

Alucon Public Company Limited

Interim financial statements
for the three-month and six-month periods ended
30 June 2017
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 2017; the statements of comprehensive income for the three-month and six-month periods ended 30 June 2017; the statement of changes in equity and cash flows for the six-month periods ended 30 June 2017; 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".

(Sumate Jangsamsee)
Certified Public Accountant
Registration No. 9362

KPMG Phoomchai Audit Ltd.
Bangkok
10 August 2017

Alucon Public Company Limited
Statement of financial position

		30 June	31 December
Assets	<i>Note</i>	2017	2016
		(Unaudited)	
		(in thousand Baht)	
<i>Current assets</i>			
Cash and cash equivalents		135,557	241,784
Trade accounts receivable	3, 4	1,076,183	974,316
Inventories		1,381,665	1,207,154
Refundable value added tax		42,230	26,841
Other current assets		12,569	12,506
Total current assets		2,648,204	2,462,601
<i>Non-current assets</i>			
Property, plant and equipment	3, 5	3,845,963	3,965,267
Intangible assets		9,389	9,429
Deferred tax assets		40,991	41,164
Other non-current assets		359	300
Total non-current assets		3,896,702	4,016,160
Total assets		6,544,906	6,478,761

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

Alucon Public Company Limited
Statement of financial position

		30 June 2017 (Unaudited)	31 December 2016
Liabilities and equity	<i>Note</i>		
		<i>(in thousand Baht)</i>	
<i>Current liabilities</i>			
Bank overdrafts		6,222	260
Trade accounts payable	3, 6	297,574	272,246
Other current payables to and short-term borrowings from related parties	3	437,931	313,236
Other current payables		189,702	105,115
Deferred income		5,786	5,786
Current income tax payable		119,517	120,058
Current provisions for employee benefits		27,589	24,328
Other current liabilities		18,019	25,946
Total current liabilities		1,102,340	866,975
<i>Non-current liabilities</i>			
Deferred income		9,162	12,031
Non-current provisions for employee benefits		468,007	471,763
Total non-current liabilities		477,169	483,794
Total liabilities		1,579,509	1,350,769
<i>Shareholders' equity</i>			
Share capital:			
Authorized share capital		432,000	432,000
Issued and paid share capital		432,000	432,000
Share premium			
Share premium on ordinary shares		254,000	254,000
Retained earnings			
Appropriated			
Legal reserve		43,200	43,200
Unappropriated		4,236,197	4,398,792
Total shareholders' equity		4,965,397	5,127,992
Total liabilities and shareholders' equity		6,544,906	6,478,761

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>	2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Revenues					
Revenue from sales	3, 7	1,537,374	1,573,747	3,095,152	3,086,349
Net foreign exchange gain		-	2,124	-	-
Other income		51,028	38,017	96,314	77,482
Total revenues		1,588,402	1,613,888	3,191,466	3,163,831
Expenses					
Cost of sale of goods	3	1,210,143	1,169,795	2,411,149	2,296,182
Distribution costs	3	36,550	38,486	70,634	76,627
Administrative expenses	3	40,592	39,205	86,409	83,763
Net foreign exchange loss		4,204	-	16,876	5,888
Finance costs	3	813	2,930	1,428	6,520
Total expenses		1,292,302	1,250,416	2,586,496	2,468,980
Profit before income tax expense		296,100	363,472	604,970	694,851
Tax expense		57,809	72,759	119,715	139,088
Profit for the period		238,291	290,713	485,255	555,763
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		238,291	290,713	485,255	555,763
Basic earnings per share (in Baht)	8	5.52	6.73	11.23	12.86

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

Alucon Public Company Limited
Statement of changes in equity (Unaudited)

	Issued and paid share capital	Share Premium	Retained earnings		Total shareholders' equity
<i>Note</i>			Legal reserve	Unappropriated	
	<i>(in thousand Baht)</i>				
Six-month period ended 30 June 2016					
Balance at 1 January 2016	432,000	254,000	43,200	3,773,680	4,502,880
Transactions with owners, recorded directly in equity					
<i>Distributions to owners of the Company</i>					
Dividends to owners of the Company	9	-	-	(432,000)	(432,000)
<i>Total distributions to owners of the Company</i>		-	-	(432,000)	(432,000)
Total transactions with owners, recorded directly in equity		-	-	(432,000)	(432,000)
Comprehensive income for the period					
Profit for the period		-	-	555,763	555,763
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	555,763	555,763
Balance at 30 June 2016		432,000	254,000	3,897,443	4,626,643

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

Alucon Public Company Limited
Statement of changes in equity (Unaudited)

		Issued and paid share capital	Share Premium	Retained earnings		Total shareholders' equity
	Note			Legal reserve	Unappropriated	
<i>(in thousand Baht)</i>						
Six-month period ended 30 June 2017						
Balance at 1 January 2017		432,000	254,000	43,200	4,398,792	5,127,992
Transactions with owners, recorded directly in equity						
<i>Distributions to owners of the Company</i>						
Dividends to owners of the Company	9	-	-	-	(647,850)	(647,850)
Total distributions to owners of the Company		-	-	-	(647,850)	(647,850)
Total transactions with owners, recorded directly in equity		-	-	-	(647,850)	(647,850)
Comprehensive income for the period						
Profit for the period		-	-	-	485,255	485,255
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	485,255	485,255
Balance at 30 June 2017		432,000	254,000	43,200	4,236,197	4,965,397

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	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit for the period	485,255	555,763
<i>Adjustments to reconcile profit to cash receipts (payments)</i>		
Tax expense	119,715	139,088
Finance costs	1,428	6,520
Depreciation	267,270	257,729
Amortisation of intangible assets	1,092	1,043
Provision for employee benefit obligations	29,381	37,718
Recognised deferred income	(2,869)	(2,885)
Unrealised loss on exchange	4,519	13,130
Losses on inventories devaluation	915	33
Gain on disposal of equipment	(1,704)	(13)
Interest income	(487)	(278)
	<u>904,515</u>	<u>1,007,848</u>
<i>Changes in operating assets and liabilities</i>		
Trade accounts receivable	(106,117)	(99,337)
Inventories	(175,426)	150,955
Refundable value added tax	(15,388)	3,833
Other current assets	(71)	781
Other non-current assets	(59)	-
Trade accounts payable	25,222	(19,330)
Other current payable to related parties	(2,941)	(14,784)
Other current payable	75,456	66,079
Other current liabilities	(7,927)	(2,691)
Provisions for employee benefits paid	(29,876)	(21,320)
Net cash generated from operating	667,388	1,072,034
Taxes paid	(120,084)	(94,071)
Net cash from operating activities	547,304	977,963

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	
	2017	2016
	<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>		
Proceeds from sale of property, plant and equipment	1,789	50
Acquisition of property, plant and equipment	(161,021)	(151,997)
Acquisition of intangible assets	(880)	(1,535)
Interest received	497	281
Net cash used in investing activities	(159,615)	(153,201)
<i>Cash flows from financing activities</i>		
Increase in bank overdrafts	5,962	14,163
Proceeds from short-term borrowings from related party	400,000	-
Payments of short-term borrowings from related party	(250,000)	(405,000)
Dividends paid to owners of the Company	(647,850)	(432,000)
Interest paid	(2,028)	(8,967)
Net cash used in financing activities	(493,916)	(831,804)
Net decrease in cash and cash equivalents	(106,227)	(7,042)
Cash and cash equivalents at beginning of period	241,784	200,025
Cash and cash equivalents at ending of period	135,557	192,983

Non-cash transactions

During the period ended 30 June 2017, the Company acquired plant and equipment totalling Baht 148 million (2016: Baht 141 million), cash payments of Baht 161 million (2016: Baht 152 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 2017 (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 interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 10 August 2017.

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 66.91% 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 2016) *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 2016. 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 2016.

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 2016 except that the Company has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017. 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) *Use of 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 2016.

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, 66.91% 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
Sales 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
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
Interest expense	1.25% per annum in 2017 and 1.25 - 1.55% per annum in 2016

Alucon Public Company Limited
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For the three-month and six-month periods ended 30 June 2017 (Unaudited)

Significant transactions for the three-month and six-month periods ended 30 June 2017 and 2016 with related parties were as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Parent				
Sale of goods	308,413	290,133	602,016	562,464
Purchase of raw materials and spare parts	4,331	3,766	6,364	7,167
Purchase of machinery and equipment	-	-	-	1,574
License fee	4,038	5,816	7,465	11,355
Commission expenses	587	670	1,120	1,438
Other expenses	165	-	165	1
Interest expense	760	1,946	1,373	4,633
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	15,741	15,375	31,384	30,712
Post-employment benefits	289	385	579	770
Total	16,030	15,760	31,963	31,482

Balances as at 30 June 2017 and 31 December 2016 with related parties were as follows:

Trade account receivable - related party

	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>	
Parent		
Takeuchi Press Industries Company Limited	<u>72,374</u>	<u>62,150</u>

Trade account payable - related party

	30 June 2017	31 December 2016
	<i>(in thousand Baht)</i>	
Parent		
Takeuchi Press Industries Company Limited	<u>74</u>	<u>53</u>

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Other current payables to and short-term borrowings from related parties

	Interest rate			
	30 June	31 December	30 June	31 December
	2017	2016	2017	2016
	(% per annum)		(in thousand Baht)	
Short-term borrowings				
Parent				
Takeuchi Press Industries Company Limited	1.25	1.25	430,000	280,000
Other current payables				
Parent				
Takeuchi Press Industries Company Limited			-	21,911
Accrued license fee				
Parent				
Takeuchi Press Industries Company Limited			4,038	5,414
Accrued commission payable				
Parent				
Takeuchi Press Industries Company Limited			587	567
Accrued interest expense				
Parent				
Takeuchi Press Industries Company Limited			720	1,319
Accrued management's remuneration and other benefits				
Key management personnel			2,586	4,025
Total			437,931	313,236

Movements during the six-month periods ended 30 June 2017 and 2016 of short-term loans from related party were as follows:

<i>Six-month period ended 30 June</i>	2017	2016
	<i>(in thousand Baht)</i>	
Short-term loans		
Parent		
At 1 January	280,000	1,013,000
Increase	400,000	-
Decrease	(250,000)	(405,000)
At 30 June	430,000	608,000

Alucon Public Company Limited
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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 2017 (in thousand Baht)	31 December 2016
Parent		
Takeuchi Press Industries Company Limited	<u>2,530</u>	<u>1,988</u>

Significant memorandum of understanding

On 3 February 2017, 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 2017 to March 2018.

4 Trade accounts receivable

	Note	30 June 2017 (in thousand Baht)	31 December 2016
Related party	3	72,374	62,150
Other parties		<u>1,003,809</u>	<u>912,166</u>
Total		<u>1,076,183</u>	<u>974,316</u>

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Aging analyses for trade accounts receivable were as follows:

	30 June 2017 <i>(in thousand Baht)</i>	31 December 2016
Related party		
Within credit terms	2,374	62,150
	72,374	62,150
Other parties		
Within credit terms	18,784	749,629
Overdue:		
Less than 3 months	84,673	162,537
3 - 6 months	52	-
	1,003,809	912,166
Total	1,076,183	974,316

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

5 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month periods ended 30 June 2017 and 2016 were as follows:

<i>Six-month period ended 30 June</i>	2017		2016	
	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	-	-	1,539	-
Buildings and building improvement	19,539	-	9,416	-
Machinery and equipment	94,457	(85)	134,668	(37)
Office equipment	435	-	1,077	-
Vehicles	6,863	-	-	-
Spare parts	(4,780)	-	1,370	-
Construction in progress	31,537	-	(7,465)	-
Total	148,051	(85)	140,605	(37)

6 Trade accounts payable

	Note	30 June 2017 <i>(in thousand Baht)</i>	31 December 2016
Related party	3	74	53
Other parties		297,500	272,193
Total		297,574	272,246

Alucon Public Company Limited
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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>	2017	2016	2017	2016	2017	2016
	<i>(in thousand Baht)</i>					
Revenue from sales	<u>879,967</u>	<u>994,459</u>	<u>657,407</u>	<u>579,288</u>	<u>1,537,374</u>	<u>1,573,747</u>
Gross Profit	<u>219,070</u>	<u>312,278</u>	<u>108,161</u>	<u>91,674</u>	<u>327,231</u>	<u>403,952</u>
Unallocated revenues					51,028	40,141
Unallocated expenses					(81,346)	(77,691)
Finance costs					(813)	(2,930)
Profit before income tax					<u>296,100</u>	<u>363,472</u>
<i>Six-month period ended 30 June</i>	2017	2016	2017	2016	2017	2016
	<i>(in thousand Baht)</i>					
Revenue from sales	<u>1,827,351</u>	<u>1,938,735</u>	<u>1,267,801</u>	<u>1,147,614</u>	<u>3,095,152</u>	<u>3,086,349</u>
Gross Profit	<u>481,493</u>	<u>611,062</u>	<u>202,510</u>	<u>179,105</u>	<u>684,003</u>	<u>790,167</u>
Unallocated revenues					96,314	77,482
Unallocated expenses					(173,919)	(166,278)
Finance costs					(1,428)	(6,520)
Profit before income tax					<u>604,970</u>	<u>694,851</u>

8 Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 2017 and 2016 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	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to shareholders of the Company	<u>238,291</u>	<u>290,713</u>	<u>485,255</u>	<u>555,763</u>
Number of ordinary shares outstanding	<u>43,200</u>	<u>43,200</u>	<u>43,200</u>	<u>43,200</u>
Basic earnings per share (in Baht)	<u>5.52</u>	<u>6.73</u>	<u>11.23</u>	<u>12.86</u>

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9 Dividends

At the annual general meeting of the shareholders of the Company held on 20 April 2017, the shareholders approved the appropriation of cash dividends of Baht 15 per share, amounting to Baht 648 million, which was paid to shareholders in May 2017.

At the annual general meeting of the shareholders of the Company held on 21 April 2016, the shareholders approved the appropriation of cash dividends of Baht 10 per share, amounting to Baht 432 million, which was paid to shareholders in May 2016.

10 Commitments with non-related parties

	30 June 2017 (in thousand Baht)	31 December 2016
<i>Capital commitments</i>		
Contracted but not provided for:		
Factory, machinery and equipment	<u>167,575</u>	<u>67,687</u>
<i>Other commitments</i>		
Purchase orders accepted by suppliers		
Within one year	1,387,801	2,035,185
After one year but within five years	<u>234,558</u>	<u>444,041</u>
	<u>1,622,359</u>	<u>2,479,226</u>
Bank guarantees	<u>25,799</u>	<u>25,799</u>
Total	<u>1,648,158</u>	<u>2,505,025</u>

Purchase orders accepted by suppliers

As at 30 June 2017, the Company had purchase orders accepted by suppliers for purchase of aluminium ingot for a total quantity of 24,900 MT (31 December 2016: 40,200 MT), at the price as determined in purchase orders (31 December 2016: at the price as determined in purchase orders) that will be delivered during 2018 to 2019 (31 December 2016: 2017 to 2018).