

Crown Seal Public Company Limited
Notes to financial statements
For the year ended 31 December 2020

1. General 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 and in a group of 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.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2019) and new 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. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves 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 |
|--------|-------------------------------------|

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.

The impact of the adoption of these standards on the Company's financial statements is as follows.

- Classification and measurement of investments in equity instruments of non-listed companies - The Company measures and classifies the investments at fair value, through other comprehensive income.
- Classification and measurement of investments in listed equity instruments - The Company measures and classifies the investments as financial assets at fair value through profit or loss.
- Recognition of derivatives - The Company initially recognises derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

The cumulative effect of the changes are described in Note 4.

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.

The cumulative effect of the change is described in Note 4.

Accounting Treatment Guidance on “Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic”

The Federation of Accounting Professions announced Accounting Treatment Guidance on “Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the COVID-19 Pandemic”. Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Treatment Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

During the period from the first quarter to the third quarter of 2020, the Company elected to apply the temporary relief measures on accounting alternatives relating to measurement of expected credit losses using a simplified approach, fair value measurement of investments in unquoted equity instruments, property, plant and equipment, and investment property.

In the fourth quarter of 2020, the Company has assessed the financial impacts of the uncertainties of the COVID-19 Pandemic on the valuation of assets. As a result, in preparing the financial statements for the year ended 31 December 2020, the Company has decided to discontinue application of all temporary relief measures on accounting alternatives with no significant impact on the Company’s financial statements.

b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2021

The Federation of Accounting Professions issued a number of revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2021. 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 management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

4. Changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 3 to the financial statements, during the current year, the Company has adopted financial reporting standards related to financial instruments and TFRS 16 with no effect to the retained earnings as at 1 January 2020, and the comparative information was not restated.

The impacts of changes in accounting policies on the statements of financial position at the beginning of 2020 due to the adoption of these standards are presented as follows:

(Unit: Thousand Baht)

| | 31 December 2019 | The impacts of | | 1 January 2020 |
|---|---------------------|---|---------|-------------------|
| | | Financial reporting standards related to financial instruments | TFRS 16 | |
| Statement of financial position | | | | |
| Assets | | | | |
| Current assets | | | | |
| Current investments | 981,994 | (981,994) | - | - |
| Other current financial assets | - | 981,994 | - | 981,994 |
| Non-current assets | | | | |
| Other long-term investments | 10,297 | (10,297) | - | - |
| Other non-current financial assets | - | 10,297 | - | 10,297 |
| Right-of-use assets | - | - | 13,870 | 13,870 |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Current portion of lease liabilities | - | - | 8,029 | 8,029 |
| Non-current liabilities | | | | |
| Lease liabilities, net of current portion | - | - | 5,841 | 5,841 |
| Shareholders' equity | | | | |
| Retained earnings - unappropriated | 2,612,377 | - | - | 2,612,377 |

4.1 Financial instruments

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

| | Carrying amounts under the former basis | Classification and measurement in accordance with TFRS 9 | | | |
|--|---|--|--|------------------|------------------|
| | | Fair value through profit or loss | Fair value through other comprehensive income | Amortised cost | Total |
| Financial assets as at 1 January 2020 | | | | | |
| Cash and cash equivalents | 145,176 | - | - | 145,176 | 145,176 |
| Current investments | 981,994 | - | - | - | - |
| Other current financial assets | - | - | - | 981,994 | 981,994 |
| Trade and other receivables | 505,455 | - | - | 505,455 | 505,455 |
| Other long-term investments | 10,297 | - | - | - | - |
| Other non-current financial assets | - | 273 | 10,024 | - | 10,297 |
| Total financial assets | 1,642,922 | 273 | 10,024 | 1,632,625 | 1,642,922 |

As at 1 January 2020, the Company has not designated any financial liabilities at fair value through profit or loss except derivative liabilities of which fair value was immaterial.

4.2 Leases

Upon initial application of TFRS 16 the Company recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 January 2020.

(Unit: Thousand Baht)

| | |
|---|---------------|
| Operating lease commitments as at 31 December 2019 | 13,870 |
| Less: Deferred interest expenses | <u>(386)</u> |
| Lease liabilities as at 1 January 2020 | <u>13,484</u> |
| Weighted average incremental borrowing rates (% p.a.) | 0.13 - 2.65 % |
| Comprise of: | |
| Current lease liabilities | 8,444 |
| Non-current lease liabilities | <u>5,040</u> |
| | <u>13,484</u> |

The adjustments of right-of-use assets due to TFRS 16 adoption as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

| | |
|---------------------------|---------------|
| Buildings | 3,921 |
| Motor vehicles | 7,001 |
| Office equipment | <u>2,562</u> |
| Total right-of-use assets | <u>13,484</u> |

5. Significant accounting policies

5.1 Revenue and expense recognition

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyers. Sales are the invoiced value, excluding value added tax of goods supplied after deducting discounts and allowances.

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Rental income is recognised as income using the straight-line basis over the term of the lease agreement.

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends are recognised when the right to receive the dividends is established.

Finance cost is interest expense from financial liabilities at amortised cost calculated using the effective interest method and recognised on an accrual basis.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Inventories

Finished goods and work in process are valued at the lower of cost (under the weighted average method) and net realisable value. The cost of inventories includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

5.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in the income statement when incurred.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period when the asset is derecognised.

5.5 Property, plant and equipment/Depreciation

Land is stated at the revalued amount. Plant and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised in equity under the heading of "Revaluation surplus on assets". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.

- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised in the income statement. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in the "Revaluation surplus on assets" in respect of the same assets.

Depreciation of plant and equipment is calculated by reference to their costs, on the straight-line basis over the following estimated useful lives.

| | |
|--|--------------|
| Buildings and building improvements | 3 - 20 years |
| Machinery and equipment | 3 - 15 years |
| Furniture, fixtures, office equipment and motor vehicles | 3 - 5 years |

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in the income statement when the asset is derecognised.

5.6 Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows.

| | <u>Useful lives</u> |
|-------------------|---------------------|
| Computer software | 3 and 5 years |

5.7 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, and key management personnel, and directors and officers with authority in the planning and direction of the Company’s operations.

5.8 Leases

At inception of contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5.8.1 The Company as a lessee

The Company applied a single recognition and measurement approach for all leases. At the commencement date of the lease (i.e. the date the underlying asset is available for use), the Company recognises right-of-use assets representing the right to use underlying assets and lease liabilities based on lease payments.

Right-of-use assets

Right-of-use assets are measured at cost, less accumulated depreciation, any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities initially recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received.

Depreciation of right-of-use assets are calculated by reference to their costs, on the straight-line basis over the shorter of their estimated useful lives and the lease term.

| | |
|----------------|-------------|
| Buildings | 1 - 2 years |
| Motor vehicles | 1 - 5 years |
| Equipment | 3 - 4 years |

If ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Moreover, the lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The Company discounted the present value of the lease payments by the interest rate implicit in the lease or the Company's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

A lease that has a lease term less than or equal to 12 months from commencement date or a lease of low-value assets is recognised as expenses on a straight-line basis over the lease term.

Accounting policies adopted before 1 January 2020

Leases of plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

5.8.2 The Company as a lessor

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to a lessee. Lease receivables from operating leases is recognised as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as an expense over the lease term on the same basis as the lease income.

5.9 Foreign currencies

The financial statements are presented in Baht, which is also the Company's functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment, right-of-use asset, investment properties and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss. However, in cases where land was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

5.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits (Defined contribution plans)

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred. In addition, the Company has contributions for provident fund made before the Provident Fund Act B.E. 2530 was effective. The Company manages this fund itself and will pay it to the employees upon their terminations.

Post-employment benefits (Defined benefit plans) and other long-term employee benefits

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits (Defined benefit plans) are recognised immediately in other comprehensive income and for other long-term benefits are recognised immediately in the income statement.

5.12 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.13 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.14 Financial instruments

The Company initially measures financial assets at its fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. However, trade receivables, that do not contain a significant financing component, are measured at the transaction price as disclosed in the accounting policy relating to revenue recognition.

Classification and measurement of financial assets

Financial assets are classified, at initial recognition, as to be subsequently measured at amortised cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets at initial recognition is driven by the Company’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if the financial asset is held in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to irrevocably classify its equity investments which are not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses recognised in other comprehensive income on these financial assets are never recycled to profit or loss.

Dividends are recognised as other income in profit or loss, except when the dividends clearly represent a recovery of part of the cost of the financial asset, in which case, the gains are recognised in other comprehensive income.

Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets measured at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

These financial assets include derivatives and equity investments which the Company has not irrevocably elected to classify at FVOCI.

Dividends on listed equity investments are recognised as other income in the income statement.

Derecognition of financial instruments

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired or have been transferred and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. It is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting policies adopted before 1 January 2020

Trade and other receivables

Trade and other receivables are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

Investments

Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

The weighted average method is used for computation of the cost of investments.

5.15 Derivatives

The Company uses derivatives, such as forward currency contracts to hedge its foreign currency risks.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The subsequent changes are recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are presented as non-current assets or non-current liabilities if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

5.16 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows.

Allowance for expected credit losses of trade receivables

In determining an allowance for expected credit losses of trade receivables, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the forecast economic condition for groupings of various customer segments with similar credit risks. The Company's historical credit loss experience and forecast economic conditions may also not be representative of whether a customer will actually default in the future.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

Allowance for diminution in value of inventories

Allowances for diminution in the value of inventories accounts are intended to adjust the value of inventories for probable losses. The management uses judgment to estimate losses, based on an analysis of inventory aging, taking into account the current situation with respect to sales of inventory items, on a specific basis.

Investment properties

The Company presents investment properties at the fair value estimated by an independent appraiser, and recognises changes in the fair value in the income statement. The independent appraiser values the investment properties using the sales comparison approach and the depreciated replacement cost approach. The key assumptions used in estimating the fair value are described in the related note.

Property, plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

The Company measures land at revalued amount. Such amount is determined by the independent valuer using sales comparison approach, and such valuation involves certain assumptions and estimates as described in the related note.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and records impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Leases- The Company as a lessee

Determining the lease term with extension and termination options

In determining the lease term, the management is required to exercise judgement in assessing whether the Company is reasonably certain to exercise the option to extend or terminate the lease considering all relevant facts and circumstances that create an economic incentive for the Company to exercise either the extension or termination option.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, the management is required to exercise judgement in estimating its incremental borrowing rate to discount lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease - The Company as lessor

Lease classification

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to exercise judgement as to whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

7. Related party transactions

During the years, 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)

| | 2020 | 2019 | Pricing policy |
|--|---------|-----------|---|
| <u>Transactions with related companies</u> | | | |
| Sales of caps | 881,602 | 1,002,779 | Cost plus margin |
| Service income from printing sheets | 102,519 | 184,862 | Cost plus margin |
| Rental income | 2,239 | 2,229 | Contract price |
| Sale of other long-term investments | - | 16,016 | Carrying value |
| Sales of equipment, spare parts and raw materials | 2,188 | 5,229 | Price charged to other customers in the normal course of business |
| Sale of machine used for generating the electricity | 1,919 | 40,322 | At cost |
| Administrative income | 22,297 | 11,499 | Contract price |
| Purchases of raw materials, finished goods and spare parts | 15,462 | 64,889 | Cost plus margin |
| Purchases of equipments and machinery | 3,561 | 23,475 | Cost plus margin |
| Royalty fee expense | 12,007 | 15,788 | A percentage of net sales of each product |
| Claim payment for damaged goods | 2,399 | 1,299 | At cost |
| Dividends paid | 137,266 | 51,984 | As declared |

Directors and management's benefits

During the years ended 31 December 2020 and 2019, the Company had employee benefit expenses payable to its directors and management as below.

| | (Unit: Thousand Baht) | |
|------------------------------|-----------------------|--------|
| | 2020 | 2019 |
| Short-term employee benefits | 30,105 | 25,569 |
| Post-employment benefits | 335 | 330 |
| Total | 30,440 | 25,899 |

As at 31 December 2020 and 2019, the balances of the accounts between the Company and those related parties are as follows.

| | (Unit: Thousand Baht) | |
|---|-----------------------|---------|
| | 2020 | 2019 |
| Trade accounts receivable - related parties (Note 9) | 114,621 | 132,581 |
| Other receivables - related parties (Note 9) | 3,245 | 8,234 |
| Trade accounts payable - related parties (Note 18) | 838 | 16,124 |
| Other payables - related parties (Note 18) | 9,927 | 12,038 |
| 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 | 9,430 | 10,422 |

Additional information concerning the transactions with the related parties is as follows.

a) The relationships between the Company and related parties are summarised below.

| Company | Type of business | Relationship |
|--------------------------------------|--|-----------------------------------|
| Boonrawd Brewery Group | Manufacture and sale of beverages | Shareholder |
| Green Spot Co., Ltd. | Manufacture and sale of beverages | Shareholder |
| Thai Namthip Co., Ltd. | Manufacture and sale of beverages | Shareholder and common directors |
| Serm Suk Public Co., Ltd. | Manufacture and sale of beverages | Shareholder and common directors |
| Toyo Seikan Group Holdings, Ltd. | Manufacture and sale of packaging | Shareholder and common directors |
| Nippon Closures Co., Ltd. | Manufacture and sale of packaging | Shareholder and common directors |
| Bangkok Can Manufacturing Co., Ltd. | Manufacture and sale of 2 & 3 - piece cans | Common shareholders and directors |
| Toyo Seikan (Thailand) Co., Ltd. | Manufacture and sale of plastic packaging | Common shareholders and directors |
| Next Can Innovation Co., Ltd. | Manufacture and sale of 2-piece cans | Common shareholders and directors |
| PT Indonesia Caps and Closures | Produce and distribute packaging caps for beverage | Common shareholders |
| Toyo Filling International Co., Ltd. | Containing service and sale of aerosol can | Common shareholders |
| Kanagata (Thailand) Co., Ltd. | Plastic injection mould and blow mould manufacturing | Common shareholders |

- b) The transactions with trade accounts receivable - related parties are conducted in the normal course of business of the Company and in accordance with its established objectives, which are the manufacture and distribution of products to customers who are shareholders of the Company and are in competition with each other, and the provision of printing services.
- c) Other receivables - related parties comprise the outstanding balances from rental, sales of equipment and spare parts, administrative assistance and the provision of IT infrastructure services to related companies.
- d) Other payables - related parties comprise the outstanding balances from purchases of raw materials, spare parts and machinery, accrued royalty fee and accrued claims payments for damaged goods.
- e) The stipulated conditions of the provision of printing services to Bangkok Can Manufacturing Co., Ltd. are that payment is to be made on a monthly basis and the period of service is indefinite.
- f) Rental received in advance represents rental received under the agreement to rent out certain plots of land to Bangkok Can Manufacturing Co., Ltd. for a period of 30 years, ending 1 July 2031.

Moreover, the Company entered into agreements to rent out additional land and building to Bangkok Can Manufacturing Co., Ltd. The rental for this land, determined based on the appraisal value, and for the building, calculated on the basis of depreciated cost, is payable in annual amounts. Compensation for the years ended in August 2020 and 2019 totaled Baht 0.4 million each. As at 31 December 2020, the compensation for extending of this agreement is in decision process.

- g) The Company entered into agreements to provide the rentals of server and storage machine to the related companies in the group of Toyo Seikan Group Holdings Ltd. Agreements cover for a period of 4 years, ended in May 2020, with compensation totalling Baht 4 million and payable on a yearly basis.

The Company extended the agreements to provide the above rentals of server and storage machine for a period of 4 years ending in May 2024, with compensation of Baht 4 million.

- h) The Company entered into agreements to install and provide administrative services for computer software and hardware and personnel systems to related companies in the group of Toyo Seikan Group Holdings Ltd. Compensation under these agreements for the years 2020 and 2019 totaled Baht 11 million and Baht 10 million, respectively, payable on a monthly basis.

The Company extended the agreements to provide the above services for a period of one year, ending in December 2021, with compensation of Baht 11 million.

- i) The Company entered into sales of assets and service of generating the electricity with Bangkok Can Manufacturing Co., Ltd. The compensation payment is fix rate per month and the period of services is not specified. Compensation for service of generating the electricity for the years 2020 and 2019 was Baht 2 million each.
- j) The Company entered into technical license agreement with Nippon Closures Co., Ltd., whereby the Company receives technical support services for the manufacture of caps. The agreements run for 2 years and 5 years ended in December 2021 and 2022, respectively. Compensation is payable at a percentage of net sales of products stipulated in the agreement, on a semi-annual basis.

8. Cash and cash equivalents

(Unit: Thousand Baht)

| | 2020 | 2019 |
|---------------|----------------|----------------|
| Cash | 180 | 164 |
| Bank deposits | 228,036 | 145,012 |
| Total | <u>228,216</u> | <u>145,176</u> |

As at 31 December 2020, bank deposits in savings accounts and fixed deposits carried interests between 0.01% and 0.20% per annum (2019: between 0.10% and 0.70% per annum).

9. Trade and other receivables

(Unit: Thousand Baht)

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| <u>Trade accounts receivable - related parties</u> | | |
| Aged on the basis of due dates | | |
| Not yet due | 95,272 | 92,357 |
| Past due | | |
| Up to 3 months | 19,349 | 40,224 |
| Total trade accounts receivable - related parties | <u>114,621</u> | <u>132,581</u> |
| <u>Trade accounts receivable - unrelated parties</u> | | |
| Aged on the basis of due dates | | |
| Not yet due | 227,745 | 253,049 |
| Past due | | |
| Up to 3 months | 119,031 | 100,591 |
| 3 - 6 months | 17,810 | 5,874 |
| 6 - 12 months | - | 217 |
| Over 12 months | 11 | - |
| Total trade accounts receivable - unrelated parties | <u>364,597</u> | <u>359,731</u> |
| <u>Other receivables - related parties</u> | | |
| Accrued income | 3,245 | 8,234 |
| Total other receivables - related parties | <u>3,245</u> | <u>8,234</u> |
| <u>Other receivables - unrelated parties</u> | | |
| Advances | 1,420 | 1,467 |
| Compensation received from suppliers | 975 | 250 |
| Receivable from scrap sales | 256 | 1,202 |
| Others | 1,048 | 1,990 |
| Total other receivables - unrelated parties | <u>3,699</u> | <u>4,909</u> |
| Total trade and other receivables | <u><u>486,162</u></u> | <u><u>505,455</u></u> |

10. Inventories

(Unit: Thousand Baht)

| | 2020 | | | 2019 | | |
|------------------|---------|--|---------------------|---------|--|---------------------|
| | Cost | Reduce cost to net realisable value | Inventories- net | Cost | Reduce cost to net realisable value | Inventories- net |
| Finished goods | 198,202 | (18,942) | 179,260 | 190,319 | (18,844) | 171,475 |
| Work in process | 146,834 | (59) | 146,775 | 179,956 | (1,483) | 178,473 |
| Raw materials | 149,937 | (2,325) | 147,612 | 184,666 | (2,702) | 181,964 |
| Spare parts | 23,120 | (162) | 22,958 | 23,216 | (4,044) | 19,172 |
| Goods in transit | 11,245 | - | 11,245 | 20,113 | - | 20,113 |
| Total | 529,338 | (21,488) | 507,850 | 598,270 | (27,073) | 571,197 |

During the current year, the Company reduced cost of inventories by Baht 29.31 million (2019: Baht 34.78 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 34.89 million (2019: Baht 36.27 million) resulting from inventories destructions.

11. Other current financial assets / Current investments

(Unit: Thousand Baht)

| | 2020 | 2019 |
|---|-----------|---------|
| <u>Debt instruments at amortised cost</u> | | |
| Bank deposits with maturity over 3 months | 1,053,998 | 981,994 |
| Total | 1,053,998 | 981,994 |

As at 31 December 2020, short-term deposits with financial institutions carried interest between 0.15% to 0.75% per annum (2019: 0.60% to 1.62% per annum).

12. Other non-current financial assets / Other long-term investments

As at 31 December 2020, other non-current financial assets were summarised as follow:

(Unit: Thousand Baht)

Equity instruments designated at FVOCI

Non-listed equity instruments

| | |
|---------------------------------------|-------|
| - Bangkok Can Manufacturing Co., Ltd. | 9,494 |
| - Others | 530 |

| | |
|--|---------------|
| Total equity instruments designated at FVOCI | <u>10,024</u> |
|--|---------------|

Equity instruments designated at FVTPL

| | |
|---------------------------|------------|
| Listed equity instruments | <u>384</u> |
|---------------------------|------------|

| | |
|--|------------|
| Total equity instruments designated at FVTPL | <u>384</u> |
|--|------------|

| | |
|--|----------------------|
| Total other non-current financial assets | <u><u>10,408</u></u> |
|--|----------------------|

As at 31 December 2019, other long-term investments were summarised as follow:

(Unit: Thousand Baht)

Non-marketable equity securities

| | |
|--------------------------------|-------|
| Investment in related company | 9,494 |
| Investments in other companies | 530 |

| | |
|--|---------------|
| Total non-marketable equity securities | <u>10,024</u> |
|--|---------------|

Equity securities - Available-for-sales

| | |
|-----------------------------|------------|
| Investment in other company | <u>273</u> |
|-----------------------------|------------|

| | |
|---|------------|
| Total equity securities - Available-for-sales | <u>273</u> |
|---|------------|

| | |
|-----------------------------------|----------------------|
| Total other long-term investments | <u><u>10,297</u></u> |
|-----------------------------------|----------------------|

13. Investment properties

(Unit: Thousand Baht)

| | 2020 | | | |
|---------------------------------|----------------|--|----------------|------------------|
| | Land for rent | Allocated land and construction thereon | Vacant land | Total |
| Book value at beginning of year | <u>240,100</u> | <u>160,100</u> | <u>266,100</u> | <u>666,300</u> |
| Book value at end of year | <u>240,100</u> | <u>160,100</u> | <u>266,100</u> | <u>666,300</u> |
| Rental income for the year | <u>1,403</u> | <u>-</u> | <u>-</u> | <u>1,403</u> |
| Expense | | | | <u><u>99</u></u> |

(Unit: Thousand Baht)

| | 2019 | | | |
|---------------------------------|---------------|--|-------------|---------|
| | Land for rent | Allocated land and construction thereon | Vacant land | Total |
| Book value at beginning of year | 240,100 | 160,100 | 266,100 | 666,300 |
| Book value at end of year | 240,100 | 160,100 | 266,100 | 666,300 |
| Rental income for the year | 1,403 | - | - | 1,403 |
| Expense | | | | 99 |

In 2018, the Company hired an independent appraiser to appraise the fair value of investment properties. The appraiser determined the value of land using market price comparison approach, while the depreciated replacement cost approach was used to value construction in development projects. In 2020 and 2019, the fair value of investment properties was unchanged from that of 2018.

14. Property, plant and equipment

(Unit: Thousand Baht)

| | Revaluation basis | | Cost basis | | | | Total |
|-------------------------------|-------------------|---|-------------------------------|--|-------------------|-----------------------------|-----------|
| | Land | Buildings and building improvements | Machinery and equipment | Furniture, fixtures, office equipment and motor vehicles | Motor vehicles | Asset under installation | |
| Cost / Revalued amount | | | | | | | |
| 1 January 2019 | 142,800 | 455,715 | 2,758,606 | 101,145 | 7,950 | 209,214 | 3,675,430 |
| Additions | - | - | 16,660 | 3,220 | - | 275,238 | 295,118 |
| Disposals | - | (8,763) | (120,963) | (3,832) | - | (5,397) | (138,955) |
| Transfers in (out) | - | 8,616 | 280,943 | 3,739 | - | (293,298) | - |
| 31 December 2019 | 142,800 | 455,568 | 2,935,246 | 104,272 | 7,950 | 185,757 | 3,831,593 |
| Additions | - | - | 10,367 | 3,515 | - | 200,914 | 214,796 |
| Disposals | - | (4,984) | (134,095) | (7,116) | (13) | (2,385) | (148,593) |
| Transfers in (out) | - | 11,891 | 264,999 | 12,249 | - | (289,139) | - |
| 31 December 2020 | 142,800 | 462,475 | 3,076,517 | 112,920 | 7,937 | 95,147 | 3,897,796 |

(Unit: Thousand Baht)

| | Revaluation basis | | Cost basis | | | | Total |
|--|-------------------|-------------------------------------|-------------------------|--|----------------|--------------------------|-----------|
| | Land | Buildings and building improvements | Machinery and equipment | Furniture, fixtures, office equipment and motor vehicles | Motor vehicles | Asset under installation | |
| Accumulated depreciation | | | | | | | |
| 1 January 2019 | - | 331,016 | 1,860,906 | 81,252 | 7,681 | - | 2,280,855 |
| Depreciation for the year | - | 13,323 | 145,057 | 9,784 | 115 | - | 168,279 |
| Depreciation on disposals | - | (8,134) | (75,405) | (3,798) | - | - | (87,337) |
| 31 December 2019 | - | 336,205 | 1,930,558 | 87,238 | 7,796 | - | 2,361,797 |
| Depreciation for the year | - | 12,805 | 157,322 | 8,160 | 42 | - | 178,329 |
| Depreciation on disposals | - | (3,852) | (124,928) | (6,929) | (13) | - | (135,722) |
| 31 December 2020 | - | 345,158 | 1,962,952 | 88,469 | 7,825 | - | 2,404,404 |
| Net book value | | | | | | | |
| 31 December 2019 | 142,800 | 119,363 | 1,004,688 | 17,034 | 154 | 185,757 | 1,469,796 |
| 31 December 2020 | 142,800 | 117,317 | 1,113,565 | 24,451 | 112 | 95,147 | 1,493,392 |
| Depreciation for the year | | | | | | | |
| 2019 (Baht 164 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | 168,279 |
| 2020 (Baht 174 million included in manufacturing cost, and the balance in administrative expenses) | | | | | | | 178,329 |

The Company had its land revalued in 2018 by an independent appraiser using sales comparison approach to determine the fair value.

The historical cost of land was Baht 63.3 million.

As at 31 December 2020, certain items of buildings and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 1,660 million (2019: Baht 1,647 million).

The Company shares the ownership of some building and machinery with Bangkok Can Manufacturing Co., Ltd. and records the building and machinery in proportion to its ownership. The carrying amount of its portion as at 31 December 2020 was Baht 45 million (2019: Baht 48 million).

15. Leases

15.1 The Company as a lessee

The Company has lease contracts for various items of plant, motor vehicles and equipment used in its operations. Leases generally have lease terms between 1 - 5 years.

a) Right-of-use assets

Movements of right-of-use assets for the year ended 31 December 2020 were summarised below:

(Unit: Thousand Baht)

| | Buildings | Motor vehicles | Equipment | Total |
|---------------------------------|---------------|-------------------|--------------|---------------|
| Cost | | | | |
| 1 January 2020 | 3,921 | 7,001 | 2,562 | 13,484 |
| Additions | 12,579 | 3,532 | 2,300 | 18,411 |
| Write off | (4,481) | - | (28) | (4,509) |
| 31 December 2020 | <u>12,019</u> | <u>10,533</u> | <u>4,834</u> | <u>27,386</u> |
| Accumulated depreciation | | | | |
| 1 January 2020 | - | - | - | - |
| Depreciation for the year | 7,174 | 3,383 | 1,451 | 12,008 |
| Depreciation for write off | (4,462) | - | (28) | (4,490) |
| 31 December 2020 | <u>2,712</u> | <u>3,383</u> | <u>1,423</u> | <u>7,518</u> |
| Right-of-use assets | | | | |
| 1 January 2020 | <u>3,921</u> | <u>7,001</u> | <u>2,562</u> | <u>13,484</u> |
| 31 December 2020 | <u>9,307</u> | <u>7,150</u> | <u>3,411</u> | <u>19,868</u> |

b) Lease liabilities

(Unit: Thousand Baht)

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Lease payments | 20,465 | - |
| Less: Deferred interest expenses | (495) | - |
| Lease liabilities | 19,970 | - |
| Less: Portion due within one year | (10,323) | - |
| Lease liabilities - net of current portion | <u>9,647</u> | <u>-</u> |

c) Expenses relating to leases that are recognised in the income statement

| | |
|---|-----------------------|
| | (Unit: Thousand Baht) |
| | For the year ended |
| | 31 December 2020 |
| | <hr/> |
| Depreciation expense of right-of-use assets | 12,008 |
| Interest expense on lease liabilities | 306 |

d) Others

The Company had total cash outflows for leases for the year ended 31 December 2020 of Baht 12 million, including the cash outflow related to short-term lease and leases of low-value assets. During the year 2020, the Company has recorded non-cash additions to right-of-use assets and lease liabilities of 18 million and 19 million, respectively.

15.2 The Company as a lessor

The Company has entered into operating leases for its investment properties portfolio (land for rent in Note 13) of the lease terms are 30 years.

The Company has future minimum rentals receivable under non-cancellable operating leases as at 31 December 2020 and 2019 as follows:

| | | |
|--------------------------|-----------------------|--------|
| | (Unit: Thousand Baht) | |
| | 2020 | 2019 |
| | <hr/> | <hr/> |
| Within 1 year | 993 | 993 |
| Over 1 and up to 5 years | 3,972 | 3,972 |
| Over 5 years | 5,458 | 6,450 |
| Total | <hr/> | <hr/> |
| | 10,423 | 11,415 |

16. Intangible assets

(Unit: Thousand Baht)

| | 2020 | 2019 |
|---|---------------|---------------|
| <u>Computer software</u> | | |
| Cost - at beginning of year | 54,810 | 52,856 |
| Acquisition | 256 | 2,354 |
| Transfer in | 5,277 | - |
| Write-off | (516) | (400) |
| Cost - at end of year | <u>59,827</u> | <u>54,810</u> |
| Accumulated amortisation - at beginning of year | 51,134 | 49,216 |
| Amortisation for the year | 2,268 | 2,318 |
| Amortisation for write-off | (516) | (400) |
| Accumulated amortisation - at end of year | <u>52,886</u> | <u>51,134</u> |
| Intangible assets - net | <u>6,941</u> | <u>3,676</u> |

17. Bank overdrafts and short-term loans from financial institutions

Credit facilities in term of bank overdrafts and short-term loan of the Company as at 31 December 2020 and 2019 totaled Baht 1,705 million, which have not been drawn down. Such loan facilities are unsecured.

18. Trade and other payables

(Unit: Thousand Baht)

| | 2020 | 2019 |
|---|----------------|----------------|
| Trade accounts payables - related parties | 838 | 16,124 |
| Trade accounts payables - unrelated parties | 378,418 | 290,247 |
| Other payables - related parties | 9,927 | 12,038 |
| Other payables - unrelated parties | 36,984 | 45,113 |
| Accrued expenses | 34,901 | 33,229 |
| Total trade and other payables | <u>461,068</u> | <u>396,751</u> |

19. Provision for long-term employee benefits

(Unit: Thousand Baht)

| | 2020 | 2019 |
|---|----------------|----------------|
| Post-employment benefits (Defined contribution plans) | 38,275 | 41,994 |
| Post-employment benefits (Defined benefit plans) | 153,028 | 144,018 |
| Other long-term employee benefits | 25,243 | 19,045 |
| Total | <u>216,546</u> | <u>205,057</u> |

Provision for post-employment benefits (Defined benefit plans), which represents compensation payables to employees after they are retired from the Company, was as follows.

| | (Unit: Thousand Baht) | |
|--|-----------------------|---------|
| | 2020 | 2019 |
| Provision for long-term employee benefits at beginning of year | 144,018 | 108,080 |
| Included in the income statement: | | |
| Current service cost | 6,605 | 5,982 |
| Interest cost | 3,299 | 3,020 |
| Past service cost | - | 33,732 |
| Included in other comprehensive income: | | |
| Actuarial (gain) loss arising from | | |
| Demographic assumptions changes | 381 | - |
| Financial assumptions changes | 9,105 | - |
| Experience adjustments | (4,417) | - |
| Benefits paid during the year | (5,963) | (6,796) |
| Provision for long-term employee benefits at end of year | 153,028 | 144,018 |

The Company expects to pay Baht 0.2 million of post-employment benefits (Defined benefit plans) during the next year (2019: Baht 8.1 million).

As at 31 December 2020, the weighted average duration of the liabilities for post-employment benefits (Defined benefit plans) is 8 years (2019: 6 years).

Significant actuarial assumptions are summarised below.

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| | (% per annum) | (% per annum) |
| Discount rate | 1.50 | 2.75 |
| Salary increase rate | 4.50 | 5.00 |
| Employee turnover rate | 7.00 | 9.00 |

The result of sensitivity analysis for significant assumptions that affect the present value of the post-employment benefits (Defined benefit plans) are summarised below:

| | 31 December 2020 | | | |
|----------------------|------------------|-------------------------------|----------|-------------------------------|
| | Increase | Effect to | Decrease | Effect to |
| | (%) | obligation (Thousand Baht) | (%) | obligation (Thousand Baht) |
| Discount rate | 0.5 | (6,587) | 0.5 | 7,055 |
| Salary increase rate | 1.0 | 15,476 | 1.0 | (13,731) |

| | 31 December 2019 | | | |
|----------------------|------------------|-------------------------------|----------|-------------------------------|
| | Increase | Effect to | Decrease | Effect to |
| | (%) | obligation (Thousand Baht) | (%) | obligation (Thousand Baht) |
| Discount rate | 0.5 | (3,515) | 0.5 | 3,711 |
| Salary increase rate | 1.0 | 11,237 | 1.0 | (10,155) |

20. Preferred shares

The preferred shares of the Company are registered shares granting dividend entitlements at the rate of the ordinary shares plus Baht 1.50 per share. Dividends on the preferred shares are non-cumulative. Each preferred share has the same voting rights as the ordinary shares and is convertible to ordinary shares in a ratio of 1:1 on the last day of every month.

As at 31 December 2020 and 2019, 799,258 preferred shares remained unexercised.

21. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

22. Revaluation surplus on assets

This represents surplus arising from revaluation of land. The revaluation surplus can neither be offset against deficit nor used for dividend payment.

23. Other income

| | (Unit: Thousand Baht) | |
|---|-----------------------|---------|
| | 2020 | 2019 |
| Income from sales of scrap metal and spareparts | 75,380 | 98,761 |
| Administrative income | 22,297 | 11,499 |
| Rental income | 2,239 | 2,229 |
| Net gain on exchange | 681 | 4,458 |
| Indemnity | 6,235 | 42,322 |
| Gain on sale of other long-term investments | - | 18,944 |
| Gain from equity instrument measured at FVTPL | 111 | - |
| Others | 13,786 | 20,350 |
| Total | 120,729 | 198,563 |

During the year 2019, the Company received indemnity of Baht 42 million for inventories damaged by accident in factory in the year 2018, and had a gain on sales of all shares of PT. Indonesia Caps and Closures amounted to Baht 19 million.

24. Expenses by nature

Significant expenses by nature are as follows.

| | (Unit: Thousand Baht) | |
|--|-----------------------|-----------|
| | 2020 | 2019 |
| Raw materials and consumables used | 1,428,783 | 1,688,756 |
| Salary, wages and other employee benefits | 528,623 | 573,276 |
| Depreciation and amortisation | 192,659 | 170,790 |
| Repair and maintenance expenses | 107,263 | 106,384 |
| Loss on diminution in value of inventories | 29,306 | 34,778 |
| Freight-out expense | 34,488 | 33,960 |
| Royalty fee | 12,007 | 15,788 |
| Changes in inventories of finished goods and work in process | (25,239) | (20,629) |

25. Income tax expense / Deferred tax liabilities

Income tax expense for the years ended 31 December 2020 and 2019 was made up as follows:

| | (Unit: Thousand Baht) | |
|---|-----------------------|---------------|
| | 2020 | 2019 |
| Current income tax: | | |
| Current income tax charge | 54,420 | 68,601 |
| Adjustment in respect of income tax of previous year | 134 | 52 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | 2,660 | 3,450 |
| Income tax expense reported in the income statement | 57,214 | 72,103 |

Tax reconciliation between accounting profit and income tax expense was shown below.

| | (Unit: Thousand Baht) | |
|--|-----------------------|----------|
| | 2020 | 2019 |
| Accounting profit before tax | 315,648 | 421,083 |
| Applicable tax rate | 20% | 20% |
| Accounting profit before tax multiplied by applicable tax rate | 63,130 | 84,217 |
| Adjustment in respect of income tax of previous year | 134 | 52 |
| Effects of: | | |
| Promotional privileges (Note 28) | (1,250) | - |
| Non-deductible expenses | 8,050 | 9,239 |
| Additional expense deductions allowed | (15,510) | (24,855) |
| Others | 2,660 | 3,450 |
| Total | (6,050) | (12,166) |
| Income tax expense reported in the income statement | 57,214 | 72,103 |

Income tax recognised in other comprehensive income for the years was as follow:

| | 2020 | 2019 |
|-------------------|---------|------|
| Actuarial loss | 5,069 | - |
| Less: Tax expense | (1,014) | - |
| Net of income tax | 4,055 | - |

The components of deferred tax assets and deferred tax liabilities were as follows:

| | (Unit: Thousand Baht) | |
|---|-----------------------|-----------|
| | 2020 | 2019 |
| Allowance for diminution in value of inventories | 4,298 | 5,415 |
| Provision for long-term employee benefits | 35,654 | 32,613 |
| Rental received in advance | 1,886 | 2,084 |
| Others | 3,192 | 2,785 |
| Total deferred tax assets | 45,030 | 42,897 |
| Depreciation and amortisation | (38,146) | (34,519) |
| Unrealised fair value gain on investment properties | (64,152) | (64,152) |
| Revaluation surplus on land | (15,319) | (15,319) |
| Others | (152) | - |
| Total deferred tax liabilities | (117,769) | (113,990) |
| Deferred tax liabilities - net | (72,739) | (71,093) |

26. Earnings per share

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

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

| | For the year ended 31 December | | | | | |
|--|--------------------------------|-----------------|-------------------|-------------------|-----------|--------|
| | Profit for | | Weighted average | | Earnings | |
| | the year | | number of | | per share | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | (Thousand Baht) | (Thousand Baht) | (Thousand shares) | (Thousand shares) | (Baht) | (Baht) |
| Basic earnings per share | | | | | | |
| Profit for the year | 258,434 | 348,980 | 52,001 | 52,001 | 4.97 | 6.71 |
| Effect of dilutive potential ordinary shares | | | | | | |
| Convertible preferred shares | - | - | 799 | 799 | | |
| Diluted earnings per share | | | | | | |
| Profit of ordinary shareholders assuming the conversion to ordinary shares | 258,434 | 348,980 | 52,800 | 52,800 | 4.89 | 6.61 |

27. Segment information

Operating segment information is reported in a manner consistent with the internal reporting the chief operating decision maker has received and regularly reviewed to make decisions about resources to be allocated to the segment and assess its performance. The chief operating decision maker has been identified as the Company's authorised director.

For management purposes, the Company are organised into business units based on its products and services and have two reportable segments as follows:

1. manufacture and sale of caps
2. hire of printing sheets for can

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, the Company' financing activities which give rise to finance costs and finance income, administrative activities, and income tax are managed on a group basis. Therefore these income and expenses are not allocated to operating segments.

The following table presented revenue and profit information regarding the Company's operating segments for the years ended 31 December 2020 and 2019.

(Unit: Thousand Baht)

| | Manufacture and sale of caps | | Hire of printing sheets for can | | Total | |
|----------------------------------|---------------------------------|-----------|------------------------------------|---------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Sales and service income | 2,664,378 | 2,948,021 | 105,777 | 188,954 | 2,770,155 | 3,136,975 |
| Operating results | | | | | | |
| Segment profit | 456,691 | 493,959 | 22,844 | 37,119 | 479,535 | 531,078 |
| Unallocated income and expenses | | | | | | |
| Financial income | | | | | 9,646 | 15,372 |
| Other income | | | | | 45,348 | 99,802 |
| Administrating expenses | | | | | (218,575) | (225,169) |
| Finance cost | | | | | (306) | - |
| Profit before income tax expense | | | | | 315,648 | 421,083 |
| Income tax expense | | | | | (57,214) | (72,103) |
| Profit for the year | | | | | 258,434 | 348,980 |

The Company operated in Thailand, with sales derived from both local and foreign markets. No segment assets have been presented since the major items of them have been common used by the operating segments.

For the year 2020, the Company has revenue from three major customers in amount of Baht 1,121 million (2019: Baht 1,241 million), arising from sales of caps segment.

28. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of pilfer caps, pursuant to the investment promotion certificate No. 62-0723-1-05-1-0, issued on 4 July 2019. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax on income derived from the promoted operations, at 50% of investment in improving efficiency and automation or robot systems for a period of 3 years from the date the promoted operations begin generating revenues.

The Company's operating revenues for the year 2020 was below shown divided according to promoted and non-promoted operations (2019: Nil).

(Unit: Thousand Baht)

| | 2020 | | Total |
|--------------------------|---------------------|-------------------------|------------------|
| | Promoted operations | Non-promoted operations | |
| Sales and service income | | | |
| Domestic | 138,483 | 2,165,695 | 2,304,178 |
| Export | 18,559 | 447,418 | 465,977 |
| Total | 157,042 | 2,613,113 | 2,770,155 |

29. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Employees contribute to the fund monthly at the rate of 5% of their salaries, and the Company contributes at rates of 5%-10% of the employees' salaries. For employees who joined the fund before 1 January 2003, the Company has to pay extra contributions when their length of service reaches 7 years and 10 years. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to the employees upon termination in accordance with the fund rules. The contribution for the year 2020 amounted to Baht 21.8 million (2019: Baht 20.7 million).

30. Dividends paid

| Approved by | Total dividends | Dividend per preferred share | Dividend per ordinary share |
|--|-----------------|------------------------------|-----------------------------|
| | (Thousand Baht) | (Baht) | (Baht) |
| Final dividends for 2018 Annual General Meeting of shareholders on 19 April 2019 | 80,400 | 3.00 | 1.50 |
| Total dividends for 2019 | 80,400 | 3.00 | 1.50 |
| Final dividends for 2019 Board of Director Meeting No. 2/2563 on 10 April 2020 | 172,800 | 4.75 | 3.25 |
| Annual General Meeting of shareholders on 11 June 2020 | 34,320 | 0.65 | 0.65 |
| Total dividends for 2020 | 207,120 | 5.40 | 3.90 |

The actual dividend for the year 2020 amounted to Baht 203.67 million since dividend of Baht 3.45 million related to the securities holders that did not comply with the regulations of the securities depository.

31. Commitments and contingent liabilities

As at 31 December 2020 and 2019, 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)

| Currencies | 2020 | 2019 |
|--------------|-------|-------|
| Baht | 13.93 | 35.34 |
| Japanese yen | - | 13.59 |
| Euro | 1.93 | 0.97 |

- b) The Company has bank guarantees of Baht 10.4 million (2019: Baht 10.2 million) issued by a bank on behalf of the Company. Letters of guarantees are to guarantee electricity usage of Baht 10.2 million (2019: Baht 9.9 million) and the purchase-sell agreements with a state agency of Baht 0.2 million (2019: Baht 0.3 million).

32. Fair value hierarchy

The Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

| | 31 December 2020 | | | |
|--|------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Financial assets measured at FVTPL - | | | | |
| Equity instruments | 1 | - | - | 1 |
| Financial assets measured at FVOCI - | | | | |
| Equity instruments | - | - | 10 | 10 |
| Derivatives - Foreign currency forward contracts | - | 1 | - | 1 |
| Investment properties | - | 653 | 13 | 666 |
| Land | - | 143 | - | 143 |
| Liabilities measured at fair value | | | | |
| Derivatives - Foreign currency forward contracts | - | 1 | - | 1 |

(Unit: Million Baht)

| | 31 December 2019 | | | |
|--------------------------------------|------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Other long-term investments | - | - | 10 | 10 |
| Investment properties | - | 653 | 13 | 666 |
| Land | - | 143 | - | 143 |

33. Financial instruments

33.1 Derivatives

(Unit: Thousand Baht)

| | 2020 | 2019 |
|--|------|------|
| | | |
| Derivative not designated as hedging instruments | | |
| Foreign exchange forward contracts | | |
| Derivative assets | 803 | - |
| Derivative liabilities | 411 | - |

The Company uses foreign exchange forward contracts to manage some of its transaction exposures. The contracts are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally not over one year.

33.2 Financial risk management objectives and policies

The Company's financial instruments principally comprise cash and cash equivalents, trade and other receivables and investments. The financial risks associated with these financial instruments and how they are managed is described below.

a) Credit risk

The Company is exposed to credit risk primarily with respect to trade receivables and deposits with banks. Except for derivatives, the maximum exposure to credit risk is limited to the carrying amounts as stated in the statement of financial position. The Company's maximum exposure relating to derivatives is noted in the liquidity risk topic.

Trade receivables

The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. Outstanding trade receivables are regularly monitored. In addition, the Company does not have high concentrations of credit risk since it has a large customer base in various industries.

An impairment analysis is performed at each reporting date to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risks. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and not subject to enforcement activity.

Bank deposits

The Company manages the credit risk from balances with banks by making investments only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The credit risk on derivatives is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

b) Market risk

The Company has price risk related to core materials. The Company closely monitors changes in price of raw materials to support purchasing plan.

c) Foreign currency risk

The Company's exposure to the foreign currency risk relates primarily to its trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into foreign exchange forward contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

| Currency | 31 December 2020 | | |
|--------------|------------------|-----------------------|------------------------------------|
| | Financial assets | Financial liabilities | Average exchange rate |
| | (Million) | (Million) | (Baht per 1 foreign currency unit) |
| US dollar | 3.69 | 1.86 | 30.42 and 30.79 |
| Japanese yen | - | 8.53 | 0.30 |
| Euro | - | 0.19 | 36.95 |

| Currency | 31 December 2019 | | |
|--------------|------------------|-----------------------|------------------------------------|
| | Financial assets | Financial liabilities | Average exchange rate |
| | (Million) | (Million) | (Baht per 1 foreign currency unit) |
| US dollar | 3.80 | 1.85 | 30.20 and 30.42 |
| Japanese yen | - | 78.53 | 0.28 |
| Euro | - | 0.21 | 34.25 |

Foreign currency sensitivity

The following tables demonstrate the sensitivity of the Company's profit before tax to a reasonably possible change in US dollar exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives as at 31 December 2020. The Company's exposure to foreign currency changes for all other currencies is not material.

| Currency | Increase | Effect on profit | | Effect on profit |
|-----------|----------|------------------|----------|------------------|
| | | before tax | Decrease | |
| | (%) | (Thousand Baht) | (%) | (Thousand Baht) |
| US dollar | 5.0 | 1,415 | 5.0 | (1,415) |

d) Interest rate risk

Interest rate risk relates primarily to its cash at banks. Most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Interest rate sensitivity

The Company does not expect to be affected a significant change in interest rates in current circumstances.

e) Liquidity risk

As at 31 December 2020, approximately 98% of the Company's debts will mature in less than one year (2019: 100%) base on the carrying value of borrowings reflected in the financial statements. The Company has assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding.

The table below summarises the maturity profile of the Company's non-derivative financial liabilities and derivative financial instruments as at 31 December 2020 based on contractual undiscounted cash flows:

| | (Unit: Thousand Baht) | | | |
|---------------------------------------|-----------------------|------------------|--------------|----------------|
| | On demand | Less than 1 year | 1 to 5 years | Total |
| Non-derivatives | | | | |
| Trade and other payables | 461,068 | - | - | 461,068 |
| Lease liabilities | - | 10,323 | 9,647 | 19,970 |
| Total non-derivatives | <u>461,068</u> | <u>10,323</u> | <u>9,647</u> | <u>481,038</u> |
| Derivatives | | | | |
| Derivative liabilities: gross settled | | | | |
| Cash inflows | 37,921 | - | - | 37,921 |
| Cash outflows | 38,332 | - | - | 38,332 |
| Total | <u>411</u> | <u>-</u> | <u>-</u> | <u>411</u> |

33.3 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

The methods and assumptions used by the Company estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturities, including bank deposits, accounts receivable and accounts payable, the carrying amounts in the statement of financial position approximate their fair value.
- b) The fair value of equity securities is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- c) The fair value of derivatives has been determined using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies, interest rate yield curves and commodity price yield curves. The Company considers to counterparty credit risk when determining the fair value of derivatives

During the current year, there were no transfers within the fair value hierarchy.

33.4 Reconciliation of recurring fair value measurements, of assets and liabilities, categorised within Level 3 of the fair value hierarchy.

(Unit: Thousand Baht)

| | Equity instruments | Investment properties | Total |
|--------------------------------|-----------------------|--------------------------|--------|
| Balance as of 1 January 2020 | 10,024 | 12,900 | 22,924 |
| Balance as of 31 December 2020 | 10,024 | 12,900 | 22,924 |

Key assumptions used in the valuation of investment in equity instruments are discounted future cash flows using WACC at 9.35%. Sensitivity of the input to fair value was summarised below.

| Significant unobservable inputs | Increase | Effect on fair value | Decrease | Effect on fair value |
|------------------------------------|----------|-------------------------|----------|-------------------------|
| | (%) | (Thousand Baht) | (%) | (Thousand Baht) |
| WACC | 1.0 | (744) | 1.0 | 907 |

34. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2020, the Company's debt-to-equity ratio was 0.2:1 (2019: 0.2:1).

35. Event after the reporting period

On 18 February 2021, the meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held in April 2021 to adopt a resolution to pay a dividend of Baht 2.45 per share for ordinary shareholders and Baht 3.95 per share for preferred shareholders, or a total of Baht 130.56 million, to the shareholders in respect of the 2020 profit. Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

36. Reclassifications

The reclassifications resulting from an adoption of financial reporting standards related to financial instruments with no effect to previously reported net profit or shareholders' equity, are as follows:

| | (Unit: Thousand Baht) | |
|----------------|-------------------------------------|------------------------|
| | For the year ended 31 December 2019 | |
| | As reclassified | As previously reported |
| Other income | 198,562 | 213,935 |
| Finance income | 15,373 | - |

37. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 18 February 2021.