

NORTH EAST RUBBER PUBLIC COMPANY LIMITED

Interim Financial Information

For the Period Ended September 30, 2022

and Report on Review of Interim Financial Information

Performed by the Certified Public Accountant

M.R. & ASSOCIATES CO., LTD.
Certified Public Accountants

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors of North East Rubber Public Company Limited

I have reviewed the accompanying financial statements of North East Rubber Public Company Limited, which comprise the statement of financial position as at September 30, 2022, and the related statements of comprehensive income for the three-month and nine-month periods then ended, the statement of changes in shareholders' equity and the statement of cash flows for the nine-month period then ended, and the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Thai Accounting Standard No. 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 the 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 the Thai Accounting Standard No. 34 "Interim Financial Reporting".

(Mr. Akadet Pliensakul)
Certified Public Accountant
Registration No. 5389

M.R. & ASSOCIATES CO., LTD.
Bangkok
November 8, 2022

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

ASSETS

		In Thousand Baht	
		September 30, 2022	December 31, 2021
		(Unaudited)	
Note		(Reviewed)	(Audited)
CURRENT ASSETS			
		2,091,029	540,047
- Related parties	3, 4	941	3,088
- Other parties	4	983,951	796,569
Inventories - net	6	11,771,784	11,067,461
Biological assets	5	3,987	157
Value-added tax receivable		11,102	8,891
Total Current Assets		14,862,794	12,416,213
NON-CURRENT ASSETS			
Restricted deposits at banks	6, 15	349,919	257,423
Other receivable		-	4,883
Property, plant and equipment - net	6, 15	1,664,726	1,520,762
Right-of-use assets - net	3	22,260	24,322
Intangible assets - net		618	435
Deferred tax assets	8	8,552	4,059
Deposits and guarantees		15,860	11,193
Total Non-Current Assets		2,061,935	1,823,077
TOTAL ASSETS		16,924,729	14,239,290

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

LIABILITIES AND SHAREHOLDERS' EQUITY

		In Thousand Baht	
		September 30, 2022	December 31, 2021
		(Unaudited)	
Note		(Reviewed)	(Audited)
CURRENT LIABILITIES			
Bank overdrafts and short-term borrowings from financial institutions	6	2,697,520	3,847,537
Trade and other payables			
- Related parties	3	2,336	2,173
- Other parties	7	522,603	458,331
Current portion of long-term borrowings from financial institutions	15	123,157	111,625
Current portion of lease liabilities	3	9,155	8,232
Current portion of debentures	10	700,000	700,000
Income tax payable		17,167	18,770
Other current financial liabilities			
- Derivative liabilities	15	72,062	925
- Retention payable		3,349	3,035
- Others		4,411	2,988
Total Current Liabilities		4,151,760	5,153,616
NON-CURRENT LIABILITIES			
Long-term borrowings from financial institutions - net	15	466,115	358,241
Lease liabilities - net	3	12,778	16,121
Debentures - net	3, 10	6,058,002	3,250,456
Liability for post-employment benefits	9	16,268	14,727
Total Non-Current Liabilities		6,553,163	3,639,545
Total Liabilities		10,704,923	8,793,161
SHAREHOLDERS' EQUITY			
Share capital - common shares, Baht 0.50 par value			
Authorized share capital - 2,009,467,890 shares, Baht 0.50 par value	11	1,004,734	1,004,734
Issued and fully paid-up share capital - 1,847,789,748 shares, Baht 0.50 par value in 2022 and 1,760,635,056 shares, Baht 0.50 par value in 2021	11	923,895	880,318
Premium on shares	11	1,571,731	1,458,430
Retained earnings			
- Appropriated for legal reserve		100,473	100,473
- Unappropriated		3,623,707	3,006,908
Total Shareholders' Equity		6,219,806	5,446,129
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,924,729	14,239,290

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)
(REVIEWED)

		In Thousand Baht	
	Note	2022	2021
REVENUES			
Sales		7,221,529	7,153,067
Other income	3	3,346	991
Total Revenues		<u>7,224,875</u>	<u>7,154,058</u>
EXPENSES			
Cost of sales	3	6,256,721	6,211,862
Distribution costs		185,283	191,176
Administrative expenses	3	35,323	36,377
Loss on exchange rate		64,773	152,623
Loss on valuation of fair value of derivatives		25,334	17,094
Total Expenses		<u>6,567,434</u>	<u>6,609,132</u>
Profit from Operating Activities		657,441	544,926
Finance Costs	3	<u>112,062</u>	<u>88,281</u>
PROFIT BEFORE INCOME TAX EXPENSE		545,379	456,645
Income Tax Expense	8	<u>16,499</u>	<u>16,341</u>
PROFIT FOR THE PERIOD		528,880	440,304
Other Comprehensive Income for the Period		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>528,880</u>	<u>440,304</u>
Basic Earnings per Share (Baht)	12	<u>0.286</u>	<u>0.268</u>
Diluted Earnings per Share (Baht)	12	<u>0.286</u>	<u>0.245</u>

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)
(REVIEWED)

		In Thousand Baht	
	Note	2022	2021
REVENUES			
Sales		18,086,353	18,405,713
Other income			
- Income on insurance compensation	16	-	24,048
- Others	3	6,647	5,551
Total Revenues		18,093,000	18,435,312
EXPENSES			
Cost of sales	3	15,735,783	16,038,547
Distribution costs		421,963	512,094
Administrative expenses	3	107,953	96,858
Loss on exchange rate		50,437	200,980
Loss on valuation of fair value of derivatives		71,137	77,026
Total Expenses		16,387,273	16,925,505
Profit from Operating Activities		1,705,727	1,509,807
Finance Costs	3	300,187	236,480
PROFIT BEFORE INCOME TAX EXPENSE		1,405,540	1,273,327
Income Tax Expense	8	25,567	27,684
PROFIT FOR THE PERIOD		1,379,973	1,245,643
Other Comprehensive Income for the Period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,379,973	1,245,643
Basic Earnings per Share (Baht)	12	0.766	0.766
Diluted Earnings per Share (Baht)	12	0.752	0.703

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)
(REVIEWED)

		In Thousand Baht				
		Issued and Fully		Retained Earnings		Total Shareholders' Equity
	Note	Paid-up Share Capital	Premium on Shares	Appropriated for Legal Reserve	Unappropriated	
Beginning Balance as at January 1, 2022		880,318	1,458,430	100,473	3,006,908	5,446,129
Proceeds from increase in share capital	12	43,577	113,301	-	-	156,878
Dividends paid	13	-	-	-	(763,174)	(763,174)
Profit for the period		-	-	-	1,379,973	1,379,973
Ending Balance as at September 30, 2022		<u>923,895</u>	<u>1,571,731</u>	<u>100,473</u>	<u>3,623,707</u>	<u>6,219,806</u>
Beginning Balance as at January 1, 2021		807,339	1,268,687	100,100	1,514,458	3,690,584
Proceeds from increase in share capital	12	15,316	39,822	-	-	55,138
Dividends paid	13	-	-	-	(357,367)	(357,367)
Profit for the period		-	-	-	1,245,643	1,245,643
Ending Balance as at September 30, 2021		<u>822,655</u>	<u>1,308,509</u>	<u>100,100</u>	<u>2,402,734</u>	<u>4,633,998</u>

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)
(REVIEWED)

	In Thousand Baht	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,379,973	1,245,643
Adjustments		
Income tax expense	25,567	27,684
Depreciation and amortization	136,687	132,092
Expenses on post-employment benefits	1,637	1,580
Unrealized loss (gain) on exchange rate	(7,032)	72,655
Increase in allowance for diminution in value of inventories	1,189	-
Gain on valuation of biological assets	(8,760)	(10,589)
Gain on sales of equipment	-	(338)
Unrealized loss on valuation of fair value of derivatives	72,062	74,685
Loss on written-off assets	119	625
Loss (reversal of loss) on purchase commitment of inventories	407	(638)
Interest income	(821)	(610)
Interest expense	297,433	235,513
Decrease (increase) in operating assets		
Trade and other receivables	(173,225)	(8,193)
Inventories	(700,582)	(3,779,225)
Proceeds from value-added tax receivable	6,946	22,881
Other current assets	(9,157)	9,244
Other non-current assets	(14)	(13,540)
Increase (decrease) in operating liabilities		
Trade and other payables	60,523	807,774
Other current financial liabilities	405	(4,944)
Liability for post-employment benefits	(96)	-
Net cash flows provided by (used in) operations	1,083,261	(1,187,701)
Income tax paid	(31,663)	(38,244)
Net Cash Flows Provided by (Used in) Operating Activities	1,051,598	(1,225,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted deposits at banks	(92,496)	(45,639)
Increase in investment in subsidiary	-	(2,750)
Additions to plant and equipment	(282,918)	(89,512)
Additions to intangible assets	(346)	(49)
Proceeds from sales of equipment	-	2,804
Interest received	696	725
Net Cash Flows Used in Investing Activities	(375,064)	(134,421)

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS (Continued)
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(UNAUDITED)
(REVIEWED)

	In Thousand Baht	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bank overdrafts and short-term borrowings from financial institutions	(1,150,017)	117,131
Increase in long-term borrowing from financial institutions	210,000	158,994
Repayment of long-term borrowings from financial institutions	(90,594)	(94,401)
Payments of lease liabilities	(6,674)	(6,482)
Issuances of debentures	2,814,300	1,300,000
Debenture issuance costs	(26,158)	(23,592)
Dividends paid	(763,169)	(454,248)
Interest paid	(270,118)	(215,362)
Proceeds from increase in share capital	156,878	55,138
Net Cash Flows Provided by Financing Activities	874,448	837,178
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 1,550,982	 (523,188)
 Cash and Cash Equivalents at Beginning of Period	 540,047	 830,371
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 2,091,029	 307,183
 Supplementary disclosures of cash flow information:		
A. Cash and cash equivalents at end of period:		
Cash in hand	35	205
Current accounts at banks	306,892	40,837
Savings deposits at banks	1,784,102	266,141
Total	2,091,029	307,183
b. Non-cash transactions:		
Decrease in payables on purchase of fixed assets (other payables)	4,006	17,663
Transfer of biological assets to inventories	4,930	4,009
Increase in right-of-use assets from new lease liabilities	-	18,237
Fixed assets transferred from right-of-use assets	-	8,518
Dividends payable	5	-
Transfer of deposits and guarantees to fixed assets	9,960	-

The accompanying condensed notes are an integral part of these financial statements.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

1. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL INFORMATION

The accompanying interim financial information has been prepared on a condensed basis and in accordance with the Thai Accounting Standard No. 34 “Interim Financial Reporting” including interpretations and guidelines promulgated by the Thai Federation of Accounting Professions (“TFAC”), applicable rules and regulations of the Securities and Exchange Commission.

The accompanying interim financial information has been prepared to provide additional information to the financial statements for the year ended December 31, 2021, by focusing on new activities, events and circumstances and which are not repeated information previously reported. Accordingly, the accompanying interim financial information should be read in conjunction with the financial statements for the year ended December 31, 2021.

Starting from January 1, 2022, the Company has adopted Thai Accounting Standards (TAS) and Thai Financial Reporting Standards (TFRS) as well as Thai Accounting Interpretation (TSIC), Thai Financial Reporting Interpretation (TFRIC) and accounting guidance, newly issued and revised by TFAC, which became effective from the accounting period starting on or after January 1, 2022 which the important part for the year 2022 related to (1) the practical expedient relating to COVID-19-related rent concessions for lessee in respect of TFRS 16 and (2) the Interest Rate Benchmark (IBOR) Reform-Phase 2 which relates to certain significant TFRSs e.g. TFRS 4, TFRS 7, TFRS 9 and TFRS 16. The aforesaid adoption of newly issued and revised TAS / TFRS / TSIC / TFRIC and accounting guidance did not have any material effect to the financial statements of the Company.

For convenience of the readers, an English translation of the interim financial information has been prepared from the Thai language interim financial information that is issued for domestic financial reporting purposes.

At the Board of Directors’ meeting on November 8, 2021, the Board of Directors passed the resolution to approve the liquidation of N.E. Power Co., Ltd. (“NEP”), the subsidiary whose shares were held by the Company at 99.99% and was established in March 2021 in order to conduct the business relating to the generating and sales of electricity from biomass under the Community Power Plants for Local Economy Project (Pilot Project), whereby NEP was subsequently not selected in September 2021 to participate in such project. Thus, NEP was registered for its liquidation with the Ministry of Commerce on December 7, 2021 which is the date on which the Company’s control in NEP was ceased. The comparative information in the statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021, the statement of changes in shareholders’ equity and the statement of cash flows for the nine-month period then ended was discarded the figures for the consolidated financial statements of the Company and NEP. However, from the date of incorporation until September 30, 2021, NEP did not have any business activities so that the figures in the consolidated financial performance and cash flows did not significantly differed from those in the separate financial performance and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company applied significant accounting policies and methods of computation to the preparation of interim financial information for the three-month and nine-month periods ended September 30, 2022 and 2021 which are similar to those applied to the preparation of financial statements for the year ended December 31, 2021 except the adoption of newly issued and revised TAS and TFRS as well as TSIC, TFRIC and accounting guidance as discussed in Note 1 which had no any material effect.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements (Continued)
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

3. TRANSACTIONS WITH RELATED PARTIES

Outstanding balances with related parties as at September 30, 2022 and December 31, 2021 are as follows:

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Other receivables		
<u>Other income receivable</u>		
- Related person	941	338
<u>Other receivable</u>		
- Related company	-	2,750
Total other receivables	941	3,088
Right-of-use assets - net		
- Related person	2,241	3,109
- Related companies	3,074	5,121
Total	5,315	8,230
Other payables		
<u>Accrued vehicle rental charges</u>		
- Related companies	435	475
<u>Accrued debenture interest expense</u>		
- Related person	10	-
<u>Accrued gasoline expense</u>		
- Related company	1,288	549
<u>Accrued maintenance expense</u>		
- Related company	603	1,149
Total other payables	2,336	2,173
Lease liabilities - net		
- Related person	2,085	3,050
- Related companies	3,256	5,233
Total	5,341	8,283
Debentures - net		
- Related person	3,000	-

Revenues and expenses with related parties for the three-month and nine-month periods ended September 30, 2022 and 2021 are as follows:

	In Thousand Baht			
	Three-Month Periods		Nine-Month Periods	
	2022	2021	2022	2021
Rental income				
- Related person	68	68	203	203
Sales of napier grass				
- Related person	260	473	1,411	809
Sales of livestock mattress from the test-run (market price)				
- Related person	1,610	-	1,610	-
Service income				
- Related companies	-	-	-	15
Purchase of raw materials and supplies				
- Related person	466	592	1,544	954
- Related company	3,184	-	5,753	-
Total	3,650	592	7,297	954

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements (Continued)
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

	In Thousand Baht			
	Three-Month Periods		Nine-Month Periods	
	2022	2021	2022	2021
Maintenance expense				
- Related company	664	148	1,154	695
Service expense				
- Related company	-	8	5	8
Gasoline expense				
- Related company	7,190	4,897	19,224	13,894
Depreciation of right-of-use assets				
- Related person	289	289	868	868
- Related companies	683	682	2,047	1,958
Total	972	971	2,915	2,826
Interest expense under lease liabilities				
- Related person	37	50	120	130
- Related companies	50	80	170	246
Total	87	130	290	376
Interest expense on debentures (at 5.65% p.a.)				
- Related person	10	-	10	-
Key management's remunerations				
- Short-term benefits	5,629	4,557	15,867	13,924
- Post-employment benefits	265	241	790	722
Total	5,894	4,798	16,657	14,646

4. TRADE AND OTHER RECEIVABLES

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Related parties		
Other income receivable	941	338
Other receivable	-	2,750
Total	941	3,088
Other parties		
Trade receivables	957,675	733,398
Prepaid expenses	18,005	34,954
Other receivables	7,757	7,845
Interest receivable	491	366
Advance	23	-
Advances for raw materials	-	20,006
Total	983,951	796,569

As at September 30, 2022 and December 31, 2021, trade receivables classified by outstanding period are as follows:

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Current	935,322	685,612
Overdue not exceeding 3 months	22,353	47,786
Total	957,675	733,398

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements (Continued)
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

5. BIOLOGICAL ASSETS

	In Thousand Baht		
		Changes	
	Balance as at December 31, 2021	Gain on Valuation	Harvest and Transfer to Inventories
			Balance as at September 30, 2022
Napier grass in plots	157	8,760	(4,930)
			3,987

6. BANK OVERDRAFTS AND SHORT-TERM BORROWINGS FROM FINANCIAL INSTITUTIONS

During the nine-month period ended September 30, 2022, the Company has been granted the credit facilities in addition to those of 2021 amounting to Baht 1,360 million from four local banks, cancelled the credit facilities amounting to Baht 2,995 million that were granted by a local bank, and swapped certain amounts between short-term credit facilities with another two local banks. As at September 30, 2022, the entire credit facilities from eleven financial institutions had the related balances as follows:

Type of Credit Facilities	Credit Facilities		Outstanding Balance (In Million Baht)	Interest Rate (p.a.)
	(In Million Baht)	U.S. Dollar)		
Bank overdraft	50.0	-	-	MOR, MOR - 1.25% and MOR - 0.5%
Loan under packing credit	3,002.8	-	1,321.5	MLR - 1.5%, MOR, MOR - 2.65%, MOR - 3%, LIBOR + 1.65%, LIBOR + 2.25%, LIBOR + 2.3%, LIBOR + 3%, BIBOR + 3%, SHIBOR + 3% and as per each announcement by bank
Loan under promissory note	2,242.2	-	1,376.0	MLR - 1.5%, MOR, MOR - 1%, MOR - 1.5%, Prime Rate - 1.25%, Prime Rate - 0.5%, Prime Rate - 1.5%, BIBOR + 3%, LIBOR + 2.25%, LIBOR + 3% and as per each announcement by bank
Letter of credit	20.0	0.6	-	As per each announcement by bank
Loan under factoring	15.0	-	-	MOR - 3% and as per each announcement by bank
Total	5,330.0	0.6	2,697.5	

The above credit facilities are guaranteed by land with structures thereon and investment in government bonds of certain directors of the Company, land with structures thereon of persons related to certain directors of the Company, the Company's deposits with six local banks totaling approximately Baht 348.5 million, the Company's raw materials and finished goods as well as land with structures thereon including machinery and equipment.

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements (Continued)
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

7. TRADE AND OTHER PAYABLES - OTHER PARTIES

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Trade payables	129,201	135,370
Advances from customers	215,537	128,809
Accrued expenses	108,258	128,445
Accrued interest	60,832	52,921
Payables on purchase of fixed assets	8,778	12,784
Dividends payable	7	2
Total	522,613	458,331

8. INCOME TAX

Corporate income tax recorded as (income) expense for the three-month periods ended September 30, 2022 and 2021 consists of:

	In Thousand Baht	
	2022	2021
Income tax computed from accounting profit	109,076	91,330
Effects from non-deductible expenses	6,845	4,812
Effects from additional deductible expenses	(16,464)	(10,017)
Effects from reduction in income tax rate under investment promotion	(81,433)	(68,990)
Current tax computed from taxable profit	18,024	17,135
Increase in deferred tax assets	(1,525)	(794)
Income tax presented as profit or loss item in statement of comprehensive income	16,499	16,341

Corporate income tax recorded as (income) expense for the nine-month periods ended September 30, 2022 and 2021 consists of:

	In Thousand Baht	
	2022	2021
Income tax computed from accounting profit	281,108	254,666
Effects from non-deductible expenses	20,220	19,775
Effects from additional deductible expenses	(33,197)	(39,013)
Effects from reduction in income tax rate under investment promotion	(238,071)	(207,293)
Current tax computed from taxable profit	30,060	28,135
Increase in deferred tax assets	(4,493)	(451)
Income tax presented as profit or loss item in statement of comprehensive income	25,567	27,684

NORTH EAST RUBBER PUBLIC COMPANY LIMITED
Condensed Notes to the Financial Statements (Continued)
September 30, 2022 and 2021 (Unaudited) (Reviewed)
December 31, 2021 (Audited)

Deferred tax assets presented in statements of financial position as at September 30, 2022 and December 31, 2021 consist of:

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Effects from temporary non-deductible items or items not yet recognized as accounting income :		
- Derivatives liabilities	3,857	35
- Liability for post-employment benefits	3,254	2,945
- Gain on sales and leaseback	1,069	1,069
- Allowance for diminution in value of inventories	237	-
- Liabilities on purchase commitment of inventories	135	10
Total deferred tax assets	8,552	4,059

9. LIABILITY FOR POST-EMPLOYMENT BENEFITS

Movements of liability for post-employment benefits for the nine-month periods ended September 30, 2022 and 2021 are as follows:

	In Thousand Baht	
	2022	2021
Liability for post-employment benefits as at January 1	14,727	12,620
Current service cost	1,403	1,377
Interest cost	234	203
Expense recognized in statement of comprehensive income	1,637	1,580
Employee benefits paid during the period	(96)	-
Liability for post-employment benefits as at September 30	16,268	14,200

Significant assumptions used in calculation of liability for post-employment benefits are as follows:

- Discount rate 1.91% p.a.
- Salary escalation rate 7.52% p.a.
- Employee turnover rate 0% - 25% p.a.

The abovementioned changes in significant assumptions may affect the sensitivity of the balance of provision or liability for post-employment benefits in respect of the information as per the calculation report of the qualified actuary as follows:

	Liability may increase (decrease) from changes in significant assumptions (In Thousand Baht)	
Significant Assumptions	If Increased by 0.5%	If Decreased by 0.5%
Discount rate	(767)	832
Salary escalation rate	929	(862)
Employee turnover rate	(928)	1,065

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10. DEBENTURES

	In Thousand Baht	
	September 30, 2022	December 31, 2021
Debentures	6,814,300	4,000,000
Less Deferred direct transaction costs on debenture issuance	(56,298)	(49,544)
Net	6,758,002	3,950,456
Less Current portion	(700,000)	(700,000)
Net	6,058,002	3,250,456

On October 30, 2020, the Company limitedly issued and offered the registered, unsubordinated, and unsecured debentures to the institutional and potential investors of 700,000 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 6.50% p.a. whereby interest is payable on a quarterly basis and will mature for redemption on October 30, 2022.

On April 9, 2021, the Company limitedly issued and offered the registered, unsubordinated, and unsecured debentures to the institutional and potential investors of 1,300,000 units of which face value per unit is Baht 1,000. Such debentures bear interest rate at 5.85% p.a. whereby interest is payable on a quarterly basis and will mature for redemption on October 9, 2023.

On November 4, 2021, the Company limitedly issued and offered the two series of registered, unsubordinated, and unsecured debentures to the institutional and potential investors of 2,000,000 units (1,000,000 units per serie) of which face value per unit is Baht 1,000. Such debentures bear interest rate at 5.25% p.a. (the first serie) and 6.00% p.a. (the second serie) whereby interest is payable on a quarterly basis and will mature for redemption on November 4, 2025 (the first serie) and 2026 (the second serie).

On September 8, 2022, the Company limitedly issued and offered the two series of registered, unsubordinated, and unsecured debentures to the institutional and potential investors of 2,814,300 units (the first serie of 1,161,500 units and the second serie of 1,652,800 units) of which face value per unit is Baht 1,000. Such debentures bear interest rate at 5.65% p.a. (the first serie) and 6.40% p.a. (the second serie) whereby interest is payable on a quarterly basis and will mature for redemption on September 8, 2027 (the first serie) and 2029 (the second serie).

The abovementioned debentures have significant conditions which include maintaining Debt-to-Equity ratio at the rate not exceeding 2.5:1.

Direct transaction costs on debenture issuance were underwriter and management fees on debenture issuance, which were recorded as a deferred item and systematically amortized on a straight-line method as expense in profit or loss over the term of related debentures.

As at September 30, 2022, the Company had amount for issuance of debentures not exceeding Baht 8,000 million which was approved in the general shareholders' meetings on April 20, 2020, April 8, 2021 and April 7, 2022.

As at September 30, 2022 and December 31, 2021, such debentures had fair values of approximately Baht 6,689.4 million and Baht 4,014.6 million, respectively, which represented the Level 2 input of the fair value hierarchy.

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11. SHARE CAPITAL

	Par Value (In Baht)	In Thousand Shares / In Thousand Baht			
		September 30, 2022		December 31, 2021	
		No. of Share	At Par Value	No. of Share	At Par Value
Authorized share capital					
As at September 30, 2022					
and December 31, 2021					
- Common shares	0.50	<u>2,009,468</u>	<u>1,004,734</u>	<u>2,009,468</u>	<u>1,004,734</u>
Issued and paid-up shares					
As at January 1, 2022 and					
2021					
- Common shares	0.50	1,760,635	880,318	1,614,679	807,339
Exercise of warrants					
(see Note 12)	0.50	<u>87,155</u>	<u>43,577</u>	<u>145,956</u>	<u>72,979</u>
As at September 30, 2022					
and December 31, 2021					
- Common shares	0.50	<u>1,847,790</u>	<u>923,895</u>	<u>1,760,635</u>	<u>880,318</u>

At the general shareholders' meeting on April 7, 2022, the shareholders unanimously passed the resolution to approve the extension of the appropriation for the Company's common shares by issuance of incremental common shares under General Mandate method of 161,467,890 shares, Baht 0.50 par value, for private placement whereby such matter was previously approved in the general shareholders' meeting on April 8, 2021.

12. WARRANTS AND EARNINGS PER SHARE

Warrants

At the general shareholders' meeting on April 20, 2020, the shareholders unanimously approved the Company to issue 308,000,000 units of free warrants ("NER-W1") to the existing shareholders for the purchase of incremental shares on the basis of 5 common shares for 1 unit of warrant on May 27, 2020. Terms of the warrants are as follows:

Exercise ratio	1 unit of warrant is able to buy 1 incremental common share
Exercise price	Baht 1.80 per share
Exercise period	The warrants shall be exercisable with the first exercise date on December 15, 2020 and other 3 times, i.e. the 15th of June and December 2021 and the last exercise date is May 26, 2022.
Term of warrants	2 years from the date on which the warrants are issued to the shareholders

Later on June 17, 2020, the Stock Exchange of Thailand has granted the Company's warrants (NER-W1) of 307,999,935 units as the listed securities and has permitted such warrants to be traded on the Stock Exchange of Thailand since June 18, 2020. Details of the exercised warrants are as follows:

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Exercise Date	Number of warrants exercised for purchases of common shares (Unit)	Proceeds from the exercise of warrants (Baht)	Paid-up share capital (Baht)	Premium on shares (Baht)	Number of unexercised warrants	Date of the registered increase in issued and paid-up share capital with the Ministry of Commerce
December 15, 2020	74,678,906	134,422,031	37,339,453	97,082,578	233,321,029	December 18, 2020
June 15, 2021	30,632,040	55,137,672	15,316,020	39,821,652	202,688,989	June 22, 2021
December 15, 2021	115,324,110	207,583,398	57,662,055	149,921,343	87,364,879	December 17, 2021
May 26, 2022 *	87,154,692	156,878,446	43,577,346	113,301,100	210,187	May 30, 2022

* Last exercise date whereby May 27, 2022 was the delisting date of the Company's warrants from the Stock Exchange of Thailand

Basic earnings per share

Basic earnings per share for the three-month and nine-month periods ended September 30, 2022 and 2021 are determined by dividing profit for the period by the weighted average number of common shares outstanding during the period as follows:

	In Thousand Baht / Thousand Shares			
	Three-Month Periods		Nine-Month Periods	
	2022	2021	2022	2021
Profit for the period (In thousand Baht)	528,880	440,304	1,379,973	1,245,643
Basic weighted average number of outstanding common shares (In thousand shares)	1,847,790	1,645,311	1,801,499	1,626,797
Basic earnings per share (Baht)	0.286	0.268	0.766	0.766

Diluted earnings per share

Diluted earnings per share for the three-month and nine-month periods ended September 30, 2022 and 2021 are determined by dividing the profit for the period by the weighted average number of common shares outstanding during the period after adjusting the effect from dilutive potential common shares as follows:

	In Thousand Baht / Thousand Shares			
	Three-Month Periods		Nine-Month Periods	
	2022	2021	2022	2021
Profit for the period (In thousand Baht)	528,880	440,304	1,379,973	1,245,643
Basic weighted average number of outstanding common shares (In thousand shares)	1,847,790	1,645,311	1,801,499	1,626,797
Effect from the assumed exercise of warrants (In thousand shares)	-	154,997	34,588	145,234
Diluted weighted average number of outstanding common shares (In thousand shares)	1,847,790	1,800,308	1,836,087	1,772,031
Diluted earnings per share (Baht)	0.286	0.245	0.752	0.703

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13. DIVIDENDS

At the Board of Directors' meeting on August 8, 2022, the Board of Directors unanimously approved the Company to pay interim dividends from the operations for the six-month period ended June 30, 2022 at Baht 0.07 per share, totalling approximately Baht 129.3 million. Such dividends shall be entirely paid from profit of the promoted business. The Company paid such dividends to the shareholders on September 7, 2022.

At the general shareholders' meeting on April 7, 2022, the shareholders unanimously passed the resolution to approve the declaration of final dividends from the 2021 operations to shareholders at Baht 0.36 per share, totalling approximately Baht 633.8 million. Such dividends shall be paid from profit of the entirely promoted business. The Company paid such dividends to the shareholders on May 6, 2022.

At the Board of Directors' meeting on August 9, 2021, the Board of Directors unanimously approved the Company to pay interim dividends from the operations for the six-month period ended June 30, 2021 at Baht 0.07 per share, totalling approximately Baht 115.2 million. Such dividends shall be entirely paid from profit of the promoted business. The Company paid such dividends to the shareholders on September 6, 2021.

At the general shareholders' meeting on April 8, 2021, the shareholders unanimously passed the resolution to approve the declaration of final dividends from the 2020 operations to shareholders at Baht 0.15 per share, totalling approximately Baht 242.2 million. Such dividends shall be paid from profit of the entirely promoted business. The Company paid such dividends to the shareholders on May 7, 2021.

14. SIGNIFICANT FINANCIAL INFORMATION CLASSIFIED BY OPERATING SEGMENT

The gross profit margin emphasized in statement of income is significant and core financial information of the Company that is provided regularly to the highest authority in decision-making operation and also used in evaluation of financial performances of the segments. As at September 30, 2022, the Company still had a single core operating segment (identified by internal reporting segments), i.e. manufacturing and sales of rubber smoked sheets, skim block rubbers and other rubber products, both in domestic and abroad, whereby the other segments are insignificant portion. Accordingly, the accompanying interim financial information does not include information relating to information on business or product segment. In addition, the Company's transfers between segments were accounted for at cost and the Company is unable to apportion the segment information for assets and liabilities without undue costs.

Information on Geographic Areas

	Nine-Month Periods - In Thousand Baht					
	Export Sales		Domestic Sales		Total	
	2022	2021	2022	2021	2022	2021
Sales	5,863,462	6,664,638	12,222,891	11,741,075	18,086,353	18,405,713
<u>Less</u> Segment expenses***	<u>(5,454,218)</u>	<u>(6,295,885)</u>	<u>(10,825,102)</u>	<u>(10,532,762)</u>	<u>(16,279,320)</u>	<u>(16,828,647)</u>
Segment result	<u>409,244</u>	<u>368,753</u>	<u>1,397,789</u>	<u>1,208,313</u>	1,807,033	1,577,066
<u>Add</u> non-allocated revenues						
- Other income					6,647	29,599
<u>Less</u> non-allocated expenses						
- Administrative expenses					(107,953)	(96,858)
- Finance costs					(300,187)	(236,480)
- Income tax expense					(25,567)	(27,684)
Profit for the period					<u>1,379,973</u>	<u>1,245,643</u>

***including gain or loss on exchange rate, gain or loss on valuation of fair value of derivatives and distribution costs

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Export sales classified by significant geographic areas (countries) are as follows:

	Nine-Month Periods - In Thousand Baht	
	2022	2021
China	3,665,833	4,836,037
Singapore	2,102,798	1,809,455
India	88,195	19,146
Bangladesh	6,636	-
Total	5,863,462	6,664,638

The Company had no any non-current asset located in the countries other than Thailand.

Information on Key Customers

(customers whose transactions exceeding 10% of total balance of transactions)

The Company has no transaction with any key customer. Accordingly, the accompanying interim financial information does not include the information on key customers.

15. OTHERS

As at September 30, 2022, the Company had:

- a) Commitments on construction in progress as well as procurement and installation of machinery and equipment with respect to several projects totalling approximately Baht 54.9 million.
- b) Letters of guarantee issued by a local bank to two government agencies totalling approximately Baht 8.9 million which are guaranteed by the Company's fixed deposit with such banks of approximately Baht 1.4 million.
- c) Commitments on the rubber purchase agreements with several non-related suppliers totalling approximately Baht 89.5 million.
- d) Forward exchange contracts (sell) with six local banks totalling approximately U.S. Dollar 42.1 million equivalent to Baht currency totalling approximately Baht 1,514.5 million and having the fair value as at September 30, 2022 totalling approximately Baht 1,586.6 million. Such forward exchange contracts (sell) had maturity periods between October 2022 and March 2023.
- e) Long-term loan credit facility in addition to those of 2021 amounting to Baht 300.0 million from a local bank (drawdown of approximately Baht 210.0 million as at September 30, 2022), which bear interest at MLR-2.375 per annum. This loan is repayable monthly, totalling 54 months, starting from the month that loan is drawdown (i.e. August 2022) whereby the 1st to 6th months contain deferral principal repayment but interest shall be paid monthly, the 7th to 53rd months contain principal repayment of Baht 5,560,000 per month and interest shall be paid monthly, and the 54th month contains the rest of principal repayment and interest payment. The aforesaid credit facilities have been guaranteed by machinery and equipment of the Company. In addition, the Company must comply with certain covenants and undertakings of the loan.

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16. INCOME ON INSURANCE COMPENSATION

In September 2020, there was fire accident in warehouse storing synthetic rubber raw materials that triggered damages to a portion of raw materials and warehouse building whereby the Company incurred loss on damaged inventories of approximately Baht 24.3 million and estimated cost for maintenance of the damaged building of approximately Baht 2.8 million, totalling approximately Baht 27.1 million, which was recognized as expense in the statement of comprehensive income for the year ended December 31, 2020. Subsequently in January and February 2021, the Company received the proceeds from insurance compensation totalling approximately Baht 24.0 million from the insurance companies.

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The accompanying interim financial information has been approved for issuance by the Company's Board of Directors' meeting on November 8, 2022.