

Thai Steel Cable Public Company Limited
Review report and interim financial statements
For the three-month and nine-month periods ended
30 June 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 30 June 2017, the related statements of comprehensive income for the three-month and nine-month periods ended 30 June 2017, and the related statements of changes in shareholders' equity, and cash flows for the nine-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 August 2017

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

(Unit: Thousand Baht)

	Note	30 June 2017	30 September 2016
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		480,522	506,857
Current investments	3	201,513	200,503
Trade and other receivables	4	537,818	488,318
Inventories		219,418	235,965
Other current assets		21,631	8,816
Total current assets		1,460,902	1,440,459
Non-current assets			
Long-term investment	5	25,704	25,704
Investment properties	6	127,694	129,316
Property, plant and equipment	7	1,040,265	1,104,012
Intangible assets		20,821	25,614
Deferred tax assets		9,418	12,855
Other non-current assets		15,079	13,035
Total non-current assets		1,238,981	1,310,536
Total assets		2,699,883	2,750,995

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	30 June 2017 (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	554,703	551,100
Current portion of long-term loan from bank	10	64,920	64,920
Current portion of finance lease payables		4,634	4,075
Other current liabilities		10,726	11,496
Total current liabilities		934,983	931,591
Non-current liabilities			
Long-term loan from bank - net of current portion	10	64,750	113,440
Finance lease payables - net of current portion		7,024	8,838
Provision for long-term employee benefits	11	48,759	45,884
Provisions	12	12,115	12,536
Other non-current liabilities		395	101
Total non-current liabilities		133,043	180,799
Total liabilities		1,068,026	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		880,337	887,085
Total shareholders' equity		1,631,857	1,638,605
Total liabilities and shareholders' equity		2,699,883	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 30 June 2017

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

	Note	2017	2016
Profit or loss:			
Revenues			
Sales		716,685	704,490
Other income		11,859	3,486
Total revenues		<u>728,544</u>	<u>707,976</u>
Expenses			
Cost of sales		590,849	582,331
Selling expenses		14,073	20,203
Administrative expenses		64,820	70,382
Total expenses		<u>669,742</u>	<u>672,916</u>
Profit before finance cost and income tax expenses		58,802	35,060
Finance cost		(3,762)	(4,536)
Profit before income tax expenses		55,040	30,524
Income tax expenses	13	(2,614)	798
Profit for the period		<u>52,426</u>	<u>31,322</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>52,426</u>	<u>31,322</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.20</u>	<u>0.12</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 nine-month period ended 30 June 2017

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

	Note	2017	2016
Profit or loss:			
Revenues			
Sales		2,137,739	2,009,618
Other income		25,727	26,994
Total revenues		<u>2,163,466</u>	<u>2,036,612</u>
Expenses			
Cost of sales		1,776,499	1,668,786
Selling expenses		36,250	51,730
Administrative expenses		206,664	198,059
Total expenses		<u>2,019,413</u>	<u>1,918,575</u>
Profit before finance cost and income tax expenses		144,053	118,037
Finance cost		(11,679)	(12,323)
Profit before income tax expenses		132,374	105,714
Income tax expenses	13	(9,222)	(6,064)
Profit for the period		<u>123,152</u>	<u>99,650</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>123,152</u>	<u>99,650</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.47</u>	<u>0.38</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 nine-month period ended 30 June 2017

	(Unit: Thousand Baht)	
	2017	2016
Cash flows from operating activities		
Profit before tax	132,374	105,714
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	113,493	117,033
Reversal of allowance for doubtful accounts	-	(480)
Reduction of inventory to net realisable value (reversal)	4,266	(28)
Gain on disposal/write-off of equipment	(316)	(4,778)
Provisions (reversal)	293	(2,471)
Provision for long-term employee benefits	3,616	3,452
Loss (gain) on exchange	159	(336)
Dividend income	(3,862)	-
Interest income	(2,243)	(1,261)
Interest expenses	11,679	12,323
Profit from operating activities before changes in operating assets and liabilities	259,459	229,168
Operating assets (increase) decrease		
Trade and other receivables	(49,658)	(11,255)
Inventories	12,282	8,213
Other current assets	(12,816)	(3,696)
Other non-current assets	(7,534)	(12,464)
Operating liabilities increase (decrease)		
Trade and other payables	7,361	5,245
Other current liabilities	373	(3,852)
Other non-current liabilities	(1,160)	(898)
Cash flows from operating activities	208,307	210,461
Cash paid for interest expenses	(11,676)	(12,334)
Cash paid for income tax	(6,928)	(11,993)
Net cash flows from operating activities	189,703	186,134

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 nine-month period ended 30 June 2017

	(Unit: Thousand Baht)	
	2017	2016
Cash flows from investing activities		
Increase in current investments	(1,010)	-
Cash paid for purchase of equipment	(39,257)	(33,711)
Cash paid for purchase of intangible assets	(1,367)	(3,344)
Proceeds from sales of equipment	1,314	14,199
Dividend income	3,862	-
Interest income	2,243	1,261
Net cash flows used in investing activities	(34,215)	(21,595)
Cash flows from financing activities		
Cash received from long-term loan	-	200,000
Repayment of long-term loan	(48,690)	(5,410)
Repayment of finance lease payables	(3,233)	(3,531)
Dividend paid	(129,900)	(142,890)
Net cash flows from (used in) financing activities	(181,823)	48,169
Net increase (decrease) in cash and cash equivalents	(26,335)	212,708
Cash and cash equivalents at beginning of period	506,857	648,179
Cash and cash equivalents at end of period	480,522	860,887
	-	
Non-cash items		
Decrease in other payables from purchase of equipment	3,762	5,871
Purchases of equipment under finance lease agreements	1,978	764
Purchases of intangible assets under finance lease agreement	-	234
Transfer other non-current assets to equipment	5,491	31,872

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 nine-month period ended 30 June 2017

(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
Dividend paid (Note 16)	-	-	-	(142,890)	(142,890)
Total comprehensive income for the period	-	-	-	99,650	99,650
Balance as at 30 June 2016	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>855,228</u>	<u>1,606,748</u>
Balance as at 1 October 2016	259,800	464,870	26,850	887,085	1,638,605
Dividend paid (Note 16)	-	-	-	(129,900)	(129,900)
Total comprehensive income for the period	-	-	-	123,152	123,152
Balance as at 30 June 2017	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>880,337</u>	<u>1,631,857</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 nine-month periods ended 30 June 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 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		For the nine-month periods ended		Transfer Pricing Policy
	30 June		30 June		
	2017	2016	2017	2016	
<u>Transactions with related companies</u>					
Sales of goods	46.6	67.7	162.6	172.9	Cost plus margin
Purchases of raw materials and finished goods	101.4	110.2	338.8	305.9	Cost plus margin
Purchases of assets	0.4	-	0.7	0.7	Agreed upon basis
Royalty fee	10.9	9.4	31.3	27.8	2.0% on the net sales amount

(Unaudited but reviewed)

As at 30 June 2017 and 30 September 2016, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Thousand Baht)	
	30 June 2017	30 September 2016
Trade and other receivables - related parties (Note 4)		
<u>Trade receivables - related parties</u>		
Related companies	35,895	42,582
<u>Other receivables - related parties</u>		
Related companies	160	108
Trade and other payables - related parties (Note 9)		
<u>Trade payables - related parties</u>		
Related companies	67,449	70,027
<u>Other payables - related parties</u>		
Related companies	902	619
<u>Accrued royalty - related party</u>		
Related company	21,866	9,600

Directors and management's benefits

During the three-month and nine-month periods ended 30 June 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 30 June		For the nine-month periods ended 30 June	
	2017	2016	2017	2016
Short-term employee benefits	15,959	15,853	49,324	53,802
Post-employee benefits	707	708	2,121	2,299
Total	16,666	16,561	51,445	56,101

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)

	30 June 2017	30 September 2016
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	35,193	42,270
Past due up to 3 months	702	312
Total trade receivables - related parties	<u>35,895</u>	<u>42,582</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	473,259	416,154
Past due		
Up to 3 months	137	217
3 - 6 months	-	5
Over 12 months	-	13,935
Total	<u>473,396</u>	<u>430,311</u>
Less: Allowance for doubtful debts	-	(13,935)
Total trade receivables - unrelated parties - net	<u>473,396</u>	<u>416,376</u>
Total trade receivables - net	<u>509,291</u>	<u>458,958</u>
<u>Other receivables</u>		
Other receivables - related parties	160	108
Other receivables - unrelated parties	<u>55,280</u>	<u>56,165</u>
Total	<u>55,440</u>	<u>56,273</u>
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	<u>28,527</u>	<u>29,360</u>
Total trade and other receivables - net	<u>537,818</u>	<u>488,318</u>

5. Long-term investment

(Unit: Thousand Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost	
	30 June	30 September	30 June	30 September	30 June	30 September
	2017	2016	2017	2016	2017	2016
			(%)	(%)		
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 nine-month period ended 30 June 2017 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2016	129,316
Depreciation for the period	(1,622)
Net book value as at 30 June 2017	<u>127,694</u>

7. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 June 2017 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2016	1,104,012
Acquisitions during the period - at cost	37,473
Transfer in	5,491
Disposal/write-off during the period - net book value at disposal/write-off dates	(999)
Depreciation for the period	(105,712)
Net book value as at 30 June 2017	<u>1,040,265</u>

As at 30 June 2017, 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)	30 June 2017	30 September 2016
Promissory notes	MMR	<u>300,000</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)	
	30 June 2017	30 September 2016
Trade payables - related parties	67,449	70,027
Trade payables - unrelated parties	343,689	324,389
Other payables	31,177	35,426
Accrued expenses	112,388	121,258
Total	<u>554,703</u>	<u>551,100</u>

10. Long-term loan from bank

		(Unit: Thousand Baht)	
Interest rate (% per annum)	Repayment schedule	30 June 2017	30 September 2016
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	129,670	178,360
Less: Current portion		<u>(64,920)</u>	<u>(64,920)</u>
Long-term loan from bank - net of current portion		<u>64,750</u>	<u>113,440</u>

Movements in the long-term loan from bank account during the nine-month period ended 30 June 2017 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2016	178,360
Less: Repayment	<u>(48,690)</u>
Balance as at 30 June 2017	<u>129,670</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.

(Unaudited but reviewed)

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	2,854
Interest cost	762
Benefits paid during the period	(741)
Balance as at 30 June 2017	<u>48,759</u>

12. Provisions

These provisions are provisions for product warranty which have movements during the nine-month period ended 30 June 2017 summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2016	12,536
Increase during the period	3,062
Utilised	(714)
Reversal of provisions	(2,769)
Balance as at 30 June 2017	<u>12,115</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 nine-month periods ended 30 June 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the nine-month periods ended 30 June	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax charge	2,257	1,659	5,786	8,654
Deferred tax:				
Relating to origination and reversal of temporary differences	357	(2,457)	3,436	(2,590)
Income tax expenses reported in the statements of comprehensive income	<u>2,614</u>	<u>(798)</u>	<u>9,222</u>	<u>6,064</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. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividends for the year ended 30 September 2015	The Annual General Meeting of the Company's shareholders on 26 January 2016	77,940	0.30
Interim dividends for the results of operation during October 2015 and March 2016	The Board of Directors Meeting of the Company on 10 May 2016	64,950	0.25
		<u>142,890</u>	<u>0.55</u>
Dividends for the year ended 30 September 2016	The Annual General Meeting of the Company's shareholders on 24 January 2017	64,950	0.25
Interim dividends for The results of operation during October 2016 and March 2017	The Board of Directors Meeting of the Company on 9 May 2017	64,950	0.25
		<u>129,900</u>	<u>0.50</u>

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

As at 30 June 2017, the Company had capital commitments of approximately Baht 13 million and USD 0.1 million (30 September 2016: Baht 11 million and USD 0.02 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.

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

	(Unit: Million Baht)	
	30 June	30 September
Payable:	2017	2016
In up to 1 year	18	38
In over 1 and up to 5 years	7	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 nine-month periods ended 30 June 2017 amounting to approximately Baht 11 million and Baht 31 million, respectively (2016: Baht 10 million and Baht 28 million, respectively) were recognised as expenses.

17.4 Guarantees

As at 30 June 2017 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.

17.5 Foreign exchange contracts

Foreign exchange contracts outstanding are summarised below.

As at 30 June 2017			
Foreign currency	Bought amount	Contractual exchange	
		bought rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.4	34.0 - 35.6	July - December 2017
Japanese yen	50.0	0.30 - 0.31	November - December 2017

As at 30 September 2016			
Foreign currency	Bought amount	Contractual exchange	
		bought rate	Contractual maturity date
	(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

17.6 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 exclude penalties and surcharges. In February 2017, the Company filed an appeal with the Central Tax Court. As at 30 June 2017, the Company's management has assessed the case and believes that the Company is not liable for the duty shortfalls, penalties and surcharges because the Company correctly paid import duty in accordance with the Customs Tariffs Decree B.E. 2530. Considering legal opinions and opinions from customs tariff experts, the declared imported products are classified according to terms of headings. The Company therefore did not record a provision for the expense that may arise as a result of this litigation in the financial statements.

18. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 8 August 2017.