

**Crown Seal Public Company Limited**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2019**

**1. General information**

**1.1 Corporate information**

Crown Seal Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Nippon Closures Co., Ltd., which was incorporated in Japan. The ultimate company of the Group is Toyo Seikan Group Holdings Ltd.

The Company is principally engaged in the manufacture and sale of caps for bottles and the hire of printing sheets for can. The registered office of the Company is at 5 Soi Rangsit - Nakhon Nayok 46, Tambon Prachatipat, Amphur Thanyaburi, Pathum Thani.

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2016) *Interim Financial Reporting*, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

### 1.3 New financial reporting standards

#### (a) Financial reporting standards that became effective in the current period

During the period, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are summarised below:

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes the following accounting standards together with related interpretations.

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

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

**(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards except the following new standards which involve changes to key principles, which are summarised below.

**Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

**1.4 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018.

**2. Related party transactions**

During the period, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	For the three-month periods ended		For the nine-month periods ended		Pricing policy
	30 September		30 September		
	2019	2018	2019	2018	
<b><u>Transactions with related companies</u></b>					
Sales of caps	189,900	166,513	598,978	492,106	Cost plus margin
Service income from printing sheets	56,345	40,057	152,099	118,099	Cost plus margin and contract price
Rental income	554	562	1,675	1,699	Contract price
Sales of raw materials and spare parts	2,682	12	3,905	154	Market price
Sale of equipment	38,875	-	38,875	-	At cost
Administrative income	2,502	2,395	8,955	8,649	Contract price
Dividend income	-	-	470	523	As declared
Purchases of raw materials and spare parts	15,449	7,452	45,308	14,603	Cost plus margin
Purchases of equipment	2,550	7,901	7,590	17,807	Cost plus margin
Royalty fee expense	4,601	3,653	13,018	11,923	A percentage of net sales of each product
Claim payment for damaged goods	287	6,185	1,156	6,873	At cost
Dividend paid	-	-	51,984	51,984	As declared

(Unaudited but reviewed)

Directors and management's benefits

The Company had employee benefit expenses payable to its directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2019	2018	2019	2018
	Short-term employee benefits	6,026	5,901	18,504
Post-employment benefits	82	41	247	122
Total	6,108	5,942	18,751	16,036

As at 30 September 2019 and 31 December 2018, the balances of accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	30 September	31 December
	2019	2018
Trade accounts receivable - related parties	109,352	121,310
Other receivables - related parties	47,107	6,630
Trade accounts payable - related parties	13,619	5,978
Other payables - related parties	8,456	7,626
Rental received in advance - related parties		
Rental received in advance to be recognised within one year	993	993
Rental received in advance - net of current portion	10,670	11,415

**3. Cash and cash equivalents**

(Unit: Thousand Baht)

	30 September	31 December
	2019	2018
Cash	145	182
Bank deposits - current accounts	2	2
Bank deposits - saving accounts	229,221	294,143
Bank deposits - fixed deposit	-	180
Total	229,368	294,507

(Unaudited but reviewed)

As at 30 September 2019, bank deposits carried interests between 0.04% to 0.87% per annum (31 December 2018: between 0.04% and 1.15% per annum).

#### 4. Short-term investments

As at 30 September 2019, short-term deposits with financial institutions carried interest between 0.80% to 1.62% per annum (31 December 2018: 1.15% to 1.45% per annum).

#### 5. Trade and other receivables

(Unit: Thousand Baht)

	30 September 2019	31 December 2018
<u>Trade accounts receivable - related parties</u>		
Aged on the basis of due dates		
Not yet due	79,560	83,172
Past due		
Up to 3 months	29,595	38,138
Over 3 months	197	-
Total trade accounts receivable - related parties	109,352	121,310
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	280,955	264,364
Past due		
Up to 3 months	78,160	73,949
Over 3 months	9,397	-
Total trade accounts receivable - unrelated parties	368,512	338,313
<u>Other receivables - related parties</u>		
Accrued income	47,107	6,630
Total other receivables - related parties	47,107	6,630
<u>Other receivables - unrelated parties</u>		
Advances	2,354	1,951
Receivable for claims from suppliers	9	6,540
Receivable from scrap sales	247	3,404
Others	3,605	1,674
Total other receivables - unrelated parties	6,215	13,569
Total trade and other receivables	531,186	479,822

**6. Inventories****Allowance for diminution in values of inventories**

Movements in the allowance for diminution in values of inventories account during the nine-month period ended 30 September 2019 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 January 2019	28,560
Write-down of cost of inventories resulting from inventories destruction	(26,668)
Reduced cost of inventories during the period	<u>26,755</u>
Net book value as at 30 September 2019	<u><u>28,647</u></u>

During the year 2018, inventories of Baht 54 million were damaged by accident in factory. The Company recorded loss of Baht 42 million from damage (net of scrap sales), as part of administrative expenses. In the third quarter of this year, the Company received and recorded compensation of Baht 32 million and total Baht 42 million for three quarters, and recorded such amount as other income in the statement of income for the three-month and nine-month periods ended 30 September 2019 respectively.

**7. Long-term investments**

(Unit: Thousand Baht)

Companies	Nature of business	Shareholding percentage (%)	30 September 2019	31 December 2018
PT. Indonesia Caps and Closures	Produce and distribute packaging caps for beverages	12.08	37,381	37,381
Bangkok Can Manufacturing Co., Ltd.	Produce and distribute cans	1.61	9,493	9,493
Muang-Ake Golf Co., Ltd.	Golf club service	0.08	180	180
Muang-Ake Vista Golf Course Co., Ltd.	Golf club service	0.06	<u>350</u>	<u>350</u>
Total cost			47,404	47,404
Less: Allowance for diminution in value of investment in PT. Indonesia Caps and Closures			<u>(29,631)</u>	<u>(29,631)</u>
Investments in non-marketable equity securities - net			17,773	17,773
Equity securities - Available-for- sales			<u>273</u>	<u>273</u>
Long-term investments - net			<u><u>18,046</u></u>	<u><u>18,046</u></u>

**8. Investment properties**

No movement of the investment properties account during the nine-month period ended 30 September 2019. Income derived from investment properties during the three-month and nine-month periods ended 30 September 2019 were Baht 0.5 million and Baht 1.6 million.

**9. Property, plant and equipment**

Movements of the property, plant and equipment account during the nine-month period ended 30 September 2019 are summarised below.

(Unit: Thousand Baht)

Net book value as at 1 January 2019	1,394,575
Acquisitions during period - at cost	218,760
Disposal/write-off during period - net book value	(48,383)
Depreciation for the period	<u>(125,605)</u>
Net book value as at 30 September 2019	<u><u>1,439,347</u></u>

The Company shares the ownership of some building and machinery with Bangkok Can Manufacturing Co., Ltd. and recorded the assets in proportion to its ownership. The carrying amount of its portion as at 30 September 2019 was Baht 47 million (31 December 2018: Baht 11 million).

**10. Intangible assets**

(Unit: Thousand Baht)

Net book value as at 1 January 2019	3,639
Additions during period	1,174
Amortisation for the period	<u>(1,734)</u>
Net book value as at 30 September 2019	<u><u>3,079</u></u>

**11. Facilities for bank overdrafts and short-term loans from financial institutions**

Outstanding bank overdrafts and short-term loan facilities of the Company as at 30 September 2019 and 31 December 2018 are Baht 1,075 million. Such facilities are unsecured.



(Unaudited but reviewed)

## 12. Trade and other payables

(Unit: Thousand Baht)

	30 September 2019	31 December 2018
Trade accounts payable - related parties	13,619	5,978
Trade accounts payable - unrelated parties	419,853	393,654
Other payables - related parties		
Accrued royalty fee	4,599	7,626
Others	3,857	-
Total other payables - related parties	8,456	7,626
Other payables - unrelated parties		
Other payables	66,210	60,411
Accrued expenses	71,803	39,422
Total other payables - unrelated parties	138,013	99,833
Total trade and other payables	579,941	507,091

## 13. Income tax / Deferred tax assets (liabilities)

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expense for the three-month and nine-month periods ended 30 September 2019 and 2018 were made up as follows:

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2019	2018	2019	2018
<b>Current income tax:</b>				
Interim corporate income tax charge	25,847	8,861	65,856	43,633
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	3,846	(374)	744	84
<b>Income tax expense reported in the statement of income</b>	<u>29,693</u>	<u>8,487</u>	<u>66,600</u>	<u>43,717</u>

(Unaudited but reviewed)

The components of deferred tax assets and liabilities as presented in statement of financial position consist of:

(Unit: Thousand Baht)

	30 September 2019	31 December 2018
Allowance for diminution in value of inventories	5,730	5,712
Provision for long-term employee benefits	34,136	25,823
Rental received in advance	2,134	2,284
Loss due to accident (net of indemnity received)	-	8,464
Others	2,793	2,227
Total deferred tax assets	<u>44,793</u>	<u>44,510</u>
Depreciation and amortisation	(33,710)	(32,682)
Gain on change in the value of investment properties	(64,151)	(64,152)
Revaluation surplus on land	(15,319)	(15,319)
Total deferred tax liabilities	<u>(113,180)</u>	<u>(112,153)</u>
Deferred tax liabilities, net	<u>(68,387)</u>	<u>(67,643)</u>

#### 14. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the nine-month period ended 30 September 2019 are summarised below.

(Unit: Thousand Baht)

Balance as at 1 January 2019	176,963
Additions during period	42,560
Benefits paid during the period	<u>(3,840)</u>
Balance as at 30 September 2019	<u>215,683</u>

### Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change was considered a post-employment benefits plan amendment and the Company had additional long-term employee benefit liabilities of Baht 35.9 million as a result. The Company reflected the effect of the change by recognising past service costs as administrative expenses in the income statement the second quarter of 2019.

### 15. Dividends paid

Approved by		Total dividends	Dividend per preferred share	Dividend per ordinary share
		(Thousand Baht)	(Baht)	(Baht)
Final dividends for 2017	Annual General Meeting of shareholders on 25 April 2018	80,400	3.00	1.50
<b>Total dividends declared for 2018</b>		<b>80,400</b>	<b>3.00</b>	<b>1.50</b>
Final dividends for 2018	Annual General Meeting of shareholders on 19 April 2019	80,400	3.00	1.50
<b>Total dividends declared for 2019</b>		<b>80,400</b>	<b>3.00</b>	<b>1.50</b>

### 16. Earnings per share

Basic earnings per share was calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share was calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

(Unaudited but reviewed)

The following table presented the computation of basic and diluted earnings per share.

For the three-month periods ended 30 September						
Profit for the period		Weighted average number of ordinary shares		Earnings per share		
2019	2018	2019	2018	2019	2018	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic earnings per share</b>						
Profit for the period	123,772	40,120	52,001	52,000	2.38	0.77
<b>Effect of dilutive potential ordinary shares</b>						
Convertible preferred shares	-	-	799	800		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion to ordinary shares	123,772	40,120	52,800	52,800	2.34	0.76

For the nine-month periods ended 30 September						
Profit for the period		Weighted average number of ordinary shares		Earnings per share		
2019	2018	2019	2018	2019	2018	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
<b>Basic earnings per share</b>						
Profit for the period	284,884	173,876	52,001	52,000	5.48	3.34
<b>Effect of dilutive potential ordinary shares</b>						
Convertible preferred shares	-	-	799	800		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion to ordinary shares	284,884	173,876	52,800	52,800	5.40	3.29

## 17. Segment information

The Company is organised into business units based on its products and services. During the current period, the Company has not changed the organisation of its reportable segments.

The following tables present revenue and profit information regarding the Company's operating segments for the three-month and nine-month periods ended 30 September 2019 and 2018, respectively.

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the three-month periods ended 30 September

	Manufacture		Hire of printing		Total	
	and sale of caps		sheets for can			
	2019	2018	2019	2018	2019	2018
Sales	742,748	664,217	57,614	40,628	800,362	704,845
<b>Operating results</b>						
Segment profit	143,669	74,292	13,937	7,423	157,606	81,715
<b>Unallocated income and expenses</b>						
Finance income					4,120	3,127
Other income					41,240	5,883
Administrative expenses					(49,501)	(42,118)
Profit before income tax expense					153,465	48,607
Income tax expense					(29,693)	(8,487)
Profit for the period					123,772	40,120

(Unit: Thousand Baht)

For the nine-month periods ended 30 September

	Manufacture		Hire of printing		Total	
	and sale of caps		sheets for can			
	2019	2018	2019	2018	2019	2018
Sales	2,259,505	1,993,855	155,310	120,248	2,414,815	2,114,103
<b>Operating results</b>						
Segment profit	406,084	293,032	34,152	25,641	440,236	318,673
<b>Unallocated income and expenses</b>						
Finance income					11,055	9,233
Other income					73,019	19,579
Administrative expenses					(172,826)	(129,892)
Profit before income tax expense					351,484	217,593
Income tax expense					(66,600)	(43,717)
Profit for the period					284,884	173,876

**18. Commitments and contingent liabilities**

As at 30 September 2019 and 31 December 2018, the Company has the following outstanding commitments and contingent liabilities:

- a) The Company has commitments, which mature within one year, to local and overseas suppliers under purchase orders for capital expenditures, as follows:

(Unit: Million)

Foreign Currency	30 September 2019	31 December 2018
Baht	44.75	91.96
Euro	0.18	1.52
Japanese yen	38.71	-

- b) The Company has entered into several lease agreements in respect of the lease of building space and vehicles. The terms of the agreements are generally between 1 and 5 years. Future minimum lease payments required under these non-cancellable operating lease agreements are as follows.

(Unit: Million Baht)

	30 September 2019	31 December 2018
Payable within		
Less than 1 year	6.25	4.67
1 to 5 years	6.74	5.64

- c) As at 30 September 2019, the Company has bank guarantees issued by a bank on behalf of the Company of Baht 9.9 million for guarantee of electricity usage, and Baht 0.2 million for the purchase-sell agreements with a state agency (31 December 2018: Baht 9.9 million and Baht 0.6 million, respectively).

(Unaudited but reviewed)

## 19. Financial instruments

Forward exchange contracts outstanding as at 30 September 2019 and 31 December 2018 are summarised below.

30 September 2019				
Foreign currency	Contracts	Amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	Buy	0.32	30.64	29 Nov 19
US dollar	Sell	0.91	30.49 - 30.85	11 Oct 19 - 26 Dec 19
Japanese Yen	Buy	44.66	0.28 - 0.29	31 Oct 19 - 30 Dec 19

31 December 2018				
Foreign currency	Contracts	Amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	Contractual maturity date
US dollar	Buy	1.51	32.70 - 32.92	10 Jan 19 - 08 Feb 19
US dollar	Sell	0.11	33.02 - 33.14	18 Jan 19 - 31 Jan 19
Japanese Yen	Buy	3.39	0.29	31 Jan 19

## 20. Fair value hierarchy

As at 30 September 2019 and 31 December 2018, the Company had the assets that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment properties	-	-	666	666
Land	-	-	143	143

## 21. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 5 November 2019.