

Thai Steel Cable Public Company Limited
Review report and interim financial statements
For the three-month and six-month periods ended
31 March 2018

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 March 2018, the related statements of comprehensive income for the three-month and six-month periods ended 31 March 2018, and the related statements of changes in shareholders' equity, and cash flows for the six-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: 8 May 2018

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

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 March 2018</u>	<u>30 September 2017</u>
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		480,815	575,991
Current investments	3	204,503	202,081
Trade and other receivables	4	569,078	549,507
Inventories		185,334	211,352
Other current assets		38,092	26,221
Total current assets		<u>1,477,822</u>	<u>1,565,152</u>
Non-current assets			
Long-term investment	5	25,704	25,704
Investment properties	6	126,080	127,155
Property, plant and equipment	7	989,721	1,019,985
Intangible assets		19,423	20,014
Deferred tax assets		7,478	8,375
Other non-current assets		14,949	15,772
Total non-current assets		<u>1,183,355</u>	<u>1,217,005</u>
Total assets		<u><u>2,661,177</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 March 2018 (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	589,328	599,373
Current portion of long-term loan from bank	10	64,920	64,920
Current portion of finance lease payables		4,864	4,687
Other current liabilities		11,578	12,336
Total current liabilities		920,690	981,316
Non-current liabilities			
Long-term loan from bank - net of current portion	10	16,060	48,520
Finance lease payables - net of current portion		3,788	6,024
Provision for long-term employee benefits	11	52,326	49,895
Provisions	12	10,088	11,600
Other non-current liabilities		99	96
Total non-current liabilities		82,361	116,135
Total liabilities		1,003,051	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		906,606	933,186
Total shareholders' equity		1,658,126	1,684,706
Total liabilities and shareholders' equity		2,661,177	2,782,157
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The accompanying notes are an integral part of the financial statements.

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Directors
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(Unaudited but reviewed)

Thai Steel Cable Public Company Limited

Statement of comprehensive income

For the three-month period ended 31 March 2018

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

	Note	2018	2017
Profit or loss:			
Revenues			
Sales		805,003	749,367
Other income		10,002	7,771
Total revenues		<u>815,005</u>	<u>757,138</u>
Expenses			
Cost of sales		647,412	613,368
Selling expenses		21,421	15,151
Administrative expenses		63,637	74,809
Total expenses		<u>732,470</u>	<u>703,328</u>
Profit before finance cost and income tax expenses		82,535	53,810
Finance cost		(2,845)	(3,811)
Profit before income tax expenses		79,690	49,999
Income tax expenses	13	(4,183)	(2,635)
Profit for the period		<u>75,507</u>	<u>47,364</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>75,507</u>	<u>47,364</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.29</u>	<u>0.18</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

Statement of comprehensive income

For the six-month period ended 31 March 2018

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

	Note	2018	2017
Profit or loss:			
Revenues			
Sales		1,530,237	1,421,054
Other income		18,841	13,868
Total revenues		<u>1,549,078</u>	<u>1,434,922</u>
Expenses			
Cost of sales		1,254,842	1,185,650
Selling expenses		40,977	22,177
Administrative expenses		124,251	141,844
Total expenses		<u>1,420,070</u>	<u>1,349,671</u>
Profit before finance cost and income tax expenses		129,008	85,251
Finance cost		(6,287)	(7,917)
Profit before income tax expenses		122,721	77,334
Income tax expenses	13	(6,411)	(6,608)
Profit for the period		<u>116,310</u>	<u>70,726</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>116,310</u>	<u>70,726</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.45</u>	<u>0.27</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 six-month period ended 31 March 2018

	(Unit: Thousand Baht)	
	2018	2017
Cash flows from operating activities		
Profit before tax	122,721	77,334
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	71,601	76,277
Reduction of inventory to net realisable value (reversal)	(1,010)	4,402
Loss (gain) on disposal/write-off of equipment	(3,726)	33
Provisions (reversal)	(845)	823
Provision for long-term employee benefits	2,679	2,411
Unrealised loss (gain) on exchange	(106)	1,032
Interest income	(2,028)	(1,659)
Interest expenses	6,287	7,917
Profit from operating activities before changes in operating assets and liabilities	195,573	168,570
Operating assets (increase) decrease		
Trade and other receivables	(20,770)	(43,204)
Inventories	27,027	14,428
Other current assets	(11,871)	(11,278)
Other non-current assets	(7,872)	(4,624)
Operating liabilities decrease		
Trade and other payables	(9,761)	(20,885)
Other current liabilities	(1,889)	(1,317)
Other non-current liabilities	(913)	(805)
Cash flows from operating activities	169,524	100,885
Cash paid for interest expenses	(6,248)	(7,912)
Cash paid for income tax	(4,383)	(3,414)
Net cash flows from operating activities	158,893	89,559

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 six-month period ended 31 March 2018

	(Unit: Thousand Baht)	
	2018	2017
Cash flows from investing activities		
Increase in current investments	(2,422)	(1,009)
Cash paid for purchase of equipment	(32,229)	(24,573)
Cash paid for purchase of intangible assets	(2,926)	(338)
Proceeds from sales of equipment	8,131	12
Interest income	3,134	1,659
Net cash flows used in investing activities	(26,312)	(24,249)
Cash flows from financing activities		
Decrease in short-term loans from banks	(50,000)	-
Repayment of long-term loan	(32,460)	(32,460)
Repayment of finance lease payables	(2,407)	(2,087)
Dividend paid	(142,890)	(64,950)
Net cash flows used in financing activities	(227,757)	(99,497)
Net decrease in cash and cash equivalents	(95,176)	(34,187)
Cash and cash equivalents at beginning of period	575,991	506,857
Cash and cash equivalents at end of period	480,815	472,670
	-	
Non-cash items		
Increase in other payables from purchase of equipment (decrease)	(123)	140
Purchases of equipment under finance lease agreements	348	1,668
Transfer other non-current assets to equipment	8,605	2,596

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 six-month period ended 31 March 2018

(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 2016	259,800	464,870	26,850	887,085	1,638,605
Dividend paid (Note 16)	-	-	-	(64,950)	(64,950)
Total comprehensive income for the period	-	-	-	70,726	70,726
Balance as at 31 March 2017	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>892,861</u>	<u>1,644,381</u>
Balance as at 1 October 2017	259,800	464,870	26,850	933,186	1,684,706
Dividend paid (Note 16)	-	-	-	(142,890)	(142,890)
Total comprehensive income for the period	-	-	-	116,310	116,310
Balance as at 31 March 2018	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>906,606</u>	<u>1,658,126</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 and six-month periods ended 31 March 2018

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 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 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		For the six-month periods ended		Transfer Pricing Policy
	31 March		31 March		
	2018	2017	2018	2017	
<u>Transactions with related companies</u>					
Sales of goods	45.6	54.9	88.0	116.0	Cost plus margin
Purchases of raw materials and finished goods	96.9	114.7	200.7	237.4	Cost plus margin
Purchases of assets	0.6	0.3	2.3	0.3	Agreed upon basis
Royalty fee	10.6	11.0	21.7	20.4	2.0% on the net sales amount

(Unaudited but reviewed)

As at 31 March 2018 and 30 September 2017, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Thousand Baht)	
	31 March 2018	30 September 2017
Trade and other receivables - related parties (Note 4)		
<u>Trade receivables - related parties</u>		
Related companies	<u>33,652</u>	<u>34,643</u>
<u>Other receivables - related parties</u>		
Related companies	<u>116</u>	<u>134</u>
Trade and other payables - related parties (Note 9)		
<u>Trade payables - related parties</u>		
Related companies	<u>67,765</u>	<u>71,854</u>
<u>Other payables - related parties</u>		
Related companies	<u>731</u>	<u>1,523</u>
<u>Accrued royalty - related party</u>		
Related company	<u>10,601</u>	<u>11,718</u>

Directors and management's benefits

During the three-month and six-month periods ended 31 March 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March		For the six-month periods ended 31 March	
	2018	2017	2018	2017
Short-term employee benefits	18,161	17,656	35,267	33,496
Post-employee benefits	799	711	1,597	1,418
Total	<u>18,960</u>	<u>18,367</u>	<u>36,864</u>	<u>34,914</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.

(Unaudited but reviewed)

4. Trade and other receivables

(Unit: Thousand Baht)

	31 March 2018	30 September 2017
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	33,306	33,838
Past due up to 3 months	256	805
Total trade receivables - related parties	<u>33,562</u>	<u>34,643</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	505,655	485,767
Past due		
Up to 3 months	368	51
Total trade receivables - unrelated parties - net	<u>506,203</u>	<u>485,818</u>
Total trade receivables - net	<u>539,585</u>	<u>520,461</u>
<u>Other receivables</u>		
Other receivables - related parties	116	134
Other receivables - unrelated parties	56,290	55,825
Total	56,406	55,959
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	<u>29,493</u>	<u>29,046</u>
Total trade and other receivables - net	<u><u>569,078</u></u>	<u><u>549,507</u></u>

5. Long-term investment

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	31 March	30 September	31 March	30 September	31 March	30 September
	2018	2017	2018	2017	2018	2017
			(%)	(%)		
Hi-Lex Vietnam Co., Ltd.	USD	USD				
	11,150,000	11,150,000	6.28	6.28	<u>25,704</u>	<u>25,704</u>

(Unaudited but reviewed)

6. Investment properties

Movements of the investment properties account during the six-month period ended 31 March 2018 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	127,155
Depreciation for the period	(1,075)
Net book value as at 31 March 2018	<u>126,080</u>

7. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 31 March 2018 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	1,019,985
Acquisitions during the period - at cost	32,454
Transfer in	8,605
Disposal/write-off during the period - net book value at disposal/write-off dates	(4,405)
Depreciation for the period	(66,918)
Net book value as at 31 March 2018	<u>989,721</u>

As at 31 March 2018, the Company had equipment under finance lease agreements with net book values amounting to Baht 6 million (30 September 2017: Baht 7 million).

8. Short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (% per annum)	31 March 2018	30 September 2017
Promissory notes	MMR	<u>250,000</u>	<u>300,000</u>

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

(Unaudited but reviewed)

9. Trade and other payables

	(Unit: Thousand Baht)	
	31 March	30 September
	2018	2017
Trade payables - related parties	67,765	71,854
Trade payables - unrelated parties	403,391	362,725
Other payables	29,923	33,355
Accrued expenses	88,249	131,439
Total	<u>589,328</u>	<u>599,373</u>

10. Long-term loan from bank

		(Unit: Thousand Baht)	
Interest rate		31 March	30 September
(% per annum)	Repayment schedule	2018	2017
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	80,980	113,440
Less: Current portion		<u>(64,920)</u>	<u>(64,920)</u>
Long-term loan from bank - net of current portion		<u>16,060</u>	<u>48,520</u>

Movements in the long-term loan from bank account during the six-month period ended 31 March 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	113,440
Less: Repayment	<u>(32,460)</u>
Balance as at 31 March 2018	<u>80,980</u>

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	2,115
Interest cost	564
Benefits paid during the period	(248)
Balance as at 31 March 2018	<u>52,326</u>

12. Provisions

These provisions are provisions for product warranty which have movements during the six-month period ended 31 March 2018 summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	11,600
Increase during the period	1,440
Utilised	(667)
Reversal of provisions	(2,285)
Balance as at 31 March 2018	<u>10,088</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 and six-month periods ended 31 March 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March		For the six-month periods ended 31 March	
	2018	2017	2018	2017
Current income tax:				
Interim corporate income tax charge	3,492	2,453	5,514	3,529
Deferred tax:				
Relating to origination and reversal of temporary differences	691	182	897	3,079
Income tax expenses reported in the statements of comprehensive income	<u>4,183</u>	<u>2,635</u>	<u>6,411</u>	<u>6,608</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. Dividend

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Thousand Baht)	(Baht)
Dividends for the year ended 30 September 2016	The Annual General Meeting of the Company's shareholders on 24 January 2017	<u>64,950</u>	<u>0.25</u>
Dividends for the year ended 30 September 2017	The Annual General Meeting of the Company's shareholders on 23 January 2018	<u><u>142,890</u></u>	<u><u>0.55</u></u>

17. Commitments and contingent liabilities**17.1 Capital commitments**

As at 31 March 2018, the Company had capital commitments of approximately Baht 19 million and USD 0.06 million (30 September 2017: Baht 19 million and USD 0.03 million), relating to the purchase of equipment.

17.2 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.

(Unaudited but reviewed)

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 March	30 September
Payable:	2018	2017
In up to 1 year	36	29
In over 1 and up to 5 years	44	10

17.3 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 and six-month periods ended 31 March 2018 amounting to approximately Baht 11 million and Baht 22 million, respectively (2017: Baht 11 million and Baht 20 million, respectively) were recognised as expenses.

17.4 Guarantees

As at 31 March 2018 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.

17.5 Foreign exchange contracts

Foreign exchange contracts outstanding are summarised below.

As at 31 March 2018			
Foreign currency	Bought amount	Contractual exchange bought rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.5	30.99 - 32.47	June - September 2018
Japanese yen	30.0	0.30	September - October 2018

(Unaudited but reviewed)

As at 30 September 2017

<u>Foreign currency</u>	<u>Bought amount</u>	<u>Contractual exchange bought rate</u>	<u>Contractual maturity date</u>
	(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

17.6 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. As at 31 March 2018, the Customs Department and the Company was done in the process of file an appeal with the special court of Appeal. The Company's management has assessed the case and believes that the Company is not liable for the import duty and VAT shortfalls, 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.

18. Event after the reporting period

On 8 May 2018, the Company's Board of Directors passed a resolution to approve the payment of an interim dividend of Baht 0.40 per share from the earnings of the first half of 2018, or a total of Baht 103.92 million, to be paid in June 2018.

19. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 8 May 2018.