

**JSP Pharmaceutical Manufacturing (Thailand)
Public Co., Ltd.**

Financial statements for the year ended
31 December 2021
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Opinion

I have audited the financial statements of JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. 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.

Valuation of inventories	
Refer to Note 7 to the financial statements	
The key audit matter	How the matter was addressed in the audit
<p>As modern medicine, traditional medicine, herbal product and dietary supplements are in highly competitive market where new products are continuously launched to meet customer's demand, sales of the Company's products are highly depend on market conditions. Consequently, certain inventories of the Company are obsolete and long outstanding, which result in the risk that the cost of inventory will be stated above their net realisable value.</p> <p>Due to the materiality of the inventory balance to the financial statements, and the significant judgment of management required in determining allowance for obsolete and slow-moving inventories. I considered the allowance for obsolete and slow-moving inventories as a key audit matter.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Inquired the management to obtain an understanding of the Company's policy in relation to the determination of an allowance for obsolete and slow-moving inventories and the Company's compliance with this policy; - Evaluated the design and implementation of internal controls related to the estimation of allowance for obsolete and slow-moving inventories; - Attended inventory counts and observed on sampling basis the condition of inventories; - Tested the accuracy of inventory aging calculation in the inventory aging report with relevant supporting documents on sampling basis to ensure that inventories are classified within an appropriate range; - Assessed the reasonableness of management's assumptions used in determining the percentage of obsolete and slow-moving inventories by comparing with historical information, verifying with relevant supporting documents and tested calculation; - Assessed the adequacy of the Company's disclosure in accordance with the Thai Financial Reporting Standards.

The impairment testing of property, plant and equipment	
Refer to Note 9 to the financial statements	
The key audit matter	How the matter was addressed in the audit
<p>During 2021, the management assessed the indication of impairment of property, plant and equipment leading to impairment testing of Lamphun's plant. The management determined the recoverable amount by applying value in use which estimated from discounted cash flow generated from utilisation of the plant.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Assessed whether the identification of the cash generating units were appropriate; - Evaluated appropriateness of the discounted cash flow provided by the Company and the Company's assumptions applied in the value-in-use method against relevant documents as well as externally derived data; including evaluated the financial parameters applied to the discount rate;

The impairment testing of property, plant and equipment	
Refer to Note 9 to the financial statements	
The key audit matter	How the matter was addressed in the audit
Due to the significant judgement involved in determining key assumptions used in estimating recoverable amount and the materiality of property, plant and equipment balance to the financial statements, I considered this as key audit matter.	<ul style="list-style-type: none"> - Analysed historical information to support the precision in the Company's estimation process; - Assessed appropriateness of principles and mathematical calculation applied in discounted cash flow and evaluate sensitivity analysis around the key assumptions; - Assessed the adequacy of the Company's disclosure in accordance with Thai Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report 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 will 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 identified above when it becomes available 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, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

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 TFRSs, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 TSAs 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 TSAs, I exercise professional judgment 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 Company'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 Company'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 Company 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.

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.

(Sumate Jangsamsee)
Certified Public Accountant
Registration No. 9362

KPMG Phoomchai Audit Ltd.
Bangkok
25 February 2022

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of financial position

Assets	Note	31 December	
		2021	2020
		<i>(Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents	5	623,904,837	492,447
Trade accounts receivable	6, 16	30,910,891	43,736,834
Other receivables	4	32,137,077	7,332,127
Inventories	7	109,476,917	77,885,017
Current contract cost assets	16	716,677	541,051
Other current financial assets	21	26,999,592	-
Total current assets		824,145,991	129,987,476
<i>Non-current assets</i>			
Other non-current financial assets		8,904,131	8,981,939
Investment properties	8	-	108,768,917
Property, plant and equipment	9	396,539,568	214,954,155
Intangible assets	10	4,514,371	4,768,958
Deferred tax assets	18	15,878,411	14,506,642
Non-current contract cost assets	16	209,385	-
Other non-current assets		10,444,957	2,119,260
Total non-current assets		436,490,823	354,099,871
Total assets		1,260,636,814	484,087,347

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of financial position

Liabilities and equity	Note	31 December	
		2021	2020
		(Baht)	
Current liabilities			
Bank overdrafts and short-term loans			
from financial institutions	12, 21	-	82,870,135
Trade accounts payable		40,271,877	29,890,560
Current contract liabilities	4, 16	29,517,955	14,864,391
Other payables	4	29,087,579	20,954,116
Current portion of long-term loans			
from financial institutions	12, 21	12,870,421	22,414,796
Current portion of lease liabilities	11, 12	2,857,630	6,954,321
Current income tax payable		-	3,088,531
Total current liabilities		114,605,462	181,036,850
Non-current liabilities			
Long-term loans from financial institutions	12, 21	69,634,603	61,463,712
Lease liabilities	11, 12	98,086,392	35,807,114
Non-current contract liabilities	16	1,291,535	-
Non-current provisions for employee benefits	13	10,593,410	9,812,567
Other non-current liabilities		-	52,617
Total non-current liabilities		179,605,940	107,136,010
Total liabilities		294,211,402	288,172,860
Equity			
Share capital	14		
Authorised share capital		227,500,000	213,000,000
Issued and paid-up share capital		227,500,000	170,000,000
Share premium		733,462,520	22,085,822
Difference arising from common control transactions	15	(11,539,171)	(11,539,171)
Retained earnings			
Appropriated			
Legal reserve	15	3,861,848	2,377,292
Unappropriated		13,140,215	12,990,544
Total equity		966,425,412	195,914,487
Total liabilities and equity		1,260,636,814	484,087,347

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of comprehensive income

		For the year ended	
		31 December	
	Note	2021	2020
		<i>(Baht)</i>	
Revenue			
Revenue from sale of goods	16	422,341,641	455,644,231
Other income	16	6,784,718	7,099,247
Total revenue		429,126,359	462,743,478
Expenses			
Cost of sale of goods	7, 17	277,973,109	310,016,287
Distribution costs	17	46,411,634	48,123,101
Administrative expenses	17	56,443,891	49,364,194
Impairment loss from non-financial assets	9	-	2,000,000
Total expenses		380,828,634	409,503,582
Profit from operating activities		48,297,725	53,239,896
Finance costs		(10,400,807)	(11,440,759)
Impairment loss determined in accordance with TFRS 9	6	(466,845)	(2,122,707)
Profit before income tax expense		37,430,073	39,676,430
Tax expense	18	(7,738,957)	(8,592,624)
Profit for the year		29,691,116	31,083,806
Other comprehensive income (expense)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on remeasurements of defined benefit plans		(71,111)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		14,222	-
Other comprehensive income (expense) for the year, net of tax		(56,889)	-
Total comprehensive income (expense) for the year		29,634,227	31,083,806
Basic earnings per share (in Baht)	19	0.08	0.09

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of changes in equity

				Retained earnings			
	<i>Note</i>	Issued and paid-up share capital	Share premium	Difference arising from common control transaction (Baht)	Legal reserve	Unappropriated	Total equity
Year ended 31 December 2020							
Balance at 1 January 2020		160,000,000	-	(11,539,171)	823,102	15,638,928	164,922,859
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	14	10,000,000	22,085,822	-	-	-	32,085,822
Dividends	20	-	-	-	-	(32,178,000)	(32,178,000)
Total contributions by and distributions to owners		10,000,000	22,085,822	-	-	(32,178,000)	(92,178)
Comprehensive income (expense) for the year							
Profit		-	-	-	-	31,083,806	31,083,806
Other comprehensive income (expense)		-	-	-	-	-	-
Total comprehensive income (expense) for the year		-	-	-	-	31,083,806	31,083,806
Transfer to legal reserve	15	-	-	-	1,554,190	(1,554,190)	-
Balance at 31 December 2020		170,000,000	22,085,822	(11,539,171)	2,377,292	12,990,544	195,914,487

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of changes in equity

		Issued and paid-up share capital	Share premium	Difference arising from common control transaction <i>(Baht)</i>	Retained earnings		Total equity
	<i>Note</i>				Legal reserve	Unappropriated	
Year ended 31 December 2021							
Balance at 1 January 2021		170,000,000	22,085,822	(11,539,171)	2,377,292	12,990,544	195,914,487
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	14	57,500,000	711,376,698	-	-	-	768,876,698
Dividends	20	-	-	-	-	(28,000,000)	(28,000,000)
Total contributions by and distributions to owners		57,500,000	711,376,698	-	-	(28,000,000)	740,876,698
Comprehensive income (expense) for the year							
Profit		-	-	-	-	29,691,116	29,691,116
Other comprehensive income (expense)		-	-	-	-	(56,889)	(56,889)
Total comprehensive income (expense) for the year		-	-	-	-	29,634,227	29,634,227
Transfer to legal reserve	15	-	-	-	1,484,556	(1,484,556)	-
Balance at 31 December 2021		227,500,000	733,462,520	(11,539,171)	3,861,848	13,140,215	966,425,412

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of cash flows

		For the year ended	
		31 December	
	Note	2021	2020
		(Baht)	
<i>Cash flows from operating activities</i>			
Profit for the year		29,691,116	31,083,806
<i>Adjustments to reconcile profit to cash receipts (payments)</i>			
Tax expense	18	7,738,957	8,592,624
Finance costs		10,400,807	11,440,759
Depreciation and amortisation	9, 10	22,224,910	22,080,064
Impairment loss from non-financial assets	9	-	2,000,000
Loss on fair value adjustment		408	-
Impairment loss recognised in profit or loss in accordance with TFRS9	6	466,845	2,122,707
Employee benefits expense related to defined benefit plans	13	1,249,732	1,673,600
Provision for loss on inventories devaluation	7	1,924,963	1,816,171
(Gain) loss on disposal of property, plant and equipment		(2,091,248)	146,590
Interest income		(204,570)	(405,364)
		<u>71,401,920</u>	<u>80,550,957</u>
<i>Changes in operating assets and liabilities</i>			
Trade accounts receivable		12,359,098	11,227,236
Other receivables		(18,811,249)	3,616,835
Inventories		(33,516,865)	(41,071,761)
Contract cost assets		(385,011)	(141,509)
Other non-current financial assets		77,808	(45,833)
Other non-current assets		(233,743)	(376,944)
Trade accounts payable		10,381,317	432,679
Contract liabilities		15,945,099	477,156
Other payables		4,245,833	(1,384,778)
Other non-current liabilities		(52,617)	(315,707)
Net cash generated from operating		61,411,590	52,968,331
Repayment of employee benefit related to defined benefit plans	13	(540,000)	-
Taxes paid		(9,149,952)	(6,980,452)
Net cash from operating activities		51,721,638	45,987,879

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of cash flows

		For the year ended	
		31 December	
	<i>Note</i>	2021	2020
		<i>(Baht)</i>	
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant and equipment		5,613,666	105,270
Acquisition of plant and equipment		(36,546,696)	(7,149,076)
Acquisition of intangible assets		(535,307)	(689,040)
Payment of other current financial assets		(27,000,000)	-
Payment of long-term loan to a related party		-	(41,782,500)
Proceeds from repayment of long-term loan to a related party		-	47,549,241
Interest received		204,570	432,832
Net cash used in investing activities		<u>(58,263,767)</u>	<u>(1,533,273)</u>
<i>Cash flows from financing activities</i>			
Proceeds from issue of share capital	14	759,843,952	32,057,277
Repayment of bank overdrafts and short-term loans from financial institutions - net		(82,870,135)	(13,772,769)
Proceeds from long-term loans from financial institutions		51,058,463	24,500,000
Repayment of long-term loans from financial institutions		(52,431,947)	(36,749,957)
Payment of lease liabilities		(7,327,173)	(6,523,133)
Dividends paid to owners of the Company		(28,000,000)	(32,178,000)
Interest paid		(10,318,641)	(11,432,236)
Net cash from (used in) financing activities		<u>629,954,519</u>	<u>(44,098,818)</u>
Net increase in cash and cash equivalents		623,412,390	355,788
Cash and cash equivalents at 1 January		492,447	136,659
Cash and cash equivalents at 31 December	5	<u>623,904,837</u>	<u>492,447</u>

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.

Statement of cash flows

		For the year ended	
		31 December	
	Note	2021	2020
		(Baht)	
<i>Disclosure of additional cash flows information</i>			
<i>Plant and equipment acquired during the year were detailed as follows:</i>			
Total plant and equipment acquired during the year	9	33,805,524	6,098,437
Add Payment made to payables of plant and equipment at beginning of the year		343,667	1,394,306
Advances payments of plant and equipment at ending of the year		8,605,739	-
Less Payables of plant and equipment at ending of the year		(4,149,132)	(343,667)
Vehicle acquired from right-of-use assets		(2,059,102)	-
Cash paid for acquisition of plant and equipment		36,546,696	7,149,076
<i>Intangible assets acquired during the year were detailed as follows:</i>			
Total intangible assets acquired during the year	10	535,507	663,574
Add Payment made to payables of intangible assets at beginning of the year		-	25,466
Less Payables of intangible assets at ending of the year		-	-
Cash paid for acquisition of intangible assets		535,507	689,040

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

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.
Notes to the financial statements
For the year ended 31 December 2021

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JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.
Notes to the financial statements
For the year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 25 February 2022.

1 General information

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd., the “Company”, is incorporated in Thailand and was listed in the Stock Exchange of Thailand in November 2021. The Company’s registered office are as follows:

Head Office	:	No. 255 and 257, Sathu Pradit 58, Bang Pongphang, Yan Nawa, Bangkok
Branch no. 1	:	No. 260, Moo 4, Si Bua Ban, Mueang Lamphun, Lamphun
Branch no. 2	:	No. 88, 88/1-3 Moo 11, Bang Chalong, Bang Phli, Samut Prakan
Branch no. 3	:	No. 88/5-6, Moo 11, Bang Chalong, Bang Phli, Samut Prakan

The Company’s major shareholder during the financial period were Daengprasert family and Suphap Group Co., Ltd., with 35.56% and 32.97% shareholding, respectively (2020: *Daengprasert family and Suphap Group Co., Ltd., with 50.00% and 44.12% shareholding, respectively*).

The principal activities of the Company are manufacturing and selling of pharmaceutical, dietary supplementary and traditional medicine and herbal products.

2 Basis of preparation of the financial statements

Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission. The financial statements are presented in Thai Baht, which is the Company’s functional currency. A financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest thousand unless otherwise stated.

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Company’s accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.
Notes to the financial statements
For the year ended 31 December 2021

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Acquisitions from entities under common control

Business combination under common control are accounted for using a method similar to the pooling of interest method. Under that method, the acquirer recognises assets and liabilities of the acquired businesses at their carrying amounts in the financial statements of the ultimate parent company at the moment of the transaction. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognised as surplus or discount from business combinations under common control in shareholder's equity. The surplus or discount will be transferred to retained earnings upon divestment of the businesses acquired.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in profit or loss.

(c) Financial instruments

(c.1) Recognition and initial measurement

Financial assets and financial liabilities (except trade accounts receivables (see note 3(e))) are initially recognised when the Company becomes a party to the contractual provisions of the instrument, and measured at fair value, taking into account for transaction costs that are directly attributable to its acquisition, except for financial assets measured at FVTPL, which are initially and subsequently measured at fair value, and any transaction costs that are directly attributable to its acquisition are recognised in profit or loss.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified prospectively from the reclassification date.

On initial recognition, financial liabilities are classified as measured at amortised cost using the effective interest method or FVTPL. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition are recognised in profit or loss.

Financial assets measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses.

JSP Pharmaceutical Manufacturing (Thailand) Public Co., Ltd.
Notes to the financial statements
For the year ended 31 December 2021

Interest income, foreign exchange gains and losses, expected credit loss and any gain or loss on derecognition are recognised in profit or loss.

(c.2) Derecognition and offset

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c.3) Write offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering. Subsequent recoveries of an asset that was previously written off, are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(c.4) Interest

Interest income and expense is recognised in profit or loss using the effective interest method. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

(d) Cash and cash equivalents

Cash and cash equivalents in the statements of cash flows comprise cash balances and highly liquid short-term investments which has a maturity of a three month or less from the date of acquisition. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(e) Trade and other accounts receivable

A receivable is recognised when the Company has an unconditional right to receive consideration. A trade receivable is measured at transaction price less allowance for expected credit loss. Bad debts are written off when incurred.

The Company estimates lifetime expected credit losses (ECLs), using a provision matrix to find ECLs rate. This method groups the debtors based on shared credit risk characteristics and past due status, taking into account historical credit loss data, adjusted for factors that are specific to the debtors and an assessment of both current economic conditions and forward-looking general economic conditions at the reporting date.

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(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the first in first out principle. Cost includes direct costs incurred in acquiring inventories. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(g) Investment properties

Investment properties are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Differences between the proceeds from disposal and the carrying amount of investment property, and are recognised in profit or loss.

(h) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes capitalised borrowing costs and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Differences between the proceeds from disposal and the carrying amount of property, plant and equipment are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item when the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each component of an asset. No depreciation is provided on freehold land or assets under construction.

The estimated useful lives are as follows:

Buildings and building improvement	5 - 30 years
Machinery and equipment	5 - 10 years
Vehicles	5 years
Furniture, fixtures and office equipment	3 - 5 years

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(i) Contract cost assets

Contract cost assets are the incremental costs to obtain a contract with a customer. The Company expects to recover these costs.

Contract cost assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on systematic basis over the term of the contract it relates to, consistent with the related revenue recognition.

(j) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it will generate the future economic benefits.

Amortisation

Amortisation is calculated on a straight-line basis over the estimated useful lives of intangible assets and recognised in profit or loss. The estimated useful lives are as follows:

Product registrations	5 - 9 years
Software licences	10 years

No amortisation is provided on Software in progress.

(k) Leases

At inception of a contract, the Company assesses that a contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. For the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any remeasurements of lease liability. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of restoration costs. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of all lease payments that shall be paid under the lease. The Company uses incremental borrowing rate to discount the lease payments to the present value. The Company determines its incremental borrowing rate by obtaining interest rates from

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various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(l) Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Contract liabilities

A contract liability is the obligation to transfer goods or services to the customer. A contract liability is recognised when the Company receives or has an unconditional right to receive non-refundable consideration from the customer before the Company recognises the related revenue.

(n) Employee benefits

Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Company's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods. The defined benefit obligation is discounted to the present value, which performed by a qualified actuary using the projected unit credit method.

Remeasurements of the defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(p) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(q) 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 market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and asset positions at a bid price and liabilities and liability positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

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(r) Revenue

Revenue is recognised when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Company expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

Sale of goods and services

Revenue from sales of goods is recognised on the date on which the goods are delivered to the customers. For the sales that permit the customers to return the goods, the Company estimates the returns based on the historical return data, does not recognise revenue for this transaction and remains recognition of inventory for the estimated products to be returned.

Revenue for rendering of services is recognised over time as the services are provided. The related costs are recognised in profit or loss when they are incurred.

Other income

Other income comprises interest income and others, and are recognised on accrual basis.

(s) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is recognised in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current deferred tax assets and liabilities are offset in the financial statements.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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(u) Related parties

A related party is a person or entity that has direct or indirect control, or has significant influence over the financial and managerial decision-making of the Company; a person or entity that are under common control or under the same significant influence as the Company; or the Company has direct or indirect control or has significant influence over the financial and managerial decision-making of a person or entity.

(v) Segment reporting

Segment results that are reported to the Company's chief executive officer, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4 Related parties

The related parties that the Company had significant transactions with during the year were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Suphap Group Company Limited	Thailand	Ultimate parent company; 32.97% shareholding, and common key management personnel
CDIP (Thailand) Public Co., Ltd.	Thailand	Common key management personnel
R.T.N. Logistics Company Limited	Thailand	Family relationship with director
Treesci Innovation Company Limited	Thailand	Family relationship with director
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company

Significant transactions for the years ended 31 December with related parties were as follows:

Year ended 31 December	2021	2020
	<i>(in thousand Baht)</i>	
Ultimate parent company		
Interest expense under lease liabilities	875	1,173
Key management personnel		
Rental income	-	50
Interest expense under lease liabilities	2,285	1,343
Gain on disposal of property	2,099	-
Key management personnel compensation		
Short-term employee benefits	18,299	13,112
Post-employment benefits	275	202
Total key management personnel compensation	18,574	13,314
Other related parties		
Sale of goods	17	432
Purchase of equipment	157	-
Rental expense	-	144
Interest income	-	358
Other expense	-	3,160

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Balances as at 31 December with related parties were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Other receivables</i>		
Key management personnel	-	50
Other related parties	-	312
Total	-	362
<i>Contract liabilities</i>		
Other related parties	-	44
Total	-	44
<i>Other payables</i>		
Key management personnel	2,360	970
Other related parties	-	144
Total	2,360	1,114
<i>Lease liabilities</i>		
Ultimate parent company	27,437	18,489
Key management personnel	71,661	21,172
Total	99,098	39,661

Significant agreements with related parties

Rental agreements

Ultimate parent company

On 30 March 2018, the Company entered into the property rental agreement of head office for operating purposes with the ultimate parent company. The term of agreement is 3 years, starting from 1 January 2018 to 31 December 2020, with monthly rental fee of Baht 0.3 million. The Company had extension option under the term of agreement.

On 15 May 2019, the Board of Directors approved the Company to amend terms and conditions stipulated in the property rental agreement of head office for operating purposes with the ultimate parent company from monthly rental fee of Baht 0.3 million to monthly rental fee of Baht 0.3 million and 1.0% incremental rental fee annually in which become effective since 1 June 2019.

On 1 January 2021, the Company entered into 3-year property rental agreement of head office for operating purposes with the ultimate parent company, effective from 1 January 2021 until 31 December 2023, with monthly rental fee of Baht 0.1 million. The Company can renew rental agreement 2 more times; for another 3 years and 1 year after the end of contract, respectively, with 10.0% incremental rental fee for each renewal.

On 30 June 2021, the Company entered into addendum of property rental agreement with the ultimate parent company. The addendum amended conditions of agreement from 3-year term, effective from 1 January 2021 until 31 December 2023, with monthly rental fee of Baht 0.1 million and the Company can renew rental agreement 2 more times; for another 3 years and 1 year after the end of contract, respectively, with 10.0% incremental rental fee for each renewal to 19-year term, effective from 1 January 2021 until 31 December 2039 with monthly rental fee of Baht 0.1 million, and 10.0% incremental rental fee every three years and first right of renewal. During the contractual period,

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if the lessor intends to sell or transfer the leased property, the lessor must notify the Company to consider the first right of purchasing of the leased property.

Key management personnel

On 30 March 2018, the Company entered into a property rental agreement of head office for operating purposes with the key management personnel. The term of agreement is 10 years, starting from 1 January 2018 to 31 December 2027, with monthly rental fee of Baht 0.3 million. The Company had extension option under the term of agreement.

On 15 May 2019, the Board of Directors approved the Company to amend terms and conditions stipulated in the property rental agreement of head office for operating purposes with the key management personnel from monthly rental fee of Baht 0.3 million to monthly rental fee of Baht 0.3 million with 1.0% incremental rental fee annually in which become effective since 1 June 2019.

On 12 November 2020, the Board of Directors approved the Company to amend terms and conditions stipulated in the property rental agreement of head office for operating purposes with the key management personnel from monthly rental fee of Baht 0.3 million and 1.0% incremental rental fee annually to monthly rental fee of Baht 0.4 million and 10.0% incremental rental fee every three years, which become effective from 1 January 2021 onward.

On 30 June 2021, the Company entered into addendum of property rental agreement with the key management personnel. The addendum amended conditions of agreement from 10-year term, effective from 1 January 2018 until 31 December 2027, with monthly rental fee of Baht 0.4 million and 10.0% incremental rental fee every three years to 22-year term, effective from 1 January 2018 until 31 December 2039, with monthly rental fee of Baht 0.4 million since 1 January 2021, and 10.0% incremental rental fee every three years and first right of renewal. During the contractual period, if the lessor intends to sell or transfer the leased property, the lessor must notify the Company to consider the first right of purchasing of the leased property.

Payment of lease liabilities and related interest expense for rental agreement with ultimate parent company and key management personnel for the year ended 31 December 2021 were Baht 1.7 million and Baht 4.5 million, respectively (*2020: Ultimate parent company and key management personnel were Baht 3.1 and Baht 3.6 million, respectively*).

Other related parties

On 30 September 2020, the Company entered into vehicle rental agreement with CDIP (Thailand) Public Co., Ltd., a related party. The term of agreement is 1 year, starting from 1 January 2020 to 31 December 2020, with monthly rental fee of Baht 12,000.

Land sale and purchase agreement

Key management personnel

On 20 May 2021, the Company entered into a sale and purchase agreement with key management personnel to sell a plot of land at agreed selling price of Baht 5.9 million. The Company completed selling such plot of land in August 2021. The Company recorded gain on disposal of property, net with its related expense, of Baht 2.1 million in statement of comprehensive income for the year ended 31 December 2021 (see note 9).

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5 Cash and cash equivalents

	2021	2020
	<i>(in thousand Baht)</i>	
Cash on hand	25	27
Cash at banks - current accounts	8,833	43
Cash at banks - saving accounts	615,047	422
Total	<u>623,905</u>	<u>492</u>

6 Trade accounts receivable

	2021	2020
	<i>(in thousand Baht)</i>	
Other parties		
Within credit terms	18,784	23,409
Overdue		
Less than 3 months	11,109	17,455
3 - 6 months	450	147
6 - 12 months	1,289	5,734
Over 12 months	3,441	687
Total	<u>35,073</u>	<u>47,432</u>
Less allowance for expected credit loss	<u>(4,162)</u>	<u>(3,695)</u>
Net	<u>30,911</u>	<u>43,737</u>
 Allowance for expected credit loss		
At 1 January	3,695	5,043
Additions	467	2,123
Write-off	-	(3,471)
At 31 December	<u>4,162</u>	<u>3,695</u>

Information of credit risk is disclosed in note 21 (b.1).

7 Inventories

	2021	2020
	<i>(in thousand Baht)</i>	
Finished goods	57,481	39,479
Work in progress	4,662	7,868
Raw materials	32,720	20,195
Packaging materials	23,667	17,471
Total	<u>118,530</u>	<u>85,013</u>
Less allowance for decline in value	<u>(9,053)</u>	<u>(7,128)</u>
Net total	<u>109,477</u>	<u>77,885</u>
 Inventories recognised in ‘cost of sale of goods’:		
- Cost	276,048	308,200
- Write-down to net realisable value	1,925	1,816
Total	<u>277,973</u>	<u>310,016</u>

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8 Investment properties

	<i>(in thousand Baht)</i>
<i>Cost</i>	
At 1 January 2020	150,085
Additions	-
Transfers	<u>(41,316)</u>
At 31 December 2020 and 1 January 2021	108,769
Additions	-
Transfers	<u>(108,769)</u>
At 31 December 2021	-
 <i>Impairment losses</i>	
At 1 January 2020 and 2021	-
Impairment losses	<u>-</u>
At 31 December 2020 and 2021	-
 <i>Net book value</i>	
At 31 December 2020	108,769
At 31 December 2021	-

As at 31 December 2020, investment properties comprise freehold land which is currently held for undetermined future use.

During the year ended 31 December 2021, the Company transferred wholly plots of land from investment properties amounting to Baht 108.8 million (*2020: Baht 41.3 million*) to property, plant and equipment because the Company used such land for product development activities.

The fair value of investment properties as at 31 December 2020 of Baht 111.1 million were appraised by independent valuers, at market value on an existing use basis. The fair value of investment property measurement has been categorised as a Level 3 fair value.

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9 Property, plant and equipment

	Land	Buildings and building improvements	Leasehold of land and building	Machinery and equipment <i>(in thousand Baht)</i>	Vehicles	Furniture, fixtures and office equipment	Assets under construction and installation	Total
<i>Cost</i>								
At 1 January 2020	18,500	163,984	43,840	92,983	7,356	4,151	-	330,814
Additions	-	-	-	2,617	-	836	2,645	6,098
Transfer from investment property (see Note 8)	41,316	-	-	-	-	-	-	41,316
Disposals	-	-	-	(2,087)	-	(79)	-	(2,166)
At 31 December 2020 and 1 January 2021	59,816	163,984	43,840	93,513	7,356	4,908	2,645	376,062
Additions	-	1,148	-	6,873	2,311	2,152	21,321	33,805
Adjust right-of-use assets	-	-	63,970	-	-	-	-	63,970
Transfer from investment property (see note 8)	108,769	-	-	-	-	-	-	108,769
Transfers	-	12,647	-	3,213	-	442	(16,302)	-
Disposals	(3,500)	-	-	(912)	-	(103)	-	(4,515)
At 31 December 2021	165,085	177,779	107,810	102,687	9,667	7,399	7,664	578,091
<i>Depreciation and impairment losses</i>								
At 1 January 2020	-	75,447	-	56,130	5,808	2,285	-	139,670
Depreciation charge for the year	-	5,335	5,480	8,984	630	923	-	21,352
Impairment losses	-	2,000	-	-	-	-	-	2,000
Disposals	-	-	-	(1,850)	-	(64)	-	(1,914)
At 31 December 2020	-	82,782	5,480	63,264	6,438	3,144	-	161,108
Depreciation charge for the year	-	4,946	5,427	9,221	749	1,092	-	21,435
Disposals	-	-	-	(889)	-	(103)	-	(992)
At 31 December 2021	-	87,728	10,907	71,596	7,187	4,133	-	181,551

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	Land	Buildings and building improvements	Leasehold of land and building	Machinery and equipment <i>(in thousand Baht)</i>	Vehicles	Furniture, fixtures and office equipment	Assets under construction and installation	Total
<i>Net book value</i>								
At 31 December 2020								
Owned assets	59,816	81,202	-	23,111	329	1,764	2,645	168,867
Right-of-use assets	-	-	38,360	7,138	589	-	-	46,087
	59,816	81,202	38,360	30,249	918	1,764	2,645	214,954
At 31 December 2021								
Owned assets	165,085	90,051	-	24,757	442	3,266	7,664	291,265
Right-of-use assets	-	-	96,903	6,334	2,038	-	-	105,275
	165,085	90,051	96,903	31,091	2,480	3,266	7,664	396,540

In 2021, the Company increased the value of leasehold of land and buildings with ultimate parent company and key management personnel amounting to Baht 64.0 million due to entering of new lease agreement and amending of terms and conditions of lease agreement, respectively (see note 4).

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Impairment losses

In 2015, the Company ceased operations at Lamphun plant. The Company's management determined recoverable amount of property, plant and equipment in relation to Lamphun plant by appointing independent valuers to determine fair value based on cost approach. The appraised value of buildings and building improvements were less than net book value; therefore, the Company recorded impairment losses amounting to Baht 45.0 million in the 2015 financial statements.

As at 31 December 2020, the management assessed recoverable amount of Lamphun plant based on value in use approach. As a result, the Company recorded additional impairment losses amounting to Baht 2.0 million in the financial statements for the year ended 31 December 2020.

As at 31 December 2021, the management assessed recoverable amount of Lamphun plant based on value in use approach and concluded that impairment losses were not substantially changed from the latest appraisal date.

The recoverable amount of Lamphun plant was assessed based on value in use approach, whereby discounting expected cash flows. The measurement has been categorised as a Level 3 fair value.

The key assumptions used in the estimation of value in use are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2021	(%)	2020
Discount rate	12.20		11.00
Terminal value growth rate	0.00		0.00

The discount rate was a pre-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 27.5% (2020: 22.0%) at a market interest rate of 5.3% (2020: 5.3%).

The cash flow projections included specific estimates for next 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate, consistent with the assumptions that a market participant would make.

Following the impairment losses of Baht 45.0 million recorded in 2015 and the additional impairment losses of Baht 2.0 million in 2020, the recoverable amount was approximate to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

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10 Intangible assets

	Product registrations	Software licences (in thousand Baht)	Software under development	Total
Cost				
At 1 January 2020	2,290	2,515	422	5,227
Additions	280	16	367	663
Transfers	-	789	(789)	-
Disposals	-	-	-	-
At 31 December 2020	2,570	3,320	-	5,890
Additions	-	20	515	535
Transfers	-	220	(220)	-
Disposals	-	-	-	-
At 31 December 2021	2,570	3,560	295	6,425
Amortisation				
At 1 January 2020	156	238	-	394
Amortisation for the year	437	290	-	727
Disposals	-	-	-	-
At 31 December 2020	593	528	-	1,121
Amortisation for the year	447	343	-	790
Disposals	-	-	-	-
At 31 December 2021	1,040	871	-	1,911
Net book value				
At 31 December 2020	1,977	2,792	-	4,769
At 31 December 2021	1,530	2,689	295	4,514

11 Leases

The periods to maturity of lease liabilities were as follows:

	2021			2020		
	Lease payments over the remaining term of the lease liabilities	Interest	Carrying value of lease liabilities (in thousand Baht)	Lease payments over the remaining term of the lease liabilities	Interest	Carrying value of lease liabilities
Within one year	7,271	(4,413)	2,858	9,346	(2,392)	6,954
After one year but within five years	27,843	(16,467)	11,376	28,397	(6,019)	22,378
After five years	116,573	(29,863)	86,710	14,287	(858)	13,429
Total	151,687	(50,743)	100,944	52,030	(9,269)	42,761

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2021 2020
(in thousand Baht)

Recognised in profit or loss

Depreciation charge of right-of-use assets:

- Leasehold of land and building	5,427	5,480
- Machinery and equipment	804	804
- Vehicles	610	280
Interest on lease liabilities	3,433	2,517
Expenses relating to leases of low-value assets	291	415

Total cash outflow for leases presented in the statement of cash flows for the year ended 31 December 2021 was Baht 7.3 million (2020: Baht 6.5 million).

The Company entered into lease agreements with local companies and related parties to lease vehicles, equipment and leasehold right of land and building, respectively. Under the term of agreements, the Company had to comply with the conditions related to leased assets.

During 2019, the Company entered into sale and leaseback agreements with a local company for machinery amounting to Baht 6.5 million. The Company had deferred revenue amounted Baht 0.9 million, which will be amortised for 36 months. Under the term of agreements, the Company had to comply with the conditions related to leased assets.

12 Interest-bearing liabilities

The periods to maturity of interest-bearing liabilities as at 31 December were as follows:

	Note	2021			2020		
		Current	Non-current	Total	Current	Non-current	Total
Secured							
Bank overdrafts (a)		-	-	-	8,870	-	8,870
Short-term loans from financial institutions (a)		-	-	-	74,000	-	74,000
Long-term loans from financial institutions (b)		12,870	69,635	82,505	22,415	61,464	83,879
Lease liabilities	11	2,858	98,086	100,944	6,954	35,807	42,761
Total interest-bearing liabilities		15,728	167,721	183,449	112,239	97,271	209,510

Assets pledged as security for interest-bearing liabilities and credit facilities, excluding lease liabilities, as at 31 December were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Other non-current financial assets	8,904	8,881
Investment properties	-	26,840
Property, plant and equipment	70,087	15,000
Total	78,991	50,721

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The periods to maturity of interest-bearing liabilities, excluding lease liabilities, as at 31 December were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Within one year	12,870	105,285
After one year but within five years	60,943	54,227
After five years	8,692	7,237
Total	82,505	166,749

As at 31 December 2021, the Company had unutilised credit facilities amounting to Baht 108.0 million (2020: Baht 25.1 million).

(a) Bank overdrafts and short-term loans from financial institutions

As at 31 December 2020, the Company had bank overdrafts amounting to Baht 8.9 million bore interest at the rate MOR and these bank overdrafts were secured by land owned by the Company, land owned by key management personnel and key management personnel.

As at 31 December 2020, the Company had promissory notes from financial institutions of Baht 74.0 million. The promissory notes amounting to Baht 49.0 million bore interest at the rate MLR and MLR-1% which were secured by land owned by the Company, land owned by key management personnel, key management personnel and related parties. In addition, the promissory notes amounting to Baht 25.0 million bore interest at the rate Prime rate-0.25%, which were secured by a fixed deposit owned by the Company, key management personnel and related parties. All promissory notes were entirely repaid during 2021.

(b) Long-term loans from financial institutions

As at 31 December 2021, the Company had long-term loans of Baht 82.5 million (2020: Baht 83.9 million) from several financial institutions. These loans had various monthly repayment schedule for principal and interest up to 2030 as follows:

Interest rate	Maturity of the last installment	Collaterals as at 31 December 2021	2021	2020
			<i>(in thousand Baht)</i>	
Year 1: MLR-4.10%,	2030	Land owned by the Company	27,877	-
Year 2-3: MLR-3.10%,				
Year 4-5: MLR-2.10%,				
Year 6-maturity: MLR-1.60%				
Year 1: MLR-1.47%,	2028	Key management personnel and Thai Credit Guarantee Corporation (TCG)	19,926	-
Year 2-maturity: MLR-1.1%				
Year 1-2: MLR-2%,	2027	Key management personnel and Thai Credit Guarantee Corporation (TCG)	19,849	19,632
Year 3-maturity: MLR-1%				

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Interest rate	Maturity of the last installment	Collaterals as at 31 December 2021	2021 (in thousand Baht)	2020
MLR-1.775%	2024	Land owned by the Company and key management personnel	8,375	11,542
Year 1-2: 2% Year 3-maturity: MRR	2025	Key management personnel and Thai Credit Guarantee Corporation (TCG)	3,760	4,755
Year 1-2: 2% Year 3-maturity: 7%	2026	Thai Credit Guarantee Corporation (TCG)	1,500	-
2% per annum	2023	Bank guarantee from a financial institution	656	1,160
MLR	2024	Land owned by the Company and land owned by key management personnel, key management personnel and ultimate parent company	416	1,971
MLR-1%	2022	Land owned by the Company, key management personnel and ultimate parent company	146	7,874
Year 1-3: MLR-1%, Year 4-maturity: MLR	2025	Land owned by key management personnel, leasehold rights with key management personnel, key management personnel and ultimate parent company	-	26,212
MLR-0.85%	2024	Land owned by the Company and key management personnel	-	10,483
0.5% and 0.68% per month	2021	Vehicles owned by the Company and key management personnel	-	250
		Total	82,505	83,879

As at 31 December 2020, the Company has to comply with financial debt covenant on long-term loans facilities from financial institution amounting to Baht 15.5 million. The covenants required the Company to maintain debt-to-equity ratio not exceed than 2.3:1, but not less than 0. In addition, the Company has to maintain Debt Service Coverage Ratio (DSCR) not less than 1.1:1, for annual financial statements. The Company complied with all financial covenants. On 29 June 2021, the aforesaid financial institution release financial covenants on such long-term loans from financial institution in relation to maintaining debt-to-equity ratio and Debt Service Coverage Ratio.

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13 Non-current provisions for employee benefits

	2021	2020
	<i>(in thousand Baht)</i>	
Post-employment benefits	<u>10,593</u>	<u>9,813</u>

Defined benefit plan

The Company operates a defined benefit plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plan exposes the Company to actuarial risks, such as longevity risk and interest rate risk.

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Present value of the defined benefit obligation</i>		
At 1 January	9,813	8,139
<i>Included in profit or loss</i>		
Current service costs	1,062	1,509
Interest on obligation	187	165
Total	<u>1,249</u>	<u>1,674</u>

Included in other comprehensive income (expense)

Actuarial loss		
- Demographic assumptions	-	-
- Financial assumptions	(1,260)	-
- Experience adjustment	1,331	-
	<u>71</u>	<u>-</u>
Benefit paid	(540)	-
At 31 December	<u>10,593</u>	<u>9,813</u>

<i>Actuarial assumptions</i>	2021	2020
	<i>(%)</i>	
Discount rate	2.70	2.02
Future salary growth	5.00	5.00
Employee turnover	5.73 - 28.65	0.00 - 38.00

Assumptions regarding future mortality have been based on published statistics and mortality tables.

As at 31 December 2021, the weighted-average duration of the defined benefit obligation was 16 years (2020: 6.75 years).

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Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Effect to the defined benefit obligation at 31 December 2020	Increase	Decrease
	<i>(in thousand Baht)</i>	
Discount rate (1% movement)	(659)	767
Future salary growth (1% movement)	925	(810)
Employee turnover (1% movement)	(722)	277

Effect to the defined benefit obligation at 31 December 2021	Increase	Decrease
	<i>(in thousand Baht)</i>	
Discount rate (1% movement)	(1,073)	1,285
Future salary growth (1% movement)	1,217	(1,040)
Employee turnover (20% movement)	(1,452)	1,937

14 Share capital

	Par value per share <i>(in Baht)</i>	2021 Number	2021 Baht	2020 Number	2020 Baht
		<i>(thousand shares/in thousand Baht)</i>			
Authorised					
At 1 January					
- Ordinary shares	0.5	426,000	213,000	340,000	170,000
- Reduction of shares	0.5	(86,000)	(43,000)	-	-
- Increase of new shares	0.5	<u>115,000</u>	<u>57,500</u>	<u>86,000</u>	<u>43,000</u>
At 31 December					
- Ordinary shares	0.5	<u>455,000</u>	<u>227,500</u>	<u>426,000</u>	<u>213,000</u>
Issued and paid-up					
At 1 January					
- Ordinary shares	0.5	340,000	170,000	320,000	160,000
- Increase of new shares	0.5	<u>115,000</u>	<u>57,500</u>	<u>20,000</u>	<u>10,000</u>
At 31 December					
- Ordinary shares	0.5	<u>455,000</u>	<u>227,500</u>	<u>340,000</u>	<u>170,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Initial Public Offering

In October 2021, the Company offered 115.0 million ordinary shares to the initial public offering (“IPO”). The new shares were issued at a price of Baht 7.0 per share (par value at Baht 0.5 and share premium on ordinary share at Baht 6.5). The Company received cash from issuing of new ordinary shares of Baht 805.0 million. The Company registered the increase of paid-up share capital with Ministry of Commerce on 28 October 2021 and the shares of the Company were begun trading in the Stock Exchange of Thailand on 2 November 2021. The Company had expenses (net of tax) directly attributable to the issued share capital amounting to Baht 36.1 million. Hence, the Company recognised premium on ordinary shares totalled Baht 711.4 million.

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Share offering for directors, management and employees

In October 2021, the Company offered not to exceed 1.25 million ordinary shares to its directors, management and employees (par value at Baht 0.5 per share) at the price of Baht 7.0 per share which is considered as reasonable fair value based on the issuing price of ordinary share at the initial public offering. The ordinary shares offered to directors, management and employees is a part of ordinary shares to the Initial Public Offering (“IPO”).

Decrease of ordinary shares

At the extraordinary general meeting of the Shareholder of the Company held on 26 May 2021, the shareholders approved the Company to reduce the registered share capital of Baht 43.0 million (86.0 million shares at par value of Baht 0.5 per share) by cancellation of registered shares that have not been paid-up. The Company registered the decrease in share capital with the Ministry of Commerce on 1 June 2021.

Issue of ordinary shares

At the extraordinary general meeting of the Shareholder of the Company held on 26 May 2021, the shareholders approved the Company to increase the share capital of Baht 57.5 million (115.0 million shares at par value of Baht 0.5 per share) for initial public offering purposes. The Company registered the increase in share capital with the Ministry of Commerce on 2 June 2021.

At the board of directors meeting of the Company held on 12 November 2020, the board of directors approved the increase of authorised share capital from Baht 170.0 million (340 million shares at par value of Baht 0.5 per share) to Baht 213.0 million (426.0 million shares at par value of Baht 0.5 per share). The Company issued 86.0 newly million shares at par value of Baht 0.5, totalling Baht 43.0 million. The Company registered the increase in share capital with the Ministry of Commerce on 8 December 2020.

At the annual general meeting of the Shareholder of the Company held on 18 March 2020, the shareholders approved the Company to allot and offer the increased share capital of Baht 10.0 million (20.0 million shares at par value of Baht 0.5 per share) to (1) Private Equity Trust for SME Growing Together 1, which the trustee is ONE Asset Management Limited and (2) H E P Holdings 4 Co., Ltd. at 19.0 million shares and 1.0 million shares, respectively, with the price of Baht 1.61 per share. The Company called-up of the increased share capital amounting to Baht 32.2 million and registered with the Ministry of Commerce on 27 March 2020. The Company had expenses (net of tax) directly attributable to the issued share capital amounting to Baht 0.1 million. Hence, the Company recognised premium on ordinary shares totalled Baht 22.1 million.

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account (“share premium”). Share premium is not available for dividend distribution.

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15 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

According to the Public Companies Act B.E. 2535, Section 116 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of equity

Difference arising from common control transaction

The difference arising from common control transaction represented excess between consideration and book value of acquired entities or businesses under common control. This difference is presented as a component of equity, which will not be distributed and remain until acquired entities or businesses are disposed.

16 Segment information and disaggregation of revenue

Management determined that the Company has two reportable segments which are the Company’s strategic divisions for different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Company’s reportable segments.

Segment 1 Manufacture and distribution of products under customer’s brand name (OEM)

Segment 2 Manufacture and distribution of products under the Company’s brand name (Own brands)

Other segments include revenue from sales of goods and service. None of these segments meets the quantitative thresholds for determining reportable segments in 2021 or 2020.

Each segment’s performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Company’s CODM. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments.

The Company’s main revenue is derived from contracts with customers and recognised at a point in time.

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<i>For the year ended 31 December</i>	Segment 1		Segment 2		Other segments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenues from sales of goods	274,197	249,294	139,953	182,770	8,192	23,580	422,342	455,644
Segment operating profit	54,171	48,941	43,330	45,884	456	2,680	97,957	97,505
Unallocated revenues							6,785	7,099
Unallocated expenses							(56,444)	(49,364)
Impairment loss from non-financial assets							-	(2,000)
Impairment loss in accordance with TFRS 9							(467)	(2,123)
Finance costs							(10,401)	(11,441)
Profit before income tax							37,430	39,676

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Geographical segments

The Company is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in, foreign countries.

Major customers

Revenues from two major customers of the Company for the year ended 31 December 2021 was approximately Baht 105.2 million and Baht 83.2 million, respectively (2020: revenue from two major customers was approximately Baht 63.3 million and Baht 59.1 million, respectively.).

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2021	2020
	<i>(in thousand Baht)</i>	
Trade account receivables	35,073	47,432
Less allowance for expected credit loss	<u>(4,162)</u>	<u>(3,695)</u>
Net	<u>30,911</u>	<u>43,737</u>
 Contract liabilities		
- Product deposits received	29,518	14,864
- Long-term advances received	1,292	-

Product deposits received and long-term advances received primarily relate to sales of made-to-order products which the Company will recognise revenue from sales on the date on which the products are delivered to customers. The Company's contract liabilities amounted to Baht 1.3 million (2020: nil), are expected to be recognised as revenue when the products are delivered after 12 months from the reporting date.

Contract cost assets

The contract cost assets primarily relate to advance commission paid as incremental cost to obtain a long-term contract with customer. Therefore, the Company recognise such cost as an asset and systematically amortise over the term of the contract it relates to, consistent with the related revenue recognition.

The Company amortised contract cost assets for the year ended 31 December 2021 amounting to Baht 0.08 million (2020: Baht 0.4 million).

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17 Expenses by nature

	2021	2020
	<i>(in thousand Baht)</i>	
<i>Included in cost of sale of goods</i>		
Changes in inventories of finished goods and work in progress	(14,796)	(27,354)
Raw materials and packaging materials used	194,520	234,985
Employee benefit expenses	50,088	45,102
Depreciation and amortisation	18,719	18,022
Cost of trading goods	3,851	14,497
Others	25,591	24,764
Total	<u>277,973</u>	<u>310,016</u>
<i>Included in distribution costs</i>		
Employee benefit expenses	19,343	17,403
Advertising and promotion expenses	17,524	15,946
Depreciation and amortisation	592	678
Others	8,953	14,096
Total	<u>46,412</u>	<u>48,123</u>
<i>Included in administrative expenses</i>		
Employee benefit expenses	34,018	29,495
Professional fees	5,837	5,878
Depreciation and amortisation	2,914	3,380
Travelling expenses	1,584	1,376
Others	12,091	9,235
Total	<u>56,444</u>	<u>49,364</u>

During 2021, the Company has contributed provident funds for its employees amounting to Baht 1.2 million (2020: Baht 0.5 million), which included in employee benefit expenses.

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18 Income tax expense

<i>Income tax recognised in profit or loss</i>	2021	2020
	<i>(in thousand Baht)</i>	
Current tax expense		
Current year	-	7,089
Income tax related to equity arising from initial public offering share issuance expense	9,033	-
Adjustment for prior years	56	-
	<u>9,089</u>	<u>7,089</u>
Deferred tax expense		
Movements in temporary differences	<u>(1,350)</u>	<u>1,504</u>
Total income tax expense	<u>7,739</u>	<u>8,593</u>

	2021	2020		2021	2020	
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	<i>(in thousand Baht)</i>					
Recognised in other comprehensive income (expense)						
Actuarial loss	(71)	14	(57)	-	-	-
Recognised in equity						
Shares issuance expense	(45,125)	9,025	(36,100)	(143)	29	(114)

Reconciliation of effective tax rate

	Rate (%)	2021 <i>(in thousand Baht)</i>	Rate (%)	2020 <i>(in thousand Baht)</i>
Profit before income tax		<u>37,430</u>		<u>39,676</u>
Income tax using the Thai corporation tax rates	20	7,486	20	7,935
Expenses not deductible for tax purposes		523		217
Additional expenses deductible for tax purposes		(326)		(253)
Written off unutilised deferred tax asset		-		694
Under provided in prior years		56		-
Total	21	<u>7,739</u>	22	<u>8,593</u>

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Movements of deferred tax assets and liabilities during the years were as follows:

	At 1 January 2021	Profit or loss	(Charged) / Credited to Other comprehensive income	Equity	At 31 December 2021
<i>Deferred tax assets</i>					
Trade accounts receivable	1,668	2,046	-	-	3,714
Allowance for doubtful accounts	739	93	-	-	832
Other receivables	16	(16)	-	-	-
Allowance for decline in value of inventories	1,425	392	-	-	1,817
Allowance for impairment losses on non-financial assets	7,900	(396)	-	-	7,504
Contract liabilities	607	(97)	-	-	510
Other payables	81	90	-	-	171
Deferred revenue	280	(269)	-	-	11
Non-current provisions for employee benefits	1,963	142	14	-	2,119
Difference arising from under common control transaction	1,906	(382)	-	-	1,524
Loss carry forward	-	483	-	-	483
Total	16,585	2,086	14	-	18,685
<i>Deferred tax liabilities</i>					
Inventories	(645)	(707)	-	-	(1,352)
Contract cost assets	(108)	16	-	-	(92)
Deferred cost	(94)	74	-	7	(13)
Property, plant and equipment	(1,231)	(119)	-	-	(1,350)
Total	(2,078)	(736)	-	7	(2,807)
Net	14,507	1,350	14	7	15,878

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	At 1 January 2020	(Charged) / Credited to Profit or loss <i>(in thousand Baht)</i>	At 31 December 2020
<i>Deferred tax assets</i>			
Trade accounts receivable	1,183	485	1,668
Allowance for doubtful accounts	1,009	(270)	739
Other receivables	-	16	16
Allowance for decline in value of inventories	1,062	363	1,425
Allowance for impairment losses on non-financial assets	7,875	25	7,900
Contract liabilities	448	159	607
Other payables	34	47	81
Deferred revenue	2,695	(2,415)	280
Non-current provisions for employee benefits	1,628	335	1,963
Difference arising from under common control transaction	2,213	(307)	1,906
Total	18,147	(1,562)	16,585
<i>Deferred tax liabilities</i>			
Inventories	(463)	(182)	(645)
Contract cost assets	(80)	(28)	(108)
Deferred cost	(400)	306	(94)
Property, plant and equipment	(1,193)	(38)	(1,231)
Total	(2,136)	58	(2,078)
Net	16,011	(1,504)	14,507

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19 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2021 and 2020 were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

	2021	2020
	<i>(in thousand Baht / thousand shares)</i>	
Profit for the years attributable to ordinary shareholders of the Company	29,691	31,084
Number of ordinary shares outstanding at 1 January	340,000	320,000
Effect of shares issued on 27 March 2020	-	15,301
Effect of shares issued on 28 October 2021	20,479	-
Weighted average number of ordinary shares outstanding (basic)	360,479	335,301
Basic earnings per share (in Baht)	0.08	0.09

20 Dividends

The dividends paid by the Company to the shareholders are as follows:

	Approval date	Dividend payment date	Dividend per share (Baht)	Amount (in thousand Baht)
<i>2021</i>				
2021 Interim dividend	13 August 2021	August 2021	0.0529	18,000
2020 Annual dividend	18 April 2021	April 2021	0.0294	10,000
<i>2020</i>				
2020 Interim dividend	26 June 2020	June 2020	0.0293	9,950
2020 Interim dividend	14 August 2020	August 2020	0.0226	7,700
2019 Annual dividend	18 March 2020	March 2020	0.0454	14,528

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21 Financial instruments

(a) Carrying amounts and fair values

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

<i>At 31 December 2021</i>	Hedging instruments	Carrying amount		Total <i>(in thousand Baht)</i>	Level 1	Fair value			Total
		Financial instruments measured at FVTPL	Financial instruments measured at FVOCI			Level 2	Level 3		
Financial assets									
Investment in debt securities open-ended fund	-	27,000	-	27,000	-	27,000	-	-	27,000

As at 31 December 2020, the Company has no financial assets and liabilities which are measured at fair value.

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(b) Financial risk management policies

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The risk management committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

(b.1) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

(b.1.1) Trade accounts receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Detail of concentration of revenue are included in note 16.

The executive committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. The Company reviews credit limit to each customer on annually basis. Revenue of sales which exceeds than credit limit has to be approved by chief financial officer.

The Company limits its exposure to credit risk from trade accounts receivables by establishing a maximum payment period of 120 days. Outstanding trade receivables are regularly monitored by the Company. An impairment analysis is performed by the Company at each reporting date. The provision rates of expected credit loss are based on days past due for individual trade receivables to reflect differences between economic conditions in the past, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Information relevant to trade accounts receivables is disclosed in note 6.

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(b.1.2) Cash and cash equivalent

The Company's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum investment grade credit rating given from external rating agency, for which the Company considers to have low credit risk.

(b.2) *Liquidity risk*

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The following table are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

<i>At 31 December</i>	Carrying Value	Contractual cash flows			Total
		1 year or less	More than 1 year but Less than 5 years <i>(in thousand Baht)</i>	More than 5 years	
2021					
<i>Non-derivative financial liabilities</i>					
Trade account payables	40,811	40,811	-	-	40,811
Other payables	23,496	23,496	-	-	23,496
Lease liabilities	100,944	7,271	27,843	116,573	151,687
Income tax payable	-	-	-	-	-
Long-term loan	82,505	16,270	70,391	9,216	95,877
	<u>247,756</u>	<u>87,848</u>	<u>98,234</u>	<u>125,789</u>	<u>311,871</u>
2020					
<i>Non-derivative financial liabilities</i>					
Trade account payables	29,891	29,891	-	-	29,891
Other payables	20,142	20,142	-	-	20,142
Bank overdrafts and short-term loans from financial institutions	82,870	83,513	-	-	83,513
Lease liabilities	42,761	9,346	28,397	14,287	52,030
Income tax payable	3,089	3,089	-	-	3,089
Long-term loan	83,879	25,667	60,084	7,525	93,276
	<u>262,632</u>	<u>171,648</u>	<u>88,481</u>	<u>21,812</u>	<u>281,941</u>

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(b.3) Market risk

The Company is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is as follows:

(b.3.1) Foreign currency risk

The Company do not have purchase nor sale in foreign currency. Thus, the Company is not exposed to significant foreign currency risk.

(b.3.2) Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows because most of loan interest rates are mainly floated. The Company is primarily exposed to interest rate risk (see note 12).

Exposure to interest rate risk at 31 December

	2021	2020
	<i>(in thousand Baht)</i>	
Financial instruments with fixed interest rates		
Long-term loans from financial institutions	2,156	1,410
	<u>2,156</u>	<u>1,410</u>
Financial instruments with variable interest rates		
Bank overdrafts and short-term loans from financial institutions	-	82,870
Long-term loans from financial institutions	80,349	82,469
	<u>80,349</u>	<u>165,339</u>

22 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity and monitors the level of dividends to ordinary shareholders.

23 Commitments with non-related parties

	2021	2020
	<i>(in thousand Baht)</i>	
Capital commitments		
Building and building improvements	14,236	-
Furniture, fixtures and office equipment	1,173	-
Total	<u>15,409</u>	<u>-</u>
Other commitments		
Bank guarantees	<u>1,830</u>	<u>1,248</u>

As at 31 December 2021, the Company had bank guarantees with a financial institution, issued to Provincial Electricity Authority to guarantee for electricity usage amounting to Baht 0.8 million, issued to Metropolitan Electricity Authority for electricity usage amounting to Baht 0.6 million and issued to Safety, Health and Environmental At Work Fund for securing a borrowing amounting to Baht 0.4 million (2020: the Company had bank guarantees with a financial institution, issued to Provincial Electricity Authority to guarantee for electricity usage amounting to Baht 0.8 million, issued to Safety, Health and Environmental At Work Fund for securing a borrowing amounting to Baht 0.4 million, and issued to Metropolitan Electricity Authority for electricity usage amounting to Baht 0.1 million).

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Significant agreement with non-related party

On 5 October 2021, the Company entered into the Memorandum of Agreement with a customer to support sell of the certain product from 15 October 2021 to 31 December 2022. Under the term of the Memorandum of Agreement, the Company agrees to pay a consideration to the customer totalling Baht 50.0 million as per the term stipulated in the Memorandum of Agreement.

As at 31 December 2021, the Company recorded advance payment and other payables relating to such agreement of Baht 17.2 million and Baht 5.0 million, respectively. The Company recorded consideration payable to a customer net from revenue from sales of goods for the year ended 31 December 2021 of Baht 2.8 million.

24 Contingent liabilities

On 11 September 2019, the Company was accused of a trademark infringement case with a claim amounting to Baht 50.0 million. On 14 December 2021, the Central Intellectual Property and International Trade Court dismissed the case in which the plaintiff could appeal within 14 January 2022. The plaintiff applied a motion to extend the period of appeal for 60 days which will be due on 16 March 2022.

25 Events after the reporting period

On 25 February 2022, the Board of Director proposed the appropriation of dividend of Baht 0.0132 per share, totalling Baht 6.0 million. The dividend is subjected to the approval by the annual general meeting.