

RPCG Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month periods ended 31 March 2019

1. General information

1.1 The Company's general information

RPCG Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the investment and holding company business. The registered office of the Company, which is the head office, is located at 86/2 Sammakorn Place, Ramkhamhaeng Road, Saphan Sung, Bangkok. The Company's branch, which is the plant, is located at 7/3 Pakorn Songkrohrad Road, Map-ta-phut, Muang Rayong, Rayong.

The Company's major shareholder is Petro-Instruments Corp., Ltd., which as at 31 March 2019 and 31 December 2018 held 19.72% of the issued and paid-up capital of the Company.

1.2 Fundamental accounting assumptions

As discussed in Note 19.5 to the financial statements, since the year 2009 the Company has been involved in significant commercial disputes and outstanding litigations with its major raw material supplier, who stopped delivering raw materials to the Company in February 2012. This forced the Company to cease production, since it has been unable to find new suppliers of these raw materials, while some of its subsidiaries that operate in a related business have also had to cease operations. On 20 April 2015, the 2015 Annual General Meeting of the shareholders approved a resolution to permanently discontinue the refinery business in Rayong province. The Group has therefore suffered operating losses from refinery business in the years since the cessation of production in 2012. Later, in March 2016, an arbitral tribunal rendered an award by a majority vote whereby the major supplier (litigant) was to pay damages for the unlawful termination of its agreement with the Company, and the Company was to receive certain compensation for damages, the litigant filed a petition with the Civil Court to revoke the arbitration award and the Company filed a petition with the Civil Court to seek enforcement of that award. Even though some significant uncertainties that may impact on the ability of the Group to continue as a going concern as a result of the cessation of the refinery have currently eased following the management plans, as at 31 March 2019, the Group has current liabilities in excess of its current assets by Baht 1,340 million (31 December 2018: Baht 1,392 million). Current liabilities include liabilities under the commercial disputes and outstanding litigations with its major raw material supplier. In April 2017, the arbitral tribunal

rendered an award to order the Company to make a final payment for condensate residue to the major supplier. However, the Company did not agree with the arbitration award. The Company exercised its legal right to file a petition with the Civil Court to revoke the award. In March 2019, the Civil Court ordered the revocation of the arbitration award. However, the major supplier disagrees with the judgement and will exercise its legal right to appeal to the Supreme Court. These factors would raise substantial doubt regarding the ability of the Group to continue as a going concern, if the outcomes of such cases are not beneficial to the Group. However, the outcomes of the commercial disputes and outstanding litigations, cannot be concluded at this time and depends on future judicial proceedings.

After the cessation of the refinery business, the Company's management has improved the operations by restructuring the organisation in order to operate investment and holding company business. They believe that they will be able to resolve the issues. The Company's investment was as below.

- a) During the year 2014 the Company purchased the ordinary shares of Thai Public Port Co., Ltd. (TPP), which is principally engaged in the rental of oil depot and port business, at 30.00% shareholding in TPP.
- b) During the year 2015 the Company purchased additional ordinary shares of Sammakorn Plc. (SAMCO), which is principally engaged in the real estate development. As a result the Company's shareholding in SAMCO is 48.25%.

In addition, the Company is seeking business partners and other new business opportunities. For these reasons, the financial statements have been prepared on the going concern basis.

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, income statement, 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 Basis of consolidation

The consolidated financial statements include the financial statements of RPCG Public Company Limited and its subsidiaries (hereinafter called “the Group”), and have been prepared on the same basis as applied for the consolidated financial statements for the year ended 31 December 2018. There have been no changes in the composition of the subsidiaries in the current period.

1.5 New financial reporting standards

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

During the period, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Group’s financial statements. However, the new standard involves changes to key principles, which are summarised below.

TFRS 15 Revenue from Contracts with Customers

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

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

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

The Group has adopted TFRS 15, which certain items have been reclassified in the prior period's financial statements presented as comparative information. The reclassification is described in Note 2 to the financial statements.

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

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

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

Financial reporting standards

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard

TAS 32	Financial Instruments: Presentation
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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. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

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

TFRS 16 Leases

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

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

The management of the Group is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

1.6 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018, except for the recognition of transactions as follows:

Free products

Subsidiaries have distributed free products to customers who making purchases of goods under specified conditions. The subsidiaries record cost of free products as cost of sales when goods are delivered. Previously, it was recorded in selling and distribution expenses.

(Unaudited but reviewed)

2. Reclassification arising from changes in accounting policies as a result of the adoption of new financial reporting standards

As described in Note 1.5 to the financial statements, during the current period, the Group has adopted TFRS 15, which certain items have been reclassified in the prior period's financial statements presented as comparative information.

The amounts of the adjustments affecting the reclassification in the statement of income for the three-month period ended 31 March 2018, with no effect to previously reported net loss or shareholders' equity, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statement of income			
Profit or loss			
Cost of sales	565,148	2,107	567,255
Selling and distribution expenses	16,295	(2,107)	14,188
Loss for the period	(15,706)	-	(15,706)

3. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Trade receivables - related parties				
Aged on the basis of due dates				
Past due				
Not over 3 months	32	35	-	-
Total trade receivables - related parties	32	35	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Past due				
Not over 3 months	28,690	31,411	-	-
3 - 6 months	1,379	501	-	-
6 - 12 months	418	143	-	-
Over 12 months	12,350	12,460	-	-
Total	42,837	44,515	-	-
Less: Allowance for doubtful debts	(11,926)	(11,606)	-	-
Total trade receivables - unrelated parties, net	30,911	32,909	-	-
Total trade receivables - net	30,943	32,944	-	-
Other receivables				
Accrued income - related parties	2,096	863	5,314	3,901
Accrued income - unrelated parties	1,520	914	69	46
Others	9,408	9,775	3	3
Total	13,024	11,552	5,386	3,950
Less: Allowance for doubtful debts	(5,652)	(5,627)	-	-
Total other receivables - net	7,372	5,925	5,386	3,950
Total trade and other receivables - net	38,315	38,869	5,386	3,950

4. Related party transactions

During the periods, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Group and those related parties.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
For the three-month periods ended 31 March				
	2019	2018	2019	2018
Transactions with subsidiaries				
(Eliminated from the consolidated financial statements)				
Interest income	-	-	4,555	7,747
Other income - other services	-	-	696	797
Transactions with associates				
Sales	47	79	-	-
Interest income	1,233	-	1,233	-
Land rental expenses	245	227	-	-
Office rental expenses	696	577	57	57
Other expenses	550	411	62	74
Transactions with related party				
Other expenses	67	61	67	61
Transactions with management and director				
Consulting expenses	-	300	-	300

Transfer pricing policy for significant business transactions with related parties are summarised below.

Transactions	Transfer pricing policy
Sales	The selling price is set out based on the market price.
Interest income	2.95% - 5.00% per annum
Other income	Contract price
Land and office rental expenses	Contract price
Other expenses	Contract price
Consulting expenses	Contract price

(Unaudited but reviewed)

The balances of the accounts between the Group and those related parties are as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Trade and other receivables - related parties (Note 3)				
<i>Trade receivables - related parties</i>				
Associates	32	35	-	-
Total trade receivables - related parties	32	35	-	-
<i>Other receivables - related parties</i>				
Subsidiaries	-	-	3,218	3,038
Associate	2,096	863	2,096	863
Total other receivables - related parties	2,096	863	5,314	3,901
Short-term loans to related parties				
Subsidiary	-	-	319,188	319,188
Associate	100,000	100,000	100,000	100,000
Total short-term loans to related parties	100,000	100,000	419,188	419,188
Less: Allowance for doubtful debts	-	-	(319,188)	(319,188)
Total short-term loans to related parties, net	100,000	100,000	100,000	100,000
Long-term loan to related parties				
Subsidiary	-	-	145,000	145,000
Related company	4,500	4,500	4,500	4,500
Total long-term loan to related parties, net	4,500	4,500	149,500	149,500
Less: Allowance for doubtful debts	(4,500)	(4,500)	(4,500)	(4,500)
Total long-term loans to related parties, net	-	-	145,000	145,000
Other payables - related parties				
Associate	365	224	19	27
Related company	42	15	42	15
Total other payables - related parties	407	239	61	42

(Unaudited but reviewed)

Loans to related parties

During the three-month period ended 31 March 2019, movements of loans to related parties were as follows.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Balance as at 31 December 2018	Increase during the period	Decrease during the period	Balance as at 31 March 2019
Short-term loan				
Sammakorn Plc.	100,000	-	-	100,000
Total	100,000	-	-	100,000
Long-term loan				
KP Energy Group Co., Ltd.	4,500	-	-	4,500
Less: Allowance for doubtful debts	(4,500)	-	-	(4,500)
Net	-	-	-	-

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at 31 December 2018	Increase during the period	Decrease during the period	Balance as at 31 March 2019
Short-term loans				
Pure Biodiesel Co., Ltd.	319,188	-	-	319,188
Sammakorn Plc.	100,000	-	-	100,000
Total	419,188	-	-	419,188
Less: Allowance for doubtful debts	(319,188)	-	-	(319,188)
Net	100,000	-	-	100,000
Long-term loans				
Pure Thai Energy Co., Ltd.	145,000	-	-	145,000
KP Energy Group Co., Ltd.	4,500	-	-	4,500
Total	149,500	-	-	149,500
Less: Allowance for doubtful debts	(4,500)	-	-	(4,500)
Net	145,000	-	-	145,000

As at 31 March 2019 and 31 December 2018, loans to subsidiaries and associate totaling Baht 564 million are in the form of short-term promissory notes and loan agreement, carrying interest at rates of 2.95% - 5.00% per annum. Short-term loans to Pure Biodiesel Co., Ltd. were guaranteed by the mortgage of land, building, machinery and oil depots. However, the Company reclassified loans of Baht 145 million to Pure Thai Energy Co., Ltd. as long-term loans since the Company will not call the loans within one year.

(Unaudited but reviewed)

The Company set aside allowance for doubtful debts for the loans to Pure Biodiesel Co., Ltd. (PBC) for the whole amount, as the Company expects that the assets of the subsidiary will not be sufficient to repay the loans. On 1 October 2013, the Company ceased recognising the interest income on the loans to PBC. However, during the three-month period ended 31 March 2019, PBC paid interest expenses to the Company amounting to Baht 4 million (2018: Baht 7 million) since it has rental income from land, building, machinery and oil depots.

The loan to KP Energy Group Co., Ltd. (KPEG) was unsecured loan carrying interest at a rate of 5% per annum. The Company set aside allowance for doubtful debts for the full amount as the Company expects that the assets of KPEG will not be sufficient to repay the loan. On 1 January 2015, the Company ceased recognising the interest income on the loan to this company.

Directors and management's benefits

During the three-month periods ended 31 March 2019 and 2018, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	For the three-month periods ended 31 March			
	2019	2018	2019	2018
Short-term employee benefits	2,953	2,616	2,089	1,608
Post-employment benefits	107	110	67	66
Total	<u>3,060</u>	<u>2,726</u>	<u>2,156</u>	<u>1,674</u>

5. Inventories

Movements in the allowance for reduction of cost of inventories to net realisable value account during the three-month period ended 31 March 2019 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial	financial
	statements	statements
Balance as at 1 January 2019	18,029	9,831
Add: Reduction of cost of inventories to net realisable value	501	-
Balance as at 31 March 2019	<u>18,530</u>	<u>9,831</u>

(Unaudited but reviewed)

6. Long-term loans to unrelated parties

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
Long-term loans to unrelated parties	6,904	7,012	5,146	5,146
Less: Allowance for doubtful debts	(5,146)	(5,146)	(5,146)	(5,146)
Long-term loans to unrelated parties, net	1,758	1,866	-	-
Less: Current portion	(460)	(449)	-	-
Non-current portion	1,298	1,417	-	-

7. Pledged deposits at banks

These represented fixed deposits pledged with the banks to secure credit facilities.

8. Investments in associates**8.1 Details of associates**

(Unit: Thousand Baht)

Company	Nature of business	Country of incorporation	Shareholding percentage		Cost		Consolidated		Separate	
			31 March	31 December	31 March	31 December	financial statements		financial statements	
			2019	2018	2019	2018	Carrying amounts based on equity method		Carrying amounts based on cost method	
			%	%			31 March	31 December	31 March	31 December
Thai Public Port Co., Ltd.	Rental of oil depot and port business	Thailand	30.00	30.00	900,112	900,112	764,329	765,878	900,112	900,112
Sammakorn Plc.	Real estate development	Thailand	48.25	48.25	785,802	785,802	1,202,250	1,198,276	785,802	785,802
Total investments in associates							1,966,579	1,964,154	1,685,914	1,685,914
Less: Allowance for impairment							(139,000)	(139,000)	(151,000)	(151,000)
Investments in associates, net							1,827,579	1,825,154	1,534,914	1,534,914

Thai Public Port Co., Ltd.

During the year 1998, TPP filed an application for a concession to operate on state land, located between TPP's land and the coast (port area), totaling 103 rai. In 2007, the Cabinet approved the concession for a period of 50 years. However, there is the litigation which refer to land owned by TPP, the working group therefore resolved to await the final judgement of courts. During the year 2017, the Supreme Court has upheld a decision by the Court of Appeals not to revoke the title deed. Chonburi Provincial Administration has notified the Public Land Management Bureau under the Department of Lands of the Supreme Court's judgement. At present, the granting of the concession and other relevant matters are being considered by the Public Land Management Bureau under the Department of Lands.

8.2 Share of profit (loss) and dividend received

During the three-month periods ended 31 March 2019 and 2018, the Company recognised its share of profit (loss) from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows.

(Unit: Thousand Baht)

Company	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) from investments in associates for the three-month periods ended		Dividend received for the	
	31 March		three-month periods ended 31 March	
	2019	2018	2019	2018
Thai Public Port Co., Ltd.	(1,549)	2,655	-	-
Sammakorn Plc.	3,974	(5,760)	-	-
Total	2,425	(3,105)	-	-

On 4 April 2019, the Annual General Meeting of the Shareholders of Sammakorn Public Company Limited passed a resolution approving payment of a cash dividend of Baht 0.07 per share, or a total of Baht 44.9 million, with the Company to receive Baht 21.7 million. The Company received the cash dividend on 2 May 2019.

On 30 April 2019, the Annual General Meeting of the Shareholders of Thai Public Port Company Limited passed a resolution approving payment of a cash dividend of Baht 1.00 per share, or a total of Baht 105 million, with the Company to receive Baht 31.5 million. The Company expects to receive the cash dividend in May 2019.

8.3 Fair value of investment in listed associate

As at 31 March 2019, fair value of investment in Sammakorn Plc., an associate that is listed company on the Stock Exchange of Thailand, was Baht 542 million (31 December 2018: Baht 520 million).

8.4 Impairment loss on investment in associate

The Company's management adopted discounted cash flows method in order to assess impairment loss on investment in Thai Public Port Co., Ltd. The discount rate at 8% per annum and long-term growth rate at 1% per annum are used in this valuation.

9. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows.

Company	(Unit: Thousand Baht)					
	Paid-up capital		Shareholding percentage		Cost	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
			%	%		
Pure Biodiesel Co., Ltd. *	280,000	280,000	100	100	279,999	279,999
Pure Thai Energy Co., Ltd. and its subsidiaries	140,000	140,000	100	100	140,000	140,000
RPC Management Co., Ltd. *	500	500	100	100	956	956
Total investments in subsidiaries					420,955	420,955
Less: Allowance for impairment					(98,516)	(98,516)
Investments in subsidiaries - net					<u>322,439</u>	<u>322,439</u>

* Business suspended as at 31 March 2019 and 31 December 2018

During the three-month periods ended 31 March 2019 and 2018, the Company had no dividend received from its subsidiaries.

10. Other long-term investment

Company	Nature of business	Country of incorporation	(Unit: Thousand Baht)					
			Paid-up capital		Shareholding percentage		Consolidated financial statements / Separate financial statements	
			31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
					%	%		
KP Energy Group Co., Ltd.	Production and distribution of electricity	Thailand	38,380	38,380	17.46	17.46	5,482	5,482
Less: Allowance for impairment							(5,482)	(5,482)
Other long-term investment - net							<u>-</u>	<u>-</u>

(Unaudited but reviewed)

11. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Operating assets	361,272	359,559	4,862	5,088
Ceased using assets	986,415	988,937	583,720	584,544
Total property, plant and equipment	1,347,687	1,348,496	588,582	589,632
Less: Allowance for impairment	(462,632)	(462,632)	(239,626)	(239,626)
Property, plant and equipment - net	<u>885,055</u>	<u>885,864</u>	<u>348,956</u>	<u>350,006</u>

Movements of the property, plant and equipment account during the three-month period ended 31 March 2019 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2019	885,864	350,006
Acquisitions during the period - at cost	12,263	-
Disposals during the period	(7)	-
Depreciation for the period	(13,065)	(1,050)
Net book value as at 31 March 2019	<u>885,055</u>	<u>348,956</u>

As at 31 December 2018, the Group had vehicles with net book values of Baht 0.1 million (31 March 2019: nil) and in the separate financial statements of Baht 0.1 million (31 March 2019: nil), which were acquired under finance lease agreements.

A subsidiary has mortgaged land, building, machinery and oil depots with a total book value as at 31 March 2019 of Baht 100 million (31 December 2018: Baht 101 million) as collateral to secure short-term loans received from the Company, as discussed in Note 4 to the financial statements.

(Unaudited but reviewed)

12. Other non-current assets

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
The compensation for loss	26,711	26,711	26,711	26,711
Prepaid corporate income tax	16,661	14,387	332	269
Prepaid rental and fees for land utilisation	121,637	119,560	-	-
Deposits	2,769	2,677	207	207
Total	167,778	163,335	27,250	27,187

Prepaid rental and fees for land utilisation are cash paid in advance that a subsidiary pays to landlords for the operation of gas station business.

The compensation for loss is the compensation receivable because, in the third quarter of 2006, a raw material supplier delivered raw materials of a quality different to that specified in the relevant purchase agreement, with characteristics that differed from those of deliveries made to the Company under the agreement in the past. Therefore, the Company had additional cost for product improvement and compensation amounting to Baht 136 million. Based on the negotiation with the supplier, the Company will receive compensation of Baht 53 million. The difference represents inventory loss as a result of continuous and substantial falls in the prices of inventories and raw materials (inventory loss). Since this loss was a result of global market conditions with neither the Company nor the supplier could avoid, the supplier requested that each part bear responsibility for its own share of the inventory loss. The Company therefore recorded the compensation for loss in full as a deduction against cost of sales in 2006. The partial balance of Baht 26 million was paid by a credit note in November 2006 and the supplier will inform the Company of the method in payment for the remaining Baht 27 million later.

During 2 October - 20 November 2010, the supplier delivered raw materials of a quality difference to that specified in the relevant purchase agreement again. As a result, the Company had additional cost of raw materials quality improvement and other damages totaling Baht 53 million. The Company requested the compensation to the supplier but could not negotiable. Therefore, on 9 November 2016, the Company filed a dispute to the Arbitration Office (Black Dispute No. 117/2559), requesting the supplier to pay the compensation of raw materials quality improvement which the supplier sent raw materials different from purchase agreement in 2006 and during October - November 2010 amounting to Baht 27 million and Baht 53 million, respectively, plus interest 7.5% per annum of such amounts. The total compensation is Baht 117 million. In April 2017, the supplier has submitted a statement of objection and the dispute is currently under formal arbitration proceedings.

13. Bank overdrafts

Bank overdrafts of a subsidiary company are secured by a fixed deposit account of Baht 6 million, together with interest. The interest on the overdrafts is charged to the fixed deposit interest rate (F/D) plus 1.25% per annum for the first Baht 6 million and at the MOR minus 0.25% per annum for amount in the excess of Baht 6 million.

14. Short-term loans from unrelated parties

As at 31 March 2019, these represented promissory notes which the subsidiary issued to individuals. The loans carried interest at rate of 1.55% per annum (31 December 2018: 1.55% - 1.58% per annum) and are repayable within one year.

15. 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.

Tax income for the three-month periods ended 31 March 2019 and 2018 are made up as follows.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
For the three-month periods ended 31 March				
	2019	2018	2019	2018
Current income tax:				
Interim corporate income tax charge	1,329	-	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	-	(3,376)	-	-
Tax (income) expense reported in the income statement	<u>1,329</u>	<u>(3,376)</u>	<u>-</u>	<u>-</u>

(Unaudited but reviewed)

16. Discontinued operation

Details of loss from discontinued operation for the three-month periods ended 31 March 2019 and 2018 are presented below.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
For the three-month periods ended 31 March				
	2019	2018	2019	2018
Revenues	-	-	-	-
Expenses				
Administrative expenses	823	2,401	823	2,451
Total expenses	823	2,401	823	2,451
Loss from discontinued operation	<u>(823)</u>	<u>(2,401)</u>	<u>(823)</u>	<u>(2,451)</u>

(Unit: Baht)

Earnings per share:

Loss per share for the period from
discontinued operation

<u>(0.0006)</u>	<u>(0.0018)</u>	<u>(0.0006)</u>	<u>(0.0019)</u>
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(Unit: Thousand shares)

Weighted average number of ordinary
shares

<u>1,304,664</u>	<u>1,304,664</u>	<u>1,304,664</u>	<u>1,304,664</u>
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The net cash flows incurred by discontinued operation for the three-month periods ended 31 March 2019 and 2018 are as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Operating activities	-	-	-	-
Investing activities	-	300	-	250
Financing activities	-	-	-	-
Net cash flows from discontinued operation	<u>-</u>	<u>300</u>	<u>-</u>	<u>250</u>

17. Basic earnings per share

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

18. Segment information

The Group is organised into business units based on its products and services. During the current period, the Group has not changed the organisation of its reportable segments.

The following table presented revenues and loss information regarding the Group's operating segments for the three-month periods ended 31 March 2019 and 2018.

(Unit: Million Baht)

	Energy segment		Real estate segment		Adjustments and eliminations		Consolidated financial statements	
	For the three-month periods ended 31 March							
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues								
Sales and service income from external customers	1,029	611	-	-	-	-	1,029	611
Total revenues	1,029	611	-	-	-	-	1,029	611
Results								
Segment loss	(2)	(19)	-	-	-	-	(2)	(19)
Finance income	1	-	-	-	-	-	1	-
Profit (loss) from investments	(2)	3	4	(6)	-	-	2	(3)
Other income	7	5	-	-	-	-	7	5
Profit (loss) before income tax	4	(11)	4	(6)	-	-	8	(17)
Tax income (expense)	(1)	3	-	-	-	-	(1)	3
Profit (loss) for the period								
from continuing operation	3	(8)	4	(6)	-	-	7	(14)
Loss for the period from discontinued operation	(1)	(2)	-	-	-	-	(1)	(2)
Profit (loss) for the period	2	(10)	4	(6)	-	-	6	(16)

For the three-month periods ended 31 March 2019 and 2018, the Group has no major customer with revenue of 10% or more of the entity's revenues.

19. Commitments and contingent liabilities**19.1 Capital commitments**

As at 31 March 2019, capital commitments of a subsidiary totaling Baht 3.2 million were in respect of the construction of gas stations (31 December 2018: Baht 3.0 million).

19.2 Operating lease, service and research and development agreement commitments

The Group entered into several operating lease and service agreements in respect of the leases of land, buildings, gas stations and equipment with terms of 1 to 30 years, and a research and development agreement with a term of 3 years.

Future minimum payments required under these agreements were as follows.

(Unit: Million Baht)

Payable within	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2019	2018	2019	2018
In up to 1 year	32	29	5	5
In over 1 and up to 5 years	167	168	4	4
In over 5 years	406	417	-	-

19.3 Long-term purchase and sale commitments

- a) In November 2007, a subsidiary (Pure Biodiesel Co., Ltd.) (PBC) entered into an agreement with Global Power Synergy Co., Ltd. (GPSC) to purchase steam in a quantity and at a price stipulated in the agreement, which is for a period of 15 years commencing from the facility commercial operation date or 1 October 2008. The agreement could be extended for another 5 years.

On 26 December 2011, the subsidiary entered into a memorandum with GPSC, whereby GPSC will construct a pipe rack and bridge to install a steam pipeline, with a construction price of Baht 58 million, and will compensate the subsidiary an amount of Baht 23 million, for the impact of its inability to supply steam as agreed. This is treated as part of the delay penalty and deducted from construction cost. The construction cost and all interest are to be paid to GPSC on a monthly basis, beginning on the first of the 37th month and to be completed within 72 months after the date GPSC commences supplying steam. The construction cost carries interest at a rate equal to MLR of a bank.

In March 2017, GPSC sent a letter notifying of the cancellation of the steam purchase agreement and the memorandum regarding installation of a steam pipeline, on the grounds that PBC had breached certain conditions of the agreement, and its claim of certain damages from PBC. PBC subsequently sent a letter refusing to pay the damages.

(Unaudited but reviewed)

- b) On 6 October 2017, a meeting of the Company's Board of Directors passed a resolution granting approval for a subsidiary running a retail and gasoline service station business to change from operating its service stations under the "Pure" brand to operating them under the "Esso" brand in order to improve efficiency and the strength of its gasoline retail sales business and to support future business expansion.

As at 31 March 2019, the subsidiary has signed up to gasoline trading agreements with Esso (Thailand) Public Company Limited and was granted the right to use the "Esso" trademark at 60 gasoline stations (31 December 2018: 58 gasoline stations) for at least 10 years from the date that each station is opened under the "Esso" trademark. The subsidiary continues to be the operator of these gasoline stations. Under the agreements, the subsidiary has to order fuel in quantities and at prices as specified in the agreements throughout the contractual period.

19.4 Guarantees

- a) As at 31 March 2019 and 31 December 2018, there were outstanding bank guarantees of Baht 207 million issued by banks on behalf of the Group in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 205 million to guarantee payments due to creditors and Baht 2 million to guarantee electricity use, among others.
- b) As at 31 March 2019 and 31 December 2018, a subsidiary has guaranteed bank credit facilities of its subsidiary amounting to Baht 10 million.

19.5 Litigation and commercial dispute

On 8 August 1995, the Company entered into a purchase agreement with PTT Public Company Limited (PTT) to purchase condensate residue raw materials that are produced by PTT Global Chemical Public Company Limited (PTTGC) in a quantity and at a price stipulated in the agreement. The agreement is on an evergreen basis, meaning that there is no specified termination date, and after the primary period of 15 years ends in 2012 it automatically renews for a second period.

On 30 September 2009, PTT sent a letter informing the Company of the cancellation of the condensate residue raw materials purchase agreement, and requesting termination of the agreement upon completion of the 15-year term (Primary period) in 2012 even though the Company did not breach the agreement and the cancellation was contrary to the purpose of the agreement. The Company and the Company's legal advisor are of the opinion that the agreement cannot be terminated since it is a long-term reciprocal agreement, and it stipulates the requirement that the Company invest in the construction of a plant to refine condensate residue of a specification that would be sourced only from PTT, and not to resell the raw materials in the same condition they

are received from PTT. The agreement therefore includes a stipulation that the agreement is made on an evergreen basis, meaning that there is no specified termination date and the agreement will automatically remain in force upon completion of the first 15-year term (Primary period) and the following periods. In addition, the agreement can only be terminated with the consent of both counterparties or in the event that either party breaches the agreement. The Company has not breached any conditions of the agreement. On this basis, the Company is confident that the agreement cannot be terminated, while PTT has a different opinion. The Company has held discussions with PTT in order to seek a resolution that would be fair to both parties, but no resolution could be found. Consequently, to maintain the rights of the shareholders guaranteed and protected by law, the Company used the judicial process to make a final determination on the matter, and submitted a petition to the Arbitration Office (Black Dispute No. 114/2552) on 3 December 2009 and on 27 August 2010, the Company lodged a lawsuit against PTT and PTTGC with the Civil Court (Black Case No. 3162/2553), demanding PTT and PTTGC should pay compensation to the Company totaling Baht 29,368 million and Baht 9,382 million, respectively. The Civil Court has ordered the ongoing litigation (Black Case No. 3162/2553) be temporarily struck off in order to await the decision of the Arbitration Office.

According to PTT's breach of agreement, and the Company exercising its rights to undertake court action and arbitration in order to pursue these claims. The Company has exercised lien over the last payment for condensate residue, amounting to Baht 1,518 million as part of the compensation it is claiming from PTT. PTT had submitted the dispute to the Arbitration Office (Black Dispute No. 78/2555), requesting the Company to pay principal together with interest totaling Baht 1,555 million to PTT.

In April 2016, the Company received a copy of an arbitration award (Black Dispute No. 114/2552) dated 25 March 2016, pursuant to which the arbitral tribunal rendered an award by a majority vote whereby PTT was to pay damages for the unlawful termination of its agreement with the Company in the amount of Baht 390 million per annum starting from 1 February 2012 until the date on which the arbitral tribunal rendered the arbitration award (25 March 2016), together with 7.5% interest per annum on such amount of damages calculated on the date on which the arbitral tribunal rendered the arbitration award until PTT makes payment in full to the Company. However, PTT petitioned the court to revoke the award on 30 June 2016 (Black Case No. Por.3016/2559). Later, on 16 December 2016, the Company filed a petition with the Civil Court to seek enforcement of the above arbitration award (Black Case No. Por.6000/2559). The Civil Court has ordered the combination of Black Case No. Por.6000/2559 with Black Case No. Por.3016/2559. The case is currently under the consideration of the Civil Court.

(Unaudited but reviewed)

In May 2017, the Company received a copy of an arbitration award (Black Dispute No. 78/2555) dated 27 April 2017, pursuant to which the arbitral tribunal rendered an award to order the Company to make a final payment for condensate residue to PTT of Baht 1,555 million, together with interest at 9.375% per annum on principal of Baht 1,518 million, from the date on which the dispute was submitted to arbitration (18 May 2012) until the Company makes payment in full to PTT. However, the Company does not agree with the arbitration award. On 25 July 2017, the Company exercised its legal right to file a petition with the Civil Court to revoke the award (Black Case No. Por.3492/2560). Later, in September 2017, the Company received a copy of a petition filed by PTT with the Civil Court seeking to enforce the award (Black Case No. Por.3789/2560). The Civil Court has ordered the combination of Black Case No. Por.3789/2560 with Black Case No. Por.3492/2560. In March 2019, the Civil Court ordered the revocation of the arbitration award for Black Dispute No. 78/2555 and dismissed the petition of PTT. However, PTT disagrees with the judgement and will exercise its legal right to appeal to the Supreme Court.

20. Fair value of financial instruments

As of 31 March 2019 and 31 December 2018, the Group had the following assets that were measured at fair value using level of inputs as follows.

(Unit: Million Baht)

Consolidated financial statements						
Level 1*		Level 2**		Total		
31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	
Assets measured at fair value						
Current investments						
Investment units in mutual funds	209	185	-	-	209	185
Property, plant and equipment	-	-	531	534	531	534

(Unit: Million Baht)

Separate financial statements						
Level 1*		Level 2**		Total		
31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018	
Assets measured at fair value						
Current investments						
Investment units in mutual funds	157	170	-	-	157	170
Property, plant and equipment	-	-	344	345	344	345

* Level 1 Use of quoted market prices in an observable active market for such assets

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

21. Events after the reporting period

Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 2.3 million (the Company only: nil) as a result. The Group will reflect the effect of the change by recognising past service costs as expenses in the income statement of the period in which the law is effective, which is the second quarter of 2019.

22. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 15 May 2019.