614,522

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 September 2020	31 December 2019	30 September 2020	31 December 2019
Trade payables - unrelated parties	103,441	70,404	103,441	70,404
Other payables - unrelated parties	45,889	43,783	45,869	43,783
Accrued expenses	44,162	32,603	44,161	32,602
Total trade and other payables	193,492	146,790	193,471	146,789

9. Lease liabilities

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements
Balance as at 31 December 2019	-
Adjustments of lease liabilities due to TFRS 16 adoption (Note 2)	45,777
Balance as at 1 January 2020	45,777
Addition during the period	1,458
Accretion of interest	2,210
Payments	(7,000)
Balance as at 30 September 2020	42,445
Less: Current portion	(6,473)
Lease liabilities - net of current portion	35,972

10. Income tax

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

(Unit: Thousand Baht)

	For the three-month periods ended 30 September			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax:				
Interim corporate income tax charge	19,421	4,975	19,419	3,973
Adjustment in respect of income tax of previous year	5	-	5	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(712)	(13,125)	(712)	(12,875)
Income tax expenses (benefits) reported in profit or loss	18,714	(8,150)	18,712	(8,902)

(Unit: Thousand Baht)

	For the nine-month periods ended 30 September			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax:				
Interim corporate income tax charge	34,506	27,132	34,504	21,655
Adjustment in respect of income tax of previous year	(359)	6	(359)	12
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,494)	(16,217)	(2,494)	(13,558)
Income tax expenses reported in profit or loss	31,653	10,921	31,651	8,109

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

	(Unit: Thousand Baht)			
	For the three-month periods end 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Deferred tax on surplus on revaluation of assets	(1,720)	-	(1,720)	-
	<u>(1,720)</u>	<u>-</u>	<u>(1,720)</u>	<u>-</u>

	(Unit: Thousand Baht)			
	For the nine-month periods end 30 September			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Deferred tax on				
- Actuarial losses	-	-	-	262
- Surplus on revaluation of assets	(1,720)	-	(1,720)	-
	<u>(1,720)</u>	<u>-</u>	<u>(1,720)</u>	<u>262</u>

11. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing profit (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.

12. Dividends

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

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

As at 30 September 2020, the Company had capital commitments of approximately Baht 1.2 million (31 December 2019: Baht 1.8 million), relating computer system development.

13.2 Letters of credit

As at 30 September 2020, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 5.1 million (31 December 2019: USD 8.6 million).

13.3 Service agreement

As at 30 September 2020, the Company had commitments of approximately Baht 14.5 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 September 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)	
	<u>30 September 2020</u>	<u>31 December 2019</u>
Guarantee electricity use	15	15
Guarantee as an AEO authorised importer/ 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 September 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 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	-	4.07	2.71	31.5709	30.0645

16. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 11 November 2020.