

Fine Metal Technologies Public Company Limited

Condensed interim financial statements
for the three-month period ended
31 March 2023
and
Independent auditor's review report



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Independent Auditor's Report on Review of Interim Financial Information

To the Board of Directors of Fine Metal Technologies Public Company Limited

I have reviewed the accompanying statement of financial position of Fine Metal Technologies Public Company Limited as at 31 March 2023; the statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2023; and condensed notes ("interim financial information"). 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".

(Jamjuree Sathapornchaiwat)
Certified Public Accountant
Registration No. 11567

KPMG Phoomchai Audit Ltd.
Bangkok
28 April 2023

Fine Metal Technologies Public Company Limited

Statement of financial position

Assets	Note	31 March	31 December
		2023	2022
		(Unaudited)	
		(in thousand Baht)	
<i>Current assets</i>			
Cash and cash equivalents		63,130	27,014
Trade accounts receivable	3, 4	1,813,221	1,389,414
Other receivables		44,190	63,319
Inventories		1,038,454	1,112,334
Other current financial assets	7	<u>128,964</u>	<u>23,457</u>
Total current assets		<u>3,087,959</u>	<u>2,615,538</u>
<i>Non-current assets</i>			
Property, plant and equipment		362,487	361,104
Right-of-use assets		12,556	13,748
Intangible assets		11,914	12,351
Deferred tax assets		26,544	30,046
Other non-current assets		<u>2,447</u>	<u>2,447</u>
Total non-current assets		<u>415,948</u>	<u>419,696</u>
Total assets		<u>3,503,907</u>	<u>3,035,234</u>

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of financial position

		31 March 2023 (Unaudited)	31 December 2022
Liabilities and equity	<i>Note</i>		
		(Unaudited)	
		(in thousand Baht)	
Current liabilities			
Short-term borrowings from financial institutions	5	995,000	615,000
Trade accounts payable		424,476	472,284
Other payables	3	58,921	53,233
Current portion of lease liabilities		4,766	4,898
Income tax payable		16,530	9,755
Other current financial liabilities	7	134,141	40,609
Other current liabilities		13,235	17,577
Total current liabilities		1,647,069	1,213,356
Non-current liabilities			
Lease liabilities		8,054	9,087
Provision for employee benefits		127,138	132,697
Total non-current liabilities		135,192	141,784
Total liabilities		1,782,261	1,355,140

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of financial position

	31 March 2023 (Unaudited)	31 December 2022
Liabilities and equity		
	<i>(in thousand Baht)</i>	
Equity		
Share capital		
Authorised share capital <i>(48,000,000 ordinary shares, par value at Baht 10 per share)</i>	<u>480,000</u>	<u>480,000</u>
Issued and paid-up share capital <i>(48,000,000 ordinary shares, par value at Baht 10 per share)</i>	480,000	480,000
Share premium :		
Share premium on ordinary shares	507,500	507,500
Retained earnings		
Appropriated		
Legal reserve	48,000	48,000
Unappropriated	694,010	653,774
Other components of equity		
Loss on cash flow hedges	<u>(7,864)</u>	<u>(9,180)</u>
Total equity	<u>1,721,646</u>	<u>1,680,094</u>
Total liabilities and equity	<u>3,503,907</u>	<u>3,035,234</u>

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

	Note	Three-month period ended	
		31 March	
		2023	2022
		<i>(in thousand Baht)</i>	
Revenues			
Revenue from sale of goods	6	2,068,598	2,064,033
Gain on copper hedging and service fee		-	8,712
Net gain on foreign exchange		-	3,686
Other income		339	726
Total revenues		2,068,937	2,077,157
Expenses			
Cost of sale of goods		1,943,280	1,962,389
Distribution costs		32,166	34,477
Administrative expenses		32,669	25,662
Net loss on foreign exchange		3,325	-
Loss on copper hedging and service fee		12,083	-
Total expenses		2,023,523	2,022,528
Profit from operating activities		45,414	54,629
Finance costs		(5,561)	(4,179)
Hedging gain (loss) for hedge of group of items with off-setting risk positions		10,330	(8,202)
Profit before income tax expense		50,183	42,248
Tax expense		(9,947)	(8,451)
Profit for the period		40,236	33,797
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (loss) on cash flow hedges		1,645	(1,486)
Income tax relating to items that will be reclassified subsequently to profit or loss		(329)	297
Other comprehensive income for the period, net of tax		1,316	(1,189)
Total comprehensive income for the period		41,552	32,608
Basic earnings per share (in Baht)		0.84	0.70

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited
Statement of changes in equity (Unaudited)

	Issued and paid-up share capital	Share premium	Retained earnings		Other components of equity		Total equity
			Legal reserve	Unappropriated	Gain (loss) on cash flow hedges		
<i>(in thousand Baht)</i>							
Three-month period ended 31 March 2022							
Balance at 1 January 2022	480,000	507,500	48,000	680,820	1,617		1,717,937
Comprehensive income for the period							
Profit	-	-	-	33,797	-		33,797
Other comprehensive income	-	-	-	-	(1,189)		(1,189)
Total comprehensive income for the period	-	-	-	33,797	(1,189)		32,608
Balance at 31 March 2022	480,000	507,500	48,000	714,617	428		1,750,545
Three-month period ended 31 March 2023							
Balance at 1 January 2023	480,000	507,500	48,000	653,774	(9,180)		1,680,094
Comprehensive income for the period							
Profit	-	-	-	40,236	-		40,236
Other comprehensive income	-	-	-	-	1,316		1,316
Total comprehensive income for the period	-	-	-	40,236	1,316		41,552
Balance at 31 March 2023	480,000	507,500	48,000	694,010	(7,864)		1,721,646

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Three-month period ended	
	31 March	
	2023	2022
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	40,236	33,797
<i>Adjustments to reconcile profit to cash receipts (payments)</i>		
Tax expense	9,947	8,451
Finance costs	5,561	4,179
Depreciation and amortisation	12,667	17,261
Provision for employee benefits	2,474	2,885
Unrealised gain on foreign exchange	(588)	(54)
Unrealised (gain) loss on derivatives	<u>(10,330)</u>	<u>8,202</u>
	59,967	74,721
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(423,683)	(26,620)
Other receivables	19,129	(11,530)
Inventories	73,880	(361,667)
Trade accounts payable	(47,344)	433,264
Other payables	7,959	17,470
Other current liabilities	<u>(4,342)</u>	<u>(5,045)</u>
Net cash generated from (used in) operating	(314,434)	120,593
Employee benefit paid	(8,033)	(5,060)
Income tax paid	<u>-</u>	<u>(4)</u>
Net cash from (used in) operating activities	<u>(322,467)</u>	<u>115,529</u>

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Three-month period ended	
	31 March	
	2023	2022
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Cash payments to purchase of plant and equipment	(13,805)	(30,806)
Cash payments to purchase of intangible assets	<u>(343)</u>	<u>(554)</u>
Net cash used in investing activities	<u>(14,148)</u>	<u>(31,360)</u>
<i>Cash flows from financing activities</i>		
Interest paid	(5,976)	(4,326)
Proceeds from borrowings from financial institutions	2,635,000	685,000
Repayments of borrowings from financial institutions	(2,255,000)	(793,000)
Payment of lease liabilities	<u>(1,293)</u>	<u>(1,271)</u>
Net cash from (used in) financing activities	<u>372,731</u>	<u>(113,597)</u>
Net increase (decrease) in cash and cash equivalents	36,116	(29,428)
Cash and cash equivalents at beginning of period	<u>27,014</u>	<u>104,012</u>
Cash and cash equivalents at ending of period	<u>63,130</u>	<u>74,584</u>
<i>Non-cash transaction</i>		
Payable for fixed assets purchased	3,195	4,573

The accompanying notes form an integral part of the interim financial statements.

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Trade receivables
5	Short-term borrowings from financial institutions
6	Segment information and disaggregation of revenue
7	Financial instruments
8	Commitments with non-related parties
9	Event after reporting period

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements and were approved and authorised for issue by the Board of Directors on 28 April 2023.

1 General information

The principal activity of the Company is the manufacturing and distributing of seamless copper tube, which is a significant component for air-conditioner and refrigerator equipment.

The immediate and ultimate parent company during the financial period was CTJ Holdings², Ltd. (42.25% shareholding), a company incorporated in Japan.

2 Basis of preparation of the interim financial statements

The condensed interim financial statements are presented in the same format as the annual financial statements together with notes to the interim financial statements on a condensed basis (“interim financial statements”) in accordance with Thai Accounting Standard (TAS) No. 34 *Interim Financial Reporting*, guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission. The interim financial statements focus on new activities, events and circumstances to avoid repetition of information previously reported in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2022.

In preparing these interim financial statements, judgements and estimates are made by management in applying the Company’s accounting policies. Actual results may differ from these estimates. The accounting policies, methods of computation and the key sources of estimation uncertainty were the same as those that described in the financial statements for the year ended 31 December 2022.

3 Related parties

Significant transactions for the three-month period ended 31 March with related parties were as follows:

<i>Three-month period ended 31 March</i>	2023	2022
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	430,912	460,560
Technical assistance fee	3,517	3,044
Service fee and others	1,403	1,583
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	13,870	7,970
Post-employment benefits	80	203
Total key management personnel compensation	13,950	8,173

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

<i>Balances with related parties as at</i>	31 March 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Trade accounts receivable		
Other related parties	<u>451,674</u>	<u>423,363</u>
Other payables		
Other related parties	<u>4,527</u>	<u>7,355</u>

4 Trade accounts receivable

	Note	31 March 2023	31 December 2022
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		451,674	423,363
	3	<u>451,674</u>	<u>423,363</u>
Other parties			
Within credit terms		1,358,280	963,829
Overdue:			
Less than 90 days		3,267	2,222
		<u>1,361,547</u>	<u>966,051</u>
Total		<u>1,813,221</u>	<u>1,389,414</u>

As at 31 March 2023 and 31 December 2022, the Company has no allowance for impairment loss of trade accounts receivable.

Accounts receivable supplier agreement

For the three-month period ended 31 March 2023, the Company has assigned its right over collection from account receivable amounted of Baht 190.3 million (*31 December 2022: Baht 2,078.1 million*) to a financial institution according to the accounts receivable supplier agreement. The Company has already received from the financial institution amounted of Baht 188.5 million (*31 December 2022: Baht 2,063.1 million*). In this regards, the financial institution shall not have any rights of recourse against the Company.

5 Short-term borrowings from financial institutions

	31 March 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Current		
Unsecured		
Short-term borrowings from financial institutions	<u>995,000</u>	<u>615,000</u>
Short-term borrowings from financial institutions		

As at 31 March 2023, short-term borrowings from financial institutions amounted to Baht 995 million shall be repayable at call. These loans bear interest at the rate of 1.83% - 2.43% per annum (*31 December 2022: 1.08% - 2.05% per annum*).

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

Unutilised credit facilities

As at 31 March 2023, the Company had unutilised credit facilities totalling U.S. Dollars 6 million and Baht 1,367 million (31 December 2022: U.S. Dollars 6 million and Baht 1,747 million).

6 Segment information and disaggregation of revenue

<i>Three-month period ended 31 March</i>	2023	2022
	<i>(in thousand Baht)</i>	
<i>Disaggregation of revenue</i>		
Primary geographical markets		
Thailand	1,325,253	1,264,313
Malaysia	113,630	279,706
Japan	66,042	81,231
Other countries	563,673	438,783
Total revenue	<u>2,068,598</u>	<u>2,064,033</u>

Timing of revenue recognition of the Company comes from sales entirely which are recognised at a point in time.

7 Financial instruments

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, but does not include fair value information for financial assets and financial liabilities measured at amortised cost if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair value			
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1	Level 2	Level 3	Total
	<i>(in thousand Baht)</i>						
<i>At 31 March 2023</i>							
Financial assets							
Forward exchange contract used for hedging	320	982	1,302	-	1,302	-	1,302
Copper future contract used for hedging	127,662	-	127,662	-	127,662	-	127,662
Total financial assets	<u>127,982</u>	<u>982</u>	<u>128,964</u>				
Financial liabilities							
Forward exchange contract used for hedging	(9,497)	(1,307)	(10,804)	-	(10,804)	-	(10,804)
Copper future contract used for hedging	(123,337)	-	(123,337)	-	(123,337)	-	(123,337)
Total financial liabilities	<u>(132,834)</u>	<u>(1,307)</u>	<u>(134,141)</u>				

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

	Carrying amount			Fair value			
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1	Level 2	Level 3	Total
At 31 December 2022							
Financial assets							
Forward exchange contract used for hedging	1,519	4,367	5,886	-	5,886	-	5,886
Copper future contract used for hedging	17,571	-	17,571	-	17,571	-	17,571
Total financial assets	19,090	4,367	23,457				
Financial liabilities							
Forward exchange contract used for hedging	(13,218)	(440)	(13,658)	-	(13,658)	-	(13,658)
Copper future contract used for hedging	(26,951)	-	(26,951)	-	(26,951)	-	(26,951)
Total financial liabilities	(40,169)	(440)	(40,609)				

The following tables present valuation technique of financial instruments measured at fair value in the statements of financial position:

Type	Valuation technique
Forward exchange contracts	<i>Forward pricing:</i> The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the relevant currencies.
Copper future contract	<i>Market comparison technique:</i> The fair value is determined using broker quoted. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.

8 Commitments with non-related parties

	31 March 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Other commitments		
Short-term lease and low-value assets commitments	546	899
Bank guarantees for electricity use	13,369	13,369
Total	13,915	14,268

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2023 (Unaudited)

Significant agreement with non-related parties

Hedge Agreement

The Company entered into a master hedging agreement with non-related party, Toyota Tsusho Metals Ltd. and Triland Metals Ltd. (“the broker”), to hedge against the price fluctuation for the sale of copper product made by the Company to its customers in Thailand. Under the terms of agreement, the broker shall provide hedge service to the Company by entering into hedge contracts with the London Metal Exchange in accordance with the terms and condition stated in each hedge application requested by the Company. In consideration thereof, the Company is committed to pay a hedge service fee at the rate specified in agreement. In addition, the difference between the hedge price and the market price shall be payable by the Company or the broker, as the case maybe, at the end of each hedge period or specified in the agreement. This agreement is effective on the agreement date and shall be terminated by either party giving notice in writing to the other party.

Contracts to purchase of Copper Cathodes

The Company has contracts to purchase of Copper Cathodes with local suppliers under the terms of which the Company has agreed to purchase copper cathodes from the said companies at the market price averaged during the contractual month of shipment plus the contractually agreed rate or at the rate specified in agreement.

9 Event after the reporting period

At the annual general meeting of the shareholders of the Company held on 28 April 2023, the shareholders approved the appropriation of dividend of Baht 2.75 per share, amounting to Baht 132 million. The dividend will be paid to the shareholders during 2023.