

President Bakery Public Company Limited
Review report and interim financial information
For the three-month periods ended
31 March 2020

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of President Bakery Public Company Limited

I have reviewed the accompanying statement of financial position, in which the equity method is applied, of President Bakery Public Company Limited as at 31 March 2020, the related statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the interim financial statements. I have also reviewed the separate financial information of President Bakery Public Company Limited for the same period (collectively "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Emphasis of Matter

I draw attention to Note 1.4 to the interim financial statements. Due to the impact of the COVID-19 outbreak, in preparing the interim financial information for the three-month period ended 31 March 2020, the Company has adopted the Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic issued by the Federation of Accounting Professions. My conclusion is not modified in respect of this matter.

Other Matter

Due to the impact of COVID-19 outbreak situation, the Company has postponed the annual general meeting of the Company's shareholders which results in no resolution for the appointment of the auditor of the Company for the accounting period of 2020 yet. However, the Board of Director of the Company has a resolution to propose to the annual general meeting of the Company's shareholders to appoint me as the auditor of the Company for the accounting period of 2020. I therefore have conducted my review on the interim financial information for first quarter of 2020 which is in compliance with the notification of the Capital Market Supervisory Board (CMSB) No. TorChor 28/2563 dated 27 March 2020.

Siriwan Nitdamrong

Certified Public Accountant (Thailand) No. 5906

EY Office Limited

Bangkok: 13 May 2020

President Bakery Public Company Limited

Statements of financial position

As at 31 March 2020

(Unit: Thousand Baht)

	Note	Financial statements in which			
		the equity method is applied		Separate financial statements	
		31 March 2020 (Unaudited but reviewed)	31 December 2019 (Audited)	31 March 2020 (Unaudited but reviewed)	31 December 2019 (Audited)
Assets					
Current assets					
Cash and cash equivalents		669,232	366,620	669,232	366,620
Trade and other receivables	3, 4	844,970	925,397	844,970	925,397
Inventories		177,421	174,251	177,421	174,251
Short-term investments		-	2,493,595	-	2,493,595
Other current financial assets	6	2,650,254	-	2,650,254	-
Other current assets		39,503	33,495	39,503	33,495
Total current assets		4,381,380	3,993,358	4,381,380	3,993,358
Non-current assets					
Restricted bank deposit	15.5	36,348	36,348	36,348	36,348
Investment in joint venture	5.1	25,995	28,424	5,850	5,850
Long-term investments		-	1,270,805	-	1,270,805
Other long-term investments		-	129,500	-	129,500
Other non-current financial assets	6	1,576,808	-	1,576,808	-
Property, plant and equipment	7	3,850,933	3,995,534	3,850,933	3,995,534
Right-of-use assets	8	75,505	-	75,505	-
Advance payments for purchase of assets		916	1,113	916	1,113
Intangible assets		11,141	10,667	11,141	10,667
Deferred tax assets		-	9,647	-	9,647
Other non-current assets		4,572	4,696	4,572	4,696
Total non-current assets		5,582,218	5,486,734	5,562,073	5,464,160
Total assets		9,963,598	9,480,092	9,943,453	9,457,518

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

President Bakery Public Company Limited
Statements of financial position (continued)
As at 31 March 2020

(Unit: Thousand Baht)

	Note	Financial statements in which the equity method is applied		Separate financial statements	
		31 March 2020	31 December 2019	31 March 2020	31 December 2019
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Trade and other payables	4, 9	542,892	627,747	542,892	627,747
Current portion of liabilities under finance lease agreements	10	-	11,173	-	11,173
Current portion of long-term lease liabilities	10	14,267	-	14,267	-
Corporate income tax payable		167,056	118,973	167,056	118,973
Accrued expenses		199,291	246,000	199,291	246,000
Other current liabilities		1,713	3,480	1,713	3,480
Total current liabilities		925,219	1,007,373	925,219	1,007,373
Non-current liabilities					
Liabilities under finance lease agreements, net of current portion	10	-	101	-	101
Long-term lease liabilities, net of current portion	10	14,597	-	14,597	-
Deferred tax liabilities		21,585	-	21,585	-
Provision for long-term employee benefits	11	100,618	99,415	100,618	99,415
Other non-current liabilities		3,863	3,830	3,863	3,830
Total non-current liabilities		140,663	103,346	140,663	103,346
Total liabilities		1,065,882	1,110,719	1,065,882	1,110,719

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

President Bakery Public Company Limited
Statements of financial position (continued)
As at 31 March 2020

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>31 March 2020</u> (Unaudited but reviewed)	<u>31 December 2019</u> (Audited)	<u>31 March 2020</u> (Unaudited but reviewed)	<u>31 December 2019</u> (Audited)
Liabilities and shareholders' equity (continued)				
Shareholders' equity				
Share capital				
Registered				
450,000,000 ordinary shares of Baht 1 each	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
Issued and fully paid-up				
450,000,000 ordinary shares of Baht 1 each	450,000	450,000	450,000	450,000
Share premium	674,380	674,380	674,380	674,380
Retained earnings				
Appropriated - statutory reserve	45,000	45,000	45,000	45,000
Unappropriated	7,593,610	7,189,820	7,573,465	7,167,246
Other components of shareholders' equity	<u>134,726</u>	<u>10,173</u>	<u>134,726</u>	<u>10,173</u>
Total shareholders' equity	<u>8,897,716</u>	<u>8,369,373</u>	<u>8,877,571</u>	<u>8,346,799</u>
Total liabilities and shareholders' equity	<u>9,963,598</u>	<u>9,480,092</u>	<u>9,943,453</u>	<u>9,457,518</u>

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

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Directors
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President Bakery Public Company Limited
Statements of comprehensive income
For the three-month period ended 31 March 2020

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

	Note	Financial statements in which			
		the equity method is applied		Separate financial statements	
		2020	2019	2020	2019
Profit or loss:					
Revenues					
Sales		1,792,913	1,802,160	1,792,913	1,802,160
Other income		23,802	20,369	25,850	25,575
Total revenues		1,816,715	1,822,529	1,818,763	1,827,735
Expenses					
Cost of sales		937,725	1,005,124	937,725	1,005,124
Selling and distribution expenses		352,891	360,062	352,891	360,062
Administrative expenses		62,956	78,135	62,956	78,135
Total expenses		1,353,572	1,443,321	1,353,572	1,443,321
Profit from operating activities		463,143	379,208	465,191	384,414
Share of profit (loss) from investment in joint venture	5.2	(381)	1,287	-	-
Finance cost		(1,021)	(1,737)	(1,021)	(1,737)
Profit before income tax expenses		461,741	378,758	464,170	382,677
Income tax expenses	12	(48,418)	(39,946)	(48,418)	(39,946)
Profit for the period		413,323	338,812	415,752	342,731
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Gains on debt investment designated at fair value through other comprehensive income - net of income tax		1,293	-	1,293	-
Gain on changes in value of available-for-sale investments - net of income tax		-	6,088	-	6,088
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		1,293	6,088	1,293	6,088
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Loss on equity investment designated at fair value through other comprehensive income - net of income tax		(18,768)	-	(18,768)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(18,768)	-	(18,768)	-
Other comprehensive income for the period		(17,475)	6,088	(17,475)	6,088
Total comprehensive income for the period		395,848	344,900	398,277	348,819
Earnings per share					
Basic earnings per share (Baht)	14	0.92	0.75	0.92	0.76

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

(Unaudited but reviewed)

President Bakery Public Company Limited

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

Financial statements in which the equity method is applied								
	Issued and paid-up share capital	Share premium	Retained earnings		Other components of shareholders' equity			Total
			Appropriated - statutory reserve	Unappropriated	Changes in value of available-for-sale investments	Fair value reserve of financial assets at FVOCI	Total other components of shareholders' equity	
Balance as at 1 January 2019	450,000	674,380	45,000	6,256,349	(4,585)	-	(4,585)	7,421,144
Profit for the period	-	-	-	338,812	-	-	-	338,812
Other comprehensive income for the period	-	-	-	-	6,088	-	6,088	6,088
Total comprehensive income for the period	-	-	-	338,812	6,088	-	6,088	344,900
Balance as at 31 March 2019	<u>450,000</u>	<u>674,380</u>	<u>45,000</u>	<u>6,595,161</u>	<u>1,503</u>	<u>-</u>	<u>1,503</u>	<u>7,766,044</u>
Balance as at 1 January 2020	450,000	674,380	45,000	7,189,820	10,173	-	10,173	8,369,373
Cumulative effect of change in accounting policy (Note 2)	-	-	-	-	(10,173)	142,668	132,495	132,495
Balance as at 1 January 2020 - as restated	<u>450,000</u>	<u>674,380</u>	<u>45,000</u>	<u>7,189,820</u>	<u>-</u>	<u>142,668</u>	<u>142,668</u>	<u>8,501,868</u>
Profit for the period	-	-	-	413,323	-	-	-	413,323
Other comprehensive income for the period	-	-	-	-	-	(17,475)	(17,475)	(17,475)
Total comprehensive income for the period	-	-	-	413,323	-	(17,475)	(17,475)	395,848
Transfer of fair value reserve of equity instruments designated at FVOCI to retained earnings	-	-	-	(9,533)	-	9,533	9,533	-
Balance as at 31 March 2020	<u>450,000</u>	<u>674,380</u>	<u>45,000</u>	<u>7,593,610</u>	<u>-</u>	<u>134,726</u>	<u>134,726</u>	<u>8,897,716</u>

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

(Unaudited but reviewed)

President Bakery Public Company Limited

Statements of changes in shareholders' equity (continued)

For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

	Separate financial statements							
	Issued and paid-up share capital	Share premium	Retained earnings		Other components of shareholders' equity		Total other components of shareholders' equity	Total
			Appropriated -		Changes in value of available-for-sale investments	Fair value reserve of financial assets at FVOCI		
			statutory reserve	Unappropriated				
Balance as at 1 January 2019	450,000	674,380	45,000	6,232,842	(4,585)	-	(4,585)	7,397,637
Profit for the period	-	-	-	342,731	-	-	-	342,731
Other comprehensive income for the period	-	-	-	-	6,088	-	6,088	6,088
Total comprehensive income for the period	-	-	-	342,731	6,088	-	6,088	348,819
Balance as at 31 March 2019	450,000	674,380	45,000	6,575,573	1,503	-	1,503	7,746,456
Balance as at 1 January 2020	450,000	674,380	45,000	7,167,246	10,173	-	10,173	8,346,799
Cumulative effect of change in accounting policy (Note 2)	-	-	-	-	(10,173)	142,668	132,495	132,495
Balance as at 1 January 2020 - as restated	450,000	674,380	45,000	7,167,246	-	142,668	142,668	8,479,294
Profit for the period	-	-	-	415,752	-	-	-	415,752
Other comprehensive income for the period	-	-	-	-	-	(17,475)	(17,475)	(17,475)
Total comprehensive income for the period	-	-	-	415,752	-	(17,475)	(17,475)	398,277
Transfer of fair value reserve of equity instruments designated at FVOCI to retained earnings	-	-	-	(9,533)	-	9,533	9,533	-
Balance as at 31 March 2020	450,000	674,380	45,000	7,573,465	-	134,726	134,726	8,877,571

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

(Unaudited but reviewed)

President Bakery Public Company Limited**Statements of cash flows****For the three-month period ended 31 March 2020**

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities				
Profit before tax	461,741	378,758	464,170	382,677
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	124,820	138,174	124,820	138,174
Loss (gain) from disposals of property, plant and equipment	651	(1,496)	651	(1,496)
Provision for litigation (reversal)	4,500	(12,587)	4,500	(12,587)
Share of loss (profit) from investment in joint venture	381	(1,287)	-	-
Gain on sales of short-term investments	-	(7)	-	(7)
Gain on sales of other current financial assets	(151)	-	(151)	-
Gain on sales of long-term investments	-	(434)	-	(434)
Loss on sales of other non-current financial assets	6,061	-	6,061	-
Loss from sales of equity investment not recognised in profit or loss	(9,533)	-	(9,533)	-
Unrealised gain on exchange	956	223	956	223
Provision for long-term employee benefits	2,206	2,177	2,206	2,177
Interest income	(17,672)	(13,329)	(17,672)	(13,329)
Dividend income from investments	(782)	(526)	(782)	(526)
Dividend income from joint venture	-	-	(2,048)	(5,206)
Interest expenses	198	1,169	198	1,169
Profit from operating activities before changes in operating assets and liabilities	573,376	490,835	573,376	490,835
Decrease (increase) in operating assets				
Trade and other receivables	82,558	95,679	82,558	95,679
Inventories	(3,170)	(3,839)	(3,170)	(3,839)
Other current assets	(1,944)	(7,460)	(1,944)	(7,460)
Other non-current assets	83	(50)	83	(50)
Increase (decrease) in operating liabilities				
Trade and other payables	(92,205)	(83,757)	(92,205)	(83,757)
Other current liabilities	(51,359)	(66,956)	(51,359)	(66,956)
Provision for long-term employee benefits	(1,003)	(663)	(1,003)	(663)
Other non-current liabilities	34	84	34	84
Cash from operating activities	506,370	423,873	506,370	423,873
Cash paid for income tax	(243)	(192)	(243)	(192)
Net cash from operating activities	506,127	423,681	506,127	423,681

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

(Unaudited but reviewed)

President Bakery Public Company Limited
Statements of cash flows (continued)
For the three-month period ended 31 March 2020

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash flows from investing activities				
Cash paid for other current financial assets	(1,023,819)	-	(1,023,819)	-
Cash paid for other non-current financial assets	(689,765)	-	(689,765)	-
Cash paid for short-term investments	-	(1,292,693)	-	(1,292,693)
Cash paid for long-term investments	-	(318,000)	-	(318,000)
Cash received from sales of other current financial assets	1,002,442	1,165,723	1,002,442	1,165,723
Cash received from sales of other non-current financial assets	542,191	359,508	542,191	359,508
Acquisitions of property, plant and equipment	(41,211)	(34,264)	(41,211)	(34,264)
Proceeds from disposals of property, plant and equipment	239	1,511	239	1,511
Decrease in advance payments for purchase of assets	197	2,338	197	2,338
Increase in intangible assets	(886)	(318)	(886)	(318)
Interest income	17,313	12,946	17,313	12,946
Dividend income from investments	317	211	317	211
Net cash used in investing activities	<u>(192,982)</u>	<u>(103,038)</u>	<u>(192,982)</u>	<u>(103,038)</u>
Cash flows from financing activities				
Decrease in liabilities under lease agreements	(10,335)	(9,631)	(10,335)	(9,631)
Decrease in long-term loans from directors	-	(3,337)	-	(3,337)
Increase in long-term loans from employees	-	4,439	-	4,439
Cash paid for interest expenses	(198)	(1,169)	(198)	(1,169)
Net cash used in financing activities	<u>(10,533)</u>	<u>(9,698)</u>	<u>(10,533)</u>	<u>(9,698)</u>
Net increase in cash and cash equivalents	302,612	310,945	302,612	310,945
Cash and cash equivalents at beginning of period	366,620	458,542	366,620	458,542
Cash and cash equivalents at end of period	<u>669,232</u>	<u>769,487</u>	<u>669,232</u>	<u>769,487</u>
Supplementary disclosures of cash flows information				
Non-cash related transactions				
Other payables for purchases of machinery and equipment, construction and retention	8,704	25,246	8,704	25,246
Dividend receivable	2,048	5,206	2,048	5,206

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

President Bakery Public Company Limited
Notes to interim financial statements
For the three-month periods ended 31 March 2020

1. General information

1.1 Corporate information

President Bakery Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Thai President Foods Public Company Limited, which is a public company incorporated in Thailand. The Company is principally engaged in the manufacture and sales of bakery products and its registered address is at No. 121/84-85, 29th Floor, RS Tower, Ratchadapisek Road, Dindaeng, 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 for 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 either profit or loss or through other comprehensive income.
- Recognition of credit losses - The Company recognises an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Company applies the simplified approach to consider impairment of trade receivables.
- Recognition of derivatives - The Company initially recognises derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

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

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

TFRS 16 Leases

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

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

The Company adopted these financial reporting standards using the modified retrospective method of initial adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated.

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

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic

The Federation of Accounting Professions announced Accounting Treatment Guidance on “Temporary relief measures on accounting alternatives in response to the impact of the COVID-19 situation”. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Company has elected to apply the following temporary relief measures on accounting alternatives:

- Not to take into account forward-looking information when determining expected credit losses, in cases where the Company uses a simplified approach to determine expected credit losses.
- To measure the fair value of investments in unquoted equity instruments using the fair value as at 1 January 2020.
- To lightly weight information relating to the COVID-19 situation in applying the valuation technique to measure the fair value of financial assets in the form of debt instruments using Level 2 or Level 3 inputs.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

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.

Derivatives are classified and measured at fair value through profit or loss

Impairment of financial assets

The Company recognises an allowance for expected credit losses on its financial assets measured at amortised cost, financial assets that are debt instruments and measured at fair value through other comprehensive income, 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 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 and Separate financial statements			
	The impacts of			1 January 2020
	31 December 2019	Financial reporting standards related to financial instruments	TFRS 16	
Statement of financial position				
Assets				
Current assets				
Current investments	2,493,595	(2,493,595)	-	-
Other current financial assets	-	2,493,595	-	2,493,595
Non-current assets				
Long-term investments	1,270,805	(1,270,805)	-	-
Other non-current financial assets	-	1,565,924	-	1,565,924
Other long-term investments	129,500	(129,500)	-	-
Property, plant and equipment	3,995,534	-	(59,905)	3,935,629
Right-of-use assets	-	-	87,830	87,830

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied and Separate financial statements			
	31 December 2019	The impacts of Financial reporting standards related to financial instruments	TFRS 16	1 January 2020
Statement of financial position (continued)				
Liabilities and shareholders' equity				
Current liabilities				
Current portion of liabilities under finance lease agreements	11,173	-	(11,173)	-
Current portion of lease liabilities	-	-	21,888	21,888
Non-current liabilities				
Liabilities under finance lease agreements, net of current portion	101	-	(101)	-
Lease liabilities, net of current portion	-	-	17,311	17,311
Deferred tax liabilities	-	33,124	-	33,124
Shareholders' equity				
Other components of shareholders' equity	-	132,495	-	132,495

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 and Separate financial statements
Fair value measurement of investments in equity instruments of non- listed companies	165,619
Less: Deferred tax liabilities	(33,124)
Impacts on other components of shareholders' equity due to the adoption of financial reporting standards related to financial instruments	132,495

(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 and 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	366,620	-	-	366,620	366,620
Trade and other receivables	925,397	-	-	925,397	925,397
Other current financial assets	2,493,595	-	582,440	1,911,155	2,493,595
Other current assets	33,495	-	-	33,495	33,495
Restricted bank deposits	36,348	-	-	36,348	36,348
Other non-current financial assets	1,400,305	190,342	1,375,582	-	1,565,924
Other non-current assets	4,245	-	-	4,245	4,245
Total financial assets	5,260,005	190,342	1,958,022	3,277,260	5,425,624

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

2.2 Leases

Upon initial application of TFRS 16 the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Company recognised the carrying amount of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

	(Unit: Thousand Baht)
Operating lease commitments as at 31 December 2019	19,212
Less: Short-term leases and leases of low-value assets	(876)
Add: Option to extend lease term	14,063
Less: Contracts reassessed as service agreements	(2,679)
Less: Deferred interest expenses	(1,795)
Increase in lease liabilities due to TFRS 16 adoption	<u>27,925</u>
Liabilities under finance lease agreements as at 31 December 2019	<u>11,274</u>
Lease liabilities as at 1 January 2020	<u><u>39,199</u></u>
Comprise of:	
Current lease liabilities	21,888
Non-current lease liabilities	17,311
	<u><u>39,199</u></u>

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

	(Unit: Thousand Baht)
Buildings and building improvement	20,642
Machinery and equipment	7,283
Total right-of-use assets	<u><u>27,925</u></u>

(Unaudited but reviewed)

3. Trade and other receivables

	(Unit: Thousand Baht)	
	31 March	31 December
	2020	2019
<u>Trade receivables - related party</u>		
Aged on the basis of due dates		
Not yet due	162	337
Total trade receivables - related party	162	337
<u>Trade receivables - unrelated parties</u>		
Not yet due	489,540	531,943
Past due		
Up to 3 months	352,414	390,258
3 - 6 months	6	4
Total trade receivables - unrelated parties	841,960	922,205
Total trade receivables	842,122	922,542
<u>Other receivables</u>		
Other receivables - related party	135	150
Other receivables - unrelated parties	2,713	2,705
Total other receivables	2,848	2,855
Total trade and other receivables	844,970	925,397

4. 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 and lending policy
	31 March		
	<u>2020</u>	<u>2019</u>	
Transactions with related companies			
Purchase of goods	115.1	111.3	Agreed price which approximates the market price by reference to purchase volume
Interest expenses under finance lease agreements	-	0.2	At the agreed rate in the agreement which approximates the market rate

(Unaudited but reviewed)

(Unit: Million Baht)

	For the three-month periods ended		Pricing and lending policy
	31 March		
	<u>2020</u>	<u>2019</u>	
Transactions with joint venture			
Sales of goods	0.6	0.8	Agreed price which approximates the market price
Service income	0.8	0.7	Agreed rate which approximates the market rate
Rental income	0.1	-	Agreed rate which approximates the market rate
Dividend income	2.0	5.2	At the declared rate
Transactions with related persons			
Interest expenses	-	0.5	Interest at the rate of 2.75% per annum

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)	
	<u>31 March 2020</u>	<u>31 December 2019</u>
Trade and other receivables - related party (Note 3)		
Joint venture (related by the Company holding interest in that company and by common shareholders and common directors)	<u>297</u>	<u>487</u>
Total trade and other receivables - related party	<u>297</u>	<u>487</u>
Trade and other payables - related parties (Note 9)		
Related companies (related by having holding interest in the Company and/or by common shareholders and common directors)	118,918	130,022
Connected companies (related by connected directors)	<u>1,163</u>	<u>1,624</u>
Total trade and other payables - related parties	<u>120,081</u>	<u>131,646</u>

Directors' and management's remuneration

During the three-month periods ended 31 March 2020 and 2019, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Million Baht)	
	For the three-month periods ended 31 March	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	11.6	13.4
Post-employment benefits and other long-term benefits	<u>0.4</u>	<u>0.4</u>
Total	<u>12.0</u>	<u>13.8</u>

5. Investment in joint venture

5.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other companies. Details of this investment are as follows:

Joint venture	Nature of business	Paid-up capital	Shareholding percentage		Financial statements in which the equity method is applied		Separate financial statements	
			31 March 2020	31 December 2019	31 March 2020	31 December 2019	31 March 2020	31 December 2019
		Million	31	31	31	31	31	31
		Baht						
			Percent	Percent	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
President Green House Foods Co., Ltd.	Operating the Japanese restaurant	15	39	39	25,995	28,424	5,850	5,850
Total investment in joint venture					25,995	28,424	5,850	5,850

In May 2008, the Company, together with a foreign company and a local company, jointly established President Green House Foods Company Limited to operate a Japanese restaurant. The Company had invested in 585,000 ordinary shares of this company at par value Baht 10 per share, amounting to Baht 5.85 million, or equivalent to 39% interest, and has treated this investment as investment in joint venture.

5.2 Share of comprehensive income and dividend received

During the periods, the Company recognised its share of comprehensive income from investment in the joint venture in the financial statements in which the equity method is applied and recognised dividend income in the separate financial statements in which the cost method is applied as follows:

(Unit: Thousand Baht)

Joint venture	Financial statements in which the equity method is applied		Separate financial statements	
	Share of profit (loss) from investment in the joint venture during the three-month periods ended 31 March		Dividend received during the three-month periods ended 31 March	
	2020	2019	2020	2019
President Green House Foods Company Limited	(381)	1,287	2,048	5,206
Total	(381)	1,287	2,048	5,206

6. Other financial assets

As at 31 March 2020, other financial assets, other than cash and cash equivalents, consisted of the following:

	(Unit: Thousand Baht)	
	31 March 2020	
	Cost/ Carrying value	Fair value
Deposits savings at amortised cost	2,066,968	2,066,968
Debt instruments at fair value through other comprehensive income		
Bank of Thailand bond	577,548	578,844
Corporate bonds, notes or debt instruments	1,042,682	1,054,577
Equity instruments at fair value through other comprehensive income		
Listed equity instruments	66,316	54,981
Non-listed equity instruments	189,500	355,119
Debt instruments at fair value through profit or loss		
Fund	115,648	116,573
Total	<u>4,058,662</u>	<u>4,227,062</u>

Classified as:

Other current financial assets	2,650,254
Other non-current financial assets	1,576,808

(Unaudited but reviewed)

Movements in the other financial assets during the three-month period ended 31 March 2020 are summarised below.

(Unit: Thousand Baht)

	Other current financial assets	Other non-current financial assets	Total
Balance as at 1 January 2020	2,493,595	1,270,805	3,764,400
Reclassification from adoption of financial reporting standards related to financial instruments	-	129,500	129,500
Adjustment from adoption of financial reporting standards related to financial instruments	-	165,619	165,619
Balance as at 1 January 2020 - as adjusted	2,493,595	1,565,924	4,059,519
Purchase during the period - at cost			
Cash paid for investments	1,023,819	689,765	1,713,584
Payable for investments	6,104	11,649	17,753
Total	1,029,923	701,414	1,731,337
Sales during the period - at cost			
Proceeds from sales	(1,002,442)	(542,191)	(1,544,633)
Receivable from sales	-	(2,131)	(2,131)
Gain (loss) on sales	151	(6,061)	(5,910)
Total	(1,002,291)	(550,383)	(1,552,674)
Transfer in (out)	128,661	(128,661)	-
Discount (surplus) on securities	420	(1,612)	(1,192)
Loss on change in value of investments	(53)	(9,874)	(9,927)
Balance as at 31 March 2020	2,650,254	1,576,808	4,227,062

The Company had set up private funds for investments which are managed by six asset management companies. The investments include fixed deposits at financial institution, common stocks of companies listed on the Stock Exchange of Thailand, Bank of Thailand bonds and corporate bonds.

As at 31 March 2020, the Company had assessed the fair value of such investments by referring to the value quoted by those six asset management companies in which the fair value had decreased by Baht 9.9 million (2019: increased by Baht 7.6 million). The change in the fair value of such securities is shown as other comprehensive income in the statement of comprehensive income.

On 17 September 2019, the meeting of the Board of Directors of the Company passed a resolution approving the Company to purchase 2,000,000 ordinary shares of Saha Capital Tower Co., Ltd., which is engaged in property rental and development business at par value Baht 100 per share, amounting to Baht 200 million, or equivalent to 10% interest, and has treated this investment as equity instruments designated at FVOCI. Saha Capital Tower Co., Ltd. called up 55 percent of its registered share capital and the Company made payment for share subscription of Baht 50 million in September 2019 and 60 million in March 2020.

7. Property, plant and equipment

Movements in the property, plant and equipment account during the three-month period ended 31 March 2020 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2020	3,995,534
Reclassification to right-of-use assets	<u>(59,905)</u>
Net book value as at 1 January 2020 - as adjusted	3,935,629
Acquisitions during the period - at cost	28,235
Disposals during the period - net book value at disposal date	(890)
Depreciation for the period	<u>(112,041)</u>
Net book value as at 31 March 2020	<u><u>3,850,933</u></u>

8. Right-of-use assets

Movements in the Right-of-use assets to account during the three-month period ended 31 March 2020 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 1 January 2020	-
Reclassification from property, plant and equipment	59,905
Adjustment of right-of-use assets due to TFRS16 adoption	<u>27,925</u>
Net book value as at 1 January 2020 - as adjusted	87,830
Depreciation for the period	<u>(12,325)</u>
Net book value as at 31 March 2020	<u><u>75,505</u></u>

9. Trade and other payables

	(Unit: Thousand Baht)	
	31 March 2020	31 December 2019
Trade payables - related parties	119,842	131,408
Trade payables - unrelated parties	321,637	362,755
Other payables - related party	239	238
Other payables - unrelated parties	94,029	114,842
Other payables for purchases of machinery and equipment	<u>7,145</u>	<u>18,504</u>
Total trade and other payables	<u><u>542,892</u></u>	<u><u>627,747</u></u>

10. Liabilities under lease agreements/finance lease agreements

	(Unit: Thousand Baht)	
	31 March 2020	31 December 2019
Liabilities under lease agreements	30,561	11,375
Less: Deferred interest expenses	(1,697)	(101)
Net	28,864	11,274
Less: Portion due within one year	(14,267)	(11,173)
Liabilities under lease agreements - net of current portion	<u>14,597</u>	<u>101</u>

11. Provision for long-term employee benefits

Movements in provision for long-term employee benefits during the three-month period ended 31 March 2020 are shown as follows:

	(Unit: Thousand Baht)		
	Employee retirement benefits	Other long-term employee benefits	Total
Provision for long-term employee benefits as at 1 January 2020	94,267	5,148	99,415
Current service cost	1,481	362	1,843
Interest cost	333	30	363
Benefits paid during the period	(1,003)	-	(1,003)
Provision for long-term employee benefits as at 31 March 2020	<u>95,078</u>	<u>5,540</u>	<u>100,618</u>

Long-term employee benefit expenses included in the profit or loss for the three-month periods ended 31 March 2020 amounted to Baht 2.2 million (2019: Baht 2.2 million).

12. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

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 and separate financial statements	
	For the three-month periods ended 31 March	
	<u>2020</u>	<u>2019</u>
Current income tax:		
Interim corporate income tax charge	48,325	38,742
Deferred tax:		
Relating to origination and reversal of temporary differences	93	1,204
Income tax expenses reported in profit or loss	<u>48,418</u>	<u>39,946</u>

The amounts of income tax relating to each component of other comprehensive income for the three-month periods ended 31 March 2020 and 2019 are as follows:

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied and separate financial statements	
	For the three-month periods ended 31 March	
	<u>2020</u>	<u>2019</u>
Deferred tax relating to change in value of investments	<u>(1,985)</u>	<u>1,522</u>

13. Operating segment information

The one main reportable operating segment of the Company is manufacture and sales of bakery products in which revenue is recognised at a point in time and the single geographical area of its operations is Thailand. The distribution channels are through wholesale, retail and export. The wholesales for the three-month periods ended 31 March 2020 amounted to approximately Baht 1,633.3 million or 89.9 % of total revenues (2019: Baht 1,634.8 million or 89.7% of total revenues) which were from a main customer, representing about 47.3% of total revenues (2019: 48.3% of total revenues). Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

14. 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.

	For the three-month periods ended 31 March			
	Financial statements in which the equity method is applied		Separate financial statements	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit for the period (Thousand Baht)	413,323	338,812	415,752	342,731
Weighted average number of ordinary shares (Thousand shares)	450,000	450,000	450,000	450,000
Basic earnings per share (Baht)	0.92	0.75	0.92	0.76

15. Commitments and contingent liabilities**15.1 Capital commitments**

As at 31 March 2020, the Company had capital commitments in respect of procurement agreements for production equipment of approximately Baht 3.9 million and AUD 0.03 million, totaling approximately Baht 4.4 million.

15.2 Lease of the low-value assets and other service commitments

The Company and the joint venture have entered into several long-term contracts in respect of the lease of the low-value assets and related services. The terms of the agreements are generally between 1 and 3 years.

As at 31 March 2020, future lease and service fees payables under these lease and service contracts were as follows:

	(Unit: Million Baht)	
	<u>The Company</u>	<u>Joint venture</u>
<u>Payable within:</u>		
Less than 1 year	2.9	3.1
1 to 3 years	0.3	3.0

15.3 Long-term service commitments

The joint venture entered into license and technical assistance agreements with an overseas related company for the use of a trademark and the receipt of information related to operation and management of restaurants. Under the conditions of the license agreement, the joint venture is to pay an annual license fee as stipulated in the agreement. The license fees for the three-month periods ended 31 March 2020 amounted to approximately Baht 0.4 million (2019: Baht 0.6 million).

15.4 Long-term purchase commitments

The Company has commitments under natural gas purchase agreement for periods of 3 - 7 years. Under the agreement, the Company is committed to purchase natural gas at a minimum quantity at the price stipulated in the agreement.

No.	Period (Years)	Expired date	Average minimum quantity purchase (Million BTU)
1	3	30 November 2020	72,007 per annum
2	5	31 December 2023	317 per day
3	7	30 November 2020	23,385 per annum

15.5 Guarantees

As at 31 March 2020, there were outstanding bank guarantees of approximately Baht 29.0 million issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of the Company's business. These included letters of guarantee amounting to Baht 26.0 million to guarantee electricity use, and Baht 3.0 million to guarantee contractual performance under the natural gas purchase agreement.

Moreover, the Company had pledged its fixed deposit of Baht 36.3 million with the Revenue Department as a guarantee for a retroactive tax assessment against the Company. During the current period, the Court of Appeal for Specialized Cases affirmed the judgment of the Court of First Instance. The case is currently under consideration of the Supreme Court.

15.6 Litigation

In March 2020, the Company was sued by the Department of Empowerment of Persons with Disabilities seeking to have the Company pay to the fund for Empowerment of Persons with Disabilities, including interest in total amount of Baht 7.7 million. Currently, the case is in the process of appointment for negotiation.

16. Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from material and machinery purchasing transactions that are denominated in foreign currencies.

The balances of financial liabilities denominated in foreign currencies as at 31 March 2020 are summarised below.

Foreign currency	Amount	Exchange rates as at 31 March 2020
	(Million)	(Baht per foreign currency unit)
US dollar	1.1	32.8298
Japanese Yen	0.5	0.3047
Euro	0.1	36.3057

As at 31 March 2020, there was no outstanding balance of forward exchange contract.

17. Fair value of financial instruments

As at 31 March 2020, the Company had the following assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Thousand Baht)			
	Financial statements in which the equity method is applied and separate financial statements			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Investments in equity instruments of listed companies	54,981	-	-	54,981
Investments in equity instruments of non-listed companies	-	-	355,119	355,119
Investments in debt instruments	-	1,633,421	-	1,633,421
Investments in fund	-	116,573	-	116,573

Valuation techniques and inputs to Level 2 and Level 3 valuation

The fair value of investments in debt instruments has been determined by using the yield curve as announced by the Thai Bond Market Association or by other relevant bodies.

The fair value of investments in non-listed company are estimated by discounting expected future cash flow.

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

18. Event after the reporting period - dividend payment

On 8 April 2020, the Board of Directors Meeting of the Company passed a resolution to approve the payment of interim dividends on the profit for the last six months of year 2019 to the shareholders at Baht 1.09 per share or equivalent to Baht 490.5 million. The Company will pay such dividend on 7 May 2020.

19. Reclassification

The Company reclassified the following amounts in the statements of comprehensive income for the three-month period ended 31 March 2019 to conform with the current period's classification. The reclassifications had no effect to previously reported profit or shareholders' equity.

	(Unit: Thousand Baht)	
	Financial statements in which the equity method is applied and separate financial statements	
	As reclassified	As previously reported
Selling and distribution expenses	360,062	326,469
Administrative expenses	78,135	111,728

20. Approval of interim financial statements

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