

Union Plastic Public Company Limited

Notes to interim financial statements

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

1. General information

1.1 General information of the Company

Union Plastic Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Saha-Union Public Company Limited, a company listed on the Stock Exchange of Thailand. The Company is principally engaged in the manufacture and distribution of thermoplastics. The Company is also engaged in the contract manufacture and repair of molds. The registered office of the Company is at 11/1 Soi Serithai 62, Minburi Sub-district, Minburi District, Bangkok.

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is adversely impacting the automotive industry. This has resulted in a decrease in the Company’s orders from customers, which significantly impacts the Company’s financial position, operating results, and cash flows at present, and it is expected to do so in the future. However, the impact cannot be reasonably estimated at this stage. The Company’s management has continuously monitored the ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and will record the impact when it is possible to do so.

1.3 Basis of preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.4 New financial reporting standards

a) Financial reporting standards that became effective in the current period

During the period, the Company 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 Company's financial statements. However, the new standard involves changes to key principles, which are summarised below:

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting Standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments.

The impact of the adoption of these standards on the Company's financial statements is as follows.

- Classification and measurement of investments in equity instruments of non-listed companies - The Company measures investments in equity instruments of non-listed companies at fair value and classifies the investments as financial assets at fair value, through other comprehensive income.

The Company adopted these financial reporting standards which the cumulative effect is recognised as an adjustment to the retained earnings or other components of shareholders' equity as at 1 January 2020, and the comparative information was not restated.

The cumulative effect of the change is described in Note 2.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases.

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

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 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 that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification

is driven by the Company's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets that are equity instruments are measured at fair value through profit or loss. In certain cases, the Company makes an election to measure them at fair value through other comprehensive income, with no subsequent recycling to profit or loss.

Financial liabilities are classified and measured at amortised cost.

Impairment of financial assets

The Company 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 Company 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 Company applies a simplified approach to determine the lifetime expected credit losses.

1.5.2 Leases

Right-of-use assets

The Company 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 Company 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 Company 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 Company'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 Company has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

The impacts on the beginning balance of retained earnings or other components of shareholders' equity of 2020 from changes in accounting policies due to the adoption of these standards are presented as follows:

	(Unit: Thousand Baht)		
	<u>Financial statements in which the equity method is applied</u>		
	31 December 2019	The impacts of Financial reporting standards related to financial instruments	1 January 2020
Statement of financial position			
Assets			
Current assets			
Current investments	100,000	(100,000)	-
Other current financial assets	-	100,000	100,000
Non-current assets			
Restricted investments	13,116	(13,116)	-
Restricted financial assets	-	13,116	13,116
Other non-current financial assets	-	103,328	103,328
Other long-term investments	20,002	(20,002)	-
Liabilities and shareholders' equity			
Non-current liabilities			
Deferred tax liabilities	-	20,666	20,666

(Unaudited but reviewed)

(Unit: Thousand Baht)

Financial statements in which the equity method is applied

	31 December 2019	The impacts of Financial reporting standards related to financial instruments	1 January 2020
Shareholders' equity			
Retained earnings (deficit) - unappropriated	(14,952)	-	(14,952)
Other components of shareholders' equity	-	62,660	62,660

(Unit: Thousand Baht)

Separate financial statements

	31 December 2019	The impacts of Financial reporting standards related to financial instruments	1 January 2020
Statement of financial position			
Assets			
Current assets			
Current investments	100,000	(100,000)	-
Other current financial assets	-	100,000	100,000
Non-current assets			
Restricted investments	13,116	(13,116)	-
Restricted financial assets	-	13,116	13,116
Other non-current financial assets	-	103,328	103,328
Other long-term investments	20,002	(20,002)	-
Liabilities and shareholders' equity			
Non-current liabilities			
Deferred tax liabilities	-	20,666	20,666
Shareholders' equity			
Retained earnings (deficit) - unappropriated	(23,207)	-	(23,207)
Other components of shareholders' equity	-	62,660	62,660

2.1 Financial instruments

Details of the impact on other components of shareholders' equity as at 1 January 2020 due to the adoption of financial reporting standards related to financial instruments are presented as follows:

	(Unit: Thousand Baht)
	Financial statements in which the equity method is applied/ Separate financial statements
	<hr/>
Fair value measurement of investments in equity instruments of non-listed companies - net of income tax	<hr/> 62,660
Impacts on other components of shareholders' equity due to the adoption of financial reporting standards related to financial instruments	<hr/> 62,660

(Unaudited but reviewed)

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/Separate financial statements				
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9			
		Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	Financial assets as at 1 January 2020				
Cash and cash equivalents	136,185	-	-	136,185	136,185
Trade and other receivables	77,787	-	-	77,787	77,787
Current investments	100,000	-	-	100,000	100,000
Restricted investments	13,116	-	-	13,116	13,116
Other long-term investments	20,002	-	103,328	-	103,328
Total financial assets	347,090	-	103,328	327,088	430,416

As at 1 January 2020, the Company has not designated any financial liabilities at fair value through profit or loss.

3. Related party transactions

During the periods, 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)

	For the three-month periods ended		Pricing policy
	30 September		
	<u>2020</u>	<u>2019</u>	
<u>Transactions with related companies</u>			
Sales of goods and services	12	27	Cost plus margin
Other income	1	-	Cost plus margin
Rental income	4	1	Contract price
Purchases goods and raw material	2	4	Cost plus a margin of related companies

(Unit: Million Baht)

	For the nine-month periods ended		Pricing policy
	30 September		
	<u>2020</u>	<u>2019</u>	
<u>Transactions with related companies</u>			
Sales of goods and services	46	75	Cost plus margin
Other income	2	1	Cost plus margin
Rental income	7	3	Contract price
Dividend income	37	38	As declared
Purchases of goods and raw material	7	11	Cost plus a margin of related companies
Paid benefits of transferred employees	3	1	As declared

(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)

	Financial statements in which the equity method is applied/ Separate financial statements	
	30 September 2020	31 December 2019
		(Audited)
Trade and other receivables - related parties (Note 4)		
Related companies (related by common shareholders)	8,854	16,585
Total trade and others receivables - related parties	<u>8,854</u>	<u>16,585</u>
Trade and other payables - related parties (Note 11)		
Related companies (related by common shareholders)	1,063	2,501
Total trade and other payables - related parties	<u>1,063</u>	<u>2,501</u>

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 to its directors and management as below.

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/ 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	2,561	3,359	8,477	10,220
Post-employee benefits	26	319	707	1,657
Total	<u>2,587</u>	<u>3,678</u>	<u>9,184</u>	<u>11,877</u>

4. Trade and other receivables

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	30 September 2020	31 December 2019
		(Audited)
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	8,741	16,473
Total trade receivables - related parties	8,741	16,473
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	58,901	60,831
Total trade receivables - unrelated parties	58,901	60,831
Total trade receivables	67,642	77,304
<u>Other receivables</u>		
Amounts due from related parties	113	112
Others	762	371
Total other receivables	875	483
Total trade and other receivables	68,517	77,787

5. Reduction of cost of inventories to net realisable value

Movements in the allowance to reduce cost of inventories to net realisable value account during the nine-month period ended 30 September 2020 are summarised below.

	(Unit: Thousand Baht)
	Financial statements in which the equity method is applied/ Separate financial statements
Balance as at 1 January 2020	4,818
Less: Reversal of allowance to reduce cost of inventories to net realisable value	(1,215)
Balance as at 30 September 2020	3,603

6. Restricted financial assets

This represents investments in government bonds, which are pledged as collateral to secure electricity use.

7. Other non-current financial assets

As at 30 September 2020, other non-current financial assets are summarised below.

(Unit: Thousand Baht)

Company's name	Shareholding percentage (%)	Cost	Financial statements in which the equity method is applied/Separate financial statements		
			Carrying amount as at 1 January 2020	Losses on measurement of investments in equity instruments	Carrying amount as at 30 September 2020
Union Nifco Co., Ltd.	19.99	20,002	103,328	(35,829)	67,499
Total		20,002	103,328	(35,829)	67,499

During the current period, the Company received dividend from this investment amounting to Baht 36 million (2019: Baht 37 million).

8. Investment in associate**8.1 Details of associate**

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
			30 September 2020	31 December 2019	Carrying amounts based on equity method		Carrying amounts based on cost method	
			(%)	(%)	30 September 2020	31 December 2019	30 September 2020	31 December 2019
P.S.V. Mould Co., Ltd.	Manufacture and sales of molds	Thailand	25	25	10,769	10,755	2,500	2,500
Total				(Audited)	10,769	10,755	2,500	2,500

8.2 Share of comprehensive income

During the three-month and nine-month periods ended 30 September 2020 and 2019, the Company has recognised its share of comprehensive income from an associate company in the financial statements in which the equity method is applied as follows:

(Unit: Thousand Baht)

Company's name	Financial statements in which the equity method is applied			
	Share of profit (loss) from an associate			
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2020	2019	2020	2019
P.S.V. Mould Co., Ltd.	367	(150)	226	(28)
Total	367	(150)	226	(28)

The share of profit of an associate for the nine-month period ended 30 September 2020, has been accounted for based on the financial statements prepared by the management of that company, and not reviewed by its auditor. However, the Company's management believes that there would be no material discrepancies if those financial statements had been reviewed by the associate's auditor.

During the current period, the Company received dividend from its associate amounting to Baht 0.2 million (2019: Baht 1.3 million).

9. Investment properties

Movements of the investment properties account during the nine-month period ended 30 September 2020 are as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/ Separate financial statements
Net book value as at 1 January 2020	3,738
Transfer from property, plant and equipment	4,055
Depreciation for the period	(33)
Net book value as at 30 September 2020	7,760

(Unaudited but reviewed)

10. Property, plant and equipment

	(Unit: Thousand Baht)
	Financial statements in which the equity method is applied/ Separate financial statements
Net book value as at 1 January 2020	163,423
Acquisitions during the period - at cost	26,031
Transfer to investment properties	(4,055)
Depreciation for the period	(23,924)
Net book value as at 30 September 2020	161,475

11. Trade and other payables

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	30 September 2020	31 December 2019
		(Audited)
Trade payables - related parties	481	1,507
Trade payables - unrelated parties	56,030	79,533
Other payables - related parties	582	994
Other payables - unrelated parties	137	2,608
Accrued expenses	18,363	24,592
Others	2,180	2,456
Total trade and other payables	77,773	111,690

12. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	30 September 2020	31 December 2019
		(Audited)
Present value of defined benefit obligation	48,210	85,992
Fair value of plan assets	(17,567)	(34,969)
Net defined benefit liability	30,643	51,023

(Unaudited but reviewed)

Changes in present value of defined benefit obligation and fair value of plan assets for the nine-month period ended 30 September 2020 were as follows:

	(Unit: Thousand Baht)
	Financial statements in which the equity method is applied/ <u>Separate financial statements</u>
Defined benefit obligation at beginning of period	85,992
Included in profit or loss:	
Current service cost	2,694
Interest cost	1,123
Past service cost from curtailment and loss on settlement	(26,349)
Included in other comprehensive income:	
Actuarial (gain) loss arising from	
Experience adjustments	(7,253)
Financial assumptions changes	4,796
Benefits paid during the period	(12,793)
Defined benefit obligation at end of period	<u>48,210</u>
Fair value of plan assets at beginning of period	34,969
Change in fair value	(5,216)
Contribution by the Company	2,237
Paid and settlement during the period	(14,423)
Fair value of plan assets at end of period	<u>17,567</u>

Plan assets comprise bank deposits, government bonds, and equity and debt instruments in active market.

13. Income tax

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

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/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>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current income tax:				
Interim corporate income tax charge	-	-	-	-
Deferred tax:				
Relating to reversal of temporary differences	-	-	-	4,004
Income tax expenses reported in the statements of comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,004</u>

The amounts of deferred tax relating to items recognised in other comprehensive income for the three-month and nine-month periods ended 30 September 2020 and 2019 are as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/ 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>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Loss (gain) on investments in equity instruments designated at fair value through other comprehensive income	(370)	-	7,166	-
Reversal of deferred tax assets of actuarial losses from reassessment	-	-	-	(441)
Total	<u>(370)</u>	<u>-</u>	<u>7,166</u>	<u>(441)</u>

14. Basic earnings per share

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

15. Segment information

The Company is principally engaged in the manufacture and distribution of thermoplastics. It also engages in the contract manufacture and repair of molds. The Company operates only in 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 profit (loss) and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

The following tables present revenue and profit (loss) information regarding the Company's operating segments for the three-month and nine-month periods ended 30 September 2020 and 2019, respectively.

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied							
	For the three-month periods ended 30 September							
	Manufacture and distribution of thermoplastics		Contract manufacture and repair of molds		Adjustments and eliminations		Financial statements in which the equity method is applied	
<u>2563</u>	<u>2562</u>	<u>2563</u>	<u>2562</u>	<u>2563</u>	<u>2562</u>	<u>2563</u>	<u>2562</u>	
Revenue from external customers	100,642	152,403	38,756	31,810	-	-	139,398	184,213
Inter-segment revenue	-	-	7,572	5,390	(7,572)	(5,390)	-	-
Total revenues	<u>100,642</u>	<u>152,403</u>	<u>46,328</u>	<u>37,200</u>	<u>(7,572)</u>	<u>(5,390)</u>	<u>139,398</u>	<u>184,213</u>
Segment operating profit (loss)	(3,387)	815	13,048	6,827	(3,213)	(2,555)	6,448	5,087
Unallocated income and expenses:								
Other income							6,350	2,989
Selling and distribution expenses							(5,167)	(7,149)
Administrative expenses							(7,839)	(11,044)
Share of profit (loss) of an associate							367	(150)
Finance income							<u>367</u>	<u>697</u>
Profit (loss) for the period							<u>526</u>	<u>(9,570)</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

Financial statements in which the equity method is applied								
For the nine-month periods ended 30 September								
	Manufacture and distribution of thermoplastics		Contract manufacture and repair of molds		Adjustments and eliminations		Financial statements in which the equity method is applied	
	2563	2562	2563	2562	2563	2562	2563	2562
Revenue from external customers	307,726	477,139	42,381	38,438	-	-	350,107	515,577
Inter-segment revenue	-	-	7,572	10,952	(7,572)	(10,952)	-	-
Total revenues	<u>307,726</u>	<u>477,139</u>	<u>49,953</u>	<u>49,390</u>	<u>(7,572)</u>	<u>(10,952)</u>	<u>350,107</u>	<u>515,577</u>
Segment operating profit (loss)	(40,373)	(7,207)	9,214	6,249	(3,214)	(4,348)	(34,373)	(5,306)
Unallocated income and expenses:								
Dividend income							36,296	36,776
Other income							15,049	10,204
Selling and distribution expenses							(17,545)	(24,352)
Administrative expenses							(28,765)	(34,324)
Share of profit (loss) of an associate							226	(28)
Finance income							1,463	1,915
Income tax expenses							-	(4,004)
Loss for the period							<u>(27,649)</u>	<u>(19,119)</u>

16. Commitments

16.1 Capital commitments

As at 30 September 2020, the Company had capital commitments of approximately Baht 2 million (2019: Baht 3 million), relating to the renovation of building.

16.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office equipment. The terms of the agreements are generally between 1 and 4 years.

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	(Unit: Million Baht)	
	30 September 2020	31 December 2019
Payable:		
In up to 1 year	0.3	1.0
In over 1 and up to 4 years	0.4	0.2

16.3 Service commitments

The Company has entered into vehicle services, equipment maintenance services, and other service agreements. As at 30 September 2020, future minimum lease payments required under those service agreements were amounting to Baht 0.6 million (31 December 2019: Baht 2.3 million).

17. Approval of interim financial statements

These interim financial statements were authorised for issue by the Board of Directors on 4 November 2020.