

Fine Metal Technologies Public Company Limited

Condensed interim financial statements
for the three-month and nine-month periods ended
30 September 2022
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 September 2022; the statements of comprehensive income for the three-month and nine-month periods ended 30 September 2022; the statements of changes in equity and cash flows for the nine-month period ended 30 September 2022; 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
10 November 2022

Fine Metal Technologies Public Company Limited

Statement of financial position

		30 September	31 December
Assets	Note	2022	2021
		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents		106,147	104,012
Trade receivables	3, 4	1,406,430	1,606,493
Other receivables		92,101	60,920
Inventories		1,048,945	1,128,288
Other current financial assets	8	244,156	16,691
Total current assets		2,897,779	2,916,404
<i>Non-current assets</i>			
Property, plant and equipment		361,125	374,030
Right-of-use assets		14,763	6,208
Intangible assets		12,618	12,002
Deferred tax assets		18,371	27,634
Other non-current assets		2,447	2,443
Total non-current assets		409,324	422,317
Total assets		3,307,103	3,338,721

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

Fine Metal Technologies Public Company Limited

Statement of financial position

		30 September	31 December
Liabilities and equity	<i>Note</i>	2022	2021
		(Unaudited)	
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Short-term borrowings from financial institutions	5	725,000	888,000
Trade payables		411,835	476,357
Other payables	3	113,603	47,885
Current portion of lease liabilities		4,969	3,941
Income tax payable		1,123	30,642
Other current financial liabilities	8	205,321	18,310
Other current liabilities		12,390	16,971
Total current liabilities		1,474,241	1,482,106
<i>Non-current liabilities</i>			
Lease liabilities		10,000	2,732
Provision for employee benefits		130,342	135,946
Total non-current liabilities		140,342	138,678
Total liabilities		1,614,583	1,620,784

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

Fine Metal Technologies Public Company Limited

Statement of financial position

	30 September 2022	31 December 2021
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	633,412	680,820
Other components of equity		
Gain on cash flow hedges	<u>23,608</u>	<u>1,617</u>
Total equity	<u>1,692,520</u>	<u>1,717,937</u>
Total liabilities and equity	<u>3,307,103</u>	<u>3,338,721</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 September	
		2022	2021
		<i>(in thousand Baht)</i>	
Revenues			
Revenue from sale of goods	6	2,027,582	1,593,112
Gain on copper hedging and service fee		-	8,234
Net gain on foreign exchange		6,666	5,594
Other income		299	308
Total revenues		2,034,547	1,607,248
Expenses			
Cost of sale of goods		1,898,073	1,476,983
Distribution costs		30,472	26,150
Administrative expenses		26,341	26,192
Loss on copper hedging and service fee		64,290	-
Total expenses		2,019,176	1,529,325
Profit from operating activities		15,371	77,923
Finance costs		(7,300)	(3,636)
Hedging gain (loss) for hedge of group of items with off-setting risk positions		(52,307)	11,513
Profit (loss) before income tax		(44,236)	85,800
Tax expense (income)		8,847	(17,193)
Profit (loss) for the period		(35,389)	68,607
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		19,775	3,982
Income tax relating to items that will be reclassified subsequently to profit or loss		(3,955)	(795)
Other comprehensive income for the period, net of tax		15,820	3,187
Total comprehensive income (expense) for the period		(19,569)	71,794
Basic earnings (loss) per share (in Baht)		(0.74)	1.43

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

Fine Metal Technologies Public Company Limited

Statement of comprehensive income (Unaudited)

		Nine-month period ended	
		30 September	
	Note	2022	2021
		<i>(in thousand Baht)</i>	
Revenues			
Revenue from sale of goods	6	6,011,910	5,150,523
Gain on copper hedging and service fee		-	123,885
Net gain on foreign exchange		15,639	10,088
Other income		1,689	6,977
Total revenues		6,029,238	5,291,473
Expenses			
Cost of sale of goods		5,712,028	4,951,130
Distribution costs		90,254	90,373
Administrative expenses		78,220	83,396
Loss on copper hedging and service fee		46,081	-
Total expenses		5,926,583	5,124,899
Profit from operating activities		102,655	166,574
Finance costs		(17,379)	(8,842)
Hedging gain for hedge of group of items with off-setting risk positions		12,965	53,360
Profit before income tax		98,241	211,092
Tax expense		(19,649)	(42,248)
Profit for the period		78,592	168,844
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain on cash flow hedges		27,488	16,062
Income tax relating to items that will be reclassified subsequently to profit or loss		(5,497)	(3,212)
Other comprehensive income for the period, net of tax		21,991	12,850
Total comprehensive income for the period		100,583	181,694
Basic earnings per share (in Baht)		1.64	3.52

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	Other components of equity	Total equity
				Legal reserve	Unappropriated			
<i>(in thousand Baht)</i>								
Nine-month period ended 30 September 2021								
Balance at 1 January 2021		480,000	507,500	48,000	542,686	(6,086)		1,572,100
Transaction with owners, recorded directly in equity								
Dividends to owners of the Company	7	-	-	-	(78,000)	-		(78,000)
Total transaction with owners, recorded directly in equity		-	-	-	(78,000)	-		(78,000)
Comprehensive income for the period								
Profit		-	-	-	168,844	-		168,844
Other comprehensive income		-	-	-	-	12,850		12,850
Total comprehensive income for the period		-	-	-	168,844	12,850		181,694
Balance at 30 September 2021		480,000	507,500	48,000	633,530	6,764		1,675,794

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 on cash flow hedges	Total equity
				Legal reserve	Unappropriated		
<i>(in thousand Baht)</i>							
Nine-month period ended 30 September 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 transaction with owners, recorded directly in equity		-	-	-	(126,000)	-	(126,000)
Comprehensive income for the period							
Profit		-	-	-	78,592	-	78,592
Other comprehensive income		-	-	-	-	21,991	21,991
Total comprehensive income for the period		-	-	-	78,592	21,991	100,583
Balance at 30 September 2022		480,000	507,500	48,000	633,412	23,608	1,692,520

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

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Nine-month period ended	
	30 September	
	2022	2021
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	78,592	168,844
<i>Adjustments to reconcile profit to cash receipts (payments)</i>		
Tax expense	19,649	42,248
Finance costs	17,379	8,842
Depreciation and amortisation	49,800	53,677
Provision for employee benefits	8,191	9,570
Unrealised (gain) loss on foreign exchange	10,042	(2,467)
Unrealised gain on derivatives	(12,965)	(53,360)
Gain on disposal of equipment	(10)	(12)
	<u>170,678</u>	<u>227,342</u>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	191,701	(82,739)
Other receivables	(31,181)	(13,143)
Inventories	79,343	(267,233)
Other non-current assets	(4)	-
Trade payables	(66,202)	158,629
Other payables	80,079	69,036
Other current liabilities	(4,606)	(5,459)
Net cash generated from operating	<u>419,808</u>	<u>86,433</u>
Employee benefit paid	(13,795)	(16,875)
Income tax paid	(45,403)	(31,323)
Net cash from operating activities	<u>360,610</u>	<u>38,235</u>

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

Fine Metal Technologies Public Company Limited

Statement of cash flows (Unaudited)

	Nine-month period ended	
	30 September	
	2022	2021
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Cash payments to purchase of plant and equipment	(44,512)	(29,351)
Cash payments to purchase of intangible assets	(2,822)	(4,890)
Cash receipts from sale of equipment	<u>10</u>	<u>18</u>
Net cash used in investing activities	<u>(47,324)</u>	<u>(34,223)</u>
<i>Cash flows from financing activities</i>		
Interest paid	(18,348)	(8,313)
Dividends paid	(125,975)	(77,963)
Proceeds from borrowings from financial institutions	3,845,000	1,905,000
Repayments of borrowings from financial institutions	(4,008,000)	(1,800,000)
Payment of lease liabilities	<u>(3,828)</u>	<u>(3,807)</u>
Net cash from (used in) financing activities	<u>(311,151)</u>	<u>14,917</u>
Net increase in cash and cash equivalents	2,135	18,929
Cash and cash equivalents at beginning of the period	<u>104,012</u>	<u>92,009</u>
Cash and cash equivalents at ending of the period	<u><u>106,147</u></u>	<u><u>110,938</u></u>
<i>Non-cash transaction</i>		
Payable for fixed assets purchased	3,750	30,264

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 nine-month periods ended 30 September 2022 (Unaudited)

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Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2022 (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 10 November 2022.

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

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 2021.

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 2021.

3 Related parties

Significant transactions for the three-month and nine-month periods ended 30 September with related parties were as follows:

<i>Three-month period ended 30 September</i>	2022	2021
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	390,256	319,699
Purchase of raw material and factory supplies	-	14,994
Purchases of machinery and equipment	-	23,997
Technical assistance fee	3,741	2,823
Service fee and others	1,643	1,201
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	7,905	8,510
Post-employment benefits	203	401
Total key management personnel compensation	8,108	8,911

Fine Metal Technologies Public Company Limited
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For the three-month and nine-month periods ended 30 September 2022 (Unaudited)

<i>Nine-month period ended 30 September</i>	2022	2021
	<i>(in thousand Baht)</i>	
Other related parties		
Revenue from sale of goods	1,238,858	1,077,164
Purchase of raw material and factory supplies	-	14,994
Purchases of machinery and equipment	-	23,997
Technical assistance fee	10,192	10,716
Service fee and others	4,835	3,749
Key management personnel		
Key management personnel compensation		
Short-term employee benefits	23,865	25,993
Post-employment benefits	609	1,203
Total key management personnel compensation	24,474	27,196
	30 September	31 December
	2022	2021
	<i>(in thousand Baht)</i>	
Balances with related parties as at		
Trade receivables		
Other related parties	406,592	402,240
Other payables		
Other related parties	4,863	7,044

4 Trade receivables

	Note	30 September	31 December
		2022	2021
		<i>(in thousand Baht)</i>	
Related parties			
Within credit terms		406,592	402,240
	3	406,592	402,240
Other parties			
Within credit terms		999,323	1,202,827
Overdue:			
Less than 90 days		515	1,426
		999,838	1,204,253
Total		1,406,430	1,606,493

As at 30 September 2022 and 31 December 2021, the Company has no allowance for impairment loss of trade receivables.

Accounts receivable supplier agreement

For the nine-month period ended 30 September 2022, the Company has assigned its right over collection from account receivable amounted of Baht 1,435.84 million (31 December 2021: Baht 1,128.48 million) to a financial institution according to the accounts receivable supplier agreement. The Company has already received from the financial institution amounted of Baht 1,426.64 million (31 December 2021: Baht 1,125.23 million). In this regards, the financial institution shall not have any rights of recourse against the Company.

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
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5 Short-term borrowings from financial institutions

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
<i>Current</i>		
<i>Unsecured</i>		
Short-term borrowings from financial institutions	<u>725,000</u>	<u>888,000</u>

Short-term borrowings from financial institutions

As at 30 September 2022, short-term borrowings from financial institutions amounted to Baht 725 million shall be repayable at call. These loans bear interest at the rate of 1.08% - 1.65% per annum (31 December 2021: 1.08% per annum).

Unutilised credit facilities

As at 30 September 2022, the Company had unutilised credit facilities totalling U.S. Dollars 6 million and Baht 1,637 million (31 December 2021: U.S. Dollars 1 million and Baht 1,679 million).

6 Segment information and disaggregation of revenue

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2022	2021	2022	2021
	<i>(in thousand Baht)</i>			
<i>Disaggregation of revenue</i>				
Primary geographical markets				
Thailand	1,038,468	908,192	3,399,562	3,012,418
Malaysia	201,512	125,940	626,664	441,553
Japan	91,637	102,129	269,008	274,756
Other countries	695,965	456,851	1,716,676	1,421,796
Total revenue	<u>2,027,582</u>	<u>1,593,112</u>	<u>6,011,910</u>	<u>5,150,523</u>

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

7 Dividends

The shareholders of the Company have approved dividends as follows:

	Approval date	Payment schedule	Dividend rate per share <i>(Baht)</i>	Amount <i>(in thousand Baht)</i>
2022				
Annual dividend	29 April 2022	May 2022	<u>2.625</u>	<u>126,000</u>
2021				
Annual dividend	30 April 2021	May 2021	<u>1.625</u>	<u>78,000</u>

Fine Metal Technologies Public Company Limited
Notes to the condensed interim financial statements
For the three-month and nine-month periods ended 30 September 2022 (Unaudited)

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.

	Hedging instruments	Carrying amount Financial instruments measured at FVTPL	Total	Level 1 <i>(in thousand Baht)</i>	Level 2	Level 3	Total
<i>At 30 September 2022</i>							
<i>Financial assets</i>							
Forward exchange contract used for hedging	38,585	48	38,633	-	38,633	-	38,633
Copper future contract used for hedging	205,523	-	205,523	-	205,523	-	205,523
Total financial assets	244,108	48	244,156				
<i>Financial liabilities</i>							
Forward exchange contract used for hedging	(222)	(8,556)	(8,778)	-	(8,778)	-	(8,778)
Copper future contract used for hedging	(196,543)	-	(196,543)	-	(196,543)	-	(196,543)
Total financial liabilities	(196,765)	(8,556)	(205,321)				
<i>At 31 December 2021</i>							
<i>Financial assets</i>							
Forward exchange contract used for hedging	3,593	798	4,391	-	4,391	-	4,391
Copper future contract used for hedging	12,300	-	12,300	-	12,300	-	12,300
Total financial assets	15,893	798	16,691				
<i>Financial liabilities</i>							
Forward exchange contract used for hedging	(1,904)	(1,543)	(3,447)	-	(3,447)	-	(3,447)
Copper future contract used for hedging	(14,863)	-	(14,863)	-	(14,863)	-	(14,863)
Total financial liabilities	(16,767)	(1,543)	(18,310)				

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 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.

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9 Commitments with non-related parties

	30 September 2022	31 December 2021
	<i>(in thousand Baht)</i>	
<i>Other commitments</i>		
Short-term lease and low-value assets commitments	1,620	54
Bank guarantees for electricity use	13,369	13,369
Total	14,989	13,423

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.