

Annual Report for 2017



Shin Heung Precision Slovakia s.r.o.



*Smer Duslo Šaľa, súp. č. 7236
927 03 Šaľa – Veča
IČO: 35889519
IČ DPH: 2021844814*

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1. Identification data

1.1 Basic informatin, corporate bodies

Business name	Shin Heung Precision Slovakia s.r.o.
Company registration no.	35889519
Tax registrastion no.	2021844814
IČ DPH	SK2021844814
Registered address	Smer Duslo Šaľa súp.č. 7236, 927 01 Šaľa - Veča
Business register	Obch.reg.okresného súdu Trnava, odd.Sro, vložka č. 28331/T
Founded	11.6.2004
Managing director	Young-Hoon Chun

- Statutory Body of Shin Heung Precision Slovakia s.r.o. is the manager of the company.

Managing director: Young-Hoon Chun
Kukdong Green Apt. Oksu-dong 101-1909 dong
Eeongdong-gu, Seoul
Korejská republika

The manager signs the documents separately.

- The company has no obligation nor has voluntarily established a supervisory board.

1.2 Founder of the company

The founder of the company is the company Shin Heung Precision Co., Ltd., headquartered:
222-2, Shinneung-ri, Seowoon-myeon, Anseong City, Gyeonggi-do, Kórejská republika.

The sole shareholder of the company is a founding company Shin Heung Precision Co., Ltd. with 100% equity participation. Founder of the company in Slovakia owns a total of 18 subsidiaries in 8 countries of Asia and Europe. The consolidated statement is processed and approved by the audit firm in Korea.

1.3 The business activities

The subject of the company's activities is:

- ◆ Production, assembly and distribution of electronic parts and components
- ◆ Manufacture of plastic products
- ◆ Production and distribution of automotive components
- ◆ Purchase of goods for sale to the final consumer (retail) in the scope of free trade.)
In the scope of free trade
- ◆ Purchase of goods for sale to other trades (wholesale) in the scope of free trade
- ◆ Business advice within the scope of free trade

The aforementioned activities are carried out by the company for Slovakian customers as well as customers from other EU countries as well as from third countries eg from Turkey.

1.4 Additional information

Profit or loss for 2017	-900,900
Paid equity (acc. 411)	16,970,147
Legal reserve fund (acc 417 to 421)	628,602
Average quantity of employees	236.1
Main activity	Production, assembly and distribution of electronic p

- the Company's accounting period is the calendar year.
- the legal form of the company is a limited liability company (s.r.o.)
- The company does not have a branch or branch in the Czech Republic.
- The company is 100% owned by the subsidiary company in the Czech Republic Shin Heung CZ s.r.o.
- The company is 100% owned by a subsidiary in Turkey Shinheung Tr Endustriyel Sanay Ve Ticaret Limited

1.5 History and subject of business

Shin Heung Precision Slovakia s.r.o. was established on June 11, 2004, as evidenced by the entry in the Commercial Register at the District Court in Trnava, file no. : 28331 / N, 11 June 2004.

The Company was established by the Articles of Association of 28 April 2004 and her Amendment No. 1 dated June 7, 2004, pursuant to § 57, 105 et seq. commercial code. Since the beginning the company has been one of Samsung's leading suppliers. The basic activity of the company was the production of plastic products and metal moldings. At the same time, the production of electronic components was developed. Breakthrough 2009 - 2010, plastic production was abolished. This was moved to a sister company in Romania.

In 2010, production began to be centralized into Šála. This centralization culminated in 2013, when production was realized only in the production premises in Šála, the building and land in Nové Zámky were not used. They functioned only as a warehouse for machinery, equipment, materials and spare parts.

In 2014, the company expanded her production about automotive products. The location of the automotive product purchaser (DAS) is Hranice na Moravě, Czech Republic. At the same time, company has decided to establish a subsidiary, Shin Heung CZ, which was established on 13.11.2014. This collaboration became a stable part of the company's production program in 2017.

In 2015, the company began to cooperate with the Turkish company DAS. This collaboration is the result of trying to get a good name in the automotive industry. Behind the making orders in Turkey or increasing supply for the Czech DAS is to improve the quality of production and obtain the certificates required for manufacturing companies in the automotive industry. Good cooperation, good timely deliveries ensured to our company in 2017 the increase of supplies for DAS TR and DAS CZ.

Production development in 2017 was marked by the upgrading of the main production, which meant increased production efficiency - automatization and safety at work.

At the same time, production for the automotive industry has increased. The Polish company MANDO and the Czech company OFIR joined to DAS CZ and DAS TR. All of these companies produce components for KIA, Hyundai and BMW.

Due to the high costs of maintaining the property in Nové Zámky, the company decided to sell it. The sale of real estate passed in 2016.

This year (2017) was the beginning of cooperation with several new customers in the automotive sector. Production was started for HANWA CZ, for which our company tested production and new forms. These forms were transferred to Hanwa in 2017 and in 2018 should begin the small-scale production. Production also began for Techniplast SP. z o.o. Poland. Both companies produce components for the automotive industry.

Other new types of company production include products for the company THE LINK s.r.o. - Senec.

Free production capacities and experiences in the production of metallic moldings have been used in the manufacture of metal components for large-screen televisions, which the company used to obtain a manufacturing contract for Arcellic A.S. Turkey. New contracts started in 2017, and production will increase by about 5% in 2018.

This year, the company produced for Hungarian company Sangjin Micron. Estimated cooperation was agreed for a period of one year, where our company will test the production. This will continue partially in 2018, until June, when based on further negotiations will lead to a decision about continue of production.

The company established a subsidiary in Turkey in 2017 (Shinheung Tr Endustriyel Sanay Ve Ticaret Limited). This company will produce metal components for the Turkish manufacturer "BECO".

The year 2017 was marked by many changes that mainly concerned the production structures and new business partners. Cooperation successfully developed with DAS Turkey, serial production began for OFIR and Mando. As production capacities have been released on 500 and 600 tonne press machines areas, these have successfully been offered to Arcelik, Turkey, to produce back covers for large-format televisions.

1.6 Goal and plans for the future - 2018

For 2018, the company has the goal of maintaining production quality and stabilizing the company's position on the Slovak market. It is only possible by monitoring the latest production processes and to use materials that are compact with new modern manufacturing processes.

In the next period, it is an important goal to further expand trading on the whole European market. Maintaining and developing the automotive business is a priority of the company's business policy.

In 2018, the company continues to plan to help stabilize production in the Shin Heung CZ subsidiary, and to seek a quick return on investment.

At the same time, the company is expanding cooperation on the Turkish market. In 2017, it opened a new plant - a subsidiary in Turkey. The subsidiary will produce products for the electrical appliance manufacturer BEKO - Turkish business partner Arcelic Turkey.

For Arcelic Turkey, the company started to produce the metal products for televisions in 2017. We plan to develop the mentioned production for further periods.

Regarding the demand of employment, the effort of the company is not to reduce the number of jobs. The company wants to continue to increase its qualifications for her employees.

2. Generally information

2.1 Quality management system

In 2017, the company continued to work on obtaining a new certificates and worked on defending certificates. (ISO: 9001; ISO: 14001; and OHSAS 18001). Customer's satisfaction is a priority for the company as well as for her employees.

2.2 Structure of production

a) PDP metal press:

- Metal press - Automatic Metal Stamping Machine - (PDP Line), deals with the manufacture of back covers for Samsung Galanta. PDP Line is a fully automated line for the production of metal moldings. In 2013, the line was moved from Nové Zámky to a new production hall in Šála. This was specialized mainly on new products for Samsung (Chassis Bottom)



b) Metal press - the main task of the metal working in Šála is the production of cover frames and specializes mainly in the production of special components for new products and products which are demanding for production.



c) Assembly - special components for Samsung are assembled on the assembly department. This department is characterized by quality work, which has been valued several times by Samsung's suppliers. The department is characterized by demanding production which requires special working conditions. In the working environment at the assembly department, is necessary to ensure dust free area and maximum purity. At the same time, antistatic conditions for production are secured in this section.



d) Automotive - the center focuses mainly on production for the automotive industry (DAS Czech Republic s.r.o.) and from 2015 started production at the center for the subsidiary company Shin Heung CZ, which will deal with welding of the supplied moldings for DAS Czech Republic s.r.o. At the same time, the production for DAS Turkey is increasing. Sales of products for DAS Turkey are realized in regular intervals.



The company was employed in 2017:

-249 staff, out of which were 34 lead employees. At the same time, the company provides a year-long job for agency staff. The average number of agency staff in 2017 was 563. The number of agency employees changes based on needed for production, which is influenced by the amount of orders. The minimum number of agency employees in 2017 is around 350 (from May to July), while in the remaining period, the number of agency employees has reached 800 people per month. The total number of agency employees as of December 31, 2017 was 563.

3. Compulsory information

3.1 Balance sheet - 2017

	31. decembra 2017	31. decembra 2016
Assets		
Non-current assets	23,582,056	22,320,001
Current assets	13,586,332	13,404,251
Accruals / deferrals total	379,497	487,107
Assets total	37,547,885	36,211,359
Equity		
Share capital	16,970,147	16,970,147
Net profit/loss of previous years and legal reserve funds	-946,566	-45,666
Equity total	16,023,581	16,924,481
Liabilities		
Non-current liabilities	150,684	146,478
Current liabilities	10,138,054	11,242,087
Accruals / deferrals	3,157	0
Rezerv	187,348	167,399
Bank loan	11,045,061	7,730,914
Liabilities total	21,524,304	19,286,878

Commentary to the balance sheet - assets:

- Based on an inventory of non-current assets carried out between 18 December and 28 December, 2017, there was a revaluation of accounting and tax depreciation in accordance with § 28 par. 4 of the Act on Accounting and this was reflected in the depreciation of long-term assets, after approval by the parent company.

- Based on the fact that LTA machines that were originally used in Nové Zámky areas and which are not currently used are stored and ready for sale or new use in production. New production is gradually starts from 2017 and culminates in an increase of production in 2018 and 2019. Therefore, the company has approved the suspension of accounting and tax depreciation (within the meaning of Section 22 (9) of the Income Tax Act).

- The Company records financial assets by:

a) Loans to subsidiaries

- Shin Heung CZ s.r.o. - 485.000 EUROS

- Shin Heung TR - 600,000 EUROS

(b) Input of basic capital to the subsidiary

- Shin Heung CZ s.r.o. - CZK 130,000 (NBS = 25,535, ie EUR 5,091.05)

- Shin Heung TR - 100,000 TRY (NBS = 4,5464, ie 21,995.42 euros)

Commentary to the balance sheet - liabilities:

- The total share capital of the company in the amount of 16 970 147 registered in the Commercial register is paid.

- The Company creates a statutory reserve fund in accordance to the trade. by law.

- Reserves are formed mainly by reserves for unused holidays, retirement, reserve for audit of financial statement and reserve for consolidated financial statement, reserve for work-related accidents, reserve for possible costs due to a dispute caused by a work agency.

- The company has both long-term and short-term bank loans.

a.) the amount of long-term loans is - EUROS 4.645.750 - the increase has caused by a new medium-term loan, which the company has taken to finance the initial costs of setting up a subsidiary in Turkey.

b) the amount of short-term loans is - EUROS 6.399.311 - and consists of a short-term part of loans and authorized overdrafts of current accounts.

3.2 *Income statement - 2017*

	31. decembra 2017	31. decembra 2016
Net turnoer	75,733,371	86,116,747
Operating income	76,454,759	86,935,655
Operating expenses	77,145,893	86,309,088
Profit /loss from operations	-691,134	626,567
Added value	4,459,476	14,406,691
Income from financial activities	5,753	18,402
Expenses related to financial activities	216,008	246,119
Profit / loss from financial activities	-210,255	-227,717
Profit / loss for the accounting period before tax	-901,389	398,850
Income tax - current (591.595)	2,880	259,640
Income tax - deferred (+/-) (592)	-3,369	-125,029
Income tax	-489	134,611
Profit / loss for the accounting period after tax	-900,900	264,239

Comment to the profit and loss statement (income statement):

- The company recorded a decrease in revenues from economic activity, mainly due to a change in the structure of products when the contractor needed to adapt the production. Delivering of service items has lead to slip in production, high time demands and extra demands on wage and service costs

- The loss from management of financial activity has decreased.

3.3 *Capital stock*

There was no change in the share capital in 2017

3.4 Annual accounts 2017

4. Information about events of particular interest

4.1 Proporsal for profit distributin - compensation for

The company did not earn profit in 2017, but she didn't create the reserve fund. A loss of EUR -900,899.19 is proposed to be charged to the account of past losses of previous periods

4.2 Foreign organization units

The company does not have a foreign org. units., only subsidiaries.

Subsidiary

- Shin Heung CZ, Hranice na Moravě, founded in 2014 - IČO - 03566595
- Shinheung Tr Endustriyel Sanay Ve Ticaret Limited - IČO - 7690908717

For both subsidiaries, our company has a 100% equity interest.

4.3 Commintments of the Company to the Slovak Republic

Shin Heung Precision Slovakia is a company that fulfills her commitments to employees and to the republic without delay. All statutory obligations, such as tax, insurance, customs duties has been settled to December 31, 2017.

4.4 Social policy

Shin Heung Precision is a company that seeks to motivate with various forms of social benefits such as:

- a contribution from the Social Fund,
- secure travel by public transport
- Regular preventive medical examinations

4.5 Human resources

Work positions in the company are still inspected, for fullfilling all safety conditions. The company provides quality protective equipment. All jobs are regularly trained and assigned to new product types.

5. Additional information

5.1 Certificates and awards

In 2017, the company continued to defend the acquired certificates from 2014 (ISO: 9001; ISO: 14001; and OHSAS 18001).

At the same time, in 2017, actively worked on the acquisition of TS-16949: 2009; issued by IATF to align the requirements of national automotive standards. Obtaining this certificate will enable the company to gain further opportunities to apply, especially in the automotive industry.

6. Obligatory approvals

Shin Heung Precision Slovakia s.r.o. for 2016, prepared her financial statements in the following structure:

- Financial statements of entrepreneurs in double-entry bookkeeping 2017 Annex 1
- Notes to the Financial Statements - including CASH FLOW - No. 2
- Auditor's report from verification of the financial statement for 2017

The financial statements were prepared in accordance with Act No. 431/2002 Coll. On accounting and measures of the Ministry of Finance of the Slovak Republic for the preparation of the financial statements of entrepreneurs. As of 31 December 2016, the Company processed her income tax return pursuant to Act No. 595/2003 Coll. On Income Taxes

Audit verification of the financial statements was carried out by the Auditor's Expert Company Audítorská znalecká spoločnosť s.r.o.; (SKAU license No. 264), the responsible auditor Ing. Ľudmila Poláčeková, approved at General meeting on 28.6.2017. The auditor's opinion is stated in item no. 6 annual report.

7. Auditor's report

Attachments

Financial accounts of entrepreneurs in double - entry bookkeeping 2017

Notes to the Financial Statements 2017

Independent Auditor's Report on the Verification of Financial Statements to December 31,