

**Sappe Public Company Limited
and its Subsidiaries**

Interim financial statements
for the three-month and six-month periods ended
30 June 2018
and
Independent auditor's report on review
of interim financial information



KPMG Phoomchai Audit Ltd.
Empire Tower, 50th-51st Floors
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

Independent auditor's report on review of interim financial information

To the Board of Directors of Sappe Public Company Limited

I have reviewed the accompanying consolidated and separate statements of financial position of Sappe Public Company Limited and its subsidiaries, and of Sappe Public Company Limited, respectively, as at 30 June 2018; the consolidated and separate statements of income and comprehensive income for the three-month and six-month periods ended 30 June 2018 and the consolidated and separate statements of changes in equity and cash flows for the six-month period ended 30 June 2018; and condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 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 statements 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 Information".

A handwritten signature in black ink, appearing to read 'Sureerat Thongarunsang'.

(Sureerat Thongarunsang)
Certified Public Accountant
Registration No. 4409

KPMG Phoomchai Audit Ltd.
Bangkok
14 August 2018

Sappe Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2018	2017	2018	2017
Assets	Note	(Unaudited)		(Unaudited)	
<i>(in thousand Baht)</i>					
Current assets					
Cash and cash equivalents		169,666	155,684	156,822	142,519
Current investments	4	909,338	905,212	909,338	905,212
Trade accounts receivable	3, 5	258,079	203,210	256,051	199,358
Other receivables	3	41,044	43,129	51,710	56,743
Short-term loans to related parties	3	8,000	8,000	17,017	17,141
Inventories		212,311	176,188	209,435	173,033
Other current assets		7,750	6,841	7,404	6,200
Total current assets		1,606,188	1,498,264	1,607,777	1,500,206
Non-current assets					
Investment in associates	6	138,923	141,927	-	-
Investment in subsidiaries	7	-	-	197,162	197,162
Property, plant and equipment	8	1,056,420	1,048,123	1,052,292	1,043,409
Intangible assets		54,159	56,298	54,159	56,298
Deferred tax assets		9,153	9,400	9,153	9,400
Other non-current assets	3	5,335	4,398	5,334	4,398
Total non-current assets		1,263,990	1,260,146	1,318,100	1,310,667
Total assets		2,870,178	2,758,410	2,925,877	2,810,873

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

Sappe Public Company Limited and its Subsidiaries

Statement of financial position

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2018	2017	2018	2017
		(Unaudited)		(Unaudited)	
		(in thousand Baht)			
Current liabilities					
Bank overdrafts		708	1,047	-	-
Trade accounts payable		218,684	168,598	217,431	167,382
Other payables	3, 9	273,243	276,094	273,425	276,911
Short-term loans from related parties	3	4,126	4,185	-	-
Current portion of finance lease liability		299	-	-	-
Current tax payable		60,749	43,077	60,749	43,077
Total current liabilities		557,809	493,001	551,605	487,370
Non-current liabilities					
Finance lease liability		591	-	-	-
Non-current provisions for employee benefits		10,374	8,748	10,374	8,748
Other non-current liabilities - related parties	3	4,198	4,257	-	-
Total non-current liabilities		15,163	13,005	10,374	8,748
Total liabilities		572,972	506,006	561,979	496,118

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

Sappe Public Company Limited and its Subsidiaries

Statement of financial position

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
		2018	2017	2018	2017
		(Unaudited)		(Unaudited)	
		(in thousand Baht)			
Equity					
Share capital	10				
Authorised share capital		308,438	304,620	308,438	304,620
Issued and paid-up share capital		304,368	303,080	304,368	303,080
Share premium on ordinary shares		975,343	956,749	975,343	956,749
Warrants	11	1,751	1,926	1,751	1,926
Retained earnings					
Legal reserve		30,462	30,462	30,462	30,462
Unappropriated		993,524	968,549	1,051,974	1,022,538
Difference arising from common control transactions		(4,365)	(4,365)	-	-
Currency translation differences		1,124	910	-	-
Equity attributable to owners					
of the parent		2,302,207	2,257,311	2,363,898	2,314,755
Non-controlling interests		(5,001)	(4,907)	-	-
Total equity		2,297,206	2,252,404	2,363,898	2,314,755
Total liabilities and equity		2,870,178	2,758,410	2,925,877	2,810,873

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

Sappe Public Company Limited and its Subsidiaries

Statement of income (Unaudited)

		Consolidated		Separate	
		financial statements		financial statements	
		Three-month period ended		Three-month period ended	
		30 June		30 June	
	Note	2018	2017	2018	2017
		(in thousand Baht)			
Revenue					
Revenue from sale of goods	3	846,935	844,659	842,275	836,849
Other income	3	11,780	11,921	11,449	11,210
Net foreign exchange gain		-	2,679	-	3,863
Total revenues		858,715	859,259	853,724	851,922
Expenses					
Cost of sales of goods		540,013	484,574	536,434	478,017
Distribution costs	3	92,895	111,210	91,941	104,012
Administrative expenses	3	67,588	56,740	66,817	51,846
Finance costs	3	57	61	-	10
Net foreign exchange loss		10,362	-	9,580	-
Total expenses		710,915	652,585	704,772	633,885
Share of loss of associates	6	(436)	(306)	-	-
Profit before income tax expense		147,364	206,368	148,952	218,037
Tax expense		29,724	43,066	29,724	43,066
Profit for the period		117,640	163,302	119,228	174,971
Profit attributable to:					
Owners of the parent		117,700	163,350	119,228	174,971
Non-controlling interests		(60)	(48)	-	-
Profit for the period		117,640	163,302	119,228	174,971
Earnings per share (in Baht)					
Basic earnings per share	13	0.39	0.54	0.39	0.58
Diluted earnings per share		0.39	0.54	0.39	0.58

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

Sappe Public Company Limited and its Subsidiaries

Statement of comprehensive income (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Three-month period ended		Three-month period ended	
	30 June		30 June	
	2018	2017	2018	2017
	(in thousand Baht)			
Profit for the period	117,640	163,302	119,228	174,971
Other comprehensive income				
<i>Items that will be reclassified</i>				
<i>subsequently to profit or loss</i>				
Exchange differences on translating foreign operations	(30)	(638)	-	-
<i>Items that will not be reclassified</i>				
<i>to profit or loss</i>				
Gains on remeasurements of defined benefit plans	-	333	-	333
Other comprehensive income for the period, net of tax	(30)	(305)	-	333
Total comprehensive income for the period	117,610	162,997	119,228	175,304
Total comprehensive income attributable to:				
Owners of the parent	117,678	163,271	119,228	175,304
Non-controlling interests	(68)	(274)	-	-
Total comprehensive income for the period	117,610	162,997	119,228	175,304

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

Sappe Public Company Limited and its Subsidiaries

Statement of income (Unaudited)

		Consolidated		Separate	
		financial statements		financial statements	
		Six-month period ended		Six-month period ended	
		30 June		30 June	
	Note	2018	2017	2018	2017
		(in thousand Baht)			
Revenue					
Revenue from sale of goods	3	1,549,286	1,341,200	1,538,030	1,329,655
Other income	3	25,401	18,944	24,909	18,465
Net foreign exchange gain		2,895	8,536	3,674	9,723
Total revenues		1,577,582	1,368,680	1,566,613	1,357,843
Expenses					
Cost of sales of goods		965,670	800,881	956,474	791,218
Distribution costs	3	172,964	180,655	170,965	172,981
Administrative expenses	3	139,904	116,254	138,606	105,843
Finance costs	3	93	95	-	20
Total expenses		1,278,631	1,097,885	1,266,045	1,070,062
Share of loss of associates	6	(3,004)	(2,228)	-	-
Profit before income tax expense		295,947	268,567	300,568	287,781
Tax expense		61,118	56,458	61,118	56,458
Profit for the period		234,829	212,109	239,450	231,323
Profit attributable to:					
Owners of the parent		234,989	212,127	239,450	231,323
Non-controlling interests		(160)	(18)	-	-
Profit for the period		234,829	212,109	239,450	231,323
Earnings per share (in Baht)					
	13				
Basic earnings per share		0.77	0.70	0.79	0.77
Diluted earnings per share		0.77	0.70	0.79	0.76

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

Sappe Public Company Limited and its Subsidiaries

Statement of comprehensive income (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2018	2017	2018	2017
	(in thousand Baht)			
Profit for the period	234,829	212,109	239,450	231,323
Other comprehensive income				
<i>Items that will be reclassified</i>				
<i>subsequently to profit or loss</i>				
Exchange differences on translating foreign operations	280	(103)	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Gains on remeasurements of defined benefit plans	-	333	-	333
Other comprehensive income for the period, net of tax	280	230	-	333
Total comprehensive income for the period	235,109	212,339	239,450	231,656
Total comprehensive income attributable to:				
Owners of the parent	235,203	212,478	239,450	231,656
Non-controlling interests	(94)	(139)	-	-
Total comprehensive income for the period	235,109	212,339	239,450	231,656

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

Sappe Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

	Consolidated financial statements										
				Retained earnings		Other components of equity					
	Share					Difference			Equity		
	Issued and	premium on				arising from	Translating	Total other	attributable to	Non-	
	paid-up	ordinary		Legal	Unappropriated	common control	foreign	components of	owners of	controlling	Total
Note	share capital	shares	Warrants	reserve		transactions	operations	equity	the parent	interests	equity
(in thousand Baht)											
Six-month period ended 30 June 2017											
Balance at 1 January 2017	301,788	938,368	6,931	30,462	730,338	(4,365)	1,127	(3,238)	2,004,649	(4,126)	2,000,523
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners of the parent											
Shares options exercised	10	559	7,904	(2,806)	-	-	-	-	5,657	-	5,657
Share-based payment transactions	11	-	-	788	-	-	-	-	788	-	788
Dividends	14	-	-	-	(163,267)	-	-	-	(163,267)	-	(163,267)
Total contributions by and distributions to owners of the parent		559	7,904	(2,018)	-	(163,267)	-	-	(156,822)	-	(156,822)
Total transactions with owners, recorded directly in equity		559	7,904	(2,018)	-	(163,267)	-	-	(156,822)	-	(156,822)
Comprehensive income for the period											
Profit	-	-	-	-	212,127	-	-	-	212,127	(18)	212,109
Other comprehensive income	-	-	-	-	333	-	18	18	351	(121)	230
Total comprehensive income for the period	-	-	-	-	212,460	-	18	18	212,478	(139)	212,339
Balance at 30 June 2017	302,347	946,272	4,913	30,462	779,531	(4,365)	1,145	(3,220)	2,060,305	(4,265)	2,056,040

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

Sappe Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

Consolidated financial statements												
		Retained earnings					Other components of equity					
	Share						Difference			Equity		
	Issued and	premium on					arising from	Translating	Total other	attributable to	Non-	Total
Note	paid-up	ordinary	Warrants	legal reserv	Unappropriated		common control	foreign	components of	owners of	controlling	equity
	share capital	shares					transactions	operations	equity	the parent	interests	
							(in thousand Baht)					
Six-month period ended 30 June 2018												
Balance at 1 January 2018	303,080	956,749	1,926	30,462	968,549		(4,365)	910	(3,455)	2,257,311	(4,907)	2,252,404
Transactions with owners, recorded directly in equity												
Contributions by and distributions to owners of the parent												
Shares options exercised	10	1,288	18,594	(6,840)	-	-	-	-	-	13,042	-	13,042
Share-based payment transactions	11	-	-	6,665	-	-	-	-	-	6,665	-	6,665
Dividends	14	-	-	-	-	(210,014)	-	-	-	(210,014)	-	(210,014)
Total contributions by and distributions to owners of the parent		1,288	18,594	(175)	-	(210,014)	-	-	-	(190,307)	-	(190,307)
Total transactions with owners, recorded directly in equity		1,288	18,594	(175)	-	(210,014)	-	-	-	(190,307)	-	(190,307)
Comprehensive income for the period												
Profit		-	-	-	-	234,989	-	-	-	234,989	(160)	234,829
Other comprehensive income		-	-	-	-	-	-	214	214	214	66	280
Total comprehensive income for the period		-	-	-	-	234,989	-	214	214	235,203	(94)	235,109
Balance at 30 June 2018	304,368	975,343	1,751	30,462	993,524		(4,365)	1,124	(3,241)	2,302,207	(5,001)	2,297,206

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

Sappe Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

		Separate financial statements					
					Retained earnings		
	Note	Issued and paid-up share capital	Share premium on ordinary shares	Warrants	Legal reserve	Unappropriated	Total equity
(in thousand Baht)							
Six-month period ended 30 June 2017							
Balance at 1 January 2017		301,788	938,368	6,931	30,462	765,670	2,043,219
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares options exercised	10	559	7,904	(2,806)	-	-	5,657
Share-based payment transactions	11	-	-	788	-	-	788
Dividends	14	-	-	-	-	(163,267)	(163,267)
Total contributions by and distributions to owners		559	7,904	(2,018)	-	(163,267)	(156,822)
Comprehensive income for the period							
Profit		-	-	-	-	231,323	231,323
Other comprehensive income		-	-	-	-	333	333
Total comprehensive income for the period		-	-	-	-	231,656	231,656
Balance at 30 June 2017		302,347	946,272	4,913	30,462	834,059	2,118,053

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

Sappe Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

		Separate financial statements					
					Retained earnings		
	Note	Issued and paid-up share capital	Share premium on ordinary shares	Warrants	Legal reserve	Unappropriated	Total equity
(in thousand Baht)							
Six-month period ended 30 June 2018							
Balance at 1 January 2018		303,080	956,749	1,926	30,462	1,022,538	2,314,755
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Shares options exercised	10	1,288	18,594	(6,840)	-	-	13,042
Share-based payment transactions	11	-	-	6,665	-	-	6,665
Dividends	14	-	-	-	-	(210,014)	(210,014)
<i>Total contributions by and distributions to owners</i>		<u>1,288</u>	<u>18,594</u>	<u>(175)</u>	<u>-</u>	<u>(210,014)</u>	<u>(190,307)</u>
Comprehensive income for the period							
Profit		-	-	-	-	239,450	239,450
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>239,450</u>	<u>239,450</u>
Balance at 30 June 2018		<u>304,368</u>	<u>975,343</u>	<u>1,751</u>	<u>30,462</u>	<u>1,051,974</u>	<u>2,363,898</u>

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

Sappe Public Company Limited and its Subsidiaries

Statement of cash flows (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2018	2017	2018	2017
	(in thousand Baht)			
<i>Cash flows from operating activities</i>				
Profit for the period	234,829	212,109	239,450	231,323
<i>Adjustments to reconcile profit to cash receipts (payments)</i>				
Depreciation	73,943	76,984	73,422	76,496
Amortisation of intangible assets	3,574	2,648	3,574	2,648
Interest income	(353)	(748)	(532)	(926)
Finance costs	93	95	-	20
Reversal of doubtful debts expenses	(17)	(133)	(16)	(179)
(Reversal of) losses on inventories devaluation	482	(1,822)	482	(1,822)
Unrealised loss (gain) on exchange rates	10,931	(2,439)	11,081	(2,750)
Unrealised gain from current investments revaluation	(3,755)	(1,161)	(3,755)	(1,161)
Gain on sale of current investments	(371)	(1,940)	(371)	(1,940)
Loss (gain) on sale of property, plant and equipment	771	(264)	771	338
Share of loss of investments in associates	3,004	2,228	-	-
Non-current provisions for employee benefits	2,061	1,668	2,061	1,668
Share-based payment	6,665	788	6,665	788
Tax expense	61,118	56,458	61,118	56,458
	392,975	344,471	393,950	360,961
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	(54,019)	(68,946)	(55,844)	(68,266)
Other receivables	(9,343)	(3,385)	(6,241)	(15,109)
Inventories	(36,605)	(32,745)	(36,884)	(31,382)
Other current assets	(909)	(3,981)	(1,204)	(3,895)
Other non-current assets	(937)	(1,846)	(936)	(1,846)
Trade accounts payable	50,016	65,307	49,978	65,292
Other payables	(1,126)	9,625	(1,734)	17,544
Foreign currency translation differences of subsidiaries	229	(28)	-	-
Net cash generated from operating activities	340,281	308,472	341,085	323,299
Provisions for employee benefits paid	(435)	(255)	(435)	(255)
Tax paid	(43,199)	(45,900)	(43,199)	(45,790)
Net cash from operating activities	296,647	262,317	297,451	277,254

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

Sappe Public Company Limited and its Subsidiaries

Statement of cash flows (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2018	2017	2018	2017
	(in thousand Baht)			
Cash flows from investing activities				
Interest received	226	394	226	1,028
Acquisition of current investments	(800,000)	(1,145,000)	(800,000)	(1,145,000)
Proceeds from sale of current investments	800,000	1,047,000	800,000	1,047,000
Acquisition of property, plant and equipment	(84,078)	(27,466)	(85,039)	(25,641)
Proceeds from sale of property, plant and equipment	137	603	137	1
Acquisition of intangible assets	(1,500)	(3,457)	(1,500)	(3,457)
Short-term loans to related parties	-	(4,000)	-	(4,000)
Proceeds from repayment of short-terms loans to related parties	-	-	-	861
Net cash used in investing activities	(85,215)	(131,926)	(86,176)	(129,208)
Cash flows from financing activities				
Proceeds (payment) from bank overdraft	(339)	1,185	-	-
Proceeds from issue of shares options exercised	13,042	5,657	13,042	5,657
Payment by a lessee for reduction of the outstanding liability relating to a finance lease	(71)	(196)	-	(196)
Dividend paid	(210,014)	(163,267)	(210,014)	(163,267)
Interest paid	(68)	(165)	-	(20)
Net cash used in financing activities	(197,450)	(156,786)	(196,972)	(157,826)
Net increase (decrease) in cash and cash equivalents, before effect of exchange rates	13,982	(26,395)	14,303	(9,780)
Net increase (decrease) in cash and cash equivalents	13,982	(26,395)	14,303	(9,780)
Cash and cash equivalents at beginning of period	155,684	358,505	142,519	325,093
Cash and cash equivalents at ending of period	169,666	332,110	156,822	315,313
Non-cash transactions				
Outstanding payables for purchases of property, plant and equipment	10,488	6,287	10,488	6,287
Outstanding payables for purchases of intangible assets	29	194	29	194
Finance lease liability	961	-	-	-

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

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month periods ended 30 June 2018 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Current investments
5	Trade accounts receivable
6	Investment in associates
7	Investment in subsidiaries
8	Property, plant and equipment
9	Other payables
10	Share capital
11	Warrants
12	Segment information
13	Earnings per share
14	Dividends
15	Financial instruments
16	Commitments with non-related parties
17	Contingent liability

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

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 financial statements, and were approved and authorised for issue by the Board of Directors on 14 August 2018.

1 General information

Sappe Public Company Limited, the “Company”, is incorporated in Thailand and has its registered head office and branches as follows:

Head Office: 9/3 Serithai Road, Kannayao, Kannayao District, Bangkok.

Branch 1: 2 Soi Rama9 28, Huamark, Bangkapi District, Bangkok and on 2 October 2017, the Company changed branch 1’s address to 71 Ramkhamhaeng Road, Huamark, Bangkapi District, Bangkok

Branch 2: 8 Moo 7, Puech-udom, Lamlukka District, Pathumthani

The Company was listed on the Stock Exchange of Thailand (“SET”) in June 2014.

The principal activities of the Company are manufacturing and distributing health drinking and food products.

Details of subsidiaries and associates as at 30 June 2018 and 31 December 2017 were as following:

Name of company	Nature of business	Country of incorporation /Nationality	Ownership interest (%)	
			30 June 2018	31 December 2017
Direct subsidiaries				
Sappe Europe s.r.o.	Distributing health drinking product	Slovakia	60	60
Sappe Holding (Thailand) Co., Ltd.	Group management service	Thailand	100	100
Indirect subsidiaries				
Sappe Trading (HongKong) Company Limited	Import, export and distribution of goods	Hong Kong	100	100
Sappe Hong Kong Company Limited	Group management service	Hong Kong	100	100
Sappe Trading (Shanghai) Co., Ltd.	Distributing health drinking product	People's Republic of China	100	100
Indirect associates				
All Coco Group Co., Ltd. with subsidiaries as follows :	Producing and distributing coconut products	Thailand	40	40
- All Coco Co., Ltd.	Distributing coconut products	Thailand	40	40
- K Best Farm Co., Ltd.	Providing and distributing domestic fresh coconut	Thailand	40	40

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month periods ended 30 June 2018 (Unaudited)

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 2017) *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 2017. 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 and its subsidiaries for the year ended 31 December 2017.

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 2017 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2018. 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 Group.

In addition to the above new and revised TFRS, The FAP has issued TFRS 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted this standard in preparing these interim financial statements.

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) *Construction Contracts*,
- TAS 18 (revised 2017) *Revenue*,
- TSIC 31 (revised 2017) *Revenue-Barter Transactions Involving Advertising Services*,
- TFRIC 13 (revised 2017) *Customer Loyalty Programmes*,
- TFRIC 15 (revised 2017) *Agreements for the Construction of Real Estate*, and
- TFRIC 18 (revised 2017) *Transfers of Assets from Customers*.

Management is presently considering the potential impact of adopting and initially applying TFRS 15 on the consolidated and separate financial statements.

(b) Functional and presentation currency

The interim financial statements are prepared and presented in Thai Baht, which is the Company's functional currency.

(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.

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

In preparing these interim financial statements, the significant judgements made by management in applying the Group'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 2017.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices includes in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 15 financial instruments.

3 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries and associates are described in notes 1, 6 and 7. For relationship with key management and other related parties were as follows:

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

Name of entities	Country of incorporation/ nationality	Nature of relationships
Sappe Corporation Co., Ltd.	Thailand	Common shareholder
Toyox Trading (Thailand) Co., Ltd.	Thailand	Common shareholder
Hayashi Products Co., Ltd.	Thailand	Common shareholder
3T Engineering Co., Ltd.	Thailand	Common shareholder
On Fifth Co., Ltd.	Thailand	Common shareholder
Italmarket Slovakia, a.s.	Slovakia	Held by the shareholders in a subsidiary
Slovakia Promotion s.r.o.	Slovakia	Held by the shareholders in a subsidiary
Bangkok Bestbuy Group Co., Ltd.	Thailand	One of family member of the Company's director is a director.
Group of Persons Ruckariyapong	Thailand	Held by key management personnel
Key management personnel	Thailand	Persons 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 Group.

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods	Market price or contractually agreed rate
Other income	At agreed rate
Purchase of machinery and equipment	Market price or contractually agreed rate
Rental and other expenses	At agreed rate
Distribution costs and administrative expenses	At agreed rate
Key management personnel compensation	Approved by directors
Interest income	Contractually agreed rate
Interest expense	Contractually agreed rate

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

	Consolidated financial statements		Separate financial statements	
<i>For the three-month period ended 30 June</i>	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sales of goods	-	-	3,045	1,893
Interest income	-	-	90	91
Distribution costs and administrative expenses	-	-	-	5,998
Associates				
Other income	2,025	1,486	2,025	1,486
Interest income	64	64	64	64
Distribution costs and administrative expenses	27	27	27	27

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the three-month period ended 30 June</i>	<i>(in thousand Baht)</i>			
Other related parties				
Sales of goods	1,828	2,252	-	7
Purchases of machinery and equipment	8,555	-	8,555	-
Other income	86	93	86	93
Rental and other expenses	1,867	1,821	1,867	1,821
Consultant fee	300	300	300	300
Distribution costs and administrative expenses	76	37	71	33
Interest expense	15	15	-	-
Key management personnel compensation				
Short-term employee benefit and others	12,429	8,464	12,429	8,464
Long-term employee benefits	509	349	509	349
Share-based payments	448	301	448	301
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the six-month period ended 30 June</i>	<i>(in thousand Baht)</i>			
Subsidiaries				
Sales of goods	-	-	4,993	4,128
Interest income	-	-	179	178
Distribution costs and administrative expenses	-	-	-	7,637
Associates				
Other income	4,064	3,395	4,064	3,395
Interest income	127	116	127	116
Distribution costs and administrative expenses	55	57	55	57
Other related parties				
Sales of goods	3,455	3,748	-	7
Purchases of machinery and equipment	8,665	925	8,665	925
Other income	175	186	175	186
Rental and other expenses	3,714	3,637	3,714	3,637
Consultant fee	600	600	600	600
Distribution costs and administrative expenses	132	70	119	60
Interest expense	30	30	-	-

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the six-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
Key management personnel compensation				
Short-term employee benefit and others	24,735	16,875	24,735	16,875
Long-term employee benefits	1,006	697	1,006	697
Share-based payments	2,376	599	2,376	599

Balances as at 30 June 2018 and 31 December 2017 with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	<i>(in thousand Baht)</i>			
Subsidiary				
Sappe Europe s.r.o.	-	-	2,702	391
Other related party				
Italmarket Slovakia, a.s.	615	422	-	-
Total	615	422	2,702	391

<i>Other receivables - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sappe Europe s.r.o.	-	-	2,056	1,902
Sappe Trading (Shanghai) Co., Ltd.	-	-	12,627	12,510
Sappe Holding (Thailand) Co., Ltd.	-	-	88	-
Sappe Trading (Hong Kong) Company Limited	-	-	55	-
Associates				
All Coco Group Co., Ltd.	6,496	4,033	6,496	4,033
All Coco Co., Ltd.	150	99	150	99
Other related party				
Hayashi Products Co., Ltd.	34	32	34	32
Total	6,680	4,164	21,506	18,576

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

Short-term loans to related parties	Interest rate		Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(% per annum)		(in thousand Baht)			
Subsidiary						
Sappe Europe s.r.o.	4	4	-	-	9,017	9,141
Associates						
All Coco Group Co., Ltd.	3.2	3.2	4,800	4,800	4,800	4,800
All Coco Co., Ltd.	3.2	3.2	3,200	3,200	3,200	3,200
Total			8,000	8,000	17,017	17,141

Movements during the six-month period ended 30 June of short-term loans to related parties were as follows:

Short-term loans to related parties	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(in thousand Baht)			
Subsidiary				
At 1 January	-	-	9,141	9,699
Decrease	-	-	-	(861)
Foreign currency differences	-	-	(124)	263
At 30 June	-	-	9,017	9,101
Associates				
At 1 January	8,000	4,000	8,000	4,000
Increase	-	4,000	-	4,000
At 30 June	8,000	8,000	8,000	8,000
Total short-term loans to related parties				
At 1 January	8,000	4,000	17,141	13,699
Increase	-	4,000	-	4,000
Decrease	-	-	-	(861)
Foreign currency differences	-	-	(124)	263
At 30 June	8,000	8,000	17,017	17,101

Other non-current assets	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(in thousand Baht)			
Other related parties				
Directors	1,167	1,167	1,167	1,167
Group of Persons Ruckariyapong	1,063	1,063	1,063	1,063
Total	2,230	2,230	2,230	2,230

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

Other payable - related parties

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	<i>(in thousand Baht)</i>			
Subsidiary				
Sappe Trading (Shanghai) Co., Ltd.	-	-	3,687	3,664
Associate				
All Coco Group Co., Ltd.	-	34	-	34
Other related parties				
Italmarket Slovakia, a.s.	500	476	-	-
Toyox Trading (Thailand) Co., Ltd.	28	30	28	30
3T Engineering Co., Ltd	696	-	696	-
On Fifth Co., Ltd.	31	-	31	-
Total	1,255	540	4,442	3,728

Short-term loans from related parties

	Interest rate		Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	<i>(% per annum)</i>		<i>(in thousand Baht)</i>			
Other related parties						
Italmarket Slovakia, a.s.	2	2	3,079	3,122	-	-
Director	-	-	962	976	-	-
Others	-	-	85	87	-	-
Total			4,126	4,185	-	-

Movements during the six-month period ended 30 June of short-term loans from related parties were as follows:

Short-term loans from related parties

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	<i>(in thousand Baht)</i>			
At 1 January	4,185	4,063	-	-
Foreign currency differences	(59)	102	-	-
At 30 June	4,126	4,165	-	-

Other non-current liability - related party

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	310 June 2018	31 December 2017
	<i>(in thousand Baht)</i>			
Other related party				
Director	4,198	4,257	-	-

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

The memorandum of association of a subsidiary states that the subsidiary has to pay dividends from net profit of Euro 109,076.03 to a shareholder. The first gainer is a shareholder and then the rest of the profit will be allocated according to the proportion of the investment held. As of 30 June 2018, the management considered to recognise a provision following the regulations of the subsidiary of Baht 4.20 million (31 December 2017: Baht 4.26 million) under "Other non-current liabilities" in the consolidated financial statements.

Significant agreements with related parties

(a) Land lease agreement

The Company has a land lease agreement with related parties under which the parties agree that the Company has the right to lease the land for 20 years ended year 2033 and the Company is committed to pay an initial deposit and the monthly land lease. Each year the parties will add 3.33% of the latest monthly land lease. The term of this agreement is continued unless either party gives written notice at least 90 days prior to the effective date of termination. On 19 May 2014, the Company entered into an amendment memorandum to revise the above rate of land lease from 3.33% per year to 2% per year. However, after three years of this agreement, the Company has the option to purchase this land from the lessor at the average of the appraised values as determined by independent appraisers.

(b) Land and building lease agreement

The Company has a land and building lease agreement with a related party under which the parties agree that the Company has the right to lease the land and building for 3 years ended year 2019. In consideration thereof, the Company is committed to pay an initial deposit and the monthly land and building lease. Each year the parties will add 3% of the latest monthly land and building lease. The term of this agreement is continued until either party gives written notice at least 30 days prior to the effective date of termination.

4 Current investments

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(in thousand Baht)			
Current investments				
Debt securities held for trading	909,338	905,212	909,338	905,212
Total	909,338	905,212	909,338	905,212

Movements during the six-month periods ended 30 June of current investments were as follows:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(in thousand Baht)			
Current investments				
Debt securities held for trading				
At 1 January	905,212	227,278	905,212	227,278
Purchases during the period	800,000	1,145,000	800,000	1,145,000
Sales during the period	(800,000)	(1,047,000)	(800,000)	(1,047,000)
Adjustment for revaluation	4,126	3,101	4,126	3,101
At 30 June	909,338	328,379	909,338	328,379

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

5 Trade accounts receivable

		Consolidated financial statements		Separate financial statements	
		30 June	31 December	30 June	31 December
	Note	2018	2017	2018	2017
		(in thousand Baht)			
Related parties	3	615	422	2,702	391
Other parties		257,555	202,896	253,349	198,983
Total		258,170	203,318	256,051	199,374
Less allowance for doubtful accounts		(91)	(108)	-	(16)
Net		258,079	203,210	256,051	199,358
Bad and doubtful debts expense (reversal) for the:					
Three-month period ended 30 June		19	20	-	(46)
Six-month period ended 30 June		(17)	(133)	(16)	(179)

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
<i>(in thousand Baht)</i>				
Related parties				
Within credit terms	615	422	1,158	391
Overdue				
Less than 3 months	-	-	1,544	-
	615	422	2,702	391
Other parties				
Within credit terms	158,929	143,958	157,308	143,186
Overdue				
Less than 3 months	98,005	57,762	95,511	55,760
3 - 6 months	530	1,068	530	21
6 - 12 months	-	76	-	16
Over than 12 months	91	32	-	-
	257,555	202,896	253,349	198,983
Less allowance for doubtful accounts	(91)	(108)	-	(16)
	257,464	202,788	253,349	198,967
Net	258,079	203,210	256,051	199,358

The normal credit term granted by the Group ranges from 30 to 60 days.

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month periods ended 30 June 2018 (Unaudited)

6 Investment in associates

For the six-month period ended 30 June

At 1 January
Share of net losses of associates
At 30 June

Consolidated financial statements	
2018	2017
(in thousand Baht)	
141,927	140,797
(3,004)	(2,228)
<u>138,923</u>	<u>138,569</u>

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month periods ended 30 June 2018 (Unaudited)

Investments in associates as at 30 June 2018 and 31 December 2017, and dividend income for the six-month period ended 30 June, were as follows:

Consolidated financial statements									
	Ownership interest		Paid-up capital		Cost		Equity		Dividend income for the six-month period ended
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018
	(%)								
					(in thousand Baht)				
<i>Indirect associate</i>									
All Coco Group Co., Ltd.	40	40	168,000	168,000	143,855	143,855	138,923	141,927	-
Total					<u>143,855</u>	<u>143,855</u>	<u>138,923</u>	<u>141,927</u>	<u>-</u>

None of the Group's associates are publicly listed and consequently do not have published price quotations.

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

7 Investments in subsidiaries

<i>For the six-month period ended 30 June</i>	Separate financial statements	
	2018	2017
	<i>(in thousand Baht)</i>	
At 1 January	197,162	197,162
At 30 June	<u>197,162</u>	<u>197,162</u>

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month period ended 30 June 2018 (Unaudited)

Investments in subsidiaries as at 30 June 2018 and 31 December 2017, and dividend income from these investments in subsidiaries for the six-month period ended 30 June, were as follows:

	Separate financial statements										Dividend income for the six-month period ended	
	Ownership interest		Paid-up capital		Cost		Impairment		At cost - net		30 June 2018	30 June 2017
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
	(%)											
<i>Direct subsidiaries</i>												
Sappe Europe s.r.o.	60	60	EUR 6,639		162	162	-	-	162	162	-	-
Sappe Holding (Thailand) Co., Ltd.	100	100	THB 197,000,000		197,000	197,000	-	-	197,000	197,000	-	-
Total					<u>197,162</u>	<u>197,162</u>	<u>-</u>	<u>-</u>	<u>197,162</u>	<u>197,162</u>	<u>-</u>	<u>-</u>
<i>Indirect subsidiaries</i>												
Sappe Trading (Hong Kong) Company Limited	100	100	HKD 100,000		454	454	-	-	454	454	-	-
Sappe Hong Kong Company Limited	100	100	HKD 3,000,000		13,980	13,980	-	-	13,980	13,980	-	-
Sappe Trading (Shanghai) Co., Ltd.	100	100	CNY 2,000,000		10,173	10,173	-	-	10,173	10,173	-	-
Total					<u>24,607</u>	<u>24,607</u>	<u>-</u>	<u>-</u>	<u>24,607</u>	<u>24,607</u>	<u>-</u>	<u>-</u>

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

8 Property, plant and equipment

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

<i>Six-month period ended 30 June</i>	Consolidated financial statements			
	2018		2017	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
	<i>(in thousand Baht)</i>			
Land and land improvement	-	-	622	-
Buildings and building improvement	13,068	(127)	914	-
Machinery and equipment	7,685	(762)	9,449	(317)
Furniture, fixtures and office equipment	4,665	(19)	3,627	(35)
Vehicles	5	-	7,801	-
Assets under construction and installation	88,625	(30,835)	5,616	(2,873)
Total	114,048	(31,743)	28,029	(3,225)

<i>Six-month period ended 30 June</i>	Separate financial statements			
	2018		2017	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
	<i>(in thousand Baht)</i>			
Land and land improvement	-	-	622	-
Buildings and building improvement	13,068	(127)	914	-
Machinery and equipment	7,685	(762)	9,449	(317)
Furniture, fixtures and office equipment	4,665	(19)	3,612	(35)
Vehicles	5	-	5,936	-
Assets under construction and installation	88,625	(30,835)	5,616	(2,873)
Total	114,048	(31,743)	26,149	(3,225)

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

9 Other payables

	Note	Consolidated financial statements		Separate financial statements	
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
		<i>(in thousand Baht)</i>			
Other payables - related parties	3	1,255	540	4,442	3,728
Accrued promotional expense		81,721	87,723	81,721	87,723
Accrued expense		74,387	92,776	74,062	92,361
Other payables - other parties		64,711	68,321	64,711	68,321
Advance received		31,277	18,250	31,277	18,250
Others		19,892	8,484	17,212	6,528
Total		273,243	276,094	273,425	276,911

10 Share capital

<i>For the six-month period ended 30 June</i>	Par value per share (in Baht)	2018		2017	
		Number	Amount	Number	Amount
		(thousand shares/thousand Baht)			
<i>Authorised</i>					
At 1 January					
- ordinary shares	1	304,620	304,620	304,620	304,620
Reduction of shares	1	(252)	(252)	-	-
Increase of new shares	1	4,070	4,070	-	-
<i>At 30 June</i>					
- ordinary shares	1	<u>308,438</u>	<u>308,438</u>	<u>304,620</u>	<u>304,620</u>
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	1	303,080	303,080	301,788	301,788
Shares options exercised (Note 11)	1	1,288	1,288	559	559
<i>At 30 June</i>					
- ordinary shares	1	<u>304,368</u>	<u>304,368</u>	<u>302,347</u>	<u>302,347</u>

In the Annual General Meeting of Shareholders, held on 26 April, 2018, the shareholders approved the followings;

1) Decrease the registered capital of the Company from 304,620,000 shares with a par value of Baht 1 per share to 304,368,080 shares with a par value of Baht 1 per share for cancelling the reserve of 251,920 shares for the exercise of warrant rights to purchase the Company's ordinary shares with a par value of Baht 1 per share. The Company registered the decrease with the Ministry of Commerce on 25 May 2018.

2) Increase of the registered capital from the registered capital 304,368,080 shares with a par value of Baht 1 per share to 308,438,080 shares with a par value of Baht 1 per share by issuing 4,070,000 new ordinary shares with a par value of Baht 1 per share, equivalent to Baht 4,070,000. The Company registered the increase with the Ministry of Commerce on 31 May 2018.

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month period ended 30 June 2018 (Unaudited)

11 Warrants

1) The issuance of warrants no. 1 (“Warrant” or “SAPPE-WA”)

On 30 December 2017, warrants were exercised by the Company’s management and employees. The Company received cash for paid-up capital in amount of Baht 13.04 million. On 11 January 2018, share capital comprising 1,288,142 shares at par value Baht 1 per share have been registered with the Ministry of Commerce and paid-up share capital has thereby increased from Baht 303,079,938 to Baht 304,368,080. In order that, the warrants to purchase the Company’s ordinary shares No.1 (SAPPE-WA) which were issued and offered to management and employees of the Company expired in June 2018. The management and employees have exercised their warrants in proportion to the number of shares they have been granted.

2) The issuance of warrants no. 2 (“Warrant” or “SAPPE-WA2”)

At the annual general shareholders’ meeting of the Company held on 26 April 2018, the shareholders passed resolutions to approve the issuance of 4,070,000 units of warrants with a term of 4 years (“Warrant” or “SAPPE-WA2”) to qualifying management and employees of the Company. The warrants will be granted on the last working day of June and December of each year. The first exercise date is 12 months after issuing the warrants and the holders must have complied with all terms of the exercising right.

The warrants have been allocated to the management (including directors) and employees of the Company. The exercise ratio is 1 warrant per 1 new ordinary share, and the exercise price is Baht 20.56 per share (unless the adjustment of the exercising right). The terms of the exercise and the fair value of the share options has the detail as follow:

Description	Details
Type of warrants	Warrants to purchase ordinary shares of Sappe Public Company Limited issued to the management (including the executive directors) and employees of the Company at the second time (SAPPE-WA2), specification of the holder’s name and non-transferable unless the transfer of inheritance or transfer to heirs or representatives by law.
Issue and sell quantities	4,070,000 units
Terms of warrants	4 years from the issuance date of warrant
Exercise ratio	1 warrant to 1 ordinary share unless there is a change in exercise ratio under the change conditions
Exercise price	Baht 20.56 per share

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

Description	Details														
Exercise period and proportion	The holders of SAPPE-WA2 can exercise the warrants to purchase ordinary shares of the Company after holding it for the specified period. The first exercise date is 12 months after issuing the warrants. The details are as follows:														
	<table> <tr> <th>The period of holding the warrants (month) after issuance</th><th>The right that can be exercised as a percentage of the warrants received</th></tr> <tr> <td>12</td><td>20%</td></tr> <tr> <td>18</td><td>30%</td></tr> <tr> <td>24</td><td>40%</td></tr> <tr> <td>30</td><td>55%</td></tr> <tr> <td>36</td><td>70%</td></tr> <tr> <td>42</td><td>100%</td></tr> </table>	The period of holding the warrants (month) after issuance	The right that can be exercised as a percentage of the warrants received	12	20%	18	30%	24	40%	30	55%	36	70%	42	100%
The period of holding the warrants (month) after issuance	The right that can be exercised as a percentage of the warrants received														
12	20%														
18	30%														
24	40%														
30	55%														
36	70%														
42	100%														

Fair value of warrants Baht 6.9 - 8.3

The purchasing condition requires that the employees must have employee status or have a termination on each date of exercising the right.

The fair value of the warrant is measured using a Black-Scholes Model with the following financial assumptions:

Grant date share price (Baht)	26.00
Exercise price warrant (Baht)	20.56
Historical volatility in 3 years and 3 months at the allotment date (per semi-annual)	35.00%
Historical dividend yield	2.60%
Risk free interest rate at the allotment date	1.18 - 1.85%

Expenses for share-based payment transactions in the consolidated and separate financial statements for the six-month period ended 30 June 2018 were Baht 6.66 million (2017: Baht 0.79 million) and for the three-month period ended 30 June 2018 were Baht 1.75 million (2017: Baht 0.40 million).

Movements during the six-month periods ended 30 June of warrants were as follows:

<i>For the six-month period ended 30 June</i>	Consolidated/Separate financial statements			
	2018		2017	
	Average exercise price per share (Baht)	Option shares (in thousand shares)	Average exercise price per share (Baht)	Option shares (in thousand shares)
At 1 January	1.82	1,288	3.49	2,563
Issuance of warrants	7.16	4,070	-	-
Exercise	9.12	(1,288)	5.02	(559)
At 30 June	7.16	4,070	3.06	2,004

Sappe Public Company Limited and its Subsidiaries
Notes to the financial statements
For the three-month and six-month period ended 30 June 2018 (Unaudited)

12 Segment information

The Group has 2 reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions have different locations, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Segment 1 Thailand
Segment 2 Others

Information about reportable segments

<i>Three-month period ended 30 June</i>	Thailand		Others		Eliminate		Net	
	2018	2017	2018	2017	2018	2017	2018	2017
	<i>(in thousand Baht)</i>							
External revenue	839,230	834,956	7,705	9,703	-	-	846,935	844,659
Inter-segment revenue	3,045	1,893	-	-	(3,045)	(1,893)	-	-
Total segment revenue	842,275	836,849	7,705	9,703	(3,045)	(1,893)	846,935	844,659
Share of loss of associates	(436)	(306)	-	-	-	-	(436)	(306)
Segment profit (loss) before income tax	148,516	217,731	(1,175)	(11,351)	23	(12)	147,364	206,368
<i>Six-month period ended 30 June</i>								
External revenue	1,533,037	1,325,527	16,249	15,673	-	-	1,549,286	1,341,200
Inter-segment revenue	4,993	4,128	-	-	(4,993)	(4,128)	-	-
Total segment revenue	1,538,030	1,329,655	16,249	15,673	(4,993)	(4,128)	1,549,286	1,341,200
Share of loss of associates	(3,004)	(2,228)	-	-	-	-	(3,004)	(2,228)
Segment profit (loss) before income tax	297,564	285,553	(1,616)	(16,976)	(1)	(10)	295,947	268,567
Segment assets as at 30 June / 31 December	2,925,877	2,810,873	171,712	172,323	(227,411)	(254,786)	2,870,178	2,758,410
Segment liabilities as at 30 June / 31 December	561,979	496,118	41,225	37,496	(30,232)	(27,608)	572,972	506,006

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

13 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month and six-month periods ended 30 June 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:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the three-month period ended 30 June</i>	<i>(in thousand Baht/thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	117,700	163,350	119,228	174,971
Number of ordinary shares outstanding	304,368	302,347	304,368	302,347
Earnings per share (basic) <i>(in Baht)</i>	0.39	0.54	0.39	0.58

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the six-month period ended 30 June</i>	<i>(in thousand Baht/thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	234,989	212,127	239,450	231,323
Number of ordinary shares outstanding at 1 January	303,080	301,788	303,080	301,788
Effect of issuing shares options exercised	1,217	512	1,217	512
Weighted average number of ordinary shares outstanding (basic)	304,297	302,300	304,297	302,300
Earnings per share (basic) <i>(in Baht)</i>	0.77	0.70	0.79	0.77

Diluted earnings per share

The calculations of diluted earnings per share for the three-month and six-month periods ended 30 June 2017 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods after adjusting for the effects of all dilutive potential ordinary shares as follows:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the three-month period ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	117,700	163,350	119,228	174,971
Number of ordinary shares outstanding at 1 April	304,368	302,347	304,368	302,347
Effect of issuing share options exercised	-	550	-	550
Weighted average number of ordinary shares outstanding (diluted)	304,368	302,897	304,368	302,897
Earnings per share (diluted) <i>(in Baht)</i>	0.39	0.54	0.39	0.58

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<i>For the six-month period ended 30 June</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company (basic)	<u>234,989</u>	<u>212,127</u>	<u>239,450</u>	<u>231,323</u>
Weighted average number of ordinary shares outstanding (basic)	304,297	302,300	304,297	302,300
Effect of issuing share options exercised	-	582	-	582
Weighted average number of ordinary shares outstanding (diluted)	<u>304,297</u>	<u>302,882</u>	<u>304,297</u>	<u>302,882</u>
Earnings per share (diluted) (in Baht)	<u>0.77</u>	<u>0.70</u>	<u>0.79</u>	<u>0.76</u>

The exercise price, including the fair value, of share based payment is higher than the average market price of the ordinary shares for the three-month and six-month period ended 30 June 2018. Effect of share options issued were not included in the calculation of diluted earnings per share.

14 Dividends

At the annual general meeting of the shareholders of the Company held on 26 April 2018, the shareholders approved the appropriation of dividends from annual net profit for the year 2017 of Baht 0.69 per share, amounting to Baht 210.01 million. The dividend was paid to shareholders in May 2018.

At the annual general meeting of the shareholders of the Company held on 26 April 2017, the shareholders approved the appropriation of dividends from annual net profit for the year 2016 of Baht 0.54 per share, amounting to Baht 163.27 million. The dividend was paid to shareholders in May 2017.

15 Financial instruments

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair Value Level 2	Carrying amount	Fair Value Level 2
	<i>(in thousand Baht)</i>			
30 June 2018				
<i>Financial assets measured at fair value</i>				
Debt securities held for trading	909,338	909,338	909,338	909,338
<i>Financial liabilities not measured at fair value</i>				
Foreign currency forward contract	(8,677)	(10,317)	(8,677)	(10,317)

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair Value Level 2 (in thousand Baht)	Carrying amount	Fair Value Level 2
31 December 2017				
<i>Financial assets measured at fair value</i>				
Debt securities held for trading	905,212	905,212	905,212	905,212
<i>Financial assets not measured at fair value</i>				
Foreign currency forward contract	3,125	1,971	3,125	1,971

Fair values of financial assets and liabilities

The fair values of the current portion of financial assets and liabilities are taken to approximate the carrying values due to the relatively short-term maturity of these financial instruments.

The fair values of finance lease liabilities approximate their carrying amounts as the market rate is close to the contract rate.

The Group has considered the level 2 fair value of debt securities held for trading based on net asset value as at the measurement date according to the fund's information released to the public as at 30 June 2018 and 31 December 2017.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Fair values reflect the credit risk of the instrument.

16 Commitments with non-related parties

	Consolidated financial statements		Separate Financial statements	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	(in thousand Baht)			
<i>Capital commitments</i>				
<i>Contracted but not provided for :</i>				
Machinery, equipment and other constructions	8,556	50,582	8,556	50,582
Total	8,556	50,582	8,556	50,582
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	17,541	16,935	14,302	16,205
After one year but within five years	17,191	15,333	16,557	14,494
Total	34,732	32,268	30,859	30,699
<i>Other commitments</i>				
Bank guarantees	7,716	7,716	7,716	7,716
Total	7,716	7,716	7,716	7,716

Sappe Public Company Limited and its Subsidiaries

Notes to the financial statements

For the three-month and six-month period ended 30 June 2018 (Unaudited)

17 Contingent liability

As at 30 June 2018, the Company has been sued by a former oversea distributor in the amount of CNY 3.15 million (Baht 15.94 million). Presently, the case is being considered by the court. However, the Company has set aside provision of Baht 0.95 million (*2017: Baht 0.94 million*) for liability that may arise as a result of this case, based on the opinion of their management and legal department.

