

Thai Steel Cable Public Company Limited
Review report and interim financial statements
For the three-month period ended 31 December 2016

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 2016, 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 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*.

Poonnard Paocharoen

Certified Public Accountant (Thailand) No. 5238

EY Office Limited

Bangkok: 7 February 2017

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

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 December 2016</u>	<u>30 September 2016</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		513,909	506,857
Current investments	3	200,721	200,503
Trade and other receivables	4	449,323	488,318
Inventories		239,168	235,965
Other current assets		14,959	8,816
Total current assets		<u>1,418,080</u>	<u>1,440,459</u>
Non-current assets			
Long-term investment	5	25,704	25,704
Investment properties	6	128,774	129,316
Property, plant and equipment	7	1,080,845	1,104,012
Intangible assets		23,611	25,614
Deferred tax assets		9,958	12,855
Other non-current assets		13,861	13,035
Total non-current assets		<u>1,282,753</u>	<u>1,310,536</u>
Total assets		<u><u>2,700,833</u></u>	<u><u>2,750,995</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 2016 (Unaudited but reviewed)	30 September 2016 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from banks	8	300,000	300,000
Trade and other payables	9	493,426	551,100
Current portion of long-term loan from bank	10	64,920	64,920
Current portion of finance lease payables		4,228	4,075
Other current liabilities		11,690	11,496
Total current liabilities		874,264	931,591
Non-current liabilities			
Long-term loan from bank - net of current portion	10	97,210	113,440
Finance lease payables - net of current portion		7,774	8,838
Provision for long-term employee benefits	11	47,089	45,884
Provisions	12	12,433	12,536
Other non-current liabilities		96	101
Total non-current liabilities		164,602	180,799
Total liabilities		1,038,866	1,112,390
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		910,447	887,085
Total shareholders' equity		1,661,967	1,638,605
Total liabilities and shareholders' equity		2,700,833	2,750,995
		-	-

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

Directors

(Unaudited but reviewed)

Thai Steel Cable Public Company Limited

Statement of comprehensive income

For the three-month period ended 31 December 2016

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

	Note	2016	2015
Profit or loss:			
Revenues			
Sales		671,687	609,589
Other income		6,097	15,111
Total revenues		<u>677,784</u>	<u>624,700</u>
Expenses			
Cost of sales		572,282	516,036
Selling expenses		7,026	16,632
Administrative expenses		67,035	62,798
Total expenses		<u>646,343</u>	<u>595,466</u>
Profit before finance cost and income tax expenses		31,441	29,234
Finance cost		(4,106)	(3,990)
Profit before income tax expenses		27,335	25,244
Income tax expenses	13	(3,973)	(2,907)
Profit for the period		<u>23,362</u>	<u>22,337</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>23,362</u>	<u>22,337</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.09</u>	<u>0.09</u>
Weighted average number of ordinary shares (Thousand shares)		<u>259,800</u>	<u>259,800</u>

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

(Unaudited but reviewed)

Thai Steel Cable Public Company Limited

Cash flows statement

For the three-month period ended 31 December 2016

(Unit: Thousand Baht)

	2016	2015
Cash flows from operating activities		
Profit before tax	27,335	25,244
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	39,144	38,699
Allowance for doubtful accounts (reversal)	-	(114)
Reduction of inventory to net realisable value	4,258	598
Loss (gain) on disposal/write-off of equipment	39	(2,899)
Provisions (reversal)	123	(898)
Provision for long-term employee benefits	1,205	1,151
Unrealised loss (gain) on exchange	1,975	(1,735)
Interest income	(861)	(652)
Interest expenses	4,106	3,990
Profit from operating activities before changes in operating assets and liabilities	77,324	63,384
Operating assets (increase) decrease		
Trade and other receivables	39,298	59,612
Inventories	(7,461)	18,580
Other current assets	(6,143)	(2,372)
Other non-current assets	(2,337)	(6,275)
Operating liabilities increase (decrease)		
Trade and other payables	(58,442)	(115,530)
Other current liabilities	(868)	(6,118)
Other non-current liabilities	(230)	(261)
Cash flows from operating activities	41,141	11,020
Cash paid for interest expenses	(3,820)	(3,975)
Cash paid for income tax	(14)	(157)
Net cash flows from operating activities	37,307	6,888

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

(Unaudited but reviewed)

Thai Steel Cable Public Company Limited

Cash flows statement (continued)

For the three-month period ended 31 December 2016

(Unit: Thousand Baht)

	2016	2015
Cash flows from investing activities		
Increase in current investments	(218)	-
Cash paid for purchase of equipment	(13,507)	(10,452)
Cash paid for purchase of intangible assets	(88)	(1,180)
Proceeds from sales of equipment	-	7,902
Interest income	861	652
Net cash flows used in investing activities	(12,952)	(3,078)
Cash flows from financing activities		
Repayment of long-term loan	(16,230)	-
Repayment of finance lease payables	(1,073)	(1,309)
Net cash flows used in financing activities	(17,303)	(1,309)
Net increase in cash and cash equivalents	7,052	2,501
Cash and cash equivalents at beginning of period	506,857	648,179
Cash and cash equivalents at end of period	513,909	650,680
	-	
Non-cash items		
Decrease in other payables from purchase of equipment	1,797	1,452
Purchases of equipment under finance lease agreements	161	146
Transfer other non-current assets to equipment	1,512	10,686

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

(Unaudited but reviewed)

Thai Steel Cable Public Company Limited

Statement of changes in shareholders' equity

For the three-month period ended 31 December 2016

(Unit: Thousand Baht)

	Issued and paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated	
Balance as at 1 October 2015	259,800	464,870	26,850	898,468	1,649,988
Total comprehensive income for the period	-	-	-	22,337	22,337
Balance as at 31 December 2015	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>920,805</u>	<u>1,672,325</u>
Balance as at 1 October 2016	259,800	464,870	26,850	887,085	1,638,605
Total comprehensive income for the period	-	-	-	23,362	23,362
Balance as at 31 December 2016	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>910,447</u>	<u>1,661,967</u>
	-	-	-	-	-
	-	-	-	-	-

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

Thai Steel Cable Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 December 2016

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 2015) *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 and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 financial reporting standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s 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 2016.

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
	2016	2015	
<u>Transactions with related companies</u>			
Sales of goods	61.1	49.8	Cost plus margin
Purchases of raw materials and finished goods	122.7	83.3	Cost plus margin
Purchases of assets	-	0.1	Agreed upon basis
Royalty fee	9.4	8.7	2.0% on the net sales amount

As at 31 December 2016 and 30 September 2016, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

	31 December 2016	30 September 2016
Trade and other receivables - related parties (Note 4)		
<u>Trade receivables - related parties</u>		
Related companies	46,101	42,582
<u>Other receivables - related parties</u>		
Related companies	139	108
Trade and other payables - related parties (Note 9)		
<u>Trade payables - related parties</u>		
Related companies	78,398	70,027
<u>Other payables - related parties</u>		
Related companies	762	619
<u>Accrued royalty - related party</u>		
Related company	19,014	9,600

(Unaudited but reviewed)

Directors and management's benefits

During the three-month periods ended 31 December 2016 and 2015, 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

	2016	2015
Short-term employee benefits	15,840	18,467
Post-employee benefits	707	807
Total	<u>16,547</u>	<u>19,274</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 2016	30 September 2016
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	45,278	42,270
Past due up to 3 months	823	312
Total trade receivables - related parties	<u>46,101</u>	<u>42,582</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	371,804	416,154
Past due		
Up to 3 months	331	217
3 - 6 months	-	5
Over 12 months	-	13,935
Total	<u>372,135</u>	<u>430,311</u>
Less: Allowance for doubtful debts	-	(13,935)
Total trade receivables - unrelated parties - net	<u>372,135</u>	<u>416,376</u>
Total trade receivables - net	<u>418,236</u>	<u>458,958</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	31 December 2016	30 September 2016
<u>Other receivables</u>		
Other receivables - related parties	139	108
Other receivables - unrelated parties	57,861	56,165
Total	58,000	56,273
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	31,087	29,360
Total trade and other receivables - net	449,323	488,318

5. Long-term investment

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	31 December 2016	30 September 2016	31 December 2016	30 September 2016	31 December 2016	30 September 2016
			(%)	(%)		
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 2016 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2016	129,316
Depreciation for the period	(542)
Net book value as at 31 December 2016	128,774

7. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2016	1,104,012
Acquisitions during the period - at cost	11,871
Transfer in	1,512
Disposal/write-off during the period - net book value at disposal/write-off dates	(39)
Depreciation for the period	(36,511)
Net book value as at 31 December 2016	1,080,845

(Unaudited but reviewed)

As at 31 December 2016, the Company had equipment under finance lease agreements with net book values amounting to Baht 7 million (30 September 2016: Baht 8 million).

8. Short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (% per annum)	31 December 2016	30 September 2016
Promissory notes	MMR	300,000	300,000

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

9. Trade and other payables

(Unit: Thousand Baht)

	31 December 2016	30 September 2016
Trade payables - related parties	78,398	70,027
Trade payables - unrelated parties	308,670	324,389
Other payables	36,453	35,426
Accrued expenses	69,905	121,258
Total	493,426	551,100

10. Long-term loan from bank

(Unit: Thousand Baht)

Interest rate (% per annum)	Repayment schedule	31 December 2016	30 September 2016
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	162,130	178,360
	Less: Current portion	(64,290)	(64,920)
	Long-term loan from bank - net of current portion	97,210	113,440

Movements in the long-term loan from bank account during the three-month period ended 31 December 2016 are summarised below.

(Unit: Thousand Baht)

Balance as at 1 October 2016	178,360
Less: Repayment	(16,230)
Balance as at 31 December 2016	162,130

(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 2016	45,884
Current service cost	951
Interest cost	254
Balance as at 31 December 2016	<u>47,089</u>

12. Provisions

These provisions are provisions for product warranty which have movements during the three-month period ended 31 December 2016 summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2016	12,536
Increase during the period	1,240
Utilised	(226)
Reversal of provisions	<u>(1,117)</u>
Balance as at 31 December 2016	<u>12,433</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 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)	
	For the three-month	
	periods ended 31 December	
	2016	2015
Current income tax:		
Interim corporate income tax charge	1,076	3,025
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>2,897</u>	<u>(118)</u>
Income tax expenses reported in the statements of comprehensive income	<u>3,973</u>	<u>2,907</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 2016, the Company had capital commitments of approximately Baht 12 million and USD 0.02 million (30 September 2016: Baht 11 million and USD 0.02 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:	2016	2016
In up to 1 year	34	38
In over 1 and up to 5 years	6	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 2016 amounting to approximately Baht 9 million (31 December 2015: Baht 9 million) were recognised as expenses.

16.4 Guarantees

As at 31 December 2016 and 30 September 2016, 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 2016					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	0.2	0.04	35.69 - 36.10	35.48	May - July 2017
Japanese yen	108.0	-	0.31 - 0.35	-	April - June 2017

As at 30 September 2016					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	0.3	-	34.72 - 34.83	-	February - March 2017
Japanese yen	49.6	-	0.34 - 0.35	-	March - April 2017

16.6 Litigation

Thai Customs conducted a post clearance audit at the Company, accused the Company of making incorrect tariff code declarations (with lower duty rates) in import entries between 2003 and 2006, and assessed duty and VAT shortfalls amounting to Baht 17.9 million. As at 31 December 2016, the Company is in the process of file an appeal with the Central Tax Court. However, the Company's lawyer and management have assessed the case and believe that the Company is not liable for the duty shortfalls and surcharges because the Company correctly paid import duty in accordance with the Customs Tariffs Decree B.E. 2530. The Company therefore did not record a provision for the expense that may arise 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 24 January 2017, passed the resolution to declare the dividend for the year 2016 of Baht 0.50 per share. Since the Company's Board of Directors previously approved an interim dividend from income of the year 2016 of Baht 0.25 per share, the remaining dividend payment of Baht 0.25 per share, amounting to Baht 64.95 million, is scheduled for payment on 23 February 2017.

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 7 February 2017.