

Fine Metal Technologies Public Company Limited

Condensed interim financial statements
for the three-month and six-month periods ended
30 June 2021
and
Independent auditor's review report



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Independent Auditor's Report on Review of Interim Financial Information

To the Board of Directors of Fine Metal Technologies Public Company Limited

I have reviewed the accompanying statement of financial position of Fine Metal Technologies Public Company Limited as at 30 June 2021; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2021; the statements of changes in equity and cash flows for the six-month period ended 30 June 2021; and condensed notes ("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".

(Songchai Wongpiriyaporn)
Certified Public Accountant
Registration No. 10996

KPMG Phoomchai Audit Ltd.
Bangkok
10 August 2021

Fine Metal Technologies Public Company Limited

Statement of financial position

Assets	Note	30 June	31 December
		2021	2020
		(Unaudited)	
		(in thousand Baht)	
<i>Current assets</i>			
Cash and cash equivalents		146,736	92,009
Trade receivables	3, 4	1,891,301	1,532,169
Other receivables		49,973	55,788
Inventories		944,003	899,259
Other current financial assets	8	21,657	87,483
Total current assets		3,053,670	2,666,708
<i>Non-current assets</i>			
Property, plant and equipment		338,077	355,973
Right-of-use assets		7,247	7,829
Intangible assets		9,964	8,426
Deferred tax assets		25,485	36,971
Other non-current assets		2,442	2,442
Total non-current assets		383,215	411,641
Total assets		3,436,885	3,078,349

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of financial position

		30 June	31 December
Liabilities and equity	<i>Note</i>	2021	2020
		(Unaudited)	
		<i>(in thousand Baht)</i>	
Current liabilities			
Short-term borrowings			
from financial institutions	5	880,000	825,000
Trade payables		674,649	339,735
Other payables		95,124	29,933
Current portion of lease liabilities		4,569	4,286
Income tax payable		15,984	15,339
Other current financial liabilities	8	13,452	133,205
Other current liabilities		10,941	16,219
Total current liabilities		1,694,719	1,363,717
Non-current liabilities			
Lease liabilities		3,120	4,391
Provision for employee benefits		135,046	138,141
Total non-current liabilities		138,166	142,532
Total liabilities		1,832,885	1,506,249

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of financial position

	30 June 2021	31 December 2020
Liabilities and equity		
	(Unaudited)	
	<i>(in thousand Baht)</i>	
Equity		
Share capital		
Authorised share capital <i>(48,000,000 ordinary shares, par value at Baht 10 per share)</i>	<u>480,000</u>	<u>480,000</u>
Issued and paid-up share capital <i>(48,000,000 ordinary shares, par value at Baht 10 per share)</i>	480,000	480,000
Share premium :		
Share premium on ordinary shares	507,500	507,500
Retained earnings		
Appropriated		
Legal reserve	48,000	48,000
Unappropriated	564,923	542,686
Other components of equity		
Gain (loss) on cash flow hedges	<u>3,577</u>	<u>(6,086)</u>
Total equity	<u>1,604,000</u>	<u>1,572,100</u>
Total liabilities and equity	<u>3,436,885</u>	<u>3,078,349</u>

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

	Note	Three-month period ended	
		30 June	
		2021	2020
		<i>(in thousand Baht)</i>	
Revenues			
Revenue from sale of goods	6	1,817,116	799,567
Gain on copper hedging and service fee		46,103	-
Net gain on foreign exchange		658	13,241
Other income		6,458	398
Total revenues		1,870,335	813,206
Expenses			
Cost of sale of goods		1,808,235	739,262
Distribution costs		31,244	19,707
Administrative expenses		28,043	25,589
Loss on copper hedging and service fee		-	27,183
Total expenses		1,867,522	811,741
Profit from operating activities		2,813	1,465
Finance costs		(2,924)	(2,085)
Hedging gain (loss) for hedge of group of items with off-setting risk positions		19,728	(54,669)
Profit (loss) before income tax expense		19,617	(55,289)
Tax (expense) income		(3,927)	11,093
Profit (loss) for the period		15,690	(44,196)
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain (loss) on cash flow hedges		2,983	(23,236)
Income tax relating to items that will be reclassified		(597)	4,648
Other comprehensive income (expense) for the period, net of tax		2,386	(18,588)
Total comprehensive income (expense) for the period		18,076	(62,784)
Basic earnings (loss) per share (in Baht)		0.33	(0.92)

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

	Note	Six-month period ended	
		30 June	
		2021	2020
<i>(in thousand Baht)</i>			
Revenues			
Revenue from sale of goods	6	3,557,411	2,336,039
Gain on copper hedging and service fee		115,651	-
Net gain on foreign exchange		4,494	-
Other income		6,669	2,133
Total revenues		3,684,225	2,338,172
Expenses			
Cost of sale of goods		3,474,147	2,146,106
Distribution costs		64,223	50,454
Administrative expenses		57,204	56,485
Net loss on foreign exchange		-	3,162
Loss on copper hedging and service fee		-	50,387
Total expenses		3,595,574	2,306,594
Profit from operating activities		88,651	31,578
Finance costs		(5,206)	(3,699)
Hedging gain (loss) for hedge of group of items with off-setting risk positions		41,847	(37,090)
Profit (loss) before income tax expense		125,292	(9,211)
Tax (expense) income		(25,055)	1,874
Profit (loss) for the period		100,237	(7,337)
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		12,080	3,017
Income tax relating to items that will be reclassified		(2,417)	(603)
Other comprehensive income for the period, net of tax		9,663	2,414
Total comprehensive income (expense) for the period		109,900	(4,923)
Basic earnings (loss) per share (in Baht)		2.09	(0.15)

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of changes in equity (Unaudited)

	Note	Issued and paid-up share capital	Share premium	Retained earnings		Other components of equity	Total equity
				Legal reserve	Unappropriated	Gain (loss) on cash flow hedges	
				<i>(in thousand Baht)</i>			
Six-month period ended 30 June 2020							
Balance at 1 January 2020		480,000	507,500	48,000	573,618	(6,205)	1,602,913
Transactions with owners, recorded directly in equity							
Dividends to owners of the Company	7	-	-	-	(78,000)	-	(78,000)
Total transactions with owners, recorded directly in equity		-	-	-	(78,000)	-	(78,000)
Comprehensive income for the period							
Loss		-	-	-	(7,337)	-	(7,337)
Other comprehensive income		-	-	-	-	2,414	2,414
Total comprehensive expense for the period		-	-	-	(7,337)	2,414	(4,923)
Balance at 30 June 2020		480,000	507,500	48,000	488,281	(3,791)	1,519,990
Six-month period ended 30 June 2021							
Balance at 1 January 2021		480,000	507,500	48,000	542,686	(6,086)	1,572,100
Transactions with owners, recorded directly in equity							
Dividends to owners of the Company	7	-	-	-	(78,000)	-	(78,000)
Total transactions with owners, recorded directly in equity		-	-	-	(78,000)	-	(78,000)
Comprehensive income for the period							
Profit		-	-	-	100,237	-	100,237
Other comprehensive income		-	-	-	-	9,663	9,663
Total comprehensive income for the period		-	-	-	100,237	9,663	109,900
Balance at 30 June 2021		480,000	507,500	48,000	564,923	3,577	1,604,000

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2021	2020
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit (loss) for the period	100,237	(7,337)
<i>Adjustments to reconcile profit (loss) to cash receipts (payments)</i>		
Tax expense (income)	25,055	(1,874)
Finance costs	5,206	3,699
Depreciation and amortisation	35,630	35,359
Provision for employee benefits	6,378	5,755
Unrealised gain on foreign exchange	(3,373)	(2,199)
Unrealised (gain) loss on derivatives	(41,847)	37,090
Gain on disposal of equipment	(12)	-
	<u>127,274</u>	<u>70,493</u>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(354,625)	347,808
Other receivables	5,815	8,444
Inventories	(44,744)	(248,186)
Trade payables	333,780	(204,040)
Other payables	62,047	40,846
Other current liabilities	(5,353)	(5,715)
Net cash from operating	<u>124,194</u>	<u>9,650</u>
Employee benefit paid	(9,473)	(8,551)
Income tax paid	<u>(15,341)</u>	<u>(13,580)</u>
Net cash from (used in) operating activities	<u>99,380</u>	<u>(12,481)</u>

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2021	2020
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Cash payments to purchase of plant and equipment	(12,028)	(23,213)
Cash payments to purchase of intangible assets	(2,480)	(158)
Cash receipts from sale of equipment	18	-
Net cash used in investing activities	(14,490)	(23,371)
<i>Cash flows from financing activities</i>		
Interest paid	(4,552)	(4,116)
Dividends paid	(77,925)	(75,274)
Proceeds from borrowings from financial institutions	1,155,000	4,460,000
Repayments of borrowings from financial institutions	(1,100,000)	(3,840,000)
Proceeds from borrowings from related party	-	1,314,686
Repayments of borrowings from related party	-	(1,720,464)
Payment of lease liabilities	(2,686)	(2,152)
Net cash from (used in) financing activities	(30,163)	132,680
Net increase in cash and cash equivalents	54,727	96,828
Cash and cash equivalents at beginning of the period	92,009	14,690
Cash and cash equivalents at ending of the period	146,736	111,518
<i>Non-cash transaction</i>		
Payable for fixed assets purchased	5,519	3,743

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Trade receivables
5	Short-term borrowings from financial institutions
6	Segment information and disaggregation of revenue
7	Dividends
8	Financial instruments
9	Commitments with non-related parties

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 10 August 2021.

1 General information

The principal activity of the Company is the manufacturing and distributing of seamless copper tube, which is an important component for air-conditioner and refrigerator equipment.

The immediate and ultimate parent company during the financial period was CTJ Holdings², Ltd. (42.25% shareholding), a company incorporated in Japan.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The condensed interim financial statements are presented in the same format as the annual financial statements and together with notes to the interim financial statements on a condensed basis (“interim financial statements”) in accordance with Thai Accounting Standard (TAS) No. 34 *Interim Financial Reporting*, guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2020.

The Company has initially applied revised TFRS that are effective for annual periods beginning on or after 1 January 2021. The application has no material impact on the financial statements.

In addition, the Company has not early adopted a number of new and revised TFRS, which are not yet effective for the current period in preparing these financial statements. The Company has assessed the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

(b) Use of judgements, estimates and accounting policies

In preparing these interim financial statements, judgements and estimates are made by management in applying the Company’s accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that described in the financial statements for the year ended 31 December 2020.

COVID-19 pandemic is still on going, while vaccines for COVID-19 are being rolled out during 2021. Due to uncertainty in 2020, the Company applied accounting guidance on temporary accounting relief measures for additional accounting options in response to impact from the situation of COVID-19 in preparing the financial statement for the year ended 31 December 2020 by excluding COVID-19 situation on impairment of trade receivables under simplified approach using historical loss rate and did not take forward-looking information into accounting. As the accounting guidance already expired on 31 December 2020, the Company has assessed the impact and there was no material impact to financial statements. Therefore, the Company did not adjust the value of trade receivables in 2021.

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

As the situation is highly uncertain and fluid, it is currently not possible to determine the impact of the continued pandemic, government measures and roll out of the vaccination on the business of the Company. Management is closely monitoring the situation and managing to lessen the impact as much as possible.

3 Related parties

Other Related parties which have material changes in relationships and that the Company had significant transaction during the period were as follows;

Name of entities	Country of incorporation/ nationality	Nature of relationships
CTJ Holding2, Ltd.	Japan	Parent, 42.25% shareholding
Bangkok Insurance Public Company Limited	Thailand	A common shareholder, 9.71% shareholding
Daishin P&T Co., Ltd.	Japan	Subsidiary of the parent company, 100% shareholding
Okumura Metals (Thailand) Co., Ltd.	Thailand	100% indirect shareholding by the parent company
Okumura Metals (Malaysia) Sdn. Bhd.	Malaysia	100% indirect shareholding by the parent company
Tani International Trading Co., Ltd.	Thailand	A common director and shareholder
Key management personnel	Thailand/ Japan	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from sale of goods	Market price or contractually agreed price
Purchase of raw material	Market price or contractually agreed price
Technical assistance fee	Contractually agreed price
(Gain) loss on copper hedging and service fee	Contractually agreed price
Service fee and others	Contractually agreed price
Interest expense	Contractually agreed rate
Management benefit expenses	Approved by shareholders' meeting / contractually agreed price

Significant transactions for the three-month and six-month periods ended 30 June with related parties were as follows:

<i>Three-month period ended 30 June</i>	2021	2020
	<i>(in thousand Baht)</i>	
Parent (Furukawa Electric Co., Ltd., formerly the major shareholder)		
Loss on copper hedging and service fee	-	22,428

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

<i>Three-month period ended 30 June</i>	2021	2020
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	390,998	245,231
Purchase of raw material	-	384,679
Loss on copper hedging and service fee	-	4,755
Technical assistance fee	3,838	2,153
Service fee and others	1,159	3,321
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	8,753	6,743
Post-employment benefits	401	400
Total key management personnel compensation	<u>9,154</u>	<u>7,143</u>
<i>Six-month period ended 30 June</i>	2021	2020
	<i>(in thousand Baht)</i>	
Parent (Furukawa Electric Co., Ltd., formerly the major shareholder)		
Technical assistance fee	-	4,807
Loss on copper hedging and service fee	-	45,632
Other related parties		
Revenue from sale of goods	757,465	702,106
Purchase of raw material	-	688,217
Loss on copper hedging and service fee	-	4,755
Technical assistance fee	7,893	2,153
Service fee and others	2,548	6,196
Interest expense	-	1,204
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	17,483	13,906
Post-employment benefits	802	801
Total key management personnel compensation	<u>18,285</u>	<u>14,707</u>

Balances as at 30 June 2021 and 31 December 2020 with related parties were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Trade receivables		
Other related parties	<u>413,294</u>	<u>363,846</u>
Other receivables		
Other related party	<u>-</u>	<u>21,596</u>
Trade payables		
Other related party	<u>-</u>	<u>33,699</u>
Other payables		
Other related parties	<u>7,922</u>	<u>7,156</u>

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

Significant agreements with related parties

Technical Collaboration Agreement

On 1 April 2021, the Company entered into technical collaboration agreement with Daishin P&T Co., Ltd., the related party, for a period of 1 year effective on 1 April 2021. The agreement shall be automatically extended for successive periods of one year each. Under the terms of the agreement, Daishin P&T Co., Ltd. shall provide the Company with technical collaboration and information on the manufacturing operations including an exclusive right to manufacture and sell the product in the countries as specified in the agreement. In consideration thereof, the Company is committed to pay a technical assistance fee computed from the net sales volume of seamless copper tube (Inner grooved tube) at the rate of Baht 2.25 per kilogram.

4 Trade receivables

	<i>Note</i>	30 June 2021	31 December 2020
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		413,294	363,846
	3	<u>413,294</u>	<u>363,846</u>
Other parties			
Within credit terms		1,478,007	1,162,329
Overdue:			
Less than 3 months		-	5,994
		<u>1,478,007</u>	<u>1,168,323</u>
Total		<u>1,891,301</u>	<u>1,532,169</u>

As at 30 June 2021 and 31 December 2020, the Company has no allowance for impairment loss of trade receivables.

Accounts receivable supplier agreement

As at 30 June 2021, the Company has assigned its right over collection from account receivable amounted of Baht 180.50 million (*31 December 2020: nil*) to a financial institution according to the accounts receivable supplier agreement. The Company has already received from the financial institution amounted of Baht 180.36 million. In this regards, the financial institution shall not have any rights of recourse against the Company.

5 Short-term borrowings from financial institutions

	30 June 2021	31 December 2020
	<i>(in thousand Baht)</i>	
<i>Current</i>		
<i>Unsecured</i>		
Short-term borrowings from financial institutions	<u>880,000</u>	<u>825,000</u>

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

Short-term borrowings from financial institutions

As at 30 June 2021, short-term borrowings from financial institutions amounted to Baht 880 million shall be repayable at call. These borrowings bears interest at the rate of 1.08% per annum (31 December 2020: 1.08% per annum).

Unutilised credit facilities

As at 30 June 2021, the Company had unutilised credit facilities totalling U.S. Dollars 1 million and Baht 1,687 million (31 December 2020: U.S. Dollars 1 million and Baht 2,622 million).

6 Segment information and disaggregation of revenue

	Three-month period ended		Six-month period ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>(in thousand Baht)</i>			
<i>Disaggregation of revenue</i>				
Primary geographical markets				
Thailand	1,075,764	504,937	2,104,226	1,505,093
Malaysia	137,576	70,723	315,613	202,604
Japan	103,446	23,815	172,627	46,302
Other countries	500,330	200,092	964,945	582,040
Total revenue	<u>1,817,116</u>	<u>799,567</u>	<u>3,557,411</u>	<u>2,336,039</u>
Timing of revenue recognition				
At a point in time	<u>1,817,116</u>	<u>799,567</u>	<u>3,557,411</u>	<u>2,336,039</u>
Total revenue	<u>1,817,116</u>	<u>799,567</u>	<u>3,557,411</u>	<u>2,336,039</u>

7 Dividends

The shareholders of the Company have approved dividends as follows:

	Approval date	Payment schedule	Dividend rate per share <i>(Baht)</i>	Amount <i>(in thousand Baht)</i>
2021				
Annual dividend	30 April 2021	May 2021	<u>1.625</u>	<u>78,000</u>
2020				
Annual dividend	29 April 2020	May 2020	<u>1.625</u>	<u>78,000</u>

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

8 Financial instruments

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

<i>At 30 June 2021</i>	Carrying amount			Fair value			Total
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1 <i>(in thousand Baht)</i>	Level 2	Level 3	
<i>Financial assets</i>							
Forward exchange contract used for hedging	5,373	-	5,373	-	5,373	-	5,373
Copper future contract used for hedging	16,284	-	16,284	-	16,284	-	16,284
Total financial assets	21,657	-	21,657				
<i>Financial liabilities</i>							
Forward exchange contract used for hedging	(95)	(5,708)	(5,803)	-	(5,803)	-	(5,803)
Copper future contract used for hedging	(7,649)	-	(7,649)	-	(7,649)	-	(7,649)
Total financial liabilities	(7,744)	(5,708)	(13,452)				
<i>At 31 December 2020</i>	Carrying amount			Fair value			Total
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1 <i>(in thousand Baht)</i>	Level 2	Level 3	
<i>Financial assets</i>							
Copper future contract used for hedging	87,483	-	87,483	-	87,483	-	87,483
Total financial assets	87,483	-	87,483				
<i>Financial liabilities</i>							
Forward exchange contract used for hedging	(7,608)	(500)	(8,108)	-	(8,108)	-	(8,108)
Copper future contract used for hedging	(125,097)	-	(125,097)	-	(125,097)	-	(125,097)
Total financial liabilities	(132,705)	(500)	(133,205)				

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2021 (Unaudited)

Financial instruments measured at fair value

Type	Valuation technique
Forward exchange contracts	<i>Forward pricing:</i> The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.
Copper future contract	<i>Market comparison technique:</i> The fair value is determined using broker quoted. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.

9 Commitments with non-related parties

	30 June 2021	31 December 2020
	<i>(in thousand Baht)</i>	
<i>Other commitments</i>		
Short-term lease and low-value assets commitments	204	190
Bank guarantees for electricity use	13,369	13,369
Total	13,573	13,559

Significant agreement with non-related parties

Hedge Agreement

The Company and Furukawa Electric Co., Ltd., formerly the major shareholder, agreed to terminate master hedging agreement dated 1 March 2015 in January 2021.

The Company entered into a master hedging agreement with non-related party, Toyota Tsusho Metals Ltd. (“the broker”), to hedge against the price fluctuation for the sale of copper product made by the Company to its customers in Thailand. Under the terms of agreement, the broker shall provide hedge service to the Company by entering into hedge contracts with the London Metal Exchange in accordance with the terms and condition stated in each hedge application requested by the Company. In consideration thereof, the Company is committed to pay a hedge service fee at the rate specified in agreement. In addition, the difference between the hedge price and the market price shall be payable by the Company or the broker, as the case maybe, at the end of each hedge period or specified in the agreement. This agreement is effective on the agreement date and shall be terminated by either party giving notice in writing to the other party.

Long-term Contract for the Purchase of Copper Cathodes

The Company and Furukawa Electric Singapore Pte. Ltd., formerly a group member of the entity which provides key management service to the Company, agreed to terminate Long-term Contract for the Purchase of Copper Cathodes in January 2021.

Contracts to purchase of Copper Cathodes

The Company has contracts to purchase of Copper Cathodes with local suppliers under the terms of which the Company has agreed to purchase copper cathodes from the said companies at the market price averaged during the contractual month of shipment plus the contractually agreed rate or at the rate specified in agreement.