

# ANNUAL REPORT 2018

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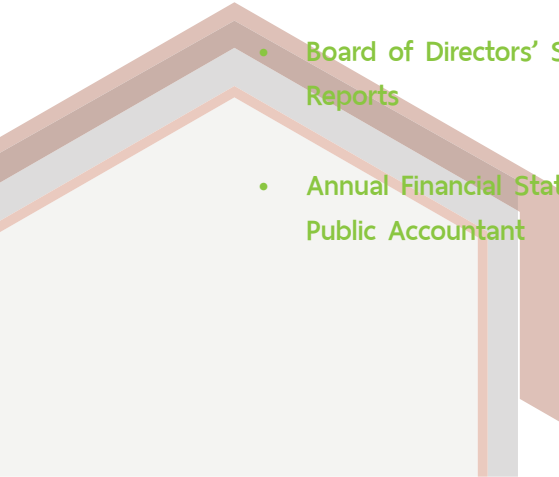


- CREATIVE
- PERFORMANCE
- LIFESTYLE



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## 1. Summary of Financial Information

Description	2018	2017	2016 (Revise)
	Million Baht	Million Baht	Million Baht
Total assets	2,819	2,067	2,015
Total liabilities	1,734	992	845
Total shareholders' equity	1,085	1,075	1,170
Revenue from sales	2,898	2,275	2,342
Total revenue	2,922	2,379	2,397
Gross profit	12	(103)	23
Comprehensive income	12	(96)	26
Earnings per share (Baht)	0.03	(0.25)	0.05
Book value per share (Baht)	2.47*	25.66	44.35

Financial Ratios		31 December 2018	31 December 2017	31 December 2016 (Revise)
Liquidity ratio	(Times)	1.60	1.55	0.72
Net profit margin	(%)	0.41	(4.54)	0.97
Return on equities	(%)	1.10	(9.60)	1.93
Return on assets	(%)	0.42	(4.99)	1.12
Debt to equity ratio	(Times)	0.11	0.92	0.72
Dividend	(Baht)	0.02***	0.05**	-

\*1) On 25 January 2018, the Extraordinary General Shareholders' Meeting of the Company No.1/2018 has approved the change in the par value of shares of the Company from original Baht 10.00 per share to be Baht 1.00 per share, by increase of ordinary shares from the existing 41,889,937 shares to be 418,899,370 shares. The Company has registered the change in the par value with Department of Business Development, Ministry of Commerce on 31 January 2018.

\*\*2) On 26 February 2018, the Board of Directors' Meeting of the Company No.1/2018 has approved the dividend paid by common shares to the Company's shareholders at ratio 20 existing common shares per 1 share dividend at par value 1.00 THB total not exceeding 20,944,970 shares; calculated to be dividend ratio at 0.05000 THB per shares, or not exceeding 20,944,970 THB. In addition, In case any shareholder obtains fraction of shares from calculation in accordance with such shares allocation, the Company shall eliminate the said fraction and provided dividend payment made by cash at ratio 0.00556 THB, or equivalent to not exceeding 2,329,081 Baht.

\*\*\*3) On 27 February 2019, the Board of Directors Meeting of the Company No. 1/2019 has passed the significant resolution to approve to propose the Annual General Meeting of Shareholders of the Company for 2019 to approve the appropriation of profit for 2018 as legal reserve in amount of Baht 598,848.94 and the dividend payment at the rate of Baht 0.02 per share in amount of Baht 8,796,885.68, which specifies the record date for the right to receive the dividend payment on 13 March 2019 and the dividend will be paid on 21 May 2019.

## 2. General Information and Other information

<b>Company Name</b>	CPL Group Public Company Limited
<b>Nickname</b>	CPL
<b>Company Registered No.</b>	0107537000289
<b>Type of Business</b>	Leather Manufacturing, Manufacturer and distributor of safety equipment. Personal protective equipment unified international standards

<b>Registered Capital</b>	439,844,340 Baht Paid up 439,844,284 Baht
<b>Contain</b>	Common Stock 439,844,284 shares, Baht 1 per share
<b>Head office</b>	700 moo 6, Sukhumvit Road, Tambol Bangpoomai, Ampour Muang, Samutprakarn 10280 Tel. 02 709 5633 – 8 Fax 02 709 6033, 02 709 6044

<b>Website</b>	www.cpl.co.th
<b>Secretary Section</b>	Tel. 02 709 5633 – 8 Ext: 401 Email: secretary@cpl.co.th
<b>Investor Relationship</b>	Tel. 02 7095633 – 8 Ext. 103 Email: ir@cpl.co.th

<b>Other References</b>	
<b>Custodian</b>	Thailand Securities Depository Co.Ltd. 93 Ratchadapisek Road, Din Deng, Bangkok 10400 Tel 02 009 9000 Fax 02 009 9991

<b>Certified Public Accountant</b>	CWWP Company Limited Mr. Cherdakul Onmongkol CPA No.7195 Ms.Wanraya Puttasatien CPA No. 4387 Ms. Waraporn Intraprasit CPA 7881 17th.fl.PayataiPlaz Building No. 128/180 – 181 Tel. 02-216- 2268 – 9, Fax 02-216 -2286
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<b>Lawyer Consultant</b>	Payab Kamart Lawyer Office 45/15 Moo 1 Bangrateak Sampran Nakornpatom 73210 Tel. 081 – 814 -0793
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**Mr. Suwatchai Wongcharoensin**  
Chairman

### Dear shareholders and all stakeholders,

Although the overall economy this past year was in the doldrums due to the slowdown in the global economy with consumer goods spending at a low, we are glad to inform that with great determination and efforts from the management, 2018 was a growth year for our company. Our operations returned a net profit of 12 million baht, an increase of 115 million baht from the same period last year, which had a net loss of 103 million baht.

The past year is not a good year for the tanning industry in general and we anticipated this trend in advance and took steps to prepare and cope with the global slowdown of our industry. Key causes of the return to profit again in 2018, are due to our focus on investment in both factory improvements; Increase in machine efficiency and improvement of production quality, including expanding production capacity. Especially in the production of finished leather, this finished leather capacity increased from previous average highs of 1.8 million square feet to an average of 2.1 million square feet per month. We will seek to continue improving the efficiency of our product and deliveries, including strengthening the marketing team.

In our tanning business we have invested in new machineries to expand our production capacity

starting from the second quarter of 2018 to the level of satisfying the production capacity that we expected for the tanning of cow leather and pig skin. The business of personal protective equipment or safety products under the brand “Pangolin” in the past year has continuously reported increased revenue. In addition to increased production and sales revenues from safety shoes and protective equipment, we also received additional income from renting safety equipment.

Going forward we will continue to invest in our industry in order to prepare for future opportunities. We are sure that the leather industry raw material prices will stabilize and that leather is still needed globally. The leather industry will continue to grow, especially when the global economy starts to recover from the economic stimulus and measures taken by many countries around the world. In anticipating the challenges of trade and economic volatility, every investment decision taken will be carefully screened to ensure the best returns from such investments, ensuring that it will be worthwhile and will progressive contribute to the potential and growth of the company.

On behalf of executives and employees of CPL Group Public Company Limited, I would like to thank the shareholders, our stakeholders, business partners and trusted customers, in being ready to grow together and move forward with us.

Yours sincerely

Mr. Suwatchai Wongcharoensin  
Chairman

On 27 January 1994, C.P.L Group Company Limited registered the Company with the capital of Baht 180 million by Charoensin Family, Pan Oversea Cooperation, and Lien Dah Ltd. The Company operates the fully integrated tannery. Its process starts from the salting fermentation of raw cowhide to the tanning through production procedures required high skills and experiences so that all finished leathers have the high quality. This is because finished leather is the major raw material for manufacturing leather shoes, leather bags, and all types of leather products which real cowhide is used as the element. On 19 December 1994, the Company transformed to public company limited named “C.P.L Group Public Company Limited”. Now, the official name was modified to “CPL Group Public Company Limited”.

In 2001, the Company expanded business by joint venture with 3 companies in China which involved in tannery industry and shoe factory. The tannery named “C.P.L. International Company Limited” was opened in Guangzhou, China to support the purchase order of customers in China. Currently, this factory is terminated and it is in the process of business restructuring. Currently, there was a business discussion with the new potential investor in China.

In 2016, the Company invested with a business partner in Hong Kong established a company named “Integrated Leather Network Company Limited” that engages in import and sales of leathers. The Company held 40% of total registered shares because the Company saw the potential opportunities in leather business and reduced the restrictions on the grade of leather that will be used in the production process.



On 23 February 2017, the Extraordinary General Shareholder’s Meeting of the Company No. 1/2017 has passed the special resolutions to accept the entire business transfer of Pangolin Safety Products Company Limited and the entering into of the relevant agreements for the purposes of the Group restructuring by the acceptance of the entire business transfer of Pangolin Safety Products Company Limited with the totaling value in amount of Baht 530,995,211.76, which will issue 15,489,942 new ordinary shares of the Company, with the par value of Baht 10.00 per share in lieu of cash and specify the price of the increase authorized share capital at Baht 34.28 per share and to dissolve Pangolin

Safety Products Company Limited after the entire business transfer, which Pangolin Safety Products Company Limited has registered the dissolution with the Department of Business Development, Ministry of Commerce on 6 March 2017 and been notified the tax exemption by the Revenue Code from entire business transfer from the Revenue Department on 3 April 2017. Presently, it is in the process to transfer of assets under the entire business transfer agreement.

During 2018, the Company has adjusted the internal structure by dividing the business into 3 parts as follows: 1. Finished Leather Business, 2. Tanning Service Business, and 3. Safety Shoe and PPE.

#### 4.1 Vision and Mission

##### Vision

The Company is committed to develop for the unity in the global leading leather tanning industry with the management competency and qualified production process, timely delivery, creation of friendship and reliability to customers, and paying attention to the environment. By vision

*"Innovative Solutions to your Sustainable Growth  
Creative Performance Lifestyles in Leather & Safety Products"*

**Mission**

- To develop businesses in the fields of tannery in pursuit of Asian leadership position.
- To diversify and invest in strategic businesses to enhance competitiveness.
- To provide a variety of quality products and services with commitment, reliability and flexibility.
- To conduct business in a socially, ethically and environmentally responsible manner.
- To build sustainable value for shareholders, customers, business partners, employees, local communities, and to be a good citizen to host governments.

**Objectives and targets**

For business operations during 2018-2021, the Company regularly monitors the economic situation in Thailand and the world economy in order to analyze the situation of using leather and to be used in planning for maximum efficiency. The main purpose is to balance three aspects which are procurement and reserve, production and quality, and sales. There are the targets as follow:

- **Procurement and reserve :** The Company has a policy to maintain the level of rawhide and semi-finished leather at least 4 months because a purchase of raw or semi-finished leather from overseas takes time for transportation. However, this reserve will decrease in the future since the Company can buy leather through the associated company resulted in the lead time shortened including the Company can match the characteristics of the leather with order from customers.
- **Production and quality :** From the current plan, the Company focused on production levels and strategies for future growth. Since the economic downturn and decrease in demand in the past year, the Company considered increasing production target from 24 million square feet to 27 million square feet. However, in 2021, the Company expects the capacity at approximately 30 million square feet in order to improve the operating system for maximum efficiency. This will bring sustainable and stable growth of the organization. On the other hand, safety shoe also expected to produce around 600,000-800,000 pairs per year with a huge market opportunity in the ASEAN region which will be one of the main economies of the world. From expanding the customer base to foreign countries, the Company expects that the sales of PPE will be supported by the expansion of this market as well.
- **Sales :** The Company aims to continuously expand overseas market, especially those from China who uses a lot of leather. However, the Company is still focusing on brand which is expecting to be able to increase sales based on a better economic outlook. The price is not a concern because the Company can bargain with customers to adjust price in accordance with the price of rawhide in the world market.

**For the strategy,** the Company has strategies in order to meet target as follows;

- Increase the supply of rawhide and semi-finished leather and procedures for screening the qualified leather in according to the needs customers
- Sustainable growth and value-added strategies include sustainable growth, managerial balance all stakeholders, corporate social responsibility and environment, corporate governance, and Investment expansion by focusing on strategically important businesses
- Creating value added business, reducing cost, and increase return on investment by developing the capabilities of the organization since the ability of the organization is crucial to the effectively company's strategic plan by accelerating the development of the organization's capabilities in the following areas;

- \* Financing and financial risk management: The Company plans to provide source of fund to be in line with investment plan by considering the financial management, investment, and financial ratios such as debt to equity in order to maintain a high level of creditworthiness and manage the financial risk of exchange rate, interest rate, and liquidity as well as developing the treasury and accounting to be global.
- \* Accelerating the learning curve, technology, and research capabilities of the organization to be in line with the Company's growth plan by developing a maximum capacity plan and technology to support critical tasks that impact on growth, strategic plans, and R&D as a source of organizational research including the development of information technology and Enterprise Resource Planning (ERP) to keep up with changes quickly.
- \* System development, work in progress, and organizational structure to be in line with the business strategies and plans for oversea investment and operations such as structuring and modeling for offshore operations.
- \* Human resource management and corporate development to be internationally competitive by preparing adequate personnel, human resource development, and leadership including retaining employees to work with organization by building relationship with them. To define and structure the organization to the same standard to support business growth and sustainability of the organization as well as cultivating the value and culture of the organization to be consistent with the values. This is an important foundation for effective development and growth.
- \* Sustainable management by realizing the role of organization towards social, community, and environmental through social responsibility and quality of life. Sustainable use of natural resources, health and safety, occupational health, and environmental impacts of water use, waste disposal, and pollution to the air and soil which is recognized and protected from the social in every operating area by measuring the sustainability of the organization internationally.

## 4.2 Important Changes and Development

- On 25 January 2018, the Extraordinary General Shareholders' Meeting of the Company No.1/2018 has approved the change in the par value of shares of the Company from original Baht 10.00 per share to be Baht 1.00 per share, by increase of ordinary shares from the existing 41,889,937 shares to be 418,899,370 shares. The Company has registered the change in the par value with Department of Business Development, Ministry of Commerce on 31 January 2018.
- In 2018, after the Company received the transfer of the business of Pangolin Safety Products Company Limited, including the signing of the relevant contract which is considered as the acquisition of assets and connected transactions of the Company in the past year, the Company has adjusted the internal structure by dividing the business into 3 parts as follows: 1. Finished Leather Business 2. Tanning Service Business 3. Safety Shoes and PPE.
- In 2018, the Safety Shoes and PPE was a business unit that could perform the most outstanding work. However, the Company still expects that Finished Leather Business would be able to overcome the crisis from the sluggish global market and lower price of leather situation throughout the year.



- In 2018, Tanning Service Business was under construction in order to support the tanning expansion that was completed in the second quarter. In the second half of the year, this business unit could generate the significant revenue for the Company compared to last year. The Company expects that this business unit would be able to grow rapidly in 2019.
- On 27 February 2019, the Board of Directors Meeting of the Company No. 1/2019 has passed the significant resolution to approve to propose the Annual General Meeting of Shareholders of the Company for 2019 to approve the appropriation of profit for 2018 as legal reserve in amount of Baht 598,848.94 and the dividend payment at the rate of Baht 0.02 per share in amount of Baht 8,796,885.68, which specifies the record date for the right to receive the dividend payment on 13 March 2019 and the dividend will be paid on 21 May 2019.

### 4.3 Shareholding Structure of Company's Group

The major shareholders are Charoensin Group and Chen Family which holds 73.11% and 15.14% respectively (Information from Thailand Securities Depository as of closing book 2018). The holding structure of the Company is as follows;



No.	Company Name	Share Proportion	Relationship
1.	Integrated Leather Network Company Limited	40%	Associate Company

### 4.4 Relationship with Business Groups of Major Shareholders

In 2018, the Company had significant business transactions with related parties. Such transactions are based on commercial terms and bases agreed upon between the Company. With those parties which are typically based business. The company has complied with the rules relating to the transactions strictly for clarity and transparency with the related companies. Tanning business is part of Charoensin Group which is a major shareholder who invested in all upstream and downstream business. It consists of direct investment and indirect investment through other businesses under Charoensin Group.

In 2018, the Company provided raw materials to the related companies which are Pangolin Safety Products Co., Ltd. and Manwood Intertrade Co., Ltd., with reasonable terms and prices, and/or arm's length basis. For the procurement of raw materials used in the production process with related companies, from Integrated Leather Network Co.Ltd, Eagle chemical Industry Co., Ltd. the Company strictly adheres to the rules governing connected transactions in order to be clarity and transparency. The related companies include:

No.	Company Name	Relationship	Nature of Business
1	Integrated Leather Network Co., Ltd	Associated company that the Company holds 40% shares and to have the same director and/or management	Importer and distributor all leathers
2	Eagle Chemical Industries Co., Ltd.	To have the same director and/or management	Distributor of chemical for industries
3	Applied DB Industrial Co., Ltd.	To have director and/or management as shareholder	Manufacturer and distributor of silicone for surface mounting
4	Manwood Intertrade Co., Ltd.	To have the same director and/or management	Manufacturer and distributor of fashion shoes
5	Thai Wiring System Company Limited	To have the same director and/or management	Manufacturer and distributor construction part
6	Thai Technical Nonwoven Co.,Ltd	To have the same director and/or management	Manufacturer and distributor of synthetic fiber and nonwoven fabric
7	CS Rubber Industry Company Limited	Related party with ultimate shareholder of associated company	Manufacturer and distributor rubber part
8	Charoensin Asset Company Limited	To have the same director and/or management	Property
9	Charoensin Holding Company Limited	To have the same director and/or management	Holding Company
10	Charoensin Thanee Company Limited	To have the same director and/or management	Property
11	Charoensin Condotown Company Limited	To have the same director and/or management	Property
12	VT Brother Company Limited	To have the same director and/or management	Manufacture Concrete
13	Furano Air Company Limited	To have the same director and/or management	Distributor Air Condition and service
14	Tanning Industry Charoensin Company Limited	To have the same director and/or management	Holding Company
15	Smart Sense Industry Design Company Limited	To have the same director and/or management	Service in Electronic Design

## 5. Nature of Business and Business Performance

CPL Group is a world-class leather tannery providing finished cow leather to customers' needs. Initially, the processes of manufacture are the selection and the import of quality rawhides – are mainly from USA; and tanning chemicals are also the main raw material of operations imported from Europe and USA.

With the experienced and expert staffs to tanning the leather and modern technology of the sufficient machines and devices to perform potential operations, CPL's products are granted with high quality by reputed customers. Most 90 percent of all products are supplied for sell to reputable shoe manufacturers like Adidas, Timberland, Mark & Spenser, Lacoste, and other brand shoes manufacturers. The production capacity is approximately 2,500,000 square feet per month and the Company maintains these volumes to retain and improve the quality of products in the future.

Currently, the Company has expanded its business to the tanning service. The contract foresees that the market is becoming more popular tanning in the Company's foreign. The Company has invested more equipment to expand production and reorganized machines. In addition, the new machines could produce doubly. On the other hand, the pig skin tanning factory was built up near the existing plant. Currently, it can operate with full capacity.

In addition, the Company has been transferring all of Pangolin Safety Products Co., Ltd., including the signing of a relevant agreement of s Pangolin Safety Products Co., Ltd. is a subsidiary of Charoensin Group. It has expanded its network to businesses, products, safety shoes on behalf of "Safety Shoes Company Limited" on June 1, 1983 with a registered capital of 10 million baht on a business response to the rapid growth have increased. manufacture With a registered capital of 80 million baht on October 2, 2002 in the year 2006, has expanded its product line into the helmet of Pangolin expensive branded (PANGOLIN) by Standard TIS. 368-2538 with a commitment to work with an experienced management team and staff, all coupled with the strong support of our customers in various industry sectors. As a result, the company has grown continuously and steadily for a long time. And on September 1, 2011 expanded by establishing the company "Pangolin Safety Products Co., Ltd" with a registered capital of 20 million Baht to become the "manufacturer and distributor of safety equipment. Personal protective equipment unified international standards. The safety footwear accessory brand PANGOLIN s was the first company to be certified standard TIS. 523-2558 Standard Quality Management System ISO 9001: 2008 by Bureau Veritas, a leading enterprise and a member of the SATRA Technology Center demonstrating the importance of the quality of products PANGOLIN it is also the market leader in manufacturing and distribution in Thailand. The Pangolin is a manufacturer of safety shoes and a helmet then. Pangolin is also believed to be an official distributor of safety equipment from manufacturers such as global Sundstrom, Singing Rock,. 3M is currently Pangolin has been sold to various industrial segments and enterprises nationwide. The company is also the official distributor in Indochina as well as exports to Asia and the South East.

The performance of CPL Group Public Company Limited fully intends to the quality of products and employees training. They become the overwhelming supports of the Company's growth to get the certification from many institutions with a reputation for quality management systems; for example, a certificate from URS offers ISO9001: 2008, ISO: TS16949: 2009, ISO14001: 2004. In addition, CPL Group has been certified a silver coin from a world-class institution – BLC, on environmental management as well as from SATRA institution on research and development of leathers isolation. Such above standards are the systems that CPL Group continually strives, develops, and operates each year to retain and better improve the system for the international standard of further operations.

The revenue structure in the past 3 years could be summarized as followed;

### Revenue Structure

Item	2018 Million Baht	%	2017 Million Baht	%	2016 Million Baht (Revise)	%
Revenue from sales	2,897.55	99.27	2,275.80	96.59	2,342.07	97.69
Others						
Gain on FX	-		34.26	1.45	-	-
Interest income	0.92	0.02	2.20	0.10	2.61	0.11
Tax refund	1.71	0.06	12.68	0.56	-	-
Others	18.73	0.65	31.26	1.30	52.75	2.20
<b>Total</b>	<b>2,918.91</b>	<b>100</b>	<b>2,356.20</b>	<b>100</b>	<b>2,397.43</b>	<b>100</b>

Global exporting market that CPL Group has supplied to is mostly China, Vietnam, Indonesia, India, Cambodia, and Bangladesh etc. In addition, the Company earns in the sale of safety shoes and safety equipment. The market share is at the top of the country. However, the Company's sales channels for foreign countries already there. In the near future, management expect to be able to deliver products, safety shoes and safety device to compete with neighbor countries

### 5.1 Products and Services

The Company's products are finished leather; such as Full Grain Leather and Suede Split Leather. The distinctive qualities of finished cow leather distributed to both domestic and international shoes manufacturers are Nubuck Leather, Oil & Wax Leather and Water Proof Leather. The Company can manufacture as customers' needs.

The feature of all finished leather is a sheet that will initially be measured in feet before distribution. The unit of measurement is a square feet. Production lead time, manufacturing process to finished leather, is approximately 23 days and the process of delivery to both domestic and international customers then will be the next procedure

The company is a manufacturer and distributor of products for safety, health and environment in the workplace. The company is divided into two main product categories, as detailed below.

**1. Products Safety shoes (Safety Shoes)**, a product manufactured by the company's factory is Pangolin and Safety Products is divided into 3 groups.

**1.1 Premium** is the safety shoes that are durable and comfortable to wear and use, it also has beautiful shapes and colors as well as materials that increase the quality. The price is higher than Medium, and Low include the Harrier, Soft Plus.

**1.2 Medium** is the safety shoes that provide durable and comfortable to wear. For customers who want to motivate employees to wear. Prices are moderate version include Lady Sizzler, Heavy, Sport.

**1.3 Standard** Low safety shoes that are durable. For customers who want to save statement. There is a lot of traffic At its lowest level in three groups: Model Standard, Safety Plus, Classic, Safelight.

**2. Equipment PPE (Personal Protective Equipment - PPE)** is the product of the Company. Produced and purchased - sold. Both imported from abroad and domestic. As well as product manufacturing outsourcing (OEM: original equipment manufacturer) brand was expensive and Pangolin.

This product group is the people, the workers used to wear on any part of the body organs or parts together while working. To prevent potential environmental work recognized hazards such as heat, light, sound, toxins, chemicals, etc. used in this personal protective equipment. You can use a device that protects the body from head to toe in 11 categories.

*2.1 Head & Face Protection*

*2.2 Hearing Protection*

*2.3 Eye Protection*

*2.4 Hand Protection*

*2.5 Respiratory Protection*

*2.6 Safety Clothing*

*2.7 Foot Protection*

*2.8 Fall Protection*

*2.9 Gas Detector*

*2.10 Workplace Safety*

*2.11 Safety Sign & Traffic*

## **5.2 Marketing and Competition**

The overview of leather manufacture, the market demand maintained due to economic situation, the exchange rate still impacted to selling price that caused the overall sales and selling price decrease comparing to prior year although customers turned to use more full grain leather and split leather. However, the Company could sell finished leathers more than last year.

For foreign competitors, most of them were located in China and their capacity also maintained because of the world economy. Although the production cost was lower due to rawhide price, most of premium brands, who ordered big lot, required the quality of products including product development which means that if the Company could maintain this high standard, the Company can be competent and compete with others. Anyway, the location is one of the key factors that are the current advantage of the Company because most of company located in China which stability is less than Thailand.

For domestic competitors, there was less impact to the Company as in the past. This is because the capacity of factory was small and their main business is to focus local customers. Therefore, the raw material were provided by local or purchase from Asian countries. However, the quality of products was not met the standard criteria and the selling price was low, so the product was appropriate to small order. Then, CPL Group did not pay attention to local sales much.

According to the above, the group of customers that the Company focuses is the factories manufactured for well-known brands such as Adidas, Timberland, Marks & Spencer, and etc. which are the high quality brand. Due to the decrease in demand for this group, the Company is trying to find the new reliable major customers. The ratio of oversea to local sales is 80:20.

The industry trend and competitive conditions in the future remain high since most shoes brands pay attention to the use of fabric because of the cheaper cost. As a result, the usage of leather consumption may be moving down. However, the Company plans to handle the incident by procuring raw materials from reliable sources that meet the needs of customers including the focus on efficient production to reduce production costs which lead to the better quality of products and prices to compete with competitors.

For business products, safety shoes and safety equipment has a merit of the recovery of the domestic economy. The overall sales were higher than the year before. The Goliath is divided into 4 channel sales channel, which accounted for as sales.

1. Domestic Sales
2. Store Sales Showroom
3. International Sales and Retail Sales
4. Modern (Modern trade) by sales channel that can make the rate of sales growth was highest in sales to foreign groups Safety Shoe from Myanmar into the channel and country the growth of such the goal is to focus on finding new customers. And to maintain and increase sales from existing customers
5. customers with sales, but this year the industrial area, Bang Bang Rd. Chon Buri, Rayong and Trat Road, which sales increased due to increased sales focus to reach more customers in the area. Customers split by business type, number one.

The group purchased and sold to dealers. The order followed by another order of 4 to automotive manufacturing construction materials. Food and Agriculture and Metal Products Safety Shoes from groups such as the Premium version 0283UZG, 2001C, 2012C, 0282UG etc. Medium, which is still the most popular model is the 9501U.

Products PPE growing emphasis from sales other than sales of a device is presented with the sales-service solutions (Solution & Service) include sales and survey fitted Safety Shower, renting equipment Gas Detector term 4 year (INET), the exploration for and install equipment that fell on the stairs and plane, equipped with a gas detection system (fixed system) demonstration Training both before and after. Sales Associate and seminars Raises awareness among even more trade. Customer confidence in our products and services at more afford able Pangolin. Another product highlight is OEM products marketed under brand Pangolin which has stressed the need to focus on sales team offering a product featured in this year is 2 types of gloves that can do well in the market segments automotive assembly. General PLPU gloves and other types of gloves.

## 6. Management Discussion and Analysis

Description / Year	2018 (million Baht)	2017 (million Baht)	Increase (Decrease) (million Baht)
Revenue from sales	2,898	2,276	622
Cost of goods sold	(2,484)	(2,135)	(349)
Gross profit	414	141	273

### Revenue

The main business of the Company can be divided into three main divisions. Firstly, it is finished leather business that was accounted for 67% of the total revenue of the Company. This product category can be divided into two groups which are skin leather and split leather. Unit of sales is area which is called “square foot”. The second source is tanning service which is included cow skin and pig skin was accounted for 9% of total revenue. Last but not least, the safety shoes and safety products were accounted for 24% of the total revenue of the Company.

#### 1.1 Finished Leather

For the year ended 31 December 2018, the Company’s sales was Baht 1,971 million (31 December 2017: Baht 1,556 million) which increased by 415 MB comparing to the same period of prior year. The main reason was that the Company improved in human resource management and changed in machineries which could improve efficiency in the system and caused the average productivity increase from 1.8 million sf. to 2.1 million sf.

#### 1.2 Tanning Service

For the tanning service, the Company had vision that the current tanning business in Thailand is popular. From mid of Q2’ 18 to now, the Company could perform cow tanning and pig tanning service at expected rate.

For the year ended 31 December 2018, the Company had revenue from tanning service amounted to Baht 271 million (31 December 2017: Baht 108 million).

#### 1.3 Safety Shoes and Safety Products

The Company could generate more revenue from safety shoes and other safety products. For the year ended 31 December 2018, the revenue increased to Baht 698 million (31 December 2017: Baht 630 million). The major increase came from the increase in sale volume of safety shoes and protective equipment including the rental equipment services

#### 1.4 Other income

Type of Income	2018 (million Baht)	2017 (million Baht)
Reversal of allowance for bad debt	-	23
Gain from sales of investment	-	20
Gain (Loss) from exchange rate	3	34
Other incomes	21	26
Total other incomes	24	103

Additionally, the Company also had other incomes that were interest from investment in bond, compensation for tax 19 bis, and gain (loss) on foreign currency translation. The company imported raw materials and exported finished products using US dollar under the credit system, so either import raw materials or export finished goods, it has a difference in the time of repayment which the Company was effected from daily foreign exchange rate. Therefore, the Company has to recognize gains or losses on this kind of transaction. However, the Company has already hedged by doing the forward contracts with financial institutions. For the year ended 31 December 2018, the Company had other income Baht 21 million (31 December 2017: Baht 69 million). The reason was that the Company recognized the gain from sales of investment and reverse of bad debt amounted to Baht 43 million last year and gain from exchange rate amounted to Baht 34 million.

### **Cost of sales**

The cost of sales of finished leather business consists of the cost of rawhide, chemicals, and other costs such as compensation of employees in the factory, and depreciation of plant, equipment and machinery used in manufacturing. An approximately proportion of the above cost of sales was 70:20:10, respectively. During this period, the average cost in the system is gradually decreased because of the reduction in rawhide price. Currently, the average price is close to the appropriate level, so the profit should reflect the overall business than last year.

The cost of sales of safety shoes consists of leather cost, outsole cost, and other costs as finished leather business. An approximately proportion of the above cost of sales was 55:20:25, respectively. For the safety products, the Company is authorized distributor from the top safety product manufacture around the world such as 3M, Sundstrom, Drager, Singing Rock, and Industrial Scientific. In overall, the cost of goods sold of safety shoes and safety products were normal at approximately 60%.

### **Gross profit margin**

The gross profit margin increased from 6% to 14% because the Company had an impairment of inventory amounted to Baht 139 million. The reason was that the Company was impacted from exchange rate and the reduction in selling price which management has already negotiated with customers. As a result, management team has a plan to decrease the production by promoting an efficient plan including change in machines for long-term result.

### **Expenditures**

Description	2018 (Million Baht)	%	2017 Adjustments (Million Baht)	%	Increase (Decrease) Million Baht
Selling expenses	186	44	143	41	3
Administrative expenses	201	48	181	52	(4)
Finance cost	36	8	23	7	1

Selling and administrative expenses consists of 1) export expenses that the Company negotiates with customers to eliminate double expenses which include transportation. The Company has punctuality policy for delivery goods to customers to avoid expressed delivery by plane because it is very expensive. 2) agent fee 3) travelling expenses to meet customers, find new customers, and business trip to study new technology to improve efficiency 4) compensation to employee and management and related payroll expenses, and other expenses i.e. depreciation and amortization, and repair and maintenance.



For the year ended 31 December 2018, the selling expenses were accounted for 6.41% (31 December 2017: 6.28%). The increase in amount came from the Company had sales promotion expenses and air freight shipping more than prior period of the same year. On the other hand, administrative expenses were accounted for 6.95% (31 December 2017:7.96%) to sales. An increase in amount came from the hiring of oversea staff as a consultant for developing efficient sales and production system.

In 2015, the Company did joint venture agreement with business partner in Hong Kong established Integrated Leather Network Company Limited (ILN) that engages in import and distribute all leathers. The Company holds 40% of total shares since the Company realizes an opportunity for trading leather business and reduces restrictions on the grade of leather using in the production process. Now, the installation of machinery is completed, so ILN can move forward with full capacity around end of 2017. During 2017, the ultimate shareholder would like ILN to be only serviced company, so they decided to sell all inventories and also the Company changed the method of calculation for services that started in Q4'2017. For the year ended 31 December 2018, the Company had gain sharing from associate company amounted to Baht 1 million (31 December 2017: Loss sharing Baht 20 million).

The Company's financial costs include interest from the trust receipts which are short-term loans with terms of repayment from financial institutions for purchase of raw materials imported from abroad, bank fees for Open PLC, and transferred fees between banks. The Company's finance costs increased slightly from the volume of raw materials imported from abroad and from factory expansion. For the year ended 31 December 2018, the financial cost was Baht 36 million (31 December 2017: Baht 23 million).

#### **Earnings Before Interests and Taxes (EBIT) and Net Profit (Loss)**

Description	2018 / (Million Baht)	2017 / (Million Baht)
Revenue from sales	2,898	2,276
Cost of goods sold	(2,484)	(2,135)
Gross profit	414	141
Other incomes	24	104
Total revenue	438	245
Selling and administrative expenses	(387)	(324)
Loss for Subsidiary	1	(21)
Cost of finance	(36)	(23)
Operating profits	16	(122)
Income tax expenses	(4)	20
Net profit (loss)	12	(103)

## Earnings Before Interests and Taxes (EBIT) and Net Profit (Loss)

The Company's net loss for the year ended 31 December 2018 was Baht 12 million (2017: Net loss Baht 103 million), or equivalent to net profit margin at 0.41% (2017: net loss margin 0.45%) which decreased by Baht 115 million comparing to the prior year. In summary, the factors that impacted to the financial performance in this year came from 3 factors which were the decrease in overall selling price due to an exchange rate, provision for impairment of inventory, and loss sharing from associate company. Although the Company had gain from sales of general investment and gain on exchange rate from purchase, it could not cover the above factors.

## Analysis of statement of financial position as of 31 December 2018

### Assets

Assets	2018 / (Million Baht)	2017 / (Million Baht)
Cash and cash equivalent	146	109
Accounts receivable - net	706	257
Inventory – net	1,130	1,023
Investment in associate	4	4
Long term investments	-	-
Investment properties – net	125	125
Property, plants, and equipment – net	631	458
Other assets	77	90
Total assets	2,819	2,066

Total assets of the Company as at 31 December 2018 were Baht 2,819 million (31 December 2017: Baht 2,067 million). The major increase came from cash and cash equivalent amounted to Baht 37 million, trade receivables and other receivables amounted to Baht 449 million, inventory amounted to Baht 107 million, and properties, plants and equipment amounted to Baht 173 million. The increase in accounts receivable came from the expansion of business transactions. However, subsequently, the Company could collect cash from these account receivables. Furthermore, an increase in inventory came from the preparation for pre-built stock to secure the business with customers including the improvement and additional part for machinery to support this expansion.

To consider the liquidity, the Company's current ratio declined from 1.55 times as at the end of 2017 to 1.22 times. Although the Company's liquidity reduced, the operating cash flow was alright because the Company could sell and collect cash from customers. The working capital was not a problem. However, the Company had a backup plan by requesting a new facility contract with financial institutions in the form of overdraft facilities and short-term loans over the past 2-3 years to support liquidity if the Company obliged to spend while the cash was not enough at any of time.

### Liabilities and shareholders' equity

Liabilities and shareholders' equity	2018 / (Million Baht)	2017 / (Million Baht)
Borrowing from financial institutions	1,200	649
Accounts payable	387	250
Other liabilities	24	11
Non-current liabilities	122	82
Total liabilities	1,734	992
Shareholders' equity	1,085	1,074
Total liabilities and shareholders' equity	2,819	2,066
Total Debts to total assets (times)	0.62	0.48
Debt to equity ratio (times)	1.60	0.92

Total liabilities of the Company as at 31 December 2018 were Baht 1,734 million (31 December 2017: Baht 992 million). The major items are trust receipts which are short-term loans with a repayment condition with financial institutions for purchasing raw materials from foreign funds amounted to Baht 1,200 million (31 December 2017: Baht 649 million) and accounts payable and other payable amounted to Baht 387 million (31 December 2017: Baht 250 million). Normally, when the Company received payment from the debtor, the Company will choose to pay trust receipts prior to maturity date in order to reduce the interest burden. However, the significant increase of total liabilities came from an expansion of normal business operation both assets and liabilities. Thus, the ratio of total liabilities to total assets of the Company increased from 0.48 times to 0.62 times.

The Board of Directors emphasizes the need for careful review and consideration before granting approval for connected transactions, related transactions or transactions that may cause conflict of interest. The Company's Code of Conduct has set forth a policy regarding such transactions as follows:

Connected Transactions between the Company and its Subsidiaries of Charoensin Group comprises a large number of companies whose businesses are bound to conduct transactions with one another such as providing services, purchasing or selling raw materials and products, or providing financial support, technical assistance, or human resources, etc. In doing business or performing duties related to such matters, all employees and parties concerned are required to comply with the law, the rules and regulations of government agencies, as well as the rules and operational authority of the Company in addition to any criteria or conditions prescribed by local communities.

Transactions with outside entities in undertaking transactions with outside entities or other companies, the Company shall proceed by implementing fair methods and complying with the procedures as prescribed by law and the government agencies' rules and regulations, and the Company's policies. To carry out transactions with outside entities, in addition, the Company is required to have an approval strictly in line with the operational authority of the Company, and act in accordance with the terms and conditions as agreed upon with honesty, transparency and accountability. The Company shall also avoid making transactions that may cause trouble or damage to the Company or outside parties. The Company has designated the stakeholder engagement policy and practice guidelines towards stakeholders by specifying that the Company conduct itself according to the framework of trading and competing honestly, consider a proper and fair purchase price taking into account the appropriateness in terms of price, quality and service obtained. The Company shall also be able to give reasonable explanation upon examination. Furthermore, the Company has specified guidelines and procedures on how to consider the granting of approval for connected transactions, related transactions or transactions with potential conflict of interest, to ensure the Company's best interests and in accordance with the rules and regulations as prescribed by law. The directors and management shall disclose to the Company in advance whether they hold any stakes involving potential conflict of interest. The Company, in turn, shall consider the appropriateness of any transaction, and in cases where such transactions need approval in accordance with the regulations and procedures prescribed by law, the management shall propose such matters to the Board of Directors or at the Shareholders' Meetings, and shall disclose the information to investors in a transparent manner. Under no circumstances shall the directors or management concerned be allowed to participate in the process of considering approval.

Policy or Trend of Future Connected Transactions Connected transactions in the future will continue to be based on traditional business practices and will follow the policy of the market determining prices in negotiated transactions, as in the past. No special benefit will accrue either to companies or relevant individuals from connected transactions. The Company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, as well as the laws, regulations, notifications or orders relating to the execution of related transactions.

In 2018, there were disclosures of the intercompany transaction within the Group as in the note to financial statements no. 30.

Risk management is the important procedures that the Company pays attention as operation management in order to support the sustainable growth of the Company. Risk management is under manager in every level and under Risk Management Committee. Risk Management Committee has a meeting every quarter in order that they can monitor and follow up the result of operation including plan for strategy and report to Board of Directors and Audit Committee every quarter.

Moreover, the Company follows up, analyzes, and manages its operation in order to proceed as plan and to ensure that all internal and external risk factors are efficiently managed within the acceptable level and in line with policy of the Company to match with the complexity and rapidly change in business.

### 8.1 Strategic risk

#### a) Inappropriate strategy risk

The Company set up procedure and system for checking strategy of the Company regularly in order to ensure that there is no inappropriate strategy for each circumstance such as monthly meeting, data analytic, and forecasting economic.

#### b) Reputation risks

The Company cares about reputation and image of organization that could be rapidly change both short-term and long-term and cannot be valued. The Company focuses on implementing sustainability policy by having the proper, transparent, safety, and responsible strategic plan which accepted by society. Importantly, the development on potential staff would be the key factor that the Company can sustainably provide valuable services to all stakeholders.

#### c) Quality of raw material risk

The Company has a risk in quality of raw materials that remains a key problem of each order of finished leather. Due to time limited, CPL cannot immediately and completely check the quality of raw hides, thus a company has to bear the risk of uncontrollable quality of raw materials.

#### d) Returns and delay delivery risk

All products of finished leather are made to an order from a customer who defines all special qualities of products like color and pattern; a company somehow takes long time to manufacture. As all this simply means that a company is taking an increase in a possible risk of delay delivery that likely related to the cancellation and returns of goods.

#### e) Employee skill risk

The Company has set this problem by practical training for inexperience employees because it is not only a machine or raw materials but it also needs skilled and experienced persons to run all processes properly. If employees, in contrast, are lack of knowledge to operate works, it is one of risks that a company needs to find an effective solution.

### 8.2 Financial risk

#### a) Financing risk

The Company managed financing risk to ensure that the Company has enough liquidity and to align with investment plan. Also, the financial strategy would be aligned with business plan to cope with internal and external scenario. Moreover, the Company builds relationship with financial institutions in order to have strong financial back-up and this will help continuously managing cash flow.

#### **b) Foreign currency exchange risk**

Mostly, raw materials and chemicals are imported from overseas. CPL needs to carry out the foreign currency transaction and 90 percent of trades are major exports. By this way, a company actually entails the risk of income statement on currency exchange. Therefore, CPL has used financial instruments to intervene appropriate currency exchange to prevent enormously varying

#### **c) Interest rate risk**

The Company manages interest rate risk by monitoring the trend of interest in the world market and Thailand and managing fixed and floating interest rate of long-term and short-term loan appropriately. Also, the Company develops the financial instrument to manage debt structuring including interest rate swap to reduce the fluctuation of interest rate.

#### **d) Price risk**

After 2013, the price of raw hides has been raised dramatically and continually until 2014, the price had been slightly increased but overall it is still high. Since CPL has been founded, the price of raw hides, currently; is highest to ceiling approximately 110-120 US dollars as it had never been. However, the price of raw hides decreased gradually in this year. With this situation, it proved that the Company could manage this fluctuation well, but the Company still closely monitor and be extremely careful about how to control such a situation.

## 9. Securities Details and Shareholder Structure

The Company has a paid-up capital of Baht 439,844,340 Paid up consists of Baht 439,844,284 divide to 439,844,284 share with Baht 1.- per share.

### Group of Top Ten Shareholders as of January 31,2019

Name of Shareholders	Total Shares	%
1. Chareonsin Holding Co.,Ltd.*	1,145,997,103	33.193
2. Mr. Wiwat Wongcharoensin	35,739,060	8.125
3. Mr. Chen,Yu Yu	29,767,350	6.767
4. Mr.Issara Wongcharoensin	26,118,907	5.938
5. Mr.Suwatchai Wongcharoensin	21,556,458	4.901
6. Mr. Puvasith Wongchaorensin	19,822,228	4.507
7. Thai NVDR Co.,Ltd	15,908,965	3.617
8. Mr. Natakit Wongcharoensin	9,401,364	2.137
9. Mr. Chen Rui Teng **	8,835,750	2.009
10. Mr Veerachai Wongcharoensin	8,425,357	1.916

Note: \* 1. Charoensin Holding Co., Ltd engages in property business that all shareholders are Chareonsin family.

\*\* 2. Number of shares of MR.Chen Rui Teng has on Thai NVDR limited 14,422,100 shares

The Company have dividend policy to shareholder around 60 % of net profit from each year. Below table is dividend history from the past 5 years.

Year	Net profit per share	Dividend payment per share	Payment ratio of net profit	Total dividend payment (Million Baht)
2013	2.50	2.00	80	52.80
2014	3.37	2.50	74	66.00
2015	1.33	1.50	113	39.60
2016	(2.14)	-	-	-
2017	(0.25)	0.05*	-	20.94
2018	0.03	0.02**	67	8.80

\* On February 26, 2018 at the Board of Director Meeting No 1/2018 had dividend paid by common shares to the Company's shareholders at ratio 20 existing common shares per 1 share dividend at par value 1.00 THB total not exceeding 20,944,970 shares; calculated to be dividend ratio at 0.05000 THB per shares, or not exceeding 20,944,970 THB In addition, In case any shareholder obtains fraction of shares from calculation in accordance with such shares allocation, the Company shall eliminate the said fraction and dividend payment made by cash at ratio 0.00556 THB, or equivalent to not exceeding 2,329,081 Baht.

\*\* On 27 February 2019, the Board of Directors Meeting of the Company No. 1/2019 has passed the significant resolution to approve to propose the Annual General Meeting of Shareholders of the Company for 2019 to approve the appropriation of profit for 2018 as legal reserve in amount of Baht 598,848.94 and the dividend payment at the rate of Baht 0.02 per share in amount of Baht 8,796,885.68, which specifies the record date for the right to receive the dividend payment on 13 March 2019 and the dividend will be paid on 21 May 2019.

However, the actual dividend payment may be less than above and depends on cash flow, investment plan of the Company, terms and condition of the agreements entered by the Company together will all other necessary and suitability in the future.





1. Mr. Suwatchai Wongcharoensin  
Chairman

2. Mr. Puvasith Wongcharoensin  
Chief Executive Officer

3. Mr. Lai Chi Hsiang  
Director

4. Mr. Kuo Shih Lun  
Director



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**5. Mr. Kitichai Wongcharoensin**  
Director

**6. Mr. Wiwat Wongcharoensin**  
Director

**7. Assoc. Prof. Dr. Ruth Banomyong**  
Chairman of Audit committee /  
Independent Director

**8. Mr. Supapat Ongsangkoon**  
Audit committee /  
Independent Director

**9. Dr. Mongkon Laoworapong**  
Audit committee /  
Independent Director

## Board of Directors' Structure

Board of Directors consists of persons with knowledge and experience, which have important role in policy making and organization's overview, including important role in regulating, inspecting, evaluating performance of the company to ensure that it is according to the plan, as well as operate the company's business according to the law, regulation, and shareholders meeting's resolution, including regulating management's administration to be according to the target and guideline determined, and lead to best interest of the company and shareholders.

Board of Directors' structure consists of independent directors of more than 1 in 3 of directors in the whole board, which would maintain the voting balance in the consideration of various matters, and there is an Audit Committee, which consists of 3 independent directors. Currently, Board of Directors has 9 directors, which consists of 6 directors who are major shareholders' representatives, and 3 independent directors who are also directors in the Audit Committee. Number of the company's independent directors is according to the rule of SEC, which determines that one third of total number of directors must be independent directors.

According to the company's regulation, in every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.

Furthermore, Board of Directors has appointed subcommittees, which consists of Executive Committee and Audit Committee to have specific function and make proposal to Board of Directors for consideration or acknowledgement, which such subcommittees have the right as determined in the authority of each subcommittee.

## List of members of Board of Directors

As at January 31, 2019, Board of Directors includes 9 people as follow;

Name-Surname	Position
1. Mr. Suwatchai Wongcharoensin	Chairman
2. Mr. Puvasith Wongcharoensin	Chief Executive Officer
3. Mr. Lai Chi Hsiang	Director
4. Mr. Kuo Shih Lun	Director
5. Mr. Kitichai Wongcharoensin	Director
6. Mr. Wiwat Wongcharoensin	Director
7. Assoc. Prof. Dr. Ruth Banomyong	Independent director
8. Mr. Supapat Ongsangkoon	Independent director
9. Dr. Mongkon Laoworapong	Independent director

## Term of holding in director position

In every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.

## Scope of Duty and Responsibility of Board of Directors;

1. Must perform duty in compliance with the law, objective, regulation of the company, as well as shareholders meeting's resolution, except for the matter that requires approval from shareholders meeting before operation such as the matter that the law requires shareholders meeting's resolution, connected transaction, and buying or selling significant asset according to the rule of SET, or as determined by other state agencies, etc.
2. Determine or change the name of authorized director.
3. Determine policy, strategy, and direction of the company's business operation, and regulate management's operation to ensure that it is according to the determined policy, strategy, and direction efficiently and effectively to add maximum economic value for shareholders and sustainable growth.
4. Consider making decision on significant matters such as business plan, budget, large investment project, management power, and other items as determined by the law.
5. Evaluate performance and determine consideration for the management.
6. Responsible for performance and operation of management with determination and care in the operation.
7. Provide reliable accounting system, financial report and accounting audit, as well as provide a process for assessing suitability of internal control, and internal audit to ensure efficiency and effectiveness, risk management, financial report, and result monitoring.
8. Prevent conflicting interest between stakeholders and the company.
9. Regulate business to ensure ethical operation.
10. Determine internal regulation or rule of the company in various matters.
11. Report responsibility of the Board of Directors in preparing financial report by presenting it together with the auditor's report in the annual report, and cover important matters according to the policy of good practice for directors of listed company in SET.

## List of members of the Audit Committee

As at January 31, 2019, Audit Committee includes 3 people as follow;

Name-Surname	Position
1. Assoc. Prof. Dr. Ruth Banomyong	Chairman of Audit Committee
2. Mr. Supapat Ongsangkoon	Committee
3. Dr. Mongkon Laoworapong	Committee

All three directors are independent directors with sufficient knowledge and experience to review the reliability of financial statements and Miss Walairat Silapachavakijja as the secretary of the Audit Committee. Term of office of the Audit Committee Chairman of Audit Committee and Member of Audit Committee is 3 years.

Board of directors appointed at least 3 audit committee members. Each audit committee members must be an independent director and must not be a subsidiary, joint company, subsidiary at the same level, major shareholder, or person with controlling power of the company, and not being a director of the company, head office, subsidiary, joint company, subsidiary at the same level, especially listed company, with the committee member must be qualified according to Securities and Exchange Act, as notification, regulation, and/or rule of SET, which determine qualification and scope of operation of Audit Committee.

## Scope of duty and responsibility of Audit Committee

1. Reviewed financial reports to ensure that. is accurate and reliable. Including adequate disclosure by coordinating with the external auditors. And the executive responsible for preparing financial reports, quarterly and annual basis.
2. To review the Company's internal control system (Internal Control) and internal audit (Internal Audit) to be appropriate and effective. And consider the independence of internal audit. As well as to approve the appointment, transfer and dismissal of the head of internal audit. or any other agency responsible for internal audit. And may suggest To review or inspect any items that are necessary and important. Along with the recommendation regarding the revised system of internal control is important and necessary to the Board of Directors. By the review with the external auditor. And Internal Systems Audit Manager.
3. To review compliance with the Securities and Exchange Law the requirements of the Stock Exchange of Thailand regulations and other laws relating to the Company's business.
4. Consider and nominate the person who is to act as an independent auditor as well the remuneration of the auditor. The Board of Directors including attendance with the external auditors without management in attendance at least 1 time per year.
5. To review the Company's internal audit plan. According to generally accepted standards.
6. Consider Transactions or items that may have a conflict of interest as provided by law. And the requirements of the Stock Exchange of Thailand as well as the disclosure of information on such matters there. The accuracy and completeness This is to ensure that such transactions are reasonable and in the best interests of the Company.
7. review the Company's risk management systems are appropriate and effective.
8. Report on the work of the Audit Committee to The Board of Directors at least 4 times a year.
9. to prepare a report of the Audit Committee to be disclosed in the annual report of the Company must be signed by the Chairman of the Audit Committee and must contain at least the following.
  - (A) an opinion on the accuracy, completeness and reliability of financial reporting of the Company.
  - (B) an opinion on the adequacy of the internal control of the company.
  - (C) an opinion on the lawfulness of the Securities and Exchange Commission. Terms of the Stock Exchange or the laws relating to the Company's business.
  - (D) an opinion on the suitability of an auditor.
  - (E) an opinion on the transaction. Or transactions that may have conflicts of interest.
  - (F) Number of meetings of the Audit Committee and attendance of each member of the Audit Committee.
  - (G) an opinion or observation by the Audit Committee receives from performing its duties under the harter.
  - (H) Other matters that shareholders and investors should know. Under the scope of duties and responsibilities assigned by the Board of Directors.
10. Contribute to the evaluation of the appointment and removal of officials of the departments of internal audit.
11. In the performance of duties. The Audit Committee has the authority to invite the management executives, employees of the company concerned to make comments attend or send a document that relevant or necessary.
12. Authority to hire a consultant or third parties by the Company to provide opinions or advice if needed.
13. The Audit Committee shall evaluate the performance by self-assessment. And Assessment Report the problems in the operations that may cause a performance not achieved. Objectives of the Audit Committee, the Board of Directors every year.
14. Review and update the Charter of the Audit Committee.
15. Preform other duties as assigned by the Board of Director within the scope of duties and responsibly of the Audit Committee.

## List of members of Executive Director

Name-Surname	Position
1. Mr.Puvasith Wongcharoensin	Chief Executive Officer
2. Mr .Kitichai Wongcharoensin	Executive Director
3. Mr. Kuo Shih Lun	Executive Director
4. Mr. Singha Wongrujipairoj	Executive Director
5. Mrs. Sripa Suriyapantamlai	Executive Director

## Term of holding in executive director position

The Executive Director shall hold position for a term of three years, leaving the Executive Director vacated by rotation and may be re-elected. The Executive Director is directly responsible to the Board of Directors and has the authority as assigned by the Board of Directors.

## Scope of duty of Executive Director

1. Determine policy, direction, strategy, and structure of main work management in the company's business operation that is determined to be consistent and supportive of economic condition and competition determined and stated to shareholders to propose for Board of Directors' approval.
2. Determine business plan, budget, and management powers of the company to propose to Board of Directors for approval.
3. Determine organizational structure and determine manpower policy, which shall cover the overview in selecting, training, hiring, creating replacement executive, as well as result evaluation and rule for determining consideration of employee at all level.
4. Verify and monitor policy and guideline for management in various aspects of the company determined to be efficient and facilitative to business operation condition.
5. Verify and monitor the company's performance determined to be in according to approved business plan.
6. Prepare financial transaction with financial institution in opening account, loan, pledge, mortgage, guarantee and other actions including trading and registering any land ownership according to the objective for the interest of the company business operation under determined amount.
7. Monitor result of management system development and other operations as assigned by the Board of Directors from time to time.

## Company Secretary

According to the Board meeting No. 7/2017 dated 11 August 2017, the Board of Directors resolved to appoint Ms. Arjaree Suphasinwongchai as the Company Secretary under Section 15/89 of the Securities and Exchange Act B.E. 2535, as amended by the Securities and Exchange Act BE 2535 No.4 B.E. 2551 which stated the scope of authority and responsibility as follows;

1. Providing basic advice to the Board of Directors and Management who have to follow the Company's Article of Association, rules of SEC and SET, and any new regulation that may be relevant to the Company.
2. Being responsible for disclosing the Company's information in line with SET's and SEC's regulation and other regulatory bodies.
3. Preparing and storing the following important documents
  - 3.1 Registration of the Company's director
  - 3.2 Invitation letter and minute of the Board of Directors Meeting
  - 3.3 Invitation letter and minute of the Shareholders' Meeting
  - 3.4 Annual report
  - 3.5 Conflicts of interest report filed by Directors and the management.

### Management team

As at January 31, 2019, Management team includes 9 people as follows;

Name-Surname	Position
1. Mr. Puvasith Wongcharoensin	Chief Executive Officer
2. Mr. Kuo Shih Lun	Executive Vice President – Sales & Marketing
3. Mr. Kitichai Wongcharoensin	Executive Vice President – Chief Operating Officer
4. Mrs. Sripa Suriyapantamlai	Executive Vice President – Safety Product
5. Mr. Singha Wongrujipairoj	Executive Vice President - Chief Financial Officer
6. Ms. Chutima Kititarakul	Assistant Vice President - Oversea
7. Mr. Theerawat Wongcharoensin	Assistant Vice President - Marketing & Development
8. Mr. Niteepong Techamontrikul	Deputy Chief Financial Officer and Acting Accounting Manager
9. Ms. Arjaree Suphasinwongchai	Company Secretary

### Director and Executive Recruitment

For recruiting person to be the company's director, the company allows shareholders to nominate qualified person who has experience and suitable potential to be the company's director in the annual general meeting of shareholders. Each shareholder may cast available vote to select one person or many persons to be directors. However, votes may not be divided unequally, which those with skill and experience necessary for the company's business operation will be prioritized, which the following qualities;

1. Having quality according to Limited Public Company Act, Security and Exchange Act, Rule of SEC, rule of SET, and the company's good corporate governance.
2. Having variety of knowledge, ability, and experience in various fields of occupation that will be useful and add value for the company.
3. Having attributes the supports and encourages business regulation to create value to the company, perform duty with Accountability, Care and Loyalty, and fully dedicated.

Election and appointment Board of Directors in accordance with the methods specified in the Articles of Association of the Company and the directors appointed must be approved by the shareholders' meeting and resolution of holding a majority of the shareholders present at the meeting and entitle to vote as following;

1. The Board of Directors of the Company not less than five directors and not less than one-half of the directors must be resident in the country and the directors must be qualified under the law governing public companies and the law with the Securities and Exchange Act determined.
2. The shareholders meeting shall appoint the directors by a majority vote under the rules and how to follow it.
  - (1) Each shareholder has votes equal to the number of shares held
  - (2) Each shareholder must use all his votes under (1) to elect one or more directors, but voter are split among the candidates is not much
  - (3) The person receiving the highest votes in descending order is elected as a Director of the Board of Directors and shall have a casting vote at the meeting. If the person elected in descending order of votes equal to the number of directors appointed or elected on that occasion, the chairperson has the final vote.
3. In every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.
4. The Committee shall be entitled to compensation from the Company in the form of prize money, bonuses, attendance fees gratuities, or other benefit in other ways. Regulations or by the shareholders meeting will consider. This could be defined as an amount or a predetermined criteria and will from time to time, or give or take effect until it is changed. In addition, they could receive various allowances and benefits according to the Company.
5. Any directors who will resign by submitting his resignation to the Company, it will be effective from the date of his resignation to the Company.
6. In cases where the position is vacant due to other reasons than retirement by rotation. The Board of Director may choose someone who is qualified and not disqualified under the Public Limited Company Act and the Securities and Exchange Commission as a representative to the committee at the next meeting. If the term of directors is less than two months, the new director can stay in the position only for the remaining term and the Board of Directors shall consist of not less than 3 in 4 of the remaining directors.
7. At the shareholders' meeting, it may vote for any directors who retire from positions before expiration of the term but the vote is not less than three-fourths of the shareholders who attended the meeting and entitled to vote and holding shares amounting to not less than one-half of the shares held by the shareholders present at the meeting and entitle to vote.

### **Independent Director**

Independent Director of the Company determines components for Board of Directors to be consisting of at least 1/3 of independent of total number of the company's directors.

Board of Directors determines qualities of independent director as follows;

1. Hold shares no more than 1.0% of total number of share with voting right of the company, head office, subsidiary, joint company, major shareholder, or person with power to control the company, which shall also include shareholding of related person of that independent director.



2. Not being or never been a director involved in management, employee, consultant who receives regular salary, or person with controlling power of the company, head office, subsidiary, joint company, subsidiary at the same level, major shareholder, or of person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.
3. No blood relationship or by registration according to the law in the manner of father, mother, spouse, sibling, and child, including spouse of the child, of executive, major shareholder, person with controlling power, or person to be nominated as executive or person with controlling power of the company or subsidiary.
4. Not having or never have business relationship with the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company in the manner that is preventing one's independent judgment, including not being or never been implied shareholder or person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.
5. Not being or never been an auditor of the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, and not being implied shareholder, person with controlling power, or partner of audit firm that has auditor of the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.
6. Not being or never been service provider in any profession, including providing service of legal advisor or financial advisor who receive service fee of more than THB 2 million per year from the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, and not being implied shareholder, person with controlling power, or shareholder of service provider in that profession, except being freed from such characteristic for at least 2 years before being appoint as independent director.
7. Not being a director that was appointed as director's representative of the company, major shareholder, or shareholder who is related to major shareholder.
8. Not operating a business that has the same condition, and is an implied competition with business of the company or subsidiary, or not being an implied partner in a partnership, or is a director involved in management, employee, employee, consultant who receives regular monthly salary, or hold share more than 1.0% of total shares with voting right of other company, which operate a business that has the same condition, and is an implied competition with business of the company or subsidiary.
9. Not having any other characteristic that cannot provide independent comment regarding the company's operation. Audit Committee Board of Directors appoints at least 3 audit committee members to be the company's audit committee members. Each audit committee member must be an independent director and must not be a director assigned by Board of Directors to make decision in business operation of the company, head office, subsidiary, joint company, subsidiary at the same level, major shareholder, or person with controlling power of the company, and not being a director of the company, head office, subsidiary, joint company, subsidiary at the same level, especially listed company, which the audit committee member must be qualified according to the Securities and Exchange Act, as well as notification, regulation, and/or rule of SET, which determine qualification and scope of operation of Audit Committee.

## 12. Corporate Governance and Supervision on the Use of Internal Information

### Good Corporate Governance Policy 2019

CPL Group Public Company Limited is a company that has focused on business operations in accordance with good corporate governance principles. By aiming to build confidence in all aspects to investors, stakeholders as well as those involved With business management which is production and distribution of finished leather as well as personal safety equipment by taking into account long-term good performance and business sustainability from the reasons mentioned above the Board of Directors therefore deems it appropriate to adopt good corporate governance principles. For the listed company 2017 (Corporate Code Policy or GC Code) issued by the Securities and Exchange Commission to formulate a good corporate governance policy as approved in the Board of Directors' Meeting No. 1/2019 held on February 27, 2019 as follow:

<b>Principle 1:</b>	Establish Clear Leadership role and responsibilities of the Board
<b>Principle 2:</b>	Define Objectives Promote Sustainable Value Creation
<b>Principle 3:</b>	Strengthen Board Effectiveness
<b>Principle 4:</b>	Ensure Effective CEO and People Management
<b>Principle 5:</b>	Nurture Innovation and Responsible Business
<b>Principle 6:</b>	Strengthen Effective Risk Management and Internal Controls
<b>Principle 7:</b>	Ensure Disclosure and Finance Integrity
<b>Principle 8:</b>	Ensure Engagement and Communication with shareholders

#### **Principle 1 Establish Clear Leadership role and responsibilities of the Board.**

**Principle 1.1** Duties and responsibilities of the Board of Directors that want to create value for sustainable business. Board of Directors are important role in corporate governance for good management in order to maintain the company in the long run, the committee should understand the role and awareness of responsibility, as a leader to supervise the organization has good management which covers:

- (1) Defining objectives and target with business operations.
- (2) Formulate strategies for operating policies to be a framework for the organization to lead the objectives and goals fulfillment, as well as giving importance to resource allocation in a cost-effective manner and for maximum benefits.
- (3) Focus on continuous quality improvement by creating added value in products and perform effectively.
- (4) Adhering to corporate governance and have social responsibility.
- (5) Follow-up the evaluation and review of strategies and policies in operating regularly, and overseeing the performance reports for the best interest of the company and all stakeholders.

**Principle 1.2** The duties of the Board of Directors to governance and create value for the business to be stable and sustainable way in the long run.

- (1) The Board of Directors give importance to the business profit with adhering the competition framework that conforms to the trade rules and business ethics that are consistent with law, principles of transparency and fairness.
- (2) The Board of Directors give importance to supervising directors to be a role model as a leader and a role in creating and driving culture in the organization with adhering to ethical business principles, respect for rights and responsibility to shareholders and stakeholders, including adhering to the principles of good corporate governance to achieve the objectives and goals of creating value for the sustainable business.
- (3) Conducting the business to operate without affecting the society as a whole, Board of Directors therefore set a policy of business ethics to be used as a guideline for directors, executives and employees.

- (4) Conducting the business can be able to adapt according to rapidly changing factors, the Board of Directors therefore supervises and communicates to all directors, executives and employees to understand, preparation of potential changes and regularly follow up the results and review the policy.

**Principle 1.3** Responsibility of the Board of Directors.

The Board of Directors is responsible for supervising directors, executives and employees at all levels, perform duties with responsibility according to the assigned duties, be careful and honest with duties that the organization has. Comply with regulations, laws and rules associated as well as the resolution of the shareholders' meeting.

**Principle 1.4** Scope of responsibility and assignment

The Board of Directors understands their scope of duties and responsibilities, determine the scope of assignments and responsibility to the Chief Executive Officer and management, as well as follow up and supervise to perform the duties as assigned.

**Principle 2** **Define Objectives Promote Sustainable Value Creation.**

**Principle 2.1** Manage to be in accordance with the objectives and main goals of the business for sustainability.

The Board of Directors determined that the company has the goal of the organization to operate in the business, with stability, reliability and being accepted meet customers around the world (Global Brand). Develop new products with excellent features to strive to be one of the successful tanning business with the vision is *“Innovative Solutions to your Sustainable Growth Creative Performance Lifestyles in Leather & Safety products”*

The Company has various policies to improve and develop work processes to be fast and accurate, using modern information technology to create products that meet customers' groups, have quality control and inspection to continuously strive improve the quality, creating products by added value in products that meet customer needs, generate satisfactory returns to shareholders with regard to good governance and social responsibility which leads to the sustainability of the business.

**Principle 2.2** Ensuring that objective and goals as well as the strategy of the company, in accordance the objectives and main goals of the business with using innovation and technology to appropriately and safely.

The Board of Directors supervises to determine the goals that always carried out with reliability and trust of customers, maintain standards of product quality, focus on meeting customer needs, Creating profit for shareholders with the development of production processes, reduce the process and cost of work by developing information technology systems to be able to support production work.

**Principle 3** **Strengthen Board Effectiveness.**

**Principle 3.1** Responsibility in determining and reviewing the structure of the Board of Directors to be appropriate, to lead the organization to objectives and goals that determined.

- (1) Qualification; the Board of Directors is a person with various qualifications and suitable in terms of knowledge, skills, experience, ability and the specific qualifications that related with business operations of the company, as skills, knowledge and expertise in tanning and related businesses, have an understanding of the business of the organization, have a broad vision able to provide independent opinions and effective business practices.

- (2) Structure; the Board of Directors must comply with the company's regulations, which are The company must have at least 5 directors and not less than half of the total number of directors, must reside in Thailand, for appropriateness in reviewing various policies and being able to perform their duties efficiently.
- (3) Balance of the power; Board of Directors, Directors who are executives and are not executives in proportion of 1 in 3, which is considered to reflect the appropriate balance of the power.
  - (3.1) Non-executive director able to freely give preference about the work of the management.
  - (3.2) The independent directors of the company are 3 persons, which is in accordance with the Company's articles of association; there are at least 1 in 3 independent directors of the total number of directors, not less than 3 persons and fully qualified according to the regulations of the office of the Securities and Exchange Commission and the stock exchange of Thailand, Independent directors can work with the Board of Directors effectively and can express opinions freely.
- (4) Information disclosure; the Board of Directors has disclosed the structure of the Board of Directors, including details of director information, age, sex, education history, experience, shareholding proportion, number of years as a director and holding this positions in other listed companies in the annual report.

**Principle 3.2** Consideration of the selection for the Chairman, independent separation of duties and responsibilities with the Chief Executive Officer to increase efficiency in decision making.

The Chairman of the Board not the same person as the Chief Executive Officer, in order to segregate the duties of policy and routine management and to give an independent opinion. The Chairman is a person with knowledge, skills, abilities and experience, to effectively lead the organization to its objectives and goals. The Board of Directors has defined the roles and duties of the Chairman and Chief Executive Officer as follows.

- (1) Roles and duties of the Chairman as the leader of the Board of Directors.
  - (1.1) Regulate and monitor the performance of the Board of Directors to be effective and achieve according to the objectives and main goals of the organization.
  - (1.2) Supervise and encourage all directors to participate in supporting a culture in an organization that is ethical and has good corporate governance.
  - (1.3) Have discuss with the Chief Executive Officer to determine the agenda of the Board of Directors meeting. And have measures in the supervision of important matters has been included in the agenda.
  - (1.4) Have sufficient allocation and control the time for the management to present the matter, suitable for directors who will thoroughly discuss important issues, encourage directors to exercise their discretion carefully and provide independent opinions.
  - (1.5) Giving importance to enhancing good relations between executive directors and non-executive directors and between the board and management.
- (2) Role of the Chief Executive Officer.
  - (2.1) The Chief Executive Officer reports directly to the Board of Directors.
  - (2.2) The Chief Executive Officer is a member of the Executive Committee.
  - (2.3) Have the power to manage, control, approve and be responsible for the operations as defined in the business plan, strategy, budget management, working, investment and various operate to reduce the burden of the company.
  - (2.4) Have the power to perform that assigned by the Board of Directors.
  - (2.5) Have the power to appoint a committee at various operational levels as appropriate for the job.

- (2.6) Have the power to approve and manage expenses in the amount specified in the approval regulation, not exceeding the power assigned.
- (3) The Board of Directors has appoint a sub-committee for important matters to be carefully considered, scrutinizing information and proposing guidelines for consideration before proposing to the Board of Directors for further approval.

**Principle 3.3** Supervise the recruitment and selection of directors that are transparent and clear, in order to obtain a board with appropriate qualifications as specified.

- (1) The Board of Directors has a duty to consider, appoint or approve persons who are suitable to be directors of the Company. Therefore established the Nomination and Selection Committee with a transparent and clear process, in order to obtain qualified persons in accordance with the specified elements and present to the Board of Directors for consideration, appointment or approval.
- (2) The Nomination and Remuneration Committee held a meeting to consider the criteria and recruitment methods for qualified directors, to set the Board of Directors have the appropriate elements and consider the history of recruiting individuals, propose opinions to the directors before presenting to the shareholders' meeting to appoint as a director and has disclosed the history of the directors who are proposed to be appointed to the shareholders' meeting to acknowledge adequately for decision making.
- (3) The Nominating Committee has reviewed the criteria and procedures for nomination of directors, to propose to the Board of Directors before the nomination of directors will complete the term and taking into account the performance of the same director who has proposed to the next term.

**Principle 3.4** Considering of remuneration for the Board of Directors.

- (1) The Board of Directors is responsible for considering the remuneration for the Board of Directors to have structure and remuneration with appropriate the same conditions industry and to the responsibility to motivate the Board of Directors to lead the organization to run the business meet both short and long term goals.
- (2) The Board of Directors has established a Nomination and Remuneration Committee that acting as the primary consideration of remuneration and presenting to the Board of Directors for consideration and approval of the shareholders' meeting, the remuneration will be at the appropriate level which can be compared to the same industry, take into account the appropriateness, conformity with the duties and responsibilities, sufficient to retain the directors with the required qualifications, but at the same time must consider the operating results of the company as well.
- (3) Shareholders will approve the remuneration of directors both monetary and non-monetary forms. The Board of Directors will consider each type of remuneration to be appropriate for both fixed and remuneration based on the company's performance.
- (4) The Board of Directors has disclosed the criteria for determining the remuneration of directors that reflect the duties and responsibilities of each committee including forms and amount of remuneration.

**Principle 3.5** Controlling and overseeing the responsibility of performing duties and allocating time for appropriate directors to bring benefits to the company and all concern persons.

- (1) The Board of Directors supports and encourages the Board to understand their roles and duties.
- (2) The Board of Directors arranges for reporting of other positions of directors and discloses in the annual report.
- (3) The Board of Directors has provided written control measures for the use of internal information, in order to prevent executives and employees from using internal information for their own benefit or others in a wrongful way before the information are publicly disclosed.
- (4) Each director attended at least 75% of the total number of board meetings held during the year.

**Principle 3.6** Arrange for the evaluation of the performance of the Board of Directors both group and individual, in order to improve the performance.

The Board of Directors arrange for the evaluation of the performance of duties of both the Board of Directors both group and individuals on an annual basis, use self-assessment methods to review and commenting on various issues related to the roles and responsibilities of the Board of Directors, with agreeing to use revised the evaluation form of the Corporate Governance Development Center of the listed company in the Stock Exchange of Thailand, and disclosed the evaluation in the annual report. The evaluation results of the committee are used to consider the appropriateness of the board composition.

**Principle 3.7** Encourage directors to have knowledge and understanding of the roles and duties of businesses and related laws. Encourage the directors to receive skills enhancement and knowledge for performing duties as a director of the company.

In the case of new directors, the Company has provided the director handbook and useful information for the performance of the new director as well as regulations, related laws, provides knowledge and understanding about the business of the company to enhance the performance of the directors' duties and to understand the roles and duties.

The company has a policy to encourage the directors, executives and company secretary have been trained to increase knowledge from external institutions, such as the Thai Institute of Directors or IOD and organize training within the company to improve the operation to be more efficient and keep up with the current situation, disclosing training information and continuously developing the knowledge of the Board of Directors in the annual report.

**Principle 3.8** Supervise the operation of the company to be in good order and appoint the company secretary to support access to important information of the Board of Directors.

- (1) The Board of Directors determine the Board Meeting shall be held not less than 6 times a year and the invitation letter and meeting agenda will be sent at least 7 days prior to the meeting. In the case, the director is unable to attend the meeting, notify the secretary knows before the meeting, and the company secretary must inform the meeting result to the director who has not attended the meeting.
- (2) The Board of Directors encourage The Chief Executive Officer to invite senior executives to attend the meeting to provide more detailed information as directly related to the issue, and as an opportunity to consider succession plans.
- (3) The Board of Directors can access important and necessary information from the Chief Executive Officer, company secretary and assigned executives.

The Board of Directors has appointed the Company Secretary which is qualified necessary experience and appropriate to perform duties that giving advice on laws and regulations that the Board of Directors must know to support the operations of the Board of Directors, disclosed the qualifications and experience of the company secretary in the annual report.

The company secretary has been encouraged to develop knowledge continuously on a regular basis, to benefit the duties.

## **Principle 4      Ensure Effective CEO and People Management**

**Principle 4.1** Recruitment and development of Chief Executive Officer and high-level executives that needed to drive the organization to the goal.

- (1) The Board of Directors assign the Nomination and Remuneration Committee perform the operation consider criteria according to the nomination process approved by the Board of Directors. In order, to get the qualified person to be the Chief Executive Officer and follow up to the Chief Executive Officer to consider the qualified person according to the criteria to be a high level executive.
- (2) The company has established a succession plan for the management policy, to be continued in the top management positions and key employees positions to acknowledge, that he is obliged to submit a work transfer plan according the time frame specified company, which consists of processes, work procedures, details of the outstanding work, communication methods for requesting information on transfer work with notifying the company when they are out of position, The company has a system for selecting personnel to take responsibility to important job position, appropriate in every levels, able to work effectively, to create confidence for investors, shareholders and employees that the operation of the company will be continued in a timely manner.
- (3) The Board of Directors promoting and supporting the Chief Executive Officer and senior management have been trained and developed, increasing knowledge and experiences that are beneficial to the operation.

**Principle 4.2** Determine the compensation structure and evaluation that is appropriate for the organization.

- (1) The Board of Directors has determined the compensation structure that is an incentive for the Chief Executive Officer, senior manager and personnel at all levels in the organization, to perform duties appropriately, in accordance with the objectives and main goal of the organization and in line with the long-term business interests, including;
  - (1.1) Consideration of the appropriateness ratios of monthly compensation and bonus.
  - (1.2) Determination of compensation policy, the Board of Directors consider the remuneration factors at the same level as the same industry, along with the company's performance.
- (2) The Board of Directors plays a role in determining the compensation and evaluation of the Chairman of the Board of Directors in the following matters:
  - (2.1) Approve with the evaluation criteria of the Chief Executive Officer, which the evaluation criteria is satisfactory to the administration according with the objective, strategy, main goals of the organization and the long-term business interests.
  - (2.2) Evaluation of the Chief Executive Officer every year.
  - (2.3) Approve the annual compensation of the Chief Executive Officer by considering the evaluation results, duties and other factors together.
- (3) The Board of Directors is the person who approves the criteria and factors in evaluating the performance and approving the compensation of the Chief Executive Officer as proposed by the Nomination and Remuneration Committee. And assign the Chief Executive Officer to consider the compensation structure of the entire organization. (3) The Board of Directors is the person who approves the criteria and factors in evaluating the performance and approving the compensation of the Chief Executive Officer as proposed by the Nomination and Remuneration Committee. And assign the Chief Executive Officer to consider the compensation structure of the entire organization.

**Principle 4.3** To make understanding of the structure and relationships of shareholders that may affect the management and operation of the business.

The Board of Directors understands the structure and relationships of shareholders that may be in the form of an agreement within the family business whether written or not , shareholder agreement , or the policy of the parent company group which affects to the power of control the management in the business. The Board of Directors supervises to not let the agreement to hinder to the performance of the Board of Directors and supervise the disclosure of information as it affects the control of the business.

**Principle 4.4** Monitor and supervise the management and development of personnel to have the knowledge, skills, experience and appropriate motivation for the benefit of organizational development.

The Board of Directors has given importance to human resources which considered an important resource of the company. Encourage the development of personnel to have knowledge, skills and to enhance work experience according with the responsibilities, the strategic direction of the organization and business competition, In order to bring knowledge and ability to develop themselves and organizations, to be more efficient and has established a provident fund to allow employees to have enough money to support retirement and encouraging employees to have knowledge and ability in managing money.

## **Principle 5 Nurture Innovation and Responsible Business**

**Principle 5.1** Should give importance to support the creation of innovations, that create value for the business together with creating benefits for customers or all concern and has a responsibility to society and the environment.

The Board of Directors supports the creation of quality new products, aim to meet the needs of global customers (Global Brand), develop the potential in product quality and not harmful to users of the product. The company is a member of the global audit organization of the world, Leather Working Group (LWG), which must pass the international standard examination in all environmental systems, as well as being certified ISO 14001 in the first tanning factory in Thailand.

**Principle 5.2** The management department operates business with responsibility to society and the environment are have reflected in the operational plan, ensure that all departments of the organization are in line with the objectives, main goals and strategic plans of the business.

The Board of Directors must disclose the observance in this policy to stakeholder. With creating a social responsibility policy for sustainable organizational development according to the international reporting framework or GRI (Global Reporting Initiative), with guidelines for preparing a report on social responsibility as follows:

- (1) Respect for human rights and fair treatment of workers, does not support forced labor or prisoners, does not use physical punishment or threats from violence and other forms of physical, sexual, mental or verbal abuse, as a measure of regulation, discipline, control, resist and not use child labor with not hiring persons under 15 years of age, regardless of any purpose either for regular or part-time jobs, including wage and unpaid work. Hiring foreign workers, the company act legally under labor law, selecting people to hire for various positions with fairness, taking into account the qualifications of each position such as educational qualifications, experience and other requirements necessary for the job, and treat all employees equally no discrimination, no gender discrimination, age, race, religion, place of education or any other status that is not directly related to the operation. Recognizing the importance of employees knowing that employees are a valuable resource and a key factor of the success organization, therefore giving importance and ensuring that employees have the skills and stability to work, giving fair compensation and suitable for duties and responsibilities. Arrange the orientation and provide the employee manual to all new employees to acknowledge, understand the rights that employees should receive according to fair employment and ethics in various fields. Strictly adhere to labor laws, aiming to develop and provide training to educate employees continuously to increase the efficiency of work to be effective and encourage employees to progress in their careers, considering the work to promote each year, establish a provident fund for employees to encourage employees to save long-term money for themselves and their family when resigning from work, retirement, disability or death.



Established a safety committee in order to maintain a safe working environment for life and the property of the employee is always, maintain employee privacy such as biography, health history, work history, etc. Disclosure or transfer of personal information of employees to the public will be able to do so only after receiving approval from that employee; the violation is considered a disciplinary offense, unless done according to company regulations or laws.

- (2) Fair business operation behave under the framework of good competition, do not distort deceptive information or use any other method that is not correct according to the good competition, do not seeking confidential information of competitors through dishonest means or inappropriate, such as paying wages for competitors' employees etc., do not destroying the reputation of business competitors with accusations in a bad way, do not attacking competitors without sensible information.
- (3) Responsibility to customers that the company pays attention and cares for customers with the highest responsibility, striving to provide customers with the highest satisfaction in terms of quality and valuable. Controlling the quality of products and services and also developing products as well as maintaining a lasting relationship with customers. Delivering quality products that meet the standards under fair conditions and based on fair returns to both parties, dedicated to developing products and services for quality and reasonable price in time quality, do not limiting consumer rights and having fair conditions for consumers follow the contract or strictly agreed conditions, in case of failure to comply one of the conditions must immediately inform the partners and / or creditors in advance to jointly consider finding solutions seriously, protect customers' secrets unless customers consent to the disclosure in writing or according to the law, including do not using the information for the benefit of oneself and all concern person.
- (4) Responsibility to partners about purchasing and/or procurement must have an audit procedure for transparency and create maximum benefits. Must treat partners fairly on the basis of fair competition, company employees must purchase to supply products and services with taking into account the needs to value, price and quality, providing information to traders equally, accurately without prejudice, do not discriminating against traders, including purchasing and/or procurement that is concise and consistent with the situation in contacting the business partner, the contact person have collect the documents of negotiation evidence, draft agreement, contracting and compliance contracting to provide as evidence for use within the specified period. Do not claim benefits from procurement, must be neutral, do not close to partners until making partners too much influence on decisions, strictly complying with the contract when found unable to comply with the contract or the partner may not comply with the contract and or any other reason that causes the inability to comply with the contract, report to the supervisor for immediate consultation and find solutions.
- (5) Environmental responsibility to community and society as a whole support in environmental care, education, religion, art, culture as well as local traditions that the organization is located in. Conduct activities to contribute to society community and environment regularly, in order for the community to have a better quality of life both self-employed and cooperating with the government and community, preventing accidents and controlling the discharge of waste to the acceptable standard level, instill consciousness about social and environmental responsibility in personnel. Prevent and control prohibited substances in products, in accordance with the standards set by customers strictly, will strictly follow the objectives and goals set to improve the quality of the environment both inside and around.

**Principle 5.3** Provide supervision and management of enterprise information technology including supervising the use of all company technologies and information to increase opportunities of business, improve operations and risk management to enable the business to achieve its objectives and the main goal of the organization.

- (1) The Board of Directors provide organization risk management covering information technology of management and risk management, to prepare a technology risk report, report to the risk management committee regularly.
- (2) The Board of Directors provide information security policy and privacy policy to be used as a measure to maintain the security of information systems. In using corporate information to maintain confidentiality and availability of information, including with preventing misuse of information or altering information without permission.

## **Principle 6**      **Strengthen Effective Risk Management and Internal Controls**

**Principle 6.1**      The Company has a risk management system and internal control that will achieve the objectives efficiently, and have to comply with relevant laws and standards.

The Board of Directors supervise the company to identify risks that may have a serious impact on the company with including risk assessment effects, opportunities for risk and have appropriate risk management methods, as well as monitoring and reviewing the risk management of the company. Assigning the risk management to committee responsible for determining risk management policies of strategies, report risk management, acceptable risk levels and risk management results to the Board of Directors and allow all departments to review the risk assessment once a year to collect and report the report to the risk management committee and the Board of Directors.

**Principle 6.2**      Establish an audit committee that can perform duties independently.

The Board of Directors has established the audit committee that consists of at least 3 independent directors, one of which is selected by the Board of Directors, acting as the chairman of the audit committee. The audit committee has duties, responsibilities according to charter of the audit committee, have complete qualifications and duties in accordance with the regulations of the Securities and Exchange Commission. The duties and responsibilities of the audit committee have been defined in writing in accordance with the practice of good corporate governance principles; define regular meetings of the audit committee 4 times a year, each term of office and qualifications must be independent.

**Principle 6.3**      The Board of Directors should monitor and manage conflicts of interest that may occur in the company including the prevention of undue use of property and transactions with persons connected with the company in an inappropriate manner.

- (1) The Board of Directors provide information security system with written control measures for internal use to prevent executives and employees from using internal information for their own benefit or others in a wrongful way before the information is disclosed to the public which is taking advantage of the shareholders. Requiring the directors and executives report on the holding of securities of their own company, including spouses and children who have not yet reached the Securities and Exchange Commission in accordance with Section 59 of the securities and exchange Act BE 2535, within 3 days from the date of the change in securities holding and sending a copy of the securities holding report to the office of corporate secretary to be kept as information. Preparing the change report and summary the number of shares of the directors on an individual basis to be presented to the Board of directors in board of directors meeting when changing securities holdings and board meetings in the first time of the year and disclosed in the annual report and Form 56-1.
- (2) The Board of Directors provide security policy for information systems and privacy policy used to support the core operations of the company, comply with the law and for the benefit of the company and shareholders, monitoring the actions that cause conflicts of interest including complying with the rules of office of the Securities and Exchange Commission and the Stock Exchange of Thailand Re: Acquisition and disposition of assets and connected transactions.

**Principle 6.4** Board of Directors supervises to establish anti-corruption policies, communicate at all levels of the company and outsiders for real implementation.

The Board of Directors supervise to have a policy on anti-corruption, in order to prevent and control the risks arising from corruption including the impact on reputation and credibility on the integrity of the company in business operations, adapted to human resource management from the recruitment process or staff selection which selected employees must not commit a disciplinary offense or be punished for corruption-related offenses. In addition promotion, performance evaluation and reward the company must consider the performance in accordance with the policy and no record of corruption or behavior that hinders the implementation of this policy, as well as communicating policies and raising awareness to gain knowledge and understanding about anti-corruption measures by orientation for new employees and training process to test knowledge about policy.

**Principle 6.5** The Board of Directors supervises the company to have mechanism for receiving complaints and actions in the case of corruption clues.

- (1) The Board of Directors supervise to have a process for receiving complaints of stakeholders with channels for reporting clues and complaints about corruption in various channels, including disclosing a channel to certify complaints and the annual report of the company on the website as well as accepting suggestions about anti-corruption measures from alliances and stakeholders.
- (2) The Board of Directors supervise the management of complaints in a systematic manner, to protect the rights of the complainant and the information provider acting in good faith, which prohibiting the disclosure of information to other persons who do not have relevant duties, unless it is a lawful disclosure according to the court order or the relevant regulatory authorities.

## **Principle 7 Ensure Disclosure and Finance Integrity**

**Principle 7.1** The Board of Directors supervises and is responsible for the preparation of financial reports and disclosures of information accurately, adequately, timely. And in accordance with the rules, related standards and practices

- (1) Board of Directors supervise to have knowledgeable personnel in appropriate experience for their responsibilities, and there is a sufficient amount for the part relating to the preparation and disclosure of information. In approving the disclosure of information The Board of Directors considers the relevant factors as follows.
  - (1.1) The evaluation results of the adequacy of the internal control system.
  - (1.2) The auditor's opinion on the financial report and the auditor's observations regarding the internal control system.
  - (1.3) Opinion of the audit committee.
  - (1.4) Consistency of objectives, main goal, principles, strategies and policies of company.
- (2) The Board of Directors ensuring information disclosure which includes financial statements, annual report and Form 56-1 that reflect sufficient financial status and operating results. As well as supporting the management's explanation and analysis (management discussion and analysis or MD&A) for the disclosure of financial statements.

**Principle 7.2** Monitoring the adequacy of financial liquidity and debt repayment ability.

- (1) The Board of Directors supervise the management to monitor and evaluate the financial status of the business and regularly report to the Board of Directors, together with finding solutions quickly if there are signs indicating financial liquidity problems.
- (2) The Board of Directors ensuring that the list is presented or comments for the shareholders' meeting to approve. The Board of Directors is confident that it will affect the continuity of business operations or financial liquidity.

**Principle 7.3** Preparing of plans and mechanisms for solving financial problems if the business faces financial problems.

The Board of Directors has monitoring to ensure that the business is operated with care closely. In the event that the business tends to experience problems or likely to have financial problems, shall providing a sound risk management system in every aspect of the company by assigning the risk management committee to formulate risk management policies for the Board of Directors including supervising, reviewing and giving recommendations on policies, standard practices, strategies and risk indicators overall that covers the entire organization. Assess the performance of the risk management policy set to ensure that risks are within the acceptable risk framework of the company and regularly report to the Board of Directors.

**Principle 7.4** Preparing of a report of standing as appropriate for the company.

The Board of Directors considers creating a social responsibility policy for sustainable organizational development in line with the vision of the organization: “Innovative Solutions to your Sustainable Growth Creative Performance Lifestyles in Leather & Safety Products” has been linked to the work of various departments in the organization, to be a driving force and drive the process of creating sustainability for the organization by conducting business with social responsibility and sustainability reports that are suitable for the business of the company, which adheres to the principles of information disclosure of compliance with laws, ethics, anti-corruption policy, employee treatment and stakeholders fairly including social and environmental responsibility.

**Principle 7.5** Provide an investor relations unit to act as a contact communication between companies with shareholders and stakeholders.

The Board of Directors establish appropriate communication policies and information disclosure policies to third parties as appropriate, timely, and appropriate channels. Protect the confidential information that may affect the price of securities and assign the Chief Executive Officer. And the chief financial officer of the company is a person who provides information to third parties, also provided the management to determine the direction, support of the investor relations work so that communication and effectively information disclosure.

**Principle 7.6** Encourage the use of information technology to disseminate company information.

The Board of Directors considers the disclosure of information to stakeholders both inside and outside the organization, which contains information both in Thai and English language, regularly through the channels of the Stock Exchange of Thailand and the company website for information to be current.

## **Principle 8 Ensure Engagement and Communication with shareholders**

**Principle 8.1** Open the opportunity for shareholders to participate in making decisions on important issue of the company.

- (1) The Board of Directors supervise and gives importance to all important issues, both issues that are defined in the law and issues that may affect the direction of the business, be included as a meeting agenda for shareholders’ meeting to consider and / or approve such important matters.
- (2) The Board of Directors supports various shareholders’ participation as follows:
  - (2.1) Open opportunity and set criteria for minority shareholders to propose meeting agenda in advance of the meeting date, the Board of Directors will consider issue proposed by the shareholders, whether it should be included in the meeting agenda or not, if it is not appropriate, should be clarified in writing to the shareholders who have proposed the agenda and disclosed in the website.
  - (2.2) Open Opportunity and criteria for minority shareholders to nominate persons to be as a director in advance, which the criteria are disclosed on the website of the company for shareholders to know in advance.

- (3) The Board of Directors supervise to prepare the invitation letter for the shareholders meeting which that correct information, completed and sufficient to exercise the rights of shareholders.
- (4) The Board of Directors supervise the submission of meeting documents and related documents to shareholders not less than 14 days in advance, publicize on the company's website for 15 days before the meeting and not less than 7 days before the meeting for English meeting documents.
- (5) The Board of Directors open opportunity shareholders to submit questions in advance of the meeting date, with setting criteria for sending questions in advance and publishing on the website of the company.
- (6) Invitation letter to the shareholders' meeting and related documents have been prepared in both of Thai and English, and published on the company website.

**Principle 8.2** Supervising that the operation of the shareholders' meeting is achieved to completed, transparency and conducive to the exercise of shareholders' rights.

- (1) The Board of Directors has set the appropriate date and time, following the discussion and determine the meeting place that is convenient to meeting place.
- (2) No limit to the opportunity for attend meetings or make a burdens for shareholders, there is no requirement for shareholders or the proxy must bring more documents or evidence of identification than specified.
- (3) The Board of Directors encourages the use of ballots and using technology in the Annual General Meeting of shareholders by using barcode to register, voting, vote counting and show the result for quick, convenience and accurate.
- (4) The Chairman of the board is the chairman of the shareholders' meeting, acting to ensure that the meeting is in accordance with the law relevant rules and company regulations as well as allocating time for each agenda appropriately, and allow shareholders to express their opinions and ask questions at the meeting in relation to the company.
- (5) No additional agenda other than those specified in the meeting invitation, or additional documents at the meeting which is considered to deprive the rights of shareholders who can't attend the meeting in person.
- (6) Directors, executives, auditors and witnesses in the vote counting are join the Annual General Meeting of Shareholders every year.
- (7) Before the meeting, The meeting will inform the proportion number of shareholders to attend the meeting in person and the shareholder's proxy, Meeting method, Voting and vote counting.
- (8) In the agenda of election of directors, the chairman of the meeting gives shareholders the right to appoint directors individually.
- (9) Have use ballots and the independent person to witness the vote counting and disclosing the results of the votes of approval, disapproval, abstention and invalid ballots in each agenda for the meeting to acknowledge and recorded in the minutes.

**Principle 8.3** Ensuring that the resolution of meeting are disclosed and the minutes of meeting are accurate and complete.

- (1) The Board of Directors supervise the disclosure of the meeting resolutions with the voting results within the next day after the meeting date, through the news system of the Stock Exchange of Thailand and on the company website.
- (2) Send a copy of the minutes of the shareholders' meeting to the Stock Exchange of Thailand within 14 days from the meeting date.
- (3) Ensuring that the minutes are recorded as follows:
  - (3.1) List of directors, executives attending the meeting and the proportion of directors attending the meeting and not attending the meeting.

- (3.2) Voting method and vote counting, resolution of the meeting and voting results of each agenda.
- (3.3) Issues about questions and answers in the meeting, including the name-surname of questioner and respondent.

### **Supervision on the Use of Internal Information**

According to the above information, the Company recognizes the importance of information disclosure and transparency. The policy on information disclosure, transparency in financial statements and implementation has been stated in the Corporate Governance Policy where financial and other information as well as its operation results will be accurately and adequately disclosed in a comprehensive and trustful manner and in a timely fashion on a regular basis to shareholders, investors, securities analysts and the public. The Board of Directors is committed to oversee strict compliance with rules and regulations concerning disclosure of information and transparency. Changes in any sale or purchase of shares held by directors or executives based on to the SEC's requirements are always reported to the supervisory authorities. Securities holding of directors and executives are reported on a monthly basis at the Board of Directors' meeting.

To supervise the use of internal information, preventive measures are detailed in the Code of Conduct under the topic of conflict of interest and keeping confidential information with emphasis placed on the use of internal information. The Company considers a responsibility of directors, executives and employees to strict keep corporate information confidential especially with regard to internal information not yet disclosed to the public or information that could affect business or share price. For directors, practices have been put in place in the 2009 Board of Director's Guidelines as well as in the Code of Conduct as follows;

1. Directors, executives or employees shall not use an opportunity or information obtained from their position for personal benefit or to conduct a business that competes with the Company or its related business.
2. Internal information shall neither be used for personal benefit to sell or buy company shares; nor be given to other parties for such benefit.
3. Confidential information belonged to the Company shall not be disclosed to the third party especially competitor even after director, executive or employee has already left the firm.
4. Disclosure must be made by authorized employees. General staff do not disclose information. When asked to disclose information that they do not have a duty to disclose, it is recommended to ask the person who discloses the information so that the information is accurate and in the same direction.
5. Do not give advice on trading securities of companies unless it is related to the duties assigned by the Company.
6. The Company will issue a Notification of Prohibited Securities Buy / Sell during the quarterly and annual financial statements through internal communication channels to all directors, executives and employees until the second announcement about the date of purchase/sale as by written.
7. Executives and other employees from manager level up have to report a trading report within 3 business days and send a summary of trading report on holding his/her securities or related persons under Securities and Exchange Act by quarterly to the Company Secretary.

In addition, the Corporate Governance Policy also prohibits directors, executives and employees to take advantage of opportunity obtained in their positions for personal benefit whereby directors are prohibited to conduct a business that competes with the Company and they are to avoid any connected transaction that could cause a conflict of interest with the Company. If required, the Company will oversee that the transaction be carried out with transparency and fairness at arm's length. Besides, directors, executives or employees with interest in the transaction will not be part of the approval process. If the transaction is

considered a connected transaction under the SET's notification, all rules, regulations and disclosure of connected transaction information applied to listed companies shall be strictly complied. Besides, the Board of Directors' Guideline also states practices that directors are required to do if they learn any information not yet disclosed to the public. Directors or executives whose securities holdings are changed are to report such changes to the Board of Directors' meeting on a monthly basis.

The Company has applied the Information Technology (IT) system to prevent access to information from the third party and to control employee's access to information based on their responsibilities in the line of command. Supervision of the use of internal information has been addressed in the work regulations applied to all levels of employees that any employee who fails to comply therewith or who violates the pre-determined discipline will be considered breaching the work regulations and thereby be subject to a disciplinary action and punishment according to the nature of offence. Details are as follows: Anyone

**“who discloses the Company's secrets with an intention to destroy its reputation, credibility, or products, resulting in a financial loss or a loss in business opportunity to CPL”** may be subject to severe punishment up to dismissal.

### The Board of Directors

To perform duties efficiently and the most effectively, the company defines to evaluate all of committees' performance. Moreover evaluation can review, develop and improve the committees' performance better according to the good corporate governance policy. All evaluation will be summarized and add the agenda in the board of director meeting number 1 in every year to apply the results of the evaluation to analysis and opinions on each issue together.

In 2018, Directors attended the Meeting as follow:

Type of Meeting/ Attended	Board of Director	Audit Committee	Nomination and Remuneration Committee	Shareholder Meeting
1. Mr.Suwatchai Wongcharoensin	6/6			2/2
2. Mr.Kitichai Wongcharoensin	5/6			1/2
3. Mr.Puvasith Wongcharoensin	6/6		1/1	2/2
4. Mr. Lai Chi Hsiang	4/6			2/2
5. Mr. Kuo Shih Lun	6/6			2/2
6. Mr. Wiwat Wongcharoensin*	6/6		1/1	2/2
7. Assoc. Prof. Dr. Ruth Banomyong	5/6	4/4		2/2
8. Mr.Supapat Ongsangkoon	6/6	4/4		2/2
9. Dr. Mongkon Laowarapong	6/6	4/4	1/1	2/2

### Corporate Social Responsibilities: CSR

CPL Group implements a policy of Corporate Social Responsibilities (CSR) and generates profitable business under principles. According to corporate governance, CPL has full responsibilities for society and environment. All staffs will be encouraged to participate actively in social movements and be responsible for society in relation to overall public performances as well as considering the negative effect on involved people such as stakeholders, employees, communities, customers, partners, and governors as well as a social and a country.

CPL Group does not prepare a social responsibility report but has implemented and implemented responsibility for the cucumber by showing the framework of social responsibility operations in a structured manner to the vision “ Innovative Solutions to your Sustainable Growth Creative Performance Lifestyles in Leather & Safety Products” CPL intends to operate business according to the eight principles of social responsibilities as following;

1. Fairness: a company has concentrated intently on the trying to be a great master of leather tannery in Thailand. The Company have built up the implicit trust for our stakeholders and made a considerable commitment to develop and manage a business successfully. CPL has been done to international standard that come with the guarantee of work and with potential of a company that is totally reliable and accepted in social widely. CPL aims to ensure the fairness and transparent honesty, and provides clear and accurate disclosures significantly.
2. Anti-corruption policy: Board of Directors has considered and approved the anti-corruption policy In the 4th meeting, Mao, on 14 August 2018, was announced on 1 September 2018 and supervised all relevant agencies to adhere to and stated in the Business Ethics Guide as follows
  - 1) Do not claim any items or other benefits from other persons who have a duty or business. Associated Regardless of whether by yourself or others
  - 2) Do not accept any other goods or benefits from other persons who have a duty or business related to the organization unless on occasion or a festival which is a tradition that people should treat each other by things or other benefits However, such receipt must not have any influence on any decision which is unfair to the performance of duties.
  - 3) Receiving of goods or other benefits that are not in accordance with the criteria in Article 2) is necessary to maintain good relations between individuals. Let the recipient report his supervisor
  - 4) Receiving items or other benefits that are given to each other in various activities Between organizations or as a link good relations between the organization and the recipients to report to their supervisors.

The company gives the opportunity for stakeholders to notify the company via E-mail and prescribe protection of the notification person. Anti-corruption policy which has detailed procedures for receiving complaints And considering complaints Which was announced on 1 September 2018 Corruption has been a major problem in Thailand for long times. CPL Group fully realizes such problem of a country, then, CPL has formulated a policy and practical guideline as part of corporate governance.



3 – 4. Human rights respecting and labors fairness treating: CPL Group greatly respects the dignity of all employees. A company has precisely defined in terms of participation of committee, executives, and employees to respect human rights and works. The organization operates a policy to control a strict adherence to the rule of law and establishes a basic principle of human rights as universal criteria-without discrimination on the groups of native habitat, race, gender, age, complexion, religion, disability, status, ancestor, and education, and with equality encouragement and no child labor. All conditions are detailed as follows;

- Not support forced labor or penal colony, not take physical disciplinary action or no threat or other abuses like physical, emotional, sexual, or verbal.
  - Resist child labor by not hiring a person less than 15 years of age in all cases – full time and part time as well as working with wages and unpaid.
  - Hiring foreign workers, CPL Group has fully agreed on a legal action under the labor law.
  - In all fairness, CPL Group will hire selective persons by taking into account the properties of each qualification, experience, and requirement that are required for works. All employees will be observed equally without discrimination on the groups of genders, age, race, religion, education, or other status that not involved working.
  - CPL Group realizes the importance of employees have skills to work with stability, so the Company will:
    - o give an appropriate compensation right as their responsibilities
    - o organize the orientation and hand the manual to all employees to perceive and understand their rights on hiring in all fairness, and adhere strictly to the labor law.
    - o continue to improve and coach all employees in order to have more sufficient potential on works and to encourage employees in considerable progress that a company will consider promoting each year.
    - o establish a fund to encourage employees save their long-terms money for them selves and their family. Employee will get all saving money when resigning, retirement, or disability, or death.
  - CPL group has assigned board to maintain properly working on safe environments for life and properties of employees.
  - CPL group will preserve an individual privacy of all employees; such as biography, work history, and others. Disclosures or data transfers to public could be revealed only in the permission of each employee. All this, violation is the disciplinary offense excepting legal action.
5. Consumer responsibilities: It assumes the total responsibilities towards a quality and a property of products manufactured by CPL Group, that all products must not be dangerous for consumers or users. The manufacturing process should not adversely affect social, environment, and nature as well. CPL Group has made a very certain that all of manufactured products have been done as international standard and have been thoroughly checked by some international institutes. All this clearly shows that CPL Group has always strictly take the responsibilities for social and committed all conditions defined by partners and customers. In the year 2018, the company joined the Greenhouse Glass Management Organization. In order to reduce the amount of greenhouse chimneys by registering the company’s products, namely, Nature Back cowhide leather to reduce production costs due to improved production processes increase the use of renewable energy and show the intention to be responsible for society and create a good image for the company By being allowed to use the carbon footprint mark from July 31, 2018 to July 30, 2020

6. Environmental Responsibilities: CPL Group has safely installed the environmental system and formally introduced a policy of environment in public. A company has assigned a team to be mainly responsible for supporting and operating internal and external environmental movements. As all this, employees are very important to realize on the range of environment issues, who seriously are willing to cooperate and attend to such issues.

CPL has been granted by URS Institution offers an ISO: 14001: 2008 on the standard of environmental system, and has been certified a gold coin from a world-class institution on checking environment system of leather tannery – BLC Leather Technology Centre Ltd. Moreover, CPL has been guaranteed by Industrial Ministry to be one of green industries on level 3. As all certifications issued, CPL can earn great trusts and a company intends to preserve, attend, and protect environments effectively, and will keep operating this movement everlastingly like it said **“good environment, good employee”**.

7. Social or Community Development: CPL is centrally located in a community, which understands all manners of problem and community’s needs clearly. Executives have then shaped a conscious policy to help society; for examples, education, culture, social, religion. A company is also as a central on collecting information of participation on social activities like donations and community development, by always sending the representatives to join such activities – both organization of government and enterprises.
8. Innovations and Innovative Publisher: CPL Group always operates works by taking into account the responsibilities of social, environment and stakeholders. By this way, a company has invested to properly install the belt filter press to distill the chemical sludge in water before flowing to wastewater treatment plant. Such distilled chemical sludge will be repatriated to chemical suppliers in order to recycle. However, all this is being in a research and a study of works.

### CSR in Proceeds

- Economy Awareness: CPL Group has campaigned on the range of environmental issues – Reuse, such as reusing papers, shutting down air-conditioners and the lights during lunch break, encouraging same way go together, turning the water and the lights off after using in a factory, setting 1 minute delay after the machine is switched on to control surging and badly running on an electricity meter. This campaign might not aim to markedly decrease in number of energy or cost; however, all this simply builds employee awareness and will common form their potential habit of a lifetime to be good citizens and family members.
- Reducing Hazardous: According to the cooperatives between CPL Group and chemical suppliers, recycling containers; like plastic bucket, plastic bag will be made worth replete using to reduce in number of waste. Because of potentially hazardous chemicals on containers, users could be seriously harmed if they use it inappropriate, as lately seen in the news. A company, thus, really appreciates this cooperation that it could reduce costs properly.
- We are big family: CPL Group intends to encourage a close relationship between executives and employees for together teamwork by having New Year’s party or annual intensive travel as well as employees can bring their children at work during the end of semester. The children could a bit help their parents work to learn something different from a school and get some beneficial experiences. Quarterly, CPL Group always makes an appreciation by a luncheon giving in a hall as well.
- Blood Donation - in the workplace and the surrounding communities: CPL Group has publicly campaigned on a range of annual blood donation via the leather tanning associations, customers, partners, as well as local communities because the lack of blood has caused our concern when comparing with the number on blood needs in a year.

- Activities on Children's day: CPL Group annually takes part in Children's day activities like a luncheon, game competitions. The Company will well prepare some packages of stationery and other giveaways for children who do the show or participation in the activities, and that the Company has a great hope that they will become more assertive. In addition, CPL Group also serves to reinforce such activity in a local police station.

#### **Social and Environmental Responsibilities (After process)**

1. The company donated rice, dried food to Sightseeing and schools nearby.
2. The company supports prizes. Children's Day activities with surrounding communities.
3. The company supports the company's products. To be a prize in the Red Cross event of the year 2018.
4. The company supports the budget for purchasing the Red Cross Lottery for the year 2018.
5. The company supports safety shoes for public activities with various agencies.
6. The company donated dust mask To nearby communities Which is the product of the company Due to the problem of toxic smoke.
7. The company donated charity money to temples and public places according to various festivals.

## Internal control and risk management

The Company has an internal audit, which is an independent party of the company, to monitor the operation of all departments to comply with the policies and to assess the effectiveness and adequacy of internal control system. This allows the management to ensure that the system is practical and used consistently and appropriately, as well as, to seek weaknesses and procedure to develop existing operations in order to be more efficient. The internal audit department has an authority to do checks and balances and directly report to the Board of Directors. Additionally, the committee uses the internal control guideline of SEC to assess the adequacy of the internal control system of the Company.

Board of Directors Has used the internal control assessment system adequacy model Including the risk management model According to the form prescribed by the SEC Office for assessing internal control systems and risk management for the year 2018, the Board of Directors Commented that the company Have complied with the adequacy assessment form of the internal control system adequately With the head of the internal audit and the supervisor to supervise the operations of the company

According to the Audit Committee report The Audit Committee has the same opinion as the Board of Directors. In the Audit Committee meeting, Miss Walairat Silapachavakijja tod the position Head of Internal Audit of the Company Because have experience in auditing operations and understand the activities and operations of the company as well. Therefore deemed that it was appropriate to perform such duties appropriately In order to supervise the operation to be in accordance with the rules of the supervisory authorities of the company while considering and approving the appointment, removal, transfer, the head of the internal audit office of the company must be approved (or get approval) from the Audit Committee

The audit committee of CPL Group Public Company Limited comprising of Chairman of the Audit Committee, Assoc. Prof. Dr. Ruth Banomyong and audit committee member Mr. Supapat Ongsangkoon and Dr. Mongkol Laoworapong

According to the mission, duties and responsibilities as assigned by the Board of Directors and according to the regulations of the Stock Exchange of Thailand by the year 2018 the Audit Committee has convened 4 times to consider the conclusions are as follows.

1. To review the quarterly and annual financial statements before submission to the Board of Directors approval. The Audit Committee has been concerned with the implementation of accounting standards that are generally accepted, disclosure adequate in particular, transactions and items that may pose a conflict of interest.
2. Review the adequacy and appropriateness of internal control mechanisms. The opinion that the Company's internal control systems are appropriate and sufficient to run the business. The company has prepared a plan for monitoring the internal control system and review performance reports quarterly review.
3. Review of the Charter of the Audit Committee by the Audit Committee has reviewed the charter. In order to improve the properties on the role and powers of the Audit Committee. To comply with the rules and practices of good corporate governance and the requirements of the Stock Exchange of Thailand and the Securities and Exchange Commission.
4. Review the policy governance , Code of Business Ethics Policy, information Core policy against corruption. Policies to protect the information and investigation of complaints. To comply with the performance and the requirements of the Stock Exchange of Thailand and the Securities and Exchange Commission.
5. Provide a Self-Assessment Audit Committee of the Board shows that the Audit Committee has fully performed his duties as assigned by the Board of Directors and operations consistent with best practices.
6. To consider transactions or transactions that may have conflicts of interests of the Company according to the rules and regulations of the Capital Market Supervisory Board and other related determined to ensure that such transactions are reasonable, transparent and adequate disclosure and a benefit to the company with reasonable prices and conditions as with the outsiders.
7. The Audit Committee has oversight of business operations in accordance with the law on Securities and Exchange Commission, terms of the Exchange or laws relating to business of the company for the year 2019, the Audit Committee has considered and recommended to the Board of Directors to appoint Mr. Mr. Cherd sakul Onmongkol CPA No.7195 Ms. Wanraya Puttasatien CPA No. 4387, Ms. Waraporn Intraprasit CPA No. 7881 and from CWW P Co., Ltd. for the fiscal year ended December 31,2019 with the remuneration of 1,740,000 baht as the auditor of the Company.



Assoc. Prof. Dr. Ruth Banomyong  
Chairman of the Audit Committee

## The Board of Directors' Report on the Accountability of the Company's Financial Reports

The Board of Director is accountable for correctness of financial statements of CPL Group Limited Company including financial information presented in the Annual Report and form 56 – 1. The Company has adopted appropriate accounting policies consistently applied and conformed to generally accepted accounting standards. Also, significant information was sufficiently disclosed in notes to financial statement for proper benefits to shareholders, investors and stakeholders.

Financial Statement of the Company has been audited by CWWP Company Limited auditor of the Company. The Board of Directors has supported the auditor will all necessary information and documents so that external auditor could audit the and express his opinion in accordance with accounting standards. The external auditor has expressed his opinion in Auditor's Report.

The Board of Director has appointed an Audit Committee to be responsible for the reviewing accounting policies, quality of financial reports, internal control system, and risk management system. The Audit Committee has expressed their opinion in the Audit Committee's Report as shown in this Annual Report.

The Board of Director opines that managerial structure and internal control system of the Company was satisfactory. The Company's auditor did not qualify or raised any specific observation the Company's financial statement. So we could assured that financial statement of CPL Group Public Company Limited as at 31 December 2018 present fairly in all material respects the financial position, performance, and cash flow in accordance with generally accepted accounting principles and other relevant laws and regulations.



Mr. Puvasith Wongcharoesin  
Chief Executive Officer



**CPL GROUP PUBLIC COMPANY LIMITED**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2018



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of CPL Group Public Company Limited

### Opinion

I have audited the financial statements of CPL Group Public Company Limited (“the Company”), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in shareholders’ equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CPL Group Public Company Limited as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

#### Net Realizable Value of Inventories

As in Notes 8 to the financial statements, the Company has inventories which presents in the statement of financial position as at 31 December 2018 in amount of Baht 1,129.87 million, that is the inventories at cost in amount of Baht 1,152.43 million, net of the allowance for devaluation of inventories as at the same date in amount of Baht 22.56 million. The Company has measured the inventories at the lower of cost by the weighted average cost method and net realizable value, which each net realizable value of inventory is measured from the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale in accordance with the requirement of Thai Accounting Standard 2 (revised 2017) Inventories.

I have focused on the measurement of net realizable value of inventories because the inventories of the Company mainly comprising inventories in business segment of tannery industry which the selling price is fluctuated in the current market that the management of the Company has to use the judgment in determining the estimated selling price including the inventories



which presents in the statement of financial position as at 31 December 2018 in amount of Baht 1,129.87 million, are material to the financial statements.

Therefore, my audit procedures have included the audit procedures which affects the most significant to the assessment of sufficiency and appropriateness of obtained audit evidence relating to the net realizable value of inventories as follows:

- Understanding the process of estimating the net realizable value of inventories which is prepared by the management of the Company.
- Evaluating the appropriateness of the method that that management of the Company used in estimating the net realizable value.
- Examining the estimated selling price of the inventories which the management of the Company has used in estimating the net realizable value by inspecting the supporting evidences of selling price of firm sale and selling price after the reporting period in the ordinary course of business.
- Testing the accuracy of the calculation of estimating net realizable value of inventories which is prepared by the management of the Company.
- Examining the accuracy of the recognition of loss on devaluation of inventories by comparing the cost of inventories and the net realizable value of those inventories.
- Evaluating the sufficiency of disclosure in notes to the financial statements.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such information.



(Mr. Cherd Sakul Onmongkol)

Certified Public Accountant, Registration No. 7195

CWWP Company Limited

Bangkok

27 February 2019

## CPL GROUP PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018	31 December 2017	1 January 2017
		Baht	Baht (Restated)	Baht (Restated)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	6	145,638,243.37	109,170,886.43	51,176,051.43
Current Investments		-	16,000,000.00	-
Trade and Other Current Receivables	7	706,272,704.43	256,754,056.95	171,860,797.85
Short-Term Loans		-	-	24,000,000.00
Inventories	8	1,129,868,606.97	1,023,061,052.66	1,243,841,683.66
Current Tax Assets		661,662.61	7,446,148.44	163,615.69
Other Current Assets		143,581.63	117,764.62	310,804.21
<b>TOTAL CURRENT ASSETS</b>		<b>1,982,584,799.01</b>	<b>1,412,549,909.10</b>	<b>1,491,352,952.84</b>
<b>NON-CURRENT ASSETS</b>				
Pledged Financial Institution Deposits		-	-	1,669,789.68
Investments in Associates	9	4,438,208.60	3,997,735.34	-
Long-Term Investments		-	-	30,585,409.72
Long-Term Loans to Employees		141,147.00	266,035.71	207,246.67
Investment Property	10	124,988,568.42	124,988,568.42	124,988,568.42
Property, Plant and Equipment	11	630,999,885.87	458,401,244.02	317,995,839.26
Leasehold Rights		250,224.80	450,844.47	670,824.40
Other Intangible Assets		6,439,288.52	6,864,974.62	8,142,485.84
Deferred Tax Assets	12	54,914,054.68	57,433,241.59	34,475,404.74
<b>Other Non-Current Assets</b>				
Prior Period Tax Assets		7,446,148.44	163,615.69	4,239,033.10
Prepaid for Assets		4,483,752.00	-	-
Others		1,926,659.46	1,749,066.06	1,427,537.26
<b>TOTAL NON-CURRENT ASSETS</b>		<b>836,027,937.79</b>	<b>654,315,325.92</b>	<b>524,402,139.09</b>
<b>TOTAL ASSETS</b>		<b>2,818,612,736.80</b>	<b>2,066,865,235.02</b>	<b>2,015,755,091.93</b>

## CPL GROUP PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018	31 December 2017	1 January 2017
		Baht	Baht (Restated)	Baht (Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Overdrafts and Short-Term Borrowings from Financial Institutions	14	1,200,386,786.29	649,082,803.45	584,137,538.72
Trade and Other Current Payables	15	387,374,505.94	250,423,400.57	177,580,196.34
Current Portion				
Long-Term Borrowings	16	13,404,000.00	8,004,000.00	4,628,649.41
Liabilities under Finance Lease Agreements	17	10,916,045.67	2,527,237.66	3,901,417.36
Current Income Tax Payable		-	-	14,290,567.78
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,612,081,337.90</b>	<b>910,037,441.68</b>	<b>784,538,369.61</b>
<b>NON-CURRENT LIABILITIES</b>				
Liabilities in Associates		-	-	81,718.41
Long-Term Borrowings	16	41,108,000.00	30,662,000.00	2,708,699.91
Liabilities under Finance Lease Agreements	17	25,119,296.23	3,369,711.81	3,281,465.89
Deferred Tax Liabilities	12	1,952,896.32	-	-
Non-Current Provisions for Employee Benefits	18	53,561,969.99	47,477,149.00	53,958,448.00
Other Non-Current Liabilities		221,500.00	305,500.00	335,500.00
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>121,963,662.54</b>	<b>81,814,360.81</b>	<b>60,365,832.21</b>
<b>TOTAL LIABILITIES</b>		<b>1,734,045,000.44</b>	<b>991,851,802.49</b>	<b>844,904,201.82</b>

## CPL GROUP PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018	31 December 2017	1 January 2017
		Baht	Baht	Baht
			(Restated)	(Restated)
SHAREHOLDERS' EQUITY				
Share Capital	19			
Authorized Share Capital				
439,844,340 Ordinary Shares, at Baht 1.00 per share		439,844,340.00	-	-
41,889,937 Ordinary Shares, at Baht 10.00 per share		-	418,899,370.00	-
26,399,995 Ordinary Shares, at Baht 10.00 per share		-	-	263,999,950.00
Issued and Paid-up Share Capital				
439,844,284 Ordinary Shares, at Baht 1.00 per share		439,844,284.00	-	-
41,889,937 Ordinary Shares, at Baht 10.00 per share		-	418,899,370.00	-
26,399,995 Ordinary Shares, at Baht 10.00 per share		-	-	263,999,950.00
Share Premium on Ordinary Shares		574,095,791.76	574,095,791.76	198,000,000.00
Discount on Business Combination under the Common Control		(242,518,625.38)	(242,518,625.38)	(290,972,563.90)
Investments Payable from the Entire Business Transfer		-	-	530,995,211.76
Retained Earnings				
Appropriated				
Legal Reserve	20	28,940,744.21	28,940,744.21	28,940,744.21
Unappropriated				
		284,295,561.37	295,596,151.94	439,887,548.04
Other Components of Equity		(90,019.60)	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,084,567,736.36</b>	<b>1,075,013,432.53</b>	<b>1,170,850,890.11</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,818,612,736.80</b>	<b>2,066,865,235.02</b>	<b>2,015,755,091.93</b>

**CPL GROUP PUBLIC COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

	Notes	31 December 2018	31 December 2017
		Baht	Baht
Revenue from Sales and Rendering of Services		2,897,548,258.28	2,275,804,205.91
Cost of Sales and Services		(2,483,561,309.94)	(2,135,118,987.70)
<b>Gross Profit</b>		<b>413,986,948.34</b>	<b>140,685,218.21</b>
Gain (Loss) on Exchange Rate		3,000,278.90	34,258,770.21
Other Incomes	23	21,358,834.18	69,335,877.54
Distribution Costs		(185,587,028.56)	(143,024,028.09)
Administrative Expenses		(201,311,357.99)	(181,173,870.05)
Finance Costs		(35,528,225.61)	(23,116,009.38)
Share of Gain (Loss) of Associates		530,492.86	(19,920,546.25)
<b>Profit (Loss) Before Income Tax</b>		<b>16,449,942.12</b>	<b>(122,954,587.81)</b>
Income Tax (Expense) Revenue	26.1	(4,472,963.23)	19,746,559.00
<b>Profit (Loss) for the year</b>		<b>11,976,978.89</b>	<b>(103,208,028.81)</b>
<b>Other Comprehensive Income (Expense)</b>	26.2		
<b>Items that will be subsequently reclassified to Profit or Loss</b>			
Share of Other Comprehensive Income (Expense) of Associates - Net of Tax		(90,019.60)	-
<b>Total Items that will be subsequently reclassified to Profit or Loss - Net of Tax</b>		<b>(90,019.60)</b>	<b>-</b>
<b>Items that will not be subsequently reclassified to Profit or Loss</b>			
Gain (Loss) on Remeasurement of Defined Benefit Plans - Net of Tax		(3,520.00)	7,370,571.23
<b>Total Items that will not be subsequently reclassified to Profit or Loss - Net of Tax</b>		<b>(3,520.00)</b>	<b>7,370,571.23</b>
<b>Other Comprehensive Income (Expense) for the year - Net of Tax</b>		<b>(93,539.60)</b>	<b>7,370,571.23</b>
<b>Total Comprehensive Income (Expense) for the year</b>		<b>11,883,439.29</b>	<b>(95,837,457.58)</b>
Basic Earnings (Loss) Per Share	27	0.03	(0.23)

Notes to the financial statements are an integral part of these financial statements.

CPL GROUP PUBLIC COMPANY LIMITED  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Notes	Issued and Paid-up	Share Premium	Discount on Business	Investment Payables	Retained Earnings		Other Components of Equity		Total
		Share Capital	on Ordinary Shares	Combination under the Common Control	from the Entire Business Transfer	Appropriated Legal Reserve	Unappropriated	Share of Other Comprehensive Income (Expense) of Associates	Total Other Components of Equity	
		Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Beginning Balance as at 1 January 2018 (As Previously Reported)</b>		<b>418,899,370.00</b>	<b>574,095,791.76</b>	<b>(290,972,563.90)</b>	<b>-</b>	<b>28,940,744.21</b>	<b>344,050,090.46</b>	<b>-</b>	<b>-</b>	<b>1,075,013,432.53</b>
Cumulative Effects from Correction of Accounting Errors	33	-	-	48,453,938.52	-	-	(48,453,938.52)	-	-	-
<b>Beginning Balance as at 1 January 2018 (Restated)</b>		<b>418,899,370.00</b>	<b>574,095,791.76</b>	<b>(242,518,625.38)</b>	<b>-</b>	<b>28,940,744.21</b>	<b>295,596,151.94</b>	<b>-</b>	<b>-</b>	<b>1,075,013,432.53</b>
<b>Transaction with Owners</b>										
<b>Contributions by and Distributions to Owners</b>										
Dividend Payment	21	20,944,914.00	-	-	-	-	(23,274,049.46)	-	-	(2,329,135.46)
<b>Total Contributions by and Distributions to Owners</b>		<b>20,944,914.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,274,049.46)</b>	<b>-</b>	<b>-</b>	<b>(2,329,135.46)</b>
<b>Total Transaction with Owners</b>		<b>20,944,914.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,274,049.46)</b>	<b>-</b>	<b>-</b>	<b>(2,329,135.46)</b>
<b>Total Comprehensive Income (Expense) for the year</b>										
Profit (Loss) for the year		-	-	-	-	-	11,976,978.89	-	-	11,976,978.89
Other Comprehensive Income (Expense) for the year		-	-	-	-	-	(3,520.00)	(90,019.60)	(90,019.60)	(93,539.60)
<b>Total Comprehensive Income (Expense) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,973,458.89</b>	<b>(90,019.60)</b>	<b>(90,019.60)</b>	<b>11,883,439.29</b>
<b>Ending Balance as at 31 December 2018</b>		<b>439,844,284.00</b>	<b>574,095,791.76</b>	<b>(242,518,625.38)</b>	<b>-</b>	<b>28,940,744.21</b>	<b>284,295,561.37</b>	<b>(90,019.60)</b>	<b>(90,019.60)</b>	<b>1,084,567,736.36</b>
<b>Beginning Balance as at 1 January 2017</b>		<b>263,999,950.00</b>	<b>198,000,000.00</b>	<b>(290,972,563.90)</b>	<b>530,995,211.76</b>	<b>28,940,744.21</b>	<b>439,887,548.04</b>	<b>-</b>	<b>-</b>	<b>1,170,850,890.11</b>
<b>Transaction with Owners</b>										
<b>Contributions by and Distributions to Owners</b>										
Ordinary Share Issuance to settle Investment Payables from the Entire Business Transfer (Restated)	19	154,899,420.00	376,095,791.76	48,453,938.52	(530,995,211.76)	-	(48,453,938.52)	-	-	-
<b>Total Contributions by and Distributions to Owners</b>		<b>154,899,420.00</b>	<b>376,095,791.76</b>	<b>48,453,938.52</b>	<b>(530,995,211.76)</b>	<b>-</b>	<b>(48,453,938.52)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Transaction with Owners</b>		<b>154,899,420.00</b>	<b>376,095,791.76</b>	<b>48,453,938.52</b>	<b>(530,995,211.76)</b>	<b>-</b>	<b>(48,453,938.52)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income (Expense) for the year</b>										
Profit (Loss) for the year		-	-	-	-	-	(103,208,028.81)	-	-	(103,208,028.81)
Other Comprehensive Income (Expense) for the year		-	-	-	-	-	7,370,571.23	-	-	7,370,571.23
<b>Total Comprehensive Income (Expense) for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95,837,457.58)</b>	<b>-</b>	<b>-</b>	<b>(95,837,457.58)</b>
<b>Ending Balance as at 31 December 2017 (Restated)</b>		<b>418,899,370.00</b>	<b>574,095,791.76</b>	<b>(242,518,625.38)</b>	<b>-</b>	<b>28,940,744.21</b>	<b>295,596,151.94</b>	<b>-</b>	<b>-</b>	<b>1,075,013,432.53</b>



## CPL GROUP PUBLIC COMPANY LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
		Baht	Baht
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (Loss) Before Income Tax		16,449,942.12	(122,954,587.81)
Adjustments to Profit (Loss) Before Income Tax for Cash Receipt (Paid) from Operation			
Depreciation		60,421,861.58	46,601,800.73
Amortization of Leasehold Rights		200,619.67	219,979.93
Amortization of Other Intangible Assets		1,755,336.10	1,547,511.22
Amortization of Prepaid Expenses		12,182,177.91	10,251,630.44
Bad Debts		8,753.16	-
(Reversal of) Doubtful Debts		302,756.06	(23,029,321.77)
(Reversal of) Estimated Debt Reduction from Returned Goods and Discount		(5,563,656.53)	(23,083,080.49)
Reversal of (Estimated Cost of Returned Goods)		4,486,566.13	15,772,506.53
(Reversal of) Loss on Devaluation of Inventories		(143,001,898.35)	138,201,913.72
(Gain) Loss on Disposal of General Investments		-	(19,687,599.06)
Unrealized (Gain) Loss on Exchange Rate		(446,720.06)	(443,349.17)
(Gain) Loss on Disposal of Property, Plant and Equipment		(1,933,047.39)	(383,168.58)
Loss on Written-off of Property, Plant and Equipment		2,726,987.27	288,555.97
Written-off of Prior Period Tax Assets to Expenses		163,615.69	-
Share of (Gain) Loss of Associates		(530,492.86)	19,920,546.25
Employee Benefit Expenses		6,226,520.99	6,269,015.04
Interest Income		(923,120.33)	(2,201,288.66)
Interest Expense		32,659,822.40	19,476,715.52
Profit (Loss) from Operation before Changes in Operating Assets and Liabilities		(14,813,976.44)	66,767,779.81
(Increase) Decrease in Operating Assets			
Trade and Other Current Receivables		(462,660,603.74)	(45,466,051.10)
Inventories		31,707,777.91	59,114,181.50
Other Current Assets		(25,817.01)	193,039.59
Other Non-Current Assets		80,662.90	(321,527.80)
Increase (Decrease) in Operating Liabilities			
Trade and Other Current Payables		141,412,196.67	63,013,386.21
Non-Current Provisions for Employee Benefits		(146,100.00)	(3,537,100.00)
Other Non-Current Liabilities		(84,000.00)	(30,000.00)
Cash Received (Paid) from Operation		(304,529,859.71)	139,733,708.21
Cash Received from Interest		137,112.86	446,644.80
Cash Paid for Income Tax		(661,662.61)	(26,790,636.89)
Cash Received from Income Tax		-	4,239,033.10
<b>Net Cash Provided from (Used in) Operating Activities</b>		<b>(305,054,409.46)</b>	<b>117,628,749.22</b>

Notes to the financial statements are an integral part of these financial statements.

## CPL GROUP PUBLIC COMPANY LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
		Baht	Baht
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) Decrease in Pledged Financial Institution Deposits		-	1,669,789.68
Cash Paid for Purchase of Investments in Associates		-	(24,000,000.00)
Cash Received from Receivable from Disposal of General Investments		3,178,108.50	31,094,900.28
Cash Received from Short-Term Loans		-	24,000,000.00
Cash Received from Short-Term Investments		16,000,000.00	-
Cash Paid for Long-Term Loans to Employees		(245,000.00)	(385,000.00)
Cash Received from Long-Term Loans to Employees		369,888.71	326,210.96
Cash Paid for Purchase of Property, Plant and Equipment		(230,651,982.96)	(166,395,025.95)
Cash Received from Disposal of Property, Plant and Equipment		2,022,968.32	383,177.58
Cash Paid for Purchase of Other Intangible Assets		(577,900.00)	(270,000.00)
Cash Paid for Prepaid for Assets		(4,483,752.00)	-
Cash Received from Prereceived for Assets		-	1,166,664.00
Cash Received from Interest		1,054,106.08	1,937,363.42
<b>Net Cash Provided from (Used in) Investing Activities</b>		<b>(213,333,563.35)</b>	<b>(130,471,920.03)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (Decrease) in Bank Overdrafts		(452,490.80)	(23,509,507.96)
Cash Received from Short-Term Borrowings from Financial Institutions		2,605,856,035.96	2,007,385,064.31
Cash Paid for Short-Term Borrowings from Financial Institutions		(2,051,880,346.94)	(1,918,544,735.58)
Cash Received from Long-Term Borrowings from Financial Institutions		27,000,000.00	44,628,649.41
Cash Paid for Long-Term Borrowings from Financial Institutions		(11,154,000.00)	(13,299,998.73)
Cash Received from Sale and Leaseback under Finance Lease Agreements		33,329,652.89	-
Cash Paid for Liabilities under Finance Lease Agreements		(7,490,325.88)	(6,329,933.78)
Cash Paid for Asset Payables		(8,736,246.40)	(424,060.20)
Cash Paid for Interest		(30,335,440.55)	(19,002,243.56)
Cash Paid for Dividend		(1,982,479.01)	-
<b>Net Cash Provided from (Used in) Financing Activities</b>		<b>554,154,359.27</b>	<b>70,903,233.91</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents before Effect of Exchange Rate</b>		<b>35,766,386.46</b>	<b>58,060,063.10</b>
Effect of Exchange Rate on Cash and Cash Equivalents		700,970.48	(65,228.10)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>36,467,356.94</b>	<b>57,994,835.00</b>
<b>Cash and Cash Equivalents at the Beginning of the year</b>		<b>109,170,886.43</b>	<b>51,176,051.43</b>
<b>Cash and Cash Equivalents at the End of the year</b>	<b>6</b>	<b>145,638,243.37</b>	<b>109,170,886.43</b>

**CPL GROUP PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

**1. General Information**

The Company was registered as a company limited under the Civil and Commercial Code on 27 January 1994, and was converted as a public company limited according to the Public Limited Companies Act B.E. 2535 on 19 December 1994, the registration number 0107537000289. Its head office locates at 700 Moo 6, Sukhumvit Road, Bang Poo Mai, Mueang Samutprakran, Samutprakran, Thailand. The Company's major shareholder is Wongcharoensin Family.

The Company operates main business in manufacturing and distribution of leather products, rendering of tanning services and manufacturing and distribution of personal protective equipment.

**2. Basis of Preparing the Financial Information**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards including related interpretations and guidelines promulgated by the Federation of Accounting Professions, applicable rules and regulations of the Securities and Exchange Commission.
- 2.2 The financial statements are presented in compliance with the notification of Department of Business Development regarding related to determining the abbreviated items required in the financial statements.
- 2.3 In order to prepare the financial statements to comply with Financial Reporting Standards, the management of the Company has to make some estimates and assumptions which may have an effect on the amount shown for revenues, expenses, assets and liabilities and also on the disclosures concerning to assets and contingent liabilities. The actual result may differ from the estimated amount.
- 2.4 The financial report in Thai language is the official statutory financial report of the Company. The financial report in English language has been translated from the Thai language financial report.

### 3. The Adoption of New and Revised Financial Reporting Standards

The Company has adopted the new and revised accounting standards, financial reporting standards, accounting standard interpretations, financial reporting standard interpretations and accounting guidances, which are effective for accounting periods beginning on or after 1 January 2018, and have no impact on the current period of financial report.

### 4. New and Revised Financial Reporting Standards and revised not yet Effective

New and revised accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations, which are not yet effective for the current accounting period that the Company has not early adopted, are as follows:

#### Effective for the accounting periods beginning on or after 1 January 2019

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 2 (revised 2018)	Inventories
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events after the Reporting Period
TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Ventures
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2018)	Earnings per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible Assets
TAS 40 (revised 2018)	Investment Property

TAS 41 (revised 2018)	Agriculture
TFRS 1	First-time Adoption of Thai Financial Reporting Standards
TFRS 2 (revised 2018)	Share-based Payment
TFRS 3 (revised 2018)	Business Combinations
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2018)	Operating Segments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers
TSIC 10 (revised 2018)	Government Assistance – No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases – Incentives
TSIC 25 (revised 2018)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2018)	Service Concession Arrangements: Disclosures
TSIC 32 (revised 2018)	Intangible Assets – Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 ( revised 2017) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2018)	Service Concession Arrangements
TFRIC 14 (revised 2018)	TAS 19 (revised 2018) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2018)	Levies
<u>Effective for the accounting periods beginning on or after 1 January 2020</u>	
TAS 32	Financial Instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The management of the Company believes that the above new and revised financial reporting standards will not have any material impact on the financial report when they are applied.

## **5. Summary of Significant Accounting Policies**

### **5.1 Measurements Bases used in preparing the Financial Statements**

Measurement bases used in preparing the financial statements are historical cost measurement basis and combination of variety measurement bases used. Some assets and liabilities that use other measurement bases have been disclosed the measurement bases used in the particular accounting policies.

### **5.2 Items denominated in Foreign Currencies**

Items denominated in foreign currencies are recognized by translated into Baht at the prevailing exchange rate when the transactions occur.

Items denominated in foreign currencies at the end of period are translated into Baht at the closing rate.

Exchange rate differences arising on the settlement of monetary items or on translating monetary items are recognized in profit or loss for the period which the transactions occur.

### **5.3 Financial Instruments**

Non-derivative financial instruments will be recognized in the statement of financial position. Derivative financial instruments will not be recognized in the statement of financial position.

Financial assets which are recognized in the statement of financial position consist of cash and cash equivalents, investments and trade and other receivables. Financial liabilities which are recognized in the statement of financial position consist of overdrafts and borrowings from financial institutions, trade and other payables and liabilities under finance lease agreements. The particular accounting policies have been disclosed in each relating item.

Foreign currency forward contracts have been used to manage the risk from the fluctuation of exchange rate which foreign currency forward contracts will set the future exchange rate that assets or liabilities denominated in foreign currencies will be received or paid. Fair value of foreign currency forward contract at the end of the period will be presented in the notes to the financial statements and realized gain or loss on foreign

currency forward contracts will be recognized in profit or loss for the period which they are received or paid.

#### 5.4 Cash and Cash Equivalents

Cash and cash equivalents include deposits at financial institutions in type of current accounts, savings accounts, and not over than 3 months fixed accounts without guarantee obligation, excluding overdrafts which are presented as current liabilities.

#### 5.5 Investments

Investments in held to maturity debt instruments are stated at amortized cost.

Investments in non-marketable securities which are held as a general investments are stated at cost deducted by the accumulated impairment loss (if any).

#### 5.6 Trade and Other Receivables

Trade and other receivables are stated at the net realizable value.

Allowance for doubtful debts is estimated from each receivable that are not expected to be repayable.

#### 5.7 Inventories

Inventories are stated at the lower of cost by weighted average method or net realizable value.

#### 5.8 Investments in Associates

Investments in associates are stated by equity method which is initially recognized at cost and adjusted after the acquisition date by recognition of the Company's share of profit or loss or other comprehensive income (expense) of associates in these associates. Distribution or dividend received from associates will be reduced the carrying amount of those investments in associates.

When the Company's share of loss of a associate equals or exceeds the Company's interests in that associate (together with any long-term interests that, in substance, form part of the Company's net investment in that associate), the Company will discontinue recognizing the Company's share of loss in excess of the interests in that associate. After the Company's interests is reduced to zero, the Company will recognize share of additional loss as liabilities only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the Company's associate subsequently reports profit, the Company's will resume recognizing the

Company's share of profit only after the share of profit equals the share of loss not recognized.

#### 5.9 Investment Property

Investment property is land and buildings which the Company has held without specific purpose of use in the future and/or exploiting for rental income or appreciation of the asset, is stated at initial cost deducted by the accumulated depreciation and the accumulated impairment loss (if any). Depreciation is calculated on a straight-line basis over the approximate useful lives of 10 – 30 years.

#### 5.10 Property, Plant and Equipment

Property, plant and equipment are stated at initial cost deducted by the accumulated depreciation and the accumulated impairment loss (if any). Depreciations are calculated on a straight-line method over the approximate useful lives as follows:

- Buildings and Building Improvement	3 – 20 years
- Machines and Equipment	5 – 20 years
- Tools	5 years
- Fixtures and Office Equipment	3 – 10 years
- Vehicles	5 – 7 years
- Waste Water Treatment Well	10 years

There is no depreciate land, land improvement and assets under construction.

Depreciation of assets arising in the period which it is used to produce other asset are capitalized as part of cost of that other asset which will cease the capitalization when that other asset is ready for intended use.

Replacement cost will be capitalized as a part of carrying amount of assets when it is probable that the Company will obtain the future economic benefits from that transaction and able to measure the cost of that transaction reliably. Replacement cost will be depreciated by the basis of approximate useful lives. Repair and maintenance expenses are recognized as expenses in profit or loss for the period which they are incurred.

Gain or loss on disposal of property, plant and equipment is the difference between the net disposal proceeds (if any) and the carrying amount and recognized in profit or loss for that period.



### 5.11 Intangible Assets

Intangible assets with definite useful lives are stated at initial cost deducted by the accumulated amortization and the accumulated impairment loss (if any). Amortizations are calculated on a straight-line method over the approximate useful lives as follows:

- Computer Software Licenses   5 – 10 years

### 5.12 Impairment of Assets

The carrying amounts of assets are assessed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated of asset or its cash-generating unit to which the asset is included in the recognition of an impairment loss when the recoverable amount less than the carrying amount of the asset or its cash generating unit.

Impairment loss will be recognized immediately in profit or loss.

#### Recoverable Amount

Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

In assessing value in use of an asset by estimating the present value of expected future cash flows generated by the asset, discounted using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

An asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for an cash-generating unit to which the asset belongs.

#### Reversal of Impairment Loss

Impairment loss of assets other than goodwill recognized in the prior period shall be reversed if, and only if, there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized, which shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods.

Reversal of impairment loss shall be recognized immediately in profit or loss.

### 5.13 Long-Term Leases

#### - The Company as Lessee

Long-term leases which transferred substantially all the risks and rewards incidental to ownership to the lessee are classified as finance leases. Finance leases are capitalized at the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest expense is charged to profit or loss over the lease term. The assets acquired under finance leases will be depreciated throughout the useful lives of leased assets. However, if there is no reasonable certainty that the Company will be obtain the ownership by the end of the lease term, depreciation is calculated over the shorter of useful life of leased asset or lease term. Contingent rents shall be recognized as expenses in profit or loss for the period which they are incurred.

Long-term leases which the substantial risks and rewards incidental to ownership still remain with the lessor are classified as operating leases. Payments under operation lease agreements (net of any incentives received from the lessor) are recognized as expenses in profit or loss on a straight-line basis over that lease term.

### 5.14 Employee Benefits

#### Short-Term Employee Benefits

Short-term employee benefits are recognized as expenses in profit or loss for the period which the transactions occur.

#### Long-Term Employee Benefits

#### - Defined Contribution Plans

Contributions for post-employment benefits that is defined contribution plan are recognized as expenses in profit or loss for the period when the transactions occur.

#### - Defined Benefit Plans

The provision for post-employment benefits that is defined benefit plan is determined the present value of defined benefit obligations by actuarial techniques using the projected unit credit method.

Defined benefit costs related to post-employment benefits are recognized as expenses in profit or loss.

Gain or loss on remeasurement for post-employment benefits will be recognized in profit or loss for the period which they are occurred and shall not be reclassified to profit or loss in a subsequent period which is included immediately in retained earnings (deficits).

#### 5.15 Provisions

Provisions will be recognized when the Company has a present legal or constructive obligation as a result of past events, which 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. Reimbursement is recognized as a separate asset, when, and only when it is virtually certain that reimbursement will be received if the Company settles the obligation, but not exceed the amount of related provision.

#### 5.16 Appropriation of Legal Reserve

Appropriation of legal reserve is in accordance with the Public Limited Companies Act B.E. 2535, which will be appropriated when it is approved by the shareholders' meeting. This legal reserve shall not be distributed as dividend.

#### 5.17 Recognition of Revenues

- Revenue from sale is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer.
- Revenue from rendering of service is recognized by the stage of completion of service rendered.
- Rental income is recognized by a straight-line basis over the lease term.
- Interest income is recognized on the effective interest rate.
- Revenue from tax return is recognized when the right to receive tax return is established.
- Dividend income is recognized when the right to receive dividend is established.
- Other incomes are recognized on accrual basis.

#### 5.18 Recognition of Expenses

Expenses are recognized on the accrual basis.

## 5.19 Income Tax

Income tax comprises current tax and deferred tax. Income tax is recognized in profit or loss except to the extent that it related to a business combinations, or items recognized in other comprehensive income (expense) or recognized directly in equity which shall be also recognize in other comprehensive income (expense) or recognized directly in equity.

### Current Tax

Current tax is recognized at the amount expected to be paid to or recovered from the taxation authorities which is calculated in respect of the taxable profits (loss) in accordance with the regulation in tax laws using the tax rates that have been enacted by the end of the reporting period.

### Deferred Tax

Deferred tax is recognized by the statement of financial position liability method, based 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.

Deferred tax assets will be recognized only if it is probable that future taxable profit will be available to utilize the tax benefits. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period to the extend that equals to the probable amount of sufficient future taxable profit which the tax benefits can be utilized.

## 5.20 Earnings (Loss) per Share

Basic earnings (loss) per share are calculated by dividing profit (loss) for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

There is no calculation of diluted earnings (loss) per share because it has no dilutive potential ordinary shares.

## 5.21 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 market participants at the measurement date. The Company applies a quoted market price in an active market to measure the 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 will measure fair value using valuation technique that are appropriate in the circumstances and maximizes 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 categorized within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1 inputs are quoted prices in active market for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs are other observable inputs either directly or indirectly, for the assets or liabilities other than quoted price included within Level 1 inputs.

Level 3 inputs are unobservable inputs for the assets and liabilities.

At the end of each reporting period, the Company will determine the necessary of any transfers 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.

#### 5.22 Significant Accounting Judgments and Estimates Used

In order to prepare the financial statements to comply with financial reporting standards, the management of the Company always has to use judgments and estimates on uncertainties. These judgments and estimates used may have an effect on the amount and disclosures shown in the financial statements. The actual result may differ from the estimated amount.

##### Significant Judgements Used

Information about the significant judgments used in the process of applying the accounting policies that have significant effects on the amounts recognized in the financial statements is as follows:

- Lease

The management of the Company has used the judgment in assessing the terms and conditions of each lease agreement so as to classify the lease as finance lease or operating lease.

### Key Assumptions and Estimation Uncertainties

Information about the key assumptions and estimation uncertainties that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next accounting year is as follows:

- Allowance for Debt Reduction from Returned Goods and Discount

In the sale of goods, the Company has the policy of returned goods or discount for the goods delivery which the customers have complaint on quality that mostly occur within 3 months after the goods delivery.

The management of the Company has used the rate of actual returned goods and discount on sales for the three months period ended 30 September of each year as key assumption in estimating the value of allowance for debt reduction from returned goods and discount.

- Estimation of Returned Goods

In the receiving of returned goods, the Company has received the returned goods from the customers who have complaint on quality that mostly occur within 3 months after the goods delivery.

The management of the Company has used the rate of actual cost of returned goods on cost of sales for the three months period ended 30 September of each year as key assumption in estimating the value of estimation of returned goods.

- Net Realizable Value of Inventories

In the sale of goods, the Company has set the pricing in foreign currencies as the market price which is fluctuated by the economic circumstances and exchange rate at that time.

The management of the Company has used the selling price and cost directly relating to the sale of goods occurring after the ended of reporting period, exchange rate at that transaction date and the rate of distribution costs for the year as key assumptions in estimating the value of net realizable value of inventories.

- Deferred Tax Assets

In the recognition of deferred tax assets, the Company has considered the probable amount of sufficient future taxable profit that can utilize the tax benefits from deferred tax assets which will be reviewed at the end of each reporting period.

The management of the Company has used the financial performance projection as key assumption in the estimating of recognized deferred tax assets.

- Provisions for Post-Employment Benefits

In the actuarial valuation using the projected credit unit method, the Company has to set the actuarial assumptions which are the best estimate on salary increase rate, mortality rate, employee turnover rate and inflation rate used in estimating the expected future cash flows and discount rate used in determining the present value of expected future cash flows.

The management of the Company has used the yield on the government bonds that have term to maturity similar to the term of post-employment benefit and other long-term employee benefit obligations which reflects the present economic circumstances as discount rate and the expected average salary increase rate over the employment as key assumptions in the actuarial valuation of provisions for post-employment benefits and other long-term employee benefits.

## 6. Cash and cash Equivalents

Consist of:

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Cash	1,355,657.60	738,750.65
Deposits at Financial Institutions – Current Accounts	82,368,727.59	69,687,884.96
Deposits at Financial Institutions – Savings Accounts	61,913,858.18	38,744,250.82
Total	145,638,243.37	109,170,886.43

## 7. Trade and Other Current Receivables

Consist of:

	As at 31 December 2018	As at 31 December 2017
	Baht	Baht
Trade Receivables – Domestic	105,364,502.49	121,170,121.86
Trade Receivables – Overseas	354,238,129.66	94,454,968.75
Notes Receivables	14,160,043.22	4,490,241.25
Returned Cheque Receivables	100,146.65	-
Total	473,862,822.02	220,115,331.86
Allowance for Doubtful Debts	(474,973.63)	(172,217.57)
Allowance for Debt Reduction from		
Returned Goods and Discount	(3,704,048.65)	(9,267,705.18)
Net	469,683,799.74	210,675,409.11
Other Receivables	236,588,904.69	46,078,647.84
Total	706,272,704.43	256,754,056.95

As at 31 December 2018 and 2017, trade and notes receivables are classified by aging as follows:

	As at 31 December 2018	As at 31 December 2017
	Baht	Baht
Trade and Notes Receivables		
Unbilled	868,771.87	169,219.05
Within Due Period	155,872,810.08	138,824,353.70
Overdue 1 – 30 days	140,461,423.62	61,984,761.85
Overdue 31 – 60 days	104,504,538.58	16,224,860.36
Overdue 61 – 90 days	35,179,715.69	1,625,900.60
Overdue 91 – 180 days	27,269,100.07	1,096,962.41
Overdue 181 – 365 days	8,710,726.66	189,273.89
Overdue more than 365 days	995,735.45	-
Total	473,862,822.02	220,115,331.86
Allowance for Doubtful Debts	(474,973.63)	(172,217.57)
Allowance for Debt Reduction from		
Returned Goods and Discount	(3,704,048.65)	(9,267,705.18)
Net	469,683,799.74	210,675,409.11



As at 31 December 2018 and 2017, other receivables consist of:

	As at 31 December 2018	As at 31 December 2017
	Baht	Baht
Prepaid Expenses	3,831,056.85	4,122,445.83
Prepaid for Goods	215,789,669.54	12,950,854.71
Accrued Interest Income	-	268,098.61
Revenue Department Receivables	11,100,259.22	21,083,589.11
Receivable from Disposal of General Investments	-	3,178,108.50
Others	5,867,919.08	4,475,551.08
Total	<u>236,588,904.69</u>	<u>46,078,647.84</u>

For the year ended 31 December 2018 and 2017, allowance for doubtful debts have the movements as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Beginning Balance	(172,217.57)	(23,201,539.34)
Increase	(395,636.12)	(172,217.57)
Reverse	92,880.06	23,201,539.34
Ending Balance	<u>(474,973.63)</u>	<u>(172,217.57)</u>

For the year ended 31 December 2018 and 2017, allowance for debt reduction from returned goods and discount have the movements as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Beginning Balance	(9,267,705.18)	(32,350,785.67)
Increase	(18,773,135.60)	(16,636,091.91)
Reverse	24,336,792.13	39,719,172.40
Ending Balance	<u>(3,704,048.65)</u>	<u>(9,267,705.18)</u>

## 8. Inventories

Consist of:

	As at 31 December 2018	As at 31 December 2017
	Baht	Baht
Finished Goods	376,639,322.24	317,198,019.09
Semi-Finished Goods – Cow Nappa	372,286,024.95	476,996,030.51
Semi-Finished Goods – Cow Split	43,204,431.61	117,233,958.66
Semi-Finished Goods – Personal Protective Equipment	25,928,419.27	27,405,209.01
Work-in-Process	205,245,171.92	92,381,557.63
Raw Materials	51,005,202.12	73,099,954.53
Chemical	27,831,191.39	57,176,871.99
Supplies	13,785,804.98	9,160,732.72
Goods-in-Transit	35,546,381.26	12,527,393.51
Total	1,151,471,949.74	1,183,179,727.65
Estimated Cost of Returned Goods	960,070.16	5,446,636.29
Allowance for Devaluation of Inventories	(22,563,412.93)	(165,565,311.28)
Net	1,129,868,606.97	1,023,061,052.66

For the year ended 31 December 2018 and 2017, estimated cost of returned goods has the movements as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Beginning Balance	5,446,636.29	21,219,142.82
Increase	6,935,448.60	12,251,373.77
Reverse	(11,422,014.73)	(28,023,880.30)
Ending Balance	960,070.16	5,446,636.29

For the year ended 31 December 2018 and 2017, allowance for devaluation of inventories has the movements as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Beginning Balance	(165,565,311.28)	(27,363,397.56)
Increase	(68,257,949.98)	(171,426,538.89)
Reverse	211,259,848.33	33,224,625.17
Ending Balance	<u>(22,563,412.93)</u>	<u>(165,565,311.28)</u>

As at 31 December 2018 and 2017, the Company has insured finished goods, semi-finished goods, work-in-process, raw materials, chemical and supplies in value of Baht 1,175.00 million and Baht 1,102.00 million respectively, which transferred the beneficiary from the insurance contract to the financial institutions as in Note 13.

## 9. Investments in Associates

### 9.1 Detail of associates

Entity's name	Type of business	Country of incorporation	Investment and voting right ratio		Equity method	
			As at 31 December 2018 %	As at 31 December 2017 %	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Integrated Leather Network						
Company Limited	Distribution Center of Leather	Thailand	40.00	40.00	4,438,208.60	3,997,735.34
Total					<u>4,438,208.60</u>	<u>3,997,735.34</u>

The above investments in associate are accounted for using the equity method.

## 9.2 Summarized financial information of Associates

Summarized financial information of significant associate is as follows:

	Integrated Leather Network Company Limited	
	As at	As at
	31 December 2018	31 December 2017
	Baht	Baht
Current Assets	72,782,457.62	15,604,524.77
Non-Current Assets	48,553,616.14	50,272,954.35
Current Liabilities	(108,079,825.11)	(49,036,368.59)
Non-Current Liabilities	(3,520,402.54)	(6,937,852.84)
Net Assets	<u>9,735,846.11</u>	<u>9,903,257.69</u>
	For the year ended	For the year ended
	31 December 2018	31 December 2017
	Baht	Baht
Revenue	579,947,209.77	559,369,473.00
Profit (Loss) for the year	57,637.42	(49,611,629.76)
Other Comprehensive Income (Expense) for the year	(225,049.00)	-
Total Comprehensive Income (Expense) for the year	<u>(167,411.58)</u>	<u>(49,611,629.76)</u>
Dividend from Associates during the year	-	-

The reconciliation of the above financial information to the carrying amount of investments in associates which are recognized in the financial statements are as follows:

	Integrated Leather Network Company Limited	
	As at	As at
	31 December 2018	31 December 2017
	Baht	Baht
Net Assets	9,735,846.11	9,903,257.69
Investment Ratio (%)	40.00	40.00
Net Assets by Investment Ratio	3,894,338.44	3,961,303.07
Ending (Gain) Loss on Assets	543,870.16	36,432.27
Carrying Amount of Investments in associates	<u>4,438,208.60</u>	<u>3,997,735.34</u>

On 11 February 2017, the Extraordinary General Shareholder's Meeting of the associate No. 2/2017 has passed the resolution to approve the increase of authorized share capital from Baht 40,000,000.00 to Baht 100,000,000.00 by issuing 6,000,000 new ordinary shares, the par value of Baht 10.00 per share, which registered the increase of authorized share capital with the Department of Business Development, Ministry of Commerce on 17 February 2017. The Company has additional invested in the associate in accordance with the existing investment ratio in 2,400,000 shares, at Baht 10.00 per share, totaling additional investments in amount of Baht 24,000,000.00.

## 10. Investments Property

Consist of:

	Land and Land Improvement Baht
<b>Beginning Balance as at 1 January 2017</b>	
Cost	124,988,568.42
Carrying Amount	<u>124,988,568.42</u>
<b>Transactions during the year ended 31 December 2017</b>	
Beginning carrying amount	124,988,568.42
Ending carrying amount	<u>124,988,568.42</u>
<b>Ending Balance as at 31 December 2017</b>	
Cost	124,988,568.42
Carrying Amount	<u>124,988,568.42</u>
<b>Transactions during the year ended 31 December 2018</b>	
Beginning carrying amount	124,988,568.42
Ending carrying amount	<u>124,988,568.42</u>
<b>Ending Balance as at 31 December 2018</b>	
Cost	124,988,568.42
Carrying Amount	<u><u>124,988,568.42</u></u>

As at 31 December 2018 and 2017, investment property is land and land improvement which the Company has held while presently has not yet identified the purpose of future use, has the fair value in amount of Baht 141.17 million equally for both years. Hereby, the Company has measured the fair value from the appraisal results by the independence appraiser with the market approach and the cost approach as report dated 14 July 2016 which are Level 3 inputs.

## 11. Property, Plant and Equipment

Consist of:

	Land and Land Improvement	Buildings and Buildings Improvement	Machines and Equipment	Tools	Fixtures and Office Equipment	Vehicles	Waste Water Storage Well	Assets in Progress	Assets in Intransit	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Beginning Balance as at 1 January 2018</b>										
Cost	100,628,816.68	316,226,077.66	453,325,478.72	6,759,179.83	52,930,827.98	89,865,317.78	6,250,000.00	106,921,254.66	-	1,132,906,953.31
Accumulated Depreciation	-	(216,670,234.15)	(341,375,709.48)	(5,605,592.81)	(41,340,921.26)	(63,263,253.70)	(6,249,997.89)	-	-	(674,505.2)
Carrying Amount	100,628,816.68	99,555,843.51	111,949,769.24	1,153,587.02	11,589,906.72	26,602,064.08	2.11	106,921,254.66	-	458,401,244.02
<b>Transactions during the year ended</b>										
<b>31 December 2018</b>										
Beginning Carrying Amount	100,628,816.68	99,555,843.51	111,949,769.24	1,153,587.02	11,589,906.72	26,602,064.08	2.11	106,921,254.66	-	458,401,244.02
Purchase of Assets	-	366,883.96	91,795,559.36	1,115,022.43	6,684,305.59	7,657,570.10	-	121,089,398.21	8,138,678.28	236,847,417.93
Transfer in (Transfer out)	-	81,643,063.25	123,499,868.61	-	46,905.00	-	-	(205,704,226.58)	(568,358.36)	(1,082,748.08)
Disposal of Assets	-	-	(5,190.14)	-	(84,726.79)	(14.00)	-	-	-	(89,920.93)
Written-off of Assets	-	-	(28,991.76)	(2,791.87)	(361,941.20)	(2.00)	-	(2,333,260.44)	-	(2,726,987.27)
Depreciation recognized in Profit (Loss) for the year	-	(13,865,281.09)	(32,451,711.70)	(401,555.77)	(5,176,448.70)	(8,454,122.54)	-	-	-	(60,349,119.80)
Ending Carrying Amount	100,628,816.68	167,700,509.63	294,759,303.61	1,864,261.81	12,698,000.62	25,805,505.64	2.11	19,973,165.85	7,570,319.92	630,999,885.87
<b>Ending Balance as at 31 December 2018</b>										
Cost	100,628,816.68	398,236,024.87	621,514,668.44	6,988,243.54	56,610,603.80	89,342,887.88	6,250,000.00	19,973,165.85	7,570,319.92	1,307,114,730.98
Accumulated Depreciation	-	(230,535,515.24)	(326,755,364.83)	(5,123,981.73)	(43,912,603.18)	(63,537,382.24)	(6,249,997.89)	-	-	(676,114,845.11)
Carrying Amount	100,628,816.68	167,700,509.63	294,759,303.61	1,864,261.81	12,698,000.62	25,805,505.64	2.11	19,973,165.85	7,570,319.92	630,999,885.87

	Land and Land Improvement	Buildings and Buildings Improvement	Machines and Equipment	Tools	Fixtures and Office Equipment	Vehicles	Waste Water Storage Well	Assets in Progress	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Beginning Balance as at 1 January 2017</b>									
Cost	78,543,101.68	311,203,652.36	418,322,046.09	6,254,292.14	49,638,068.20	85,305,179.69	6,250,000.00	453,375.06	955,969,715.22
Accumulated Depreciation	-	(206,302,856.55)	(325,171,432.72)	(5,583,516.11)	(37,403,755.12)	(57,262,317.57)	(6,249,997.89)	-	(637,973,875.96)
Carrying Amount	78,543,101.68	104,900,795.81	93,150,613.37	670,776.03	12,234,313.08	28,042,862.12	2.11	453,375.06	317,995,839.26
<b>Transactions during the year ended</b>									
<b>31 December 2017</b>									
Beginning Carrying Amount	78,543,101.68	104,900,795.81	93,150,613.37	670,776.03	12,234,313.08	28,042,862.12	2.11	453,375.06	317,995,839.26
Purchase of Assets	22,085,715.00	1,094,720.89	31,978,091.37	774,209.65	4,713,865.39	6,345,645.82	-	112,611,494.09	179,603,742.21
Transfer in (Transfer out)	-	3,927,704.41	9,640,606.99	-	267,331.34	-	-	(6,143,614.49)	7,692,028.25
Disposal of Assets	-	-	(4.00)	-	-	(5.00)	-	-	(9.00)
Written-off of Assets	-	-	(16,009.50)	(4,425.82)	(268,118.65)	(2.00)	-	-	(288,555.97)
Depreciation recognized in Profit (Loss) for the year	-	(10,367,377.60)	(22,803,528.99)	(286,972.84)	(5,357,484.44)	(7,786,436.86)	-	-	(46,601,800.73)
Ending Carrying Amount	100,628,816.68	99,555,843.51	111,949,769.24	1,153,587.02	11,589,906.72	26,602,064.08	2.11	106,921,254.66	458,401,244.02
<b>Ending Balance as at 31 December 2017</b>									
Cost	100,628,816.68	316,226,077.66	453,325,478.72	6,759,179.83	52,930,827.98	89,865,317.78	6,250,000.00	106,921,254.66	1,132,906,953.31
Accumulated Depreciation	-	(216,670,234.15)	(341,375,709.48)	(5,605,592.81)	(41,340,921.26)	(63,263,253.70)	(6,249,997.89)	-	(674,505,709.29)
Carrying Amount	100,628,816.68	99,555,843.51	111,949,769.24	1,153,587.02	11,589,906.72	26,602,064.08	2.11	106,921,254.66	458,401,244.02

As at 31 December 2018 and 2017, the Company has pledged and mortgaged partial of land and buildings, and machinery and equipment which the carrying amount are in amount of Baht 165.51 million and Baht 122.54 million respectively, as collateral against all types of liabilities with the financial institutions and transferred the beneficiary from the insurance contract in amount of Baht 1,775.00 million and Baht 949.00 million respectively, to the financial institutions as in Note 13.

As at 31 December 2018 and 2017, the Company has part of assets as assets under finance lease agreements, have the cost in amount of Baht 54.04 million and Baht 13.51 million respectively, and the carrying amount in amount of Baht 48.73 million and Baht 9.46 million respectively.

## 12. Deferred Tax Assets (Liabilities)

Consist of:

	For the year ended 31 December 2018			
	Beginning Balance	Recognized in	Recognized in other	Ending Balance
	as at	profit (loss)	comprehensive	as at
	1 January 2018	for the year	income (expense)	31 December 2018
	Baht	Baht	Baht	Baht
<b>Deferred Tax Assets</b>				
Trade and Other Current Receivables	1,887,984.55	(1,052,180.09)	-	835,804.46
Inventories	32,023,735.00	(27,703,066.45)	-	4,320,668.55
Non-Current Provisions for				
Employee Benefits	9,495,429.79	1,216,084.21	880.00	10,712,394.00
Tax Losses	14,026,092.25	25,019,095.42	-	39,045,187.67
Total	<u>57,433,241.59</u>	<u>(2,520,066.91)</u>	<u>880.00</u>	<u>54,914,054.68</u>
<b>Deferred Tax Liabilities</b>				
Liabilities under Financial Lease agreements	-	(1,952,896.32)	-	(1,952,896.32)
Total	<u>-</u>	<u>(1,952,896.32)</u>	<u>-</u>	<u>(1,952,896.32)</u>



	Beginning Balance as at 1 January 2017 Baht	For the year ended 31 December 2017		Ending Balance as at 31 December 2017 Baht
		Recognized in	Recognized in other	
		Profit (loss)	comprehensive	
		for the year	income (expense)	
	Baht	Baht	Baht	Baht
Deferred Tax Assets				
Trade and Other Current Receivables	11,110,465.00	(9,222,480.45)	-	1,887,984.55
Inventories	1,228,850.95	30,794,884.05	-	32,023,735.00
Long-Term Investments	8,303,368.06	(8,303,368.06)	-	-
Non-Current Provisions for				
Employee Benefits	10,791,689.59	546,383.01	(1,842,642.81)	9,495,429.79
Tax Losses	3,041,031.14	10,985,061.11	-	14,026,092.25
Total	<u>34,475,404.74</u>	<u>24,800,479.66</u>	<u>(1,842,642.81)</u>	<u>57,433,241.59</u>

### 13. Credit and Guarantees

As at 31 December 2018 and 2017, the Company has obtained credit facilities from financial institutions in form of overdrafts, letters of credit and trust receipts, short-term borrowings, letters of guarantee and credit facilities for forward contract, totaling credit facilities in amount of Baht 2,402.05 million, and Baht 2,715.00 million respectively, and obtained credit facilities for letters of credit in amount of USD 3.00 million and credit facilities for corporate credit card in amount of Baht 1.60 million equally for both years.

As at 31 December 2018 and 2017, the above credit facilities are pledged by mortgage of land and buildings, machinery and equipment of the Company, and transferred beneficiary from insurance in inventories, land and buildings, machinery and equipment as in Note 8 and 11 and the directors of the Company have joined the guarantee.

### 14. Bank Overdrafts and Short-Term Borrowings from Financial Institutions

Consist of:

	As at	As at
	31 December 2018	31 December 2017
	Baht	Baht
Bank Overdrafts	8,447,774.18	8,900,264.98
Short-Term Borrowings from Financial Institutions	1,191,939,012.11	640,182,538.47
Total	<u>1,200,386,786.29</u>	<u>649,082,803.45</u>

As at 31 December 2018 and 2017, the whole amount of short-term borrowings from financial institutions are in form of trust receipts and promissory notes, the interest rate of 1.50 – 7.68% per annum equally both years. Under the term of trust receipt contract, the Company receives ordered goods by using credit of the financial institution, thence the Company constitutes obligation commitment to the financial institution for such goods both that kept or disposed.

The above borrowings have collateral as in Note 13.

## 15. Trade and Other Current Payables

Consist of:

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Trade and Notes Payables		
Trade Payables – Domestic	217,946,921.38	101,547,882.67
Trade Payables – Overseas	47,313,598.01	61,877,135.79
Notes Payables	7,322,434.23	6,370,070.70
Total	<u>272,582,953.62</u>	<u>169,795,089.16</u>
Other Payables	114,791,552.32	80,628,311.41
Total	<u>387,374,505.94</u>	<u>250,423,400.57</u>

As at 31 December 2018 and 2017, other payables consist of:

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Accrued Expenses	51,359,213.19	35,884,832.10
Prereceived for Goods	22,445,185.93	7,395,005.08
Prereceived for Assets	4,499,993.76	4,499,993.76
Asset Payables	1,944,738.13	8,736,246.40
Accrued Interest Expense	3,653,848.97	1,329,467.12
Dividend Payables	1,013,832.65	667,176.20
Accrued Special Severance Pay for Retirement	12,675,000.00	5,070,000.00
Others	17,199,739.69	17,045,590.75
Total	<u>114,791,552.32</u>	<u>80,628,311.41</u>

**16. Long-Term Borrowings**

Consist of:

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
<b>Current</b>		
Within 1 year	13,404,000.00	8,004,000.00
<b>Total Current</b>	<u>13,404,000.00</u>	<u>8,004,000.00</u>
<b>Non-Current</b>		
Over 1 year but not over 5 years	41,108,000.00	30,662,000.00
<b>Total Non-Current</b>	<u>41,108,000.00</u>	<u>30,662,000.00</u>
<b>Total</b>	<u><u>54,512,000.00</u></u>	<u><u>38,666,000.00</u></u>

As at 31 December 2018 and 2017, long-term borrowings have terms and conditions as follows:

No.	Total Limit		Balance		Terms and Conditions
	As at 31 December 2018 Baht	As at 31 December 2017 Baht	As at 31 December 2018 Baht	As at 31 December 2017 Baht	
1	40,000,000.00	40,000,000.00	30,662,000.00	38,666,000.00	The principal and interest shall be paid monthly with the principal repayment in amount of Baht 667,000.00 per month for a period of 5 years, at the interest rate of MLR-1.00 per annum.
2	27,000,000.00	-	23,850,000.00	-	The principal and interest shall be paid monthly with the principal repayments in amount of Baht 450,000.00 per month for a period of 5 years, at the interest rate of MLR-1.00 per annum.
<b>Total</b>	<u>67,000,000.00</u>	<u>40,000,000.00</u>	<u>54,512,000.00</u>	<u>38,666,000.00</u>	

The above limit of long-term borrowings have collateral as in Note 13.

## 17. Liabilities under Finance Lease Agreements

Consist of:

	Minimum Lease Payments		Deferred Interest		Present Value Minimum Lease Payments	
	As at	As at	As at	As at	As at	As at
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Baht	Baht	Baht	Baht	Baht	Baht
<b>Current</b>						
Within 1 year	12,315,432.76	2,784,036.00	(1,399,387.09)	(256,798.34)	10,916,045.67	2,527,237.66
Total Current	<u>12,315,432.76</u>	<u>2,784,036.00</u>	<u>(1,399,387.09)</u>	<u>(256,798.34)</u>	<u>10,916,045.67</u>	<u>2,527,237.66</u>
<b>Non-Current</b>						
Over 1 year						
but not over 5 years	26,631,493.86	3,576,298.00	(1,512,197.63)	(206,586.19)	25,119,296.23	3,369,711.81
Total Non-Current	<u>26,631,493.86</u>	<u>3,576,298.00</u>	<u>(1,512,197.63)</u>	<u>(206,586.19)</u>	<u>25,119,296.23</u>	<u>3,369,711.81</u>
Total	<u>38,946,926.62</u>	<u>6,360,334.00</u>	<u>(2,911,584.72)</u>	<u>(463,384.53)</u>	<u>36,035,341.90</u>	<u>5,896,949.47</u>

## 18. Non-Current Provisions for Employee Benefits

For the year ended 31 December 2018 and 2017, non-current provisions for employee benefits have the movements as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Beginning Balance	47,477,149.00	53,958,448.00
Recognized in Profit (Loss) for the year		
Current Service Cost	5,243,836.95	5,086,751.00
Interest Expense	982,684.04	1,182,264.04
Total Recognized in Profit (Loss) for the year	<u>6,226,520.99</u>	<u>6,269,015.04</u>
Recognized in Other Comprehensive Income (Expense)		
(Gain) Loss on Remeasurements of Defined Benefit Plans		
Changes in Demographic Assumptions	-	(424,728.00)
Changes in Financial Assumptions	-	(869,131.00)
Experience Adjustment	4,400.00	(7,919,355.04)
Total Recognized in Other Comprehensive Income (Expense)	<u>4,400.00</u>	<u>(9,213,214.04)</u>
Employee Benefits Paid	<u>(146,100.00)</u>	<u>(3,537,100.00)</u>
Ending Balance	<u>53,561,969.99</u>	<u>47,477,149.00</u>

For the year ended 31 December 2018 and 2017, the significant assumptions used in the actuarial valuation are summarized as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Discount rate	3.32% per annum	3.32% per annum
Average Salary Increase Rate	3.00% per annum	3.00% per annum
Retirement Age	60 years	60 years

As at 31 December 2018 and 2017, the sensitivity analysis of each significant assumption while holding all other assumptions constant which have been affected by changes in the relevant actuarial assumption that were reasonably possible as at the end of the reporting period is summarized as follows:

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Discount Rate		
Increase 1.00%	(2,561,090.00)	(2,310,093.00)
Decrease 1.00%	2,905,156.00	2,622,662.00
Average Salary Increase Rate		
Increase 1.00%	3,120,977.00	2,346,291.00
Decrease 1.00%	(2,809,328.00)	(2,107,995.00)

As at 31 December 2018 and 2017, the maturity profile of the defined benefit obligations have the weighted average duration are 23.21 years and of 24.14 years respectively.

Although the analysis does not take account of the full distribution of expected cash flows under the plan, it does provide an approximation of the sensitivity of the assumptions.

Presently, Thailand is under the enactment of new labour protection law that requires the Company has to make the severance pay to the employee with the completion to 20 years or more of employment which not less than 400 days of last wage rate. The Company will amend the plan when such law is enacted which will affect the defined benefit obligations as at 31 December 2018 increase by amount of Baht 15.42 million.

## 19. Share Capital

For the year ended 31 December 2018 and 2017, share capital has the movements as follows:

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Par Value	Number of Share	Amount	Par Value	Number of Share	Amount
	Baht per Share	Shares	Baht	Baht per Share	Shares	Baht
<b>Authorized Share Capital</b>						
Beginning ordinary shares	10.00	41,889,937	418,899,370.00	10.00	26,399,995	263,999,950.00
Ordinary Shares Issuance to settle Investment Payables						
from the Entire Business Transfer	-	-	-	10.00	15,489,942	154,899,420.00
Increase of Ordinary Shares from the Change						
of Par Value	1.00	377,009,433	-	-	-	-
Ordinary Share Issuance for the Stock Dividend Payment	1.00	20,944,970	20,944,970.00	-	-	-
Ending Ordinary Shares	1.00	<u>439,844,340</u>	<u>439,844,340.00</u>	10.00	<u>41,889,937</u>	<u>418,899,370.00</u>
<b>Issued and Paid-up Share Capital</b>						
Beginning ordinary shares	10.00	41,889,937	418,899,370.00	10.00	26,399,995	263,999,950.00
Ordinary Shares Issuance to settle Investment Payables						
from the Entire Business Transfer	-	-	-	10.00	15,489,942	154,899,420.00
Increase of Ordinary Shares from the Change						
of Par Value	1.00	377,009,433	-	-	-	-
Ordinary Share Issuance for the Stock Dividend Payment	1.00	20,944,914	20,944,914.00	-	-	-
Ending Ordinary Shares	1.00	<u>439,844,284</u>	<u>439,844,284.00</u>	10.00	<u>41,889,937</u>	<u>418,899,370.00</u>

On 25 January 2018, the Extraordinary General Shareholders' Meeting of the Company No.1/2018 has the resolution to approve the change of par value of shares of the Company from Baht 10.00 per share to be Baht 1.00 per share, by increase of ordinary shares from 41,889,937 shares to be 418,899,370 shares. The Company already has registered the change of par value with Department of Business Development, Ministry of Commerce on 31 January 2018.

On 26 April 2018, the Annual General Shareholders' Meeting of the Company for 2018 has the resolution to approve the increase of the authorized share capital of the Company from the former authorized share capital in amount of Baht 418,899,370 which was divided into 418,899,370 ordinary shares at the par value of Baht 1.00 per share, to be the new authorized share capital in amount of Baht 439,844,340.00 which is divided into 439,844,340 ordinary shares at the par value of Baht 1.00 per share, for support of the stock dividend payment. The Company already has registered the change of authorized share capital with the Department of Business Development, Ministry of Commerce on 21 May 2018.

## 20. Legal reserve

In accordance with the Public Limited Companies Act B.E. 2535, the Company has to appropriate not less than 5% of its annual net profit less any accumulated losses brought forward (if any) to a reserve account, until this account reaches an amount not less than 10% of the authorized share capital. This legal reserve is not available for dividend distribution.

On 27 February 2019, the Board of Directors Meeting of the Company No. 1/2019 has passed the resolution to approve to propose the Annual General Meeting of Shareholders of the Company for 2019 to consider to approve the appropriation of profit for 2018 as legal reserve in amount of Baht 598,848.94 as at Note 34.

## 21. Dividend Payment

On 26 April 2018, the Annual General Shareholders' Meeting of the Company for 2018 has the resolution to approve the appropriate of retained earnings as dividend to the shareholders of the Company as follows:

- Stock dividend with ordinary share at the ratio of 20 existing ordinary shares per 1 stock dividend at par value of Baht 1.00 per share, total not exceeding 20,944,970 shares, equivalent to stock dividend ratio not exceeding Baht 0.05 per share, or equivalent to amount not exceeding Baht 20,944,970.00 In case that any shareholder obtains fraction of shares from calculation in accordance with such share allocation, the Company shall eliminate that fraction.

- Cash dividend at the ratio of Baht 0.00556 per share, or equivalent to amount not exceeding Baht 2,329,081.00.

## 22. Capital Management

The primary objectives of the Company's capital management are to maintain the abilities to continue as a going concern and the optimal capital structure.

The Company monitors capital using debt to equity ratio which is calculated by dividing the liabilities as in the statement of financial position with the shareholders' equity as in the statement of financial position.

As at 31 December 2018 and 2017, the debt to equity ratio is as follows:

	As at	As at
	31 December 2018	31 December 2017
Liabilities (Baht)	1,734,045,000.44	991,851,802.49
Shareholders' Equity (Baht)	1,084,567,736.36	1,075,013,432.53
Debt to Equity Ratio (Time)	1.60	0.92

Under the significant terms and conditions of borrowings from financial institutions, the Company has to comply the financial covenants as follows:

- Debt service coverage ratio in the rate not lower than 1.25 times.
- Interest-bearing debt to equity in the rate not exceeding 1.5 times.
- Debt to equity ratio in the rate not exceeding 2.0 times.

The Company has complied with the above financial covenants throughout the reporting period.

### 23. Other Incomes

Consist of:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Reversal of Doubtful Debts	-	23,201,539.34
Gain on Disposal of General Investments	-	19,687,599.06
Gain on Disposal of Property, Plant and Equipment	1,637,533.39	383,168.58
Interest Incomes	923,120.33	2,201,288.66
Rental Incomes and Services	7,525,903.02	4,979,736.19
Consultancy Income	4,751,010.60	4,311,195.41
Tax Compensation Incomes	1,705,514.58	12,677,211.03
Others	4,815,752.26	1,894,139.27
Total	<u>21,358,834.18</u>	<u>69,335,877.54</u>

For the year ended 31 December 2017, all amount of gain on disposal of general investment as gain on disposal of investment in CPL International Company Limited which the Company holds 15.00% in amount of 1,200,000 shares to Guang Dong Zhong Rui Hua Yan Enterprise Company Limited in amount of USD 864,000.00 on 24 October 2017, in accordance with the resolution of the Board of Directors Meeting of the Company No. 2/2015 on 14 May 2015.



## 24. Provident Fund

The Company and its employees had jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530, which consist of the contributions from employees and the Company, and will be paid to the employees upon termination in accordance with the fund's rules.

For the year ended 31 December 2018 and 2017, the Company has recognized the contribution as expense in amount of Baht 3.41 million and Baht 3.18 million respectively.

## 25. Expenses by Nature

Consist of:

	For the year ended 31 December 2018 Baht	For the year ended 31 December 2017 Baht
Changes in Finished Goods and Work-in-Process	7,911,404.91	49,421,509.98
Raw Material and Chemical Used	2,185,852,566.64	1,653,635,681.01
(Reversal of) Loss on Devaluation of Inventories	(143,001,898.35)	138,201,913.72
Employee Benefit Expenses	371,186,531.75	286,320,204.50
Managements' Remuneration	49,810,309.00	39,868,325.00
Depreciation	60,421,861.58	46,601,800.73
Amortization of Leasehold Rights	200,619.67	219,979.93
Amortization of Other Intangible Assets	1,755,336.10	1,547,511.22
Bad Debts	8,753.16	-
Doubtful Debts	302,756.06	172,217.57
Transportation Expenses	33,017,930.59	13,701,919.71
Sale Promotion Expenses	29,406,759.74	26,371,800.25
Other Service Expenses	28,582,529.60	27,924,325.88
Other Production Expenses	168,670,040.72	107,494,422.22
Rent and Utility Expenses	12,939,816.65	13,280,905.46
Travel Expenses	25,901,912.10	18,303,881.41
Others	37,492,466.57	36,250,487.25
Total	2,870,459,696.49	2,459,316,885.84

## 26. Income Tax (Expense) Revenue

### 26.1 Income Tax (Expense) Revenue which is recognized in Profit (Loss) for the year

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Current Tax		
Income Tax (Expense) Revenue for current period	-	(5,053,920.66)
Deferred Tax		
Income Tax (Expense) Revenue relating to the Origination and Reversal of Temporary Differences	(4,472,963.23)	24,800,479.66
Total	<u>(4,472,963.23)</u>	<u>19,746,559.00</u>

For the year ended 31 December 2018 and 2017, the relationship between income tax (expense) revenue and accounting profit (loss) in the form of reconciliation between income tax (expense) and the product of accounting profit (loss) by the applicable tax rate at 20% is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Profit (Loss) Before Income Tax	16,449,942.12	(122,954,587.81)
Income Tax (Expense) Revenue by the Tax Rate at 20%	(3,289,988.42)	24,590,917.56
Expenses that are not deductible	(1,289,073.38)	(860,249.31)
Temporary Differences for which no Deferred Tax Asset is recognized	106,098.57	(3,984,109.25)
Total	<u>(4,472,963.23)</u>	<u>19,746,559.00</u>

### 26.2 Income Tax (Expense) Revenue which is recognized in Other Comprehensive Income (Expense)

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Amount Before Tax	Income Tax (Expense) Revenue	Amount Net of Tax	Amount Before Tax	Income Tax (Expense) Revenue	Amount Net of Tax
	Baht	Baht	Baht	Baht	Baht	Baht
Share of Other Comprehensive Income (Expense) of Associates	(90,019.60)	-	(90,019.60)	-	-	-
Gain (loss) on Remeasurement of Defined Benefit Plans	(4,400.00)	880.00	(3,520.00)	9,213,214.04	(1,842,642.81)	7,370,571.23
Total	<u>(94,419.60)</u>	<u>880.00</u>	<u>(93,539.60)</u>	<u>9,213,214.04</u>	<u>(1,842,642.81)</u>	<u>7,370,571.23</u>

## 26.3 Deductible Temporary Differences for which no Deferred Tax Assets is recognized

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
Deductible Temporary Differences		
Investments in Associates	35,561,791.40	36,002,264.66
Total	<u>35,561,791.40</u>	<u>36,002,264.66</u>

Deductible temporary differences for which no deferred tax asset is recognized, have no expiry date under the current tax legislation.

The Company has not recognized deferred tax asset associated with investments in associates, because the Company has not yet intended to dispose these investments.

## 27. Earnings (Loss) Per Share

For the year ended 31 December 2018 and 2017, basic earnings (loss) per share calculated from profit (loss) for the period attributable to the ordinary shareholders' equity of the Company and weighted average number of issued ordinary shares during the period by adjusting the number of ordinary shares to reflect the impact of the ordinary shares issuance to settle investment payables from the entire business transfer, the increase of ordinary shares from the change of par value and the ordinary shares issuance for the stock dividend payment as in Note 19 at the beginning of the earliest period of the financial report as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Profit (Loss) Attributable to Ordinary Shareholders of the Company (Baht)	11,976,978.89	(103,208,028.81)
Restated Weighted Average Number of Ordinary Shares (Shares)		
Weighted Average Number of Ordinary Shares	400,708,775	39,173,892
Effect of Ordinary Share Issuance to settle Investment Payables from the Entire Business Transfer	-	2,716,045
Effect of Increase of Ordinary Shares from the Change of Par Value	30,987,077	377,009,433
Effect of Ordinary Shares Issuance for the Stock Dividend Payment	8,148,432	20,944,914
Total	<u>439,844,284</u>	<u>439,844,284</u>
Basic Earnings (Loss) Per Share (Baht)	0.03	(0.23)

## 28. Segment Information

### 28.1 General Information about Segment

The Company has identified the reportable segments from the structure of internal managerial and financial information system of the Company according to the types of products and services which are the operating segments that the management of the Company has used the segment profit (loss) before income tax in the financial performance review regularly as follows:

- Business segment of tannery industry which has revenue from finished leather products and tanning services both domestic and overseas.
- Business segment of personal protective equipment which has revenue from personal protective equipment products both domestic and overseas.

### 28.2 Information about Segment Profit or Loss

Inter-reportable segment transactions are carried out at arm's length and are eliminated from the financial statements of the Company.

Segment revenue and profit or loss include items directly attribute to a segment as well as these that can be allocated on a reasonable basis with revenue and profit or loss in the financial statements of the Company.

For the year ended 31 December 2018 and 2017, the operating segment information is presented as follows:

	For the year ended 31 December 2018					Total Baht '000
	Reportable Segments			Business Segment of Personal Protective Equipment	Eliminated Items Baht '000	
	Business Segment of Tannery Industry					
	Finished Leather Baht '000	Tanning Baht '000	Total Baht '000			
Revenue from Sales and Services						
External Customers						
Domestic	179,790	-	179,790	674,383	-	854,173
Overseas	1,762,703	256,770	2,019,473	23,902	-	2,043,375
Inter-Segment	28,928	14,484	43,412		(43,412)	-
Total	1,971,421	271,254	2,242,675	698,285	(43,412)	2,897,548
Gross Profit (Loss)	116,906	10,788	127,694	286,293	-	413,987
Gain (Loss) on Exchange Rate			(197)	3,197	-	3,000
Interest Income			813	110	-	923
Other Incomes			11,627	8,809	-	20,436
Distribution Costs			(70,433)	(115,154)	-	(185,587)
Administrative Expenses			(138,232)	(63,079)	-	(201,311)
Interest Expense			(29,027)	(3,633)	-	(32,660)
Other Finance Costs			(2,200)	(668)	-	(2,868)
Share of Gain (Loss) of Associates			530		-	530
Profit (Loss) Before Income Tax			(99,425)	115,875	-	16,450
Income Tax (Expense) Revenue						(4,473)
Profit (Loss) for the period						11,977
Depreciation and Amortization						62,177

For the year ended December 2017

	Reportable Segments			Business Segment of Personal Protective Equipment	Eliminated Items	Total
	Business Segment of Tannery Industry					
	Finished Leather	Tanning	Total			
	Baht '000	Baht '000	Baht '000			
Revenue from Sales and Services						
External Customers						
Domestic	210,870	-	210,870	600,851	-	811,721
Overseas	1,327,604	107,754	1,435,358	28,725	-	1,464,083
Inter-Segment	17,676	-	17,676	-	(17,676)	-
Total	1,556,150	107,754	1,663,904	629,576	(17,676)	2,275,804
Gross Profit (Loss)	(129,565)	17,246	(112,319)	253,004	-	140,685
Gain (Loss) on Exchange Rate			31,010	3,249	-	34,259
Reversal of Doubtful Debts			23,201	-	-	23,201
Gain on Disposal of General Investments			19,688	-	-	19,688
Interest Income			1,832	369	-	2,201
Other Incomes			18,550	5,696	-	24,246
Distribution Costs			(38,871)	(104,153)	-	(143,024)
Administrative Expenses			(117,931)	(63,243)	-	(181,174)
Interest Expense			(15,276)	(4,201)	-	(19,477)
Other Finance Costs			(1,930)	(1,709)	-	(3,639)
Share of Gain (Loss) of Associates			(19,921)	-	-	(19,921)
Profit (Loss) Before Income Tax			(211,967)	89,012	-	(122,955)
Income Tax (Expense) Revenue						19,747
Profit (Loss) for the period						(103,208)
Depreciation and Amortization						48,149

### 28.3 Information about Major Customers

For the year ended 31 December 2018 and 2017, information about major customers which amounting to 10% or more of revenue in the financial statements of the Company is as follows:

	Proportion to total revenue		Revenue	
	For the year ended	For the year ended	For the year ended	For the year ended
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	Baht	Baht	Baht	Baht
Overseas Customer 1	13.35	4.73	386,837,020.48	107,538,318.36
Overseas Customer 2	11.68	14.21	338,402,652.25	323,503,968.84
Total	25.03	18.94	725,239,672.73	431,042,287.20

## 29. Financial instruments

### 29.1 Financial Risk Management Policy

The Company has exposure to interest rate risk, exchange rate risk and credit risk which the Company will consider to use the appropriate financial instruments to manage such risks. However, the Company does not have policy to hold or issue any derivative financial instruments for speculation or trading.

### 29.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at 31 December 2018 and 2017, the Company has financial assets and financial liabilities which expose to the interest rate the risk as follows:

	As at 31 December 2018				
	Floating Interest	Fixed	Non-Interest	Total	Rate
	Rate	Interest Rate	Bearing		
	Baht	Baht	Baht	Baht	% per annum
<b>Financial Assets</b>					
Cash and Cash Equivalents	61,913,858.18	-	83,724,385.15	145,638,243.37	0.125-0.750
Long-Term Loans to Employee	-	141,147	-	141,147	6.00
<b>Financial Liabilities</b>					
Overdrafts	8,447,774.1	-	-	8,447,774.1	7.675
Short-Term Borrowings from Financial Institutions					
Thai Baht Currency	621,857,571.15	-	-	621,857,571.15	3.00 – 4.00
Foreign Currency	570,081,440.96	-	-	570,081,440.96	1.50 – 4.14
Long-Term Borrowings	54,120,000.00	-	-	54,120,000.00	5.00 – 5.25
Liabilities under Finance Lease Agreements	-	36,035,341.90	-	36,035,341.90	0.31 – 2.75
As at 31 December 2017					
	Floating Interest	Fixed	Non-Interest	Total	Rate
	Rate	Interest Rate	Bearing		
	Baht	Baht	Baht	Baht	% per annum
<b>Financial Assets</b>					
Cash and Cash Equivalents	38,744,250.82	-	70,426,635.61	109,170,886.43	0.13 – 0.75
Investments in Debt Instruments – Held to Maturity	-	16,000,000.00	-	16,000,000.00	4.00 – 4.40
Long-Term Loans to Employee	-	266,035.71	-	266,035.71	6.00
<b>Financial Liabilities</b>					
Overdrafts	8,900,264.98	-	-	8,900,264.98	7.12
Short-Term Borrowings from Financial Institutions					
Thai Baht Currency	401,562,432.66	-	-	401,562,432.66	3.00 – 4.00
Foreign Currency	238,620,105.81	-	-	238,620,105.81	1.50 – 4.02
Long-Term Borrowings	38,666,000.00	-	-	38,666,000.00	5.25
Liabilities under Finance Lease Agreements	-	5,896,949.47	-	5,896,949.47	0.39 – 0.83

As at 31 December 2018 and 2017, the Company does not use any financial instrument for managing such risk.

### 29.3 Exchange Rate Risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Exchange rate risk of the Company is mainly associated with purchase of goods and machinery and sale of goods in foreign currencies.

As at 31 December 2018 and 2017, the Company has financial assets and financial liabilities in foreign currencies which expose to the exchange rate risk as follows:

Currencies	Financial Assets		Financial Liabilities	
	As at	As at	As at	As at
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
GBP	-	-	1,760.00	2,126.00
INR	-	2,850.00	-	-
EURO	2,240.00	5,991.20	306,350.50	314,396.50
CNY	-	694,169.00	-	-
USD	10,780,174.40	2,628,208.59	11,573,320.63	7,113,824.04

As at 31 December 2018 and 2017, the Company has managed the exchange rate risk by entering into the foreign currency forward contracts as follows:

	As at	As at
	31 December 2018	31 December 2017
	<u>Million Baht</u>	<u>Million Baht</u>
<b>Buying Foreign Currency Forward Contracts – Million USD</b>		
Amount of Forward Contracts	-	48.75
Fair Value	-	48.23
<b>Selling Foreign Currency Forward Contracts – Million USD</b>		
Amount of Forward Contracts	94.02	11.39
Fair Value	93.55	11.40

Fair value of the buying and selling forward contracts are computed by using rates determined by those counterparty financial institutions as at the date in the statement of financial position which is Level 2 inputs.



#### 29.4 Credit Risk

Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company is associated with concentrations of credit and default on collection from deposits at financial institutions, held-to-maturity investments in debt instruments and receivables.

As at 31 December 2018 and 2017, the Company has managed the credit risk by the group of financial assets as follows:

- For deposits at financial institutions, the Company has considered the credit rating of financial institutions and credit facilities granted with the Company.
- For held-to-maturity investments in debt instruments, the Company has considered the credit rating of the debt instruments issuer throughout the investing period.
- For receivables, the Company has considered the credit quality of the receivable from financial position and past experience of collection and required some customers have to open letter of credit or make the advance payment for goods.

#### 29.5 Fair Value

As at 31 December 2018 and 2017, financial assets and financial liabilities are mainly in short-term and borrowings are bearing interest rates close to market interest rates. Thence, the management of the Company believes that the carrying amount of such financial assets and financial liabilities are immaterially differed from fair value.

#### 29.6 Fair Value Hierarchy

As at 31 December 2018 and 2017, fair value hierarchy of assets and liabilities in the statement of financial position is as follows:

	As at 31 December 2018				
	Carrying Amount	Fair Value			Total
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
	Baht	Baht	Baht	Baht	Baht
<b>Assets not measured at Fair Value</b>					
<b>but for which the Fair Value is disclosed</b>					
Investment Property	124,988,568.42	-	-	141,170,000.00	141,170,000.00

As at 31 December 2017

	Fair Value				Total
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
	Baht	Baht	Baht	Baht	
<b>Assets not measured at Fair Value</b>					
<b>but for which the Fair Value is disclosed</b>					
Investments in Debt Instruments – Held to Maturity					
Maturity within 1 year	16,000,000.00	-	16,533,872.48	-	16,533,872.48
Investment Property	124,988,568.42	-	-	141,170,000.00	141,170,000.00

### 30. Related Party Transactions

The Company has significant business transactions with the related parties. Such transactions are concluded on commercial terms and bases, agreed upon between the Company and those related parties which are in ordinary course of business, are summarized as follows:

#### 30.1 Relationship with the Company

<u>Name of Related Parties</u>	<u>Nature of Relationship</u>
Integrated Leather Network Company Limited	Associate by direct shareholding
Eagle Chemical Industrial Company Limited	Related Entity by common group of shareholders and executives
Applied DB Public Company Limited	Related Entity by common group of shareholders and executives
Manwood Intertrade Company Limited	Related Entity by common group of shareholders and executives
Thai Wiring System Company Limited	Related Entity by common group of shareholders and executives
Thai Technical Nonwoven Company Limited	Related Entity by common group of shareholders and executives
CS Rubber Industry Company Limited	Related Entity by common group of shareholders and executives
Charoensin Asset Company Limited	Related Entity by common group of shareholders and executives
Charoensin Holding Company Limited	Related Entity by common group of shareholders and executives
Charoensin Thanee Company Limited	Related Entity by common group of shareholders and executives
Charoensin Condotown Company Limited	Related Entity by common group of shareholders and executives
VT Brother Company Limited	Related Entity by common group of shareholders and executives
Furano Air Company Limited	Related Entity by common group of shareholders and executives
Tanning Industry Charoensin Company Limited	Related Entity by common group of shareholders and executives
Smart Sense Industrial Design Company Limited	Related Entity by common group of shareholders and executives
Khun Phuwasit Wongcharoensin	Related Person by being the director and shareholder of the Company
Khun Nattajak Wongcharoensin	Related Person by being the director and shareholder of Related Entity

## 30.2 Inter-Transactions

	Pricing Policies	For the year ended 31 December 2018 Baht	For the year ended 31 December 2017 Baht
<b>Inter-Transactions with Associates</b>			
Revenue from Sales	Normal business prices which are comparable with outside parties	1,798,423.40	156,640.20
Consultancy Income	Cost plus margin	4,751,010.60	4,311,195.41
Rental Income	Mutually agreed prices	130,625.00	780,000.00
Interest Income	At the rate of 9.00% per annum	-	266,301.37
Other Incomes	Mutually agreed prices	80,000.00	-
Purchase of Materials	Mutually agreed prices	484,074,863.41	365,457,317.62
Purchase of Supplies	Mutually agreed prices	-	40,000.00
Purchase of Assets	Mutually agreed prices	2,255,053.29	-
<b>Inter-Transactions with Related Entities</b>			
Revenue from Sales	Normal business prices which are comparable with outside parties	3,630,203.66	1,461,801.24
Other Incomes	Mutually agreed prices	420,742.32	1,092,647.45
Purchase of Materials	Mutually agreed prices	376,754,225.03	114,891,384.06
Purchase of Supplies	Mutually agreed prices	2,271,850.00	1,611,000.00
Rental Expense	Mutually agreed prices	5,939,170.51	5,011,254.00
Other Expenses	Mutually agreed prices	1,045,627.44	1,267,508.33
<b>Inter-Transactions with Related Persons</b>			
Rental Expense	Mutually agreed prices	532,663.43	180,000.00

## 30.3 Inter-Outstanding Balances

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
<b>Trade and Notes Receivables</b>		
Associates	41,173.60	2,837.64
Related Entities	1,593,055.80	369,341.96
Total	<u>1,634,229.40</u>	<u>372,179.60</u>

	As at 31 December 2018 Baht	As at 31 December 2017 Baht
<b>Other Receivables</b>		
Associates	43,468.75	579,726.00
Related Entities	2,206.19	2,206.19
Total	<u>45,674.94</u>	<u>581,932.19</u>
<b>Advance Payment</b>		
Associates	7,848,458.82	-
Related Entities	720,000.00	-
Total	<u>8,568,458.82</u>	<u>-</u>
<b>Short-Term Loans</b>		
Associates		
Beginning Balance	-	24,000,000.00
Additional Loans	-	-
Repayment	-	(24,000,000.00)
Ending Balance	<u>-</u>	<u>-</u>
<b>Trade and Notes Payables</b>		
Associates	2,512,821.80	2,537,480.00
Related Entities	151,748,552.10	47,048,967.40
Total	<u>154,261,373.90</u>	<u>49,586,447.40</u>
<b>Other Payables</b>		
Related Entities	168,641.18	37,236.00
Related Persons	10,284.00	39,788.54
Total	<u>178,925.18</u>	<u>77,024.54</u>
<b>Accrued Expenses</b>		
Related Entities	36,280.50	-
Total	<u>36,280.50</u>	<u>-</u>

#### 30.4 Inter-Guarantees

As at 31 December 2018 and 2017, the Company has provided the guarantee on the request for credit facilities of Integrated Leather Network Company Limited with a financial institution in the credit facilities of Baht 40.00 million.

### 30.5 Inter-Obligations

As at 31 December 2018 and 2017, the Company has obligations to the land lease contract and buildings lease contracts with the related parties as in Note 32.2 and 32.3.

### 30.6 Key Management's Remuneration

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Short-Term Benefits	40,808,300.00	33,616,250.00
Post-Employment Benefits		
- Defined Contribution Plans	568,464.00	460,454.00
- Defined Benefit Plans	828,545.00	721,621.00
- Special Severance Pay for Retirement	7,605,000.00	5,070,000.00
Total	49,810,309.00	39,868,325.00

In accordance with the resolution of the Board of Directors Meeting of the Company No. 6/2017 on 12 May 2017, has passed the resolution to approve the special severance pay to 5 founders of the Company, which will be paid on the retirement of each founder.

## 31. Cash Flow Transactions

### 31.1 Non-Cash Flow Transactions

Consist of:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Baht	Baht
Purchase of Property, Plant and Equipment not yet paid		
- Value of Assets	1,896,369.55	8,164,716.26
- Value Added Tax	48,368.58	571,530.14
Purchase of Property, Plant and Equipment under Finance Lease Agreements	4,299,065.42	5,044,000.00
Other Current Receivables increase from Disposal of General Investments	-	3,178,108.50
Transfer of Inventories to Property, Plant and Equipment	-	7,692,029.25
Transfer of Current Tax Assets to Prior Period Tax Assets	7,446,148.44	163,615.69
Transfer of Property, Plant and Equipment to Other Intangible Assets	751,750.00	-
Transfer of Property, Plant and Equipment to Other Non-Current Assets	330,998.08	1.00
Share of Other Comprehensive Income (Expense) of Associates	90,019.60	-
Actuarial Gain (Loss) for Employee Defined Benefit Plans recognized in Other Comprehensive Income (Expense)	4,400.00	9,213,214.04

## 31.2 Change in Liabilities arising from Financing Activities

For the year ended 31 December 2018 and 2017, changes in liabilities arising from financing activities have the movements as follows:

	For the year ended 31 December 2018				
	Beginning Balance	Changes from	Changes from	Other Changes	Ending Balance
	as at	Financing	Exchange Rate		as at
	1 January 2018	Cash Flows			31 December 2018
	Baht	Baht	Baht	Baht	Baht
Overdrafts and Short-Term Borrowings from Financial Institutions	649,082,803.45	553,523,198.22	(2,219,215.38)	-	1,200,386,786.29
Long-Term Borrowings					
Current	8,004,000.00	(11,154,000.00)	-	16,554,000.00	13,404,000.00
Non-Current	30,662,000.00	27,000,000.00	-	(16,554,000.00)	41,108,000.00
Liabilities under Finance Lease Agreements					
Current	2,527,237.66	(7,490,325.88)	-	15,879,133.89	10,916,045.67
Non-Current	3,369,711.81	33,329,652.89	-	(11,580,068.47)	25,119,296.23
Asset Payables	8,736,246.40	(8,736,246.40)	-	1,944,738.13	1,944,738.13
Accrued Interest Expense	1,329,467.12	(30,335,440.55)	-	32,659,822.40	3,653,848.97
Dividend Payables	667,176.20	(1,982,479.01)	-	2,329,135.46	1,013,832.65
Total	<u>704,378,642.64</u>	<u>554,154,359.27</u>	<u>(2,219,215.38)</u>	<u>41,232,761.41</u>	<u>1,297,546,547.94</u>
	For the year ended 31 December 2017				
	Beginning Balance	Changes from	Changes from	Other Changes	Ending Balance
	as at	Financing	Exchange Rate		as at
	1 January 2017	Cash Flows			31 December 2017
	Baht	Baht	Baht	Baht	Baht
	Overdrafts and Short-Term Borrowings from Financial Institutions	584,137,538.72	65,330,820.77	(385,556.04)	-
Long-Term Borrowings					
Current	4,628,649.41	(13,299,998.73)	-	16,675,349.32	8,004,000.00
Non-Current	2,708,699.91	44,628,649.41	-	(16,675,349.32)	30,662,000.00
Liabilities under Finance Lease Agreements					
Current	3,901,417.36	(6,329,933.78)	-	4,955,754.08	2,527,237.66
Non-Current	3,281,465.89	-	-	88,245.92	3,369,711.81
Asset Payables	424,060.20	(424,060.20)	-	8,736,246.40	8,736,246.40
Accrued Interest Expense	854,995.16	(19,002,243.56)	-	19,476,715.52	1,329,467.12
Dividend Payables	667,176.20	-	-	-	667,176.20
Total	<u>600,604,002.85</u>	<u>70,903,233.91</u>	<u>(385,556.04)</u>	<u>33,256,961.92</u>	<u>704,378,642.64</u>

### 32. Obligations and Contingent Liabilities

In addition to the liabilities in the statement of financial position as at 31 December 2018 and 2017, the Company still has obligations and contingent liabilities as follows:

32.1 As at 31 December 2018 and 2017, the Company has obligations and contingent liabilities with the financial institutions as follows:

	As at 31 December 2018			As at 31 December 2017		
	Total Facilities	Utilized Facilities	Remaining Facilities	Total Facilities	Utilized Facilities	Remaining Facilities
Letters of Guarantee						
Million Baht	15.00	(7.26)	7.74	15.00	(6.14)	8.86
Letters of Credit/Trust Receipts						
Million Baht	1,111.20	(847.79)	263.41	1,380.00	(442.05)	937.95
Million USD	3.00	(2.10)	0.90	3.00	-	3.00
Overdrafts						
Million Baht	100.00	(8.45)	91.55	100.00	(8.90)	91.10
Promissory Notes						
Million Baht	525.85	(234.08)	291.77	590.00	(303.31)	286.69
Buying and Selling Foreign Currency						
Forward Contracts						
Million Baht	650.00	(94.02)	555.98	630.00	(60.14)	569.86
Corporate Credit Card						
Million Baht	1.60	(0.28)	1.32	1.60	(0.22)	1.38

32.2 As at 31 December 2018 and 2017, the Company has obligations according to future land lease payments under the land lease contract which is classified as operating lease agreements with the related party. The contract is for a period of 15 years ended 30 April 2032, the lease rate is in amount of Baht 0.06 million per month, which the lessor has the right to increase the lease rate not over than 10% on every 3 years.

32.3 As at 31 December 2018 and 2017, the Company has obligations according to the building lease contracts which are classified as operating lease agreements with the related parties as follows:

	As at 31 December 2018 <u>Million Baht</u>	As at 31 December 2017 <u>Million Baht</u>
Within 1 year	5.56	4.68
Over 1 year but not over 5 years	8.04	-
Total	<u>13.60</u>	<u>4.68</u>

32.4 As at 31 December 2018 and 2017, the Company has obligations according to the building lease contracts and office equipment lease contracts which are classified as operating lease agreements with other parties as follows:

	As at 31 December 2018 <u>Million Baht</u>	As at 31 December 2017 <u>Million Baht</u>
Within 1 year	2.86	2.36
Over 1 year but not over 5 years	3.41	2.67
Total	<u>6.27</u>	<u>5.03</u>

32.5 As at 31 December 2018 and 2017, the Company has obligations according to the service contracts with other parties as follows:

	As at 31 December 2018 <u>Million Baht</u>	As at 31 December 2017 <u>Million Baht</u>
Within 1 year	10.39	6.21
Over 1 year but not over 5 years	3.82	4.01
Total	<u>14.21</u>	<u>10.22</u>

32.6 As at 31 December 2018 and 2017, the Company has obligations according to the payments under the factory and machinery construction contracts with other parties in amount of Baht 9.96 million and Baht 35.86 million respectively.



32.7 As at 31 December 2018 and 2017, the Company has obligations according to future payments for assets with other parties as follows:

	As at 31 December 2018	As at 31 December 2017
Million Baht	5.53	1.11
Million US Dollar	0.01	0.16
Million Euro	0.17	-

### 33. Correction of Accounting Errors for Prior Period

The Company has corrected the accounting errors of the financial statements for the year ended 31 December 2017 regarding the ordinary share issuance to settle investment payables from the entire business transfer which recorded the overstate of discount on business combination under the common control, by retroactive restatement as if such errors had never occurred, which affects the financial statements as follows:

	As Previously Reported Baht	Adjustment Baht	As Currently Reported Baht
<b>Statement of Financial Position As at 31 December 2017</b>			
Discount on Business Combination under the Common Control	(290,972,563.90)	48,453,938.52	(242,518,625.38)
Retained Earnings – Unappropriated	344,050,090.46	(48,453,938.52)	295,596,151.94

### 34. Events after the reporting period

On 27 February 2019, the Board of Directors Meeting of the Company No. 1/2019 has passed the significant resolution to approve to propose the Annual General Meeting of Shareholders of the Company for 2019 to approve the appropriation of profit for 2018 as legal reserve in amount of Baht 598,848.94 and the dividend payment at the rate of Baht 0.02 per share in amount of Baht 8,796,885.68, which specifies the record date for the right to receive the dividend payment on 13 March 2019 and the dividend will be paid on 21 May 2019.

### 35. Approval of the Financial Statements

These financial statements have been approved to issue by the Board of Directors of CPL Group Public Company Limited on 27 February 2019.



Creative Performance Lifestyle

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