

Varopakorn Public Company Limited  
Report and financial statements  
31 December 2019

## **Independent Auditor's Report**

To the Shareholders of Varopakorn Public Company Limited

### **Opinion**

I have audited the accompanying financial statements of Varopakorn Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2019, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Varopakorn Public Company Limited as at 31 December 2019, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### *Sales*

Revenue from sales is considered to be a significant account to the Company's financial statements because the amount recorded directly impact the Company's annual profit and loss. In addition, volatility in the prices of the main raw materials for production and the competition in the rolled and sheet aluminium production industry, and this has directly affected the sales of the Company. I therefore focused on the recognition of sales income, especially timing of revenue recognition.

I have examined the revenue recognition of the Company by assessing and testing the Company's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. On a sampling basis, I also examined supporting documents for sales transactions occurring during the year and expanded the scope of the testing for the sales transactions occurring near the end of the accounting period. In addition, I reviewed credit notes that the Company issued after the period-end and performed analytical review procedures on sales accounts.

### *Provision for diminution in value of inventory*

Estimating the net realisable value of inventory, as disclosed in Note 9 to the financial statements, is an area requiring management judgment. In addition, the Company's inventories mainly consist of semi-finished aluminium products, and the key raw materials for these product is aluminium ingot, of which the price depends on global market prices. There is thus a risk with respect to the amount of the provision set aside for diminution in the value of inventory.

I assessed the method and the assumptions applied by management in determining such provision by gaining an understanding of the basis applied in determining the provision for diminution in value of inventory and reviewing the consistency of the application of that basis, comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover, and comparing net realisable values from sales transactions occurring after the date of the financial statements with the cost of inventory for each product line.

### **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Sirirat Sricharoensup

Certified Public Accountant (Thailand) No. 5419

EY Office Limited

Bangkok: 28 February 2020

**Varopakorn Public Company Limited****Statement of position****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	5,158,933	3,448,476
Trade and other receivables	6, 8	310,113,187	296,368,119
Inventories	9	467,744,512	682,871,498
Other current assets	10	<u>45,510,666</u>	<u>52,991,957</u>
<b>Total current assets</b>		<u>828,527,298</u>	<u>1,035,680,050</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	885,842,281	827,861,266
Intangible assets	12	3,360,537	4,090,490
Deferred tax assets	19	1,636,441	1,131,625
Other non-current assets		<u>1,209,500</u>	<u>17,654,708</u>
<b>Total non-current assets</b>		<u>892,048,759</u>	<u>850,738,089</u>
<b>Total assets</b>		<u><u>1,720,576,057</u></u>	<u><u>1,886,418,139</u></u>

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

**Varopakorn Public Company Limited****Statement of position (continued)****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term loans from financial institutions	13	33,243,814	82,743,909
Accounts payable - trust receipts	13	462,983,647	563,429,109
Trade and other payables	6, 14	51,626,816	103,538,178
Current portion of long-term loans	15	25,880,000	11,780,000
Other current liabilities		<u>8,567,930</u>	<u>11,297,300</u>
<b>Total current liabilities</b>		<u>582,302,207</u>	<u>772,788,496</u>
<b>Non-current liabilities</b>			
Long-term loans, net of current portion	15	188,008,000	4,940,000
Provision for long-term employee benefits	16	34,170,717	29,249,206
Other non-current liabilities		<u>2,717,359</u>	<u>2,251,940</u>
<b>Total non-current liabilities</b>		<u>224,896,076</u>	<u>36,441,146</u>
<b>Total liabilities</b>		<u>807,198,283</u>	<u>809,229,642</u>

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



**Varopakorn Public Company Limited****Statement of position (continued)****As at 31 December 2019**

(Unit: Baht)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Shareholders' equity</b>			
Share capital			
Registered			
100,000,000 ordinary shares of Baht 5 each		<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid			
99,902,123 ordinary shares of Baht 5 each		499,510,615	499,510,615
Premium on ordinary shares		374,400,000	374,400,000
Retained earnings			
Appropriated - statutory reserve	17	50,000,000	50,000,000
Unappropriated		<u>(10,532,841)</u>	<u>153,277,882</u>
<b>Total shareholders' equity</b>		<u>913,377,774</u>	<u>1,077,188,497</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,720,576,057</u>	<u>1,886,418,139</u>
		-	-

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

Directors

**Varopakorn Public Company Limited**  
**Statements of comprehensive income**  
**For the year ended 31 December 2019**

		(Unit: Baht)	
	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Profit and loss:</b>			
<b>Revenues</b>			
Sales	6	1,569,203,917	1,796,470,156
Other income			
Gain on exchange		30,618,400	-
Gain on commodity swap agreements		-	44,437,388
Gain on sales of assets		34,222	239,998
Others		4,072,989	3,974,331
<b>Total revenues</b>		<u>1,603,929,528</u>	<u>1,845,121,873</u>
<b>Expenses</b>			
Cost of sales		1,638,692,983	1,711,867,342
Selling and distribution expenses		26,034,970	19,570,327
Administrative expenses		70,141,670	65,230,827
Loss on exchange		-	82,565
<b>Total expenses</b>		<u>1,734,869,623</u>	<u>1,796,751,061</u>
<b>Profit (loss) before finance cost and income tax</b>		<u>(130,940,095)</u>	<u>48,370,812</u>
Finance cost		<u>(18,942,900)</u>	<u>(20,818,594)</u>
<b>Profit (loss) before income tax</b>		<u>(149,882,995)</u>	<u>27,552,218</u>
Tax incomes	19	<u>1,014,980</u>	<u>40,754</u>
<b>Profit (loss) for the year</b>		<u>(148,868,015)</u>	<u>27,592,972</u>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain - net of income tax		<u>2,040,653</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>2,040,653</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>(146,827,362)</u>	<u>27,592,972</u>
<b>Basic earnings per share</b>			
Net profit (loss)	21	<u>(1.49)</u>	<u>0.28</u>

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

**Varopakorn Public Company Limited****Cash flow statements****For the year ended 31 December 2019**

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Profit (loss) before tax	(149,882,995)	27,552,218
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	104,101,493	102,507,392
Written off withholding tax deducted at source	67,137	-
Gain on sales of machinery and equipment	(34,222)	(239,998)
Loss on write off equipment	1,697,960	247,749
(Reversed) reduction of inventory to net realisable value	(14,658,264)	11,797,241
Unrealised exchange gain	(470,702)	(7,372,808)
Income from government grant	(339,445)	(251,972)
Interest expenses	18,942,900	20,818,595
Provision for long-term employee benefits	<u>10,351,978</u>	<u>3,149,271</u>
Profit (loss) from operating activities before changes in operating assets and liabilities	(30,224,160)	158,207,688
Operating assets (increase) decrease		
Trade and other receivables	(13,950,669)	14,972,343
Inventories	224,995,400	(43,541,971)
Other current assets	7,448,646	(25,703,682)
Other non-current assets	(100,000)	-
Operating liabilities increase (decrease)		
Trade and other payables	(53,363,829)	(7,142,233)
Other current liabilities	(6,450,446)	(13,788,091)
Other non-current liabilities	<u>(2,074,786)</u>	<u>(1,329,060)</u>
Cash flows from operating activities	126,280,156	81,674,994
Cash paid for interest expenses	(19,433,629)	(20,492,767)
Cash paid for income tax	<u>(34,492)</u>	<u>(827)</u>
<b>Net cash flows from operating activities</b>	<u>106,812,035</u>	<u>61,181,400</u>

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

**Varopakorn Public Company Limited****Cash flow statements (continued)****For the year ended 31 December 2019**

(Unit: Baht)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>		
Decrease in deposit for machine	16,545,208	14,805,008
Acquisition of machinery and equipment	(155,436,217)	(67,480,329)
Cash received from sale of machinery and equipment	109,296	240,000
Acquisition of intangible assets	<u>(554,500)</u>	<u>(138,500)</u>
<b>Net cash flows used in investing activities</b>	<u>(139,336,213)</u>	<u>(52,573,821)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(49,500,095)	74,149,456
Decrease in accounts payable - trust receipts	(96,466,334)	(35,903,982)
Cash receipt from long-term loans	216,593,000	-
Repayment of long-term loans	(19,425,000)	(28,080,000)
Dividend paid	<u>(16,966,936)</u>	<u>(19,961,329)</u>
<b>Net cash flows from (used in) financing activities</b>	<u>34,234,635</u>	<u>(9,795,855)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,710,457	(1,188,276)
Cash and cash equivalents at beginning of year	<u>3,448,476</u>	<u>4,636,752</u>
<b>Cash and cash equivalents at end of year</b>	<u>5,158,933</u>	<u>3,448,476</u>
	-	-
<b>Supplemental cash flows information</b>		
Non-cash items		
Account payables for purchase of machinery and equipment	2,345,022	3,572,144
Dividend payable	16,425	19,096

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

**Varopakorn Public Company Limited**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2019**

(Unit: Baht)

	Retained earnings				
	Issued and paid-up	Premium on	Appropriated -		
	share capital	ordinary shares	statutory reserve	Unappropriated	Total
<b>Balance as at 1 January 2018</b>	499,510,615	374,400,000	50,000,000	145,665,335	1,069,575,950
Profit for the year	-	-	-	27,592,972	27,592,972
Total comprehensive income for the year	-	-	-	27,592,972	27,592,972
Dividend paid (Note 24)	-	-	-	(19,980,425)	(19,980,425)
<b>Balance as at 31 December 2018</b>	<u>499,510,615</u>	<u>374,400,000</u>	<u>50,000,000</u>	<u>153,277,882</u>	<u>1,077,188,497</u>
					-
<b>Balance as at 1 January 2019</b>	499,510,615	374,400,000	50,000,000	153,277,882	1,077,188,497
Loss for the year	-	-	-	(148,868,015)	(148,868,015)
Other comprehensive income for the year	-	-	-	2,040,653	2,040,653
Total comprehensive income for the year	-	-	-	(146,827,362)	(146,827,362)
Dividend paid (Note 24)	-	-	-	(16,983,361)	(16,983,361)
<b>Balance as at 31 December 2019</b>	<u>499,510,615</u>	<u>374,400,000</u>	<u>50,000,000</u>	<u>(10,532,841)</u>	<u>913,377,774</u>
					-

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

## **Varopakorn Public Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2019**

#### **1. General information**

Varopakorn 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 semi-finished aluminium products and its registered address is 181 Soi Amorn, Nanglinchee Road, Yannawa, Bangkok. Its factory is located at 280 Moo 4, Sukhumvit Road Km. 41.5, Tumbol Bangpoo-Mai, Amphur Muang, Samutprakarn.

#### **2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

#### **3. New financial reporting standards**

##### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2019. 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 Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

### **(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised 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 except the following new standards which involve 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. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company believes that adoption of these standards will not have any significant impact on the 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 using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of these standards on the financial statements in the year when they are adopted.



## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sale of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

### **4.2 Government grants**

Government grants is recognised where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to specific expenses is deferred and recognised in profit or loss on a systematic basis over the periods in which the Company recognise as expenses the related costs for which the grants are intended to compensate. Government grants related to assets is recognised as deferred income and then recognised in profit or loss over the useful life of the asset.

### **4.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.4 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### **4.5 Inventories**

Finished goods and work in process are valued at the lower of cost (first-in, first-out basis and average cost basis) and net realisable value. Such cost includes all production costs and attributable factory overheads.

Raw materials, factory supplies and spare parts are valued at the lower of cost (first-in, first-out basis) and net realisable value and are charged to production costs whenever consumed.

#### **4.6 Property, plant and equipment / Depreciation**

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

Depreciation of buildings and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

Factory buildings	-	20	years
Machinery and factory equipment	-	10 - 20	years
Furniture and office equipment	-	3 - 5	years
Motor vehicles	-	10	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress and machinery under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.8 Intangible assets**

Intangible assets are recognised at cost. Following the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

The intangible assets with finite useful lives are listed below.

	<u>Estimated useful lives</u>	
Royalty fee	10	years
Computer software	10	years

#### **4.9 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.10 Long-term lease agreements**

Leases of machinery and motor vehicles which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The asset acquired under finance leases is depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.11 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.12 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.13 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses, contributions to the social security fund and other benefits are recognised as expenses when incurred.

##### ***Post-employment benefits (Defined benefit plans)***

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and other employee benefit plan. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, using the projected unit credit method.

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

#### **4.14 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.15 Derivatives**

##### **Forward exchange contracts**

The Company enters into forward exchange contracts to reduce its exposure to exchange rate risk. The Company records such forward exchange contracts at fair value. Unrealised gain or loss from such contracts are recognised in profit or loss.

##### **Commodity swap agreements**

The Company enters into commodity swap agreements to reduce its exposure to price of commodity risk. The Company records the commodity swap agreements with banks at fair value. Unrealised gain or loss from such agreements are recognised in profit or loss.

#### **4.16 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **4.17 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### **Net realisable value of inventories**

The management uses judgement to estimate the net realisable value of inventories taking into consideration the fluctuation of price or cost directly relating to events occurring after the reporting date.

##### **Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

### Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

## 6. Related party transactions

During the years, the Company 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)			
<u>Transactions with related companies</u>	<u>2019</u>	<u>2018</u>	<u>Pricing policy</u>
Sales of goods	704	1,046	Cost plus margin
Purchases of raw material	11	18	At an agreed price
Technical assistance fee	7	6	As per agreement
Running royalty	-	1	At an agreed price
Office rental	1	1	At an agreed price

On 27 December 2006, the Company entered into a 10-year distribution agreement with related companies for the distribution of products to Japanese customers. Commercial terms are as stipulated in the agreement. In addition, the Company entered into a technical assistance agreement with Mitsubishi Aluminum Company Limited (a shareholder of the Company), as discussed in Note 23.2 to the financial statements. Subsequently, on 27 January 2018, the Company entered into a new distribution agreement and a new technical assistance agreement with such counterparties for a period of 5 years. The commercial terms are as stipulated in those agreements.

The balances of the accounts as at 31 December 2019 and 2018 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Trade and other receivables - related parties (Note 8)</b>		
Related companies (related by shareholders)	160,308	219,762
Related companies (related by directors)	<u>2,619</u>	<u>3,419</u>
Total trade and other receivables - related parties	<u>162,927</u>	<u>223,181</u>
<b>Trade and other payables - related parties (Note 14)</b>		
Related companies (related by shareholders)	722	577
Related companies (related by directors)	<u>130</u>	<u>3,214</u>
Total trade and other payables - related parties	<u>852</u>	<u>3,791</u>

#### Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Company had employee benefit expenses of their directors and management as below.

	(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	15	17
Post-employment benefits	<u>4</u>	<u>1</u>
Total	<u>19</u>	<u>18</u>



## 7. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Cash	177	238
Bank deposits	4,982	3,210
Total	<u>5,159</u>	<u>3,448</u>

As at 31 December 2019, bank deposits in saving accounts carried interests between 0.125 and 0.625 percent per annum (2018: between 0.125 and 0.75 percent per annum).

## 8. Trade and other receivables

The balances of trade accounts receivable as at 31 December 2019 and 2018, aged on the basis of due dates, are summarised below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	104,956	131,597
Past due		
Up to 3 months	<u>57,971</u>	<u>91,584</u>
Total trade receivables - related parties, net	<u>162,927</u>	<u>223,181</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	91,293	47,492
Past due		
Up to 3 months	55,880	25,682
Over 12 months	<u>1,437</u>	<u>1,437</u>
Total	148,610	74,611
Less: Allowance for doubtful accounts	<u>(1,437)</u>	<u>(1,437)</u>
Total trade receivables - unrelated parties, net	<u>147,173</u>	<u>73,174</u>
Total trade receivables - net	<u>310,100</u>	<u>296,355</u>
<u>Other receivables</u>		
Other receivables - unrelated party	<u>13</u>	<u>13</u>
Total other receivables	<u>13</u>	<u>13</u>
Total trade and other receivables - net	<u>310,113</u>	<u>296,368</u>

## 9. Inventories

(Unit: Thousand Baht)

	Cost		Reduce cost to net realisable value		Inventories - net	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Finished goods	76,321	87,306	(2,618)	(9,319)	73,703	77,987
Work in process	197,342	328,379	-	(7,062)	197,342	321,317
Raw materials	99,104	123,778	-	(382)	99,104	123,396
Spare parts and factory supplies	92,154	128,902	(14,893)	(14,960)	77,261	113,942
Goods in transit	20,416	46,758	(81)	(528)	20,335	46,230
Total	<u>485,337</u>	<u>715,123</u>	<u>(17,592)</u>	<u>(32,251)</u>	<u>467,745</u>	<u>682,872</u>

During the current year, the Company reversed the write-down of cost of inventories by Baht 14 million and reduced the amount of inventories recognised as expenses during the year (2018: the Company reduced cost of inventories by Baht 12 million to reflect the net realisable value. This was included in cost of sales).

## 10. Other current assets

(Unit: Thousand Baht)

	<u>2019</u>	<u>2018</u>
Input tax refundable	35,569	43,448
Deposit payment for goods	1,377	2,510
Others	8,565	7,034
Total other current assets	<u>45,511</u>	<u>52,992</u>

## 11. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Factory buildings	Machinery and factory equipment	Furniture and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<b>Cost:</b>							
1 January 2018	40,312	159,731	2,537,832	20,408	26,179	44,163	2,828,625
Additions	-	-	10,821	2,163	-	58,069	71,053
Transfers	-	-	50,985	-	-	(50,985)	-
Disposal / Write off	-	-	(1,707)	-	-	(248)	(1,955)
31 December 2018	40,312	159,731	2,597,931	22,571	26,179	50,999	2,897,723
Additions	-	-	4,093	2,112	-	151,575	157,780
Transfers	-	1,525	41,452	823	-	(43,800)	-
Disposal / Write off	-	-	(3,981)	-	-	(1,698)	(5,679)
31 December 2019	40,312	161,256	2,639,495	25,506	26,179	157,076	3,049,824
<b>Accumulated depreciation:</b>							
1 January 2018	-	117,458	1,815,634	17,172	22,024	-	1,972,288
Depreciation for the year	-	4,443	91,818	1,550	1,470	-	99,281
Depreciation for disposal / write off	-	-	(1,707)	-	-	-	(1,707)
31 December 2018	-	121,901	1,905,745	18,722	23,494	-	2,069,862
Depreciation for the year	-	3,834	90,870	1,853	1,469	-	98,026
Depreciation for disposal / write off	-	-	(3,906)	-	-	-	(3,906)
31 December 2019	-	125,735	1,992,709	20,575	24,963	-	2,163,982
<b>Net book value:</b>							
As at 31 December 2018	40,312	37,830	692,186	3,849	2,685	50,999	827,861
As at 31 December 2019	40,312	35,521	646,786	4,931	1,216	157,076	885,842
<b>Depreciation for the year</b>							
2018 (Baht 96 million included in manufacturing cost, and the balance in selling and administrative expenses)							99,281
2019 (Baht 95 million included in manufacturing cost, and the balance in selling and administrative expenses)							98,026

As at 31 December 2019, certain items of building, machinery and equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 1,125 million (2018: Baht 1,105 million).

The Company has mortgaged land with structures thereon and part of its machinery, with a total net book value as at 31 December 2019 amounting to approximately Baht 389 million (2018: Baht 420 million) to secure short-term loans, long-term loans and credit facilities from financial institutions.

## 12. Intangible assets

The net book value of intangible assets as at 31 December 2019 and 2018 is presented below.

	(Unit: Thousand Baht)		
	Royalty fee	Computer software	Total
As at 31 December 2019			
Cost	7,735	5,114	12,849
Less: Accumulated amortisation	(5,504)	(3,984)	(9,488)
Net book value	<u>2,231</u>	<u>1,130</u>	<u>3,361</u>
As at 31 December 2018			
Cost	7,735	4,559	12,294
Less: Accumulated amortisation	(4,730)	(3,473)	(8,203)
Net book value	<u>3,005</u>	<u>1,086</u>	<u>4,091</u>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 is presented below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Net book value at beginning of year	4,091	5,238
Acquisition of computer software	555	139
Amortisation	<u>(1,285)</u>	<u>(1,286)</u>
Net book value at end of year	<u>3,361</u>	<u>4,091</u>

## 13. Bank overdrafts and short-term loans from financial institutions / accounts payable - trust receipts

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Bank overdrafts	3,244	22,744
Short-term loans from financial institutions	<u>30,000</u>	<u>60,000</u>
Total	<u>33,244</u>	<u>82,744</u>

Bank overdrafts carry interest at the rate of MOR or market rates per annum. Short-term loans from financial institutions carry interest at 2.90 per annum. Accounts payable - trust receipts carry interest at the rate of LIBOR / SIBOR plus a fixed rate or market rates per annum.

Credit facilities obtained from financial institutions are secured by the mortgage of the Company's land with structures thereon and part of its machinery, as discussed in Note 11 to the financial statements.

#### 14. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Trade payables - related parties	130	306
Trade payables - unrelated parties	17,264	67,943
Other payables - related parties	722	3,485
Other payables - unrelated parties	8,008	4,340
Other payables for purchase of machineries	14,117	11,772
Accrued expenses	11,386	15,692
Total trade and other payables	<u>51,627</u>	<u>103,538</u>

#### 15. Long-term loans

(Unit: Thousand Baht)				
Loan	Interest rate (%)	Repayment schedule	2019	2018
1	3M THBFIX +1.75%	Monthly installments of Baht 1.5 million commencing from July 2013 within 68 months	-	1,700
2	3M THBFIX +1.75%	Monthly installments of Baht 0.6 million commencing from September 2014 within 72 months	2,950	9,790
3	3M THBFIX +1.75%	Monthly installments of Baht 0.3 million commencing from October 2014 within 72 months	1,990	5,230
4	MLR - 2.25%	Monthly installments of Baht 0.7 million commencing from February 2019 within 72 months	33,948	-
5	3M THBFIX +1.85%	Monthly installments of Baht 2.1 million commencing from July 2020 within 84 months	175,000	-
Total			213,888	16,720
Less: Current portion			(25,880)	(11,780)
Long-term loans, net of current portion			<u>188,008</u>	<u>4,940</u>

Long-term loans are secured by the mortgage of its part of its land and machinery as discussed in Note 11 to the financial statements.

The loan agreements mentioned above contain certain covenants as specified in the agreements that, among other things, require the Company to maintain debt to equity, debt service coverage ratio, and interest coverage ratio according to the specified ratio prescribed in the agreements. As at 31 December 2019, the Company could not maintain debt service coverage ratio and interest coverage ratio as required in such loan agreements. However, the Company has already received the waive letter for the covenants from the Bank, hence; there is no reclassification of the outstanding balance of such long-term loans as at 31 December 2019.

## 16. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire from the Company and other employee benefit plan, was as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Provision for long-term employee benefits at beginning of year</b>	29,249	27,429
Included in profit or loss:		
Current service cost	2,377	2,547
Interest cost	695	602
Past service cost	7,280	-
Included in other comprehensive income:		
Actuarial gain	(2,551)	-
Benefits paid during the year	(2,879)	(1,329)
<b>Provision for long-term employee benefits at end of year</b>	<u>34,171</u>	<u>29,249</u>

The Company expects to pay Baht 3 million of long-term employee benefits during the next year (2018: Baht 6 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 4 years (2018: 5 years).

Significant actuarial assumptions are summarised below:

	<u>2019</u>	<u>2018</u>
	(% per annum)	(% per annum)
Discount rate	1.25	2.18
Salary increase rate	3.00	3.00
Turnover rate	0.00 - 58.00	0.00 - 57.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

	(Unit: Million Baht)			
	31 December 2019		31 December 2018	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(1)	1	(1)	1
Salary increase rate	1	(1)	2	(2)
Turnover rate	(1)	1	(1)	1

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of Baht 7 million. The Company recorded the effect of the change by recognising past service costs as expenses in the profit or loss of the second quarter of 2019.

#### **17. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

#### **18. Expenses by nature**

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Salary and wages and other employee benefits	143,595	133,192
Depreciation	98,026	99,281
Amortisation expenses	6,074	3,227
Repairs and maintenance expenses	49,509	40,060
Electricity and fuel	132,319	149,807
Raw materials and consumables used	1,118,872	1,435,812
Changes in inventories of finished goods and work in process	142,022	(118,692)

## 19. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Current income tax:</b>		
Current income tax charge	-	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	<u>(1,015)</u>	<u>(41)</u>
<b>Income tax revenue reported in profit or loss</b>	<u><u>(1,015)</u></u>	<u><u>(41)</u></u>

The reconciliation between accounting profit and income tax expenses (income) is shown below.

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
Accounting profit (loss) before tax	<u>(149,883)</u>	<u>27,552</u>
Applicable tax rate	20%	20%
Accounting profit (loss) before tax multiplied by income tax rate	(29,977)	5,510
Effects of:		
Non-deductible expenses	366	329
Additional expense deductions allowed	(128)	(117)
Utilisation of previously unrecognised deferred tax on tax loss	-	(5,689)
Tax losses unrecognised as deferred tax	28,945	-
Others	(221)	(74)
Total	<u>28,962</u>	<u>(5,551)</u>
Income tax revenue reported profit or loss	<u><u>(1,015)</u></u>	<u><u>(41)</u></u>



The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)	
	<u>2019</u>	<u>2018</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	287	287
Allowance for diminution in value of inventories	3,519	6,450
Deferred Income from government	543	450
Provision for long-term employee benefits	6,834	5,850
Derivative liabilities	744	84
Total	<u>11,927</u>	<u>13,121</u>
<b>Deferred tax liabilities</b>		
Financial leases	<u>10,291</u>	<u>11,989</u>
Total	<u>10,291</u>	<u>11,989</u>
<b>Deferred tax assets - net</b>	<u><b>1,636</b></u>	<u><b>1,132</b></u>

As at 31 December 2019 the Company has unused tax losses totaling Baht 164 million (2018: Baht 21 million), on which deferred tax assets have not been recognised as the Company believes that future taxable profits may not be sufficient to allow utilisation of unused tax losses. The unused tax losses will expire by 2020 and 2024.

## 20. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of aluminium sheet product and aluminium rolled product, pursuant to the investment promotion certificate No. 61-0139-1-00-1-0 issued on 3 January 2019. Subject to certain imposed conditions, the privileges include an exemption of import duty on imported machinery and raw materials and an exemption of corporate income tax from such promoted operations, totaling not over 100 percent of the investment amount, excluding the cost of land and working capital, for a period of 3 years from the date the promoted operations commenced generating revenues (not yet commenced operation).

## 21. Basic earnings per share

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

The following table sets forth the computation of basic earnings (loss) per share:

	<u>2019</u>	<u>2018</u>
Profit (loss) for the year (Thousand Baht)	(148,868)	27,593
Weighted average number of ordinary shares (shares)	99,902,123	99,902,123
Profit (loss) per share (Baht per share)	(1.49)	0.28

## 22. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as Chairman of the Board.

The Company is principally engaged in the manufacture and distribution of semi-finished aluminium products. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss and total assets 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.

### ***Geographic information***

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>
Revenue from external customers		
Thailand	1,008	1,320
Asia	494	428
Oceania	67	48
Total	<u>1,569</u>	<u>1,796</u>

### ***Major customers***

For the year 2019, the Company has revenue derived from 1 major customer in amount of Baht 691 million (2018: revenue derived from 1 major customers in amount of Baht 1,013 million).

## **23. Commitments and contingent liabilities**

### **23.1 Capital and purchase of raw material commitments**

As at 31 December 2019, the Company had capital and purchase of raw material commitments of approximately USD 4.7 million, Baht 1.9 million and JPY 1.2 million, relating to the purchases of machinery, equipment, construction and raw material (2018: USD 3.4 million, JPY 1.9 million and EUR 0.3 million).

### **23.2 Technical assistance commitments**

On 27 December 2006, the Company entered into a 10-year technical assistance agreement with Mitsubishi Aluminum Company Limited (a shareholder of the Company), whereby it is to receive knowledge transfer in respect of production techniques for improvement of the efficiency and quality of production, including the manufacture of new products. Subsequently, on 27 January 2018, the Company entered into a new technical assistance agreement for a period of 5 years.

Under the agreement dated 27 January 2018, the Company is to pay remuneration as follows:

- a. A fixed monthly royalty of Baht 0.5 million for the provision of two engineers, excluding their salaries and other benefits.
- b. A running royalty of 1.0% - 6.0% of net sales of new fin stock for heat exchangers products less costs of aluminum ingot and related procurement costs. This running royalty fee is paid semiannually.

### **23.3 Guarantees**

As at 31 December 2019, there were outstanding bank guarantees of approximately Baht 9.8 million issued by the banks on behalf of the Company to guarantee electricity use (2018: Baht 9.8 million) and outstanding bank guarantee of approximately Baht 19.4 million issued by the bank on behalf of tax refund that received before the completion of tax examination (2018: None).

## **24. Dividend paid**

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	19,980	0.20
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	16,983	0.17

## 25. Fair value hierarchy

As at 31 December 2019 and 2018, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	2019			
	Level 1	Level 2	Level 3	Total
<b>Liabilities measured at fair value</b>				
Derivatives				
Foreign currency forward contracts	-	3.7	-	3.7

  

	2018			
	Level 1	Level 2	Level 3	Total
<b>Liabilities measured at fair value</b>				
Derivatives				
Foreign currency forward contracts	-	0.4	-	0.4

## 26. Financial instruments

### 26.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, bank overdrafts and short-term loans from financial institutions, accounts payable - trust receipts, trade and other payables and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

### **Interest rate risk**

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term loans from financial institutions, accounts payable - trust receipts, and long-term loans.

The details of cash and cash equivalents, bank overdrafts and short-term loans from financial institutions / accounts payable - trust receipts, and long-term loans are set out in Notes to the financial statements No.7, 13, and 15, respectively.

### **Foreign currency risk**

The Company's exposure to foreign currency risk relates primarily to purchase of major raw materials and sales of goods which are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	5	1	16	18	30.1540	32.4256
Japanese yen	-	-	-	4	-	0.2889

Foreign exchange contracts outstanding are summarised below.

As at	Foreign	Bought	Contractual exchange rate	Contractual
31 December	currency	amount		maturity date
		(Million)	(Baht per 1 foreign currency unit)	
2019	US dollar	15	30.1700 - 30.6950	February 2020 - June 2020
2018	US dollar	1	33.1150	February 2019

## **26.2 Fair values of financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

The estimated fair value of the derivatives is as follows:

	(Unit: Million Baht)	
	As at 31 December 2019	As at 31 December 2018
	Fair value (Gain/(loss))	Fair value (Gain/(loss))
<b>Financial liabilities measured at fair value</b>		
Derivatives		
Foreign currency forward contracts	(3.7)	(0.4)

The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Company had considered to counterparty credit risk when determining the fair value of derivatives.

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

## **27. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2019, the Company's debt-to-equity ratio was 0.88: 1 (2018: 0.75:1).

## **28. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2020.