

Fine Metal Technologies Public Company Limited

Condensed interim financial statements
for the three-month period ended
31 March 2021
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 2021; the statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2021; 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”.

(Songchai Wongpiriyaporn)
Certified Public Accountant
Registration No. 10996

KPMG Phoomchai Audit Ltd.
Bangkok
30 April 2021

Fine Metal Technologies Public Company Limited

Statement of financial position

Assets	<i>Note</i>	31 March 2021 (Unaudited)	31 December 2020
<i>(in thousand Baht)</i>			
Current assets			
Cash and cash equivalents		98,678	92,009
Trade receivables	3, 4	1,923,387	1,532,169
Other receivables		59,086	55,788
Inventories		967,062	899,259
Other current financial assets	7	<u>63,034</u>	<u>87,483</u>
Total current assets		<u>3,111,247</u>	<u>2,666,708</u>
Non-current assets			
Property, plant and equipment		347,008	355,973
Right-of-use assets		8,320	7,829
Intangible assets		9,485	8,426
Deferred tax assets		30,397	36,971
Other non-current assets		<u>2,442</u>	<u>2,442</u>
Total non-current assets		<u>397,652</u>	<u>411,641</u>
Total assets		<u><u>3,508,899</u></u>	<u><u>3,078,349</u></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	31 December
Liabilities and equity	<i>Note</i>	2021	2020
		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Short-term borrowings			
from financial institutions	5	965,000	825,000
Trade payables		551,836	339,735
Other payables		62,668	29,933
Current portion of lease liabilities		4,609	4,286
Income tax payable		31,713	15,339
Other current financial liabilities	7	77,540	133,205
Other current liabilities		10,558	16,219
Total current liabilities		1,703,924	1,363,717
<i>Non-current liabilities</i>			
Lease liabilities		4,223	4,391
Provision for employee benefits		136,828	138,141
Total non-current liabilities		141,051	142,532
Total liabilities		1,844,975	1,506,249

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

Fine Metal Technologies Public Company Limited

Statement of financial position

	31 March 2021 (Unaudited)	31 December 2020
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	627,233	542,686
Other components of equity		
Gain (loss) on cash flow hedges	<u>1,191</u>	<u>(6,086)</u>
Total equity	<u>1,663,924</u>	<u>1,572,100</u>
Total liabilities and equity	<u>3,508,899</u>	<u>3,078,349</u>

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

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

		Three-month period ended	
		31 March	
	Note	2021	2020
		<i>(in thousand Baht)</i>	
Revenues			
Revenue from sale of goods	6	1,740,295	1,536,472
Gain on copper hedging and service fee		69,548	-
Net gain on foreign exchange		3,836	-
Other income		211	1,735
Total revenues		1,813,890	1,538,207
Expenses			
Cost of sale of goods		1,665,912	1,406,844
Distribution costs		32,979	30,747
Administrative expenses		29,161	30,896
Net loss on foreign exchange		-	16,403
Loss on copper hedging and service fee		-	23,204
Total expenses		1,728,052	1,508,094
Profit from operating activities		85,838	30,113
Finance costs		(2,282)	(1,614)
Hedging gain for hedge of group of items with off-setting risk positions		22,119	17,579
Profit before income tax expense		105,675	46,078
Income tax expense		(21,128)	(9,219)
Profit for the period		84,547	36,859
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		9,097	26,253
Income tax relating to items that will be reclassified		(1,820)	(5,251)
Other comprehensive income for the period, net of tax		7,277	21,002
Total comprehensive income for the period		91,824	57,861
Basic earnings per share (in Baht)		1.76	0.77

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 2020						
Balance at 1 January 2020	480,000	507,500	48,000	573,618	(6,205)	1,602,913
Comprehensive income for the period						
Profit	-	-	-	36,859	-	36,859
Other comprehensive income	-	-	-	-	21,002	21,002
Total comprehensive income for the period	-	-	-	36,859	21,002	57,861
Balance at 31 March 2020	480,000	507,500	48,000	610,477	14,797	1,660,774
Three-month period ended 31 March 2021						
Balance at 1 January 2021	480,000	507,500	48,000	542,686	(6,086)	1,572,100
Comprehensive income for the period						
Profit	-	-	-	84,547	-	84,547
Other comprehensive income	-	-	-	-	7,277	7,277
Total comprehensive income for the period	-	-	-	84,547	7,277	91,824
Balance at 31 March 2021	480,000	507,500	48,000	627,233	1,191	1,663,924

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	
	2021	2020
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	84,547	36,859
<i>Adjustments to reconcile profit to cash receipts (payments)</i>		
Tax expense	21,128	9,219
Finance costs	2,282	1,614
Depreciation and amortisation	17,784	17,517
Provision for employee benefits	3,362	2,798
Unrealised (gain) loss on foreign exchange	(4,635)	10,379
Unrealised gain on derivatives	(22,119)	(17,579)
	<u>102,349</u>	<u>60,807</u>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(385,732)	(260,444)
Other receivables	(3,298)	(23,500)
Inventories	(67,803)	(80,345)
Trade payables	211,250	61,230
Other payables	32,064	41,633
Other current liabilities	(5,661)	(3,466)
Net cash used in operating	<u>(116,831)</u>	<u>(204,085)</u>
Employee benefit paid	<u>(4,675)</u>	<u>(7,828)</u>
Net cash used in operating activities	<u>(121,506)</u>	<u>(211,913)</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	
	2021	2020
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Cash payments to purchase of plant and equipment	(7,402)	(6,872)
Cash payments to purchase of intangible assets	(1,529)	-
Net cash used in investing activities	(8,931)	(6,872)
<i>Cash flows from financing activities</i>		
Interest paid	(1,415)	(1,688)
Proceeds from borrowings from financial institutions	750,000	1,000,000
Repayments of borrowings from financial institutions	(610,000)	(1,000,000)
Proceeds from borrowings from related party	-	1,314,686
Repayments of borrowings from related party	-	(1,088,099)
Payment of lease liabilities	(1,479)	(1,066)
Net cash from financing activities	137,106	223,833
Net increase in cash and cash equivalents	6,669	5,048
Cash and cash equivalents at beginning of the period	92,009	14,690
Cash and cash equivalents at ending of the period	98,678	19,738
<i>Non-cash transaction</i>		
Payable for fixed assets purchased	2,833	15,557

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 2021 (Unaudited)

Note	Contents
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Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2021 (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 30 April 2021.

1 General information

The principal activity of the Company is the manufacturing and distributing of seamless copper tube, which is an important 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

(a) Statement of compliance

The condensed interim financial statements are presented in the same format as the annual financial statements and 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 do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2020.

The Company has initially applied revised TFRS that are effective for annual periods beginning on or after 1 January 2021. The application has no material impact on the financial statements.

In addition, the Company has not early adopted a number of new and revised TFRS, which are not yet effective for the current period in preparing these financial statements. The Company has assessed the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

(b) Use of judgements, estimates and accounting policies

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 2020.

COVID-19 pandemic is still on going, while vaccines for COVID-19 are being rolled out during 2021. Due to uncertainty in 2020, the Company applied accounting guidance on temporary accounting relief measures for additional accounting options in response to impact from the situation of COVID-19 in preparing the financial statement for the year ended 31 December 2020 by excluding COVID-19 situation on impairment of trade receivables under simplified approach using historical loss rate and did not take forward-looking information into accounting. As the accounting guidance already expired on 31 December 2020, the Company has assessed the impact and there was no material impact to financial statements. Therefore, the Company did not adjust the value of trade receivables in 2021.

Fine Metal Technologies Public Company Limited
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3 Related parties

Other Related parties which have material changes in relationships and that the Company had significant transaction during the period were as follows;

Name of entities	Country of incorporation/ nationality	Nature of relationships
CTJ Holding2, Ltd.	Japan	Parent, 42.25% shareholding
Bangkok Insurance Public Company Limited	Thailand	A common shareholder, 9.71% shareholding
Daishin P&T Co., Ltd.	Japan	Subsidiary of the parent company, 100% shareholding
Okumura Metals (Thailand) Co., Ltd.	Thailand	100% indirect shareholding by the parent company
Okumura Metals (Malaysia) Sdn. Bhd.	Malaysia	100% indirect shareholding by the parent company
Tani International Trading Co., Ltd.	Thailand	A common director and shareholder
Key management personnel	Thailand/ Japan	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Revenue from sale of goods	Market price or contractually agreed price
Purchase of raw material	Market price or contractually agreed price
Technical assistance fee	Contractually agreed price
(Gain) loss on copper hedging and service fee	Contractually agreed price
Service fee and others	Contractually agreed price
Interest expense	Contractually agreed rate
Management benefit expenses	Approved by shareholders' meeting / contractually agreed price

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

Three-month period ended 31 March	2021	2020
	<i>(in thousand Baht)</i>	
Parent (Furukawa Electric Co., Ltd., formerly the major shareholder)		
Technical assistance fee	-	4,807
Loss on copper hedging and service fee	-	23,204
Other related parties		
Revenue from sale of goods	366,467	456,875
Purchase of raw material	-	303,538
Technical assistance fee	4,055	-
Service fee and others	1,389	2,875
Interest expense	-	1,204

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<i>Three-month period ended 31 March</i>	2021	2020
	<i>(in thousand Baht)</i>	
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	8,730	7,163
Post-employment benefits	401	401
Total key management personnel compensation	9,131	7,564

Balances as at 31 March 2021 and 31 December 2020 with related parties were as follows:

	2021	2020
	<i>(in thousand Baht)</i>	
Trade receivables		
Other related parties	380,001	363,846
Other receivables		
Other related party	-	21,596
Trade payables		
Other related party	-	33,699
Other payables		
Other related parties	13,556	7,156

Significant agreements with related parties

Technical Collaboration Agreement

On 1 April 2020, the Company entered into technical collaboration agreement with Daishin P&T Co., Ltd., the related party, for a period of 1 year effective on 1 April 2020. The agreement shall be automatically extended for successive periods of one year each. Under the terms of the agreement, Daishin P&T Co., Ltd. shall provide the Company with technical collaboration and information on the manufacturing operations including an exclusive right to manufacture and sell the product in the countries as specified in the agreement. In consideration thereof, the Company is committed to pay a technical assistance fee computed from the net sales volume of seamless copper tube (Inner grooved tube) at the rate of Baht 2.25 per kilogram.

4 Trade receivables

	<i>Note</i>	31 March 2021	31 December 2020
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		380,001	363,846
	3	380,001	363,846
Other parties			
Within credit terms		1,541,708	1,162,329
Overdue:			
Less than 3 months		1,678	5,994
		1,543,386	1,168,323
Total		1,923,387	1,532,169

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2021 (Unaudited)

As at 31 March 2021 and 31 December 2020, the Company has no allowance for impairment loss of trade receivables.

5 Short-term borrowings from financial institutions

	31 March 2021	31 December 2020
	<i>(in thousand Baht)</i>	
<i>Current</i>		
<i>Unsecured</i>		
Short-term borrowings from financial institutions	<u>965,000</u>	<u>825,000</u>

Short-term borrowings from financial institutions

As at 31 March 2021, short-term borrowings from financial institutions amounted to Baht 965 million shall be repayable within September 2021 or at call. These borrowings bears interest at the rate of 1.08% per annum (31 December 2020: 1.08% per annum).

Unutilised credit facilities

As at 31 March 2021, the Company had unutilised credit facilities totalling U.S. Dollars 1 million and Baht 2,482 million (31 December 2020: U.S. Dollars 1 million and Baht 2,622 million).

6 Segment information and disaggregation of revenue

<i>Three-month period ended 31 March</i>	2021	2020
	<i>(in thousand Baht)</i>	
<i>Disaggregation of revenue</i>		
Primary geographical markets		
Thailand	1,028,521	1,000,156
Malaysia	178,037	131,881
Japan	69,181	22,487
Singapore	33,957	30,407
Other countries	430,599	351,541
Total	<u>1,740,295</u>	<u>1,536,472</u>
Timing of revenue recognition		
At a point in time	1,740,295	1,536,472
Total revenue	<u>1,740,295</u>	<u>1,536,472</u>

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month period ended 31 March 2021 (Unaudited)

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. It 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.

<i>At 31 March 2021</i>	Hedging instruments	Carrying amount			Financial instruments measured at amortised cost <i>(in thousand Baht)</i>	Total	Fair value			Total
		Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost			Level 1	Level 2	Level 3	
<i>Financial assets</i>										
Forward exchange contract used for hedging	1,670	-	-	-	1,670	-	1,670	-	1,670	
Copper future contract used for hedging	61,364	-	-	-	61,364	-	61,364	-	61,364	
Total financial assets	63,034	-	-	-	63,034					
<i>Financial liabilities</i>										
Forward exchange contract used for hedging	(492)	(6,031)	-	-	(6,523)	-	(6,523)	-	(6,523)	
Copper future contract used for hedging	(71,017)	-	-	-	(71,017)	-	(71,017)	-	(71,017)	
Total financial liabilities	(71,509)	(6,031)	-	-	(77,540)					

Fine Metal Technologies Public Company Limited
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<i>At 31 December 2020</i>	Carrying amount				Fair value				
	Hedging instruments	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments measured at amortised cost (in thousand Baht)	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Copper future contract used for hedging	87,483	-	-	-	87,483	-	87,483	-	87,483
Total financial assets	87,483	-	-	-	87,483				
Financial liabilities									
Forward exchange contract used for hedging	(7,608)	(500)	-	-	(8,108)	-	(8,108)	-	(8,108)
Copper future contract used for hedging	(125,097)	-	-	-	(125,097)	-	(125,097)	-	(125,097)
Total financial liabilities	(132,705)	(500)	-	-	(133,205)				

Financial instruments measured at fair value

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 respective 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 2021	31 December 2020
	<i>(in thousand Baht)</i>	
Other commitments		
Short-term lease and low-value assets commitments	284	190
Bank guarantees for electricity use	13,369	13,369
Total	13,653	13,559

Fine Metal Technologies Public Company Limited
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Significant agreement with non-related parties

Hedge Agreement

The Company and Furukawa Electric Co., Ltd., formerly the major shareholder, agreed to terminate master hedging agreement dated 1 March 2015 in January 2021.

The Company entered into a master hedging agreement with non-related party, Toyota Tsusho 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.

Long-term Contract for the Purchase of Copper Cathodes

The Company and Furukawa Electric Singapore Pte. Ltd., formerly a group member of the entity which provides key management service to the Company, agreed to terminate Long-term Contract for the Purchase of Copper Cathodes in January 2021.

Contract to purchase of Copper Cathodes

The Company has contract to purchase of Copper Cathodes with Toyota Tsusho (Thailand) Co., Ltd., under the terms of which the Company has agreed to purchase copper cathodes from the said company at the market price averaged during the contractual month of shipment plus the contractually agreed rate.

9 Events after the reporting period

At the annual general meeting of the shareholders of the Company held on 30 April 2021, the shareholders approved the appropriation of dividend of Baht 1.625 per share, amounting to Baht 78 million. The dividend will be paid to the shareholders during 2021.