

Crown Seal Public Company Limited

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 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 ClosuresCo., 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 2015) *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.

(Unaudited but reviewed)

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		
	For the three-month periods ended 30 June		
	2017	2016	Pricing policy
<u>Transactions with related companies</u>			
Sales	156,718	186,436	Cost plus margin
Service income	37,823	49,286	Cost plus margin
Rental income	890	750	Contract price
Sales of equipment, spare parts and raw materials	696	153	Normal price as charged to other customers
Administrative income	2,269	2,539	Contract price
Purchases of raw materials	259	551	Cost plus margin
Purchases of spare parts and machinery	11,999	4,085	Cost plus margin
Royalty fee expense	4,816	6,591	A percentage of net sales of each product
Claim payment for damaged goods	110	100	At cost
Dividend paid	85,868	60,455	As declared

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Financial statements in which equity method is applied /Separate financial statements		
	For the six-month periods ended		
	30 June		
	2017	2016	Pricing policy
<u>Transactions with related companies</u>			
Sales	331,076	368,465	Cost plus margin
Service income	83,983	92,424	Cost plus margin
Rental income	1,780	1,380	Contract price
Sales of equipment, spare parts and raw materials	773	210	Normal price as charged to other customers
Administrative income	5,969	8,727	Contract price
Purchases of raw materials	617	825	Cost plus margin
Purchases of spare parts and machinery	20,837	6,931	Cost plus margin
Royalty fee expense	9,775	12,608	A percentage of net sales of each product
Claim payment for damaged goods	287	105	At cost
Dividend paid	85,868	60,455	As declared

Directors and management's benefits

During the three-month and six-month periods ended 30 June 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 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Short-term employee benefits	4,961	4,594	10,178	9,268
Post-employment benefits	71	139	143	208
Total	5,032	4,733	10,321	9,476

(Unaudited but reviewed)

As at 30 June 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 methods applied / Separate financial statements	
	30 June 2017	31 December 2016
Trade accounts receivable - related parties	79,753	97,533
Other receivables- related parties	7,705	7,615
Other payables- related parties	21,868	19,923
Rental received in advance		
Unearned rental income	13,897	14,393
Less: Current portion	(993)	(993)
Net	12,904	13,400

3. Cash and cash equivalents

(Unit: Thousand Baht)

	Financial statements in which equity methods applied / Separate financial statements	
	30 June 2017	31 December 2016
Cash	161	171
Bank deposits	293,165	274,672
Total	293,326	274,843

As at 30 June 2017, bank deposits in saving accounts and fixed deposits carried interests between 0.04% to 1.00% per annum (31 December 2016: between 0.10% and 1.00% per annum).

(Unaudited but reviewed)

4. Trade and other receivables

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	30 June 2017	31 December 2016
<u>Trade accounts receivable - related parties</u>		
Aged on the basis of due dates		
Not yet due	59,558	69,330
Past due		
Up to 3 months	20,195	28,203
Total trade accounts receivable -related parties	79,753	97,533
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	234,017	215,106
Past due		
Up to 3 months	65,827	46,996
Total trade accounts receivable -unrelated parties	299,844	262,102
<u>Other receivables - related parties</u>		
Accrued income	7,705	7,615
Total other receivables - related parties	7,705	7,615
<u>Other receivables - unrelated parties</u>		
Advances	2,144	2,277
Receivable from scrap sales	1,105	1,108
Others	2,575	1,867
Total other receivables - unrelated parties	5,824	5,252
Trade and other receivables	393,126	372,502

(Unaudited but reviewed)

5. Inventories

Allowance for diminution in values of inventories

Movements in the allowance for diminution in values of inventories account during the six-month period ended 30 June 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	(10,072)
Reduced cost of inventories during the period	14,390
Net book value as at 30 June 2017	46,317

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	
				30 June 2017	31 December 2016	30 June 2017	31 December 2016
PT Indonesia Caps and Closures	Produce and distribute packaging caps for beverages	Republic of Indonesia	25				
Cost						46,342	46,342
Less: allowance for diminution in value of investment						(17,140)	-
Carrying amount				29,202	35,384	29,202	46,342

(Unaudited but reviewed)

During the current quarter, PT. Indonesia Caps and Closures approved an increase in the registered share capital by USD 6.15 million (from USD 5.75 million to USD 11.90 million), through the issuance of 61,500 new ordinary shares with a par value of USD 100 each, to be offered to the existing shareholders in proportion to their shareholding. However, the meeting of the Board of Directors of the Company, held on 26 June 2017, passed a resolution to waive the Company's right to purchase these ordinary shares (the Company's shareholding percentage would be decrease to 12.07%). As at 30 June 2017, the capital increase is in progress and so the Company has recorded share of loss from investment in associated company in the financial statements in which the equity method is applied. Moreover, the Company has recorded allowance of Baht 17 million for diminution in value of investment in associated company in the separate financial statements.

6.2 Share of profit and dividend received

During the periods, the Company has recognised its share of profit (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	
	For the three-month periods ended 30 June				For the three-month periods ended 30 June	
	Share of loss from investment in associated during the period		Share of other comprehensive income from investment in associate during the period		Dividend received during the period	
	2017	2016	2017	2016	2017	2016
PT Indonesia Caps and Closures	(1,959)	(1,823)	(1,226)	931	-	-

(Unit: Thousand Baht)

Associates' name	Financial statements in which equity method is applied				Separate financial statements	
	For the six-month periods ended 30 June				For the six-month periods ended 30 June	
	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	
	2017	2016	2017	2016	2017	2016
PT Indonesia Caps and Closures	(3,166)	(2,834)	(3,016)	843	-	-

(Unaudited but reviewed)

6.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

(Unit: Million Baht)

	30 June 2017	31 December 2016
<u>Summarised information about financial position</u>		
Total assets	322	358
Total liabilities	205	216
Net assets	117	142

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Summarised information about comprehensive income</u>				
Revenue	2.3	-	4.6	-
Profit (loss)	(7.8)	(7.3)	(16.0)	(11.3)
Other comprehensive income	-	-	-	-
Total comprehensive income	(7.8)	(7.3)	(16.0)	(11.3)

7. Long-term investments

(Unit: Thousand Baht)

Companies	Financial statements in which equity method is applied / Separate financial statements		
	Shareholding percentage (%)	30 June 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		10,297	45,297

(Unaudited but reviewed)

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 as other income in the income statement.

8. Property, plant and equipment

Movements of the property, plant and equipment account during the six-month period ended 30 June 2017 are summarized below.

	(Unit: Thousand Baht)
	Financial statements in which equity method is applied / <u>Separate financial statements</u>
Net book value as at 1 January 2017	1,115,118
Acquisitions during period - at cost	98,035
Disposal/write-off during period - net book value	(4,583)
Depreciation for the period	<u>(78,256)</u>
Net book value as at 30 June 2017	<u><u>1,130,314</u></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 30 June 2017 was Baht 13million (31 December 2016: Baht 12million).

9. Intangible assets

	(Unit: Thousand Baht)
	Financial statements in which equity method is applied / <u>Separate financial statements</u>
Net book value as at 1 January 2017	2,706
Additions during period	2,500
Write-off during period - net book value	
Amortisation for the period	<u>(1,130)</u>
Net book value as at 30 June 2017	<u><u>4,076</u></u>

10. 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 June 2017 and 31 December 2016 are Baht 175 million and Baht 900million. Such facilities are unsecured.

(Unaudited but reviewed)

11. Trade and other payables

(Unit: Thousand Baht)

	Financial statements in which equity method is applied / Separate financial statements	
	30 June 2017	31 December 2016
<u>Trade accounts payable - unrelated parties</u>	<u>335,100</u>	<u>270,099</u>
<u>Other payables - related parties</u>		
Accrued royalty fee	9,775	9,040
Others	12,093	10,883
Total other payables - related parties	<u>21,868</u>	<u>19,923</u>
<u>Other payables - unrelated parties</u>		
Other payables	30,718	25,451
Accrued expenses	55,165	34,934
Total other payables - unrelated parties	<u>85,883</u>	<u>60,385</u>
Total trade and other payables	<u>442,851</u>	<u>350,407</u>

12. 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 six-month periods ended 30 June 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 30 June		For the six-month periods ended 30 June	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax charge	20,637	30,736	43,730	55,846
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,151)	757	(1,736)	111
Income tax expense reported in the statements of income	<u>18,486</u>	<u>31,493</u>	<u>41,994</u>	<u>55,957</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	
	30 June	31 December
	2017	2016
Allowance for diminution in value of inventories	9,263	8,400
Provision for long-term employee benefits	23,588	21,792
Rental receivable in advance	2,581	2,680
Others	1,889	1,805
Total deferred tax assets	37,321	34,677
Depreciation and amortisation	30,304	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	62,555	61,647
Deferred tax liabilities, net	25,234	26,970

13. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the six-month period ended 30 June 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	10,368
Benefits paid during the period	(1,393)
Net book value as at 30 June 2017	166,188

14. 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 30 June						
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	72,768	126,759	52,000	52,000	1.40	2.44
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	72,768	126,759	52,800	52,800	1.38	2.40
Separate financial statements						
For the three-month periods ended 30 June						
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	57,587	128,583	52,000	52,000	1.11	2.47
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	57,587	128,583	52,800	52,800	1.09	2.44

(Unaudited but reviewed)

Financial statements in which equity method is applied						
For the six-month periods ended 30 June						
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	161,197	229,504	52,000	52,000	3.10	4.41
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	161,197	229,504	52,800	52,800	3.05	4.35

Separate financial statements						
For the six-month periods ended 30 June						
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	147,223	232,338	52,000	52,000	2.83	4.47
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	147,223	232,338	52,800	52,800	2.79	4.40

15. 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 six-month periods ended 30 June 2017 and 2016, respectively.

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the three-month periods ended 30 June

	Manufacture and sale of caps		Hire of printing sheets for can		Total	
	2017	2016	2017	2016	2017	2016
	Sales					
Local	541,062	551,867	-	-	541,062	551,867
Export	110,333	181,008	-	-	110,333	181,008
Total	651,395	732,875	-	-	651,395	732,875
Service income - local	-	-	38,376	50,208	38,376	50,208
Operating results						
Segment profit	126,983	182,137	6,946	11,907	133,929	194,044
Unallocated income and expenses						
Financial income					3,662	2,929
Other income					6,626	6,455
Administrating expenses					(51,004)	(43,353)
Share of loss from investment in associated company					(1,959)	(1,823)
Profit before income tax expense					91,254	158,252
Income tax expense					(18,486)	(31,493)
Profit for the period					<u>72,768</u>	<u>126,759</u>

(Unit: Thousand Baht)

For the six-month periods ended 30 June

	Manufacture and sale of caps		Hire of printing sheets for can		Total	
	2017	2016	2017	2016	2017	2016
	Sales					
Local	1,067,893	1,049,062	-	-	1,067,893	1,049,062
Export	235,387	381,480	-	-	235,387	381,480
Total	1,303,280	1,430,542	-	-	1,303,280	1,430,542
Service income - local	-	-	85,311	93,999	85,311	93,999
Operating results						
Segment profit	252,010	335,925	17,181	20,939	269,191	356,864
Unallocated income and expenses						
Financial income					7,083	5,624
Other income					25,243	15,477
Administrating expenses					(95,160)	(89,640)
Share of loss from investment in associated company					(3,166)	(2,834)
Profit before income tax expense					203,191	285,461
Income tax expense					(41,994)	(55,957)
Profit for the period					<u>161,197</u>	<u>229,504</u>

(Unaudited but reviewed)

16. Dividends paid

	Approved by	Total dividends (Thousand Baht)	Dividend per preferred share (Baht)	Dividend per ordinary share (Baht)
Final dividends for 2015	Annual General Meeting of shareholders on 28 April 2016	93,600	3.25	1.75
Total dividends declared in 2016		93,600	3.25	1.75
Final dividends for 2016	Annual General Meeting of shareholders on 18 April 2017	133,198	4.00	2.50
Total dividends declared in 2017		133,198	4.00	2.50

17. Commitments and contingent liabilities

As at 30 June 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)

	30 June 2017			
Foreign Currency	Purchase orders for raw materials	Purchase orders for spare parts and service hiring	Purchase orders for capital expenditures	Total
Baht	232	26	18	276
US dollar	2	-	-	2
Japanese yen	1	23	253	277

(Unit: Million)

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

(Unaudited but reviewed)

- b) As at 30 June 2017, the Company has bank guarantees of Baht 9.9 million issued by a bank on behalf of the Company. Letters of guarantees are to guarantee for electricity usage of Baht 9.5 million and the purchase-sell agreements with a state agency of Baht 0.4 million (31 December 2016: Baht 9.7 million, Baht 9.5 million and Baht 0.2 million, respectively).

18. Financial instruments

Forward exchange contracts outstanding as at 30 June 2017 and 31 December 2016 are summarised below.

30 June 2017			
Foreign currency	Sold amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.76	34.00-34.73	5 Jul 2017 - 31 Oct 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. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of directors on 8 August 2017.