

Crown Seal Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2017

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

During the period, the Company has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

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 2016.

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)

	Financial statements in which equity method is applied / Separate financial statements		Pricing policy
	For the three-month periods ended		
	31 March		
	2017	2016	
<u>Transactions with related companies</u>			
Sales of caps	174,358	182,029	Cost plus margin
Service income from printing sheets	46,160	43,138	Cost plus margin
Rental income	890	630	Contract price
Sales of equipment, spare parts and raw materials	76	57	Normal price as charged to other customers
Administrative income	3,700	6,188	Contract price
Purchases of raw materials	358	274	Cost plus margin
Purchases of spare parts and machinery	8,838	2,846	Cost plus margin
Royalty fee expense	4,958	6,018	A percentage of net sales of each product
Claim payment for damaged goods	176	5	At cost

(Unaudited but reviewed)

Directors and management's benefits

During the three-month periods ended 31 March 2017 and 2016, the Company had employee benefit expenses payable to its directors and management as below.

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	For the three-month periods ended 31 March	
	2017	2016
Short-term employee benefits	5,217	4,673
Post-employment benefits	71	69
Total	<u>5,288</u>	<u>4,742</u>

As at 31 March 2017 and 31 December 2016, the balances of accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
Trade accounts receivable - related parties	<u>104,353</u>	<u>97,533</u>
Other receivables - related parties	<u>7,648</u>	<u>7,615</u>
Other payables - related parties	<u>14,064</u>	<u>19,923</u>
Rental received in advance		
Unearned rental income	14,145	14,393
Less: Current portion	(993)	(993)
Net	<u>13,152</u>	<u>13,400</u>

(Unaudited but reviewed)

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
Cash	145	171
Bank deposits	383,525	274,672
Total	383,670	274,843

As at 31 March 2017, bank deposits in saving accounts and fixed deposits carried interests between 0.10% to 1.60% per annum (31 December 2016: between 0.10% and 1.00% per annum).

4. Trade and other receivables

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
<u>Trade accounts receivable - related parties</u>		
Aged on the basis of due dates		
Not yet due	76,439	69,330
Past due		
Up to 3 months	27,914	28,203
Total trade accounts receivable -related parties	104,353	97,533
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	270,463	215,106
Past due		
Up to 3 months	45,513	46,996
Total trade accounts receivable -unrelated parties	315,976	262,102

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
<u>Other receivables - related parties</u>		
Accrued income	7,648	7,615
Total other receivables - related parties	7,648	7,615
<u>Other receivables - unrelated parties</u>		
Advances	1,962	2,277
Receivable from scrap sales	2,159	1,108
Others	2,266	1,867
Total other receivables - unrelated parties	6,387	5,252
Total trade and other receivables	434,364	372,502

5. Inventories

Allowance for diminution in values of inventories

Movements in the allowance for diminution in values of inventories account during the three-month period ended 31 March 2017 are summarised below.

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements
Net book value as at 1 January 2017	41,999
Write-down of cost of inventories resulting from inventories destruction	(10,208)
Reduced cost of inventories during the period	8,319
Net book value as at 31 March 2017	40,110

(Unaudited but reviewed)

6. Investment in associated company

6.1 Details of investment in associated company

(Unit: Thousand Baht)

Associate's name	Nature of business	Country of incorporation	Shareholding percentage	Financial statement in which equity method is applied		Separate financial statements	
				Carrying amount based on equity method		Carrying amount based on cost method	
				31 March 2017	31 December 2016	31 March 2017	31 December 2016
PT Indonesia Caps and Closures	Produce and distribute packaging caps for beverages	Republic of Indonesia	25	32,387	35,384	46,342	46,342

6.2 Share of profit and dividend received

During the periods, the Company has recognised its share of loss from investment in associated company in the financial statements in which equity method is applied and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Associates' name	Financial statements in which equity method is applied				Separate financial statements	
	Share of loss from investment in associate during the period		Share of other comprehensive income from investment in associate during the period		Dividend received during the period	
	For the three-month periods ended 31 March		For the three-month periods ended 31 March		For the three-month periods ended 31 March	
	2017	2016	2017	2016	2017	2016
PT Indonesia Caps and Closures	(1,208)	(1,010)	(1,789)	(89)	-	-

6.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

(Unit: Million Baht)

	31 March 2017	31 December 2016
<u>Summarised information about financial position</u>		
Total assets	336	358
Total liabilities	207	216
Net assets	129	142

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month periods
ended 31 March

	<u>2017</u>	<u>2016</u>
<u>Summarised information about comprehensive income</u>		
Revenue	2.3	-
Loss	(4.8)	(4.0)
Other comprehensive income	-	-
Total comprehensive income	<u>(4.8)</u>	<u>(4.0)</u>

7. Long-term investments

(Unit: Thousand Baht)

Companies	Financial statements in which equity method is applied / Separate financial statements		
	Shareholding percentage (%)	31 March 2017	31 December 2016
Bangkok Can Manufacturing Co., Ltd.	1.61	9,494	9,494
Petpak Co., Ltd.	-	-	35,000
Muang-Ake Golf Co., Ltd.	0.08	180	180
City Sports and Recreation Co., Ltd.	0.03	273	273
Muang-Ake Vista Golf Course Co., Ltd.	0.06	350	350
Total long-term investments - cost		<u>10,297</u>	<u>45,297</u>

During March 2017, the Company disposed its entire investment in Petpak Co., Ltd. to a company who is a major shareholder of Petpak Co., Ltd. with the selling price of Baht 42 million and recognised gain on sale of investment amounting to Baht 7 million in other income in the income statement.

8. Investment properties

No movement of the investment properties account during the three-month period ended 31 March 2017.

(Unaudited but reviewed)

9. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2017 are summarized below.

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements
Net book value as at 1 January 2017	1,115,118
Acquisitions during period - at cost	67,368
Disposal/write-off during period - net book value	(750)
Depreciation for the period	(38,659)
Net book value as at 31 March 2017	<u>1,143,077</u>

The Company shares the ownership of some building and machinery with Bangkok Can Manufacturing Co., Ltd. and records the assets in proportion to its ownership. The carrying amount of its share as at 31 March 2017 was Baht 11million (31 December 2016: Baht 12million).

10. Intangible assets

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements
Net book value as at 1 January 2017	2,706
Additions during period	650
Amortisation for the period	(621)
Net book value as at 31 March 2017	<u>2,735</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 31 March 2017 and 31 December 2016 are Baht 175million and Baht 900million. Such facilities are unsecured.

(Unaudited but reviewed)

12. Trade and other payables

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
<u>Trade accounts payable - unrelated parties</u>	<u>287,777</u>	<u>270,099</u>
<u>Other payables - related parties</u>		
Accrued royalty fee	4,958	9,040
Others	9,106	10,883
Total other payables - related parties	<u>14,064</u>	<u>19,923</u>
<u>Other payables - unrelated parties</u>		
Other payables	31,242	25,451
Accrued expenses	44,459	34,934
Total other payables - unrelated parties	<u>75,701</u>	<u>60,385</u>
Total trade and other payables	<u>377,542</u>	<u>350,407</u>

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 periods ended 31 March 2017 and 2016 are made up as follows:

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	For the three-month periods ended 31 March	
	2017	2016
Current income tax:		
Interim corporate income tax charge	23,093	25,110
Deferred tax:		
Relating to origination and reversal of temporary differences	414	(645)
Income tax expense reported in the statements of income	<u>23,507</u>	<u>24,465</u>

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	31 March 2017	31 December 2016
Allowance for diminution in value of inventories	8,022	8,400
Provision for long-term employee benefits	22,223	21,792
Rental receivable in advance	2,630	2,680
Others	1,782	1,804
Total deferred tax assets	34,657	34,676
Depreciation and amortisation	29,791	29,396
Gain on change in the value of investment properties	25,692	25,692
Revaluation surplus on land	6,559	6,559
Total deferred tax liabilities	62,042	61,647
Deferred tax liabilities, net	27,385	26,971

14. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the three-month period ended 31 March 2017 are summarised below.

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements
Balance as at 1 January 2017	157,213
Additions during period	2,513
Benefits paid during the period	(214)
Net book value as at 31 March 2017	159,152

15. Earnings per share

Basic earnings per share is 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 is 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.

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

Financial statements in which equity method is applied						
For the three-month periods ended 31 March						
Profit for the period		Weighted average number of ordinary shares		Earnings per share		
2017	2016	2017	2016	2017	2016	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit for the period	88,429	102,745	52,000	52,000	1.70	1.98
Effect of dilutive potential ordinary shares						
Convertible preferred shares		-	800	800		
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion to ordinary shares	88,429	102,745	52,800	52,800	1.67	1.95
Separate financial statements						
For the three-month periods ended 31 March						
Profit for the period		Weighted average number of ordinary shares		Earnings per share		
2017	2016	2017	2016	2017	2016	
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit for the period	89,637	103,755	52,000	52,000	1.72	2.00
Effect of dilutive potential ordinary shares						
Convertible preferred shares	-	-	800	800		
Diluted earnings per share						
Profit of ordinary shareholders assuming the conversion to ordinary shares	89,637	103,755	52,800	52,800	1.70	1.97

(Unaudited but reviewed)

16. 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 periods ended 31 March 2017 and 2016, respectively.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March					
	Manufacture and sale of caps		Hire of printing sheets for can		Total	
	2017	2016	2017	2016	2017	2016
Sales						
Local	526,832	497,195	-	-	526,832	497,195
Export	125,054	200,472	-	-	125,054	200,472
Total	651,886	697,667	-	-	651,886	697,667
Service income - local	-	-	46,934	43,790	46,934	43,790
Operating results						
Segment profit	125,029	153,784	10,235	9,034	135,264	162,818
Unallocated income and expenses						
Finance income					3,421	2,696
Other income					18,615	8,992
Administrating expenses					(44,156)	(46,286)
Share of loss from investment in associated company					(1,208)	(1,010)
Profit before income tax expense					111,936	127,210
Income tax expense					(23,507)	(24,465)
Profit for the period					<u>88,429</u>	<u>102,745</u>

17. Commitments and contingent liabilities

As at 31 March 2017 and 31 December 2016, 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 raw materials, spare parts and service hiring, and capital expenditures, as follows:

(Unit: Million)

Foreign Currency	31 March 2017			
	Purchase orders for raw materials	Purchase orders for spare parts and service hiring	Purchase orders for capital expenditures	Total
	Baht	249	27	16
US dollar	1	-	-	1
Japanese yen	-	30	266	296

(Unaudited but reviewed)

(Unit: Million)

Foreign Currency	31 December 2016			Total
	Purchase orders for raw materials	Purchase orders for spare parts and service hiring	Purchase orders for capital expenditures	
Baht	169	17	18	204
US dollar	1	-	-	1
Japanese yen	-	19	305	324
Euro	-	-	1	1

- b) As at 31 March 2017 and 31 December 2016, the Company has bank guarantees of Baht 9.7 million issued by a bank on behalf of the Company. Letters of guarantees are to guarantee electricity usage of Baht 9.5 million and the purchase-sell agreements with a state agency of Baht 0.2 million.

18. Financial instruments

Forward exchange contracts outstanding as at 31 March 2017 and 31 December 2016 are summarised below.

31 March 2017			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	1.00	35.02 - 35.26	26 Apr 2017 - 1 Sep 2017

31 December 2016			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.43	34.77 - 35.72	20 Jan 2017 - 9 May 2017

19. Event after the reporting period

The Company's Annual General Meeting of shareholders, held on 18 April 2017, approved dividend payments from the operating result for the year 2016 to the ordinary shares of Baht 130.0 million (Baht 2.50 per share), and Baht 3.2 million to the preferred shares (Baht 4.00 per share), totaled Baht 133.2 million. The dividends will be paid to shareholders on 15 May 2017.

(Unaudited but reviewed)

20. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised director on 12 May 2017.