



Creative Performance Leather

Growth Sustainability

Annual Report 2016
รายงานประจำปี 2559

Contents

• Summary of Financial Information	4
• General Information and other information	5
• Message from Chairman	7
• Business Overview	8
• Nature of Business and Business Performance	14
• Management Discussion and Analysis	17
• Related Transactions	22
• Risk Factors	23
• Securities Details and Shareholding Structure	25

• Dividend Policy	26
• Management Structures	28
• Corporate Governance and Supervision on the Use of Internal Information	37
• Corporate Social Responsibility	46
• Internal Control and Risk Management	51
• Audit Committee's Report	52
• Board of Directors' Statement of Responsibility for Financial Reports	53
• Annual Financial Statement and Auditor Report of Certified Public Accountant	54

1. Summary of Financial Information

Description	2016 Million Baht	2015 Million Baht	2014 Million Baht
Total assets	1,514.11	1,543.82	1,471.50
Total liabilities	611.94	549.41	446.26
Total shareholders' equity	902.17	994.41	1,025.24
Revenue from sales	1,769.03	2,315.50	2,289.37
Total revenue	1,779.33	2,323.02	2,310.43
Gross profit	(56.48)	35.17	88.96
Comprehensive income	(52.64)	35.17	84.27
Earnings per share (Baht)	(2.14)	1.33	3.37
Book value per share (Baht)	34.17	37.67	38.83

Financial Ratios		31 December 2016	31 December 2015	31 December 2014
Liquidity ratio	(Times)	2.06	2.36	2.82
Quick ratio	(Times)	0.20	0.30	0.46
Accounts receivable turnover	(Times)	16.39	18.37	21.49
Average collection period	(Days)	22.27	19.87	16.75
Inventory turnover	(Times)	1.58	2.08	6.15
Holding period	(Days)	227.85	173.08	58.54
Net profit margin	(%)	(3.19)	1.52	3.64
Return on equities	(%)	(6.26)	3.54	8.81
Return on assets	(%)	(3.73)	2.88	6.48
Dividend per share	(Baht)	-	1.50	2.50

2. General Information and Other information

Company Name	CPL Group Public Company Limited
Nickname	CPL
Company Registered No.	0107537000289
Type of Business	Leather Manufacturing for Shoes and leather goods manufacturers

Registered Capital	263,999,950 Baht
Contain	Common stock 26,399,995 shares, 10 Baht per share
Head office	700 moo 6, Sukhumvit Road, Tambol Bangpoomai, Ampour Muang, Samutprakarn 10280 Tel. 02 709 5633 - 8 Fax 02 709 6033, 02 709 6044
Website	www.cpl.co.th
Secretary Section	Tel. 02 709 5633 - 8 Ext: 401 Email: secretary@cpl.co.th
Investor Relationship	Tel. 02 7095633 - 8 Ext. 302 Email: ir.dept@cpl.co.th

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

Certified Public Accountant	CWWP Company Limited Mr. Cherdsakul Onmongkol CPA No.7195 Ms.Wanraya Puttasatien CPA No. 4387 Ms. Waraporn Intraprasit CPA 7881 14 th PayataiPlaz Building No. 128/150-153 Tel. 02 216 6464 Fax. 02 215 4772
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Lawyer Consultant	Payab Kamart Lawyer Office 45/15 Moo 1 Bangrateak Sampran Nakornpatom 73210 Tel. 081 814 0793
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3. Message from Chairman

2016 was the year that all Thais suffered from the greatest loss after the announcement of the passing of H.M. King Bhumibol Adulyadej which came in a statement from the Bureau of The Royal Household on October 13, 2016. With eternal respect and gratitude for H.M. King Bhumibol Adulyadej's dedication and kindness to Thai people, CPL Group Public Company Limited pledges to follow the Royal Footsteps in sustaining the development of our business for many years to come. The Board of Directors, the Management, and CPL staff humbly offer our utmost respect and best wishes to His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun. Long live His Majesty the King.

2016 marked the year of change for the global economy, triggered by a significant political events and economic factors. Chief among them include Britain's vote to leave the European Union (Brexit), the presidential election results in the U.S. and Asian Countries, coupled with China's structural economic reform. In Thailand, the draft constitution was approved after the referendum vote in 2016, making the country's political roadmap and timeframe become clearer. As for the economic aspect, numerous economic and industrial reforms have been announced, contributing to enhanced competitiveness and future economic growth of the country. However, during the past year, CPL Public Company Limited passed the significant business test because of the impact of economic to our business partner, but we have the cooperating from management team and staff. Although the overall performance was significantly below the estimated budget, the sales team has a strategy plan to find incoming orders to the Company in order that

we can go back to the normal sales level, so I am very pleased with them.

For this year, the Company developed and improved the management in this organization continuously and I believed that the Company has competent to achieve goals in terms of sales, production, product quality, logistic, information technology, and financial accounting. Especially, human resource, the Company hired professional people who have experience in tannery business and others from well-known organizations. As part of information technology, the Company developed and improved efficiency of machinery, so I believed that it will impact to the business operation upcoming year. Importantly, I expected that this would lay the foundation of the Company, so the business transference to the next generation would be smooth, grown, and sustainable in the future. Furthermore, the Company has the main policy to regularly focus on corporate social responsibility and environment to society in the past years and it will be besides the Company's operation in order that all parties can grow together.

As Chairman and on behalf of C.P.L. Public Company Limited, I would emphasize that the teamwork of Board of Directors would be based on integrity, ethics, and corporate governance and this will generate the best sustainable outcome for the Company. Last but not least, I would like to express my sincere thanks to all shareholders, management team, and staff for cooperation resulted in the good performance and created better environment in the past year.



Mr. Manoch Wongcharoensin
Chairman

4. Business Overview

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 Business 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.



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.

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

Objectives and targets

For business operations during 2016-2021, 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 reducing production target from 24 million square feet to 21-22 million square feet. However, in 2021, the company expects the capacity to return to the same point at approximately 24-25 million square feet in order to improve the operating system for maximum efficiency. This will bring sustainable and stable growth of the organization.
- 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 20 February 2015, the Board of Directors approved the dividend payment of Baht 2.50 per share. This payment is for the business performance during the period 1 January to 31 December 2015.

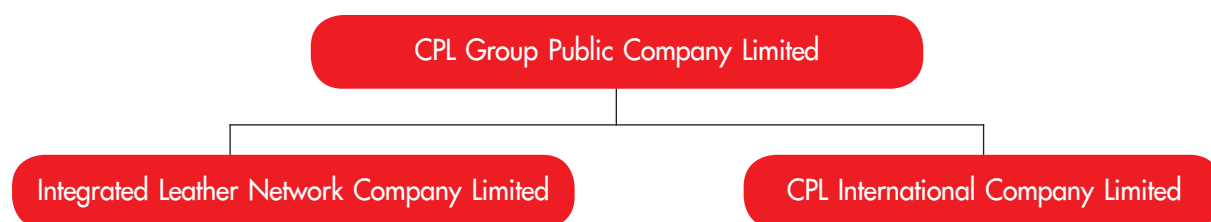


- On 20 July 2015, the Board of Directors approved the joint venture business with business alliance in Hong Kong to establish the company named "Integrated Leather Network Company Limited"
 - On 10 January 2017, the Board of Directors of the Company considered the business transfer of Pangolin Safety Product Co., Ltd. as well as the signing of related agreements. This is considered as the acquisition of assets and connected transactions of the Company. Also, the meeting considered approving the allotment of 15,489,942 newly issued ordinary shares of the Company at the par value of Baht 10 per share at the price of Baht 34.28 per share, totaling Baht 530 million as a private placement by paying to Pangolin Safety Products Co., Ltd., in lieu of cash payment.
 - On 23 February 2017, the Extraordinary General Meeting of the Company had a resolution to approve the business transfer of Pangolin Safety Products Co., Ltd.*, including the signing of the relevant agreement. This is considered as the acquisition of assets and connected transactions of the Company. Also, the meeting considered approving the allotment of 15,489,942 newly issued ordinary shares of the Company at a par value of Baht 10 each at an approximate price of Baht 34.28 per share, totaling Baht 530,995,211.76 as a private placement by paying to Pangolin Safety Products Co., Ltd., in lieu of cash payment.
- * Pangolin Safety Products Co., Ltd, "Pangolin", is a subsidiary of Charoensin Group. (Tannery Business Leader) expanded its network to the safety footwear business on behalf of "Safe Footwear Company Limited" on 1 June 1983 with a registered capital of Baht 10 million. Subsequently, the business responded to rapid growth, so Pangolin increased production capacity by a registered capital of Baht 80 million on 2 October 2002. In 2006, Pangolin expanded its production line to safety helmets under the "Pangolin" brand, with the standard Mor Or Kor. 368-2538. With the long-term

commitment of the management team and staff and the support of our customers in various industries, Pangolin continuously grows and sustainable. On 1 September 2011, Pangolin expanded its business by setting up "Pangolin Safety Products Co., Ltd." with a registered capital of Baht 20 million to become a "manufacturer and distributor of safety equipment, personal safety equipment, and safety shoe products in accordance with international standards. Pangolin is the first company in Thailand that has been certified by Mor Or Kor 523-2528, the ISO 9001: 2008 from Bureau Veritas, and SATRA Technology Center, so these are indicators about the quality of product towards the brand and also the market leader in the production and distribution. In addition, Pangolin is not only the manufacturer of safety equipment, but also the official distributor of world class safety equipment manufacturers such as Sundstrom, Singing Rock, and 3M. Currently, Pangolin sold its products to industrial plants and state enterprises across the country as well as Pangolin also has an official distributor in Indochina including export products to many countries around the world.

4.3 Shareholding Structure of Company's Group

The major shareholders are Charoensin Group and Chen Family which holds 53.60% and 11.11% respectively (Information from Thailand Securities Depository as of closing book 2016). The holding structure of the Company is as follows;



No.	Company Name	Share Proportion	Relationship
1.	Integrated Leather Network Company Limited	40%	Associate Company
2.	CPL International Company Limited	15%	General Investment

4.4 Relationship with Business Groups of Major Shareholders

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 2016, 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. The Company also entered into a short-term loan with Integrated Leather Network Co., Ltd. For the procurement of raw materials used in the production process with related companies, 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.	Manwood Intertrade Co., Ltd.	To have the same director and/or management	Manufacturer and distributor of fashion shoes
4.	Applied DB Industrial Co., Ltd.	To have director and/or management as shareholder	Manufacturer and distributor of silicone for surface mounting
5.	Pangolin Safety Product Co., Ltd.	To have the same director and/or management	Manufacturer and distributor safety products and personal protective equipment
6.	Thai Technical Nonwoven Co.,Ltd	To have the same director and/or management	Manufacturer and distributor of synthetic fiber and nonwoven fabric
7.	Paramount Hide & Leather H.K. Limited	Related party with ultimate shareholder of associated company	Distributor of all leathers

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

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 gold 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.

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

Item	2016 Million Baht	%	2015 Million Baht	%	2014 Million Baht	%
Revenue from sales	%	2015	2,315.50	100.32	2,289.37	99.08
Others	%	2014				
Gain (Loss) on FX	%	(0.24)	(15.02)	(0.65)	15.98	0.69
Interest income	2.48	0.14	0.05	0.00	1.67	0.07
Tax refund	5.35	0.30	6.13	0.27	3.32	0.14
Others	2.47	0.14	1.34	0.06	0.08	0.02
Total	1,775.00	100	2,308.00	100	2,310.42	100

Global exporting market that CPL Group has supplied to is mostly China, Vietnam, Indonesia, India, Cambodia, and Bangladesh.



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

5.2 Marketing and Competition

In 2016, CPL Group was still expecting the volumes of leather manufacture at 30 millions square feet. However, the market demand decreased due to economic situation and decrease in rawhide price comparing to prior year, so the selling price was adjusted down although customers turned to use more full grain leather and split leather. Also, the cold weather was another factor of the use of shoes, especially thick and water proof leather conditions which demand from customers was high, but the overall orders still less than the normal year.

For foreign competitors, most of them were located in China and their capacity also decreased because of world economy. Also, the cost of production was higher or the same level that varied in each country. There were some customers who moved the production plant to other countries. For example, some of Chinese factory moved their plant to Vietnam, Cambodia, and Myanmar. As a result, there were many factories that

closed down due to the high cost of sales and administrative expenses. However, 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 shoe 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.



6. Management Discussion and Analysis

CPL Group Plc. is a fully integrated tanning business starting from rawhide and then passing through the production process, which requires skill and experience, in order to get high quality finished leather. This is a key raw material for leather shoes, leather bags, and all leather goods which use genuine leather.

Description / Year	2016 (million Baht)	2015 (million Baht)	Increase (Decrease)
Revenue from sales	1,769.03	2,315.50	(546.47)
Cost of goods sold	1,666.09	2,095.00	(428.91)
Gross profit	102.94	220.50	(117.56)

Revenue

The main revenue of the Company is finished product that is more than 99% of total revenue of the Company. The 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 production process starts from rawhide. After passing the tanning process, it will be split into skin and split wetblue before moving to dyeing process. The result of splitting process is skin leather that is on the top surface of the cow and the split leather that is the inner part of the cow. In addition, skin leather can be compressed, dyed, and decorated in order to be the main raw material in the manufacture of bags, shoes or other products. As a result, the skin leather is more popular than split leather and has higher price. Thus, the proportion of sales is relevant to the total revenue of the Company. In 2016, the percentage of sales between skin and split leather was 87:13 (2015: 89:11). However, due to the decrease in market usage, the total revenue decreased to Baht 1,769 million (2015: Baht 2,316 million) or reduced by Baht 547 million. Furthermore, the sales volume reduced by almost 21%.

Type of revenue	2016 (million Baht)	2015 (million Baht)
Gain (Loss) from exchange rate	(4.33)	(15.02)
Other incomes	10.30	7.52
Total other incomes	5.97	(7.50)

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 effect 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.

Cost of sales

The Company's cost of sales 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. In 2016, the total cost of sale reduced from Baht 2,095 million to Baht 1,666 million that was reduced by 20%. This was because the reference rawhide price index in the world market decreased from prior year and the usage of leather also declined significantly. In this year, the Company had policy to stock some raw materials in order to avoid a shortage situation during next year. Also, an average cost of raw material reduced because the purchase price of raw material in 2016 was lower than the past year.

Gross profit margin

From the above reasons, the gross profit margin reduced from 9.5% to 5.8%. The Company had a major sales of accumulated wetblue split starting from Q'4 2015 to Q3'2016 by giving the deep discount to customers. As a result, the gross profit margin significantly decreased. If deducting the revenue and cost of sales of this wetblue split transaction, the gross profit margin was 8.8%. Moreover, the Company reserved impairment loss for devaluation of wetblue split amounted to Baht 20.5 million in order to avoid the significant loss in the future.

Description	2016 (million Baht)	%	2015 (million Baht)	%	Increase (Decrease)
Selling expenses	%	2015	50.85	2.20	(5.16)
Administrative expenses	%	In-crease	96.72	4.18	5.00
Loss on impairment of investment	-	-	7.25	0.31	(7.25)
Financial cost	12.64	0.71	11.50	0.50	1.14

Expenditures

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. Thus, selling and administrative expenses were 5.77% (2015: 4.19%) to sales or Baht 147.41 million (2015: Baht 147.57 million).

The Company had impairment from investment in China which was CPL International Company Limited. The Company has the total investment amounted to Baht 51.48 million and holds 15% of total shares. The Company had management problem including local regulation, so the business operation was freeze. Currently, there is a company that interests in the acquisition which is now in the process of negotiation. Since this is the investment in foreign currencies, the US dollar, the valuation of allowance for impairment is varied because of the exchange rate each year.

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 2016. During 2016, the Company had loss sharing amounted to Baht 14.7 million (2015: Baht 1.4 million). However, the Company has already done the capital injection by proportion according to Extra Ordinary Shareholder meeting of associate company 2/2017 dated 11 February 2017 which resolved to increase the share capital from Baht 40 million to Baht 100 million by issuing new 6 million shares with a par value of Baht 10 per share. However, the Company expects that associate company will be able to make a profit in 2017.

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. In 2016, the financial cost was Baht 12.6 million (2015: Baht 11.5 million).

Description	2016 / million Baht	2015 / million Baht
Revenue from sales	1,769.03	2,315.50
Cost of goods sold	1,666.09	2,095.00
Gross profit	102.94	220.50
Other incomes	5.97	(7.5)
Total revenue	1,779.33	2,308.00
Selling and administrative expenses	147.41	167.73
Operating profits	(65.80)	45.27
Income tax expenses	(9.33)	10.10
Net profit (loss)	(56.48)	35.17

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

The Company's net loss in 2016 was Baht 56.48 million (2015: net profit was Baht 35.17 million), or equivalent to net loss margin at 3.19% (2015: net profit margin at 1.51%). If the operating profit that is the income from the sale, less the cost of sales and selling and administrative expenses, but excluding revenues and cost of goods sold of wetblue split, the ratio of loss before interests and taxes to sales was reduced to 0.79% (2016: the ratio of EBIT to sales was 2.53%).

Analysis of statement of financial position as of 31 December 2016

Assets

Assets	2016 / million Baht	2015 / million Baht
Cash and cash equivalent	10.95	19.02
Accounts receivable - net	82.67	133.78
Inventory - net	1,065.22	1,044.79
Investment in associate	-	16.00
Long term investments	30.59	31.04
Investment properties - net	124.99	124.59
Property, plants, and equipment - net	140.13	147.95
Other assets	59.56	26.65
Total assets	1,514.11	1,543.82

Total assets of the Company at the end of 2016 were Baht 1,514.11 million (2015: Baht 1,543 million). The major decrease came from trade receivables and other receivables amounted to Baht 50.51 million because the Company could collect cash from the debtor, and investments in associates amounted to Baht 14.58 million due to the loss sharing from associate company. On the other hand, the Company's inventories increased from last year by Baht 20.43 million because the Company ordered raw materials for production and reservation, and short-term loans to associates increased by Baht 24 million. To consider the liquidity, the Company's current ratio declined steadily from 2.36 times to 2.06 times in 2016. 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	2016 / million Baht	2015 / million Baht
Borrowing from financial institutions	464.98	376.63
Accounts payable	107.13	129.26
Other liabilities	1.53	2.18
Non-current liabilities	38.30	41.34
Total liabilities	611.94	549.41
Shareholders' equity	902.17	994.41
Total liabilities and shareholders' equity	1,514.11	1,543.82
Total Debts to total assets (times)	0.40	0.36
Debt to equity ratio (times)	0.68	0.55

Total liabilities of the Company at the end of 2016 were Baht 611.94 million (2015: Baht 549.41 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. 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. Thus, the ratio of total liabilities to total assets of the Company increased from 0.36 times to 0.40 times at the end of 2016. The reason for this increase primarily came from the normal operation which was the purchase of raw materials.



7. Related Transactions

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 2016, there were disclosures of the intercompany transaction within the Group as in the note to financial statements no. 27.

8. Risk Factors

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 risk

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 Shareholding Structure

The Company has a paid-up capital of Baht 263,999,950 which consists of 26,400,000 shares with Baht 10 per share.

Group of Top Ten Shareholders

Name of Shareholders	Total Shares	%
1. Chareonsin Holding Co.,Ltd.**	10,032,200	38.00
2. Mr.Chen Jui Ying	2,834,700	10.738
3. Thai NVDR Co.,Ltd	2,183,190	8.270
4. Mr.Manoch Wongcharoensin	1,013,220	3.838
5. Mr.Rui Teng Chen	841,500	3.188
6. Mr.Chi Hsiang Lai	657,057	2.489
7. Mr.Wiwat Wongcharoensin	600,000	2.273
8. Mr.Shih Lun Kuo	464,990	1.761
9. Ms.Walairat Silchevakijja	462,000	1.750
10. Mr.Manit Wongcharoensin	450,000	1.705

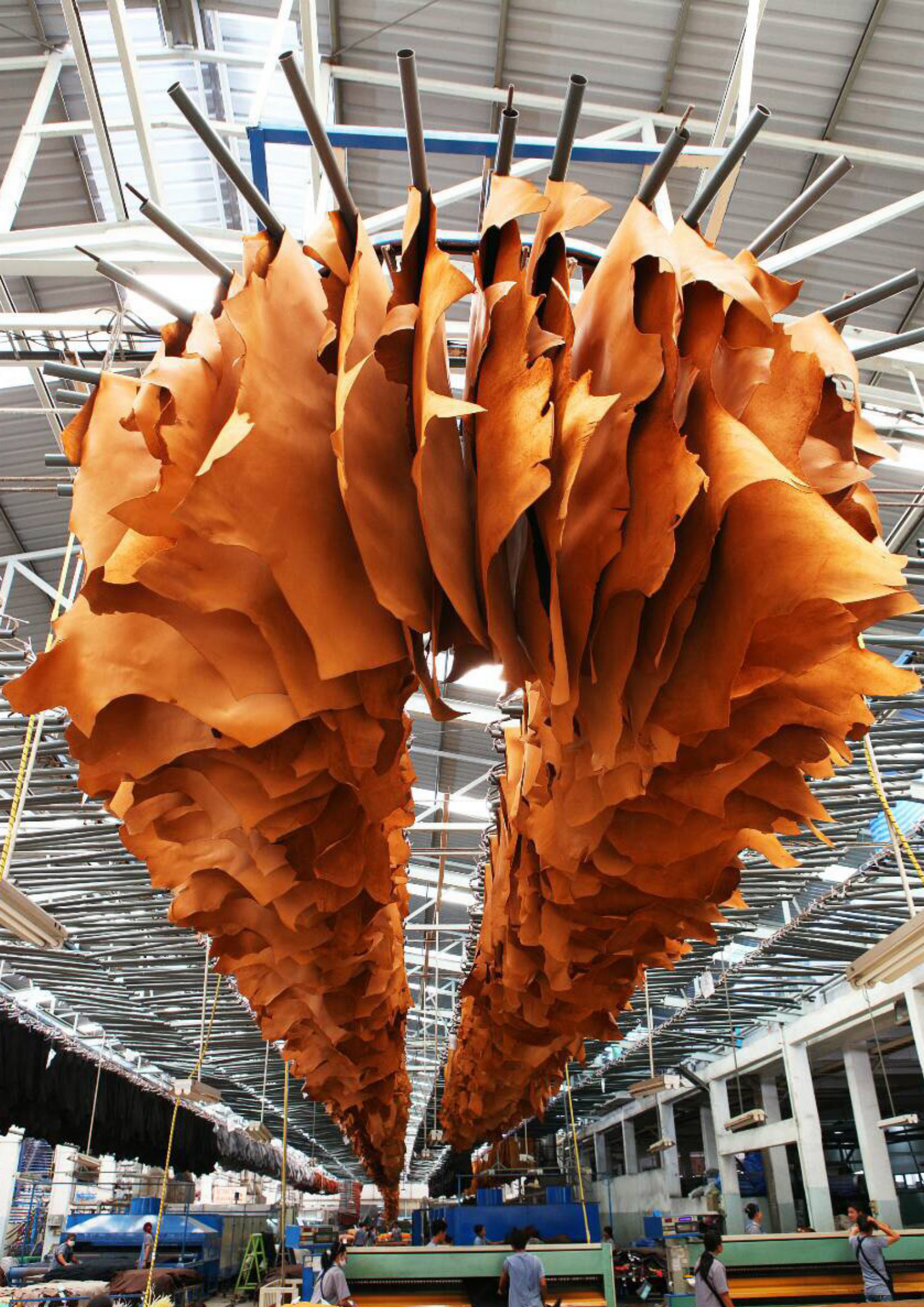
Note: Charoensin Holding Co., Ltd engages in property business that all shareholders are Chareonsin family.

10. Dividend Policy

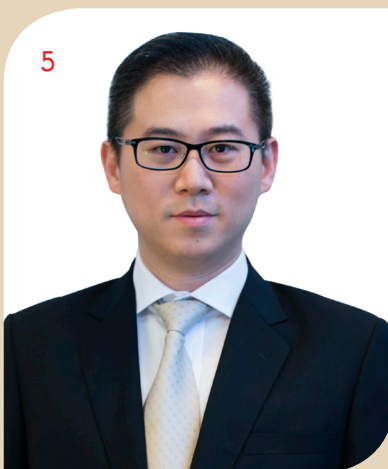
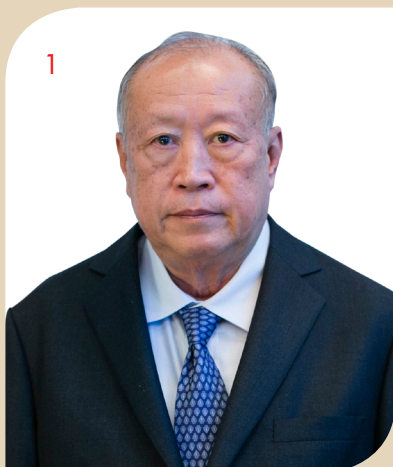
The Company have dividend policy to shareholder around 60 % of net profit from each year. Below table is dividend history from the past 5 years.

Year	Net profit per share	Dividend payment per share	Payment ratio of net profit	Total dividend payment Million Baht)
2555	1.49	1.75	117	46.20
2556	2.50	2.00	80	52.80
2557	3.37	2.50	74	66.00
2558	1.33	1.50	113	39.60
2559	(2.14)	-	-	-

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 with all other necessary and suitability in the future.



11. Management Structure



1. Mr. Manoch Wongcharoensin
Chairman

2. Mr. Chi Hsiang Lai
Managing Director

3. Mr. Shih Lun Kuo
Director / Deputy Managing Director

4. Mr. Suwatchai Wongcharoensin
Director / Deputy Managing Director /
Company Secretary

5. Mr. Puvasith Wongcharoensin
Director / Director of Sales & Marketing



6. **Mr.Kitichai Wongcharoensin**
Director / Director of Sales & Marketing

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

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

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

*Appointed on 26 September 2016

** Appointed on 12 October 2016

During 2016, the Company changed in two of audit committee and independent director as followed;

- | | |
|-----------------------------|--|
| 1. Mr.Kamthorn Vathanalaoha | Chairman of Audit committee / Independent Director |
| 2. Mr.Sukho Voddhijoti | 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 1 March 2017, Board of Directors includes 9 people as follow;

Name-Surname	Position
1. Mr. Manoch Wongcharoensin	Chairman
2. Mr. Chi Hsiang Lai	Managing Director
3. Mr. Suwatchai Wongcharoensin	Director / Company Secretary
4. Mr. Shih Lun Kuo	Director
5. Mr. Kitichai Wongcharoensin	Director
6. Mr. Puvasith 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 director s of listed company in SET.

List of members of the Audit Committee

As at 1 March 2017, Audit Committee includes 9 people as follow;

Name-Surname	Position
1. Assoc. Prof. Dr. Ruth Banomyong	Chairman of Audit Committee
2. Mr. Supapat Ongsakoon	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 Arjaree Suphasinwongchai is 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. Review and control the Company to manage correct and reasonable financial report
2. Review and control the Company to arrange the suitable and efficient internal control and audit
3. Review and control the Company to comply with the law concerning security and security exchange, stipulation of SET or other laws related to the company's business.
4. Consider, recruit, propose, appoint and propose the remuneration of the auditor.
5. Consider and disclose the information of the company in case of there is any related item or any item which may against benefits to be correct and complete.
6. Prepare report of Audit Committee expressly recorded in annual report duly signed by the Chairman of the Audit Committee.
7. Conduct other business being assigned by the Board of Directors under the approval of the Audit Committee.
8. In the event of any suspicion of any of the following items or actions that could have a significant impact on the Company's financial status and performance, the Audit Committee has to report to the Board of Directors in order to carry out the revision within the time that the Audit Committee deems appropriate.
 - (a) Conflict of interest transaction
 - (b) Fraud or irregularities or major weakness in internal control
 - (c) Violation of the Securities and Exchange Act, SET regulations, or business law

List of members of Executive Director

As at 1 March 2017, Executive Director includes 5 people as follow;

Name-Surname	Position
1. Mr.Manoch Wongcharoensin	Chairman
2. Mr.Chi Hsiang Lai	Managing Director
3. Mr.Suwatchai Wongcharoensin	Director
4. Mr.Shih Lun Kuo	Director
5. Mr.Kitichai Wongcharoensin	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. 7/2008 dated 13 August 2008, the Board of Directors resolved to appoint Mr. Suwatchai Wongcharoensin 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 1 March 2017, Management team includes 9 people as follows;

Name-Surname	Position
1. Mr.Chi Hsiang Lai	Managing Director
2. Mr.Shih Lun Kuo	Deputy Managing Director
3. Mr.Suwatchai Wongcharoensin	Deputy Managing Director
4. Mr.Kitichai Wongcharoensin	Sales Director
5. Mr.Theerawat Wongcharoensin	Production Director
6. Mr.Singha Wongrujipairoj	Chief Financial Officer
7. Ms.Chutima Kititarakul	Marketing Director
8. Mr.Niteepong Techamontrikul	Deputy Chief Financial Officer and Acting Accounting Manager
9. Ms.Arjaree Suphasinwongchai	Finance Manager / 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

The company realizes and focuses on efficient, transparent, and traceable management system, which leads to confidence in all relevant divisions, and results in sustainable business growth under ethical conduct and compliance with relevant law. Therefore, the company has determined a good corporate governance policy to raise existing level of operation to be a clear standard, and spread the practice to the company's staffs in all level, which creates genuine corporate governance culture. The company has adopted 2006 Good Corporate Governance for listed company as determined by SET.

Corporate governance

Good Corporate Governance is a system that provides the structure and process of relationships with stakeholders. All stakeholder groups of the organization which are Board of Directors, Management, Shareholders and Stakeholders must be treated fairly (fairness) and equality.

In addition, corporate governance also includes the administration system and controls the internal operations of the company. In order for the company to achieve its goals for the best benefit of its shareholders in the long run, we believe that all stakeholders are the cornerstone of sustainable business growth including transparency, integrity, responsibility for Performance, accountability and competitiveness. The guidelines are divided into five categories as follows;

1. Right of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transp

12.1 Right of Shareholders

The shareholders have a right of ownership, so they are able to participate in a policy and direction of managing the company, via the board of directors. The board of directors is a group of people who are appointed by the shareholder to act on behalf of them. Moreover, the board of directors has a right to make a decision on any of the company's significant transition. Then, the directors encourage the shareholders to exercise their fundamental rights.

1. Fundamental right

- 1.1 The company's Board of Directors defines the Company's good corporate governance policy with regard to shareholders' rights as defined by law which comprise of;
 - 1.1.1 Rights to receive, transfer shares and share repurchase by the Company and rights to receive sufficient information on time via the communication channel provided by the company to enable the shareholders to consider the impact which may occur both of the Company and shareholders.
 - 1.1.2 Rights to attend the shareholders' meeting, express opinions, recommendations and jointly consider the company's agenda items during the shareholders' meeting.

- 1.1.3 Rights to elect and deprive directors and approve the appointment of independent auditors.
- 1.1.4 Rights to the equally divided profits.

2 Entitle to receive information and express opinion in shareholders' meeting

- 2.1 The company aware of Thai and foreigners' shareholders, the company shall prepare the related documents of shareholders' meeting and memorandum in both of Thai and English.
- 2.2 The company gives an opportunity to shareholders for propose agenda item or submit questions in advance before the end of fiscal year via www.cpl.co.th
- 2.3 In the general meeting of shareholders' meeting, the Directors and financial executives, including the company's independent auditors will attend the meeting. The Chairman will allow all shareholders to question with enough time. The directors who involve in questions will explain all questions completely. The minutes of annual general meeting of shareholder is published within 14 days count from the meeting day via www.cpl.co.th.
- 2.4 All compensation of the Board of Director is approved by the shareholders annually. The company will propose the criteria and methods with compared the compensation of the year before.
- 2.5 During the agenda of directors' appointment, the voting shall be conducted individually.
- 2.6 The company shall not add any agenda items which have not originally been included in such meeting without prior notification to the shareholders.

12.2 Equitable Treatment of Shareholders

The company's board of directors concern to every shareholder, whether they are major, minor, Thai or foreigner shareholders. The company adheres to bring an equal treatment, and prevent the fundamental right for all of the shareholders.

Attending the shareholders' meeting

- 1. The company publishes documents 30 days in advance in company's web site at www.cpl.co.th before meeting and before sending documents to shareholders. For sending process, the company granted Thailand Securities Depository Co., Ltd. which is the registrar of company. All the documents are delivered to the shareholders meeting 30 days in advance before meeting.
- 2. The Company aware of the convenience of all shareholders and investor to attend the AGM Meeting such as the place of meeting and access to information through the company website. The Company details to shareholders bring necessary document to completeness in meeting for maintains rights to attendees by company's articles in the part of shareholder meeting. The company has attach proxies to shareholder who objectives and may authorize others to attend the meeting instead or authorize to company's independent directors. The shareholders can download the proxies via company's website at www.cpl.co.th
- 3. The company provides a chance for the shareholders to propose a person to position the company's director. For more information, the shareholders are able to visit the company's website at www.cpl.co.th
- 4. During every shareholder's meeting, the chairman shall inform the shareholders of the voting method and the number of the quorum and enable the shareholders to equally exercise the rights in expressing their opinions and recommendations. In addition, the chairman shall be entitled to use the voting ballot for the important agenda items and inform the meeting of the result of voting.
- 5. The company grants shareholders to vote in the agenda that is in pending and undetermined by vote.

12.3 Role of Stakeholders

The Company will take care of stakeholders as their right that defined by law. The company promotes the process of cooperation between company and stakeholders to create wealth, financial stability and the sustainable.

The company is aware of the role of stakeholders and defines in the Ethic and Code of business conduct as follow;

The practices with Staff

The staff of the Company is the most valuable assets and is the core of business that could drive this business to meet target. The Company has appropriate payroll system, remuneration, and welfare such as uniform, annual medical check-up, clinic, insurance, and provident fund. Moreover, the Company has a plan to develop knowledge of staff continuously. Also, the Company considers the quality of life and family including the education. Furthermore, the security is also the key priority by provides the session of fire execution protocol and five core standards. The objectives are shown as below.

1. The Company treats all staff with respect and honor.
2. The Company selects the candidates for each position with fairness by considering qualification, education, experience, and other relevant criteria and not considering gender, age, race, and religious.
3. The Company specifies the remuneration and welfare to all staff with fairness by considering type of work, performance, and competency.
4. The Company encourages all staff to develop by attending training courses in order to increase efficiency and be opportunity for the growth in their career.
5. The Company realizes that the good communication will be reflected to good relationship and efficiency in work, so the Company encourages all staff to receive relevant information.
6. The Company opens channels for all staff to give recommendation or complain regarding to their work, so the Company can solve those problems and to create good relationship for working.

The practices with Customers

1. Deliver products that have quality standards under fairer conditions and on the basis of the obtaine yield fairer to both parties.
2. All of employee must be dedicated, strive to develop quality products, service at a reasonable price in current situation, fair terms and conditions without any restriction of consumers' fundamental rights.
3. Contract compliance or conditions that agree strictly in case of unable to comply one of the criteria, must notify the partner and/or creditors in advance to joint consideration for solutions.
4. Keep customers confidentiality seriously unless the customer agrees to disclosure of written or legal including not use for the own benefit and the persons involved.

The practices with Trade Competitors

1. All of employee operates its business by free and fair competition. Untruthful accusations libel, unreasonable or doubtful information to discredit competitors shall not be tolerated.
2. Not to seek the confidential information of trade competitors by the way is not honest or inappropriate such bribe to employees of competitors etc.

3. Do not damage the reputation of trade competitors by the accusation untrue and not to blame without information reasonably.

The practices with trade partner

1. Purchasing supply must have the audited procedure to provide transparency and maximum benefit.
2. The Company must conduct to trader partner with equality on the basis of fairer competition.
3. The company employee must procure products and services by consideration of needs, value, prices and quality. The employee must give accurate and equal information to trade partner without bias and no discrimination against trade partner including purchasing and supply concisely consistent with suited to the circumstances.
4. When contracting with trade partners, employee shall retain documents relevant to negotiations, drafting, contract making and contract monitoring as supporting evidence for a specific period.
5. The company employee must not to take advantage from purchasing supply. The employee must place neutral, not closely to trade partner if it cause influence decision with company's employee.
6. The employee shall strictly adhere to contractual agreements. If either the company or the trade partner should fail to comply with the agreed terms and conditions, or circumstances arise that render compliance impossible. The company employee shall report to their supervisor to seek corrective action.

The Practices with shareholders

The company is committed to creating sustainable business growth and ability to competitive to generate value added to shareholders in the long term by;

1. The Company has the dividend policy to pay the shareholders at the rate of no less than 40 percent of the net profit. The company currently reserves 10 percent the company's capital by law. In order that, such dividend payment can be changed, depending on the Company's performance, financial status and the company investment's plan.
2. To establish the Board of Director and sub-committee to approves the business direction, planning, objectives and budget. As well as to review the operation of the company, in accordance with the laws and relate regulations with consideration the highest interests of the company, shareholders including stakeholders.
3. Shareholders and stakeholders can report or complain to the director in anything that may cause damage to the company via;

Secretary Section

700 Moo 6, Sukhumvit road, Bangpoomai

Muang, Samutprakarn 10280

Tel. 662 709 5633 -8 Fax. 662 709 6044

Email : secretary@cpl.co.th

Secretary will collect reports or a complaint by shareholders to the Remuneration Nomination Corporate Directors who take the responsible in issue or complaint to investigate and report to the Board of Directors.

12.4 Disclosure and Transparency

The company discloses important information which involve with company both of financial information and non-financial information in accuracy, complete transparency and equitable via the Stock Exchange of Thailand website and company website.

Information and report

1. The Company ensures that all important information related to the Company, both financial and non-financial is disclosed correctly, accurately, equitably, on a timely by the regulation of the Securities and Exchange Commission Thailand (SEC) and regulation of the Stock Exchange of Thailand. By addition disclose information through annual statement (56-1 Form), Annual report (56-2 Form) and company website. This allows shareholders, customers, and others who are interested can easy access information with an equitable and reliable.
2. The Board of Directors assigned to have investor relations as the company representative to communicate information to shareholders, broker analysis and others and they also get the information equitably with the Board of Directors. To contact investor relations department at;
Investor Relationship
700 Moo 6, Sukhumvit road, Bangpoomai
Muang, Samutprakarn 10280
Tel. 662 709 5633 -8 Fax. 662 709 6044
Email : ir.dept@cpl.co.th
3. The company reports the responsibility of the Board of Directors for the Financial Report and discloses the performance of the board of director and sub-committee.

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.

12.5 Board Responsibilities

1. Board of directors Structure

- 1.1 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.

- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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.
- 1.6 Board of Directors has appointed the company's secretary to perform duty and responsibility according to Securities and Exchange Act.

2. Qualification of directors

- 2.1 Be knowledgeable, abilities and ethical with dedicate their time, knowledge and abilities including an attempt to perform duties and independence in making decisions.
- 2.2 The directors shall not have any forbidden qualifications set forth by the Public Company Limited law and applicable legislation.
- 2.3 The Company's qualification for Independent Directors is in compliance with the qualifications specified by the SEC and the SET.

3. Sub-committee

Apart from the Board of Directors, the Company also has three-sub committees: Audit Committee, Remuneration Nomination Committee. The scope of duties and responsibilities of the sub-committees are stipulated as following:

- 3.1 Audit committee
The Audit committee consists of 3 independent directors who are also the company's directors. At least one of them must have an expertise in accounting/finance. The term limit of the committee is 3 years.
- 3.2 Remuneration Nomination and Corporate Committee
The Remuneration Nomination and Corporate Committee consist of 3 members, with the term limits of 3 years.

4. The Meetings

In each year, the Board of Director will have to schedule meetings in advance annually. The company secretary will send the invitation and distribute the materials including information and data that are important to the Board of Directors at least 7 days prior to such meeting. Every director is free to suggest the inclusion of agenda items for that meeting. Each director is required to inform the Company at least 1 to 2 days prior to the meeting if they cannot attend such meeting. During the meeting, the Board of Directors shall allocate sufficient time for the participants to express their opinions and debate the issues. Senior executives shall espond to the inquiries in their capacities as the accountably persons through the executive directors.

The minutes of the meeting shall be recorded in writing. In addition, the Board of Directors has the policy setting the meeting between non-executive directors at least once a year

5. Compensation

The Remuneration Nomination shall set forth the compensation for the Board of Directors by making the recommendation to the Board of Directors and the shareholders for approval. The Company's policy is to compensate the directors based on the Company's performance and the benefits expected to gain from the Board of Directors. Such compensation should be competitively relative to comparable companies and high enough to attract exceptional talent to its board. The compensation thereof is divided into the directors' meeting allowances and gratuity.

6. The Board of Directors' report

The Board of Directors is responsible for the consolidated balance sheets of the Company and its subsidiaries. Such balance sheets shall be executed according to the accounting standard. The applicable accounting method shall be appropriate and consistent. The method selection shall be done with cautions with best assessment. They must ensure that the Company has effective disclosure in the financial statements. The Board of Directors shall be accountable for the financial information in the financial statement appeared on the annual report. Audit committee consists of independent directors who shall be accountable to the quality of the financial statements and adequate systems of internal control. The comments from the Audit Committee shall be made available in the annual report.

7. Succession Planning

The Board of Directors shall establish the succession plan of the management and knowledge among the directors and management, and to transfer responsibilities systematically. Therefore, investors can be sure that the Company's succession plan is well managed.

8. Training and education for directors

Newly-appointed directors shall be informed of the important rules and regulations applicable to the Board of Directors, sub-committees as well as the Company's policy and important information. The company encourages every director to participate in seminar courses by the organization of State regulatory agencies or independent organizations which are beneficial to newly-directors to better perform duties such as Directors Accreditation Program (DAP) by the Thai Institute of Director.

9. Evaluation of the Board of Directors' performance.

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 2016, Directors attended the Meeting as follow:

Type of Meeting/ Attended	Board of Director	Audit Committee	Annual Shareholder Meeting
1. Mr.Manoch Wongcharoensin	7/8		1/1
2. Mr.Suwatchai Wongcharoensin	8/8		1/1
3. Mr.Kitichai Wongcharoensin	8/8		1/1
4. Mr.Puvasith Wongcharoensin	8/8		1/1
5. Mr.Chi Hsiang Lai			1/1
6. Mr.Shih Lun Kuo			1/1
7. Assoc. Prof. Dr.Ruth Banomyong *	1/8	1/4	
8. Mr.Supapat Ongsangkoon **	1/8	1/4	
9. Mr.Mongkon Laowarapong	6/8	4/4	1/1
10. Mr.Kamthon Vatanalaoha		3/4	1/1
11. Mr.Sukho Voddhijoti	3/8	3/4	1/1

*Appointed on 26 September 2016

** Appointed on 12 October 2016

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.

CSR Reporting

CPL Group has reported the responsibilities in accordance with social activities as a way of SET policy. A company focuses on “doing what you written” and “writing what you done”, and has properly vision of “full development to be a top world-class leather tannery with high potential of management and operations, scheduled delivery, building a great rapport and trust for customers as well as environments.” Thus, 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: 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;

1. Not support forced labor or penal colony, not take physical disciplinary action or no threat or other abuses like physical, emotional, sexual, or verbal.
2. 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.
3. Hiring foreign workers, CPL Group has fully agreed on a legal action under the labor law.
4. 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.
5. CPL Group realizes the importance of employees have skills to work with stability, so the Company will:
 - 5.1 give an appropriate compensation right as their responsibilities

- 5.2 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.
 - 5.3 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.
 - 5.4 establish a fund to encourage employees save their long-terms money for themselves and their family. Employee will get all saving money when resigning, retirement, or disability, or death.
 6. CPL group has assigned board to maintain properly working on safe environments for life and properties of employees.
 7. 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.
 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 Process

- **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.
- **Employees Health:** CPL Group generously offers an annual health check-up for all executives and employees and the accidental insurance beyond social security for all employees as well as special attention for not injecting the addictive drug among employees.
- **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)

Social donations in 2016

Support the charities by cooperating with Chambers of Commerce.

As Buddhists, CPL also occasionally supports in Buddhism by offering robes to Buddhist priests at monastery or Khatina ceremony.

Additional Practices on Prevention of Corruption Involvement

Operating Guidelines in accordance with the Anti-Corruption Policy

1. The directors, management and employees of the Company and its business lines are prohibited from performing, accepting or supporting corruption in any form, whether directly or indirectly. This shall be applicable to all companies, Regular reviews on compliance with the anti-corruption policy shall be made, as well as reviews on implementation to ensure compliance with the policy, practices, regulations, rules, notifications, laws and business changes.
2. The anti-corruption standard is part of business operation and it is the duty and responsibility of the Company's board of directors, management, supervisors, employees at all levels and suppliers or sub-contractors to express their opinion regarding the practice on the implementation of the anti-corruption actions to ensure achievement of compliance with the policy set.
3. The Company formulated its anti-corruption measures in accordance with related laws, including the principles of moral. Risk assessment was conducted on activities that are related or at risk for corruption and the results were used in preparing the operating guidelines for all related parties.
4. The Company does not offer or support bribery in any form in all activities under its supervision, including supervision of charitable contributions, political contributions, and the offer of gifts in business transactions, and supports various activities with transparency and without the intention of convincing officials of the government or private sector to undertake inappropriate actions.
5. The Company has appropriate internal control with regular reviews in order to prevent improper practices by employees, especially in sales, marketing and procurement.



6. The Company provides knowledge on anti-corruption to its directors, management and employees to promote integrity, honesty and sense of responsibility in fulfilling their duties, and to show the Company's commitment.
7. The Company has in place mechanisms for transparent and accurate financial reporting.
8. The Company has provided a variety of communication channels for employees and stakeholders to raise concerns and report suspicious circumstances with confidence of being protected from punishment, unfair transfer or harassment in any way, as well as appoint person(s) to investigate

Whistle-Blowing Measures and Whistle-Blower Protection Mechanisms

The Company requires that executives at all levels assume responsibility for ensuring that employees under their supervision acknowledge, understand and comply rigorously with the code of conduct and policy/regulations/requirements of the Company, the principles of good corporate governance and various laws. The Company has determined the procedures for consideration and investigation of grievances or complaints that are systematic, transparent and accountable so that the complainants will have trust and confidence in a fair investigation process.

In order to treat all stakeholders equally and with fairness, the Company has set up channels for whistle-blowing, complaints, suggestions or recommendations that indicate that the stakeholders are affected or are at risk of being affected by any action that may cause damages for all groups of stakeholders arising from its business operations or violation of laws, rules, regulations and the code of conduct by its employees, as well as behaviors that may indicate fraud, unfair treatment, or careless or reckless actions. Whistle-blowing or filing of complaints together with details and evidences can be made through the following channels:

- Audit Committee
- The Company Secretary

CPL Group Public Co., Ltd.

700 Moo 6 Sukhumvit Road, Bangpoomai Samutprakarn 10280

Telephone : 02 709 5633 - 8

Facsimile : 02 709 6033

Email : secretary@cpl.co.th

The whistle-blowers or filers of complaints that are employees, customers, individuals hired for work by the Company or other groups of stakeholders who are whistle-blowers will have their rights protected and defended according to the law or the guidelines set by the Company.



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 also uses the internal control guideline of SEC including risk management framework to evaluate the adequacy of the internal control system. For 2015, the Board of Director had an opinion that the Company complied with the internal control guideline of SEC and had Head of Internal Audit and supervisor performed monitoring the Company.

According to the Audit Committee's report, the Audit Committee had the same opinion as the Board of Directors. In addition, the Board of Directors appointed Mr. Singha Wongrujipairoj as Head of Internal Audit of the Company because of his experience and understanding of the activities and operations. Therefore, he is an appropriate person to perform this role. Also, the Company appointed Mr. Niteepong Techamontrikul as Head of Supervisor to ensure that the Company complied with all requirements of regulator. Meanwhile, the consideration of approval, appointment, demotion, and transference has to be approved by the Board of Directors.

Audit Committee's Report

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

Assoc. Prof. Dr. Ruth Banomyong and Mr. Supapat Ongsangkoon had been members of the committee on fourth quarter 4 year 2016. The audit committee held 4 meetings during the last accounting year ending 31 December 2016. Company executives, external auditor and other concerned officers had attended all such meeting to clarify issues on the agenda of their concern such as auditing results on financial statements, internal auditing results as well as the company's risks management. All resolution of the meetings is summarized as follows:

1. Annual Financial Statements

Financial statements of the Company have been prepared in accordance with the Accounting Act B.E. 2543 and accounting standards as recommended by the Federation of Accounting Profession Under

The Royal Patronage of His Majesty the King, and certified by authorities concerned. Relevant information has been sufficiently disclosed in the financial statements. Any suggestion recommended by the external auditor would be reflected in accounting records correctly and appropriately.

2. Internal Control System

The Company has sufficient internal control system. Internal auditors of the company conducted internal auditing according to the plan set up annually by the Audit Committee. Internal control was evaluated by using measures from suggested by the Stock Exchange of Thailand covering organization and environment, management operating control, information system, communication and monitoring control. The evaluation results were fairly good.

3. Risk Management

The Audit Committee has join with management team to know on financial risk, operational risk, business risk and external factors that are uncontrollable, so as the mitigate risks to acceptable level or to initiate remedial measures. The management team was assigned to monitor operation results as compared to price, and raw material price which have director impact on production cost of our product.

4. Appointed the company auditor and remuneration

The Audit Committee recommended the Board of Director to propose to the Annual General Meeting of Shareholder to appoint the Company's Auditors from CWWP Company Limited as Mr. Cherd Sakul Onmongkol CPA No. 7195 Ms. Wanraya Puttasatien CPA No. 4387, Ms. Waraporn Intraprasit CPA No. 7881 for the accounting year ended 31 December 2017 with the remuneration amount of 1,750,000 baht.

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 2016 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.Chi Hsiang Lai
Managing Director

Annual Financial Statement and Auditor Report
of Certified Public Accountant

[Translation]

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of C.P.L. Group Public Company Limited

Opinion

I have audited the financial statements in which the equity method is applied and separate financial statements of C.P.L. Group Public Company Limited (“the Company”), which comprise the statement of financial position in which the equity method is applied and separate statement of financial position as at 31 December 2016, and the statement of comprehensive income in which the equity method is applied and separate statement of comprehensive income, the statement of changes in shareholders’ equity in which the equity method is applied and separate statement of changes in shareholders’ equity and the statement of cash flows in which the equity method is applied and separate statement of cash flows for the year then ended, and notes to the financial statements in which the equity method is applied and notes to the separate financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements in which the equity method is applied and separate financial statements present fairly, in all material respects, the financial position in which the equity method is applied and separate financial position of C.P.L. Group Public Company Limited as at 31 December 2016, and its financial performance in which the equity method is applied and separate financial performance and its cash flows in which the equity method is applied and separate 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 in which the equity method is applied and Separate Financial Statements* section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of His Majesty the King’s Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements in which the equity method is applied and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these ethical 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 financial statements in which the equity method is applied and separate financial statements of the current period. These matters were addressed in the context of my audit of the financial statements in which the equity method is applied and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Test of Net Realizable Value of Semi-Finished Goods – Cow Split

As in notes to the financial statements in which the equity method is applied and notes to the separate financial statements No. 8, TFRSs require that the Company must perform the test of net realizable value of semi-finished goods — Cow Split, which is the joint product from the hide splitting process to be Cow Nappa and Cow Split. In the current market conditions, Cow Nappa will has the market price and demand higher than Cow Split while the Company has allocated the cost to Cow Nappa and Cow Split by standard rate. This test

of net realizable value of semi-finished goods — Cow Split is significance in the audit due to the semi-finished goods — Cow Split presents the value in the statement of financial position in which the equity method is applied and separate statement of financial position in amount of Baht 163.21 million, is material to the financial statements in which the equity method is applied and separate financial statements. In addition, the procedure of specifying the net realizable value relating to the estimate of quantity of Cow Nappa and Cow Split outputs, the decision making whether sell as is semi-finished goods or further produce to be finished goods and the market price of products which affected by the future economic or market conditions.

Therefore, my audit procedures have included the understanding of the management's process of cost allocation to Cow Nappa and Cow Split which are joint products from the hide splitting process by standard rate, the evaluating of the reasonably of data which management used in the estimate of quantity of Cow Nappa and Cow Split outputs and the market price of Cow Split which management used in the decision making to sell as is semi-finished goods or further produce to be finished goods, that have the most significance effect on the determining of the net realizable value of semi-finished goods — Cow Split

Test of Impairment of Investments in Associate

As in notes to the separate financial statements No. 9, TFRSs require that the Company must perform the test of impairment of investments in Integrated Leather Network Company Limited, which is an associate that still be start up state and has continuous loss from operation. This test of impairment of investments in associate is significance in the audit due to the investments in associate presents the value in the separate statement of financial position in amount of Baht 16.00 million while presents the value in the statement of financial position in which the equity method is applied as provision for liabilities in associate in amount of Baht 0.08 million, which is indicator that the impairment of investments in associate may occur, is material to the separate financial statements. In addition, the procedure of specifying the recoverable amount relating to the management's assessment of future operation plan, which highly judgmental and is based on assumptions, especially the forecasted revenues and expenses and discount rate which affected by the future economic or market conditions used in the preparing of projected discounted cash flows according to the management's future operation plan.

Therefore, my audit procedures have included the understanding of the management's process of the preparing of projected discounted cash flows, the evaluating of the reasonably of data used in the preparing of projection and appropriateness of assumptions and method which management used, especially the forecasted growth of revenues and expenses and discount rate used in the preparing of projected discounted cash flows according to the management's future operation plan, that have the most significance effect on the determining of the recoverable amount of investments in associate.

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 in which the equity method is applied and separate 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 in which the equity method is applied and separate 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 in which the equity method is applied and separate 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 in which the equity method is applied

and separate 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 in which the equity method is applied and Separate Financial Statements

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

In preparing the financial statements in which the equity method is applied and separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matter relating to going concern and using the going concern basis of accounting unless management either intends to liquidate 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 the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements in which the equity method is applied and Separate Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements in which the equity method is applied and separate 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 in which the equity method is applied and separate 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 in which the equity method is applied and separate 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 in which the equity method is applied and separate 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 in which the equity method is applied and separate financial statements, including the disclosures, and whether the financial statements in which the equity method is applied and separate 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 in which the equity method is applied. 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 in which the equity method is applied and separate 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
24 February 2017

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Baht	Baht	Baht	Baht
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	6	10,951,114.88	19,022,434.42	10,951,114.88	19,022,434.42
Trade and Other Receivables	7	82,674,086.68	133,175,688.61	82,674,086.68	133,175,688.61
Short-Term Loans	27.8	24,000,000.00	-	24,000,000.00	-
Inventories	8	1,065,217,408.76	1,044,794,271.17	1,065,217,408.76	1,044,794,271.17
Other Current Assets		114,723.27	106,640.60	114,723.27	106,640.60
TOTAL CURRENT ASSETS		1,182,957,333.59	1,197,099,034.80	1,182,957,333.59	1,197,099,034.80
NON-CURRENT ASSETS					
Investments in Associate	9	-	14,584,265.54	16,000,000.00	16,000,000.00
Long-Term Investments	10	30,585,409.72	31,035,409.72	30,585,409.72	31,035,409.72
Investment Property	11	124,988,568.42	124,988,568.42	124,988,568.42	124,988,568.42
Property, Plant and Equipment	12	140,130,217.62	147,950,231.32	140,130,217.62	147,950,231.32
Other Intangible Assets	13	5,622,609.87	6,692,420.03	5,622,609.87	6,692,420.03
Deferred Tax Assets	14	29,759,002.68	21,391,575.72	29,759,002.68	21,391,575.72
Other Non-Current Assets		69,574.26	76,571.26	69,574.26	76,571.26
TOTAL NON-CURRENT ASSETS		331,155,382.57	346,719,042.01	347,155,382.57	348,134,776.47
TOTAL ASSETS		1,514,112,716.16	1,543,818,076.81	1,530,112,716.16	1,545,233,811.27

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Baht	Baht	Baht	Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank Overdrafts and Short-Term Borrowings from Financial Institutions	16	464,977,408.57	376,633,425.32	464,977,408.57	376,633,425.32
Trade and Other Payables	17	107,133,771.59	129,259,634.47	107,133,771.59	129,259,634.47
Current Portion of Liabilities under Finance Lease Agreements	18	1,529,341.63	2,179,292.60	1,529,341.63	2,179,292.60
TOTAL CURRENT LIABILITIES		573,640,521.79	508,072,352.39	573,640,521.79	508,072,352.39
NON-CURRENT LIABILITIES					
Provision for Liabilities in Associate	9	81,718.41	-	-	-
Liabilities under Finance Lease Agreements	18	2,295,906.20	3,383,379.18	2,295,906.20	3,383,379.18
Employee Benefits Obligation	19	35,923,299.00	37,955,844.00	35,923,299.00	37,955,844.00
TOTAL NON-CURRENT LIABILITIES		38,300,923.61	41,339,223.18	38,219,205.20	41,339,223.18
TOTAL LIABILITIES		611,941,445.40	549,411,575.57	611,859,726.99	549,411,575.57
SHAREHOLDERS' EQUITY					
Share Capital	20				
Authorized Share Capital 26,399,995 Ordinary Shares @ Baht 10.00		263,999,950.00	263,999,950.00	263,999,950.00	263,999,950.00
Issued and Paid-up Share Capital 26,399,995 Ordinary Shares @ Baht 10.00		263,999,950.00	263,999,950.00	263,999,950.00	263,999,950.00
Share Premium Account - Ordinary Shares		198,000,000.00	198,000,000.00	198,000,000.00	198,000,000.00
Retained Earnings					
Appropriated					
Legal Reserve		28,940,744.21	28,940,744.21	28,940,744.21	28,940,744.21
Unappropriated		411,230,576.55	503,465,807.03	427,312,294.96	504,881,541.49
TOTAL SHAREHOLDERS' EQUITY		902,171,270.76	994,406,501.24	918,252,989.17	995,822,235.70
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,514,112,716.16	1,543,818,076.81	1,530,112,716.16	1,545,233,811.27

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Baht	Baht	Baht	Baht
Revenue from Sales		1,769,029,387.34	2,315,504,666.37	1,769,029,387.34	2,315,504,666.37
Cost of Sales		(1,666,086,395.16)	(2,094,996,559.54)	(1,666,086,395.16)	(2,094,996,559.54)
Gross Profit		102,942,992.18	220,508,106.83	102,942,992.18	220,508,106.83
Other Income		10,299,267.66	7,516,258.87	10,299,267.66	7,516,258.87
Selling Expenses		(45,685,973.91)	(50,849,920.20)	(45,685,973.91)	(50,849,920.20)
Administrative Expenses		(101,717,849.74)	(96,719,893.24)	(101,717,849.74)	(96,719,893.24)
Loss on Exchange Rate		(4,334,215.63)	(15,023,137.71)	(4,334,215.63)	(15,023,137.71)
Loss on Impairment of Long-Term Investments		(1,230.00)	(7,249,793.29)	(1,230.00)	(7,249,793.29)
Finance Costs		(12,641,125.55)	(11,499,369.15)	(12,641,125.55)	(11,499,369.15)
Share of Loss of Associate		(14,665,983.95)	(1,415,734.46)	-	-
Profit (Loss) Before Income Tax		(65,804,118.94)	45,266,517.65	(51,138,134.99)	46,682,252.11
Income Tax (Expense) Revenue	23	9,327,717.76	(10,100,727.96)	9,327,717.76	(10,100,727.96)
Profit (Loss) for the year		(56,476,401.18)	35,165,789.69	(41,810,417.23)	36,581,524.15
Other Comprehensive Income (Expense)	23				
Items that will not be subsequently reclassified to Profit or Loss					
Actuarial Gain (Loss) for Employee Defined Benefit Plans - Net of Tax		3,841,163.20	-	3,841,163.20	-
Total Items that will not be subsequently reclassified to Profit or Loss - Net of Tax		3,841,163.20	-	3,841,163.20	-
Total Other Comprehensive Income (Expense) for the year - Net of Tax		3,841,163.20	-	3,841,163.20	-
Total Comprehensive Income (Expense) for the year		(52,635,237.98)	35,165,789.69	(37,969,254.03)	36,581,524.15

Basic Earnings (Loss) Per Share (2.14) 1.33 (1.58) 1.39

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED				
		Issued and Paid-up Share Capital	Share Premium Account	Retained Earnings		Total
				Appropriated Legal Reserve	Unappropriated	
		Baht	Baht	Baht	Baht	Baht
Balance as at 1 January 2015		263,999,950.00	198,000,000.00	28,940,744.21	534,300,004.84	1,025,240,699.05
Total Comprehensive Income (Expense) for the year						
Profit (Loss) for the year			-	-	35,165,789.69	35,165,789.69
Other Comprehensive Income (Expense) for the year			-	-	-	-
Total Comprehensive Income (Expense) for the year			-	-	35,165,789.69	35,165,789.69
Contributions by and Distributions to owners						
Dividend	21.2	-	-	-	(65,999,987.50)	(65,999,987.50)
Total Contributions by and Distributions to owners		-	-	-	(65,999,987.50)	(65,999,987.50)
Total Transactions with owners		-	-	-	(65,999,987.50)	(65,999,987.50)
Balance as at 31 December 2015		263,999,950.00	198,000,000.00	28,940,744.21	503,465,807.03	994,406,501.24
Total Comprehensive Income (Expense) for the year						
Profit (Loss) for the year		-	-	-	(56,476,401.18)	(56,476,401.18)
Other Comprehensive Income (Expense) for the year		-	-	-	3,841,163.20	3,841,163.20
Total Comprehensive Income (Expense) for the year		-	-	-	(52,635,237.98)	(52,635,237.98)
Transactions with owners						
Contributions by and Distributions to owners						
Dividend	21.1	-	-	-	(39,599,992.50)	(39,599,992.50)
Total Contributions by and Distributions to Total Transactions with owners		-	-	-	(39,599,992.50)	(39,599,992.50)
Balance as at 31 December 2016		263,999,950.00	198,000,000.00	28,940,744.21	411,230,576.55	902,171,270.76

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2016

	Note	SEPARATE FINANCIAL STATEMENTS				
		Issued and Paid-up Share Capital	Share Premium Account	Retained Earnings		Total
				Appropriated Legal Reserve	Unappropriated	
		Baht	Baht	Baht	Baht	Baht
Balance as at 1 January 2015		263,999,950.00	198,000,000.00	28,940,744.21	534,300,004.84	1,025,240,699.05
Total Comprehensive Income (Expense) for the year						
Profit (Loss) for the year		-	-	-	36,581,524.15	36,581,524.15
Other Comprehensive Income (Expense) for the year						
Total Comprehensive Income (Expense) for the year		-	-	-	-	-
Transactions with owners		-	-	-	36,581,524.15	36,581,524.15
Contributions by and Distributions to owners						
Dividend	21.2	-	-	-	(65,999,987.50)	(65,999,987.50)
Total Contributions by and Distributions to owners		-	-	-	(65,999,987.50)	(65,999,987.50)
Total Transactions with owners		-	-	-	(65,999,987.50)	(65,999,987.50)
Balance as at 31 December 2015		263,999,950.00	198,000,000.00	28,940,744.21	504,881,541.49	995,822,235.70
Total Comprehensive Income (Expense) for the year						
Profit (Loss) for the year		-	-	-	(41,810,417.23)	(41,810,417.23)
Other Comprehensive Income (Expense) for the year		-	-	-	3,841,163.20	3,841,163.20
Total Comprehensive Income (Expense) for the year		-	-	-	(37,969,254.03)	(37,969,254.03)
Transactions with owners						
Contributions by and Distributions to owners						
Dividend	21.1	-	-	-	(39,599,992.50)	(39,599,992.50)
Total Contributions by and Distributions to owners		-	-	-	(39,599,992.50)	(39,599,992.50)
Total Transactions with owners		-	-	-	(39,599,992.50)	(39,599,992.50)
Balance as at 31 December 2016		263,999,950.00	198,000,000.00	28,940,744.21	427,312,294.96	918,252,989.17

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Baht	Baht	Baht	Baht
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (Loss) Before Income Tax		(65,804,118.94)	45,266,517.65	(51,138,134.99)	46,682,252.11
Adjustments to Profit (Loss) Before Income Tax for					
Cash Receipt (Paid) from Operation					
Depreciation		17,557,007.18	15,918,910.63	17,557,007.18	15,918,910.63
Amortization of Other Intangible Assets		1,214,810.16	2,324,799.81	1,214,810.16	2,324,799.81
Amortization of Prepaid Expenses		4,644,589.85	4,271,998.45	4,644,589.85	4,271,998.45
Doubtful Debts		1,223,136.00	-	1,223,136.00	-
Estimated Debt Reduction from Returned Goods and Discount		27,675,062.48	890,350.40	27,675,062.48	890,350.40
Estimated Cost of Returned Goods (Reversal)		(20,690,836.05)	303,082.21	(20,690,836.05)	303,082.21
Loss on Declining in Value of Inventories (Reversal)		20,457,161.68	(2,423,999.17)	20,457,161.68	(2,423,999.17)
Unrealized Loss on Exchange Rate		2,161,862.32	23,007.19	2,161,862.32	23,007.19
Gain on Disposal of Property, Plant and Equipment		(695,319.04)	(566,853.17)	(695,319.04)	(566,853.17)
Loss on Written-off of Property, Plant and Equipment		72,655.76	134,091.75	72,655.76	134,091.75
Loss on Impairment of Long-Term Investments		1,230.00	7,249,793.29	1,230.00	7,249,793.29
Share of Loss of Associate		14,665,983.95	1,415,734.46	-	-
Employee Benefit Expenses		3,011,741.00	2,788,405.00	3,011,741.00	2,788,405.00
Interest Incomes		(2,480,619.15)	(714,038.67)	(2,480,619.15)	(714,038.67)
Interest Expenses		10,665,632.37	11,499,369.15	10,665,632.37	11,499,369.15
Profit (Loss) from Operating before Changes in Operating Assets and Liabilities		13,679,979.57	88,381,168.98	13,679,979.57	88,381,168.98
(Increase) Decrease in Operating Assets					
Trade and Other Receivables		17,306,329.57	(15,331,844.49)	17,306,329.57	(15,331,844.49)
Inventories		(20,189,463.22)	(75,970,786.35)	(20,189,463.22)	(75,970,786.35)
Other Current Assets		(8,082.67)	13,879.16	(8,082.67)	13,879.16
Other Non-Current Assets		7,000.00	(600.00)	7,000.00	(600.00)
Increase (Decrease) in Operating Liabilities					
Trade and Other Payables		(23,783,256.49)	(98,505,208.70)	(23,783,256.49)	(98,505,208.70)
Employee Benefits Obligation		(242,832.00)	-	(242,832.00)	-
Cash Received (Paid) from Operating Activities		(13,230,325.24)	(101,413,391.40)	(13,230,325.24)	(101,413,391.40)
Cash Received from Interest Incomes		46,541.54	74,101.45	46,541.54	74,101.45
Cash Paid for Income Tax		(163,615.70)	(27,223,137.44)	(163,615.70)	(27,223,137.44)
Net Cash Provided from (Used in) Operating Activities		(13,347,399.40)	(128,562,427.39)	(13,347,399.40)	(128,562,427.39)

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

C.P.L. GROUP PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Note	FINANCIAL STATEMENTS IN WHICH THE EQUITY METHOD IS APPLIED		SEPARATE FINANCIAL STATEMENTS	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		Baht	Baht	Baht	Baht
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Paid for Short-Term Loans		(24,000,000.00)	-	(24,000,000.00)	-
Cash Paid for Purchase of Property, Plant and Equipment		(9,378,555.12)	(33,338,544.52)	(9,378,555.12)	(33,338,544.52)
Cash Received from Disposal of Property, Plant and Equipment		1,009,707.82	566,869.17	1,009,707.82	566,869.17
Cash Paid for Purchase of Other Intangible Assets		(145,000.00)	(225,000.00)	(145,000.00)	(225,000.00)
Cash Received from Advance Receive for Fixed Assets		1,944,440.88	-	1,944,440.88	-
Cash Paid for Investments in Associate		-	(16,000,000.00)	-	(16,000,000.00)
Cash Received from General Investments		448,770.00	-	448,770.00	-
Cash Received from Interest Incomes		2,227,275.21	640,000.00	2,227,275.21	640,000.00
Net Cash Provided from (Used in) Investing Activities		(27,893,361.21)	(48,356,675.35)	(27,893,361.21)	(48,356,675.35)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (Decrease) in Bank Overdrafts		31,262,012.24	1,147,760.70	31,262,012.24	1,147,760.70
Cash Received from Short-Term Borrowings from Financial Institutions		1,356,179,273.39	2,565,539,915.14	1,356,179,273.39	2,565,539,915.14
Cash Paid for Short-Term Borrowings from Financial Institutions		(1,301,236,660.73)	(2,360,345,934.98)	(1,301,236,660.73)	(2,360,345,934.98)
Cash Paid for Payables for Fixed Assets		(371,290.00)	-	(371,290.00)	-
Cash Paid for Liabilities under Finance Lease Agreements		(2,613,368.00)	(2,985,045.00)	(2,613,368.00)	(2,985,045.00)
Cash Paid for Interest Expenses		(10,193,680.99)	(10,881,757.45)	(10,193,680.99)	(10,881,757.45)
Cash Paid for Dividend		(39,938,224.95)	(65,999,737.50)	(39,938,224.95)	(65,999,737.50)
Net Cash Provided from (Used in) Financing Activities		33,088,060.96	126,475,200.91	33,088,060.96	126,475,200.91
Effect from Changes in Exchange Rate on Cash and Cash Equivalents		81,380.11	294,369.39	81,380.11	294,369.39
Net Increase (Decrease) in Cash and Cash Equivalents		(8,071,319.54)	(50,149,532.44)	(8,071,319.54)	(50,149,532.44)
Cash and Cash Equivalents at the Beginning of the year		19,022,434.42	69,171,966.86	19,022,434.42	69,171,966.86
Cash and Cash Equivalents at the Ending of the year	6	10,951,114.88	19,022,434.42	10,951,114.88	19,022,434.42

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

C.P.L. GROUP PUBLIC COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Public Limited Companies Act B.E 2535 on 19 December 1994, the registration number 0107537000289. Its head office is located at 700 Moo 6, Sukhumvit Road, Bang Poo Mai, Mueang Samutprakran, Samutprakran, Thailand. The Company's major shareholder is Wongcharoensin Family.

The Company's main business is manufacturing and distribution of leather products.

2. Basis of the Preparation of Financial Statements

- 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 and the Stock Exchange of Thailand.
- 2.2 The financial statements were presented in compliance with the notification of Department of Business Development regarding "Brief particulars must be contained in financial statements B.E. 2554" dated 28 September 2011 notified according to the Accounting Act B.E. 2543.
- 2.3 In order to prepare the financial statements to comply with financial reporting standards, the Company's management had 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, therefore 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 Financial Reporting Standards

The Company has adopted the new conceptual framework for financial reporting, accounting standards, financial reporting standards, accounting standard interpretations, financial reporting standard interpretations and accounting guidance, which are effective for accounting periods beginning on or after 1 January 2016, with no impact to the current financial report.

4. New Financial Reporting Standards not yet Effective

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

Effective for the accounting period beginning on or after 1 January 2017

TAS 1 (revised 2016) Presentation of Financial Statements

TAS 2 (revised 2016) Inventories

TAS 7 (revised 2016) Statement of Cash Flows

TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting
	Estimates and Errors
TAS 10 (revised 2016)	Events After the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Venture
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economics
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TFRS 2 (revised 2016)	Share-Based Payments
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discounted Operations
TFRS 6 (revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 11 (revised 2016)	Joint Arrangements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 10 (revised 2016)	Government Assistance — No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases — Incentives
TSIC 25 (revised 2016)	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2016)	Revenue — Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets — Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease

TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (revised 2016) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Levies
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructurings
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
	Accounting Guidances for Derecognition of Financial Assets and Financial Liabilities

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

5. Summary of Significant Accounting Policies

5.1 Measurements bases used in the Preparation of Financial Statements

Measurement bases used in the preparation of 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 Foreign Currencies

Items denominated in foreign currencies are recorded in Baht at the prevailing exchange rate when the transactions occur, and their balances of assets and liabilities at the end of period are converted into Baht by closing rate as at the end of period. Profit or loss arising from such conversion is shown as revenue or expense in profit or loss for that period.

5.3 Financial Instruments

Financial assets which are shown in the statement of financial position composed of cash and cash equivalents, investments, trade and other receivables and loans. Financial liabilities which are shown in the statement of financial position composed of bank overdrafts and borrowings from financial institutions, trade and other payables and liabilities under finance lease agreements. The particular accounting policy of each items are disclosed in each individual section. The Company has made the forward foreign currencies contract so as to hedge against risk from fluctuation of exchange rates. The forward foreign currencies contract will determine the future exchange rates that assets and liabilities denominated in foreign currencies will be received or has to be repaid. The forward foreign currencies contract as at the end of period will be computed by fair value and disclosed in the note to the financial statements. In addition, realized gain or loss incurred from the forward foreign exchange contract will be recorded in profit or loss for that period.

5.4 Cash and Cash Equivalents

Cash and cash equivalents include bank deposit in type of current accounts, savings accounts and not over 3 months fixed accounts without guarantee obligation.

5.5 Trade and Other Receivables

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

5.6 Inventories

Inventories are valued at cost in accordance with weighted average method or net realizable value which is lower.

5.7 Investments in Associate

Investments in associate in the financial statements in which the equity method is applied are recorded by the equity method and in the separate financial statement are recorded by the cost method deducted by the accumulated impairment loss (if any).

5.8 Long-Term Investments

- Investments in non-marketable securities which are held as a general investments are shown at cost and also deducted by the accumulated impairment loss (if any). The Company will recognize the change in value of investments in profit or loss when there is a disposal of the investments or the investments have been impaired.
- Investments in held-to-maturity debt instruments are stated at amortized cost.

5.9 Investment Property

The Company's investment property is their owned land and land improvement without specific purpose of use in the future and/or exploiting for rental income or appreciation of the asset. The Company measures the investment property at cost deducted by the accumulated depreciation and the accumulated impairment loss (if any).

5.10 Property, Plant and Equipment

Property, plant and equipment are recorded 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-life as follows:

- Buildings and Constructions	20	years
- Buildings Improvement	5	years
- Machines and Equipment	10	years
- Fixtures and Office Equipment	5 and 10	years
- Vehicles	5	years
- Waste Water Treatment Well	10	years

Depreciation of assets occurred during the usage period of producing the other fixed assets is calculated and capitalized as a part of the cost of that other assets and it would be ceased when that other fixed assets is ready for its intended use.

The Company did not carry depreciation for land, land improvements and assets under construction.

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 estimated useful-life. Repair and maintenance expenses are recognized as expense in profit or loss during the period that they are incurred.

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net proceeds and the carrying amount and recognized as revenue or expense in profit or loss of that period.

5.11 Intangible Assets

Computer Software License

Acquired computer software license are recorded as assets by the costs incurred to acquire and bring that software to intended use. These costs are amortized over 5 years estimated useful-live.

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 is recognized as expense in profit or loss immediately.

Calculation of Recoverable Amount

- The recoverable amount is the higher of the asset's fair value less cost to sell of asset or the cash-generating unit or its value in use.
- In assessing value in use of an asset by estimating the present value of 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.
- The asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of Impairment Loss

- The impairment loss of assets recognized in the prior period will be reversed if the estimation for indicated net realizable value changes since the last impairment loss was recognized just to be the carrying amount of the asset not exceed the carrying amount that would have been (net of depreciation or amortization), if no impairment loss had been recognized.
- Reversal of impairment loss will be recognized as revenue in profit or loss immediately.

5.13 Trade and Other Payables

Trade and other payables are shown at cost.

5.14 Employee Benefits

Short-Term Employee Benefits

- The Company recognizes salary, wage, bonus, social security fund and provident fund as expense when the transactions occur.

Long-Term Employee Benefits

- The Company recognizes the post-employment employee benefits or retirement employee benefits to employees under the labor laws applicable in Thailand which is defined benefit plans. Employee benefits obligation is calculated by an independent actuary in accordance with the actuarial technique, and discounted benefits by the projected unit credit method. The expected future cash flows shall reflect employee salaries, turnover rate, mortality rate, length of service and others. The Company presents employee benefits obligation as non-current liabilities. The costs associated with employee benefits are recognized in the statement of comprehensive income so as to spread the cost over the employment period.

5.15 Provisions

Provision 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 will be required to settle the obligation, and a reliable estimate of the amount can be made. 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

The appropriation of legal reserve is attributable to the Public Limited Companies Act B.E. 2535 which the Company will appropriate the legal reserve when it is approved by the shareholders' meeting. This legal reserve is not available for dividend distribution.

5.17 Recognition of Revenues

- Revenue from sales is recognized when the significant risks and rewards of ownership have been transferred to the buyer.
- Revenue from rental is recognized in accordance with the period through the term of the contract.
- Interest income is recognized by the effective interest rate method.
- Revenue from tax return is recognized when the right to receive tax return arises.
- Revenue from dividend is recognized when the right to receive dividend arises.

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 related to items recognized in other comprehensive income (expense) or recognized directly in the shareholders' equity which will recognize in other comprehensive income (expense) or recognized directly in the shareholders' equity as same as that items.

Current Tax

Current tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation, using the tax rates enacted at the end of reporting period.

Deferred Tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that the related tax benefit will be realized.

5.20 Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing profit (loss) for the period with the weighted average number of issued and paid-up shares during the period. The Company did not calculate the fully-diluted earnings (loss) per share since it has no ordinary shares equivalents.

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

The preparation of financial statements in conformity with financial reporting standards requires management to make judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures in the financial statements which the actual results may differ from these estimates. Significant judgements and estimates are as follows:

Lease

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

Allowance for Doubtful Accounts - Trade and Other Receivables

In determining an allowance for doubtful accounts - trade and other receivables, the management needs to make judgment and estimates for expected loss which may incur from each receivable based on past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for Debt Reduction from Returned Goods and Discount

In determining an allowance for debt reduction from returned goods and discount, the management makes judgment in estimation an allowance for debt reduction from returned goods and discount from the Company's goods which is not complied with the attribute the customers defined whereby the Company computed from the debt reduction rate and average rate of returned goods to sales multiply with sales incurred every 3 months.

Estimation of Returned Goods

In determining an estimation of returned goods, the management makes judgment in estimation of returned goods from the Company's goods which is not complied with the attribute the customers defined whereby the Company computed from the average cost of goods sold rate multiplied with estimation of allowance for debt reduction allowance incurred from returned goods.

Write-down of Inventories to become Net Realizable Value

In estimating the write-down of inventories to be net realizable value, the management uses the discretion in estimating the net realizable value of inventories. The sum of money expected to receive from inventories is considered from the change in sale price or cost directly related to the events occurring after of reporting period.

Impairment of Investments

The Company treats investments in debt instrument which is held to maturity and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment of the management.

Property, Plant and Equipment

In determining depreciation of plant and equipment, the management is required to make estimates of the useful-lives and residual values of the Company's plant and equipment and to review estimate useful-lives and residual values when there are any changes. In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible Assets

Intangible assets are systematically amortized over their estimated useful-lives, and are subject to impairment if there is an indication they may be impaired.

Post-Employment Benefits

Liabilities on post-employment employee benefits plan are calculated by actuarial technique, of which assumptions consist of discount rate, salary increase rate, turnover rate and related demographic factors. To indicate discount rate, the management has considered the interest rate which reflecting the present economic situation. However, actual post-employment benefits may differ from the estimates.

Fair Value of Financial Instruments

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

6. Cash and Cash Equivalents

Consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Cash	359,546.06	1,073,028.95
Bank Deposit - Current Accounts	79,968.89	835,680.99
Bank Deposit - Savings Accounts	10,511,599.93	16,961,212.42
Bank Deposit - not over 3 months Fixed Accounts	-	152,512.06
Total	10,951,114.88	19,022,434.42

7. Trade and Other Receivables

Consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Trade Receivables — Domestic	34,009,529.11	36,541,416.93
Trade Receivables — Overseas	58,731,978.05	89,401,545.97
Notes Receivables	3,391,167.44	12,749,905.52
Trade and Notes Receivables	96,132,674.60	138,692,868.42
<u>Less</u> Allowance for Doubtful Debts	(21,978,403.34)	(21,978,403.34)
Allowance for Debt Reduction from Returned Goods and Discount	(32,350,785.67)	(4,675,723.19)
Trade and Notes Receivables — Net	41,803,485.59	112,038,741.89
<u>Other</u> Receivables	42,093,737.09	21,136,946.72
Less Allowance for Doubtful Debts	(1,223,136.00)	-
Other Receivables — Net	40,870,601.09	21,136,946.72
Total	82,674,086.68	133,175,688.61

As at 31 December 2016 and 2015, the aging of trade and notes receivables are as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Within credit term	43,837,523.10	86,645,925.36
Overdue 1 — 30 days	26,343,609.34	27,616,235.05
Overdue 31 — 60 days	1,927,969.91	1,478,171.55
Overdue 61 — 90 days	211,666.07	398,943.68
Overdue 91 — 180 days	1,833,502.84	575,189.44
Overdue 181 — 365 days	-	-
Overdue more than 366 days	21,978,403.34	21,978,403.34
Total	96,132,674.60	138,692,868.42
<u>Less</u> Allowance for Doubtful Debts	(21,978,403.34)	(21,978,403.34)
Allowance for Debt Reduction from Returned Goods and Discount	(32,350,785.67)	(4,675,723.19)
Net	41,803,485.59	112,038,741.89

As at 31 December 2016 and 2015, other receivables consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Prepaid Expenses	1,087,081.99	1,170,847.90
Prepaid Payment for Goods	20,313,029.34	10,665,470.88
Accrued Interest Incomes	450,818.17	244,015.77
Revenue Department Receivables	7,877,204.23	2,015,230.66
Prepaid Income Tax	4,402,648.79	4,239,033.09
Other Receivables	7,962,954.57	2,802,348.42
Total	42,093,737.09	21,136,946.72
Less Allowance for Doubtful Debts	(1,223,136.00)	-
Net	40,870,601.09	21,136,946.72

For the year ended 31 December 2016 and 2015, the Company has movement of allowance for doubtful debts as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Beginning Balance	(21,978,403.34)	(21,978,403.34)
Increase during the year	(1,223,136.00)	-
Reverse during the year	-	-
Ending Balance	(23,201,539.34)	(21,978,403.34)

For the year ended 31 December 2016 and 2015, the Company has movement of allowance for debt reduction from returned goods and discount as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Beginning Balance	(4,675,723.19)	(3,785,372.79)
Increase during the year	(55,371,394.77)	(28,667,668.15)
Reverse during the year	27,696,332.29	27,777,317.75
Ending Balance	(32,350,785.67)	(4,675,723.19)

As at 31 December 2016 and 2015, trade receivables which is overdue more than 366 days is trade receivables overseas — related party who is unable to comply with the settlement plan. However, the Company has recognized the whole amount of allowance for doubtful debts, which the management of the Company will follow-up the collection from such trade receivables closely to minimize the damage incurred to the Company.

8. Inventories

Consist of:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Finished Goods	248,912,605.49	212,779,935.87
Semi-Finished Goods — Cow Nappa	540,025,321.20	418,186,393.24
Semi-Finished Goods — Cow Split	163,212,248.31	255,365,367.52
Work-in-Process	-	48,301,251.90
Raw Materials	25,197,630.28	16,449,159.76
Chemical	55,737,443.64	41,314,364.58
Supplies	3,627,922.28	3,331,326.87
Goods-in-Transit	29,101,630.98	49,897,539.22
Total	1,065,814,802.18	1,045,625,338.96
<u>Add</u> Estimated Cost of Returned Goods	21,219,142.82	528,306.77
<u>Less</u> Allowance for Declining in Value of Inventories	(21,816,536.24)	(1,359,374.56)
Net	1,065,217,408.76	1,044,794,271.17

For the year ended 31 December 2016 and 2015, the Company has movement of estimated cost of returned goods as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Beginning Balance	528,306.77	831,388.98
Increase during the year	28,887,803.59	5,428,769.44
Reverse during the year	(8,196,967.54)	(5,731,851.65)
Ending Balance	21,219,142.82	528,306.77

For the years ended 31 December 2016 and 2015, the Company has movement of allowance for declining in value of inventories as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Beginning Balance	(1,359,374.56)	(3,783,373.73)
Increase during the year	(25,542,986.68)	(4,603,024.53)
Reverse during the year	5,085,825.00	7,027,023.70
Ending Balance	(21,816,536.24)	(1,359,374.56)

As at 31 December 2016 and 2015, the Company has insured finished goods, semi-finished goods, work-in-process, raw materials, chemical and supplies in value of Baht 800.00 million and Baht 634.00 million respectively, which transferred the beneficiary from the insurance contract to the financial institutions as in Note 15.

9. Investments in Associate/Provision for Liabilities in Associate

9.1 Detail of Associate

Name of Entity	Paid-Up Share Capital		Investments Ratio		Financial statements in which the equity method is applied Equity Method		Separate financial statements Cost Method	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
	Baht	Baht	%	%	Baht	Baht	Baht	Baht
Integrated Leather Network Company Limited	40,000,000.00	40,000,000.00	40.00	40.00	(81,718.41)	14,584,265.54	16,000,000.00	16,000,000.00

9.2 The Financial Information of Associate

Summary financial information of significant associate is as follows:

	Integrated Leather Network Company Limited	
	As at 31 December 2016	As at 31 December 2015
	Baht	Baht
Current Assets	120,838,899.32	34,274,135.45
Non-Current Assets	42,896,717.63	3,647,909.36
Current Liabilities	(155,537,796.24)	(1,461,380.98)
Non-Current Liabilities	(8,682,933.26)	-
Net Assets	(485,112.55)	36,460,663.83
	As at 31 December 2016	As at 31 December 2015
	Baht	Baht
	Baht	Baht
Revenue	92,521,045.71	2,392,796.51
Profit (Loss) for the year	(36,945,776.39)	(3,539,336.15)
Other Comprehensive Income (Expense) for the year	-	-
Total Comprehensive Income (Expense) for the year	(36,945,776.39)	(3,539,336.15)
Dividend from Associate during the year	-	-

The reconciliation of the above financial information with the carrying amount of interest in associate which is recognized in the financial statements in which the equity method is applied is as follows:

	Integrated Leather Network Company Limited	
	As at 31 December 2016	As at 31 December 2015
	Baht	Baht
Net Assets	(485,112.55)	36,460,663.83
Investments Ratio (%)	40.00	40.00
Net Assets by Investments Ratio	(194,045.02)	14,584,265.54
Ending (Gain) Loss on Assets	112,326.61	-
Carrying Amount of Investments	(81,718.41)	14,584,265.54

On 20 July 2015, the Board of Directors Meeting of the Company No. 3/2015 has passed the resolution to approve the co-investment by set up a new company with an overseas company in the name of “Integrated Leather Network Company Limited” which has the objective to operate in the business of import and distribute all kind of hides that the Company has the shareholding in 40% of authorized share capital. The Company already has entered into the joint venture agreement on 22 July 2015, and already has established such company on 27 July 2015.

On 3 October 2015, the Extraordinary General Shareholder’s Meeting of the associate No. 1/2015 has passed the resolution to approve the increase of authorized share capital from Baht 1,000,000.00 to Baht 40,000,000.00 by issuing 3,900,000 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 14 October 2015.

Later, 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 investments ratio to 2,400,000 shares, at Baht 10.00 per share, totaling additional investments in amount of Baht 24,000,000.00. Presently, the Company has paid for the whole amount of increase share capital.

10. Long-Term Investments

Consist of:

	Type of Business	Country of Incorporation	Paid-Up Share Capital	Investments Ratio	Initial Cost of Investments	Financial statements in which the equity method is applied/ Separate financial statements	
						Investments As at 31 December 2016	Investments As at 31 December 2015
			U.S. Dollar	%	U.S. Dollar	Baht	Baht
<u>General Investments:</u>							
C.P.L. INTERNATIONAL	Investing Business	British Virgin Islands	8,000,000.00	15	1,200,000.00	51,483,750.00	51,483,750.00
Add Advance Payment for Capital Increase			1,000,000.00	15	150,000.00	4,618,500.00	4,618,500.00
Less Accumulated Impairment Loss						(41,516,840.28)	(41,516,840.28)
Net						14,585,409.72	14,585,409.72
Sirinrat Company Limited	Buildings for rent	Thailand	Baht	%	Baht	-	450,000.00
			15,000,000.00	3	450,000.00	14,585,409.72	15,035,409.72
Total General Investments						16,000,000.00	16,000,000.00
Investments in Debt Instruments — Held to Maturity:							
Debt Instruments — Maturity over 1 year but not over 5 years						16,000,000.00	16,000,000.00
Total Investments in Debt Instruments — Held to Maturity					16,000,000.00	16,000,000.00	16,000,000.00
Total Long-Term Investments					30,585,409.72	30,585,409.72	31,035,409.72

During the year, the Company has recognized dividend income from the general investments in the financial statements in which the equity method is applied and separate financial statements as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
C.P.L. International Company Limited	-	-
Sirinrat Company Limited	-	-
Total	-	-

For the year ended 31 December 2016 and 2015, the Company has movement of accumulated impairment loss for general investments as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Beginning Balance	(41,516,840.28)	(34,267,046.99)
Increase during the year	-	(7,249,793.29)
Ending Balance	(41,516,840.28)	(41,516,840.28)

Investments in Debt Instruments — Held to Maturity

As at 31 December 2016 and 2015, the whole amount of investments in debt instruments was investments in unsubordinated secured and holder name definable debentures. The maturity of debentures for 6 years 9 months 19 days from issued date for period since 27 January 2012 to 15 November 2018 with interest rate for 1st — 4th year is 4.00% per annum, interest rate for 5th — 6th year is 4.40% per annum and interest rate since 6th year until maturity is 5.50% per annum, and the fair value in amount of Baht 16.86 million and Baht 17.20 million respectively. Hereby, the Company has measured the fair value using the value that disseminated by the Thai Bond Market Association as at the date of statement of financial position which are Level 2 inputs.

11. Investment Property

Consist of:

	Financial statements in which the equity method is applied/ Separate financial statements
	Baht
As at 31 December 2014	
Cost	124,590,482.42
Carrying Amount	124,590,482.42
Transactions during the year ended 31 December 2015	
Purchase	-
Transfer out	398,086.00
Ending Carrying Amount	124,988,568.42
As at 31 December 2015	
Cost	124,988,568.42
Carrying Amount	124,988,568.42
Transactions during the year ended 31 December 2016	
Purchase	-
Transfer out	-
Ending Carrying Amount	124,988,568.42
As at 31 December 2016	
Cost	124,988,568.42
Carrying Amount	124,988,568.42

As at 31 December 2016 and 2015, investment property of the Company is owned land and land improvement without specific purpose of use in future and exploiting for rental income, which the investment property has the fair value in amount of Baht 141.17 million and Baht 135.83 million respectively.

12. Property, Plant and Equipment

Consist of:

	Land and Land Improvement	Buildings and Buildings Improvement	Machines and Equipment	Financial statements in which the equity method is applied/ Separate financial statements			Waste Water Storage	Assets in Progress	Total
	Baht	Baht	Baht	Vehicles	Fixtures and Office Equipment	Baht	Baht	Baht	Baht
As at 31 December 2014									
Cost	55,985,352.00	155,252,746.96	242,587,852.40	38,464,854.76	7,945,006.28	6,250,000.00	506,723.00	506,992,535.40	
Less Accumulated Depreciation	-	(135,951,053.84)	(205,389,910.05)	(28,648,603.15)	(6,493,231.22)	(6,249,997.89)	-	(382,732,796.15)	
Carrying Amount	55,985,352.00	19,301,693.12	37,197,942.35	9,816,251.61	1,451,775.06	2.11	506,723.00	124,259,739.25	
Transactions during the year ended									
31 December 2015	1,255,428.00	-	1,879,575.89	6,728,500.00	756,296.29	-	28,324,824.34	38,944,624.52	
Purchase of Assets	(146,086.00)	19,262,158.12	9,633,020.92	-	(1,448.52)	-	(27,948,758.59)	798,885.93	
Transfer in (Transfer out)	-	-	(1,470,775.61)	(4,670,000.00)	(7,000.00)	-	(127,091.75)	(6,274,867.36)	
Disposal/Written-off of Assets	-	(2,922,704.17)	(9,227,615.07)	(3,140,200.07)	(628,391.32)	-	-	(15,918,910.63)	
Depreciation Charged in Profit (Loss) for the year	-	-	1,470,761.61	4,669,998.00	-	-	-	6,140,759.61	
Accumulated Depreciation for Disposal/Written-off	-	-	-	-	-	-	-	-	
Ending Carrying Amount	57,094,694.00	35,641,147.07	39,482,910.09	13,404,549.54	1,571,231.51	2.11	755,697.00	147,950,231.32	
As at 31 December 2015									
Cost	57,094,694.00	174,514,905.08	252,629,673.60	40,523,354.76	8,636,253.04	6,250,000.00	755,697.00	540,404,577.48	
Less Accumulated Depreciation	-	(138,873,758.01)	(213,146,763.51)	(27,118,805.22)	(7,065,021.53)	(6,249,997.89)	-	(392,454,346.16)	
Carrying Amount	57,094,694.00	35,641,147.07	39,482,910.09	13,404,549.54	1,571,231.51	2.11	755,697.00	147,950,231.32	

	Land and Land Improvement	Buildings and Buildings Improvement	Machines and Equipment	Financial statements in which the equity method is applied/Separate financial statements		Waste Water Storage	Assets in Progress	Total
	Baht	Baht	Baht	Vehicles	Fixtures and Office Equipment	Baht	Baht	Baht
As at 31 December 2015								
Cost	57,094,694.00	174,514,905.08	252,629,673.60	40,523,354.76	8,636,253.04	6,250,000.00	755,697.00	540,404,577.48
<u>Less</u> Accumulated Depreciation	-	(138,873,758.01)	(213,146,763.51)	(27,118,805.22)	(7,065,021.53)	(6,249,997.89)	-	(392,454,346.16)
Carrying Amount	57,094,694.00	35,641,147.07	39,482,910.09	13,404,549.54	1,571,231.51	2.11	755,697.00	147,950,231.32
Transactions during the year ended								
31 December 2016								
Purchase of Assets	-	-	451,172.51	1,452,000.00	902,443.15	-	7,318,425.36	10,124,041.02
Transfer in (Transfer out)	-	633,129.32	6,603,595.92	-	625,743.52	-	(7,862,468.76)	-
Disposal/Written-off of Assets	-	-	(11,231,892.13)	(1,849,300.00)	(534,359.85)	-	-	(13,615,551.98)
Depreciation Charged in Profit (Loss) for the year	-	(4,064,283.83)	(8,834,891.45)	(3,886,311.40)	(771,520.50)	-	-	(17,557,007.18)
Accumulated Depreciation for Disposal/Written-off	-	-	11,175,171.08	1,534,915.22	518,418.14	-	-	13,228,504.44
Ending Carrying Amount	57,094,694.00	32,209,992.56	37,646,066.02	10,655,853.36	2,311,955.97	2.11	211,653.60	140,130,217.62
As at 31 December 2016								
Cost	57,094,694.00	175,148,034.40	248,452,549.90	40,126,054.76	9,630,079.86	6,250,000.00	211,653.60	536,913,066.52
<u>Less</u> Accumulated Depreciation	-	(142,938,041.84)	(210,806,483.88)	(29,470,201.40)	(7,318,123.89)	(6,249,997.89)	-	(396,782,848.90)
Carrying Amount	57,094,694.00	32,209,992.56	37,646,066.02	10,655,853.36	2,311,955.97	2.11	211,653.60	140,130,217.62

As at 31 December 2016 and 2015, the Company has pledged and mortgaged partial of land and buildings, and machinery and equipment which the carrying amount are in amount of Baht 73.73 million and Baht 84.14 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 275.00 million and Baht 210.00 million respectively, to the financial institutions as in Note 15.

13. Other Intangible Assets

Consist of:

	Financial statements in which the equity method is applied/ Separate financial statements
	Baht
As at 31 December 2014	
Cost	12,845,916.00
<u>Less</u> Accumulated Amortization	(4,053,696.16)
Carrying Amount	8,792,219.84
Transactions during the year ended 31 December 2015	
Purchase of Assets	225,000.00
Written-off of Assets	(1,483,400.00)
Amortization Charged in Profit (Loss) for the year	(2,324,799.81)
Accumulated Amortization for Written-off of Assets	1,483,400.00
Ending Carrying Amount	6,692,420.03
As at 31 December 2015	
Cost	11,587,516.00
<u>Less</u> Accumulated Amortization	(4,895,095.97)
Carrying Amount	6,692,420.03
Transactions during the year ended 31 December 2016	
Purchase of Assets	145,000.00
Amortization Charged in Profit (Loss) for the year	(1,214,810.16)
Ending Carrying Amount	5,622,609.87
As at 31 December 2016	
Cost	11,732,516.00
<u>Less</u> Accumulated Amortization	(6,109,906.13)
Carrying Amount	5,622,609.87

14. Deferred Tax Assets

Deferred income taxes are calculated on temporary differences, using the liability method and applying a principal tax rate 20%. The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets and liabilities of the Company are summarized below:

	Financial statements in which the equity method is applied/ Separate financial statements			
	As at 31 December 2015	Recognized in Profit (Loss) for the year	Recognized in Other Comprehensive Income (Expense)	As at 31 December 2016
	Baht	Baht	Baht	Baht
Deferred Tax Assets		for the year		
Trade and Other Receivables	5,330,825.31	5,779,639.69	-	11,110,465.00
Inventories	166,213.56	(46,734.87)	-	119,478.69
Long-Term Investments	8,303,368.06	-	-	8,303,368.06
Employee Benefits Obligation	7,591,168.79	(406,509.00)	-	7,184,659.79
Tax Loss	-	3,041,031.14	-	3,041,031.14
Total	21,391,575.72	8,367,426.96	-	29,759,002.68
	Financial statements in which the equity method is applied/ Separate financial statements			
	As at 31 December 2015	Recognized in Profit (Loss) for the year	Recognized in Other Comprehensive Income (Expense)	As at 31 December 2016
	Baht	in Profit (Loss)	Baht	Baht
Deferred Tax Assets		for the year		
Trade and Other Receivables	5,152,755.23	178,070.08	-	5,330,825.31
Inventories	590,396.95	(424,183.39)	-	166,213.56
Long-Term Investments	6,853,409.40	1,449,958.66	-	8,303,368.06
Employee Benefits Obligation	7,033,487.79	557,681.00	-	7,591,168.79
Total	19,630,049.37	1,761,526.35	-	21,391,575.72

15. Credit Facilities and Guarantee

As at 31 December 2016, the Company has obtained credit line from financial institutions in form of overdrafts, letters of credit and trust receipts, short-term borrowings, letters of guarantee and credit line for forward contract, totaling credit line in amount of Baht 1,690.00 million, credit line for letters of credit in amount of USD 3.00 million and credit line for corporate credit card in amount of Baht 1.00 million.

As at 31 December 2015, the Company has obtained credit line from financial institutions in form of overdrafts, letters of credit and trust receipts, short-term borrowings, letters of guarantee and credit line for forward contract, totaling credit line in amount of Baht 1,595.00 million, credit line for letters of credit in amount of USD 3.00 million.

As at 31 December 2016 and 2015, the credit line is pledged by mortgage of land and buildings, machinery and equipment of the Company, and beneficiary from insurance in such inventories, land and buildings, machinery and equipment as in Note 8 and 12.

16. Bank Overdrafts and Short-Term Borrowings from Financial Institutions

Consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Bank Overdrafts	32,409,772.94	1,147,760.70
Short-Term Borrowings from Financial Institutions	432,567,635.63	375,485,664.62
Total	464,977,408.57	376,633,425.32

As at 31 December 2016 and 2015, short-term borrowings from financial institution are in form of trust receipts and promissory notes which are carried the interest rate of 1.94% — 3.30% per annum and rate of 0.65% — 3.35% per annum respectively. Under the term of trust receipt contract, the Company receives ordered goods by using credit of the financial institution. Hence, the Company constitutes obligation commitment to the financial institution for such goods both that kept or disposed.

The above borrowings constitutes collateral as in Note 15.

17. Trade and Other Payables

Consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Trade Payables — Domestic	55,283,289.35	65,875,360.00
Trade Payables — Overseas	23,698,395.20	31,193,574.35
Notes Payables	-	5,564.00
Trade and Notes Payables	78,981,684.55	97,074,498.35
Other Payables	28,152,087.04	32,185,136.12
Total	107,133,771.59	129,259,634.47

As at 31 December 2016 and 2015, other payables consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Accrued Expenses	13,870,940.37	18,667,840.36
Advance Receive for Goods	3,560,952.87	5,706,431.13
Advance Receive for Fixed Assets	3,333,329.76	1,388,888.88
Accrued Interest Expenses	838,030.10	590,022.77
Payables for Fixed Assets	93,485.90	371,290.00
Dividend Payables	667,176.20	1,005,408.65
Other Payables	5,788,171.84	4,455,254.33
Total	28,152,087.04	32,185,136.12

18. Liabilities under Finance Lease Agreements

Consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
The Minimum Lease Payment under Finance Lease Agreements	4,070,492.00	5,997,292.00
<u>Less</u> Deferred Interest	(245,244.17)	(434,620.22)
Liabilities under Finance Lease Agreements	3,825,247.83	5,562,671.78
<u>Less</u> Current Portion	(1,529,341.63)	(2,179,292.60)
Net	2,295,906.20	3,383,379.18

As at 31 December 2016 and 2015, the minimum lease payment under finance lease agreements are classified by due date as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Not over 1 year	1,676,796.00	2,384,512.00
Over 1 year but not over 5 years	2,393,696.00	3,612,780.00
Total	4,070,492.00	5,997,292.00

19. Employee Benefits Obligation

For the year ended 31 December 2016 and 2015, the Company has movement of employee benefits obligation as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Present Value of Obligation as at 1 January	37,955,844.00	35,167,439.00
Current Service Costs	1,824,921.00	2,011,769.00
Interest Expenses	1,186,820.00	776,636.00
Actuarial (Gain) Loss	(4,801,454.00)	-
Benefits paid during the year	(242,832.00)	-
Present Value of Obligation as at 31 December	35,923,299.00	37,955,844.00

Employee benefit expenses which included in profit (loss) for the year consist of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Current Service Costs	1,824,921.00	2,011,769.00
Interest Expenses	1,186,820.00	776,636.00
Total	3,011,741.00	2,788,405.00

The above expenses are included in the items as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Cost of Sales	1,370,249.00	1,261,462.00
Selling Expenses	263,662.00	245,415.00
Administrative Expenses	1,377,830.00	1,281,528.00
Total	3,011,741.00	2,788,405.00

Actuarial gain recognised in other comprehensive income (expense) as at the end of the reporting period arising from:

	Financial statements in which the equity method is applied	Separate financial statements
	As at 31 December 2016	
	Baht	
Demographic assumptions	(5,064,154.00)	
Financial assumptions	2,803,940.00	
Experience adjustment	(2,541,240.00)	
Total	(4,801,454.00)	

The principal assumptions used for the purposes of the actuarial valuation are as follows:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Discount rate	1.81% per annum	3.51% per annum
Average Salary increase rate	3.00% per annum	3.00% per annum

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown as follows.

	Financial statements in which the equity method is applied/Separate financial statements As at 31 December 2016
	Baht
Discount rate	
Rate increase 1.00%	(1,281,194.00)
Rate decrease 1.00%	1,457,454.00
Average Salary Increase Rate	
Rate increase 1.00%	1,283,752.00
Rate decrease 1.00%	(1,152,821.00)

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 shown.

20. Share Capital

For the year ended 31 December 2016 and 2015, the Company has movement of share capital as follows:

	Par Value per Share Baht	Financial statements in which the equity method is applied For the year ended 31 December 2016		Separate financial statements For the year ended 31 December 2015	
		Number of Share Shares	Amount Baht	Number of Share Shares	Amount Baht
Authorized Share Capital					
Beginning Ordinary Shares	10.00	26,399,995	263,999,950.00	26,399,995	263,999,950.00
Ending Ordinary Shares	10.00	26,399,995	263,999,950.00	26,399,995	263,999,950.00
Issued and Paid-up Share Capital					
Beginning Ordinary Shares	10.00	26,399,995	263,999,950.00	26,399,995	263,999,950.00
Ending Ordinary Shares	10.00	26,399,995	263,999,950.00	26,399,995	263,999,950.00

21. Dividend Payment

- 21.1 On 28 April 2016, the Annual General Shareholders' Meeting of the Company for 2016 has passed the resolution to approve the appropriation of the net profit for 2015 as dividend to the shareholders in number of 26.40 million shares at the rate of Baht 1.50 per share, totaling in amount of Baht 39.60 million.
- 21.2 On 28 April 2015, the Annual General Shareholders' Meeting of the Company for 2015 has passed the resolution to approve the appropriation of the net profit for 2014 as dividend to the shareholders in number of 26.40 million shares at the rate of Baht 2.50 per share, totaling in amount of Baht 66.00 million.

22. Capital Management

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

As at 31 December 2016 and 2015, debt to equity ratio in the financial statements in which the equity method is applied are 0.68:1 and 0.55:1 respectively and debt to equity ratio in the separate financial statements are 0.67:1 and 0.55:1 respectively.

23. Income Tax (Expense) Revenue

Income tax which is recognized in profit (loss) for the year consists of:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Current Tax		
Income Tax (Expense) Revenue for current year	-	(11,862,254.31)
Deferred Tax		
Deferred Income Tax (Expense) Revenue	9,327,717.76	1,761,526.35
Income Tax (Expense) Revenue recognized in		
Profit (Loss) for the year	9,327,717.76	(10,100,727.96)

The differences between income tax (expense) revenue which are calculated from accounting profit (loss) at the tax rate used for the year ended 31 December 2016 and 2015, in 20%, are as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Profit (loss) Before Income Tax	(65,804,118.94)	45,266,517.65
Income Tax (Expense) Revenue		
calculated at the tax rate of 20%	13,160,823.79	(9,053,303.53)
Revenue (Expense) that are not		
deductible for Income Tax	(3,833,106.03)	(1,047,424.43)
Income Tax (Expense) Revenue recognized		
in Profit (Loss) for the year	9,327,717.76	(10,100,727.96)

Income tax which is recognized in other comprehensive income (expense) consists of:

	Financial statements in which the equity method is applied/Separate financial statements		
	Amount Before Taxes Baht	Income Tax (Expense) Revenue Baht	Amount Net Taxes Baht
For the year ended 31 December 2016			
Actuarial Gain (Loss) for Employee Defined Benefit Plans	4,801,454.00	(960,290.80)	3,841,163.20

24. Expenses by Nature

Consist of:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Changes in Finished Goods and Work-in-Process	(17,517,226.47)	(178,204,205.69)
Raw Material and Chemical Used	896,743,742.12	978,410,064.66
Loss on Declining in Value of Inventories (Reversal)	20,457,161.68	(2,423,999.17)
Loss on Exchange Rate	4,334,215.63	15,023,137.71
Employee Benefit Expenses	143,015,261.76	158,912,385.14
Managements' Remuneration	31,906,435.00	30,926,219.00
Depreciation	17,557,007.18	15,918,910.63
Amortization of Other Intangible Assets	1,214,810.16	2,324,799.81
Doubtful Debts	1,223,136.00	-
Loss on Impairment of Long-Term Investments	1,230.00	7,249,793.29
Transportation Expenses	7,880,987.77	9,518,634.24
Other Production Expenses	663,945,544.56	1,185,406,330.67
Other Expenses	47,063,359.05	41,777,233.69
Total	1,817,825,664.44	2,264,839,303.98

25. Operating Segments

The Company operates in only one business sector, namely manufacturing and distribution of leather products and operate in two geographical areas, which is domestic and overseas. Thus all income, profit or loss and entire assets and liabilities shown in the financial report are related to the said business sector and geographical areas.

For the year ended 31 December 2016 and 2015, The financial statements in which the equity method is applied have presented the segment information as follows:

	Domestic		Overseas		Total	
	2016	2015	2016	2015	2016	2015
	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
Revenue from Sales						
External Customers	360,271	382,398	1,408,758	1,933,107	1,769,029	2,315,505
Inter-Segment	-	-	-	-	-	-
Total	360,271	382,398	1,408,758	1,933,107	1,769,029	2,315,505
Gross Profit (Loss)	23,187	(660)	79,756	221,168	102,943	220,508
Interest Incomes					2,481	714
Other Incomes					7,818	6,802
Selling Expenses					(45,686)	(50,850)
Administrative Expenses					(101,718)	(96,720)
Loss on Exchange Rate					(4,334)	(15,023)
Loss on Impairment of Long-Term Investments					(1)	(7,250)
Finance Costs					(12,641)	(11,499)
Share of Loss of Associate					(14,666)	(1,416)
Profit (Loss) Before Income Tax					(65,804)	45,266
Income Tax (Expense) Revenue					9,328	(10,100)
Profit (Loss) for the year					(56,476)	35,166
Depreciation and Amortization					18,772	18,244
Assets as at 31 December					1,514,113	1,543,818
Liabilities as at 31 December					611,941	549,412

26. Financial Instruments

26.1 Policy of Financial Risk Management

The Company constitutes risk in relation to change of interest rates and exchange rates by which the Company considers to utilize the appropriate financial instruments to hedge against such risk. However, the Company has no policy to hold or issue financial instruments for speculating or for trading.

26.2 Risk from Interest Rates

Interest rate risk arises from the fluctuation of interest rates in the future which will affect the financial performance and cash flows of the Company, which the Company has financial assets and financial liabilities which it exposes to risk from interest rate as follows:

	Financial statements in which the equity method is applied/Separate financial statements As at 31 December 2016				
	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Rate
	Baht	Baht	Baht	Baht	% per annum
<u>Financial Assets</u>					
Cash and Cash Equivalents	10,511,599.93	-	439,514.95	10,951,114.88	0.25 — 0.50
Investments in Debt Instruments — Held to Maturity					
Maturity over 1 year but not over 5 years	-	16,000,000.00	-	16,000,000.00	4.00 — 4.40
<u>Financial Liabilities</u>					
Bank Overdrafts	32,409,772.94	-	-	32,409,772.94	7.12 — 8.00
Short-Term Borrowings from Financial Institutions					
Thai Baht Currency	44,257,236.26	-	-	44,257,236.26	3.10
Foreign Currency	388,310,399.37	-	-	388,310,399.37	1.94 — 2.80
	Financial statements in which the equity method is applied/Separate financial statements As at 31 December 2016				
	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Rate
	Baht	Baht	Baht	Baht	% per annum
<u>Financial Assets</u>					
Cash and Cash Equivalents	16,961,212.42	152,512.06	1,908,709.94	19,022,434.42	0.25 — 1.00
Investments in Debt Instruments — Held to Maturity					
Maturity over 1 year but not over 5 years	-	16,000,000.00	-	16,000,000.00	4.00 — 4.40
<u>Financial Liabilities</u>					
Bank Overdrafts	1,147,760.70	-	-	1,147,760.70	7.38 — 7.80
Short-Term Borrowings from Financial Institutions					
Thai Baht Currency	55,525,449.99	-	-	55,525,449.99	2.40 — 3.35
Foreign Currency	319,960,214.63	-	-	319,960,214.63	1.77 — 2.01

26.3 Risk on Exchange Rates

The Company constitutes risk on exchange rates regarding to purchase of raw materials, machines and sales denominated in foreign currencies. The Company has financial assets and financial liabilities in foreign currencies as follows:

Currencies	Financial statements in which the equity method is applied/ Separate financial statements			
	Financial Assets		Financial Liabilities	
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2016	As at 31 December 2015
GBP	-	978.00	-	-
INR	2,850.00	2,850.00	-	-
EURO	1,138.00	1,229.00	-	-
CNY	12,591.00	58,460.00	-	-
USD	1,176,887.64	3,055,854.94	11,165,390.98	10,676,667.38

As at 31 December 2016 and 2015, the Company has hedged the risk on foreign currency exchange rate incurred from purchase of materials and sales of goods in foreign currency by entering into the forward foreign currency contracts as follows:

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Credit Limit for Buying and Selling Forward Contracts	Baht 600.00 Million	Baht 505.00 Million
Value of Buying Forward Contracts		
USD	7.23 Million	10.85 Million
Value of Buying Forward Contracts	Baht 256.80 Million	Baht 428.46 Million
Fair Value	Baht 259.10 Million	Baht 392.31 Million

26.4 Credit Risk

The Company has not significant credit risk in connection to trade receivables since the Company provides sales overseas by Letter of Credit application or alternatively clients make goods payment in advance. Moreover, domestic sales are typically performed to financially secured companies whose capability is good at debt repayment. The Company has dealt with these clients for a long time. Therefore, it is anticipated of non significant risk derived from unpayment of those accounts receivable. However, the Company sufficiently considered the allowance for doubtful debts.

26.5 Fair Value

Due to the financial assets and financial liabilities are mainly short-term type, investments in debt instruments and borrowings has interest rates similarly to market rates, the management of the Company believes that the carrying amount of such financial assets and financial liabilities reflect values which do not materially differ from their fair values.

26.6 Fair Value Hierarchy

As at 31 December 2016 and 2015, the Company has financial assets and financial liabilities which have fair value disclosures are categorized by the fair value hierarchy as follows:

	Financial statements in which the equity method is applied/Separate financial statements As at 31 December 2016				
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	Baht	Baht	Baht	Baht	Baht
Current Financial Assets					
Cash and Cash Equivalents	10,951,114.88	-	10,951,114.88	-	10,951,114.88
Trade and Other Receivables	82,674,086.68	-	82,674,086.68	-	82,674,086.68
Non-Current Financial Assets					
Investments in Debt Instruments — Held to Maturity					
Maturity over 1 year but not over 5 years	16,000,000.00	-	16,864,988.48	-	16,864,988.48
Current Financial Liabilities					
Bank Overdrafts	32,409,772.94	-	32,409,772.94	-	32,409,772.94
Short-Term Borrowings from Financial Institutions	432,567,635.63	-	432,567,635.63	-	432,567,635.63
Trade and Other Payables	107,133,771.59	-	107,133,771.59	-	107,133,771.59
Current Portion of Liabilities					
under Finance Lease Agreements	1,529,341.63	-	1,529,341.63	-	1,529,341.63
Non-Current Financial Liabilities					
Liabilities under Finance Lease Agreements					
Over 1 year but not over 5 years	2,295,906.20	-	2,295,906.20	-	2,295,906.20

	Financial statements in which the equity method is applied/Separate financial statements As at 31 December 2016				
	Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
	Baht	Baht	Baht	Baht	Baht
Current Financial Assets					
Cash and Cash Equivalents	19,022,434.42	-	19,022,434.42	-	19,022,434.42
Trade and Other Receivables	133,175,688.61	-	133,175,688.61	-	133,175,688.61
Non-Current Financial Assets					
Investments in Debt Instruments — Held to Maturity					
Maturity over 1 year but not over 5 years	16,000,000.00	-	17,195,544.80	-	17,195,544.80
Current Financial Liabilities					
Bank Overdrafts	1,147,760.70	-	1,147,760.70	-	1,147,760.70
Short-Term Borrowings from Financial Institutions	375,485,664.62	-	375,485,664.62	-	375,485,664.62
Trade and Other Payables	129,259,634.47	-	129,259,634.47	-	129,259,634.47
Current Portion of Liabilities					
under Finance Lease Agreements	2,179,292.60	-	2,179,292.60	-	2,179,292.60
Non-Current Financial Liabilities					
Liabilities under Finance Lease Agreements					
Over 1 year but not over 5 years	3,383,379.18	-	3,383,379.18	-	3,383,379.18

27. Related Party Transactions

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

27.1 Relationship of the Company

Name of Related Parties	Nature of Relationship
Integrated Leather Network Company Limited	Associate by direct shareholding
C.P.L. Marketing Company Limited	Related Party by indirect shareholding via C.P.L. International Company Limited
Pangolin Safety Products Company Limited	Related Party by Common Group of Shareholders and Executives (established by amalgamation between Pangolin Safety Products Company Limited with Safety Shoes Company Limited on 28 December 2015)
Eagle Chemical Industrial Company Limited	Related Party by Common Group of Shareholders and Executives
Mimi Industrial Company Limited	Related Party by Common Group of Shareholders and Executives
Applied DB Industrial Company Limited	Related Party by Common Group of Shareholders and Executives
Paramount Hide & Leather H.K. Limited	Related Party with the major shareholder in the Associate

27.2 Inter-Transactions

Pricing Policy		Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
		Baht	Baht
Inter-Transaction with Associate			
Revenue from Services	Cost plus margin	2,300,987.40	245,963.00
Rental Incomes	Mutually agreed prices	1,140,000.00	285,000.00
Interest Incomes	At the rate of 9.00% per annum	1,712,219.18	-
Purchase of Materials	Mutually agreed prices	43,837,408.48	-
Inter-Transaction with Related Parties			
Revenue from Sales	Normal business prices which are comparable with outside parties	25,402,937.78	47,703,039.15
Revenue from Services	Mutually agreed prices	522,446.18	-
Purchase of Materials	Mutually agreed prices	165,966,401.90	101,023,082.00
Purchase of Supplies	Mutually agreed prices	159,309.91	-

27.3 Inter-Outstanding Balances

	Financial statements in which the equity method is applied As at 31 December 2016	Separate financial statements As at 31 December 2015
	Baht	Baht
Trade and Notes Receivables		
Related Parties		
C.P.L. Marketing Company Limited	21,978,403.34	21,978,403.34
Pangolin Safety Products Company Limited	4,074,091.35	2,332,580.88
Total	26,052,494.69	24,310,984.22
<u>Less Allowance for Doubtful Debts</u>	(21,978,403.34)	(21,978,403.34)
Net	4,074,091.35	2,332,580.88
Other Receivables		
Associate		
Integrated Leather Network Company Limited	96,050.00	80,867.60
Accrued Interest Incomes		
Associate		
Integrated Leather Network Company Limited	183,452.05	-
Short-Term Loans		
Associate		
Integrated Leather Network Company Limited		
Beginning Balance	-	-
Additional loan during the year	24,000,000.00	-
Repayment during the year	-	-
Ending Balance	24,000,000.00	-
Trade Payables		
Related Parties		
Eagle Chemical Industrial Company Limited	25,569,201.51	31,947,632.00
Applied DB Industrial Company Limited	2,568.00	95,016.00
Pangolin Safety Products Company Limited	8,250.98	-
Total	25,580,020.49	32,042,648.00

As at 31 December 2016, the whole amount of short-term loans to associate is in form of loan agreement, which the borrower agrees to gradually repay after fully operate, with carried the interest rate at 9.00% per annum.

27.4 Inter-Guarantees

On 12 May 2016, the Board of Directors Meeting of the Company No. 3/2016 has passed the resolution to approve the Company to guarantee the request for credit line of the associate with a financial institution in the credit line of Baht 49.80 million, which is in accordance with the investments ratio.

27.5 Key Management's Remuneration

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Short-Term Benefits	31,676,600.00	30,714,600.00
Post-Employment Benefits	229,835.00	211,619.00
Total	31,906,435.00	30,926,219.00

28. Non-Cash Flows Transaction

Consist of:

	Financial statements in which the equity method is applied For the year ended 31 December 2016	Separate financial statements For the year ended 31 December 2015
	Baht	Baht
Transferred Property, Plant and Equipment to Investment Property	-	146,086.00
Transferred Trade and Other Receivables to Investment Property	-	252,000.00
Transferred Property, Plant and Equipment to Other Non-Current Assets	3.00	1,448.52
Transferred Inventories to Property, Plant and Equipment	-	946,420.45
Property, Plant and Equipment acquired under Finance Lease Agreements	652,000.00	5,234,790.00
Purchase of Property, Plant and Equipment on Credit	93,485.90	371,290.00
Actuarial Gain (loss) for Employee Defined Benefit Plans recognized in Other Comprehensive Income (Expense)	3,841,163.20	-

29. Obligations and Contingent Liabilities

In addition to the liabilities shown on the statement of financial position as at 31 December 2016 and 2015, the Company still remains obligations and contingent liabilities as follows:

29.1 As at 31 December 2016 and 2015, the Company remains obligations and contingent liabilities with the financial institutions as follows:

	Financial statements in which the equity method is applied/ Separate financial statements As at 31 December 2016		
	Total	Utilized	Remaining
Letters of Guarantee			
Million Baht	8.50	4.01	4.49
Letters of Credit/Trust Receipt			
Million Baht	1,055.00	374.99	680.01
Million USD	3.00	2.54	0.46
Promissory Notes			
Million Baht	35.00	35.00	-
Buying and Selling Foreign Currency			
Forward Contract			
Million Baht	600.00	256.80	343.20
Corporate Credit Card			
Million Baht	1.00	-	1.00
	Financial statements in which the equity method is applied/ Separate financial statements As at 31 December 2015		
	Total	Utilized	Remaining
Letters of Guarantee			
Million Baht	8.50	4.01	4.49
Letters of Credit/Trust Receipt			
Million Baht	1,055.00	329.70	725.30
Million USD	3.00	0.59	2.41
Promissory Notes			
Million Baht	35.00	-	35.00
Buying and Selling Foreign Currency			
Forward Contract			
Million Baht	505.00	428.46	76.54

29.2 As at 31 December 2016 and 2015, the Company is obliged to pay the implementation of public relations and investor relations under service agreements with other entity in amount of Baht 0.70 million and Baht 0.60 million respectively, the agreement is for 1 year.

30. Events after the Reporting Period

On 23 February 2017, the Extraordinary General Shareholder's Meeting of the Company No. 1/2017 has passed the significant resolutions as follows:

- Approved the acceptance 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.
- Approved the increase authorized share capital in amount of Baht 154,899,420.00, from Baht 263,999,950.00 to Baht 418,899,370.00 by issuing 15,489,942 new ordinary shares, with the par value of Baht 10.00 per share.

31. Approval of the Financial Statements

These financial statements have been approved for issue by authorized directors of the Company on 24 February 2017.



C.P.L Group Public Company Limited

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