

Alucon Public Company Limited

Interim financial statements
for the three-month and six-month periods ended
30 June 2015
and
Independent Auditor's Report
on Review of Interim Financial Information

Independent Auditor's Report on Review of Interim Financial Information

To the Board of Directors of Alucon Public Company Limited

I have reviewed the accompanying statement of financial position of Alucon Public Company Limited as at 30 June 2015; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2015; the statements of changes in equity and cash flows for the six-month period ended 30 June 2015; and condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standards 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".

(Banthit Tangpakorn)
Certified Public Accountant
Registration No. 8509

KPMG Phoomchai Audit Ltd.
Bangkok
14 August 2015

Alucon Public Company Limited
Statement of financial position

Assets	<i>Note</i>	30 June 2015 (Unaudited)	31 December 2014
		<i>(in thousand Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents		105,994	50,621
Trade accounts receivable	3, 4	1,038,752	912,842
Inventories		1,386,141	1,371,214
Refundable value added tax		25,854	64,903
Other current assets		12,766	9,641
Total current assets		<u>2,569,507</u>	<u>2,409,221</u>
<i>Non-current assets</i>			
Property, plant and equipment	3, 5	4,272,172	4,366,964
Intangible assets		9,857	8,346
Deferred tax assets		54,429	64,365
Other non-current assets		304	304
Total non-current assets		<u>4,336,762</u>	<u>4,439,979</u>
Total assets		<u><u>6,906,269</u></u>	<u><u>6,849,200</u></u>

The accompanying notes are an integral part of these financial statements.

Alucon Public Company Limited
Statement of financial position

Liabilities and equity	<i>Note</i>	30 June 2015 (Unaudited)	31 December 2014
<i>(in thousand Baht)</i>			
<i>Current liabilities</i>			
Bank overdrafts and short-term loans			
from financial institutions		157,415	134,834
Trade accounts payable	3, 6	234,396	369,436
Other payable to and short-term loans from related parties	3	1,622,722	1,383,678
Other payables		197,895	196,693
Income tax payable		77,204	62,167
Other current liabilities		21,029	21,467
Total current liabilities		<u>2,310,661</u>	<u>2,168,275</u>
<i>Non-current liabilities</i>			
Deferred income		26,536	29,405
Employee benefit obligations		485,094	483,296
Total non-current liabilities		<u>511,630</u>	<u>512,701</u>
Total liabilities		<u>2,822,291</u>	<u>2,680,976</u>
<i>Equity</i>			
Share capital:			
Authorised share capital		432,000	432,000
Issued and paid-up share capital		432,000	432,000
Additional paid-in capital			
Premium on ordinary shares		254,000	254,000
Retained earnings:			
Appropriated			
Legal reserve		43,200	43,200
Unappropriated		3,354,778	3,439,024
Total equity		<u>4,083,978</u>	<u>4,168,224</u>
Total liabilities and equity		<u>6,906,269</u>	<u>6,849,200</u>

The accompanying notes are an integral part of these financial statements.

Alucon Public Company Limited
Statement of comprehensive income (Unaudited)

	<i>Note</i>	Three-month period ended		Six-month period ended	
		30 June		30 June	
		2015	2014	2015	2014
<i>(in thousand Baht)</i>					
<i>Income</i>					
Revenue from sale of goods	3, 7	1,458,889	1,494,761	2,885,324	2,882,500
Net foreign exchange gain		18,479	3,020	14,449	4,022
Other income		48,758	46,261	99,949	84,236
Total income		<u>1,526,126</u>	<u>1,544,042</u>	<u>2,999,722</u>	<u>2,970,758</u>
<i>Expenses</i>					
Cost of sale of goods	3	1,191,872	1,179,592	2,394,311	2,259,515
Selling expenses	3	38,261	39,930	74,100	82,773
Administrative expenses	3	39,995	40,759	82,271	82,482
Finance costs	3	7,223	6,374	14,125	13,175
Total expenses		<u>1,277,351</u>	<u>1,266,655</u>	<u>2,564,807</u>	<u>2,437,945</u>
Profit before income tax expense		248,775	277,387	434,915	532,813
Income tax expense		49,840	49,505	87,161	96,324
Profit for the period		<u>198,935</u>	<u>227,882</u>	<u>347,754</u>	<u>436,489</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>198,935</u>	<u>227,882</u>	<u>347,754</u>	<u>436,489</u>
Basic earnings per share (<i>in Baht</i>)	8	<u>4.60</u>	<u>5.28</u>	<u>8.05</u>	<u>10.10</u>

The accompanying notes are an integral part of these financial statements.

Alucon Public Company Limited
Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2015	2014
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	347,754	436,489
<i>Adjustments for</i>		
Depreciation	243,995	202,511
Amortisation of intangible assets	1,007	888
Recognised deferred income	(2,869)	(2,869)
Interest income	(86)	(157)
Finance costs	14,125	13,175
Unrealised (gain) loss on exchange	(2,632)	1,829
Reversal of loss from devaluation of inventories	(6,977)	(182)
(Gain) loss on disposal of equipment	(214)	127
Provision for employee benefit obligations	35,575	39,007
Income tax expense	87,161	96,324
	<u>716,839</u>	<u>787,142</u>
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(121,134)	(180,809)
Inventories	(7,950)	128,171
Refundable value added tax	39,049	44,142
Other current assets	(3,129)	(6,749)
Other non-current assets	-	(15)
Trade accounts payable	(135,292)	94,306
Other payables to related parties	(1,253)	(9,942)
Other payables	66,025	(90,620)
Other current liabilities	(438)	(3,282)
Cash generated from operating activities	<u>552,717</u>	<u>762,344</u>
Income tax paid	(62,188)	(72,141)
Employee benefit obligations paid	(33,777)	(15,547)
Net cash from operating activities	<u>456,752</u>	<u>674,656</u>

The accompanying notes are an integral part of these financial statements.

Alucon Public Company Limited

Statement of cash flows (Unaudited)

	Six-month period ended	
	30 June	
	2015	2014
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Interest received	90	156
Purchase of plant and equipment	(214,066)	(215,595)
Sale of equipment	232	364
Purchase of intangible assets	(2,659)	-
Net cash used in investing activities	(216,403)	(215,075)
<i>Cash flows from financing activities</i>		
Finance costs paid	(13,710)	(15,545)
Dividends paid	(432,000)	(345,600)
Increase in bank overdrafts	20,734	12,924
Proceeds from short-term loans from related party	240,000	-
Proceeds from short-term loans from financial institution	55,604	-
Payments of short-term loans from financial institution	(55,604)	-
Net cash used in financing activities	(184,976)	(348,221)
Net increase in cash and cash equivalents	55,373	111,360
Cash and cash equivalents at 1 January	50,621	69,052
Cash and cash equivalents at 30 June	105,994	180,412

Non-cash transactions

During the period ended 30 June 2015, the Company acquired plant and equipment totalling Baht 149 million (2014: Baht 294 million), cash payments of Baht 214 million (2014: Baht 216 million) were made to purchase plant and equipment.

The accompanying notes are an integral part of these financial statements.

Alucon Public Company Limited
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2015 (Unaudited)

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Alucon Public Company Limited
Notes to the interim financial statements
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These notes form an integral part of the 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 14 August 2015.

1 General information

Alucon Public Company Limited, “the Company”, is incorporated in Thailand and has its registered head office at 500 Moo 1, Soi Sirikam, Sukhumvit 72 Road, North Samrong, Muang, Samut Prakarn. Another plant at Chonburi is located at 272/5, Moo 3, Bor Win, Sriracha, Chonburi.

The Company was listed on the Stock Exchange of Thailand in November 1989 and converted to a public company in May 1994.

The parent company during the financial period was Takeuchi Press Industries Company Limited, incorporated in Japan, who held 66.84% of the paid-up share capital.

The principal businesses of the Company are producing and distributing aluminium containers such as aluminium collapsible tubes, aluminium monobloc aerosol cans, aluminium rigid wall containers, aluminium bottles, technical impact extrusions, aluminium slugs (blanks), aluminium coils, aluminium pellets, strips, plates, etc.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2014) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2014. They 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 2014.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2014 except that the Company has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2015. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Company.

(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

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(c) Judgements and estimates

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2014.

3 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with related parties were as follows;

Name of entities	Country of incorporation	Nature of relationships
Takeuchi Press Industries Company Limited Key management personnel	Japan	Parent, 66.84% shareholding Person 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 transactions with related parties are explained further below:

Transactions	Pricing policies
Revenue from sale of goods	The market price or the price based on the memorandum of understanding. The selling price structure with the parent company is based on the actual cost incurred plus gross margin rate including the consideration of size, sale volume, country and transportation
Purchase of raw materials and spare parts	The market price
Purchase of machinery and equipment	The market price
Interest expense	1.20 - 1.90% per annum in 2015 and 1.75 - 2.50% per annum in 2014
License fee	Percentage of sales amount as determined in an agreement
Commission expenses	Percentage of sales amount as determined in an agreement
Key management personnel compensation	Amount approved by the directors and / or the shareholders

Alucon Public Company Limited
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Significant transactions for the three-month and six-month periods ended 30 June 2015 and 2014 with related parties were as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2015	2014	2015	2014
	<i>(in thousand Baht)</i>			
Parent				
Revenue from sale of goods	238,682	258,301	459,310	501,119
Purchase of raw materials and spare parts	3,066	2,941	5,564	7,079
Purchase of machinery and equipment	554	728	3,817	728
Interest expense	6,125	5,319	11,951	11,161
License fee	5,311	5,639	11,239	13,028
Commission expenses	690	764	1,343	1,630
Other expenses	-	2	27	31
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	15,429	15,083	30,814	30,147
Post-employment benefits	1,339	1,145	2,677	2,290
Total	16,768	16,228	33,491	32,437

Balances as at 30 June 2015 and 31 December 2014 with related parties were as follows:

Trade account receivable from related party

	30 June 2015	31 December 2014
	<i>(in thousand Baht)</i>	
Parent		
Takeuchi Press Industries Company Limited	<u>53,425</u>	<u>55,472</u>

Trade account payable to related party

	30 June 2015	31 December 2014
	<i>(in thousand Baht)</i>	
Parent		
Takeuchi Press Industries Company Limited	<u>154</u>	<u>1,872</u>

Alucon Public Company Limited
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Other payable to and short-term loans from related parties

	Interest rate		30 June 2015	31 December 2014
	30 June 2015	31 December 2014		
	(% per annum)		(in thousand Baht)	
Short-term loans				
Parent				
Takeuchi Press Industries Company Limited	1.20 - 1.90	1.75 - 1.90	1,608,000	1,368,000
Other payables				
Parent				
Takeuchi Press Industries Company Limited			-	116
Accrued license fee				
Parent				
Takeuchi Press Industries Company Limited			5,311	4,677
Accrued commission				
Parent				
Takeuchi Press Industries Company Limited			689	701
Accrued interest expense				
Parent				
Takeuchi Press Industries Company Limited			6,572	6,159
Accrued management's remuneration and other benefits				
Key management personnel			2,150	4,025
Total			<u>1,622,722</u>	<u>1,383,678</u>

Movements during the six-month periods ended 30 June 2015 and 2014 of short-term loans from related party were as follows:

<i>Six-month period ended 30 June</i>	2015	2014
	(in thousand Baht)	
Short-term loans		
Parent		
At 1 January	1,368,000	1,088,000
Increase	240,000	-
At 30 June	<u>1,608,000</u>	<u>1,088,000</u>

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Significant agreement with related party

Technical license agreement

The Company entered into a technical license agreement with Takeuchi Press Industries Company Limited, the parent company. Under the term of the agreement, the parent company agrees to provide technical assistance inclusive technical information and know-how, equipment for manufacturing and rights to sell the products. The Company is committed to pay a license and commission fee as indicated in the agreement. This agreement is valid for 10 years and shall be renewed automatically from year to year unless either party notifies the other party by a written notice at least 6 months prior to the expiration of the agreement.

Commitments for purchase of raw materials and spare parts

	30 June 2015	31 December 2014
	<i>(in thousand Baht)</i>	
Parent		
Takeuchi Press Industries Company Limited	<u>8,480</u>	<u>5,578</u>

Significant memorandum of understanding

On 9 February 2015, the Company entered into a memorandum of understanding with Takeuchi Press Industries Company Limited to supply aluminium slugs in quantity of about 6,000 MT for the production of aluminum monobloc aerosol cans and collapsible tubes for a period from April 2015 to March 2016.

4 Trade accounts receivable

	<i>Note</i>	30 June 2015	31 December 2014
		<i>(in thousand Baht)</i>	
Related party	3	53,425	55,472
Other parties		<u>985,327</u>	<u>857,370</u>
Total		<u>1,038,752</u>	<u>912,842</u>

Aging analyses for trade accounts receivable were as follows:

	30 June 2015	31 December 2014
	<i>(in thousand Baht)</i>	
Related party		
Within credit terms	<u>53,425</u>	<u>55,472</u>
Other parties		
Within credit terms	801,578	692,318
Overdue:		
Less than 3 months	183,559	163,718
3 - 6 months	109	1,031
6 - 12 months	72	303
Over 12 months	9	-
	<u>985,327</u>	<u>857,370</u>
Total	<u>1,038,752</u>	<u>912,842</u>

The normal credit term granted by the Company ranges from 7 days to 90 days.

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5 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month periods ended 30 June 2015 and 2014 were as follows:

<i>Six-month period ended 30 June</i>	2015		2014	
	Acquisitions and transfers - at cost	Disposals - net book value <i>(in thousand Baht)</i>	Acquisitions and transfers - at cost	Disposals - net book value
Land improvement	6,158	-	786	-
Buildings and building improvement	10,244	-	9,451	(242)
Machinery and equipment	211,561	(18)	452,836	(249)
Office equipment	9,294	-	295	-
Spare parts	1,445	-	8,082	-
Construction in progress	(89,481)	-	(177,514)	-
Total	149,221	(18)	293,936	(491)

6 Trade accounts payable

	Note	30 June 2015	31 December 2014
		<i>(in thousand Baht)</i>	
Related party	3	154	1,872
Other parties		234,242	367,564
Total		234,396	369,436

7 Segment information

The Company has two reportable segments. The following summary describes the operations in each of the Company's reportable segments.

Segment 1 Can and tube
Segment 2 Slug

Information about reportable segments

<i>Three-month period ended 30 June</i>	Segment 1		Segment 2		Total	
	2015	2014	2015	2014	2015	2014
	<i>(in thousand Baht)</i>					
Revenue from sale of goods	904,925	898,749	553,964	596,012	1,458,889	1,494,761
Segment result	212,323	228,221	54,694	86,948	267,017	315,169
	<i>(in thousand Baht)</i>					
	2015		2014		2014	
	2015		2014		2014	
	<i>(in thousand Baht)</i>					
Revenue from sale of goods	1,792,190	1,771,854	1,093,134	1,110,646	2,885,324	2,882,500
Segment result	399,273	478,887	91,740	144,098	491,013	622,985

Alucon Public Company Limited
Notes to the interim financial statements
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8 Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2015 and 2014 were based on the profit for the periods attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2015	2014	2015	2014
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to equity holders of the Company	198,935	227,882	347,754	436,489
Number of ordinary shares outstanding	43,200	43,200	43,200	43,200
Basic earnings per share (in Baht)	4.60	5.28	8.05	10.10

9 Dividends

At the annual general meeting of the shareholders of the Company held on 27 April 2015, the shareholders approved the appropriation of cash dividends of Baht 10 per share, amounting to Baht 432 million. The dividend was paid to shareholders in May 2015.

At the annual general meeting of the shareholders of the Company held on 18 April 2014, the shareholders approved the appropriation of cash dividends of Baht 8 per share, amounting to Baht 345.6 million. The dividend was paid to shareholders in May 2014.

10 Commitments with non-related parties

	30 June 2015	31 December 2014
	<i>(in thousand Baht)</i>	
Capital commitments		
Contracted but not provided for:		
Factory, machinery and equipment	107,025	51,048
Other commitments		
Unused letters of credits	1,578	10,632
Purchase orders accepted by suppliers		
Within one year	996,235	1,582,763
After one year but within five years	484,549	381,986
	<u>1,480,784</u>	<u>1,964,749</u>
Commodity price swap agreement	7,857	15,595
Bank guarantees	25,799	25,799
Total	<u>1,516,018</u>	<u>2,016,775</u>

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Purchase orders accepted by suppliers

As at 30 June 2015, the Company had purchase orders accepted by suppliers for purchase of aluminium ingot for a total quantity of 28,802 MT (*31 December 2014 : 35,514 MT*), at the prices in the range of YEN 123,000 - 127,100 per MT and at the price as determined in purchase orders (*31 December 2014: at the prices in the range of YEN 123,000 - 127,100 per MT and at the price as determined in purchase orders*) that will be delivered during 2015 to 2016 (*31 December 2014: 2015 to 2016*).

Commodity Price Swap agreement

As at 30 June 2015, the Company had a Commodity Price Swap agreement to hedge the risk of aluminium price fluctuation with a foreign financial institution for a quantity of 25 MT per month, maximum totaling 1,800 MT, at a price of YEN 188,000 per MT. This agreement is for 6 years from 1 January 2010 to 31 December 2015.