

Thai Steel Cable Public Company Limited
Review report and interim financial statements
For the three-month and nine-month periods ended
30 June 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 30 June 2018, the related statements of comprehensive income for the three-month and nine-month periods ended 30 June 2018, 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: 7 August 2018

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

(Unit: Thousand Baht)

	Note	30 June 2018	30 September 2017
		(Unaudited but reviewed)	(Audited)
Assets			
Current assets			
Cash and cash equivalents		378,227	575,991
Current investments	3	204,789	202,081
Trade and other receivables	4	576,594	549,507
Inventories		214,000	211,352
Other current assets		30,799	26,221
Total current assets		1,404,409	1,565,152
Non-current assets			
Long-term investment	5	25,704	25,704
Investment properties	6	125,543	127,155
Property, plant and equipment	7	977,187	1,019,985
Intangible assets		17,637	20,014
Deferred tax assets		7,979	8,375
Other non-current assets		20,120	15,772
Total non-current assets		1,174,170	1,217,005
Total assets		2,578,579	2,782,157

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 2018 (Unaudited but reviewed)	30 September 2017 (Audited)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from banks	8	200,000	300,000
Trade and other payables	9	612,291	599,373
Current portion of long-term loan from bank	10	64,750	64,920
Current portion of finance lease payables		4,625	4,687
Other current liabilities		9,622	12,336
Total current liabilities		891,288	981,316
Non-current liabilities			
Long-term loan from bank - net of current portion	10	-	48,520
Finance lease payables - net of current portion		2,816	6,024
Provision for long-term employee benefits	11	53,666	49,895
Provisions	12	9,467	11,600
Other non-current liabilities		93	96
Total non-current liabilities		66,042	116,135
Total liabilities		957,330	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		869,729	933,186
Total shareholders' equity		1,621,249	1,684,706
Total liabilities and shareholders' equity		2,578,579	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 30 June 2018

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

	Note	2018	2017
Profit or loss:			
Revenues			
Sales		757,397	716,685
Other income		6,278	11,859
Total revenues		<u>763,675</u>	<u>728,544</u>
Expenses			
Cost of sales		616,740	590,849
Selling expenses		11,749	14,073
Administrative expenses		62,747	64,820
Total expenses		<u>691,236</u>	<u>669,742</u>
Profit before finance cost and income tax expenses		72,439	58,802
Finance cost		(2,208)	(3,762)
Profit before income tax expenses		70,231	55,040
Income tax expenses	13	(3,188)	(2,614)
Profit for the period		<u>67,043</u>	<u>52,426</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>67,043</u>	<u>52,426</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.26</u>	<u>0.20</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 2018

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

	Note	2018	2017
Profit or loss:			
Revenues			
Sales		2,287,634	2,137,739
Other income		25,119	25,727
Total revenues		<u>2,312,753</u>	<u>2,163,466</u>
Expenses			
Cost of sales		1,871,582	1,776,499
Selling expenses		52,726	36,250
Administrative expenses		186,998	206,664
Total expenses		<u>2,111,306</u>	<u>2,019,413</u>
Profit before finance cost and income tax expenses		201,447	144,053
Finance cost		(8,495)	(11,679)
Profit before income tax expenses		192,952	132,374
Income tax expenses	13	(9,599)	(9,222)
Profit for the period		<u>183,353</u>	<u>123,152</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>183,353</u>	<u>123,152</u>
Earnings per share	14		
Basic earnings per share			
Profit attributable to equity holders of the Company		<u>0.71</u>	<u>0.47</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 2018

	(Unit: Thousand Baht)	
	2018	2017
Cash flows from operating activities		
Profit before tax	192,952	132,374
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	106,360	113,493
Reduction of inventory to net realisable value (reversal)	(255)	4,266
Gain on disposal/write-off of equipment	(3,970)	(316)
Provisions (reversal)	(1,217)	293
Provision for long-term employee benefits	4,019	3,616
Loss on exchange	424	159
Dividend income	(1,889)	(3,862)
Interest income	(3,314)	(2,243)
Interest expenses	8,495	11,679
Profit from operating activities before changes in operating assets and liabilities	301,605	259,459
Operating assets (increase) decrease		
Trade and other receivables	(27,063)	(49,658)
Inventories	(2,394)	12,282
Other current assets	(4,578)	(12,816)
Other non-current assets	(18,791)	(7,534)
Operating liabilities decrease		
Trade and other payables	5,907	7,361
Other current liabilities	(2,015)	373
Other non-current liabilities	(1,167)	(1,160)
Cash flows from operating activities	251,504	208,307
Cash paid for interest expenses	(8,245)	(11,676)
Cash paid for income tax	(9,902)	(6,928)
Net cash flows from operating activities	233,357	189,703

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 2018

	(Unit: Thousand Baht)	
	2018	2017
Cash flows from investing activities		
Increase in current investments	(2,708)	(1,010)
Cash paid for purchase of equipment	(44,693)	(39,257)
Cash paid for purchase of intangible assets	(2,926)	(1,367)
Proceeds from sales of equipment	12,309	1,314
Dividend income	1,889	3,862
Interest income	4,126	2,243
Net cash flows used in investing activities	(32,003)	(34,215)
Cash flows from financing activities		
Decrease in short-term loans from banks	(100,000)	-
Repayment of long-term loan	(48,690)	(48,690)
Repayment of finance lease payables	(3,618)	(3,233)
Dividend paid	(246,810)	(129,900)
Net cash flows used in financing activities	(399,118)	(181,823)
Net decrease in cash and cash equivalents	(197,764)	(26,335)
Cash and cash equivalents at beginning of period	575,991	506,857
Cash and cash equivalents at end of period	378,227	480,522
	-	
Non-cash items		
Increase in other payables from purchase of equipment (decrease)	5,502	(3,762)
Purchases of equipment under finance lease agreements	348	1,978
Transfer other non-current assets to equipment	14,352	5,491

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 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)	-	-	-	(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>
Balance as at 1 October 2017	259,800	464,870	26,850	933,186	1,684,706
Dividend paid (Note 16)	-	-	-	(246,810)	(246,810)
Total comprehensive income for the period	-	-	-	183,353	183,353
Balance as at 30 June 2018	<u>259,800</u>	<u>464,870</u>	<u>26,850</u>	<u>869,729</u>	<u>1,621,249</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 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 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 nine-month periods ended		Transfer Pricing Policy
	30 June		30 June		
	2018	2017	2018	2017	
<u>Transactions with related companies</u>					
Sales of goods	47.3	46.6	135.3	162.6	Cost plus margin
Purchases of raw materials and finished goods	114.0	101.4	314.7	338.8	Cost plus margin
Purchases of assets	2.4	0.4	4.7	0.7	Agreed upon basis
Royalty fee	6.5	10.9	28.2	31.3	2.0% on the net sales amount

(Unaudited but reviewed)

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

	(Unit: Thousand Baht)	
	30 June 2018	30 September 2017
Trade and other receivables - related parties (Note 4)		
<u>Trade receivables - related parties</u>		
Related companies	44,280	34,643
<u>Other receivables - related parties</u>		
Related companies	133	134
Trade and other payables - related parties (Note 9)		
<u>Trade payables - related parties</u>		
Related companies	79,891	71,854
<u>Other payables - related parties</u>		
Related companies	1,593	1,523
<u>Accrued royalty - related party</u>		
Related company	17,038	11,718

Directors and management's benefits

During the three-month and nine-month periods ended 30 June 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 30 June		For the nine-month periods ended 30 June	
	2018	2017	2018	2017
Short-term employee benefits	14,679	15,959	49,946	49,324
Post-employee benefits	816	707	2,413	2,121
Total	15,495	16,666	52,359	51,445

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 2018	30 September 2017
<u>Trade receivables - related parties</u>		
Aged on the basis of due dates		
Not yet due	38,682	33,838
Past due up to 3 months	5,598	805
Total trade receivables - related parties	<u>44,280</u>	<u>34,643</u>
<u>Trade receivables - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	503,316	485,767
Past due Up to 3 months	241	51
Total trade receivables - unrelated parties - net	<u>503,557</u>	<u>485,818</u>
Total trade receivables - net	<u>547,837</u>	<u>520,461</u>
<u>Other receivables</u>		
Other receivables - related parties	133	134
Other receivables - unrelated parties	55,537	55,825
Total	55,670	55,959
Less: Allowance for doubtful debts	(26,913)	(26,913)
Total other receivables - net	<u>28,757</u>	<u>29,046</u>
Total trade and other receivables - net	<u><u>576,594</u></u>	<u><u>549,507</u></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
	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 nine-month period ended 30 June 2018 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	127,155
Depreciation for the period	(1,612)
Net book value as at 30 June 2018	<u>125,543</u>

7. Property, plant and equipment

Movements of the property, plant and equipment account during the nine-month period ended 30 June 2018 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 October 2017	1,019,985
Acquisitions during the period - at cost	50,543
Transfer in	14,352
Disposal/write-off during the period - net book value at disposal/write-off dates	(8,339)
Depreciation for the period	(99,354)
Net book value as at 30 June 2018	<u>977,187</u>

As at 30 June 2018, the Company had equipment under finance lease agreements with net book values amounting to Baht 5 million (30 September 2017: Baht 7 million).

8. Short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (% per annum)	30 June 2018	30 September 2017
Promissory notes	MMR	<u>200,000</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 2018	30 September 2017
Trade payables - related parties	79,891	71,854
Trade payables - unrelated parties	382,222	362,725
Other payables	40,810	33,355
Accrued expenses	109,368	131,439
Total	<u>612,291</u>	<u>599,373</u>

10. Long-term loan from bank

		(Unit: Thousand Baht)	
Interest rate (% per annum)	Repayment schedule	30 June 2018	30 September 2017
3.90	Payment of principal in monthly installments of Baht 5.41 million commencing in June 2016	64,750	113,440
Less: Current portion		<u>(64,750)</u>	<u>(64,920)</u>
Long-term loan from bank - net of current portion		<u>-</u>	<u>48,520</u>

Movements in the long-term loan from bank account during the nine-month period ended 30 June 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	113,440
Less: Repayment	<u>(48,690)</u>
Balance as at 30 June 2018	<u>64,750</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 2017	49,895
Current service cost	3,173
Interest cost	846
Benefits paid during the period	(248)
Balance as at 30 June 2018	<u>53,666</u>

12. Provisions

These provisions are provisions for product warranty which have movements during the nine-month period ended 30 June 2018 summarised below.

	(Unit: Thousand Baht)
Balance as at 1 October 2017	11,600
Increase during the period	2,147
Utilised	(915)
Reversal of provisions	(3,365)
Balance as at 30 June 2018	<u>9,467</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 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the nine-month periods ended 30 June	
	2018	2017	2018	2017
Current income tax:				
Interim corporate income tax charge	3,689	2,257	9,203	5,786
Deferred tax:				
Relating to origination and reversal of temporary differences	(501)	357	396	3,436
Income tax expenses reported in the statements of comprehensive income	<u>3,188</u>	<u>2,614</u>	<u>9,599</u>	<u>9,222</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

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
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 year ended 30 September 2017	The Board of Directors Meeting of the Company on 9 May 2017	64,950	0.25
Total dividends for year 2017		<u>129,900</u>	<u>0.50</u>
Dividends for the year ended 30 September 2017	The Annual General Meeting of the Company's shareholders on 23 January 2018	142,890	0.55
Interim dividends for the year ended 30 September 2018	The Board of Directors Meeting of the Company on 8 May 2018	103,920	0.40
Total dividends for year 2018		<u>246,810</u>	<u>0.95</u>

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

As at 30 June 2018, the Company had capital commitments of approximately Baht 51 million and USD 0.06 million (30 September 2017: Baht 19 million and USD 0.03 million)

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:	2018	2017
In up to 1 year	39	29
In over 1 and up to 5 years	36	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 2018 amounting to approximately Baht 6 million and Baht 28 million, respectively (2017: Baht 11 million and Baht 31 million, respectively) were recognised as expenses.

17.4 Guarantees

As at 30 June 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 30 June 2018			
Foreign currency	Bought amount	Contractual exchange bought rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.09	31.77	December 2018
Japanese yen	65.7	0.30	October - December 2018

(Unaudited but reviewed)

As at 30 September 2017

Foreign currency	Bought amount	Contractual exchange bought rate	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

17.6 Litigation

- a) 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 30 June 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.
- b) The Company was accused of unfair termination of sales contract in value of Baht 12.80 million. In June 2018, the Court of first instance demanded the Company to pay compensation at Baht 10.13 million. Nevertheless, the Company shall submit the appeal toward such judgment to the Court of Appeal. Therefore, the provision for the contingent liabilities as a result of this litigation will not be recorded 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 7 August 2018.