

Haad Thip Public Company Limited and its subsidiary
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 2016 (Unaudited)

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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language financial statements, and were approved and authorised for issue by the Board of Directors on 10 November 2016.

1 General information

Haad Thip Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 87/1, Kanchanavanich Road, Thambol Banphru, Amphur Hadyai, Songkhla, Thailand.

The Company was listed on the Stock Exchange of Thailand in December 1988.

The Company’s major shareholders during the financial period were Rattakul family (35.31% shareholding), and Gutsche Family Investments (Proprietary) Limited (24.12% shareholding) which was incorporated in South Africa.

The principal businesses of the Company are manufacturing and distribution of soft drinks. Detail of the Company’s subsidiary as at 30 September 2016 and 31 December 2015 is given in note 7.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2015) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2015. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiary for the year ended 31 December 2015.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2015 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2016. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company’s functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

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(c) Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2015.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5 Current investments;
- Note 8 Investment properties;
- Note 9 Property, plant and equipment; and
- Note 17 Financial instruments

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3 Seasonal operations

The Group is subject to seasonal sales revenue from soft drink products. The majority of sales revenue and expenditure are normally derived during the summer season.

4 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiary, key management personnel and other related parties were as follows:

Name of entities	Country of Incorporation/ nationality	Nature of relationships
Subsidiary		
Southern Rocks Co., Ltd.	Thailand	Subsidiary, 99.99% shareholding
Other related parties		
Gutsche Family Investments (Proprietary) Limited	South Africa	Major shareholder, 24.12% shareholding
Haadyai Nakarin Co., Ltd.	Thailand	Common director
Key management personnel		
Key management personnel	Thai	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group

The pricing policies for particular types of transactions are explained further below:

Transactions	Pricing policies
Purchases of containers	Cost plus margin
Blowing plastic bottles service	Contractually agreed price
Service fee for area utilisation	Contractually agreed price
Rental income from land	Contractually agreed price
Dividend income	Declared rate
Key management personnel compensation	As defined by the Group's policy

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Significant transactions for the three-month and nine-month periods ended 30 September 2016 and 2015 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Three-month period ended 30 September</i>				
	<i>(in thousand Baht)</i>			
Subsidiary				
Purchases of containers	-	-	108,678	18,371
Blowing plastic bottles service	-	-	5,092	11,019
Service fee for area utilisation	-	-	660	660
Rental income from land	-	-	53	53
Dividend income	-	-	30,938	30,938
Key management personnel				
Key management personnel compensation				
Short-term benefits	13,640	11,771	13,640	11,771
Post-employment benefits	798	807	798	807
Total key management personnel compensation	14,438	12,578	14,438	12,578
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Nine-month period ended 30 September</i>				
	<i>(in thousand Baht)</i>			
Subsidiary				
Purchases of containers	-	-	349,563	133,994
Blowing plastic bottles service	-	-	25,918	26,139
Service fee for area utilisation	-	-	1,980	1,980
Rental income from land	-	-	158	158
Dividend income	-	-	68,421	108,284
Key management personnel				
Key management personnel compensation				
Short-term benefits	40,174	36,215	40,174	36,215
Post-employment benefits	2,394	2,421	2,394	2,421
Total key management personnel compensation	42,568	38,636	42,568	38,636

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Balances as at 30 September 2016 and 31 December 2015 with related parties were as follows:

<i>Other receivable - related party</i>	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015

(in thousand Baht)

Subsidiary

Southern Rocks Co., Ltd.	-	-	<u>1,355</u>	<u>2,460</u>
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Trade account payable
- related party

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2016	2015	2016	2015

(in thousand Baht)

Subsidiary

Southern Rocks Co., Ltd.	-	-	<u>74,832</u>	<u>43,845</u>
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Significant agreements with related parties

Service agreements for area utilisation

The Company has entered into service agreements for area utilisation with a subsidiary for Hadyai factory and Phoonpin factory of which the agreements have terms of 7 years expired in December 2019 and 8 years expired in February 2021, respectively. The subsidiary has agreed to pay service fees at the amounts as stipulated in the agreements.

Lease agreement for land

On 1 November 2014, the Company entered into a lease agreement for land with a subsidiary for the purpose of building construction. The lease term was for a period of 20 years commencing from 1 November 2014 to 31 October 2034. The subsidiary has the first priority to renew the lease agreement, which can be extendable for successive periods of ten years each. The subsidiary can renew the lease by informing the Company at least 30 days before the expiry date. The subsidiary agreed to pay the rental fee in the amount as stipulated in the agreement and rental rates will be adjusted every 5 years. Under the term of the agreement, the building including other constructions thereon will be transferred to the Company when the agreement is terminated.

Service agreement for blowing plastic bottles

In February 2015, the Company has entered into service agreement for blowing plastic bottles with a subsidiary. The Company has agreed to pay service fee at the amount as stipulated in the agreement. The subsidiary is able to change the price as appropriate without prior notice to the Company. The Company may terminate the agreement at any time.

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5 Current investments

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
Investment units	17	20,154	-	-	-
Total		20,154	-	-	-

(in thousand Baht)

Movements during the nine-month periods ended 30 September 2016 and 2015 of investment units were as follows:

<i>Nine-month period ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Current investments in investment units</i>				
At 1 January	-	-	-	-
Purchases during the period	103,000	-	-	-
Sales during the period	(83,000)	-	-	-
Gain on sales during the period	144	-	-	-
Valuation adjustment	10	-	-	-
At 30 September	20,154	-	-	-

(in thousand Baht)

6 Trade accounts receivable

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Other parties	500,474	608,074	500,474	608,074
<i>Less</i> allowance for doubtful accounts	(9,098)	(599)	(9,098)	(599)
Net	491,376	607,475	491,376	607,475
	2016	2015	2016	2015
Bad and doubtful debts expenses (reversal) for the three-month period ended 30 September	(119)	(18)	(119)	(18)
the nine-month period ended 30 September	8,499	(277)	8,499	(277)

(in thousand Baht)

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Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Other parties				
Within credit terms	474,832	592,569	474,832	592,569
Overdue:				
Less than 3 months	15,861	12,734	15,861	12,734
3 - 6 months	675	253	675	253
6 - 12 months	5,303	1,919	5,303	1,919
Over 12 months	3,803	599	3,803	599
	500,474	608,074	500,474	608,074
<i>Less</i> allowance for doubtful accounts	(9,098)	(599)	(9,098)	(599)
Net	491,376	607,475	491,376	607,475

The normal credit term granted by the Group ranges from 7 days to 90 days.

7 Investment in subsidiary

In June 2013, Southern Rocks Co., Ltd., registered with the Ministry of Commerce, an increase in registered share capital of Baht 50 million from Baht 47 million to Baht 97 million by increasing the number of shares from 470,000 shares to 970,000 shares with par value of Baht 100 per share, 25% shares subscription was called up in June 2013.

As at 30 September 2016, the Company had commitments for the share subscription of investments to such subsidiary, which have not yet been called up, amounting to Baht 37.5 million (*31 December 2015: Baht 37.5 million*).

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Investment in subsidiary as at 30 September 2016 and 31 December 2015, and dividend income from the investment for the nine-month periods ended 30 September 2016 and 2015, were as follows:

		Separate financial statements										Dividend income for the nine-month periods ended	
	Type of business	Ownership interest		Paid-up capital		Cost		Impairment		At cost- net		30 September 2016	30 September 2015
		30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015		
		(%)						<i>(in thousand Baht)</i>					
Subsidiary													
Southern Rocks Co., Ltd.	Manufacture and distribute plastic bottles and semi- finished plastic bottles and blowing plastic bottles service	99.99	99.99	59,500	59,500	59,497	59,497	-	-	59,497	59,497	68,421	108,284
Total						<u>59,497</u>	<u>59,497</u>	<u>-</u>	<u>-</u>	<u>59,497</u>	<u>59,497</u>	<u>68,421</u>	<u>108,284</u>

The subsidiary was incorporated in Thailand.

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8 Investment properties

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Nine-month period ended 30 September</i>				
		<i>(in thousand Baht)</i>		
At 1 January	206,388	36,317	207,347	37,276
Transfers in	-	176,921	-	176,921
Disposals	-	(6,800)	-	(6,800)
Transfers out	-	(50)	-	(50)
At 30 September	<u>206,388</u>	<u>206,388</u>	<u>207,347</u>	<u>207,347</u>

Investment properties comprise land held for future project and land that is leased to a subsidiary company.

On 24 February 2015, the Company entered into land purchase and sale agreement with a third party which has cost of Baht 6.8 million for sale price of approximately Baht 37.5 million. The land ownership had been transferred to the purchaser and the Company had received full price of land in May 2015. The Company recorded such gain net of expenses from sale of land of Baht 27.8 million in the statement of comprehensive income for the nine-month period ended 30 September 2015.

During the first quarter of year 2015, land held for which no specific intention to use in the future has been transferred from property, plant and equipment to investment properties at its book value of Baht 176.92 million. In addition land, at its book value of Baht 0.05 million, has been transferred from investment properties to property, plant and equipment, since such land is now to be used in the ordinary course of the Company's business.

Investment properties as at 30 September 2016, had an appraised value of Baht 577.7 million (31 December 2015: Baht 577.7 million) as shown in the appraiser's reports dated 9 January 2015 to 18 March 2015 by CPM Capital Co., Ltd., a firm of independent professional valuers, based on open market value and existing use.

Measurement of fair value

Fair value hierarchy

The fair value of investment properties was determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience of the property being valued.

The fair value measurement for investment properties of the Group of Baht 577.7 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The external independent valuer applied the Market Comparison Approach to measure fair value of investment properties.

The significant unobservable inputs used in measuring the fair value of investment properties are the quoted price and the purchasing and selling price of comparable investment properties adjusted with other different factors.

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9 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month periods ended 30 September 2016 and 2015 were as follows:

<i>Nine-month period ended 30 September</i>	Consolidated financial statements			
	2016		2015	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value <i>(in thousand Baht)</i>	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
Land				
Gain on land revaluation	-	-	974,107	-
Transfers from investment properties	-	-	50	-
Transfers to investment properties	-	-	-	176,921
Land improvements	9,792	-	2,683	-
Buildings and structures and leasehold improvements	49,632	-	6,356	2,911
Machinery and equipment	324,272	-	15,238	-
Furniture and office equipment	39,710	40	19,292	96
Vehicles	41,456	-	15,783	1,546
Containers	5,272	3,416	10,168	463
Promotional equipment	6,799	-	20,625	-
Assets under construction and installation	475,909	416,201	229,320	32,943
Total	952,842	419,657	1,293,622	214,880

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<i>Nine-month period ended 30 September</i>	Separate financial statements			
	2016		2015	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value <i>(in thousand Baht)</i>	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
Land				
Gain on land revaluation	-	-	974,000	-
Transfers from investment properties	-	-	50	-
Transfers to investment properties	-	-	-	176,921
Land improvements	9,792	-	2,683	-
Buildings and structures and leasehold improvements	47,392	-	6,356	2,911
Machinery and equipment	316,387	-	15,238	-
Furniture and office equipment	38,122	40	18,975	94
Vehicles	40,226	-	15,783	1,546
Containers	5,272	3,416	10,168	463
Promotional equipment	6,799	-	20,625	-
Assets under construction and installation	467,397	407,460	78,432	32,943
Total	931,387	410,916	1,142,310	214,878

During the first quarter of year 2015, the value of the Company's land was reappraised by CPM Capital Co., Ltd., an independent professional valuer, by applying market value as shown in the appraiser's reports dated 9 January 2015 to 18 March 2015. The value of the Group's and the Company's land increased by Baht 973.5 million and Baht 973.4 million, respectively. The Group and the Company recorded income tax from land revaluation in the account "Deferred tax liabilities" amounting to Baht 194.7 million and recorded its land at the reappraised value, with a revaluation surplus of land net of income tax amounting to Baht 778.8 million and Baht 778.7 million, respectively, in the account "Revaluation surplus", under other component of equity under "Equity" in the statement of financial position.

As at 30 September 2016, the revaluation surplus net of income tax for the Group and the Company amounted to Baht 1223.0 million and Baht 1222.9 million, respectively (*31 December 2015: for the Group and the Company amounted to Baht 1,223.0 million and Baht 1,222.9 million, respectively*).

Measurement of fair value

Fair value hierarchy

The fair value of land was determined by external, independent property valuer, having appropriate recognised professional qualifications and recent experience of the property being valued.

The fair value measurement for land of the Group of Baht 1,520.8 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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Valuation technique and significant unobservable inputs

The external independent valuer applied the Market Comparison Approach to measure fair value of land.

The significant unobservable inputs used in measuring the fair value of land are the quoted price and the purchasing and selling price of comparable land adjusted with other different factors.

10 Interest-bearing liabilities

As at 30 September 2016, the Group and the Company had unutilised credit facilities totaling Baht 543.6 million and Baht 420.9 million, respectively (31 December 2015: Baht 1,108.6 million and Baht 970.4 million, respectively).

During the nine-month period ended 30 September 2016, the Group and the Company additionally drewdown long-term loans from a local financial institution from existing credit lines as follows:

	Credit facility lines (in million Baht)	Drewdown amount
The Company	450.0	329.6
	80.0	59.0
Subsidiary	240.0	15.5
		<u><u>404.1</u></u>

Under the terms of the long-term loan agreements, the Group has to comply with certain conditions, such as maintaining the debt to equity ratio, the debt covenant ratio, etc. The Group also assigned the benefits of an insurance policy covering the assets as collateral for the interest-bearing liabilities.

As at 30 September 2016, a portion of the Group's and the Company's land, buildings, machinery and equipment with carrying value totaling approximately Baht 1,375.9 million and Baht 1,177.4 million, respectively (31 December 2015: Baht 1,425.7 million and Baht 1,210.0 million, respectively) were mortgaged and pledged as collateral for the credit facilities obtained from a local bank. The Group also assigned the benefits of an insurance policy covering a portion of the Group's property and equipment to a local bank as collateral for credit facilities obtained from the same bank.

11 Trade accounts payable

		Consolidated financial statements		Separate financial statements	
	Note	30 September 2016	31 December 2015	30 September 2016	31 December 2015
		<i>(in thousand Baht)</i>			
Related party	4	-	-	74,832	43,845
Other parties		226,324	347,156	213,733	338,442
Total		<u><u>226,324</u></u>	<u><u>347,156</u></u>	<u><u>288,565</u></u>	<u><u>382,287</u></u>

12 Segment information

The Group operates in a single line of business as manufacturing and distribution of soft drinks, therefore, management considers that the Group has only one major business segment. In addition, the Group solely distributes in 14 provinces in Southern Thailand, therefore, management considers that the Group has only one major geographic segment.

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13 Income tax expense

According to the Royal Decree No. 492 B.E. 2553 dated 16 January 2010, No. 566 B.E. 2556 dated 10 July 2013 and No. 584 B.E. 2558 dated 1 May 2015, the Group has been granted reduction in the corporate income tax rate to 3% of taxable profit, to juristic companies or partnerships whose place of business is located in the exclusive development zone and whose revenue derived from manufacturing, selling of goods or rendering services occur within the exclusive development zone, starting from the accounting period of 2010 which begins on or after 1 January 2010 until the accounting period of 2017 ending on or after 31 December 2017.

14 Promotional privileges

By virtue of the provisions of the Industrial Investment Promotion Act of B.E. 2520, the subsidiary has been granted privileges by the Board of Investment relating to semi-plastic bottle (Preform) and plastic bottles (PET) businesses. The privileges granted include:

- (a) exemption from payment of import duty on machinery approved by the Board;
- (b) exemption from payment of income tax for certain operations for a period of eight years from the date on which the income is first derived from such operations.

As a promoted company, the subsidiary must comply with certain terms and conditions prescribed in the promotional certificates.

15 Basic earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 2016 and 2015 were based on the profit for the periods attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

<i>Three-month period ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	43,193	8,454	27,631	26,956
Number of ordinary shares outstanding	199,218	199,218	199,218	199,218
Earnings per share (basic) (in Baht)	0.22	0.04	0.14	0.14
	<i>(in thousand Baht / thousand shares)</i>			
	Consolidated financial statements		Separate financial statements	
<i>Nine-month period ended 30 September</i>	2016	2015	2016	2015
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company (basic)	214,354	57,542	116,963	107,583
Number of ordinary shares outstanding	199,218	199,218	199,218	199,218
Earnings per share (basic) (in Baht)	1.08	0.29	0.59	0.54

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16 Dividends

At the meeting of the Board of Directors of the Company held on 18 August 2016, the Board of Directors approved the payment of interim dividend of Baht 0.30 per share, amounting to Baht 59.8 million. The dividend was paid to the shareholders in September 2016.

At the annual general meeting of the shareholders of the Company held on 25 April 2016, the shareholders approved the appropriation of dividend of Baht 0.25 per share, amounting to Baht 49.8 million. The dividend was paid to the shareholders in May 2016.

At the annual general meeting of the shareholders of the Company held on 21 April 2015, the shareholders approved the appropriation of dividend of Baht 0.30 per share, amounting to Baht 59.8 million. The dividend was paid to the shareholders in May 2015.

17 Financial instruments

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Consolidated financial statements			
		Fair value			Total
		Level 1	Level 2	Level 3	
<i>(in thousand Baht)</i>					
30 September 2016					
<i>Financial assets measured at fair value</i>					
Investment units	20,154	-	20,154	-	20,154

Financial instruments carried at fair value

Fair value hierarchy

The table above analyses recurring fair value measurements for financial assets. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group determines Level 2 fair value for investment units by reference to the value from Asset Management Company.

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Fair value of debenture as at 30 September 2016 and 31 December 2015 was Baht 150.72 million and Baht 150.44 million, respectively, which have been determined based on quoted selling prices from the Thai Bond Market Association at the close of the business on the reporting date.

Fair values of current financial assets and liabilities are taken to approximate the carrying values because the relatively short-term maturity of these financial instruments.

Fair value of long-term loans which bear interest at floating market rate is taken to approximate the carrying value.

18 Agreements

Exclusive distribution license agreement

On 1 January 2014, the Company and two suppliers (altogether “Licensees”) and a customer (“Licensor”) entered into the memorandum of agreement, whereby the licensor permits the licensees to sell exclusively fountain products in the stores of the licensor. The memorandum of agreement affects all parties from 1 January 2014 until the Exclusive Distribution License Agreement has been signed by all parties. In consideration thereof, the Company, as a licensee, has an obligation to pay the marketing support fee at rates based on the purchase quantity of the licensor, as stipulated in the memorandum of agreement.

Service agreement

On 19 December 2013, the Company entered into an agreement with a local company, whereby such company will provide services and support as necessary to assist the Company’s production, distribution, marketing, promotion, and sales activities pertaining to the beverages, including maintaining the image of the Company's trademark. In consideration thereof, the Company agreed to pay the service fee in the amount as indicated in the agreement. The agreement period is five years commencing from 1 January 2014 and ending on 31 December 2018. Unless there is notification to terminate the agreement within three months before the expiry date, the agreement will be automatically renewed for successive periods of one year.

19 Commitments with non - related parties

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
<i>Future minimum lease payments under non- cancellable operating leases</i>				
Within one year	12,204	8,128	12,204	8,128
After one year but within five years	8,291	4,851	8,291	4,851
Total	20,495	12,979	20,495	12,979

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Forward contracts

As at 30 September 2016, the Group had outstanding balance of forward contracts for a period not exceeding one year as follows:

	Consolidated financial statements		Separate financial statements	
	Foreign amount	Equivalent to Baht	Foreign amount	Equivalent to Baht
		<i>(in thousand)</i>		
United States Dollars (USD)	112	<u>3,927</u>	-	<u>-</u>
Total		<u><u>3,927</u></u>		<u><u>-</u></u>

Other commitment

Beverage supportive agreement

In June 2014, the Company entered into a beverage supportive agreement with a company, whereby such company agrees to sell all types of the Company's beverage in the theaters which are affiliates of such company in 14 southern provinces and will not sell any other beverages which are the same or similar to the Company's beverage for a period of 4 years commencing from 1 August 2013 to 31 July 2017. The Company will pay the marketing support fee in the total amount of Baht 4.8 million in three installments which are in September 2014 amounting to Baht 2.8 million and Baht 1 million each in August 2015 and August 2016. As at 30 September 2016, the aforesaid company had unbilled the second installment due to the aforesaid company had restructured company. Therefore, the Company had outstanding commitment amounting to Baht 2.0 million.

20 Contingent liability

As at 30 September 2016, the Group was contingently liable for letters of guarantee issued by a local bank in favor of certain government agencies, state enterprises and companies totaling approximately Baht 180.6 million (*31 December 2015: Baht 164.7 million*), mainly in respect of excise tax and the use of electricity. These letters of guarantee are collateralised by the mortgage and pledge of a portion of the Group's land, buildings, machinery and equipment as discussed in note 10.

21 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new TFRS has been issued but is not yet effective and has not been applied in preparing these interim financial statements. This new TFRS that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2017, is set out below. The Group does not plan to adopt this TFRS early.

TFRS	Topic
FAP Announcement no. 5/2559	Accounting Guidance for derecognition of financial assets and financial liabilities

The Group has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of this new TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

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22 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2015 and the statement of comprehensive income for the three-month and nine-month periods ended 30 September 2015, which are included in the 2016 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2016 interim financial statements.

	Consolidated financial statements		2015			
			Separate financial statements			
	Before reclass.	Reclass.	After reclass. <i>(in thousand Baht)</i>	Before reclass.	Reclass.	After reclass.
<i>Statement of financial position as at 31 December 2015</i>						
Other receivables	74,184	18,502	92,686	74,575	18,502	93,077
Inventories	338,995	(28,818)	310,177	318,759	(28,818)	289,941
Other non-current assets	2,536	10,316	12,852	2,343	10,316	12,659
		<u>-</u>			<u>-</u>	
<i>Statement of comprehensive income for the three-month period ended 30 September 2015</i>						
Revenue from sale of goods	1,283,921	(13,671)	1,270,250	1,283,921	(13,671)	1,270,250
Selling expenses	(262,599)	13,671	(248,928)	(262,599)	13,671	(248,928)
		<u>-</u>			<u>-</u>	
<i>for the nine-month period ended 30 September 2015</i>						
Revenue from sale of goods	3,991,592	(45,018)	3,946,574	3,991,592	(45,018)	3,946,574
Selling expenses	(820,242)	45,018	(775,224)	(820,223)	45,018	(775,205)
		<u>-</u>			<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.