

Crown Seal Public Company Limited

Notes to interim financial statements

For the three-month and nine-month periods ended 30 September 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 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.

In current quarter, the Company discontinues the use of the equity method for investment in associated company as described in Note 6, therefore no statement of financial position as at 30 September 2017 in which equity method is applied has been presented. The financial information as at 31 December 2016 in notes to financial statements represented those previously reported in financial statements in which equity method is applied and separate 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 30 September		
	2017	2016	
<u>Transactions with related companies</u>			
Sales	148,847	154,404	Cost plus margin
Service income	43,442	47,678	Cost plus margin
Rental income	570	866	Contract price
Sales of equipment, spare parts and raw materials	240	811	Normal price as charged to other customers
Administrative income	2,272	2,177	Contract price
Purchases of raw materials	263	289	Cost plus margin
Purchases of spare parts and machinery	2,975	3,394	Cost plus margin
Royalty fee expense	4,324	4,639	A percentage of net sales of each product
Claim payment for damaged goods	425	(57)	At cost

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Financial statements in which equity method is applied /Separate financial statements		
	For the nine-month periods ended 30 September		
	2017	2016	Pricing policy
<u>Transactions with related companies</u>			
Sales	479,923	522,869	Cost plus margin
Service income	127,425	140,102	Cost plus margin
Rental income	2,350	2,246	Contract price
Sales of equipment, spare parts and raw materials	1,013	1,022	Normal price as charged to other customers
Administrative income	8,241	10,905	Contract price
Purchases of raw materials	880	1,114	Cost plus margin
Purchases of spare parts and machinery	23,812	10,325	Cost plus margin
Royalty fee expense	14,099	17,247	A percentage of net sales of each product
Claim payment for damaged goods	712	48	At cost
Dividend paid	85,868	60,455	As declared

Directors and management's benefits

During the three-month and nine-month periods ended 30 September 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 September		For the nine-month periods ended 30 September	
	2017	2016	2017	2016
Short-term employee benefits	5,936	4,734	16,114	14,002
Post-employment benefits	71	69	214	207
Total	6,007	4,803	16,328	14,209

(Unaudited but reviewed)

As at 30 September 2017 and 31 December 2016, the balances of accounts between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
Trade accounts receivable - related parties	92,869	97,533
Other receivables- related parties	7,132	7,615
Other payables- related parties	7,801	19,923
Rental received in advance		
Unearned rental income	13,649	14,393
Less: Current portion	(993)	(993)
Net	12,656	13,400

3. Cash and cash equivalents

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
Cash	152	171
Bank deposits	332,001	274,672
Total	332,153	274,843

As at 30 September 2017, bank deposits in saving accounts and fixed deposits carried interests between 0.10%to1.55% per annum (31 December 2016: between 0.10% and 1.00% % per annum).

(Unaudited but reviewed)

4. Trade and other receivables

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
<u>Trade accounts receivable - related parties</u>		
Aged on the basis of due dates		
Not yet due	63,972	69,330
Past due		
Up to 3 months	28,897	28,203
Total trade accounts receivable -related parties	92,869	97,533
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Not yet due	228,905	215,106
Past due		
Up to 3 months	86,334	46,996
Total trade accounts receivable -unrelated parties	315,239	262,102
<u>Other receivables - related parties</u>		
Accrued income	7,132	7,615
Total other receivables - related parties	7,132	7,615
<u>Other receivables - unrelated parties</u>		
Advances	2,500	2,277
Receivable from scrap sales	1,314	1,108
Others	2,722	1,867
Total other receivables - unrelated parties	6,536	5,252
Trade and other receivables	421,776	372,502

(Unaudited but reviewed)

5. Inventories

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
Cost	552,034	552,542
Allowance for diminution in values of inventories	(38,752)	(41,999)
Net book value	<u>513,282</u>	<u>510,543</u>

Movements in the allowance for diminution in values of inventories account during the nine-month period ended 30 September 2017 are summarised below.

(Unit: Thousand Baht)

Balance as at 1 January 2017	41,999
Write-down of cost of inventories resulting from inventories destruction	(24,812)
Reduced cost of inventories during the period	<u>21,565</u>
Balance as at 30 September 2017	<u>38,752</u>

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		Carrying amount based on cost method	
			30 September 2017	31 December 2016	30 September 2017	31 December 2016
			(%)	(%)		
PT Indonesia Caps and Closures	Produce and distribute packaging caps for beverages	Republic of Indonesia	-	25	-	46,342

During the second quarter of this year, PT. Indonesia Caps and Closures approved an increase in its registered share capital of IDR 69,845.55 million (from IDR 65,302.75 million to IDR 135,148.30 million), through the issuance of 61,500 new ordinary shares with a par value of IDR 1,135,700 each, to support its business expansion plans. The Company waived its right to purchase these ordinary shares because the operating results of the associated company and the return on investment in the associated company had not met expectations.

(Unaudited but reviewed)

On 26 September 2017, the capital increase was completed, therefore the Company's shareholding in such company decreased from 25.00% to 12.08%. The Company recorded equity interest in this associated company up to the date of change in status of investment and recognised the change in fair value of investment of Baht 6.50 million in the income statement in which equity method is applied as an increase in fair value of investment. The Company has reversed loss on diminution in value of investment of Baht 8.18 million in this associated company in the separated financial statement for the three-month period ended 30 September 2017, and recorded loss on diminution in value of investment of Baht 8.96 million in the separated financial statement for the nine-month period ended 30 September 2017. The Company has also adjusted the exchange differences on translation of financial statements in foreign currency of this associated company in the other comprehensive income in the current period.

The fair value of retained interest of investment of Baht 37.38 million has been regarded as initial recognition of this long-term investment (Note 7).

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:

Associates' name	Financial statements in which equity method is applied				(Unit: Thousand Baht) Separate financial statements	
	For the three-month periods ended 30 September				For the three-month periods ended 30 September	
	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	(3,000)	(2,294)	77	(322)	-	-

Associates' name	Financial statements in which equity method is applied				(Unit: Thousand Baht) Separate financial statements	
	For the nine-month periods ended 30 September				For the six-month periods ended 30 September	
	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	(6,166)	(5,127)	(2,939)	520	-	-

(Unaudited but reviewed)

6.3 Summarised financial information of associated company

Financial information of the associated company is summarised below.

(Unit: Million Baht)

	30 September 2017	31 December 2016
<u>Summarised information about financial position</u>		
Total assets	-	358
Total liabilities	-	216
Net assets	-	142

(Unit: Million Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Summarised information about comprehensive income</u>				
Revenue	-	-	-	-
Profit (loss)	-	(9.2)	-	(20.6)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(9.2)	-	(20.6)

7. Long-term investments

(Unit: Thousand Baht)

Companies	Shareholding percentage (%)	30 September 2017	31 December 2016
PT Indonesia Caps and Closures (Note 6)	12.08	37,381	-
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		47,677	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 nine-month period ended 30 September 2017 are summarized below.

(Unit: Thousand Baht)

Net book value as at 1 January 2017	1,115,118
Acquisitions during period - at cost	227,554
Disposal/write-off during period - net book value	(6,118)
Depreciation for the period	<u>(119,529)</u>
Net book value as at 30 September 2017	<u><u>1,217,025</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 September 2017 was Baht 13 million (31 December 2016: Baht 12 million).

9. Intangible assets

(Unit: Thousand Baht)

Net book value as at 1 January 2017	2,706
Additions during period	3,155
Amortisation for the period	<u>(1,598)</u>
Net book value as at 30 September 2017	<u><u>4,263</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 September 2017 and 31 December 2016 are Baht 175 million and Baht 900 million. Such facilities are unsecured.

(Unaudited but reviewed)

11. Trade and other payables

(Unit: Thousand Baht)

	30 September 2017	31 December 2016
<u>Trade accounts payable - unrelated parties</u>	<u>293,390</u>	<u>270,099</u>
<u>Other payables - related parties</u>		
Accrued royalty fee	4,323	9,040
Others	<u>3,478</u>	<u>10,883</u>
Total other payables - related parties	<u>7,801</u>	<u>19,923</u>
<u>Other payables - unrelated parties</u>		
Other payables	44,118	25,451
Accrued expenses	<u>68,140</u>	<u>34,934</u>
Total other payables - unrelated parties	<u>112,258</u>	<u>60,385</u>
Total trade and other payables	<u>413,449</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 nine-month periods ended 30 September 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 September		For the nine-month periods ended 30 September	
	2017	2016	2017	2016
Current income tax:				
Interim corporate income tax charge	9,323	24,071	53,053	79,917
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>1,422</u>	<u>(2,178)</u>	<u>(314)</u>	<u>(2,067)</u>
Income tax expense reported in the statements of income	<u>10,745</u>	<u>21,893</u>	<u>52,739</u>	<u>77,850</u>

(Unaudited but reviewed)

13. Provision for long-term employee benefits

Movements of the provision for long-term employee benefits account during the nine-month period ended 30 September 2017 are summarised below.

(Unit: Thousand Baht)

Balance as at 1 January 2017	157,213
Additions during period	13,242
Benefits paid during the period	<u>(1,656)</u>
Balance as at 30 September 2017	<u><u>168,799</u></u>

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 September					
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	55,404	89,363	52,000	52,000	<u>1.07</u> <u>1.72</u>
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	<u>55,404</u>	<u>89,363</u>	<u>52,800</u>	<u>52,800</u>	<u>1.05</u> <u>1.69</u>

(Unaudited but reviewed)

Separate financial statements						
For the three-month periods ended 30 September						
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	60,079	91,657	52,000	52,000	1.16	1.76
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	60,079	91,657	52,800	52,800	1.14	1.74

Financial statements in which equity method is applied						
For the nine-month periods ended 30 September						
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	216,601	318,868	52,000	52,000	4.17	6.13
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	216,601	318,868	52,800	52,800	4.10	6.04

Separate financial statements						
For the nine-month periods ended 30 September						
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	207,302	323,995	52,000	52,000	3.99	6.23
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	207,302	323,995	52,800	52,800	3.93	6.14

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 nine-month periods ended 30 September 2017 and 2016, respectively.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September					
	Manufacture and sale of caps		Hire of printing sheets for can		Total	
	2017	2016	2017	2016	2017	2016
Sales and service income						
Local	482,370	461,424	44,206	48,579	526,576	510,003
Export	127,729	203,543	-	-	127,729	203,543
Total	<u>610,099</u>	<u>664,967</u>	<u>44,206</u>	<u>48,579</u>	<u>654,305</u>	<u>713,546</u>
Operating results						
Segment profit	<u>87,971</u>	<u>134,943</u>	<u>9,360</u>	<u>12,086</u>	97,682	147,358
Unallocated income and expenses						
Financial income					3,618	3,533
Increase in fair value of investment					6,504	-
Other income					5,750	5,397
Administrating expenses					(44,404)	(42,738)
Share of loss from investment in associated company					(3,000)	(2,294)
Profit before income tax expense					<u>66,149</u>	<u>111,256</u>
Income tax expense					<u>(10,745)</u>	<u>(21,893)</u>
Profit for the period					<u>55,404</u>	<u>89,363</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the nine-month periods ended 30 September

	Manufacture and sale of caps		Hire of printing sheets for can		Total	
	2017	2016	2017	2016	2017	2016
Sales and service income						
Local	1,550,264	1,510,486	129,517	142,578	1,679,781	1,653,064
Export	363,116	585,023	-	-	363,116	585,023
Total	1,913,380	2,095,509	129,517	142,578	2,042,897	2,238,087
Operating results						
Segment profit	339,982	470,761	26,541	33,132	368,008	504,858
Unallocated income and expenses						
Financial income					10,700	9,157
Increase in fair value of investment					6,504	-
Other income					29,860	20,207
Administrating expenses					(139,565)	(132,377)
Share of loss from investment in associated company					(6,166)	(5,127)
Profit before income tax expense					269,340	396,718
Income tax expense					(52,739)	(77,850)
Profit for the period					<u>216,601</u>	<u>318,868</u>

16. Dividends paid

	Approved by	Total dividends	Dividend per preferred share	Dividend per ordinary share
		(Thousand Baht)	(Baht)	(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 September 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	30 September 2017	31 December 2016
Baht	243	204
US dollar	1	1
Japanese yen	38	324
Euro	1	1

- b) As at 30 September 2017, 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 for electricity usage of Baht 9.5 million and the purchase-sell agreements with a state agency of Baht 0.2 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 September 2017 and 31 December 2016 are summarised below.

Foreign currency	30 September 2017		Contractual maturity date
	Sold amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	
US dollar	1.77	32.99 - 34.05	11 Oct 2017 - 26 Mar 2018

Foreign currency	31 December 2016		Contractual maturity date
	Sold amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	
US dollar	0.43	34.77 - 35.72	20 Jan2017 -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 7 November 2017.