

Heng Leasing and Capital Public Company Limited
Review report and interim financial information
For the three-month period ended
31 March 2022

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Heng Leasing and Capital Public Company Limited

I have reviewed the accompanying statements of financial position of Heng Leasing and Capital Public Company Limited as at 31 March 2022, the related statements of comprehensive income, the statements of changes in shareholders' equity and cash flows for the three-month period then ended, as well as the condensed notes to the interim financial statements (collectively "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Emphasis of Matters

I draw attention to Notes 1.2, 3.1 and 4.1 to the interim financial statements regarding the COVID-19 pandemic impact on various businesses and industries. This situation could create uncertainties and may be impacting the Company's operating results and cash flows in the future. As a result, the Company has elected to adopt the relevant parts of the Accounting Guidance. My conclusion is not modified in respect of these matters.

Saranya Pludsri

Certified Public Accountant (Thailand) No. 6768

EY Office Limited

Bangkok: 12 May 2022

Heng Leasing and Capital Public Company Limited**Statements of financial position****As at 31 March 2022**

(Unit: Thousand Baht)			
	Note	31 March 2022	31 December 2021
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents	2	72,133	511,114
Deposits at banks with restrictions		35,771	32,809
Current portion of hire purchase receivables	3	1,701,318	1,567,356
Current portion of loan receivables	4	1,407,841	1,322,196
Other receivables		25,142	26,235
Assets foreclosed - net	6	12,250	19,948
Other current assets		5,019	6,301
Total current assets		3,259,474	3,485,959
Non-current assets			
Deposits at bank with collateral obligation		50,000	50,000
Hire purchase receivables - net of current portion	3	3,687,761	3,601,578
Loan receivables - net of current portion	4	2,382,566	2,148,994
Land, building and equipment - net	7	145,405	138,348
Right-of-use assets - net	8	143,129	132,526
Intangible assets - net	9	9,933	9,094
Deferred tax assets		137,053	127,240
Other non-current assets		9,498	8,154
Total non-current assets		6,565,345	6,215,934
Total assets		9,824,819	9,701,893

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

Heng Leasing and Capital Public Company Limited**Statements of financial position (continued)****As at 31 March 2022**

(Unit: Thousand Baht)

	Note	31 March 2022 (Unaudited but reviewed)	31 December 2021 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	10	937,851	1,028,589
Other payables	11	120,275	143,467
Current portion of lease liabilities		64,036	56,067
Current portion of long-term loans	12	2,204,979	2,166,480
Income tax payable		44,724	19,161
Other current liabilities		8,283	6,693
Total current liabilities		3,380,148	3,420,457
Non-current liabilities			
Lease liabilities - net of current portion		68,510	66,570
Long-term loans - net of current portion	12	1,453,646	1,361,040
Provision for long-term employee benefits		40,484	38,351
Total non-current liabilities		1,562,640	1,465,961
Total liabilities		4,942,788	4,886,418

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

Heng Leasing and Capital Public Company Limited**Statements of financial position (continued)****As at 31 March 2022**

(Unit: Thousand Baht)		
Note	31 March 2022	31 December 2021
	(Unaudited but reviewed)	(Audited)
Shareholders' equity		
Share capital		
Registered		
3,810,000,000 ordinary shares of Baht 1 each	3,810,000	3,810,000
Issued and fully paid-up		
3,810,000,000 ordinary shares of Baht 1 each	3,810,000	3,810,000
Share premium	715,342	715,342
Retained earnings		
Appropriated - statutory reserve	50,618	50,618
Unappropriated	306,071	239,515
Total shareholders' equity	4,882,031	4,815,475
Total liabilities and shareholders' equity	9,824,819	9,701,893
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The accompanying notes are an integral part of the financial statements.

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Directors

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Statements of comprehensive income

For the three-month period ended 31 March 2022

(Unit: Thousand Baht except earnings per share expressed in Baht)

	Note	2022	2021
Profit or loss:			
Revenues			
Hire purchase interest income		210,912	195,536
Loan interest income		201,016	132,428
Fee and service income		36,016	20,188
Other income		13,049	12,409
Total revenues		460,993	360,561
Expenses			
Service and administrative expenses		228,944	183,019
Expected credit losses		96,139	46,219
Loss on impairment and disposal of assets		8,837	11,376
Total expenses		333,920	240,614
Profit before finance cost and income tax expenses		127,073	119,947
Finance cost		(43,834)	(43,770)
Profit before income tax expenses		83,239	76,177
Income tax expenses	13	(16,683)	(15,264)
Profit for the period		66,556	60,913
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		66,556	60,913
Earnings per share	14		
Basic earnings per share (Baht per share)		0.02	0.02
Weighted average number of ordinary shares (Thousand shares)		3,810,000	3,009,163

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

Heng Leasing and Capital Public Company Limited

(Unaudited but reviewed)

Statements of changes in shareholders' equity

For the three-month period ended 31 March 2022

(Unit: Thousand Baht)

	Issued and paid-up		Retained earnings		Total
	share capital	Share premium	Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2021	3,009,163	-	17,025	444,832	3,471,020
Profit for the period	-	-	-	60,913	60,913
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	60,913	60,913
Balance as at 31 March 2021	3,009,163	-	17,025	505,745	3,531,933
Balance as at 1 January 2022	3,810,000	715,342	50,618	239,515	4,815,475
Profit for the period	-	-	-	66,556	66,556
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	66,556	66,556
Balance as at 31 March 2022	3,810,000	715,342	50,618	306,071	4,882,031
	-	-	-	-	-

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

Heng Leasing and Capital Public Company Limited

(Unaudited but reviewed)

Cash flows statements**For the three-month period ended 31 March 2022**

(Unit: Thousand Baht)

	2022	2021
Cash flows from operating activities		
Profit before income tax	83,239	76,177
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	29,059	23,289
Expected credit losses	96,139	46,219
Gains on sales of fixed assets	(1)	-
Gains on cancel and change in lease contracts	(1,544)	(100)
Reversal on impairment of assets foreclosed	(632)	(1,609)
Losses on disposals of assets foreclosed	9,470	12,985
Provision for long-term employee benefits	2,749	3,039
Interest income	(411,928)	(327,964)
Finance cost	42,276	42,546
Amortised finance cost for lease liabilities	1,558	1,224
Loss from operating activities before changes in operating assets and liabilities	(149,615)	(124,194)
Operating assets (increase) decrease		
Deposits at banks with restrictions	(2,962)	1,490
Hire purchase receivables	(270,144)	123,462
Loan receivables	(358,759)	(214,959)
Other receivables	1,093	472
Assets foreclosed	34,649	40,443
Other current assets	1,282	340
Other non-current assets	(1,344)	(416)
Operating liabilities increase (decrease)		
Other payables	(24,667)	(20,080)
Other current liabilities	1,918	268
Provision for long-term employee benefits	(616)	(752)
Cash flows used in operating activities	(769,165)	(193,926)
Cash received from interest	369,538	328,908
Cash paid for income tax	(933)	(381)
Net cash flows provided by (used in) operating activities	(400,560)	134,601

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

Heng Leasing and Capital Public Company Limited

(Unaudited but reviewed)

Cash flows statements (continued)**For the three-month period ended 31 March 2022**

(Unit: Thousand Baht)

	2022	2021
Cash flows from investing activities		
Cash paid for acquisitions of land, building and equipment	(16,458)	(4,892)
Cash paid for acquisitions of intangible assets	(763)	(676)
Proceeds from sales of land, building and equipment	32	2
Net cash flows used in investing activities	(17,189)	(5,566)
Cash flows from financing activities		
Decrease in short-term loans from financial institutions	(90,738)	(49,460)
Cash received from long-term loans	545,000	400,000
Repayment of long-term loans	(410,989)	(401,215)
Repayment of lease liabilities	(18,996)	(14,128)
Payment for loans issuing cost	(5,000)	-
Cash paid for interest	(40,509)	(40,043)
Net cash flows used in financing activities	(21,232)	(104,846)
Net increase (decrease) in cash and cash equivalents	(438,981)	24,189
Cash and cash equivalents at beginning of period	511,114	35,940
Cash and cash equivalents at end of period	72,133	60,129
	-	
Supplement cash flow information		
Non-cash items		
Assets foreclosed received for debts settlement	40,045	58,548
Decrease (increase) in right-of-use assets	(693)	255
Increase in account payable on purchase of assets	1,476	2,240

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

Heng Leasing and Capital Public Company Limited

Notes to interim financial statements

For the three-month period ended 31 March 2022

1. General information

1.1 Corporate information

Heng Leasing and Capital Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the providing financial services specifically hire purchase, loans secured against vehicle registrations, land and building loans, personal loan and nano finance without collateral. The Company’s registered address is 69 Moo 7, Tambon Sansai Noi, Amphur Sansai, Chiang Mai. The Company has 617 branches (31 December 2021: 529 branches).

1.2 Coronavirus disease 2019 Pandemic (COVID-19)

The Coronavirus disease 2019 pandemic (COVID-19) is impacting various businesses and industries both directly and indirectly and resulting in an economic slowdown and fluctuations in the money market and the capital market. This situation could create uncertainties and affect the Company’s business activities, and this may be impacting the operating results and cash flows in the future. The impact cannot be reasonably estimated at this stage. The Company’s management has continuously monitored ongoing developments and assessed the financial impact in respect of the valuation of assets, provisions and contingent liabilities, including the cash flow management of the Company, and has used estimates and judgement in respect various matters in order to continuously assess the impact as the situation has evolved.

1.3 Basis for the preparation of the interim financial statements

These interim financial statements have been prepared in accordance with Thai Accounting Standard No.34 Interim Financial Reporting, including guidelines promulgated by the Federation of Accounting Professions (“TFAC”), with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.4 Accounting Guidance

Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19

The Federation of Accounting Professions has announced Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19. Its objectives are to provide temporary relief measures and an alternative for all entities providing assistance to debtors in accordance with guidelines of the BOT. The accounting guidance is applicable for provisions of assistance to such debtors made during the period from 1 January 2022 to 31 December 2023 or until the BOT makes changes.

Under this accounting guidance, the Company may elect to adopt accounting treatments consistent with the circular of the BOT No. BOT.RPD2.C.802/2564 dated 3 September 2021 “Guidelines regarding the provision of financial assistance to debtors affected by COVID-19 (sustainable debt resolution)”. The assistance to debtors can be classified into 2 groups by debt restructuring method as follows:

1. For debt restructuring for the purpose of reducing the debt burden of debtors that involves more than just a payment timeline extension, the Company may elect to apply the temporary relief measures relating to staging assessment and setting aside of provisions (Assistance type 1) as follows:
 - Loans that are not yet non-performing (Non-NPL) are classified as loans with no significant increase in credit risk (Performing or Stage 1), provided that the payment terms and conditions are clearly stated in the debt restructuring agreement and the debtor is considered able to comply with the debt restructuring agreement.
 - Non-performing loans (NPL) are classified as performing loans or stage 1 if the debtor is able to make payment in accordance with the debt restructuring agreement for 3 consecutive months or installments, whichever is the longer period.

- Additional loans provided to a debtor for use as additional working capital or to increase liquidity to enable the debtor to continue its business operations during the debt restructuring are classified as performing loans or stage 1 if the debtor is considered able to comply with the debt restructuring agreement.
 - Loans are classified as loans with significant increase in credit risk (Under-performing or Stage 2) only when principal or interest payments are more than 30 days past due or 1 month past due.
 - A new effective interest rate is applied to determine the present value of loans that have been restructured if the debt restructuring causes the existing effective interest rate to no longer reflect the estimated cash inflows from the loan.
2. For debt restructuring involving only a payment timeline extension, e.g. an extension of payment period, a provision of grace period on principal and/or interest payments, a conversion of short-term debts into long-term debts, the Company is required to perform staging assessment and set aside provisions in accordance with the related financial reporting standards (Assistance type 2). However, the Company may elect to adopt treatments regarding significant increase in credit risk according to the appendix to the circular of the BOT No. BOT.RPD2.C.802/2564 to assess whether a debtor is to move to under-performing stage or Stage 2.

The Company considered providing both types of assistance to debtors. For assistance type 1, the Company has elected to apply all temporary relief measures under this accounting guidance relating to staging assessment and setting aside of provisions. For assistance type 2, the Company is required to perform staging assessment and set aside provisions in accordance with the relevant financial reporting standards.

1.5 Significant accounting policies

The interim financial information is prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2021.

(Unaudited but reviewed)

2. Cash and cash equivalents

	(Unit: Thousand Baht)	
	31 March 2022	31 December 2021
Cash	1,931	1,118
Bank deposits - savings accounts	86,650	326,766
Bank deposits - current accounts	19,323	15,810
Bill of exchange maturing within 3 months from date of acquisition	-	200,229
Total	107,904	543,923
Less: Deposits at banks for premium that the Company received from policy holders	(35,771)	(32,809)
Total	72,133	511,114

3. Hire purchase receivables

- 3.1** As at 31 March 2022 and 31 December 2021, the contracted terms of the Company's hire purchase receivables are 12 - 84 installments with payments to be made in equal installments and interest charged at fixed rates throughout the contracts. Hire purchase receivables classified by due date per agreement are as follows:

	(Unit: Thousand Baht)						
	31 March 2022						
	Portion due over one year	Portion due over two years	Portion due over three years	Portion due over four years	Portion due over five years	Portion due over five years	Total
Hire purchase receivables	3,018,938	2,336,343	1,506,740	769,249	327,014	95,650	8,053,934
Less: Unearned hire purchase income ⁽¹⁾	(895,583)	(492,448)	(245,534)	(101,468)	(31,461)	(7,433)	(1,773,927)
Undue output Vat	(188,057)	(152,844)	(98,572)	(50,325)	(21,393)	(6,257)	(517,448)
Present value of the minimum lease payment receivables	1,935,298	1,691,051	1,162,634	617,456	274,160	81,960	5,762,559
Less: Allowance for expected credit losses	(233,980)	(54,072)	(45,493)	(26,823)	(10,162)	(2,950)	(373,480)
Net hire purchase receivables	1,701,318	1,636,979	1,117,141	590,633	263,998	79,010	5,389,079

(1) Presented net of deferred initial direct income and costs of hire purchase.

(2) The balance of hire purchase receivables due within 1 year included receivables that are credit impaired.

(Unaudited but reviewed)

(Unit: Thousand Baht)

31 December 2021							
	Portion due over one year	Portion due over two years	Portion due over three years	Portion due over four years	Portion due over five years	Portion due over five years	Total
	Portion due within one year ⁽²⁾	Portion but within two years	Portion but within three years	Portion but within four years	Portion but within five years	Portion but within five years	
Hire purchase receivables	2,853,518	2,307,319	1,501,443	715,240	264,698	69,753	7,711,971
Less: Unearned hire purchase income ⁽¹⁾	(889,092)	(479,968)	(230,044)	(86,208)	(23,871)	(5,471)	(1,714,654)
Undue output Vat	(177,730)	(150,946)	(98,225)	(46,791)	(17,317)	(4,563)	(495,572)
Present value of the minimum lease payment receivables	1,786,696	1,676,405	1,173,174	582,241	223,510	59,719	5,501,745
Less: Allowance for expected credit losses	(219,340)	(45,434)	(37,949)	(20,873)	(7,529)	(1,686)	(332,811)
Net hire purchase receivables	1,567,356	1,630,971	1,135,225	561,368	215,981	58,033	5,168,934

(1) Presented net of deferred initial direct income and costs of hire purchase.

(2) The balance of hire purchase receivables due within 1 year included receivables that are credit impaired.

During the year 2020-2021, the Company entered into schemes to provide assistance to Debtors affected by COVID-19 and applied the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy announced in 2020.

As at 31 December 2021, the applicable period of the Accounting Guidance ended. During the year 2021, the Federation of Accounting Professions issued the new Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 which is effective for financial statements with fiscal years beginning on or after 1 January 2022. The new Accounting Guidance is effective for entities that provide assistance to debtors impacted by COVID-19 during the period from 1 January 2022 to 31 December 2023 until the BOT makes changes, with which the entities are to comply.

During the first quarter of 2022, the Company entered into schemes to provide assistance to debtors affected by COVID-19 and has applied the Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19.

As at 31 March 2022, the Company has outstanding hire purchase receivables under the assistance scheme accounting for 30 percent of the total hire purchase receivables which consisted of the receivables below:

- a) The receivables provided with assistance during the year 2020-2021 under the scheme with reduction of installment payment and extension of payment period amounted to Baht 683 million, accounting for 12 percent of the total hire purchase receivables. The Company applied the Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Assistance type 2) (31 December 2021: The hire purchase receivables under the scheme with reduction of installment payments and extension of payment period accounted for 14 percent of the total hire purchase receivables. The hire purchase receivables amounting to Baht 691 million, or accounting for 13 percent of the total hire purchase receivables, were classified at the same stage as the previous period before the scheme participation in accordance with the relief measures announced in 2020).
- b) The receivables provided with assistance during the year 2020-2021 that are not yet non-performing (Non-NPL) hire purchase receivables and the Company provided assistance to them by amending payment conditions or restructuring debts unqualified for derecognition of Baht 937 million, accounting for 16 percent of the total hire purchase receivables. The Company applied the Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Assistance type 2) by performing staging assessment and setting aside provisions in accordance with the relevant financial reporting standards (31 December 2021: The hire purchase receivables under the scheme with amendment of payment conditions or debt restructuring amounted to Baht 959 million, accounting for 17 percent of the total hire purchase receivables).
- c) The receivables provided with assistance during the first quarter of 2022 that are not yet non-performing (Non-NPL) hire purchase receivables and involve more than just extending the payment timeline where the Company immediately reclassified them to performing receivables (Stage 1) when they has negotiated with the debtors, analysed their status and business and determined that they were able to comply with the debt restructuring agreement with amount of Baht 88 million, accounting for 2 percent of the total hire purchase receivables.

However, because the COVID-19 pandemic is spreading and having an impact on Thai economy at present, the Company's management has taken into account forecasts of the impact in estimating expected credit losses and exercised management's judgement in applying a management overlay on top of the amounts derived from the existing model to cover an increase in defaults by debtors affected by the COVID-19 pandemic.

- 3.2** As at 31 March 2022 and 31 December 2021, the balances of hire purchase receivables are classified by credit risk and allowance for expected credit losses as follows:

(Unit: Thousand Baht)

	Hire purchase receivables - net of		Allowance for expected credit losses	
	unearned financial income ⁽¹⁾			
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Hire purchase receivables without a significant increase in credit risk (Performing)	4,776,052	4,671,329	109,609	109,283
Hire purchase receivables with a significant increase in credit risk (Under-performing)	774,251	636,497	132,721	105,656
Hire purchase receivables with credit impaired (Non-performing)	212,256	193,919	131,150	117,872
Total	5,762,559	5,501,745	373,480	332,811

⁽¹⁾ Presented net of deferred initial direct income and costs of hire purchase.

- 3.3** As at 31 March 2022, hire purchase receivables amounting to Baht 4,315 million (net of unearned financial income) were pledged to secure credit facilities from commercial banks (31 December 2021: Baht 4,130 million), as described in Notes 10 and 12 to the interim financial statements.

4. Loan receivables

- 4.1** As at 31 March 2022 and 31 December 2021, the contracted terms of the Company's loan receivables are 6 - 84 installments with payments to be made in equal installments and interest charged at fixed rates throughout in the contracts. Loan receivables classified by due date per agreement are as follows:

(Unit: Thousand Baht)

	31 March 2022		
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Loan receivables	1,491,759	2,465,183	3,956,942
Less: Unearned financial income ⁽¹⁾	(7,046)	(6,102)	(13,148)
Add: Accrued interest receivables	93,645	-	93,645
	1,578,358	2,459,081	4,037,439
Less: Allowance for expected credit losses	(170,517)	(76,515)	(247,032)
Loan receivables, net	1,407,841	2,382,566	3,790,407

⁽¹⁾ Presented net of deferred initial direct income and costs of loan.

⁽²⁾ The balance of loan receivables due within 1 year includes receivables that are credit impaired.

(Unaudited but reviewed)

(Unit: Thousand Baht)

31 December 2021			
	Amounts due within 1 year ⁽²⁾	Amounts due over 1 year	Total
Loan receivables	1,397,367	2,217,047	3,614,414
Less: Unearned financial income ⁽¹⁾	(8,988)	(7,227)	(16,215)
Add: Accrued interest receivables	80,532	-	80,532
	1,468,911	2,209,820	3,678,731
Less: Allowance for expected credit losses	(146,715)	(60,826)	(207,541)
Loan receivables, net	1,322,196	2,148,994	3,471,190

⁽¹⁾ Presented net of deferred initial direct income and costs of loan.

⁽²⁾ The balance of loan receivables due within 1 year includes receivables that are credit in paired.

During the year 2020-2021, the Company entered into schemes to provide assistance to Debtors affected by COVID-19 and applied the Accounting Guidance on Temporary Relief Measures for Entities Providing Assistance to Debtors Impacted by Situations that Affect the Thai Economy announced in 2020.

As at 31 December 2021, the applicable period of the Accounting Guidance ended. During the year 2021, the Federation of Accounting Professions issued the new Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 which is effective for financial statements with fiscal years beginning on or after 1 January 2022. The new Accounting Guidance is effective for entities that provide assistance to debtors impacted by COVID-19 during the period from 1 January 2022 to 31 December 2023 until the BOT makes changes, with which the entities are to comply.

During the first quarter of 2022, the Company entered into schemes to provide assistance to debtors affected by COVID-19 and has applied the Accounting Guidance on Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19.

As at 31 March 2022, the Company has outstanding loan receivables under the assistance scheme accounting for 11 percent of the total loan receivables which consisted of the receivables below:

- a) The receivables provided with assistance during the year 2020-2021 under the scheme with reduction of installment payment and extension of payment period amounted to Baht 94 million, accounting for 2 percent of the total loan receivables. The Company applied the Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Assistance type 2) (31 December 2021: The loan receivables under the scheme with reduction of installment payments and extension of payment period accounted for 3 percent of the total loan receivables. The loan receivables amounting to Baht 96 million, or accounting for 3 percent of the total loan receivables, were classified at the same stage as the previous period before the scheme participation in accordance with the relief measures announced in 2020).
- b) The receivables provided with assistance during the year 2020-2021 that are not yet non-performing (Non-NPL) loan receivables and the Company provided assistance to them by amending payment conditions or restructuring debts unqualified for derecognition of Baht 287 million, accounting for 7 percent of total the loan receivables. The Company applied the Guidelines regarding the Provision of Financial Assistance to Debtors Affected by COVID-19 (Assistance type 2) by performing staging assessment and setting aside provisions in accordance with the relevant financial reporting standards (31 December 2021: The loan receivables under the scheme with amendment of payment conditions or debt restructuring amounted to Baht 300 million, accounting for 8 percent of the total loan receivables).
- c) The receivables provided with assistance during the first quarter of 2022 that are not yet non-performing (Non-NPL) loan receivables and involve more than just extending the payment timeline where the Company immediately reclassified them to performing receivables (Stage 1) when they has negotiated with the debtors, analysed their status and business and determined that they were able to comply with the debt restructuring agreement with amount of Baht 60 million, accounting for 2 percent of the total loan receivables.

However, because the COVID-19 pandemic is spreading and having an impact on Thai economy at present, the Company's management has taken into account forecasts of the impact in estimating expected credit losses and exercised management's judgement in applying a management overlay on top of the amounts derived from the existing model to cover an increase in defaults by debtors affected by the COVID-19 pandemic.

(Unaudited but reviewed)

- 4.2** As at 31 March 2022 and 31 December 2021, the balances of loan receivables are classified by credit risk and allowance for expected credit losses as follows:

(Unit: Thousand Baht)

	Loan receivables and accrued interest income ⁽¹⁾		Allowance for expected credit losses	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
Loan receivables without a significant increase in credit risk (Performing)	3,496,053	3,267,154	82,011	78,583
Loan receivables with a significant increase in credit risk (Under-performing)	402,876	291,028	75,883	52,525
Loan receivables with credit impaired (Non-performing)	138,510	120,549	89,138	76,433
Total	4,037,439	3,678,731	247,032	207,541

⁽¹⁾ Presented net of deferred initial direct income and costs of loan.

- 4.3** As at 31 March 2022, loan receivables amounting to Baht 2,353 million (net of unearned financial income) were pledged to secure credit facilities from commercial banks (31 December 2021: Baht 2,110 million), as described in Notes 10 and 12 to the interim financial statements.

5. Allowance for expected credit losses

Movements of allowance for expected credit losses (ECL) of hire purchase and loan receivables are as follows:

(Unit: Thousand Baht)

	For the three-month period ended 31 March 2022			Total
	12-month ECL (Stage 1)	Lifetime ECL - not credit impaired (Stage 2)	Lifetime ECL - credit impaired (Stage 3)	
Beginning balance	187,866	158,181	194,305	540,352
Add: Increase in expected credit losses during the period	3,754	50,423	43,405	97,582
Less: Bad debt written-off	-	-	(17,422)	(17,422)
Ending balance	191,620	208,604	220,288	620,512

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the year ended 31 December 2021

	12-month ECL (Stage 1)	Lifetime ECL - not credit impaired (Stage 2)	Lifetime ECL - credit impaired (Stage 3)	Total
Beginning balance	100,623	254,952	187,889	543,464
Add (less): Stage changes	14,983	(30,323)	15,340	-
Add (less): Changes due to revaluation of allowance for credit loss	(29,082)	4,874	167,702	143,494
Add: New financial assets acquired	136,059	90,959	41,334	268,352
Less: Derecognition of financial assets	(34,717)	(162,281)	(30,354)	(227,352)
Less: Bad debt written-off	-	-	(187,606)	(187,606)
Ending balance	187,866	158,181	194,305	540,352

6. Assets foreclosed

(Unit: Thousand Baht)

	31 March 2022	31 December 2021
Assets foreclosed - cost	17,420	25,750
Less: Allowance for impairment	(5,170)	(5,802)
Assets foreclosed - net	12,250	19,948

7. Land, building and equipment

(Unit: Thousand Baht)

Cost

Balance as at 1 January 2022	283,126
Additions during the period	16,733
Disposals/written-off	(236)
Balance as at 31 March 2022	299,623

Accumulated depreciation

Balance as at 1 January 2022	144,778
Depreciation during the period	9,645
Depreciation for disposals/written-off	(205)
Balance as at 31 March 2022	154,218

Net book value

Balance as at 31 March 2022	145,405
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8. Right-of-use assets

The movement of rights-of-use assets for the three-month period ended 31 March 2022 are as follows:

	(Unit: Thousand Baht)
Balance as at 1 January 2022	132,526
Additions during the period	49,269
Written-off during the period	(30,416)
Depreciation during the period	(18,289)
Depreciation for written-off	10,039
Balance as at 31 March 2022	<u>143,129</u>

9. Intangible assets

The movement of intangible assets for the three-month period ended 31 March 2022 are summarised below:

	(Unit: Thousand Baht)
Cost	
Balance as at 1 January 2022	23,420
Additions during the period	<u>1,964</u>
Balance as at 31 March 2022	<u>25,384</u>
Accumulated amortization	
Balance as at 1 January 2022	14,326
Amortisation during the period	<u>1,125</u>
Balance as at 31 March 2022	<u>15,451</u>
Net book value	
Balance as at 31 March 2022	<u><u>9,933</u></u>

As at 31 March 2022, computer software has remaining amortisation period between 1 - 5 years (31 December 2021: 1 - 5 years).

10. Short-term loans from financial institutions

As at 31 March 2022 and 31 December 2021, the following are short-term loans in the form of promissory notes from financial institutions in Thailand:

		(Unit: Thousand Baht)	
		31 March	31 December
Loan facility / Repayment schedule		2022	2021
a)	Promissory notes under credit facilities amounting to Baht 300 million, with principal repayable within the specific date of each promissory, and interest charged at MLR less a fixed rate, payable monthly	4,969	18,422
b)	Promissory notes under credit facilities amounting to Baht 483 million, with principal repayable within the specific date of each promissory, and interest charged at MOR less a fixed rate, payable monthly	361,173	357,039
c)	Promissory notes under credit facilities amounting to Baht 410 million, with principal repayable within the specific date of each promissory, and interest charged at MLR less a fixed rate, payable monthly	305,375	339,620
d)	Promissory notes under credit facilities amounting to Baht 600 million, with principal repayable within the specific date of each promissory, and interest charged at MLR less a fixed rate, payable monthly	142,505	178,774
e)	Promissory notes under credit facilities amounting to Baht 100 million, with principal repayable within the specific date of each promissory, and interest charged at MLR less a fixed rate, payable monthly	64,988	71,240
f)	Promissory notes under credit facilities amounting to Baht 100 million, with principal repayable within the specific date of each promissory, and interest charged at MLR less a fixed rate, payable monthly	58,841	63,494
Total short-term loans from financial institutions		937,851	1,028,589

Bank overdraft and short-term loans are secured by the bank deposit, the transfer of ownership rights and the assignment of collection rights over hire purchase receivables and loans secured against motorcycle registrations, car registrations, commercial car registrations and truck registrations. Loans are also guarantees provided by the directors. Moreover, the Company is required to comply with certain terms and conditions as specified in each loan agreement, such as to maintain ratios of hire purchase receivables and loan receivables that are no more than 3 periods overdue to total borrowings, non-performing hire purchase receivables and loan receivables (overdue more than 3 months) to total receivables, collection ratio, working capital turnover ratio, total debt to equity ratio, hire purchase receivables and loan receivables that are no more than 3 months overdue to total receivables, earnings before interest and taxes to total interest expenses, and also the portion of the Company's shares held by directors, depending on the conditions in each agreement.

As at 31 March 2022, the Company has Baht 428 million for bank overdrafts and short-term credit facilities from financial institutions which have not yet been drawn down (31 December 2021: Baht 393 million).

11. Other payables

	(Unit: Thousand Baht)	
	31 March 2022	31 December 2021
Other payables	67,657	61,471
Accrued employee expenses	17,379	44,496
Revenue department payable	19,313	19,010
Accrued expenses	15,926	18,490
Total	120,275	143,467

12. Long-term loans

As at 31 March 2022 and 31 December 2021, the following are loans from local financial institutions in Thailand.

		(Unit: Thousand Baht)	
		31 March	31 December
Loan facility / Repayment schedule		2022	2021
a)	Syndicate loan facility amounting to Baht 5,950 million, repayable principal equally every month, and interest charged at MLR less a fixed rate, payable monthly	848,870	1,090,640
b)	Syndicate loan facility amounting to Baht 1,650 million, repayable principal equally every month, and interest charged at MLR less a fixed rate, payable monthly	1,257,560	1,390,220
c)	Credit facility amounting to Baht 800 million, repayable principal at the end of agreement and interest charged at fixed rate, payable monthly	800,000	800,000
d)	Credit facility amounting to Baht 100 million, repayable principal equally every month, and interest charged at MLR less a fixed rate, payable monthly	96,106	86,928
e)	Credit facility amounting to Baht 200 million, repayable principal equally every month, and interest charged at MLR less a fixed rate, payable monthly	184,643	174,000
f)	Credit facility amounting to Baht 2,000 million, repayable principal equally every month, and interest charged at MLR less a fixed rate, payable monthly	488,620	-
Total		3,675,799	3,541,788
Less: Deferred issuing costs		(17,174)	(14,268)
Long-term loans		3,658,625	3,527,520
Less: Current portion due within one year		(2,204,979)	(2,166,480)
Long-term loans - net of current portion		1,453,646	1,361,040

The above long-term loans are secured by the assignment of collection rights over loans secured against motorcycle registrations, car registrations, commercial car registrations and truck registrations with specific conditions to the bank, the provision of guarantees by the directors of the Company. Moreover, the Company is required to comply with certain terms and conditions as specified in each loan agreement, such as to maintain ratios of hire purchase receivables and loan receivables that are no more than 3 periods overdue to total borrowings, non-performing hire purchase receivables and loan receivables (overdue more than 3 months) to total receivables, collection ratio, earnings before interest and taxes to total interest expenses, total debt to equity ratio, depending on the conditions in each agreement.

(Unaudited but reviewed)

As at 31 March 2022, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 1,504 million (31 December 2021: Baht 2,039 million).

13. Income tax expenses

Income tax expenses for the three-month periods ended 31 March 2022 and 2021 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2022	2021
Current income tax:		
Corporate income tax charge for the periods	26,496	14,919
Deferred tax:		
Relating to origination and reversal of temporary differences	(9,813)	345
Income tax expenses reported in the statements of comprehensive income	16,683	15,264

Reconciliation between income tax expenses and the product of accounting profits multiplied by the applicable tax rate for the three-month periods ended 31 March 2022 and 2021 are as follows:

	(Unit: Thousand Baht)	
	For the three-month periods ended 31 March	
	2022	2021
Accounting profit before tax	83,239	76,177
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rate	16,648	15,235
Effects of additional expense and non-deductible expense	35	29
Income tax expenses reported in the statements of comprehensive income	16,683	15,264

14. Earnings per share

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

15. Segment information

The Company's principal operations involve a single operating segment of hire purchase and loan. Their operations are carried on in the single geographical area of Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that the Company's chief operating decision maker (Managing Director) used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area. In addition, the Company has no major customer with reserve of 10 percent or more of an entity's revenues during the three-month period ended 31 March 2022.

16. Related party transactions

During the periods, the Company had significant business transactions with related parties. Such transactions are in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties. A summary of related parties and transactions with those parties is below.

			(Unit: Thousand Baht)
For the three-month periods ended 31 March			
	2022	2021	Pricing Policy
<u>Transactions with related parties</u>			
Service income	-	78	As stipulated in agreement
Rental expenses	1,894	2,446	As stipulated in agreement

As at 31 March 2022 and 31 December 2021, the balances of the accounts between the Company and those related parties are as follows:

			(Unit: Thousand Baht)
	31 March 2022	31 December 2021	
<u>Related parties</u>			
Other receivables	-	41	
Other payables	8	10	
Lease liabilities	4,506	26,755	

(Unaudited but reviewed)

Directors and management's benefits

During for the three-month periods ended 31 March 2022 and 2021 the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2022	2021
Short-term employee benefits	13,956	13,895
Post-employment benefits	192	184
Total	14,148	14,079

17. Commitments

17.1 Service agreements

The Company has entered into other services agreement. The terms of the agreements are generally between 1 - 3 years. As at 31 March 2022, future minimum lease payments required under these non-cancellable service contracts were as follows:

(Unit: Thousand Baht)

Payable	Related companies	Other parties	Total
Within 1 year	1,631	6,699	8,330
1 to 3 years	945	6,895	7,840

18. Fair value of financial instrument

The estimated fair value of financial instruments, in comparison with the related amounts carried in the statement of financial position, is as follows:

(Unit: Thousand Baht)

	31 March 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Financial assets not measured at fair value				
Hire purchase and loan receivables	9,179,486	9,228,559	8,640,124	8,677,910

19. Events after the reporting period

On 20 April 2022, the Annual General Meeting of Shareholders for 2022 approved a dividend payment of Baht 0.11800 per share or Baht 0.11393 per weighted average share from the 2021 operating result to the shareholders of the Company, or a total dividend payment of Baht 363.09 million.

The details of dividend payment are as follows:

- A) Payment of interim dividends from retained earnings as at 30 June 2021 to shareholders the Board of Directors' Meeting No. 4/2021 on 14 August 2021 approved of Baht 0.10800 per share, or a total dividend payment of Baht 324.99 million. The dividend was paid on 17 August 2021.
- B) Payment of dividends from operating results for the year 2021 to shareholders at the rate of Baht 0.01000 per share, or total dividend payment of Baht 38.10 million, with the Company scheduled to pay dividends on 12 May 2022.

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 12 May 2022.