

Pacific Pipe Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2021

Independent Auditor's Report

To the Shareholders of Pacific Pipe Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Pacific Pipe Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Pacific Pipe Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Pipe Public Company Limited and its subsidiaries and of Pacific Pipe Public Company Limited as at 31 December 2021, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition from sales transactions

Revenue from sales transactions is one of the significant account of the Group since sales directly affect to the profit and loss for the year. In addition, the Group has numerous customers in various businesses and categories. I have therefore focused on auditing the revenue from sales recognition and in particular on the timing of revenue recognition.

I assessed and tested the internal controls of the Group with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. On a sampling basis, I examined supporting documents for sales transactions occurring during the year and sales transactions occurred near to the end of the accounting period. I also reviewed credit notes that the Group issued after period end and performed analytical procedures on sales account.

Provision for diminution in value of inventory

Estimating the net realisable value of inventory, as disclosed in Note 9 to the financial statements, is an area requiring management judgement. In addition, major products of the Group are hot-rolled coil and steel pipes which cost of raw material are fluctuated depends on market prices. There is therefore a risk with respect to the amount of provision set aside for diminution in the value of inventory.

I assessed the method and gained an understanding of the basis applied in determining the provision for diminution in value of inventory, reviewed the consistency of the application of that basis, performed a comparison of gross profit rate and compared proceeds from sales transactions occurring after the period end and trends in steel prices after the date of the financial statements with the cost of inventory.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Wato Kayankannavee
Certified Public Accountant (Thailand) No. 5423

EY Office Limited
Bangkok: 22 February 2022

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2021

(Unit: Baht)

| | <u>Note</u> | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|-----------------------------------|-------------|--|----------------------|--------------------------------------|----------------------|
| | | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 7 | 413,376,183 | 267,246,691 | 401,346,877 | 252,789,064 |
| Trade and other receivables | 8 | 1,011,075,339 | 746,828,493 | 1,011,090,379 | 747,037,526 |
| Inventories | 9 | 2,268,399,663 | 1,459,916,556 | 2,268,399,663 | 1,459,916,556 |
| Advance payments for raw material | | - | 245,475,994 | - | 245,475,994 |
| Other current assets | | 14,363,112 | 13,243,742 | 14,363,112 | 13,243,742 |
| Total current assets | | 3,707,214,297 | 2,732,711,476 | 3,695,200,031 | 2,718,462,882 |
| Non-current assets | | | | | |
| Investments in subsidiaries | 10 | - | - | - | 1,799,460 |
| Property, plant and equipment | 11 | 1,680,442,070 | 1,769,403,258 | 1,680,442,070 | 1,769,403,258 |
| Intangible assets | 12 | 32,160,583 | 37,972,478 | 32,160,583 | 37,972,478 |
| Other non-current assets | | 352,350 | 399,546 | 352,350 | 399,546 |
| Total non-current assets | | 1,712,955,003 | 1,807,775,282 | 1,712,955,003 | 1,809,574,742 |
| Total assets | | 5,420,169,300 | 4,540,486,758 | 5,408,155,034 | 4,528,037,624 |

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2021

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Short-term loans from financial institutions | 13 | 2,153,468,877 | 1,688,291,027 | 2,153,468,877 | 1,688,291,027 |
| Trade and other payables | 14 | 127,057,780 | 114,530,326 | 127,057,780 | 114,510,207 |
| Derivative liabilities | | 899,850 | - | 899,850 | - |
| Current portion of lease liabilities | 15 | 9,999,247 | 8,546,540 | 9,999,247 | 8,546,540 |
| Income tax payable | | 16,684,257 | 35,077,247 | 16,684,257 | 35,077,247 |
| Other current liabilities | | 16,700,657 | 15,787,825 | 16,700,657 | 15,787,825 |
| Total current liabilities | | 2,324,810,668 | 1,862,232,965 | 2,324,810,668 | 1,862,212,846 |
| Non-current liabilities | | | | | |
| Lease liabilities - net of current portion | 15 | 37,425,637 | 43,981,189 | 37,425,637 | 43,981,189 |
| Deferred tax liabilities | 19 | 97,073,319 | 108,813,987 | 94,717,544 | 106,360,913 |
| Provision for long-term employee benefits | 16 | 34,290,443 | 34,778,479 | 34,290,443 | 34,778,479 |
| Total non-current liabilities | | 168,789,399 | 187,573,655 | 166,433,624 | 185,120,581 |
| Total liabilities | | 2,493,600,067 | 2,049,806,620 | 2,491,244,292 | 2,047,333,427 |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Registered | | | | | |
| 660,000,000 ordinary shares of Baht 1 each | | 660,000,000 | 660,000,000 | 660,000,000 | 660,000,000 |
| Issued and fully paid up | | | | | |
| 660,000,000 ordinary shares of Baht 1 each | | 660,000,000 | 660,000,000 | 660,000,000 | 660,000,000 |
| Share premium | | | | | |
| Share premium on ordinary shares | | 514,845,000 | 514,845,000 | 514,845,000 | 514,845,000 |
| Surplus on treasury shares | | 1,010,911 | 1,010,911 | 1,010,911 | 1,010,911 |
| Retained earnings | | | | | |
| Appropriated - statutory reserve | 17 | 67,000,000 | 67,000,000 | 67,000,000 | 67,000,000 |
| Unappropriated | | 1,291,551,433 | 855,662,338 | 1,281,892,942 | 845,686,397 |
| Other components of shareholders' equity | | 392,161,889 | 392,161,889 | 392,161,889 | 392,161,889 |
| Total shareholders' equity | | 2,926,569,233 | 2,490,680,138 | 2,916,910,742 | 2,480,704,197 |
| Total liabilities and shareholders' equity | | 5,420,169,300 | 4,540,486,758 | 5,408,155,034 | 4,528,037,624 |
| | | - | - | - | - |

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

Directors

Pacific Pipe Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2021

(Unit: Baht)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Profit or loss: | | | | | |
| Revenues | | | | | |
| Sales and service income | | 9,613,365,326 | 7,299,542,785 | 9,613,365,326 | 7,299,542,785 |
| Gains on exchange | | - | 3,942,027 | - | 3,942,027 |
| Other income | | 102,808,237 | 82,195,410 | 103,234,805 | 82,194,192 |
| Total revenues | | 9,716,173,563 | 7,385,680,222 | 9,716,600,131 | 7,385,679,004 |
| Expenses | | | | | |
| Cost of sales and services | | 8,542,629,794 | 6,660,524,913 | 8,542,629,794 | 6,660,524,913 |
| Selling and distribution expenses | | 150,031,331 | 155,716,123 | 150,031,331 | 155,716,123 |
| Administrative expenses | | 283,375,299 | 278,509,935 | 283,375,180 | 278,385,813 |
| Losses on exchange | | 9,414,587 | - | 9,414,587 | - |
| Total expenses | | 8,985,451,011 | 7,094,750,971 | 8,985,450,892 | 7,094,626,849 |
| Operating profit | | 730,722,552 | 290,929,251 | 731,149,239 | 291,052,155 |
| Finance income | | 435,076 | 757,898 | 423,128 | 729,500 |
| Finance cost | | (36,216,119) | (38,054,185) | (36,216,109) | (38,042,355) |
| Profit before income tax expenses | | 694,941,509 | 253,632,964 | 695,356,258 | 253,739,300 |
| Income tax expenses | 19 | (140,252,414) | (50,619,546) | (140,349,713) | (50,616,867) |
| Profit for the year | | 554,689,095 | 203,013,418 | 555,006,545 | 203,122,433 |
| Other comprehensive income: | | | | | |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i> | | | | | |
| Actuarial gains | 16 | - | 52,886 | - | 52,886 |
| Changes in surplus on revaluation of assets | | - | 8,600,000 | - | 8,600,000 |
| Total | | - | 8,652,886 | - | 8,652,886 |
| Less: Income tax effect | 19 | - | (1,730,577) | - | (1,730,577) |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax | | - | 6,922,309 | - | 6,922,309 |
| Other comprehensive income for the year | | - | 6,922,309 | - | 6,922,309 |
| Total comprehensive income for the year | | 554,689,095 | 209,935,727 | 555,006,545 | 210,044,742 |
| Earnings per share | | | | | |
| 20 | | | | | |
| Basic earnings per share | | | | | |
| Profit for the year | | 0.84 | 0.31 | 0.84 | 0.31 |

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2021

(Unit: Baht)

| | Consolidated financial statements | | | | | | |
|--|--|-------------------------------------|-------------------------------|-------------------------------------|----------------------|---|-------------------------------|
| | Issued and fully paid-up share capital | Share premium on ordinary shares | Surplus on treasury shares | Retained earnings | | Other components of equity | Total shareholders' equity |
| | | | | Appropriated - statutory reserve | Unappropriated | Other comprehensive income Surplus on revaluation of assets | |
| Balance as at 1 January 2020 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 830,806,611 | 385,281,889 | 2,458,944,411 |
| Profit for the year | - | - | - | - | 203,013,418 | - | 203,013,418 |
| Other comprehensive income for the year | - | - | - | - | 42,309 | 6,880,000 | 6,922,309 |
| Total comprehensive income for the year | - | - | - | - | 203,055,727 | 6,880,000 | 209,935,727 |
| Dividend paid (Note 23) | - | - | - | - | (178,200,000) | - | (178,200,000) |
| Balance as at 31 December 2020 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>855,662,338</u> | <u>392,161,889</u> | <u>2,490,680,138</u> |
| | | | | | | | - |
| Balance as at 1 January 2021 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 855,662,338 | 392,161,889 | 2,490,680,138 |
| Profit for the year | - | - | - | - | 554,689,095 | - | 554,689,095 |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 554,689,095 | - | 554,689,095 |
| Dividend paid (Note 23) | - | - | - | - | (118,800,000) | - | (118,800,000) |
| Balance as at 31 December 2021 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>1,291,551,433</u> | <u>392,161,889</u> | <u>2,926,569,233</u> |

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

Pacific Pipe Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the year ended 31 December 2021

(Unit: Baht)

| | Separate financial statements | | | | | | |
|--|--|-------------------------------------|-------------------------------|-------------------|----------------------|-------------------------------------|-------------------------------|
| | Issued and fully paid-up share capital | Share premium on ordinary shares | Surplus on treasury shares | Retained earnings | | Other components of equity | |
| | | | | Appropriated - | | Other comprehensive income | |
| | | | | statutory reserve | Unappropriated | Surplus on revaluation of assets | Total shareholders' equity |
| Balance as at 1 January 2020 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 820,721,655 | 385,281,889 | 2,448,859,455 |
| Profit for the year | - | - | - | - | 203,122,433 | - | 203,122,433 |
| Other comprehensive income for the year | - | - | - | - | 42,309 | 6,880,000 | 6,922,309 |
| Total comprehensive income for the year | - | - | - | - | 203,164,742 | 6,880,000 | 210,044,742 |
| Dividend paid (Note 23) | - | - | - | - | (178,200,000) | - | (178,200,000) |
| Balance as at 31 December 2020 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>845,686,397</u> | <u>392,161,889</u> | <u>2,480,704,197</u> |
| | | | | | | | - |
| Balance as at 1 January 2021 | 660,000,000 | 514,845,000 | 1,010,911 | 67,000,000 | 845,686,397 | 392,161,889 | 2,480,704,197 |
| Profit for the year | - | - | - | - | 555,006,545 | - | 555,006,545 |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 555,006,545 | - | 555,006,545 |
| Dividend paid (Note 23) | - | - | - | - | (118,800,000) | - | (118,800,000) |
| Balance as at 31 December 2021 | <u>660,000,000</u> | <u>514,845,000</u> | <u>1,010,911</u> | <u>67,000,000</u> | <u>1,281,892,942</u> | <u>392,161,889</u> | <u>2,916,910,742</u> |

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2021

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|--------------------|--------------------------------------|--------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Cash flows from operating activities | | | | |
| Profit before tax | 694,941,509 | 253,632,964 | 695,356,258 | 253,739,300 |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: | | | | |
| Depreciation and amortisation | 131,059,681 | 137,874,776 | 131,059,681 | 137,874,776 |
| Bad debts | 7,518,465 | 5,830,193 | 7,518,465 | 5,830,193 |
| Expected credit losses (reversal) | (2,402,813) | 14,177,814 | (2,402,813) | 14,177,814 |
| Reduction (reversal) of inventory cost to net realisable value | 50,679,030 | (27,211,704) | 50,679,030 | (27,211,704) |
| Loss on disposals/write-off of plant and equipment | 414,565 | 594,334 | 414,565 | 594,334 |
| Impairment loss on land | - | 1,159,000 | - | 1,159,000 |
| Provision for long-term employee benefits | 4,505,975 | 3,413,487 | 4,505,975 | 3,413,487 |
| Write-off deferred rental expenses | - | (2,858,935) | - | (2,858,935) |
| Unrealised losses (gains) on exchange | 382,606 | (252,592) | 382,606 | (252,592) |
| Loss on fair value adjustments of derivative liabilities | 899,850 | - | 899,850 | - |
| Gain on return of capital surplus from subsidiary | - | - | (427,448) | - |
| Finance income | (435,076) | (757,898) | (423,128) | (729,500) |
| Interest expenses | 35,897,647 | 37,420,036 | 35,897,647 | 37,420,036 |
| Profit from operating activities before changes in operating assets and liabilities | 923,461,439 | 423,021,475 | 923,460,688 | 423,156,209 |
| Operating assets (increase) decrease | | | | |
| Trade and other receivables | (269,356,295) | 148,989,958 | (269,162,302) | 152,568,748 |
| Unbilled receivables | - | 9,332,831 | - | 9,332,831 |
| Inventories | (859,162,137) | (120,072,006) | (859,162,137) | (120,072,006) |
| Advance payments for raw material | 245,475,994 | (227,686,365) | 245,475,994 | (227,686,365) |
| Other current assets | (1,119,370) | 4,631,626 | (1,119,370) | 4,685,429 |
| Other non-current assets | 47,196 | 294,364 | 47,196 | 294,364 |
| Operating liabilities increase (decrease) | | | | |
| Trade and other payables | 8,231,089 | (36,515,719) | 8,251,208 | (36,535,639) |
| Other current liabilities | 912,832 | (9,534,507) | 912,832 | (9,533,334) |
| Provision for long-term employee benefits | (4,994,011) | (1,395,600) | (4,994,011) | (1,395,600) |
| Cash flows from operating activities | 43,496,737 | 191,066,057 | 43,710,098 | 194,814,637 |
| Interest paid | (37,533,010) | (38,260,429) | (37,533,010) | (38,260,429) |
| Corporate income tax paid | (170,386,073) | (17,879,005) | (170,386,073) | (17,879,005) |
| Net cash flows from (used in) operating activities | (164,422,346) | 134,926,623 | (164,208,985) | 138,675,203 |

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

Pacific Pipe Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2021

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|--|----------------------|--------------------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Cash flows from investing activities | | | | |
| Acquisition of plant and equipment | (28,615,331) | (35,115,397) | (28,615,331) | (35,115,397) |
| Acquisition of intangible assets | (898,850) | (5,325,000) | (898,850) | (5,325,000) |
| Proceeds from sales of equipment | 566,402 | 663,413 | 566,402 | 663,413 |
| Interest received | 428,873 | 752,950 | 416,925 | 724,553 |
| Cash received from return of capital surplus from subsidiary | - | - | 2,226,908 | - |
| Net cash flows used in investing activities | <u>(28,518,906)</u> | <u>(39,024,034)</u> | <u>(26,303,946)</u> | <u>(39,052,431)</u> |
| Cash flows from financing activities | | | | |
| Cash received from short-term loans from financial institutions | 9,464,234,869 | 7,226,639,150 | 9,464,234,869 | 7,226,639,150 |
| Cash paid for short-term loans from financial institutions | (8,999,439,814) | (7,152,617,693) | (8,999,439,814) | (7,152,617,693) |
| Payments of principle portion of lease liabilities | (6,924,311) | (6,525,834) | (6,924,311) | (6,525,834) |
| Dividend paid | <u>(118,800,000)</u> | <u>(178,200,000)</u> | <u>(118,800,000)</u> | <u>(178,200,000)</u> |
| Net cash flows from (used in) financing activities | <u>339,070,744</u> | <u>(110,704,377)</u> | <u>339,070,744</u> | <u>(110,704,377)</u> |
| Net increase (decrease) in cash and cash equivalents | 146,129,492 | (14,801,788) | 148,557,813 | (11,081,605) |
| Cash and cash equivalents at beginning of year | <u>267,246,691</u> | <u>282,048,479</u> | <u>252,789,064</u> | <u>263,870,669</u> |
| Cash and cash equivalents at end of year | <u>413,376,183</u> | <u>267,246,691</u> | <u>401,346,877</u> | <u>252,789,064</u> |
| | - | - | - | - |
| Supplemental cash flows information: | | | | |
| Non-cash transactions | | | | |
| Acquisition of plant and equipment for which no cash has been paid | 3,613,675 | 4,568,578 | 3,613,675 | 4,568,578 |
| Acquisition of intangible assets for which no cash has been paid | - | 528,000 | - | 528,000 |
| Transfer equipment to intangible assets | - | 14,565,529 | - | 14,565,529 |
| Additions to right-of-use assets and lease liabilities | 4,173,517 | 13,276,752 | 4,173,517 | 13,276,752 |

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

Pacific Pipe Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2021

1. General information

1.1 Corporate information

Pacific Pipe Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Tang Mong Seng Holding Company Limited, which was incorporated in Thailand. The Company is principally engaged in manufacturing and distribution of steel pipes for construction work. The registered office of the Company is at 298, 298/2, Soi Klabcharoen, Suksawat Road, Tambon Pakklongbangplakod, Amphur Phrasamutjedi, Samutprakarn.

1.2 Coronavirus disease 2019 pandemic

The Coronavirus disease 2019 pandemic is adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the group operates. The Group’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and has used estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Pacific Pipe Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”) (collectively as “the Group”):

| Company's name | Nature of business | Country of incorporation | Percentage of shareholding | |
|----------------------------------|--------------------------------|--------------------------|----------------------------|-------------|
| | | | <u>2021</u> | <u>2020</u> |
| | | | Percent | Percent |
| Tamose Trading Company Limited | Distribution of steel products | Thailand | 99.99 | 99.99 |
| Meesup Transport Company Limited | Transportation | Thailand | - | 99.97 |

On 1 December 2019, the Company acquired the entire businesses of Tamose Trading Company Limited and Meesup Transport Company Limited, at the net book value of their assets and liabilities. The subsidiaries registered their dissolution with the Ministry of Commerce on 4 December 2019. Subsequently, Meesup Transport Company Limited completed the liquidation on 25 May 2021 while Tamose Trading Company Limited is currently in the process of liquidation.

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Group has been eliminated from the consolidated financial statements.

2.3 The separate financial statements present investments in subsidiaries under the cost method.

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Group has adopted the revised financial reporting standards and interpretations which are effective for fiscal years beginning on or after 1 January 2021. 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.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2022

The Federation of Accounting Professions issued a number of revised financial reporting standards, which are effective for fiscal years beginning on or after 1 January 2022. 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, for some standards, providing temporary reliefs or temporary exemptions for users.

The management of the Group believes that adoption of these amendments will not have any significant impact on the Group's financial statements.

4. Significant accounting policies

4.1 Revenue and expense recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

Rendering of service

Service revenue is recognised at a point in time upon completion of the service.

Revenue from contract of productions is recognised over time where the stage of completion is measured using the comparison of actual costs incurred up to the end of the period and total anticipated costs at completion.

The recognised revenue which is not yet due per the contracts has been presented under the caption of "Unbilled receivables" in the statement of financial position. The amounts recognised as unbilled receivables are reclassified to trade receivables when the Group's right to consideration is unconditional such as upon completion of services and acceptance by the customer.

The obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer is presented under the caption of "Advances received from customers" in the statement of financial position. Advances received from customers are recognised as revenue when the Group performs under the contract.

Interest income

Interest income is calculated using the effective interest method and recognised on an accrual basis. The effective interest rate is applied to the gross carrying amount of a financial asset, unless the financial assets subsequently become credit-impaired when it is applied to the net carrying amount of the financial asset (net of the expected credit loss allowance).

Finance cost

Interest expense from financial liabilities at amortised cost is calculated using the effective interest method and recognised on an accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Inventories

Finished goods and conversion raw materials are valued at lower of cost (under the weighted average method) and net realisable value. The cost of inventories is measured using the standard cost method, which approximates actual cost and includes all production costs and attributable factory overheads.

Raw materials and factory supplies are valued at the lower of weighted average cost and net realisable value and are charged to production costs whenever consumed.

4.4 Investments in subsidiaries

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

4.5 Property, plant and equipment/Depreciation

Land is stated at revalued amount. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Group's assets, the increase is credited directly to other comprehensive income and the cumulative increase is recognised in equity under the heading of "Surplus on revaluation of assets". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Group's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Surplus on revaluation of assets" in respect of the same asset.

Depreciation of building and equipment is calculated by reference to their costs, on the straight-line basis over the following estimated useful lives:

| | |
|---------------------------------------|--------------|
| Land improvement | 5 - 20 years |
| Buildings and building improvement | 3 - 20 years |
| Machinery and factory equipment | 2 - 31 years |
| Utilities system and office equipment | 3 - 10 years |
| Motor vehicles | 5 - 25 years |

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

4.6 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on the straight-line basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

| | <u>Useful lives</u> |
|-------------------|---------------------|
| Computer software | 3 - 10 years |

4.7 Leases

At inception of contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Group recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

Right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of their estimated useful lives and the lease term.

| | |
|------------------|---------------|
| Land | 10 - 13 years |
| Buildings | 6 years |
| Office equipment | 3 - 5 years |
| Motor vehicles | 2 - 5 years |

If ownership of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented as part of property, plant and equipment in the statement of financial position.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Group discounted the present value of the lease payments by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

4.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associates, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.9 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

4.10 Impairment of non-financial assets

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment, right-of-use-assets and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss. However, in cases where land were previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Group and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group's contributions are recognised as expenses when incurred.

Defined benefit plan

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

4.12 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.13 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.14 Financial instruments

The Group initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets at initial recognition is driven by the Group’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

These financial assets include derivatives, which the Group has not irrevocably elected to classify at FVOCI and financial assets with cash flows that are not solely payments of principal and interest.

Classification and measurement of financial liabilities

Except for derivative liabilities, at initial recognition the Group’s financial liabilities are recognised at fair value net of transaction costs and classified as liabilities to be subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. In determining amortised cost, the Group takes into account any fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (“ECLs”). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

ECLs are calculated based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.15 Derivatives

The Group uses derivatives, such as forward currency contracts, to hedge its foreign currency risks.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Group measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

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

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Group determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for expected credit losses of trade receivables

In determining an allowance for expected credit losses of trade receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the forecast economic condition for groupings of various customer segments with similar credit risks. The Group's historical credit loss experience and forecast economic conditions may also not be representative of whether a customer will actually default in the future.

Reduction of inventory cost to net realisable value

In determining a reduction of inventory cost to net realisable value, the management makes judgement and estimates the net realisable value of inventory based on the amount of the inventories are expected to realise. These estimates take into consideration fluctuations of selling price or cost directly relating to events occurring after the end of the reporting period.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

The Group measures land at revalued amounts. Such amounts are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates as described in Note 11 to the financial statements.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

During the years, 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: Million Baht)

| | For the years ended 31 December | | Transfer pricing policy |
|--|--|-------------|-------------------------|
| | Consolidated/Separate financial statements | | |
| | <u>2021</u> | <u>2020</u> | |
| <u>Transactions with related parties</u> | | | |
| Office rental and service expenses | 4 | 4 | Contract price |
| Land rental expenses | 6 | 5 | Contract price |

As at 31 December 2021 and 2020, the balances of the accounts between the Group and those related parties are as follows:

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|-------------|----------------------|-------------|
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| <u>Other receivables - related party (Note 8)</u> | | | | |
| Tamose Trading Company Limited | - | - | 15 | 210 |
| <u>Lease liabilities - related parties</u> | | | | |
| Related companies (related by shareholders) | 26,510 | 30,227 | 26,510 | 30,227 |

Directors and management's benefits

During the years ended 31 December 2021 and 2020, the Group had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

| | Consolidated/Separate | |
|------------------------------|-----------------------|-------------|
| | financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Short-term employee benefits | 41,000 | 27,901 |
| Post-employment benefits | 5,738 | 557 |
| Total | 46,738 | 28,458 |

7. Cash and cash equivalents

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|---------------|----------------------|----------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Cash | 234 | 145 | 234 | 145 |
| Bank deposits | 413,142 | 267,102 | 401,113 | 252,644 |
| Total | 413,376 | 267,247 | 401,347 | 252,789 |

As at 31 December 2021, bank deposits in saving accounts carried interests between 0.10 - 0.15 percent per annum (2020: between 0.10 - 0.13 percent per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

| | Consolidated | | Separate | |
|--|----------------------|----------------|----------------------|----------------|
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| <u>Trade receivables - unrelated parties</u> | | | | |
| Aged on the basis of due dates | | | | |
| Not yet due | 705,703 | 530,877 | 705,703 | 530,877 |
| Past due | | | | |
| Up to 3 months | 289,669 | 190,253 | 289,669 | 190,253 |
| 3 - 6 months | 22,797 | 11,566 | 22,797 | 11,566 |
| 6 - 12 months | 3,417 | 25,520 | 3,417 | 25,520 |
| Over 12 months | 39,315 | 40,588 | 39,315 | 40,588 |
| Total | 1,060,901 | 798,804 | 1,060,901 | 798,804 |
| Less: Allowance for expected credit losses | (50,749) | (53,152) | (50,749) | (53,152) |
| Total trade receivables - unrelated parties - net | 1,010,152 | 745,652 | 1,010,152 | 745,652 |
| <u>Other receivables</u> | | | | |
| Other receivables - related party (Note 6) | - | - | 15 | 210 |
| Other receivables - unrelated parties | 923 | 1,176 | 923 | 1,176 |
| Total other receivables | 923 | 1,176 | 938 | 1,386 |
| Total trade and other receivables - net | 1,011,075 | 746,828 | 1,011,090 | 747,038 |

The normal credit term is 7 to 90 days.

Set out below is the movements in the allowance for expected credit losses of trade receivables.

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | |
|--------------------------------------|--|--------|
| | 2021 | 2020 |
| Beginning balance | 53,152 | 38,974 |
| Provision for expected credit losses | (2,403) | 14,178 |
| Ending balance | 50,749 | 53,152 |

Trade receivables were written-off during 2021 amounting to Baht 7.5 million (2020: Baht 5.8 million).

9. Inventories

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | | | | | |
|-----------------------------|--|-----------|--|---------|-------------------|-----------|
| | Cost | | Reduce cost to net realisable value | | Inventories - net | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Finished goods | 1,107,858 | 854,204 | (36,560) | (5,111) | 1,071,298 | 849,093 |
| Conversion raw materials | 192,313 | 114,891 | - | - | 192,313 | 114,891 |
| Raw materials | 1,007,664 | 478,224 | (19,352) | (122) | 988,312 | 478,102 |
| Factory supplies and others | 16,477 | 17,831 | - | - | 16,477 | 17,831 |
| Total | 2,324,312 | 1,465,150 | (55,912) | (5,233) | 2,268,400 | 1,459,917 |

During the current year, the Group reduced cost of inventories by Baht 50.7 million, to reflect the net realisable value. This was included in cost of sales (2020: the Group reversed the write-down of cost of inventories by Baht 27.2 million, and reduced the amount of inventories recognised as expenses during the year).

10. Investments in subsidiaries

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

(Unit: Thousand Baht)

| Company's name | Paid-up capital | | Shareholding percentage | | Cost | |
|----------------------------------|-----------------|-------------|-------------------------|-------------|-------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| | | | (%) | (%) | | |
| Tamose Trading Company Limited | - | - | 99.99 | 99.99 | - | - |
| Meesup Transport Company Limited | - | - | - | 99.97 | - | 1,799 |
| Total | | | | | - | 1,799 |

On 1 December 2019, the Company acquired the entire business transfer of Tamose Trading Company Limited and Meesup Transport Company Limited at the net book value of their assets and liabilities, in which the net assets amounting to Baht 120 million and Baht 15 million, respectively.

On 4 December 2019, the Extraordinary General Shareholders' meeting of Tamose Trading Company Limited and Meesup Transport Company Limited approved the dissolution. The companies registered their dissolution with the Ministry of Commerce on 4 December 2019.

On 24 December 2019, the Company received the capital return from Tamose Trading Company Limited amounting to Baht 100 million and Meesup Transport Company Limited amounting to Baht 9 million.

On 25 May 2021, Meesup Transport Company Limited completed the liquidation and returned its capital surplus to the Company amounting to Baht 2 million.

Currently, Tamose Trading Company Limited is in the process of liquidation.

11. Property, plant and equipment

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | |
|-------------------------------|--|-------------|
| | <u>2021</u> | <u>2020</u> |
| Net book value: | | |
| Property, plant and equipment | 1,636,116 | 1,718,776 |
| Right-of-use assets (Note 15) | 44,326 | 50,627 |
| Total | 1,680,442 | 1,769,403 |

Movements of property, plant and equipment for the years ended 31 December 2021 and 2020 are summarised below.

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | | | | | | | Total |
|--|--|------------------|------------------------------------|---------------------------------|---------------------------------------|----------------|---------------------------|-----------|
| | Revaluation basis | Cost basis | | | | | | |
| | Land | Land improvement | Buildings and building improvement | Machinery and factory equipment | Utilities system and office equipment | Motor vehicles | Assets under construction | |
| Cost/Revalued amount: | | | | | | | | |
| 1 January 2020 | 741,462 | 14,682 | 808,862 | 1,619,738 | 91,766 | 186,553 | 43,580 | 3,506,643 |
| Additions | - | - | 239 | 4,320 | 4,134 | - | 30,991 | 39,684 |
| Transfers in (out) | - | - | 10,910 | 20,336 | 3,603 | - | (34,849) | - |
| Transfers to intangible assets (Note 12) | - | - | - | - | - | - | (14,565) | (14,565) |
| Reclassification | - | - | (217) | 4,059 | (3,842) | - | - | - |
| Revaluations | 8,600 | - | - | - | - | - | - | 8,600 |
| Disposals/Write-off | - | - | - | (18,830) | (5,831) | (811) | - | (25,472) |
| 31 December 2020 | 750,062 | 14,682 | 819,794 | 1,629,623 | 89,830 | 185,742 | 25,157 | 3,514,890 |
| Additions | - | - | - | 4,750 | 1,712 | 2,094 | 23,672 | 32,228 |
| Transfers in (out) | - | - | 4,718 | 25,217 | 7,755 | - | (37,690) | - |
| Reclassification | - | - | - | 6,225 | (6,225) | - | - | - |
| Disposals/Write-off | - | - | (148) | (15,332) | (8,724) | (2,383) | - | (26,587) |
| 31 December 2021 | 750,062 | 14,682 | 824,364 | 1,650,483 | 84,348 | 185,453 | 11,139 | 3,520,531 |
| Accumulated depreciation: | | | | | | | | |
| 1 January 2020 | - | 6,103 | 462,708 | 1,019,484 | 85,544 | 123,962 | - | 1,697,801 |
| Depreciation for the year | - | 813 | 38,292 | 64,180 | 8,238 | 9,845 | - | 121,368 |
| Depreciation on disposals/write-off | - | - | - | (17,730) | (5,673) | (811) | - | (24,214) |
| Reclassification | - | - | (115) | 3,551 | (3,436) | - | - | - |
| 31 December 2020 | - | 6,916 | 500,885 | 1,069,485 | 84,673 | 132,996 | - | 1,794,955 |
| Depreciation for the year | - | 802 | 36,411 | 65,759 | 1,828 | 9,074 | - | 113,874 |
| Depreciation on disposals/write-off | - | - | (46) | (14,608) | (8,674) | (2,245) | - | (25,573) |
| Reclassification | - | - | - | 5,271 | (5,271) | - | - | - |
| 31 December 2021 | - | 7,718 | 537,250 | 1,125,907 | 72,556 | 139,825 | - | 1,883,256 |
| Allowance for impairment loss: | | | | | | | | |
| 31 December 2020 | 1,159 | - | - | - | - | - | - | 1,159 |
| 31 December 2021 | 1,159 | - | - | - | - | - | - | 1,159 |
| Net book value: | | | | | | | | |
| 31 December 2020 | 748,903 | 7,766 | 318,909 | 560,138 | 5,157 | 52,746 | 25,157 | 1,718,776 |
| 31 December 2021 | 748,903 | 6,964 | 287,114 | 524,576 | 11,792 | 45,628 | 11,139 | 1,636,116 |
| Depreciation for the year | | | | | | | | |
| 2020 (Baht 94 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses) | | | | | | | | 121,368 |
| 2021 (Baht 88 million included in manufacturing cost, and the balance in selling and distribution and administrative expenses) | | | | | | | | 113,874 |

The Group arranged for an independent professional valuer to appraise the value of land in 2020, using the market approach. Land were measured at fair value using level 3 input.

Key assumptions used in the valuation are summarised below:

| | Consolidated/Separate financial statements | Result to fair value whereas an increase in assumption value |
|--------------------------------------|---|---|
| Price per square wah (Thousand Baht) | 7.9 - 35.0 | Increase in fair value |

Details of land carried at its revalued amount is as follows:

| | (Unit: Thousand Baht) | |
|-----------------|---|----------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Original cost | 259,860 | 259,860 |
| Revaluation | 490,202 | 490,202 |
| Impairment | (1,159) | (1,159) |
| Revalued amount | <u>748,903</u> | <u>748,903</u> |

Surplus on revaluation of assets can neither be offset against deficit nor used for dividend payment.

As at 31 December 2021, certain items of equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 806 million (2020: Baht 781 million) (the Company only: Baht 806 million, 2020: Baht 781 million).

12. Intangible assets

The net book value of intangible assets as at 31 December 2021 and 2020 is presented below.

| | (Unit: Thousand Baht) | |
|--------------------------------|---|---------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Computer software - at cost | 94,642 | 93,743 |
| Less: Accumulated amortisation | (62,481) | (55,771) |
| Net book value | <u>32,161</u> | <u>37,972</u> |

A reconciliation of the net book value of intangible assets for the years 2021 and 2020 is presented below.

| | (Unit: Thousand Baht) | |
|---|--|----------------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Net book value at beginning of year | 37,972 | 25,635 |
| Acquisition of computer software | 900 | 5,853 |
| Transfer from property, plant and equipment (Note 11) | - | 14,565 |
| Amortisation | <u>(6,711)</u> | <u>(8,081)</u> |
| Net book value at end of year | <u><u>32,161</u></u> | <u><u>37,972</u></u> |

13. Short-term loans from financial institutions

| | (Unit: Thousand Baht) | | | |
|--|--------------------------------------|-------------|---|-------------------------|
| | Interest rate (Percent per annum) | | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Short-term loans from financial institutions | 1.55 | 1.55 - 1.67 | 756,367 | 713,416 |
| Trust receipt | 1.48 - 2.00 | 1.47 - 2.32 | <u>1,397,102</u> | <u>974,875</u> |
| Total | | | <u><u>2,153,469</u></u> | <u><u>1,688,291</u></u> |

The credit facilities agreement with the banks contain financial covenants that, among other things, maintain certain debt to equity ratios according to the agreement and required the Company to be restricted on the disposal of its assets or the creation of lien thereon without prior consent from banks.

As at 31 December 2021, the credit facilities of the Company which have not yet been drawn down amounting to Baht 3,070 million (2020: Baht 3,536 million).

14. Trade and other payables

| | (Unit: Thousand Baht) | | | |
|------------------------------------|--------------------------------------|-----------------------|----------------------------------|-----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Trade payables - unrelated parties | 21,666 | 27,670 | 21,666 | 27,670 |
| Other payables - unrelated parties | 37,827 | 50,179 | 37,827 | 50,159 |
| Accrued expenses | <u>67,565</u> | <u>36,681</u> | <u>67,565</u> | <u>36,681</u> |
| Total trade and other payables | <u><u>127,058</u></u> | <u><u>114,530</u></u> | <u><u>127,058</u></u> | <u><u>114,510</u></u> |

15. Leases

The Group as a lessee

The Group has lease contracts for assets used in its operations. Leases generally have lease terms between 2 - 13 years. The lease contracts cannot be cancelled and prohibit sub-leasing or use of the underlying assets by another party.

a) Right-of-use assets

Movements of right-of-use assets for the years ended 31 December 2021 and 2020 are summarised below:

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | | | | |
|---------------------------|--|-----------|---------------------|----------------|----------|
| | Land | Buildings | Office equipment | Motor vehicles | Total |
| 1 January 2020 | 33,414 | 5,943 | 1,089 | 5,331 | 45,777 |
| Additions | - | 11,819 | - | 1,458 | 13,277 |
| Depreciation for the year | (4,685) | (1,064) | (415) | (2,263) | (8,427) |
| 31 December 2020 | 28,729 | 16,698 | 674 | 4,526 | 50,627 |
| Additions | - | - | 3,132 | 1,547 | 4,679 |
| Write-off | - | - | - | (505) | (505) |
| Depreciation for the year | (4,685) | (3,650) | (693) | (1,447) | (10,475) |
| 31 December 2021 | 24,044 | 13,048 | 3,113 | 4,121 | 44,326 |

b) Lease liabilities

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | |
|--|--|-------------|
| | <u>2021</u> | <u>2020</u> |
| Lease payments | 55,259 | 63,236 |
| Less: Deferred interest expenses | (7,834) | (10,708) |
| Total | 47,425 | 52,528 |
| Less: Portion due within one year | (9,999) | (8,547) |
| Lease liabilities - net of current portion | 37,426 | 43,981 |

c) Expenses relating to leases that are recognised in profit or loss

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | |
|--|--|-------------|
| | <u>2021</u> | <u>2020</u> |
| Depreciation expense of right-of-use assets | 10,475 | 8,427 |
| Interest expense on lease liabilities | 3,287 | 2,901 |
| Expense relating to leases of low-value assets | 747 | 24 |

d) Others

The Group had total cash outflows for leases for the year ended 31 December 2021 of Baht 13.2 million (2020: Baht 9.5 million) (the Company only: Baht 13.2 million, 2020: Baht 9.5 million), including the cash outflow related to leases of low-value assets.

16. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employee after they retire, was as follows:

(Unit: Thousand Baht)

| | Consolidated/Separate financial statements | |
|---|--|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Provision for long-term employee benefits at beginning of year | 34,778 | 32,813 |
| Included in profit or loss: | | |
| Current service cost | 3,932 | 2,495 |
| Interest cost | 574 | 918 |
| Included in other comprehensive income: | | |
| Actuarial (gain) loss arising from | | |
| Demographic assumptions changes | - | 1,991 |
| Financial assumptions changes | - | 1,088 |
| Experience adjustments | - | (3,132) |
| Benefits paid during the year | <u>(4,994)</u> | <u>(1,395)</u> |
| Provision for long-term employee benefits at end of year | <u><u>34,290</u></u> | <u><u>34,778</u></u> |

The Group expects to pay Baht 2 million of long-term employee benefits during the next year (2020: Baht 5 million) (the Company only: Baht 2 million, 2020: Baht 5 million).

As at 31 December 2021, the weighted average duration of the liabilities for long-term employee benefit is 14 years (2020: 14 years) (the Company only: 14 years, 2020: 14 years).

Significant actuarial assumptions are summarised below:

| | (Unit: Percent per annum) | |
|--|---|--------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Discount rate | 1.68 | 1.68 |
| Salary increase rate | 4 | 4 |
| Staff turnover rate (depending on age) | 3.34 - 40.11 | 3.34 - 40.11 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2021 and 2020 are summarised below:

| | (Unit: Million Baht) | | | |
|----------------------|--|---------------------|------------------------|---------------------|
| | Consolidated/Separate financial statements | | | |
| | As at 31 December 2021 | | As at 31 December 2020 | |
| | <u>Increase 1%</u> | <u>Decrease 1%</u> | <u>Increase 1%</u> | <u>Decrease 1%</u> |
| Discount rate | (3.6) | 4.2 | (3.4) | 4.0 |
| Salary increase rate | 4.3 | (3.7) | 3.8 | (3.3) |
| | <u>Increase 20%</u> | <u>Decrease 20%</u> | <u>Increase 20%</u> | <u>Decrease 20%</u> |
| Staff turnover rate | (4.1) | 5.3 | (3.6) | 4.6 |

17. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

18. Expenses by nature

Significant expenses classified by nature are as follows:

| | (Unit: Thousand Baht) | | | |
|--|-----------------------|-------------|----------------------|-------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Salaries and wages and other employee benefits | 347,222 | 341,828 | 347,222 | 341,705 |
| Depreciation and amortisation expenses | 131,060 | 137,875 | 131,060 | 137,875 |
| Transportation expenses | 44,850 | 53,543 | 44,850 | 53,543 |
| Raw materials and consumables used | 8,242,575 | 6,057,564 | 8,242,575 | 6,057,564 |
| Changes in inventories of finished goods | (222,205) | 18,904 | (222,205) | 18,904 |

19. Income tax

Income tax expenses for the years ended 31 December 2021 and 2020 are made up as follows:

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|---------------|----------------------|---------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current income tax: | | | | |
| Current income tax charge | 152,480 | 50,233 | 152,480 | 50,233 |
| Adjustment in respect of income tax of previous year | (487) | (356) | (487) | (359) |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (11,741) | 743 | (11,643) | 743 |
| Income tax expenses reported in profit or loss | <u>140,252</u> | <u>50,620</u> | <u>140,350</u> | <u>50,617</u> |

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2021 and 2020 are as follows:

| | (Unit: Thousand Baht) | |
|--|---|----------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Deferred tax on actuarial gains and losses | - | (11) |
| Deferred tax on surplus from revaluation of land | - | (1,720) |
| | <u>-</u> | <u>(1,731)</u> |

The reconciliation between accounting profit and income tax expenses is shown below.

| | (Unit: Thousand Baht) | | | |
|---|-----------------------|----------------|----------------------|----------------|
| | Consolidated | | Separate | |
| | financial statements | | financial statements | |
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Accounting profit before tax | <u>694,942</u> | <u>253,633</u> | <u>695,356</u> | <u>253,739</u> |
| Applicable tax rate | 20% | 20% | 20% | 20% |
| Accounting profit before tax multiplied by income tax rate | 138,988 | 50,727 | 139,071 | 50,748 |
| Adjustment in respect of income tax of previous year | (487) | (356) | (487) | (359) |
| Effects of: | | | | |
| Non-deductible expenses | 2,165 | 1,602 | 2,165 | 1,602 |
| Additional expense deductions allowed | (564) | (1,492) | (564) | (1,492) |
| Others | 150 | 139 | 165 | 118 |
| Total | <u>1,751</u> | <u>249</u> | <u>1,766</u> | <u>228</u> |
| Income tax expenses reported in profit or loss | <u>140,252</u> | <u>50,620</u> | <u>140,350</u> | <u>50,617</u> |

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

| | Statements of financial position | | | |
|---|-----------------------------------|----------------|-------------------------------|----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2021 | 2020 | 2021 | 2020 |
| Deferred tax assets | | | | |
| Allowance for excepted credit losses | 10,150 | 10,630 | 10,150 | 10,630 |
| Allowance for diminution in value of inventories | 11,182 | 1,047 | 11,182 | 1,047 |
| Allowance for impairment loss on land | 232 | 232 | 232 | 232 |
| Surplus on investment in subsidiaries | - | - | 2,355 | 2,453 |
| Provision for long-term employee benefits | 6,858 | 6,955 | 6,858 | 6,955 |
| Loss on fair value adjustments on derivative | 180 | - | 180 | - |
| Total | 28,602 | 18,864 | 30,957 | 21,317 |
| Deferred tax liabilities | | | | |
| Difference depreciation between tax and accounting base | 27,635 | 29,638 | 27,635 | 29,638 |
| Surplus on revaluation of land | 98,040 | 98,040 | 98,040 | 98,040 |
| Total | 125,675 | 127,678 | 125,675 | 127,678 |
| Presentation in the statements of financial position | | | | |
| Deferred tax liabilities | 97,073 | 108,814 | 94,718 | 106,361 |

20. Earnings per share

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

21. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as chief executive officer.

The one main reportable operating segment of the Group is the manufacture and distribution of steel pipes, structural steels and contract of steel productions for construction work and the main single geographical area of its operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

For the years 2021 and 2020, the Group has no major customer with revenue of 10 percent or more of an entity's revenues.

22. Provident fund

The Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contribute to the fund monthly at the rate of 5 percent of basic salary. The fund will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2021 amounting to approximately Baht 4.0 million were recognised as expense (2020: Baht 3.1 million).

23. Dividends

| <u>Dividends</u> | <u>Approved by</u> | <u>Total dividends</u> (Million Baht) | <u>Dividend per share</u> (Baht/share) |
|--------------------------|---|--|---|
| Final dividends for 2019 | Annual General Meeting of the shareholders on 24 April 2020 | <u>178.2</u> | <u>0.27</u> |
| Total for 2020 | | <u>178.2</u> | <u>0.27</u> |
| Final dividends for 2020 | Annual General Meeting of the shareholders on 22 April 2021 | <u>118.8</u> | <u>0.18</u> |
| Total for 2021 | | <u>118.8</u> | <u>0.18</u> |

24. Commitments and contingent liabilities

24.1 Capital commitments

As at 31 December 2021, the Company had capital commitments of approximately Baht 1 million (2020: Baht 1.8 million), relating to the computer system development, acquisition of equipment and the factory system improvement.

24.2 Letters of credit

As at 31 December 2021, the Company had commitments under letters of credit with overseas suppliers amounting to approximately USD 4.4 million (2020: USD 4.9 million).

24.3 Guarantees

As at 31 December 2021, there were outstanding bank guarantees of approximately Baht 16 million (2020: Baht 16 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of its business. These included letters of guarantee to guarantee as follows:

| | (Unit: Million Baht) | |
|---|----------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Guarantee electricity use | 15 | 15 |
| Guarantee as an AEO authorised importer and/or exporter to the Customs Department | 1 | 1 |

25. Financial instruments

25.1 Derivatives

| | (Unit: Thousand Baht) | |
|--|---|-------------|
| | Consolidated/Separate financial statements | |
| | <u>2021</u> | <u>2020</u> |
| Derivative liabilities | | |
| Derivative liabilities not designated as hedging instruments | | |
| Foreign exchange forward contracts | 900 | - |
| Total derivative liabilities | 900 | - |

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods generally of 6 months. The foreign exchange forward contracts were measured at fair value using level 2 input.

25.2 Financial risk management objectives and policies

The Group's financial instruments principally comprise cash and cash equivalents, trade receivable, short-term loans from financial institutions and trade payable. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade receivable. Except for derivatives, the maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position. The Group's maximum exposure relating to derivatives is noted in the liquidity risk topic.

Trade receivables

The Group manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored and the Group considers mitigating risk by, for example, requiring collateral from a bank or arranging debtor insurance. In addition, the Group does not have high concentrations of credit risk since it has a large customer base in various industries.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The Group classifies customer segments by customer type and rating, and coverage by other forms of credit insurance. Other forms of credit insurance are considered an integral part of trade receivables and taken into account in the calculation of impairment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and subject to enforcement activity and the debtor has not the ability to pay the debt.

Market risk

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to its purchasing transactions and loans that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within 6 months.

As at 31 December 2021 and 2020, the Group has the balances of financial liabilities denominated in foreign currencies are summarised below.

| Foreign currency | Financial liabilities | | Average exchange rate | |
|------------------|--------------------------|--------------------------|---|-------------|
| | <u>2021</u> (Million) | <u>2020</u> (Million) | <u>2021</u> (Baht per 1 foreign currency unit) | <u>2020</u> |
| US dollar | 6.29 | 1.06 | 33.3300 | 29.9497 |

Foreign currency sensitivity

The sensitivity of the Group's profit before tax to a reasonably possible change in US dollar exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2021 shows that an increase or decrease of 6 percent in the exchange rate will result in an decrease or increase of Baht 12 million in the Group's profit before tax. This information is not a forecast or prediction of future market conditions and should be used with care.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to its short-term loans. Most of the Group's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

The Group manages its interest rate risk by borrowings at short-term loans that carry fixed interest rates.

As at 31 December 2021 and 2020, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

| 2021 | | | | | |
|-----------------------------------|----------------|----------|---------------|-------|---------------|
| Consolidated financial statements | Fixed | Floating | Non- interest | Total | Effective |
| | interest rates | | | | |
| | within 1 year | | | | (% per annum) |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | - | 413 | - | 413 | 0.10 - 0.15 |
| Trade and other receivables | - | - | 1,011 | 1,011 | - |
| | - | 413 | 1,011 | 1,424 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial | | | | | |
| institutions | 2,153 | - | - | 2,153 | 1.48 - 2.00 |
| Trade and other payables | - | - | 127 | 127 | - |
| | 2,153 | - | 127 | 2,280 | |

(Unit: Million Baht)

| 2020 | | | | | |
|-----------------------------------|----------------|----------|---------------|-------|---------------|
| Consolidated financial statements | Fixed | Floating | Non- interest | Total | Effective |
| | interest rates | | | | |
| | within 1 year | | | | (% per annum) |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | - | 267 | - | 267 | 0.10 - 0.13 |
| Trade and other receivables | - | - | 747 | 747 | - |
| | - | 267 | 747 | 1,014 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial | | | | | |
| institutions | 1,688 | - | - | 1,688 | 1.47 - 2.32 |
| Trade and other payables | - | - | 115 | 115 | - |
| | 1,688 | - | 115 | 1,803 | |

(Unit: Million Baht)

| 2021 | | | | | |
|--|----------------|---------------|---------------|-------|---------------|
| Separate financial statements | Fixed | Floating | Non- interest | Total | Effective |
| | interest rates | interest rate | bearing | | interest rate |
| | within 1 year | | | | (% per annum) |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | - | 401 | - | 401 | 0.10 - 0.15 |
| Trade and other receivables | - | - | 1,011 | 1,011 | - |
| | - | 401 | 1,011 | 1,412 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial institutions | | | | | |
| | 2,153 | - | - | 2,153 | 1.48 - 2.00 |
| Trade and other payables | - | - | 127 | 127 | - |
| | 2,153 | - | 127 | 2,280 | |

(Unit: Million Baht)

| 2020 | | | | | |
|--|----------------|---------------|---------------|-------|---------------|
| Separate financial statements | Fixed | Floating | Non- interest | Total | Effective |
| | interest rates | interest rate | bearing | | interest rate |
| | within 1 year | | | | (% per annum) |
| <u>Financial assets</u> | | | | | |
| Cash and cash equivalents | - | 253 | - | 253 | 0.10 - 0.13 |
| Trade and other receivables | - | - | 747 | 747 | - |
| | - | 253 | 747 | 1,000 | |
| <u>Financial liabilities</u> | | | | | |
| Short-term loans from financial institutions | | | | | |
| | 1,688 | - | - | 1,688 | 1.47 - 2.32 |
| Trade and other payables | - | - | 115 | 115 | - |
| | 1,688 | - | 115 | 1,803 | |

Liquidity risk

The Group monitors the risk of a shortage of liquidity through the use of short-term loans from financial institutions. As at 31 December 2021, the Group has undrawn credit facilities from several banks, as described in Note 13 and consequently has sufficient working capital.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities and derivative financial instruments as at 31 December 2021 and 2020 based on contractual undiscounted cash flows:

(Unit: Thousand Baht)

| | Consolidated/Separated financial statements | | |
|--|---|--------------|--------------|
| | As at 31 December 2021 | | |
| | Less than 1 year | 1 to 5 years | Total |
| Non-derivatives | | | |
| Short-term loans from financial institutions | 2,161 | - | 2,161 |
| Trade and other payables | 127 | - | 127 |
| Lease liabilities | 12 | 43 | 55 |
| Total non-derivatives | 2,300 | 43 | 2,343 |
| Derivatives | | | |
| Derivative liabilities: gross settled | | | |
| Cash outflows | 1 | - | 1 |
| Total derivatives | 1 | - | 1 |

(Unit: Thousand Baht)

| | Consolidated/Separated financial statements | | |
|--|---|--------------|--------------|
| | As at 31 December 2020 | | |
| | Less than 1 year | 1 to 5 years | Total |
| Non-derivatives | | | |
| Short-term loans from financial institutions | 1,688 | - | 1,688 |
| Trade and other payables | 115 | - | 115 |
| Lease liabilities | 12 | 51 | 63 |
| Total non-derivatives | 1,815 | 51 | 1,866 |

25.3 Fair values of financial instruments

Since the majority of the Group's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

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

26. Capital management

The primary objective of the Group's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value.

As at 31 December 2021, the Group's debt-to-equity ratio was 0.85:1 (2020: 0.82:1) and the Company's was 0.85:1 (2020: 0.83:1).

27. Events after the reporting period

On 22 February 2022, the Company's Board of Directors meeting passed a resolution to propose the payment of a dividend to the shareholders of Baht 0.84 per share, or a total of Baht 554.40 million. However, this resolution will be further proposed for the shareholders' approval in the 2022 Annual General Meeting of the Company's shareholders.

28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 22 February 2022.