

Thai Steel Cable Public Company Limited
Review report and interim financial statements
For the three-month period ended 31 December 2017

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Thai Steel Cable Public Company Limited

I have reviewed the accompanying statement of financial position of Thai Steel Cable Public Company Limited as at 31 December 2017, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with 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 No. 34 *Interim Financial Reporting*.

Poonnard Paocharoen

Certified Public Accountant (Thailand) No. 5238

EY Office Limited

Bangkok: 6 February 2018

Thai Steel Cable Public Company Limited**Statement of financial position**

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 December 2017</u>	<u>30 September 2017</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		559,010	575,991
Current investments	3	203,441	202,081
Trade and other receivables	4	510,383	549,507
Inventories		202,470	211,352
Other current assets		35,068	26,221
Total current assets		<u>1,510,372</u>	<u>1,565,152</u>
Non-current assets			
Long-term investment	5	25,704	25,704
Investment properties	6	126,616	127,155
Property, plant and equipment	7	998,502	1,019,985
Intangible assets		18,423	20,014
Deferred tax assets		8,169	8,375
Other non-current assets		20,879	15,772
Total non-current assets		<u>1,198,293</u>	<u>1,217,005</u>
Total assets		<u><u>2,708,665</u></u>	<u><u>2,782,157</u></u>

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

Thai Steel Cable Public Company Limited
Statement of financial position (continued)

(Unit: Thousand Baht)

	Note	31 December 2017 (Unaudited but reviewed)	30 September 2017 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from banks	8	250,000	300,000
Trade and other payables	9	549,139	599,373
Current portion of long-term loan from bank	10	64,920	64,920
Current portion of finance lease payables		4,756	4,687
Other current liabilities		14,926	12,336
Total current liabilities		883,741	981,316
Non-current liabilities			
Long-term loan from bank - net of current portion	10	32,290	48,520
Finance lease payables - net of current portion		5,110	6,024
Provision for long-term employee benefits	11	50,986	49,895
Provisions	12	10,839	11,600
Other non-current liabilities		190	96
Total non-current liabilities		99,415	116,135
Total liabilities		983,156	1,097,451
Shareholders' equity			
Share capital			
Registered			
268,500,000 ordinary shares of Baht 1 each		268,500	268,500
Issued and paid-up			
259,800,000 ordinary shares of Baht 1 each		259,800	259,800
Share premium		464,870	464,870
Retained earnings			
Appropriated - statutory reserve		26,850	26,850
Unappropriated		973,989	933,186
Total shareholders' equity		1,725,509	1,684,706
Total liabilities and shareholders' equity		2,708,665	2,782,157
		-	-

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

Directors

Thai Steel Cable Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 December 2017

1. General information

1.1 Corporate information

Thai Steel Cable Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of control cable of automobiles and motorcycles and window regulator of automobiles. The registered office of the Company is at Amatanakorn Industrial Estate 700/737, Moo 1, Tambol Panthong, Amphur Panthong, Chonburi.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) Interim Financial Reporting, 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.

1.3 New financial reporting standards

During the period, the Company has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company’ financial statements.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 30 September 2017.

2. Related party transactions

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

(Unit: Million Baht)

	For the three-month periods ended 31 December		Transfer Pricing Policy
	2017	2016	
<u>Transactions with related companies</u>			
Sales of goods	42.4	61.1	Cost plus margin
Purchases of raw materials and finished goods	103.8	122.7	Cost plus margin
Purchases of assets	1.7	-	Agreed upon basis
Royalty fee	11.1	9.4	2.0% on the net sales amount

As at 31 December 2017 and 30 September 2017, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	31 December 2017	30 September 2017
Trade and other receivables - related parties (Note 4)		
<u>Trade receivables - related parties</u>		
Related companies	35,756	34,643
<u>Other receivables - related parties</u>		
Related companies	90	134
Trade and other payables - related parties (Note 9)		
<u>Trade payables - related parties</u>		
Related companies	76,530	71,854
<u>Other payables - related parties</u>		
Related companies	1,956	1,523
<u>Accrued royalty - related party</u>		
Related company	22,831	11,718

(Unaudited but reviewed)

Directors and management's benefits

During the three-month periods ended 31 December 2017 and 2016, the Company had employee benefit expenses payable to its directors and management as below.

(Unit: Thousand Baht)

For the three-month
periods ended 31 December

	2017	2016
Short-term employee benefits	17,106	15,840
Post-employee benefits	798	707
Total	<u>17,904</u>	<u>16,547</u>

3. Current investments

These represent fixed deposits with banks with an original maturity of more than three months and not subject to withdrawal restrictions.

4. Trade and other receivables

(Unit: Thousand Baht)

	31 December 2017	30 September 2017
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	30,698	33,838
Past due up to 3 months	5,058	805
Total trade receivables - related parties	<u>35,756</u>	<u>34,643</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	445,642	485,767
Past due		
Up to 3 months	52	51
3 - 6 months	21	-
Total trade receivables - unrelated parties	<u>445,715</u>	<u>485,818</u>
Total trade receivables - net	<u>481,471</u>	<u>520,461</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	31 December 2017	30 September 2017
<u>Other receivables</u>		
Other receivables - related parties	90	134
Other receivables - unrelated parties	55,735	55,825
Total	55,825	55,959
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	28,912	29,046
Total trade and other receivables - net	510,383	549,507

5. Long-term investment

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	31 December 2017	30 September 2017	31 December 2017	30 September 2017	31 December 2017	30 September 2017
			(%)	(%)		
Hi-Lex Vietnam Co., Ltd.	USD 11,150,000	USD 11,150,000	6.28	6.28	25,704	25,704

6. Investment properties

Movements of the investment properties account during the three-month period ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	127,155
Depreciation for the period	(539)
Net book value as at 31 December 2017	126,616

7. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	1,019,985
Acquisitions during the period - at cost	13,049
Transfer in	260
Disposal/write-off during the period - net book value at disposal/write-off dates	(843)
Depreciation for the period	(33,949)
Net book value as at 31 December 2017	998,502

(Unaudited but reviewed)

As at 31 December 2017, the Company had equipment under finance lease agreements with net book values amounting to Baht 7 million (30 September 2017: Baht 7 million).

8. Short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (% per annum)	31 December 2017	30 September 2017
Promissory notes	MMR	250,000	300,000

The short-term loans from banks are clean and denominated in Baht.

9. Trade and other payables

(Unit: Thousand Baht)

	31 December 2017	30 September 2017
Trade payables - related parties	76,530	71,854
Trade payables - unrelated parties	357,521	362,725
Other payables	37,541	33,355
Accrued expenses	77,547	131,439
Total	549,139	599,373

10. Long-term loan from bank

(Unit: Thousand Baht)

Interest rate (% per annum)	Repayment schedule	31 December 2017	30 September 2017
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	97,210	113,440
	Less: Current portion	(64,920)	(64,920)
	Long-term loan from bank - net of current portion	32,290	48,520

Movements in the long-term loan from bank account during the three-month period ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

Balance as at 1 October 2017	113,440
Less: Repayment	(16,230)
Balance as at 31 December 2017	97,210

(Unaudited but reviewed)

The loan agreement contains certain several covenants which, among other things, requires the Company to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreement. The loan is clean.

11. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)
Balance as at 1 October 2017	49,895
Current service cost	1,057
Interest cost	282
Benefit paid during the period	(248)
Balance as at 31 December 2017	<u>50,986</u>

12. Provisions

These provisions are provisions for product warranty which have movements during the three-month period ended 31 December 2017 summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	11,600
Increase during the period	683
Utilised	(336)
Reversal of provisions	(1,108)
Balance as at 31 December 2017	<u>10,839</u>

13. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 December 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)	
	For the three-month	
	periods ended 31 December	
	2017	2016
Current income tax:		
Interim corporate income tax charge	2,022	1,076
Deferred tax:		
Relating to origination and reversal of temporary differences	206	2,897
Income tax expenses reported in the statements of comprehensive income	<u>2,228</u>	<u>3,973</u>

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 is principally engaged in the manufacture and distribution of control cable of automobiles and motorcycles and window regulator of automobiles. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss and total assets 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.

16. Commitments and contingent liabilities**16.1 Capital commitments**

As at 31 December 2017, the Company had capital commitments of approximately Baht 18 million and USD 0.08 million (30 September 2017: Baht 19 million and USD 0.03 million), relating to the purchase of equipment.

16.2 Operating lease and service commitments

The Company has entered into several operating lease agreements in respect of the lease of vehicles and equipment and service agreements. The terms of the agreements are generally between 1 and 5 years.

The Company had future minimum lease and service payments required under these non-cancellable operating leases and service agreements as follows.

	(Unit: Million Baht)	
	31 December	30 September
Payable:	2017	2017
In up to 1 year	40	29
In over 1 and up to 5 years	50	10

16.3 Long-term service commitments

The Company has entered into license and technical assistance agreement with an overseas related company for the use of a trademark and the receipt of information related to the manufacture and assembly of control cable of automobiles and motorcycles. Under the conditions of the license agreement, the Company is to pay the fee twice a year as stipulated in the agreement. The fees for the three-month period ended 31 December 2017 amounting to approximately Baht 11 million (31 December 2016: Baht 9 million) were recognised as expenses.

16.4 Guarantees

As at 31 December 2017 and 30 September 2017, there were outstanding bank guarantees of approximately Baht 3 million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee to guarantee electricity use, among others.

16.5 Foreign exchange contracts

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2017			
Foreign currency	Bought amount	Contractual exchange rate	
		Bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.1	32.43 - 32.47	June 2018
Japanese yen	25.0	0.29 - 0.30	March 2018 - June 2018

As at 30 September 2017			
Foreign currency	Bought amount	Contractual exchange rate	
		Bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.2	33.93 - 34.16	December 2017 - January 2018
Japanese yen	30.0	0.30 - 0.31	November 2017 - March 2018

16.6 Litigation

The Customs Department conducted a post clearance audit at the Company, and accused the Company of making incorrect tariff code declarations (with lower duty rates) in import entries between 2003 and 2006. It therefore assessed import duty and VAT shortfalls amounting to Baht 17.9 million, excluding penalties and surcharges. In September 2017, the Central Tax Court delivered a judgment to revoke only the assessment of import duty and surcharges. The Company is not allowed to file a lawsuit against the Revenue Department demanding the revocation of the VAT assessment because the Company has not yet exercised its right to appeal to the Board of Appeal in accordance with Section 30 of the Revenue Code. However, the Customs Department still has the right to appeal to a special court, while the Company has the right to appeal to the special court on the VAT issue as well. As at 31 December 2017, the Customs Department and the Company are in the process of file an appeal with the special court. The Company's management has assessed the case and believes that the Company is not liable for the import duty and VAT shortfalls,

(Unaudited but reviewed)

including penalties and surcharges, because the Company correctly paid import duty in accordance with the Customs Tariffs Decree B.E. 2530. Considering legal opinions and the opinions of customs tariff experts, the declared imported products are classified according to the product definitions specified in the customs tariff schedule. The Company therefore did not record a provision for the contingent liabilities as a result of this litigation in the financial statements.

17. Event after the reporting period

The Annual General Meeting of the Company's shareholders, held on 23 January 2018, passed the resolution to declare the dividend for the year 2017 of Baht 0.80 per share. Since the Company's Board of Directors previously approved an interim dividend from income of the year 2017 of Baht 0.25 per share, the remaining dividend payment of Baht 0.55 per share, amounting to Baht 142.89 million, is scheduled for payment on 22 February 2018.

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 6 February 2018.