

Fine Metal Technologies Public Company Limited

Condensed interim financial statements
for the three-month and six-month periods ended
30 June 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 30 June 2023; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2023, changes in equity and cash flows for the six-month period ended 30 June 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
9 August 2023

Fine Metal Technologies Public Company Limited

Statement of financial position

Assets	Note	30 June	31 December
		2023	2022
		(Unaudited)	
		(in thousand Baht)	
<i>Current assets</i>			
Cash and cash equivalents		50,820	27,014
Trade accounts receivable	3, 4	1,610,657	1,389,414
Other receivables	3	30,525	63,319
Inventories		1,261,221	1,112,334
Other current financial assets	8	59,620	23,457
Total current assets		3,012,843	2,615,538
<i>Non-current assets</i>			
Property, plant and equipment		357,223	361,104
Right-of-use assets		21,766	13,748
Intangible assets		15,355	12,351
Deferred tax assets		25,047	30,046
Other non-current assets		2,447	2,447
Total non-current assets		421,838	419,696
Total assets		3,434,681	3,035,234

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

Fine Metal Technologies Public Company Limited

Statement of financial position

Liabilities and equity	<i>Note</i>	30 June	31 December
		2023	2022
		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Short-term borrowings from financial institutions	5	980,000	615,000
Trade accounts payable		513,154	472,284
Other payables	3	79,068	53,233
Current portion of lease liabilities		6,767	4,898
Income tax payable		15,360	9,755
Other current financial liabilities	8	57,106	40,609
Other current liabilities		11,004	17,577
Total current liabilities		1,662,459	1,213,356
<i>Non-current liabilities</i>			
Lease liabilities		15,352	9,087
Provision for employee benefits		127,256	132,697
Total non-current liabilities		142,608	141,784
Total liabilities		1,805,067	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

	30 June 2023	31 December 2022
Liabilities and equity		
	(Unaudited)	
	<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	590,703	653,774
Other components of equity		
Gain (loss) on cash flow hedges	<u>3,411</u>	<u>(9,180)</u>
Total equity	<u>1,629,614</u>	<u>1,680,094</u>
Total liabilities and equity	<u>3,434,681</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	
		30 June	
		2023	2022
		<i>(in thousand Baht)</i>	
Income			
Revenue from sale of goods	6	1,852,884	1,920,295
Gain on copper hedging and service fee		1,109	9,497
Net gain on foreign exchange		2,016	5,287
Other income		804	664
Total income		1,856,813	1,935,743
Expenses			
Cost of sale of goods		1,746,639	1,851,566
Distribution costs		29,633	25,305
Administrative expenses		26,371	26,217
Total expenses		1,802,643	1,903,088
Profit from operating activities		54,170	32,655
Finance costs		(11,900)	(5,900)
Hedging gain (loss) for hedge of group of items with off-setting risk positions		(6,402)	73,474
Profit before income tax expense		35,868	100,229
Tax expense		(7,175)	(20,045)
Profit for the period		28,693	80,184
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		14,093	9,199
Income tax relating to items that will be reclassified subsequently to profit or loss		(2,818)	(1,839)
Other comprehensive income for the period, net of tax		11,275	7,360
Total comprehensive income for the period		39,968	87,544
Basic earnings per share (in Baht)		0.60	1.67

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

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

		Six-month period ended	
		30 June	
	Note	2023	2022
		<i>(in thousand Baht)</i>	
Income			
Revenue from sale of goods	6	3,921,482	3,984,328
Gain on copper hedging and service fee		-	18,209
Net gain on foreign exchange		-	8,973
Other income		1,143	1,390
Total income		3,922,625	4,012,900
Expenses			
Cost of sale of goods		3,689,919	3,813,955
Distribution costs		61,799	59,782
Administrative expenses		59,040	51,879
Net loss on foreign exchange		1,309	-
Loss on copper hedging and service fee		10,974	-
Total expenses		3,823,041	3,925,616
Profit from operating activities		99,584	87,284
Finance costs		(17,461)	(10,079)
Hedging gain for hedge of group of items with off-setting risk positions		3,928	65,272
Profit before income tax expense		86,051	142,477
Tax expense		(17,122)	(28,496)
Profit for the period		68,929	113,981
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		15,738	7,713
Income tax relating to items that will be reclassified subsequently to profit or loss		(3,147)	(1,542)
Other comprehensive income for the period, net of tax		12,591	6,171
Total comprehensive income for the period		81,520	120,152
Basic earnings per share (in Baht)		1.44	2.37

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

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

	Note	Issued and paid-up share capital	Share premium	Retained earnings			Gain (loss) on cash flow hedges	Total equity
				Legal reserve	Unappropriated	Other components of equity		
Six-month period ended 30 June 2022								
Balance at 1 January 2022		480,000	507,500	48,000	680,820	1,617	1,717,937	
Transaction with owners, recorded directly in equity								
Dividends to owners of the Company	7	-	-	-	(126,000)	-	(126,000)	
Total distribution to owners of the Company		-	-	-	(126,000)	-	(126,000)	
Comprehensive income for the period								
Profit		-	-	-	113,981	-	113,981	
Other comprehensive income		-	-	-	-	6,171	6,171	
Total comprehensive income for the period		-	-	-	113,981	6,171	120,152	
Balance at 30 June 2022		480,000	507,500	48,000	668,801	7,788	1,712,089	
Six-month period ended 30 June 2023								
Balance at 1 January 2023		480,000	507,500	48,000	653,774	(9,180)	1,680,094	
Transaction with owners, recorded directly in equity								
Dividends to owners of the Company	7	-	-	-	(132,000)	-	(132,000)	
Total distribution to owners of the Company		-	-	-	(132,000)	-	(132,000)	
Comprehensive income for the period								
Profit		-	-	-	68,929	-	68,929	
Other comprehensive income		-	-	-	-	12,591	12,591	
Total comprehensive income for the period		-	-	-	68,929	12,591	81,520	
Balance at 30 June 2023		480,000	507,500	48,000	590,703	3,411	1,629,614	

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

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2023	2022
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	68,929	113,981
<i>Adjustments to reconcile profit to cash receipts (payments)</i>		
Tax expense	17,122	28,496
Finance costs	17,461	10,079
Depreciation and amortisation	25,899	33,277
Provision for employee benefits	5,039	5,455
Unrealised loss on foreign exchange	4,528	2,908
Unrealised gain on derivatives	(3,928)	(65,272)
Gain on disposal of equipment	(45)	-
	<u>135,005</u>	<u>128,924</u>
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(225,258)	175,581
Other receivables	32,794	27,813
Inventories	(148,887)	(250,732)
Trade accounts payable	40,357	(28,768)
Other payables	25,238	40,411
Other current liabilities	(6,631)	(6,276)
Net cash generated from (used in) operations	(147,382)	86,953
Employee benefit paid	(10,480)	(8,667)
Income tax paid	(9,666)	(30,648)
Net cash from (used in) operating activities	<u>(167,528)</u>	<u>47,638</u>

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

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2023	2022
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Cash payments to purchase of plant and equipment	(18,132)	(38,091)
Cash payments to purchase of intangible assets	(4,508)	(1,233)
Cash receipts from sale of equipment	45	-
Net cash used in investing activities	(22,595)	(39,324)
<i>Cash flows from financing activities</i>		
Interest paid	(16,167)	(9,545)
Dividends paid	(131,942)	(125,947)
Proceeds from borrowings from financial institutions	4,420,000	1,555,000
Repayments of borrowings from financial institutions	(4,055,000)	(1,428,000)
Payment of lease liabilities	(2,962)	(2,488)
Net cash from (used in) financing activities	213,929	(10,980)
Net increase (decrease) in cash and cash equivalents	23,806	(2,666)
Cash and cash equivalents at beginning of period	27,014	104,012
Cash and cash equivalents at ending of period	50,820	101,346
<i>Non-cash transaction</i>		
Payable for fixed assets purchased	4,354	1,935
Increase in right-of-use assets	11,096	89

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 and six-month periods ended 30 June 2023 (Unaudited)

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Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 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 9 August 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 and six-month periods ended 30 June with related parties were as follows:

<i>Three-month period ended 30 June</i>	2023	2022
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	356,538	388,042
Technical assistance fee	1,993	3,408
Service fee and others	1,091	1,363
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	7,988	7,990
Post-employment benefits	79	203
Total key management personnel compensation	8,067	8,193

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<i>Six-month period ended 30 June</i>	2023	2022
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	787,450	848,602
Technical assistance fee	5,510	6,451
Service fee and others	2,251	2,702
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	21,858	15,960
Post-employment benefits	159	406
Total key management personnel compensation	22,017	16,366

<i>Balances with related parties as at</i>	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Trade accounts receivable		
Other related parties	415,319	423,363
Other receivables		
Other related party	8	-
Other payables		
Other related parties	5,532	7,355

4 Trade accounts receivable

	Note	30 June 2023	31 December 2022
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		415,319	423,363
	3	415,319	423,363
Other parties			
Within credit terms		1,194,410	963,829
Overdue:			
Less than 90 days		928	2,222
		1,195,338	966,051
Total		1,610,657	1,389,414

As at 30 June 2023 and 31 December 2022, the Company has no allowance for impairment loss of trade accounts receivable.

Fine Metal Technologies Public Company Limited
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Accounts receivable supplier agreement

For the six-month period ended 30 June 2023, the Company has assigned its right over collection from account receivable amounted of Baht 636.2 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 627.9 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

	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
<i>Current</i>		
<i>Unsecured</i>		
Short-term borrowings from financial institutions	<u>980,000</u>	<u>615,000</u>

Short-term borrowings from financial institutions

As at 30 June 2023, short-term borrowings from financial institutions amounted to Baht 980 million shall be repayable at call. These loans bear interest at the rate of 1.83% - 2.80% per annum (*31 December 2022: 1.08% - 2.05% per annum*).

Unutilised credit facilities

As at 30 June 2023, the Company had unutilised credit facilities totalling U.S. Dollars 6 million and Baht 1,382 million (*31 December 2022: U.S. Dollars 6 million and Baht 1,747 million*).

6 Segment information and disaggregation of revenue

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	<i>(in thousand Baht)</i>			
<i>Disaggregation of revenue</i>				
Primary geographical markets				
Thailand	1,224,727	1,096,780	2,549,980	2,361,093
Malaysia	97,161	145,446	210,791	425,152
Japan	119,413	96,140	185,455	177,371
Other countries	411,583	581,929	975,256	1,020,712
Total revenue	<u>1,852,884</u>	<u>1,920,295</u>	<u>3,921,482</u>	<u>3,984,328</u>

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

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and six-month periods ended 30 June 2023 (Unaudited)

7 Dividends

The shareholders of the Company have approved dividends as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in thousand Baht)
2023				
2022 Annual dividend	28 April 2023	May 2023	<u>2.750</u>	<u>132,000</u>
2022				
2021 Annual dividend	29 April 2022	May 2022	<u>2.625</u>	<u>126,000</u>

8 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				Total
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1 (in thousand Baht)	Level 2	Level 3	
At 30 June 2023							
Financial assets							
Forward exchange contract used for hedging	6,554	-	6,554	-	6,554	-	6,554
Copper future contract used for hedging	<u>53,066</u>	<u>-</u>	<u>53,066</u>	-	53,066	-	53,066
Total financial assets	<u>59,620</u>	<u>-</u>	<u>59,620</u>				
Financial liabilities							
Forward exchange contract used for hedging	(7,318)	-	(7,318)	-	(7,318)	-	(7,318)
Copper future contract used for hedging	<u>(49,788)</u>	<u>-</u>	<u>(49,788)</u>	-	(48,788)	-	(48,788)
Total financial liabilities	<u>(57,106)</u>	<u>-</u>	<u>(57,106)</u>				

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
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	Carrying amount			Fair value			
	Hedging instruments	Financial instruments measured at FVTPL	Total	Level 1	Level 2	Level 3	Total
<i>At 31 December 2022</i>							
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 statement 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.

9 Commitments with non-related parties

	30 June 2023	31 December 2022
	<i>(in thousand Baht)</i>	
Other commitments		
Short-term lease and low-value assets commitments	464	899
Bank guarantees for electricity use	13,369	13,369
Total	13,833	14,268

Fine Metal Technologies Public Company Limited
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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.