

12.0 RELATED TRANSACTIONS

During the financial year ended 31 January 2019 (“FY2018/19”) and 31 January 2018 (“FY2017/18”), the Company and its subsidiaries (“the Group”) had significant transactions with related parties. Such transactions arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Group and related parties.

12.1 Persons who may have a conflict of interests

Corporate shareholders of subsidiaries

	Related party and nature of business	Relationship with the Group
1.	Katayama Kogyo Co., Ltd (“KK”) Established in Japan and engaging in the business of manufacturing and sales of various automotive parts, agricultural machinery and construction related parts.	<ul style="list-style-type: none"> • KK is holding 31.43 percent of shares in IAV and has designated two delegates to act as directors in IAV, consisting of (1) Mr. Itsuro Maeno and (2) Ms. Michiko Akamatsu. • KK is holding 10.00 percent of shares in IPSB and has designated one delegate to act as a director in IPSB, who is Ms. Michiko Akamatsu. • KK is holding 25.00 percent of shares in PTIMV and has designated two delegates to act as directors in PTIMV directors in IPSB, consisting of (1) Ms. Michiko Akamatsu (Board of Commissioners) and (2) Mr. Tetsuji Tamura (Board of Directors).
2.	Yonei & Co., Ltd (“Yonei”) Established in Japan and engaging in general trading business with over 200 bases of operations in approximately 80 countries worldwide.	<ul style="list-style-type: none"> • Yonei is holding 6.07 percent of shares in IAV and has designated one delegate to act as a director in IAV, who is Mr. Hiroshi Miyazeki. • Yonei is holding 10.00 percent of shares in PTIMV and has designated one delegate to act as a director in PTIMV, who is Mr. Hiroshi Miyazeki (in the Board of Commissioners).
3.	Iwamoto Co., Ltd (“Iwamoto”) Established in Japan and engaging in design, development, fabrication and sales of tooling for stamping.	Iwamoto is holding 30 percent of all voting shares of FCT and has designated one delegate to act as a director in FCT, who is Mr. Noboru Iwasaki.

Subsidiaries of a corporate shareholder of a subsidiary

	Related party and nature of business	Relationship with the Group
1.	Perodua Manufacturing Sdn Bhd (“PMSB”) Established in Malaysia and engaging in the business of manufacturing and assembly of Perodua vehicles.	PMSB is a subsidiary of Perusahaan Otomobil Kedua Sdn Bhd (“Perodua”), which is holding 30.00 percent of shares in ITSB. Perodua has designated two delegates to act as directors, consisting of (1) Mr. Zainal Abidin Bin Ahmad and (2) Ms. Noor Zakiah Binti Hasan.

	Related party and nature of business	Relationship with the Group
2.	Perodua Sales Sdn Bhd (“PSSB”) Established in Malaysia and engaging in the business of sales, marketing and distribution of all Perodua vehicles as well as after sales and spare parts operations.	PSSB is a subsidiary of Perodua, which is holding 30.00 percent of shares in ITSB. Perodua has designated two delegates to act as directors in ITSB, consisting of (1) Mr. Zainal Abidin Bin Ahmad and (2) Ms. Noor Zakiah Binti Hasan.
3.	Perodua Global Manufacturing Sdn Bhd (“PGSB”) Established in Malaysia and engaging in the business of manufacturing and assembly of Perodua vehicles.	PGSB is a subsidiary of Perodua, which is holding 30.00 percent of shares in ITSB. Perodua has designated two delegates to act as directors in ITSB, consisting of (1) Mr. Zainal Abidin Bin Ahmad and (2) Ms. Noor Zakiah Binti Hasan.

Parent company

	Related party and nature of business	Relationship with the Group
1.	Ingress Corporation Berhad (“ICB”) Established in Malaysia and engaging as the investment holding company. Currently, ICB has subsidiaries engaged in ACM business, automobile dealership, as well as engineering services for energy and railway industries.	ICB was the major shareholder and the controlling person of the Company.

Related companies

	Related party and nature of business	Relationship with the Group
1.	Ingress Katayama Sdn Bhd (“IKT”) Established in Malaysia and engaging in design and manufacture of roll-forming and extrusion tools, jigs and dies for the automotive components manufacturing.	IKT is a subsidiary of ICB which is holding 60 percent of shares in IKT and the remaining 40 percent of shares of IKT is being held by KK.
2.	Organic Gain Sdn Bhd (“OGSB”) Established in Malaysia and engaging in manufacturing and trading Agro-based product and Halal food product	OGSB is 98.9% owned by the Company director, Dato’ Dr. Ab. Wahab bin Ismail of which he is also a director in OGSB.

12.2 The significant business transactions with related parties for FY2018/19 and FY2017/18 are as follows:

	Transaction Value (Million Baht)		Transfer pricing policy
	FY2018/19	FY2017/18	
Transactions with parent company			
Dividend paid	75.24	132.45	As announcement
Transactions with corporate shareholders of subsidiaries			
Sale of goods	0.50	0.31	As agreed
Purchase of raw materials and supplies	11.83	20.62	As agreed
Purchase of machinery and equipment	8.11	8.11	As agreed
Advance payment for mold	4.83	-	As agreed
Royalty fee	18.02	19.85	Contract price
Technical assistance fee	5.95	7.90	Contract price
Dividend paid	28.13	71.49	As announcement
Transactions with subsidiaries of a corporate shareholder of a subsidiary			
Sale of goods	1,015.05	1,124.38	As agreed
Transactions with related companies			
Sale of goods	1.56	2.38	As agreed
Rental income	2.06	2.04	Contract price
Purchase of machinery and equipment	21.65	33.98	As agreed
Purchase of supplies	0.47	0.29	As agreed

12.3 For FY2018/19 and FY2017/18, the balance of accounts between the Group and those related parties are as follows:

	Transaction Value (Million Baht)	
	FY2018/19	FY2017/18
<u>Trade and other receivables – related parties</u>		
Trade receivables – related parties		
Subsidiaries of a corporate shareholder of a subsidiary	101.94	106.37
Corporate shareholders of subsidiaries	0.03	-
Related companies	0.19	1.18
Total trade receivables – related parties	102.16	107.55
Other receivables – related parties		
Parent company	3.94	3.07
Subsidiaries of a corporate shareholder of a subsidiary	4.66	9.76
Related companies	13.27	15.34
Total other receivables – related parties	21.87	28.17
Total trade and other receivables – related parties	124.03	135.72
<u>Trade and other payables – related parties</u>		
Trade payables – related parties		
Corporate shareholders of subsidiaries	1.73	1.58
Related companies	-	1.37
Total trade payables – related parties	1.73	2.95
Other payables – related parties		
Parent company	16.30	16.23
Corporate shareholders of subsidiaries	25.55	11.75
Related companies	4.38	9.98
Total other receivables – related parties	46.23	37.96
Total trade and other receivables – related parties	47.96	40.91
<u>Dividend payables to related party</u>		
Corporate shareholders of subsidiary	17.19	9.06
Total dividend payables to related party	17.19	9.06

12.4 The Group's borrowing guarantee by ICB

The Group's borrowing with financial institution which ICB as corporate guarantees as at 31 January 2019 and 31 January 2018 are as follows:

No.	Borrower	Consolidated Financial Statements				Description of asset for security/mortgage
		31 January 2019		31 January 2018		
		Type	Amount (Million Baht)	Type	Amount (Million Baht)	
1.	Ingress Industrial (Malaysia) Sdn Bhd	TL	181.63	TL	222.66	Corporate guarantee by ICB
2.	Ingress Precision Sdn Bhd	TL BA RC	148.24 10.57 76.40	TL BA RC	220.24 19.85 80.51	Corporate guarantee by ICB
3.	Ingress Technologies Sdn Bhd	TL BA RC	234.78 78.96 105.26	TL BA RC	304.04 80.65 110.95	Corporate guarantee by ICB
4.	PT Ingress Malindo Ventures	RC	44.5	RC	-	Corporate guarantee by ICB

Remarks: OD = Overdraft; PN = Promissory note; LC = Letter of credit; BA = Banker's acceptance; BG = Bank guarantee; RC = Revolving credit; TL = Term loan

The corporate guarantees provided by ICB were conducted on the borrowing secured from financial institutions, which were historical transactions. For such guarantees, ICB did not charge any compensation from the Group, so the Group did not lose any benefit from such transactions.

12.5 Necessity and reasonableness of related party transactions

The Audit Committee considered that the Group's related party transaction entered into with the related parties during the financial year ended 31 January 2019 and 31 January 2018 were normal business transactions and within the normal practice in the automotive industry and were conducted fairly and at the arm's length basis and did not cause the Group to lose any benefits entering into the transactions.

12.6 Policies or trends relating to future related party transactions

The connected transactions or related party transactions of the Group with parties that may have a conflict of interests, may hold a stake, or may have a conflict of interests in the future will comply with effective rules provided by the relevant rules of the Securities and Exchange Commission (SEC) and/or the Stock Exchange of Thailand (SET). If the Group wishes to conduct connected transactions or related party transactions with a party that may have a conflict of interests, may hold a stake, or may have a conflict of interests in the future, the Group will strictly comply with the policies and procedures. The Audit Committee has provided the guidelines for the consideration, which include the consideration of the necessity of transactions for the Group's business operations, comparison of prices with those offered by the third parties (if any), and consideration of the essence of the transaction size.

If the related party transactions exist, the Company will designate the Audit Committee to provide opinions about the appropriateness of these transactions. In the event that the Audit Committee has no expertise in considering the related party transactions, the Company will provide an expert, such as an auditor or an independent appraiser, to provide opinions about these related party transactions. The opinions from the Audit Committee or the expert will be used for assisting the decision-making of the Board of Directors or shareholders, as the case may be. This aims is to ensure that such transactions takes into account the utmost benefits of all shareholders.

13.0 Significant Financial Information

13.1 Revenue Structure

EXTERNAL SALES REVENUE (Million Baht)	Consolidated Financial Statements				
	FY2017/18	FY2017/18	FY2016/17	FY2015/16	FY2014/15
Sales Revenue by Company					
Ingress Autoventures Co., Ltd	1,021.5	972.6	984.7	1,024.5	1,314.3
Fine Components (Thailand) Co., Ltd	182.2	165.0	178.6	205.1	150.2
Ingress Precision Sdn Bhd	311.7	319.0	370.8	365.8	402.7
Ingress Technologies Sdn Bhd	1,214.3	1,217.7	1,132.2	1,343.1	1,721.1
Talent Synergy Sdn Bhd	17.0	12.6	9.4	15.3	6.7
PT Ingress Malindo Ventures	228.8	188.8	239.7	204.3	256.9
PT Ingress Technologies Indonesia	0.0	0.3	0.5	0.5	0.6
Ingress Autoventures (India) Pvt Ltd *	223.8	36.9	-	-	-
	3,199.3	2,912.9	2,915.9	3,158.6	3,852.5
Sales Revenue by Country					
Thailand	1,194.8	1,137.6	1,163.3	1,229.6	1,464.5
Malaysia	1,542.5	1,549.3	1,512.4	1,724.2	2,130.5
Indonesia	238.3	189.1	240.2	204.8	257.5
India *	223.7	36.9	-	-	-
	3,199.3	2,912.9	2,915.9	3,158.6	3,852.5
Sales Revenue by Products					
Rollforming products	1,785.8	1,517.3	1,595.2	1,594.6	1,973.9
Stamping products	1,396.5	1,383.0	1,311.3	1,548.7	1,871.9
Automation solution	17.0	12.6	9.4	15.3	6.7
	3,199.3	2,912.9	2,915.9	3,158.6	3,852.5

*Ingress Autoventures (India) Pvt Ltd become a subsidiary of INGRS effective from 13 November 2017.

13.2 Financial Highlight

	Consolidated Financial Statements				
	FY2018/19	FY2017/18 (Restated)	FY2016/17	FY2015/16	* FY2014/15
Statement of Financial Position (Million Baht)					
Current Assets	1,173.8	1,259.4	1,362.3	1,173.7	1,597.7
Non-current Assets	3,068.2	3,221.8	3,163.0	3,222.9	2,897.8
Current Liabilities	1,014.9	1,155.5	1,302.5	1,237.1	1,439.9
Non-current liabilities	659.0	780.7	957.7	837.5	945.7
Paid up capital	1,446.9	1,446.9	1,185.4	1,185.4	1,185.4
Shareholder's Equity	1,758.4	1,739.5	1,444.3	1,470.0	1,246.7
Total Equity	2,568.1	2,544.9	2,265.1	2,322.0	2,109.9
Statement of Comprehensive Income (Million Baht)					
Sales Revenue	3,199.3	2,912.9	2,915.9	3,158.6	3,852.5
Gross Profit	633.0	644.3	636.4	642.0	715.0
Other Revenue	92.1	65.6	137.7	146.8	145.7
EBITDA	464.8	516.1	586.3	574.9	562.9
Net Profit Before Tax	99.5	142.8	193.4	210.0	180.3
Net Profit After Tax	76.4	147.2	210.4	177.0	209.3
Net Profit After Tax Attributable to Equity Holders	54.1	97.1	169.6	132.0	155.6
Earning per share	0.04	0.07	0.14	0.11	0.13
Dividend paid - interim	37.6	94.4	37.9	40.0	-
Dividend paid - final	37.6	37.6	37.9	37.9	-
Financial Ratios					
Current Ratio (times)	1.16	1.09	1.05	0.95	1.11
Gross Profit Margin (%)	19.8%	22.1%	21.8%	20.3%	18.6%
Net Profit Before Tax Margin (%)	3.1%	4.9%	6.6%	6.6%	4.7%
Net Profit After Tax Margin (%)	2.4%	5.1%	7.2%	5.6%	5.4%
Return on Total Assets (%)	1.3%	2.2%	3.7%	3.0%	3.5%
Return on Equity (%)	2.1%	3.8%	7.5%	5.7%	7.4%
Debt to Equity Ratio (times)	0.65	0.76	1.04	0.88	1.14
Dividend payout (% of Net Profit After Tax Attributable to Equity Holders)	139.0%	135.9%	44.7%	59.0%	0.0%

* The Consolidated results presented were based on the Common Control concept of which INGRS Group exists since the inception of the Group under Ingress Corporation Berhad.

14.0 Management Discussion and Analysis

14.1 Basis for analysis of the operating results and financial position of the Group

Ingress Industrial (Thailand) Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is an investment holdings whose subsidiaries are principally engaged in the manufacturing and distribution of automotive components. The registered office of the Company is 9/141, 14th Floor, Unit A1, UM Tower Building, Ramkhamhaeng Road, Suanluang, Bangkok 10250, Thailand. The Group's factories and facilities are located in four countries, namely Thailand, Malaysia, Indonesia and India.

The analysis for the Group's business performance, financial position and cash flow is based on the Company's consolidated financial statements for the financial year ended 31 January 2019.

14.2 Overall operating results

For the financial year ended 31 January 2019 ("FY2018/19") and 31 January 2018 (FY2017/18"), the Group's registered sales revenue of Baht 3,199.3 million and Baht 2,912.9 million respectively, an increase by Baht 286.4 million or 9.83% from FY2017/18. The increase in sales revenue was mainly contributed by the inclusion of Indian subsidiary, Ingress Autoventures (India) Pvt Ltd starting from 13 November 2017 which contributed higher sales revenue by Baht 186.9 million during FY2018/19 apart from the overall increase in sales revenue recorded by Thailand and Indonesia operation by Baht 57.1 million and Baht 49.2 million respectively. Malaysian operation however registered lower sales revenue by Baht 6.8 million in comparison to FY2017/18.

Despite higher sales revenue recorded for FY2018/19, the Group's recorded lower gross profit margin of 19.8% as compared to 22.1% recorded in FY2017/18.

The Group registered profit after taxation and minority interest ("PATMI") of Baht 54.1 million in FY2018/19 as compared to Baht 97.1 million in FY2017/18 which represents a decrease of Baht 43.0 million or 44.4%. The decrease were mainly due to the following:

- a) Lower profits recorded by Malaysian operation on a lower sales revenue recorded in FY2018/19 in comparison to FY2017/18; and
- b) Recognition of income tax expense of Baht 23.2 million during FY2018/19 as compared to income tax revenue of Baht 4.4 million during FY2017/18.

For FY2018/19, the Group PATMI margin was 1.7% as compared to 3.3% in FY2017/18.

14.3 Analysis of the operating results

14.3.1 Sales revenue

The Group was principally engaged in the sales of two major types of automotive components manufacturing of roll forming products and stamping products. Most of the subsidiaries in each country manufactured and sold their products to local Original Equipment Manufacturers ("OEMs") in local currencies (unless advised by the OEM).

The sales revenue structure of the Group by countries and products are as follows:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Sales Revenue by Country				
Thailand	1,194.7	37.3	1,137.6	39.0
Malaysia	1,542.5	48.2	1,549.3	53.2
Indonesia	238.3	7.5	189.1	6.5
India	223.8	7.0	36.9	1.3
Total Sales Revenue	3,199.3	100.0	2,912.9	100.0
Sales Revenue by Products				
Roll Forming Products	1,785.8	55.8	1,517.3	52.1
Stamping Products	1,396.5	43.7	1,383.0	47.5
Automation Solution Provider	17.0	0.5	12.6	0.4
Total Sales Revenue	3,199.3	100.0	2,912.9	100.0

Based on the above table, Malaysia was the main contributor for the sales revenue for FY2018/19, accounted for 48.2% from the total Group's sales revenue followed by Thailand, Indonesia and India operation with the contribution of 37.3%, 7.5% and 7% respectively.

The roll forming products was the main contributor of the sales revenue for FY2018/19 to the Group, accounted for 55.8% from the total Group's sales revenue while stamping products and automation solution provider contributes sales revenue of 43.7% and 0.5% respectively.

14.3.2 Other income

Other income consist of foreign exchange gain, interest income, gain on disposal, etc. The details of other income are as follows:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Exchange gain	11.2	12.2	-	-
Scrap sales	68.4	74.3	39.7	60.5
Gain on change in fair value of investment property	5.6	6.1	-	-
Gain from acquisition of share from non-controlling interest	-	-	14.3	21.8
Miscellaneous income	6.9	7.4	11.6	17.7
Total other income	92.1	100.00	65.6	100.00

For FY2018/19 and FY2017/18, the total other income of the Group were Baht 92.1 million and Baht 65.6 million respectively accounted for 2.9% and 2.2% respectively of the Group's total revenues. From the

above table, it can be seen that some of the other income of the Group's were non-normal business transactions such as foreign exchange gains, gain on change in fair value of investment property and gain from acquisition of share from non-controlling interest.

The Group recognized the foreign exchange gain of Baht 11.2 million in FY2018/19 mainly due to the gain recorded on the elimination of intercompany balances within the Group on the exchange rate fluctuation between local and foreign currency at the end of the financial year as compared to the transaction date. In addition to foreign exchange gains, the Group also recognized other revenues related to the business such as the revenues from scrap from the production of automotive parts, interest income that the Group obtained from short-term investment, gain on change in fair value of IPSB's investment property in Malaysia, etc.

For FY2017/18, the Group recognised gain from acquisition of share from non-controlling interest in relation to the acquisition of the additional 60% shares in IAIP. The amount recognized in FY2017/18 amounting to Baht 14.3 million was derived from the difference of the carrying amount of investment in associated company as at the date of acquisition of shares in comparison to 40% of the value determined by the independent valuer upon the acquisition of the additional 60% shares in IAIP.

14.3.3 Cost of sales

The cost of sales comprises mainly the following:

1. Direct variable costs – materials, purchase parts, indirect materials, sub-contractor costs, consumables, factory sales and distribution, royalty fees, direct labour and factory utility expenses;
2. Fixed overhead costs – indirect labour factory, factory maintenance, factory rental, insurance and factory expenses; and
3. Depreciation and amortisation for factory, plant and machinery.

The components of the Group's cost of sales are as follows:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Direct variable costs	2,021.0	78.7	1,730.9	76.3
Fixed overhead costs	273.6	10.7	268.8	11.8
Depreciation and amortisation	271.7	10.6	268.9	11.9
Total Cost of Sales	2,566.3	100.0	2,268.6	100.0

The cost of sales of the Group classified by countries and products are as follows:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Cost of Sales by Country				
Thailand	893.4	34.8	845.9	37.3
Malaysia	1,329.0	51.8	1,254.0	55.3
Indonesia	187.9	7.3	146.4	6.4
India	156.0	6.1	22.3	1.0
Total Cost of Sales	2,566.3	100.0	2,268.6	100.0

Over the years, the Group continued to have a strict cost and operating expenses control policy to achieve the earning target as well as to adapt with a challenging business environment and the demand by the OEMs to be competitive. In terms of the production cost management, the Group negotiated with manufacturers and distributors of raw materials including some OEMs to change the type of raw materials but maintained same product qualities in accordance with Value Added Value Engineering (“VAVE”) which resulted in the reduction on the production costs benefiting the Group apart from the customers obtained automotive components in more reasonable price. The Group also managed to increase the efficient production processes and reduce overall production costs.

14.3.4 Gross profit and gross profit margin

The gross profit and gross profit margin of the Group classified by countries and products are as following:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Gross Profit Million Baht	Profit Margin Percent	Gross Profit Million Baht	Profit Margin Percent
Gross Profit/Margin by Country				
Thailand	301.4	25.2	291.7	25.6
Malaysia	213.5	13.8	295.3	19.1
Indonesia	50.4	21.1	42.7	22.6
India	67.7	30.3	14.6	39.6
Group Gross Profit/Margin	633.0	19.8	644.3	22.1

For FY2018/19 and FY2017/18, the Group's gross profits were Baht 633.0 million Baht 644.3 million respectively, which represented a margin of 19.8% and 22.1% respectively.

14.3.5 Selling expenses

Selling expenses of the Group consisted of distribution, staff and other expenses which classified as following:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Distribution costs	37.5	71.8	26.4	59.3
Staff costs	11.3	21.6	13.0	29.2
Other expenses	3.4	6.5	5.1	11.5
Total Selling Expenses	52.2	100.0	44.5	100.0

14.3.6 Share of Profit from Associate Company

On 13 November 2017, the Group via Ingress Industrial (Malaysia) Sdn Bhd ("IIM") has completed the acquisition of the additional 60% shares from the existing shareholder, Mayur Industries Pvt Ltd. The completion resulted in a change of status from associate company to a subsidiary of IIM.

During FY2017/18 (up to 13 November 2017) the Group recognized the amount of Baht 4.0 million as share of profit from associate company.

14.3.7 Administrative Expenses

The Group's administrative expenses consist of staff, depreciation & amortization of office assets management fees and general administrative expenses, such as consulting fees, office expenses, office rental and office maintenance fees. Most of the administrative expenses are personnel expenses. The table below shows the Group's administrative expenses classified by type of expenses.

	Financial Year Ended			
	31 January 2018		31 January 2017	
	Million Baht	Percent	Million Baht	Percent
Staff costs	321.6	62.7	274.0	60.6
General administrative expenses	158.2	30.9	137.1	30.3
Depreciation and amortization of office assets	32.8	6.4	41.2	9.1
Management fees	-	-	-	-
Total Administrative Expenses	512.6	100.0	452.3	100.0

Higher administrative expenses by Baht 60.3 million in FY2018/19 were mainly due to the following:

- a) Full year administrative expenses of IAIPPL (change of status from associate company to subsidiary effective from 13 November 2017) resulted in a higher administrative expenses by Baht 38.7 million; and

- b) Additional allowance for doubtful debts provided during FY2018/19 on trade receivables amounting to Baht 7.5 million.

14.3.8 Finance cost

The Group's financial expenses consist of interests from overdrafts and short-term loans from financial institutions, interest from hire purchase, financial lease and long-term loans from both financial institutions. For FY2018/19 and FY2017/18, the Group's financial expenses were Baht 60.75 million and Baht 72.9 million respectively.

14.3.9 Income Tax Expenses/(Income)

For FY2018/19 and FY2017/18, the income tax expense/(income) of the Group were Baht 23.2 million and Baht (4.4) million respectively. The income tax expense shown in the statement of comprehensive income was different from the profit before tax multiplied by the applicable tax rate due to the improvements related to the tax calculation, which comprised of the following:

- a) Adjustment of corporate income tax expense of the previous year;
- b) Utilization of business tax losses and tax allowances in the current year;
- c) Difference in income tax rate which was not equal in the Group;
- d) IAV was granted promotional privileges by the Board of Investment (BOI) for the manufacture of auto parts under the promotional certificates with the exemption from corporate income tax for promoted businesses for a period of 8 years commencing from the first earning operating income and obtained a 50% reduction in corporate income tax for the promoted business of 5 years from the exemption date;
- e) Adjustment on the non-allowable expenses and tax exempt income;
- f) Deferred tax recognition on unabsorbed business tax losses and unused reinvestment allowances and capital allowances;
- g) Deferred tax adjustment item of the previous year;
- h) Deferred tax effects on tax rate change; and
- i) Other items.

The income tax expenses/(income) of the Group for FY2018/19 and FY2017/18 are as follows:

	Financial Year Ended			
	31 January 2019		31 January 2018	
	Million Baht	Percent	Million Baht	Percent
Current income tax				
Current income tax charge	33.5	99.4	19.6	103.7
Adjustment in respect of tax/(income) expenses of previous year	0.2	0.6	(0.7)	(3.7)
Total current income tax	33.7	100.0	18.9	100.0
Deferred tax				
Relating to origination and reversal of temporary differences	3.2	(30.5)	(3.2)	13.7
Adjustment in respect of deferred tax of previous year	(13.7)	130.5	(20.1)	86.3
Total deferred tax	(10.5)	100.0	(23.3)	100.0
Tax expense/(income) reported in the statement of comprehensive income	23.2	100.0	(4.4)	100.0

Notes:

- Items considered for tax purposes of the Group were mainly related to Capital Allowance ("CA") and Reinvestment Tax Allowance ("RA") which are tax deductions related to capital expenditure in accordance with Malaysian Law.
- Companies in Malaysia that used the CA deductions would need to invest in capital expenditures for business purposes. The type of fixed assets that a Malaysian company had invested in and would receive a CA tax benefit must be the assets that complied with the qualifying capital expenditure according to Malaysian Qualifying Law by which tax deduction from CA was subject to the relevant laws of Malaysia and CA that had not been used for unutilized CA purposes would be recognized as deferred tax assets on the statement of financial position since the unutilized CA could reduce the tax liabilities of its subsidiary in Malaysia in the future. This was in accordance with the terms and conditions of using the CA of Malaysian Tax Law.
- RA was an additional tax relief in addition to the Malaysian CA for a Malaysian company investing in a qualifying capital expenditure with the purpose to expand the existing production capacity, diversification of business into related products or increase the capacity of modernization or automation of the production facilities. The primary objective in providing RA was to promote the business of the manufacturing sectors in Malaysia. However, the Malaysian authorities also considered RA for agricultural business operators in said countries. The calculation and usage of tax deductions from RA shall be in accordance with the relevant laws of Malaysia and RA that had not been used for unutilized RA purposes, were recognized as deferred tax assets on statement of financial position as well as unutilized CA.

14.3.10 Net Profit and Net Profit Margin

Unit: Million Baht	Financial Year Ended		Increase/(decrease)	
	31 January 2019	31 January 2018	Million Baht	Percent
Net profit for the financial year	76.4	147.2	(70.8)	(48.1)
Non-controlling interests	22.3	50.1	(27.8)	(55.5)
Net profit attributable to equity holders of the Company	54.1	97.1	(43.0)	(44.3)
Earning per share (Baht)	0.04	0.07	(0.03)	(42.9)

For FY2018/19 and FY2017/18, the Group registered net profit for the financial year of Baht 76.4 million and Baht 147.2 million respectively, decreased by Baht 70.8 million or 48.1%. The decrease in net profit were mainly due to the following:

- a) Lower profits recorded by Malaysian operation on a lower sales revenue recorded in FY2018/19 in comparison to FY2017/18; and
- b) Recognition of income tax expense of Baht 23.2 million during FY2018/19 as compared to income tax revenue of Baht 4.4 million during FY2017/18.

14.4 Financial position analysis

As at 31 January 2019, the Group has total assets of Baht 4,242.0 million, total liabilities of Baht 1,673.9 and total shareholders' equity of Baht 2,568.1 million.

14.4.1 Assets

Unit: Million Baht	Financial Year Ended		Increase/(decrease)	
	31 January 2019	31 January 2018	Million Baht	Percent
Trade and other receivables	599.6	651.1	(51.5)	(7.9)
Inventories	274.6	272.2	2.4	0.9
Cash and cash equivalents	229.3	288.2	(58.9)	(20.4)
Property, plant and equipment	2,648.2	2,734.7	(86.5)	(3.2)
Deferred tax assets	285.5	352.2	(66.7)	(18.9)
Other assets	204.8	182.8	22.0	12.0
Total assets	4,242.0	4,481.2	(239.2)	(5.3)

As at 31 January 2019, the total assets decreased by Baht 239.2 million or 5.3% in comparison to total assets as at 31 January 2018.

14.4.2 Liabilities

Unit: Million Baht	Financial Year Ended		Increase/(decrease)	
	31 January 2019	31 January 2018	Million Baht	Percent
Trade and other payables	450.9	455.6	(4.7)	(1.0)
Bank overdrafts and short-term loans from financial institution	366.9	445.6	(78.7)	(17.7)
Long-term loans	566.2	753.8	(187.6)	(24.9)
Deferred tax liabilities	157.7	160.3	(2.6)	(1.6)
Other liabilities	132.2	121.0	11.2	9.3
Total liabilities	1,673.9	1,936.3	(262.4)	(13.6)

As at 31 January 2019, the total liabilities decreased by Baht 262.4 million or 13.6% in comparison to total liabilities as at 31 January 2018 mainly due to the decrease in bank overdrafts and short-term loans from financial institution and long term loans amounting to Baht 78.7 million and Baht 187.6 million respectively.

14.4.3 Shareholders' equity

Total shareholders' equity increased by Baht 23.2 million, from Baht 2,544.9 million as at 31 January 2018 to Baht 2,568.1 million as at 31 January 2019. The increase was mainly due to the increase in surplus on revaluation of land and buildings amounting to Baht 94.1 million as a result of a revaluation carried out on the land and building of the Group by the Independent Property Valuer in FY2018/19.

14.5 Key financial performance

14.5.1 Profitability ratio

	FY2018/19	FY2017/18	Increase/(decrease)
Return on assets ("ROA") (%)	1.3%	2.2%	(0.9%)
Return on equity ("ROE") (%)	2.1%	3.8%	(1.7%)

Due to lower profits recorded for FY2017/18, the ROA and ROE decreased by 1.5% and 3.7% respectively in comparison to FY2016/17.

14.5.2 Liquidity ratio

	FY2018/19	FY2017/18	Increase/(decrease)
Accounts receivable days	63.3	69.9	(6.6)
Inventory days	38.5	43.2	(4.7)
Accounts payable days	51.9	63.7	(11.8)
Cash conversion cycle (days)	49.9	49.4	0.5

The average collection period and inventory holding period improved in FY2018/19 by 6.6 days and 4.7 days respectively. The improvement also shown in the average accounts payables in FY2018/19 by 11.8

days which resulted in the overall cash conversion cycle to prolong for 0.5 days in comparison to FY2017/18.

14.5.3 Leverage ratio

	FY2018/19	FY2017/18	Increase/ (decrease)
Debt to Equity ratio (times)	0.65	0.76	(0.16)
Current ratio (times)	1.16	1.09	0.07

The interest-bearing debt to equity ratio has continuously decreased to 0.65 times as at 31 January 2019 from 0.76 times as at 31 January 2018, maintaining the Group's target of long-term funding structure below 1.0 times. The current ratio has also improved to 1.16 times, indicating that the Group's liquidity fund was sufficient to match current obligations.

14.6 Cash flow analysis

Unit: Million Baht	Financial Year Ended		Increase/(decrease)	
	31 January 2019	31 January 2018	Million Baht	Percent
Net cash flows from operating activities	362.0	214.9	147.1	68.5
Net cash flows used in investing activities	(49.6)	(218.9)	(169.3)	(77.3)
Net cash flows used in financing activities	(355.3)	(140.1)	215.2	153.6
Translation adjustments	(13.1)	16.3	29.4	180.4
Net decrease in cash and cash equivalents	(56.0)	(127.8)	(71.8)	(56.2)
Cash and cash equivalents at beginning of the financial year	270.6	398.4	(127.8)	(32.1)
Cash and cash equivalents at end of the financial year	214.6	270.6	(56.0)	(20.7)

The balance of cash and cash equivalents as at 31 January 2019 decreased by Baht 56.0 million as compared to FY2017/18 to Baht 214.6 million.

14.7 Major factors and influence potentially affecting future operations or financial position

The Group's performance is greatly dependent to the development of the automotive industry and economy in the country that we operate namely Thailand, Malaysia, Indonesia and India. The vehicle production volume is an important driver for the manufacture of automotive parts business in Thailand, Malaysia, Indonesia and India, where the Group's revenue tends to move in the same trend as the industry's performance. Apart from the industry's performance, the other factors that would affect the performance of the Group are as follows:

14.7.1 Exchange rate

Although the Group's policy for subsidiaries in Thailand, Malaysia, Indonesia and India was to manufacture and distribute to local OEMs in local currency, subsidiaries in the Group might have intercompany transactions occurred during the period. The Group's income statement over the past years had been recognized on foreign exchange gain and loss mainly due to the elimination of intercompany transactions in local currency and foreign currency at the end of the period as

compared to the transaction date in the future. If the exchange rate fluctuated, net profit of the Group might be affected by the recognition of foreign exchange gains or losses arising from the exchange rate when eliminating of intercompany transactions. In some cases, the Group might need to buy raw materials and equipment for manufacturing from other country which would have affected the Group by exchange rate changes as well.

14.7.1 Rate of interest

As at 31 January 2019, the Group had long-term loans from financial institutions amounting to Baht 566.2 million. Some loan agreements included floating interest rates of MLR - 1.50, COF + 1.25% and COF + 1.75. %. Then if interest rates in financial markets had changed significantly, it would also significantly affect business performance of the Group.

In view of the volatility and increased uncertainties in the economy globally, the Group will continue its close monitoring of the development of the automotive industry in key major markets. In preparation of the challenges ahead, the Group continued to focus on controlling cost activities and cost reduction measures, as well as improving efficiency and efficient use of resources across the organization. At the same time, the Group is exploring new opportunities and new markets to grow. The Group will also continue to emphasis on quality, cost, delivery, morale and safety to meet customers' high standard requirements and continuous improvement across the organization.