

Union Plastic Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 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, but revenues from these services are not material. 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 continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Company operates. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

1.3 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 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.

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)

	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
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	(14,952)	-	(14,952)
Other components of shareholders' equity	-	62,660	62,660

(Unaudited but reviewed)

(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)
Fair value measurement of investments in equity instruments of non-listed companies - net of income tax	62,660
Impacts on other components of shareholders' equity due to the adoption of financial reporting standards related to financial instruments	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)

Carrying amounts under the former basis	Financial statements in which the equity method is applied/Separate financial statements			
	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
Trade and other receivables	77,787	-	-	77,787
Current investments	100,000	-	-	100,000
Restricted investments	13,116	-	-	13,116
Other long-term investments	20,002	-	103,328	103,328
Total financial assets	347,090	-	103,328	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		Pricing policy
	periods ended 31 March		
	2020	2019	
<u>Transactions with related companies</u>			
Sales of goods and services	24	22	Cost plus margin
Other income	1	1	Cost plus margin
Dividend income	36	37	As declared
Purchases of goods and raw material	4	4	Cost plus a margin of related companies

The balances of the accounts as at 31 March 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	
	31 March	31 December
	2020	2019
(Audited)		
Trade and other receivables - related parties (Note 4)		
Related companies (related by common shareholders)	52,260	16,585
Total trade and others receivables - related parties	52,260	16,585
Trade and other payables - related parties (Note 10)		
Related companies (related by common shareholders)	1,962	2,501
Total trade and other payables - related parties	1,962	2,501

Directors and management's benefits

During the three-month periods ended 31 March 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	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	3,652	3,440
Post-employee benefits	477	153
Total	<u>4,129</u>	<u>3,593</u>

4. Trade and other receivables

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	31 March 2020	31 December 2019
		(Audited)
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	15,854	16,473
Total trade receivables - related parties	<u>15,854</u>	<u>16,473</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	66,511	60,831
Total trade receivables - unrelated parties	<u>66,511</u>	<u>60,831</u>
Total trade receivables	<u>82,365</u>	<u>77,304</u>
<u>Other receivables</u>		
Amounts due from related parties	36,406	112
Others	780	371
Total other receivables	<u>37,186</u>	<u>483</u>
Total trade and other receivables	<u>119,551</u>	<u>77,787</u>

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 three-month period ended 31 March 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	(956)
Balance as at 31 March 2020	<u>3,862</u>

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 31 March 2020, other non-current financial assets are summarised below.

		(Unit: Thousand Baht)			
		Financial statements in which the equity method is applied/Separate financial statements			
		Losses on measurement			
		Carrying	of investments	Carrying	
Company's name	Shareholding percentage	amount as at	in equity	amount as at	
	(%)	1 January 2020	instruments	31 March 2020	Cost
Union Nifco Co., Ltd.	19.99	103,328	(30,750)	72,578	20,002
Total		<u>103,328</u>	<u>(30,750)</u>	<u>72,578</u>	<u>20,002</u>

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	
					Carrying amounts based on equity method		Carrying amount based on cost method	
			31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
			(%)	(%)		(Audited)		(Audited)
P.S.V. Mould Co., Ltd.	Manufacture and sales of molds	Thailand	25	25 (Audited)	10,767	10,755	2,500	2,500
Total					10,767	10,755	2,500	2,500

8.2 Share of comprehensive income

During the three-month periods ended 31 March 2020 and 2019, the Company has recognised its share of comprehensive income from 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 associate for the three-month periods ended 31 March	
	2020	2019
P.S.V. Mould Co., Ltd.	12	(86)
Total	12	(86)

The share of profit (loss) of an associate for the three-month period ended 31 March 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.

9. 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	12,324
Depreciation for the period	(9,123)
Net book value as at 31 March 2020	166,624

(Unaudited but reviewed)

10. Trade and other payables

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/ Separate financial statements	
	31 March 2020	31 December 2019 (Audited)
Trade payables - related parties	1,014	1,507
Trade payables - unrelated parties	78,748	79,533
Other payables - related parties	948	994
Other payables - unrelated parties	8,675	2,608
Accrued expenses	13,744	24,592
Others	2,496	2,456
Total trade and other payables	<u>105,625</u>	<u>111,690</u>

11. 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	
	31 March 2020	31 December 2019 (Audited)
Present value of defined benefit obligation	84,463	85,992
Fair value of plan assets	(33,178)	(34,969)
Net defined benefit liability	<u>51,285</u>	<u>51,023</u>

(Unaudited but reviewed)

Changes in present value of defined benefit obligation and fair value of plan assets for the three-month period ended 31 March 2020 were as follows:

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	<u>2020</u>	<u>2019</u>
Defined benefit obligation at beginning of period	85,992	
Included in profit or loss:		
Current service cost	1,068	
Interest cost	495	
Benefits paid during the period	(3,092)	
Defined benefit obligation at end of period	<u>84,463</u>	
Fair value of plan assets at beginning of period	34,969	
Change in fair value	(2,491)	
Contribution by the Company	962	
Paid during the period	(262)	
Fair value of plan assets at end of period	<u>33,178</u>	

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

12. Income tax

Income tax expenses for the three-month periods ended 31 March 2020 and 2019 are made up as follows:

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied/ Separate financial statements	
	<u>2020</u>	<u>2019</u>
Current income tax:		
Interim corporate income tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	-	79
Income tax expenses reported in the statements of comprehensive income	<u>-</u>	<u>79</u>

(Unaudited but reviewed)

The amounts of deferred tax relating to items recognised in other comprehensive income for the three-month period ended 31 March 2020 and 2019 are as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied/ Separate financial statements	
	<u>2020</u>	<u>2019</u>
Losses on investments in equity designated at fair value through other comprehensive income	<u>6,150</u>	<u>-</u>

13. Basic earnings per share

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

14. 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, but revenue from this business is not material. 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 profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

15. Commitments

15.1 Capital commitments

As at 31 March 2020, the Company had no capital commitments, relating to the purchase of machinery and equipment (31 December 2019: Baht 3 million).

15.2 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)	
	<u>31 March 2020</u>	<u>31 December 2019</u>
Payable:		
In up to 1 year	0.8	1.0
In over 1 and up to 4 years	0.5	0.2

15.3 Service commitments

The Company has entered into vehicle services, equipment maintenance services, and other service agreements. As at 31 March 2020, future minimum lease payments required under those service agreements were amounting to Baht 2.0 million (31 December 2019: Baht 2.3 million).

16. Approval of interim financial statements

These interim financial statements were authorised for issue by the Board of Directors on 8 May 2020.