

Alucon Public Company Limited

Interim financial statements
for the three-month and six-month periods ended
30 June 2014
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 2014; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2014; the statement of changes in equity and cash flows for the six-month period ended 30 June 2014; 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 2014

Alucon Public Company Limited
Statement of financial position

Assets	<i>Note</i>	30 June 2014 (Unaudited)	31 December 2013
		<i>(in thousand Baht)</i>	
<i>Current assets</i>			
Cash and cash equivalents		180,412	69,052
Trade accounts receivable	3, 4	1,059,987	879,255
Inventories		871,634	999,624
Refundable value added tax		21,043	65,185
Other current assets		14,195	7,446
Total current assets		2,147,271	2,020,562
<i>Non-current assets</i>			
Property, plant and equipment	3, 5	4,091,412	4,000,478
Intangible assets		8,915	9,639
Deferred tax assets		70,976	76,920
Other non-current assets		224	209
Total non-current assets		4,171,527	4,087,246
Total assets		6,318,798	6,107,808

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 2014 (Unaudited)	31 December 2013
<i>(in thousand Baht)</i>			
<i>Current liabilities</i>			
Bank overdrafts and short-term loans			
from financial institutions		159,279	144,653
Trade accounts payable	3, 6	332,241	237,891
Other payable to and short-term loans			
from related parties	3	1,101,882	1,114,184
Other payables		250,666	262,786
Income tax payable		90,366	72,128
Other current liabilities		18,940	22,222
Total current liabilities		1,953,374	1,853,864
<i>Non-current liabilities</i>			
Deferred income		32,321	35,190
Employee benefit obligations		479,118	455,658
Total non-current liabilities		511,439	490,848
Total liabilities		2,464,813	2,344,712
<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		3,124,785	3,033,896
Total equity		3,853,985	3,763,096
Total liabilities and equity		6,318,798	6,107,808

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

Alucon Public Company Limited
Statement of comprehensive income (Unaudited)

		Three-month period ended		Six-month period ended	
		30 June		30 June	
	<i>Note</i>	2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
<i>Income</i>					
Revenue from sale of goods	3, 7	1,494,761	1,281,362	2,882,500	2,611,965
Net foreign exchange gain		3,020	15,865	4,022	8,382
Other income		46,261	30,242	84,236	68,063
Total income		1,544,042	1,327,469	2,970,758	2,688,410
<i>Expenses</i>					
Cost of sale of goods	3	1,179,592	1,032,692	2,259,515	2,079,030
Selling expenses	3	39,930	38,614	82,773	73,021
Administrative expenses	3	40,759	37,894	82,482	77,504
Finance costs	3	6,374	7,109	13,175	13,628
Total expenses		1,266,655	1,116,309	2,437,945	2,243,183
Profit before income tax expense		277,387	211,160	532,813	445,227
Income tax expense		49,505	38,718	96,324	80,969
Profit for the period		227,882	172,442	436,489	364,258
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		227,882	172,442	436,489	364,258
Basic earnings per share <i>(in Baht)</i>	8	5.28	3.99	10.10	8.43

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

Alucon Public Company Limited

Statement of changes in equity (Unaudited)

		Issued and paid-up share capital	Additional paid-in capital Premium on ordinary shares	Retained earnings Legal reserve	Unappropriated	Total equity
	<i>Note</i>					
<i>(in thousand Baht)</i>						
Six-month period ended 30 June 2013						
Balance at 1 January 2013		432,000	254,000	43,200	2,657,051	3,386,251
Transactions with owners, recorded directly in equity						
<i>Distribution to owners of the Company</i>						
Dividends to owners of the Company	9	-	-	-	(302,400)	(302,400)
<i>Total distribution to owners of the Company</i>		-	-	-	(302,400)	(302,400)
Total transactions with owners, recorded directly in equity		-	-	-	(302,400)	(302,400)
Comprehensive income for the period						
Profit for the period		-	-	-	364,258	364,258
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	364,258	364,258
Balance at 30 June 2013		432,000	254,000	43,200	2,718,909	3,448,109

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

Alucon Public Company Limited

Statement of changes in equity (Unaudited)

		Issued and paid-up share capital	Additional paid-in capital Premium on ordinary shares	Retained earnings Legal reserve	Unappropriated	Total equity
	<i>Note</i>					
<i>(in thousand Baht)</i>						
Six-month period ended 30 June 2014						
Balance at 1 January 2014		432,000	254,000	43,200	3,033,896	3,763,096
Transactions with owners, recorded directly in equity						
<i>Distribution to owners of the Company</i>						
Dividends to owners of the Company	9	-	-	-	(345,600)	(345,600)
<i>Total distribution to owners of the Company</i>		-	-	-	(345,600)	(345,600)
Total transactions with owners, recorded directly in equity		-	-	-	(345,600)	(345,600)
Comprehensive income for the period						
Profit for the period		-	-	-	436,489	436,489
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	436,489	436,489
Balance at 30 June 2014		432,000	254,000	43,200	3,124,785	3,853,985

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	
	2014	2013
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	436,489	364,258
<i>Adjustments for</i>		
Depreciation	202,511	215,234
Amortisation of intangible assets	888	888
Recognised deferred income	(2,869)	(2,869)
Interest income	(157)	(266)
Finance costs	13,175	13,628
Unrealised loss (gain) on exchange	1,829	(21,746)
(Reversal of) provision for loss from devaluation of inventories	(182)	162
Loss on disposal of equipment	127	173
Income tax expense	96,324	80,969
	<u>748,135</u>	<u>650,431</u>
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(180,809)	(89,610)
Inventories	128,171	(80,983)
Refundable value added tax	44,142	(8,804)
Other current assets	(6,749)	(10,628)
Other non-current assets	(15)	-
Trade accounts payable	94,306	103,041
Other payables to related parties	(9,942)	(480)
Other payables	(90,620)	78,437
Other current liabilities	(3,282)	2,064
Employee benefit obligations	23,460	22,987
	<u>746,797</u>	<u>666,455</u>
Cash generated from operating activities	746,797	666,455
Income tax paid	<u>(72,141)</u>	<u>(92,782)</u>
Net cash from operating activities	<u>674,656</u>	<u>573,673</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	
	2014	2013
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Interest received	156	273
Purchase of plant and equipment	(215,595)	(441,786)
Interest paid for plant and equipment	-	(103)
Sale of equipment	364	40
Net cash used in investing activities	(215,075)	(441,576)
<i>Cash flows from financing activities</i>		
Finance costs paid	(15,545)	(16,926)
Dividends paid	(345,600)	(302,400)
Increase in bank overdrafts and short-term loans from financial institutions	12,924	7,972
Proceeds from short-term loans from related party	-	150,000
Net cash used in financing activities	(348,221)	(161,354)
Net increase (decrease) in cash and cash equivalents	111,360	(29,257)
Cash and cash equivalents at 1 January	69,052	241,970
Cash and cash equivalents at 30 June	180,412	212,713

Non-cash transactions

During the period ended 30 June 2014, the Company acquired plant and equipment totalling Baht 294 million (2013: Baht 500 million), cash payments of Baht 216 million (2013: Baht 442 million) were made to purchase plant and equipment including related interest.

During the period ended 30 June 2013, the Company agreed to reschedule the long-term promissory note due for repayment with the parent company to short-term promissory note in amount of Baht 10 million.

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 2014 (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 2014.

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 66.61% 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 2012) *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 2013. 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 2013.

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 2013.

(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.

Alucon Public Company Limited
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(c) Use of estimates and judgements

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.

Except as disclosed below, 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 2013.

Useful life

The Company decided to change the estimated useful lives of certain land improvement and building and building improvement as follows:

	2014	2013
Land improvement	5 - 23 years	3 - 20 years
Building and building improvement	20 - 40 years	20 - 30 years

The changes have been applied prospectively and had the impact on the statement of comprehensive income for the three-month and six-month periods ended 30 June 2014 to decrease in depreciation charge for the period of Baht 17.3 and 37.1 million, respectively, increase in profit for the period of Baht 17.3 and 37.1 million, respectively and increase in basic earnings per share for the periods of Baht 0.40 and 0.86 per share, respectively.

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, 66.61% 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.

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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	1.75 - 2.50% per annum in 2014 and 2.25 - 3.00% per annum in 2013
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

Significant transactions for the three-month and six-month periods ended 30 June 2014 and 2013 with related parties were as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Parent				
Revenue from sale of goods	258,301	227,472	501,119	442,798
Purchase of raw materials and spare parts	2,941	3,536	7,079	6,409
Purchase of machinery and equipment	728	1,758	728	2,452
Interest expense (including amount capitalised as the cost of assets)	5,319	5,987	11,161	11,513
License fee	5,639	3,121	13,028	8,078
Commission expenses	764	501	1,630	1,053
Other expenses	2	32	31	46
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	15,083	15,067	30,147	29,859
Post-employment benefits	1,145	987	2,290	1,974
Total	16,228	16,054	32,437	31,833

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Balances as at 30 June 2014 and 31 December 2013 with related parties were as follows:

Trade account receivable from related party

	30 June 2014 (in thousand Baht)	31 December 2013
Parent		
Takeuchi Press Industries Company Limited	<u>69,186</u>	<u>59,379</u>

Trade account payable to related party

	30 June 2014 (in thousand Baht)	31 December 2013
Parent		
Takeuchi Press Industries Company Limited	<u>3,056</u>	<u>2,329</u>

Other payable to and short-term loans from related parties

	Interest rate 2014 2013 (% per annum)		30 June 2014 (in thousand Baht)	31 December 2013
<i>Short-term loans</i>				
Parent				
Takeuchi Press Industries Company Limited	1.75 - 2.39	2.00 - 2.50	1,088,000	1,088,000
<i>Other payables</i>				
Parent				
Takeuchi Press Industries Company Limited			-	9,091
<i>Accrued license fee</i>				
Parent				
Takeuchi Press Industries Company Limited			5,639	4,827
<i>Accrued commission payable</i>				
Parent				
Takeuchi Press Industries Company Limited			764	552
<i>Accrued interest expense</i>				
Parent				
Takeuchi Press Industries Company Limited			5,329	7,689
<i>Accrued management's remuneration and other benefits</i>				
Key management personnel			2,150	4,025
Total			<u><u>1,101,882</u></u>	<u><u>1,114,184</u></u>

Alucon Public Company Limited
Notes to the interim financial statements
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Movements during the six-month periods ended 30 June 2014 and 2013 of short-term and long-term loans from related party were as follows:

<i>Six-month period ended 30 June</i>	2014 (in thousand Baht)	2013
Short-term loans		
Parent		
At 1 January	1,088,000	878,000
Increase	-	160,000
At 30 June	1,088,000	1,038,000
Long-term loans		
Parent		
At 1 January	-	10,000
Decrease	-	(10,000)
At 30 June	-	-

On 1 September 2010, the Company has issued promissory notes to related party totalling Baht 70 million which bears interest at rates ranging from 1.75% - 2.25% per annum. These long-term loans were repayable together with interest expenses on various dates from March 2012 to March 2013.

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 2014	31 December 2013
	(in thousand Baht)	
Parent		
Takeuchi Press Industries Company Limited	2,913	11,003

Significant memorandum of understanding

On 5 February 2014, 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 2014 to March 2015.

Alucon Public Company Limited
Notes to the interim financial statements
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4 Trade accounts receivable

	<i>Note</i>	30 June 2014 <i>(in thousand Baht)</i>	31 December 2013
Related party	3	69,186	59,379
Other parties		990,801	819,876
Total		1,059,987	879,255

Aging analyses for trade accounts receivable were as follows:

	30 June 2014 <i>(in thousand Baht)</i>	31 December 2013
Related party		
Within credit terms	69,186	59,379
	69,186	59,379
Other parties		
Within credit terms	774,219	614,505
Overdue:		
Less than 3 months	213,116	200,044
3 - 6 months	3,466	5,327
	990,801	819,876
Total	1,059,987	879,255

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

5 Property, plant and equipment⁴

Acquisitions, disposals and transfers of property, plant and equipment during the six-month periods ended 30 June 2014 and 2013 were as follows:

<i>Six-month period ended 30 June</i>	2014		2013	
	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	786	-	25,544	-
Buildings and building improvement	9,451	(242)	137,163	-
Machinery and equipment	452,836	(249)	453,877	(213)
Office equipment	295	-	692	-
Spare parts	8,082	-	(2,696)	-
Construction in progress	(177,514)	-	(114,334)	-
Total	293,936	(491)	500,246	(213)

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6 Trade accounts payable

	<i>Note</i>	30 June 2014	31 December 2013
		<i>(in thousand Baht)</i>	
Related party	3	3,056	2,329
Other parties		329,185	235,562
Total		332,241	237,891

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

	Segment 1		Segment 2		Total	
<i>Three-month period ended 30 June</i>	2014	2013	2014	2013	2014	2013
			<i>(in thousand Baht)</i>			
Revenue from sale of goods	898,749	875,269	596,012	406,093	1,494,761	1,281,362
Segment result	228,221	226,775	86,948	21,895	315,169	248,670
<i>Six-month period ended 30 June</i>	2014	2013	2014	2013	2014	2013
			<i>(in thousand Baht)</i>			
Revenue from sale of goods	1,771,854	1,792,266	1,110,646	819,699	2,882,500	2,611,965
Segment result	478,887	500,389	144,098	32,546	622,985	532,935

8 Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2014 and 2013 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	
	2014	2013	2014	2013
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to equity holders of the Company	227,882	172,442	436,489	364,258
Number of ordinary shares outstanding	43,200	43,200	43,200	43,200
Basic earnings per share (in Baht)	5.28	3.99	10.10	8.43

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9 Dividends

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.

At the annual general meeting of the shareholders of the Company held on 23 April 2013, the shareholders approved the appropriation of cash dividends of Baht 7 per share, amounting to Baht 302.4 million. The dividend was paid to shareholders in May 2013.

10 Commitments with non-related parties

	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>	
<i>Capital commitments</i>		
Contracted but not provided for:		
Factory, machinery and equipment	380,527	428,115
<i>Other commitments</i>		
Unused letters of credits	49,606	86,656
Purchase orders accepted by suppliers		
Within one year	883,951	1,451,871
After one year but within five years	240,728	285,495
	1,124,679	1,737,366
Commodity price swap agreement	27,351	35,630
Forward contracts	39,722	-
Bank guarantees	24,718	24,718
Total	1,266,076	1,884,370

Purchase orders accepted by suppliers

As at 30 June 2014, the Company had purchase orders accepted by suppliers for purchase of aluminium ingot for a total quantity of 21,800 MT (*31 December 2013: 33,600 MT*), at the prices in the range of YEN 123,000 - 129,900 per MT and at the price as determined in purchase orders (*31 December 2013: at the prices in the range of YEN 123,000 - 134,100 per MT and at the price as determined in purchase orders*) that will be delivered during 2014 to 2016 (*31 December 2013: 2014 to 2016*).

Forward contracts

As at 30 June 2014, the Company had the outstanding forward contracts to purchase raw materials USD 1.2 million in exchange rate ranging Baht 33.08 - 33.13 per USD in the total of 39.7 million (*31 December 2013: nil*).

Commodity Price Swap agreement

As at 30 June 2014, 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.