



INTERHIDES
Public Company Limited

บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน)



รายงานประจำปี 2557

Annual report 2014

Contents

Financial Highlights	1
General Information of the Company	2
Message from the Chairman and Managing Director	4
Board of Directors	5
Business Nature of the Company	6
Industrial Trend and Competition	9
Risk Factors	19
Shareholding Structure and Dividend Policy	22
Management Structure	24
The Consideration of the Remuneration	32
The Election of the Directors	33
Definition of the Independent Directors	34
Directors and Management Remuneration	35
Good Corporate Governance	37
Insider Information Control	44
Internal Control	45
Management Information	49
Audit Committee Report	53
Related Party Transactions	56
Report of the Board of Director's Responsibilities for Financial Statements	65
Management Discussion and Analysis of Financial Status and Performance	66
Report of Independent Auditor	69
Financial Statement	72
Note of Financial Statements	80

Financial Highlights

Unit : Thousand Baht	Consolidated Financial Statement			Separated Financial Statement		
	2014	2013	2012	2014	2013	2012
Statements of Comprehensive Income						
Sales and Service Revenue	1,851,645	1,788,113	1,891,527	1,453,329	1,564,503	1,609,939
Total Revenues	1,862,624	1,797,492	1,916,262	1,605,815	1,638,108	1,713,328
Gross Profit	349,259	373,655	426,889	184,327	249,684	311,023
Selling & Administrative Expenses	119,624	117,346	109,367	111,003	109,376	103,465
Profit before Financial costs and						
Corporate Income Tax	240,615	265,688	342,257	225,810	213,914	310,946
Total Comprehensive Income	193,702	197,133	248,917	185,342	147,928	218,285
Statements of Financial Position						
Current Assets	994,915	945,089	1,043,091	870,448	808,233	966,382
Total Assets	2,142,374	2,178,569	2,280,566	2,002,972	2,040,073	2,211,758
Current Liabilities	736,102	745,417	1,047,724	705,334	705,163	1,027,952
Total Liabilities	1,043,980	1,125,553	1,353,573	1,011,180	1,085,300	1,333,800
Shareholders' Equity	1,098,394	1,053,015	926,993	991,792	954,774	877,957
Per Share Data						
Earnings per Share	0.46	0.47	0.59	0.44	0.35	0.52
Stock Dividend Payment Rate *						
(Existing Share : Stock Dividend)	-	-	-	-	-	5 : 1
Cash Dividend (Baht/Share)	-	-	-	0.35	0.30	0.17
Total Dividend Payment (Baht/Share)	-	-	-	0.35	0.30	0.37
Financial Ratio						
Net Profit Margin (%)	10.46%	11.02%	13.22%	12.75%	9.46%	13.63%
Return on Equity - ROE (%)	11.14%	11.92%	15.46%	11.17%	10.06%	10.15%
Return On Assets - ROA (%)	18.01%	19.91%	30.58%	19.04%	16.14%	27.99%
Debt/Equity Ratio -D/E ratio (Times)	0.95	1.07	1.46	1.02	1.14	1.52

* The Board of Director no.1/2015 held on February 23, 2015 had the resolution to have the Annual General Meeting of Shareholders no.10 to be held on April 24, 2015 to consider and approve the payment of annual dividend at the rate of Baht 0.45 per share. The Company had been paid the interim dividend at the rate of Baht 0.20 per share on September 11, 2014. Therefore, remaining dividend will be paid to Shareholders at this moment is Baht 0.25 per share. The dividend will be paid from the operating profit of the year 2014 at the rate of Baht 0.25 per share. The dividend will be made on May 21, 2015.

General Information of the Company

Company's name in Thai	: บริษัท อินเตอร์ไฮด์ จำกัด (มหาชน) (“บริษัทฯ”)
Company's name in English	: Interhides Public Company Limited
Nature of Business	: Producing and distributing leather covering for car seats and other related products

Location:

Headquarter	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
First factory	: 192 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Second – Third factory	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Fourth Factory	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Fifth Factory	: 555 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Sixth Factory	: 1111 M. 2 Soi Foknung Kilometer 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Seventh Factory	: 775 Bangpu Industrial Estate, Moo 2, Soi 4, Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company's Registration Number	: PLC 0107548000595
Website	: http://www.interhides.com
Telephone	: (662) 323 - 2754 - 5, (662) 709 - 5512 - 4, (662) 709 - 6288 - 9, (662) 710 - 6244 - 5
Fax	: (662) 709 - 5516, (662) 323 - 2749
Register Capital	: 419,999,076 ordinary shares at par value of Baht 1
Paid-up Capital	: 419,998,782 ordinary shares at par value of Baht 1

Other Referees

1. Auditor

EY Office Limited
33rd Floor Lake Rajada Office Complex (Near Queen Sirikit National Convention Centre)
193/136 - 137 Rajadapisek Road Bangkok 10110
Tel: (662) 264 - 9090
Fax: (662) 264 - 0789 - 90

2. Securities Registrar

Thailand Securities Depository Co., Ltd.
62 The Stock Exchange of Thailand Building,
Rachadapisek Road, Klongtoey, Bangkok 10110
Tel: (662) 229 - 2800
Fax: (662) 359 - 1259

Information of the subsidiary company

Company's name in Thai	: บริษัท อินเตอร์ซีท คัพเวอร์ จำกัด
Company's name in English	: Inter Seat Cover Company Limited
Nature of Business	: Producing and distributing trim covering for car seats, steering wheel and gear knob
Location	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company's Registration Number	: 0115554009416
Telephone	: (662) 323 - 2754 - 5, (662) 709 - 5512 - 4
Fax	: (662) 709 - 5516, (662) 323 - 2749
Register Capital	: 200,000 ordinary shares at par value of Baht 100
Paid-up Capital	: 200,000 ordinary shares at par value of Baht 100
No. of Held Shares	: 199,998 shares
Tax privileges	: Exemption corporate tax for 8 years by the Board of Investment (BOI)

Message from the Chairman and Managing Director

In 2014, Interhides Public Company Limited's total revenue was Baht 1,852 million, increasing 3.46% when compared with 2013. The overall economy had slowed down. GDP decreased to levels below 1%. While the automotive industry's sales were much lower than the target. By the year 2014, cars were produced 1,880,007 units which decreased from the same period in 2013, representing 23.49%. This missed the target that many people expected to produce 2.1 million units in year of 2013. The factors contributing to the decline in sales is coming from Economy and demand to be pulled ahead in the government policy to refund tax for first-time car buyers. In the mean while the production for export increasing only 0.08% when compare with 2013 due to the economy in Australian and Asia slowdown.

For the year 2015, Interhides Public Company Limited anticipate that the automotive industry will grow up 16% when compare with the last year. The Company had predicted that the growth rate of sales performance will increase 15 – 20%, compared with 2014. This is the result of the external factors those are economy of Thailand will be rebound and the political situation is expected to improve and stimulate the economy. The internal factors, those are: the Company continues to focus on main business policies, manufacture of leather for car seat for automotive industry. However, the Company has a policy of the distribution of business risk so we continued this policy since enacted in 2014. By expand the production line to Leather for Furniture, Safety Shoe which focuses on market expansion strategies, increasing productivity to increasing the sale volume. For the Costing function, it emphasizes the importance of an effective cost management, focus on product quality control, and the waste to manufacture products to be increasing value. By implement the administration and management efficiency plan. Combined with the navigation system and new technologies used in the organization to maintain the internationally quality, parallel with ability development and employee skill to achieve efficiency and effectiveness.

The Board of Director would like to deeply express appreciation to all of shareholder, customer, trading partners, employees, and our supportive financial institutions. Interhides Public Company Limited is committed to improving the operational competency and organizational transparency for the utmost benefit of all parties involved. Interhides Public Company Limited aspires to achieve an ideal position of helpful and peaceful coexistence among the people in our company, our community and society at large. Interhides Public Company Limited willingly seeks to participate in community and social projects that promote occupational health, safety, and environmental conscience within our community. We work tirelessly and eagerly to promote sustainable, responsible practices to serve our strong community, society and our country.

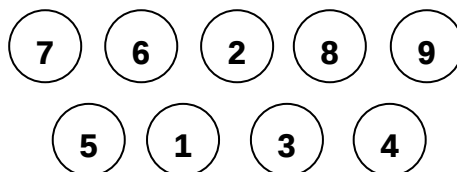


(Mr. Thira Wipuchanin)
Chairman of the Board



(Mr. Ongart Thumrongsakunvong)
Managing Director

Board of Directors



1. Mr.Thira	Wipuchanin	Chairman of the Board of Directors and Independent Director
2. Mr.Ongart	Thumrongsakunvong	Deputy Chairman of the Board of Directors and Managing Director
3. Mr.Punnop	Charasaiya	Chairman of the Audit Committee Chairman of the Nomination Committee Chairman of the Remuneration Committee and Independent Director
4. Mr.Weeboon	Seetthaporn	Audit Committee and Independent Director
5. Mr.Somchart	Limpanuphap	Audit Committee, Nomination Committee, Remuneration Committee and Independent Director
6. Miss.Chutima	Busayapoka	Director and Deputy Managing Director
7. Mr.Ouychai	Matitanaviroon	Director, Nomination Committee And Remuneration Committee
8. Mr.Thaksa	Busayapoka	Director
9. Mr.Niti	Nerngchamnong	Director

Business Nature of the Company

1. **Finished Leather** – leather is that has been painted and embossed successfully. It is ready to be cutting and/or sewing for car seat and other leather accessories. Including Furniture, shoe that use leather is a component. Also, the coloring order services that the Company receive the raw material from the customer and production to follow the customer demand.



Picture 1 Finished Leather

2. **Cut Part** – The Finished Leather that cut into pieces (Cut Part) which is produced according to the needs of leather seat maker, which seat maker will determine the drawing to the Company to implementation of dying process and cutting in shape. Most of the leather cut part is for trim cover and door trim.



Picture 2 Cut Part

3. **Trim Cover** - Finished Leather will be cut in shape and sewing to be Trim Cover ready for covering the car seats.



Picture 3 Trim Cover

4. **Steering Wheels and Gear Knobs** - Finished Leather will be cut in shape and string to the steering wheels and gear knobs. Most of the outsourced production from seat maker and automotive parts.



Picture 4 Steering Wheel & Gear Knob

5. **Tanning Service** - Customer provide all materials related to production in Tannery process. The Company will produce the tanning product according to supplier's order and process.



Picture 6 Tanning Service

6. **Other Products** - By product from production process such as lime split from tanning process and scrap leather from cutting process.



Picture 6 Other Products

The Company's product is certified with ISO/TS 16949:2002 in terms of production and the overall operating system from TUV Rheinland Group, Germany, a certification that is well accepted in the automotive industry. Most of the Company's production is made to order from both domestic and foreign customers. Each customer can order leather products in various shapes and usage types such as cleaning leather and Chrome free leather. The Company's advantages are the strong management team and high technology machinery and equipment and able to produce all various leather products and meet every need, will attentively work with car makers to come up with the design leather products for each car model.

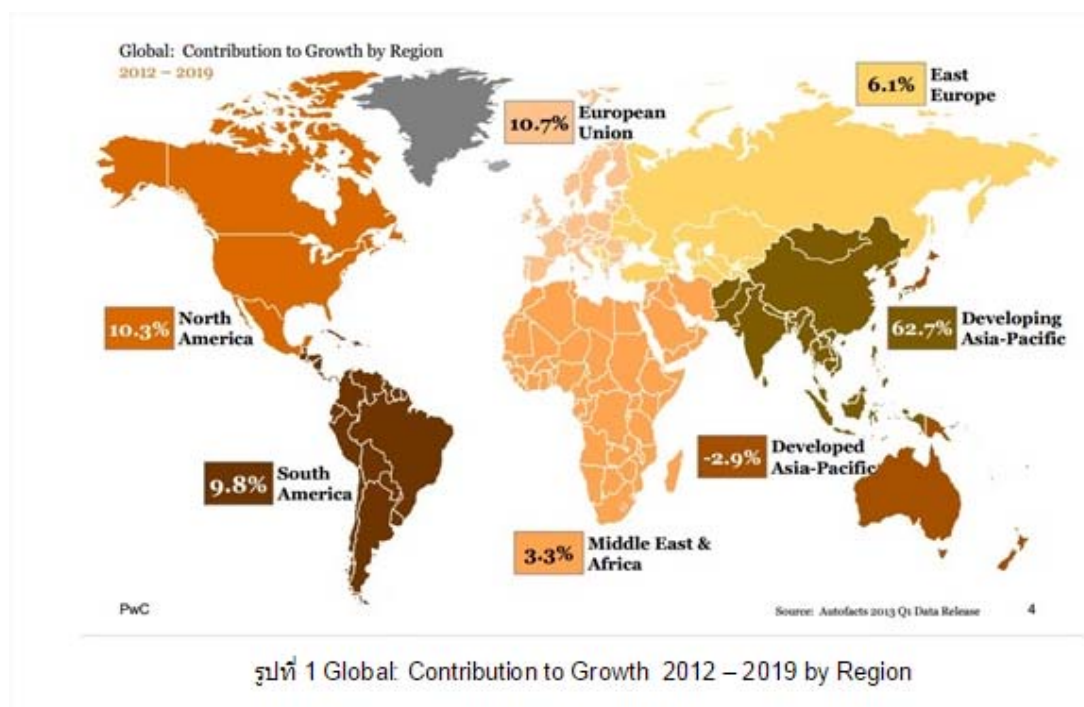
The Company was selected as a leather manufacturer for each vehicle model. The Company will have to start from a bidding competition with other suppliers. Including confirmation of product to meet the quality standard and have sufficient capacity to estimate the duration of the life of each model. After pass the selection process from carmaker, the Company will begin product development coupled with the car maker and seat maker and interior leather parts for car accessories (First Tier Original Equipment Manufacturer or 1st Tier OEM) until that car can sell in the market. During the each car model with production and distribution, the Company will receive the order and estimate production forecast, and directly works closely with seat maker and interior leather parts for car accessories. As of this result, the Company would be an indirect manufacturer (Second Tier Original Equipment Manufacturer or 2nd Tier OEM).

In addition to producing the leather to the leading car makers in Thailand such as Toyota, Honda, Nissan, Mitsubishi, Ford, Mazda and so on. The Company can present the products to other manufacturers of car seat leather and accessories of any car's model directly around the globe, not only in Thailand, within the model life of that car's model.

Industrial Trend and Competition

Industrial Trend

Trend of World Automotive Industry has grown and expanded continuously, especially the emerging markets in Asia – Pacific will expand more than other origin (2012 – 2017) around 62% as North America 10.3%, European Union (EU) 11.7%, South America 9.8%, East European 6.1% and Middle Asia & Africa 3.3%. On the other hand, developed market in Asia – Pacific is only region that decrease (-2.9%) , mainly due to the big Japanese car maker continuous to expand the manufacturing base from Japan to the export market, to reduce the risk of fluctuations in exchange rates. Moreover, in the long term, China, America and Asian are the main drive for the continued growth of the automotive industry and the continued investment into in the new market/developing market. It is expected that these drives will help the car assembly over 100 million units for the first time in the year 2017.



ASEAN Automotive Industry

Automotive industry is the striking industry in the Asia Region and ASEAN. Because of the quantity that production is more than half of the total worldwide production. In this section, there are 5 ASEAN member countries which produce automotive: Indonesia, Malaysia, Philippines, Thailand and Vietnam which the production characteristic and market are different in each country that can device into 2 groups: Countries as Manufacturing Base and Countries as Not Manufacturing Base.

ASEAN Member Countries have the growth ratio of average production quantity (Compound Annual growth Rate: CAGR) continuous increasing every year. Until there is the biggest crisis in the world in 2013, which effected to the economics of the Europeans Countries & United State of America, which were the big role to drive the world's economic. Asia Countries have been affecting very hard via the export dropped. But with ASEAN's economic uncomplicated, that are flexible in high adapting and combined with monetary policy and fiscal policy to stimulate the economy that makes it possible to recover back to normal faster. According to information on April 2013 from International Monetary Fund (IMF) revised global economy of the year 2013, expanded 3.3 percent. While the Asian economy was expanded more than 7 per cent and ASEAN expected the average expanded 5.3 per cent. If considering the economy in the years 2013 – 2017, ASEAN economic have the average growth rate is 5.8 percent per year. Older Member ASEAN Countries (Thailand, Malaysia, Indonesia, Philippines, Singapore and Brunei Darussalam) economic expand as 4 – 6 percent per year. For Newer Member ASEAN Countries (Cambodia, Laos, Myanmar and Vietnam) expected to grow at an accelerated over 5 – 6 percent per year, as a result of moving to the ASEAN Economic Community (AEC) in the year of 2015, that contributing more expansion to the trade and investment, including other countries will come to cooperation in trade and economy even more.

THAILAND Automotive Industry

The ability to produce motor vehicles and parts of Thailand

The structure of the auto parts suppliers in Thailand can divide in to 3 groups: Components Part Industry, Supporting Industry and Raw Materials Industry

Thailand is number 1 in manufacturing and export 1 ton pickup, and number 10 in the largest automotive manufacturer in the world, and No 1 for ASAEAN, which export rank number 13 in the world. As a result, Thailand is a major automotive manufacturing base in the region. Thailand's automotive parts industry consists of Original Equipment Manufacturers: OEM, Replacement Equipment Manufacturer: REM, and Body Parts.

There are more 2,400 enterprises in the automotive parts industry, consists of 1,850 Thailand Entrepreneurs (1,641 SME), 550 Thailand enterprises with foreign investors. There is over 500,000 people work in the automotive parts industry. The main export markets are Indonesia, Malaysia, Japan and United State of America.

Car Industry Trends and Opportunities of 2015

Now Thailand's automotive industry is driving the midst of ASEAN Economic Community to attract the foreign capital and the emerging market. These are opportunities for automotive parts manufacturer and exporter. These causes make Thailand must to consider the availability and increase the labor's skill to improve and increase opportunity the competitiveness of the economy and Thailand industry. Small car still can sell in the market and has been recognized because of the oil price. Hybrid car still growing and can be reduce the cost because people still take care the environment and ECO car Phase II . Car maker improve the engine but still save energy. Technology developments permit the new comer to invest in Thailand. Automotive Industry and Automotive Parts able to expand to meet target because of many advantage points. Such as Landscape, Skill Labor, Sophistication, Understanding of Operation, Hard Working, Learning & Knowledge gained will be needed in the labor market.

In addition, the government fully supports the automotive industry, which policy focuses on developing human resources while the enterprises is ready to support new technology from foreign co-investment for export sell of 1.2 Million units and domestic sell of 1.2 Million units. Car exports are likely to grow more than a commercial vehicle, which resulted from the increase in production for export. Including Thailand can increasing order for small car market such as North America.

However, Thailand's main competitors are Germany, Japan and Korean. The main markets are Australia, Saudi Arabia, Indonesia and so on, for new market that higher growth such as Italy, Iraq, Kuwait, South Africa, Untied State of America. For the main market for automotive parts such as Indonesia, Japan, Malaysia, for new market that higher growth such as Singapore, China, Germany and UK.

Automotive Parts Market

Marketing aspects of the automotive parts industry

Currently, Automotive parts industry in creating jobs for the workforce of more than 100,000 people. There are 1,657 manufacturers and 2,237 factories, which most of them located in the industrial area in Bangkok and surrounding area such as Samutprakarn, Rayong, which those plants are located close to the car maker.

In general, manufacturers of automotive parts have the market for the distributions of the two main markets are:

1. Original Equipment Market: (OEM) Manufacturer produce automotive parts for cars and motorcycles for the car maker that set up the automotive manufacturing base in Thailand for exports and domestic sales.
2. Replacement Equipment Market: (REM) as the market for replacement parts to the original parts or the condition of using. Each part will be the different of aging. Manufacturers who produced for the replacement market with the large, medium and small operators. As a result, parts produced by the various quality. This will be distributed to various automotive service centers. Typically, the service will be provided to stock replacement parts not too much, they keep only the parts used in the repair of motor vehicles frequently.

The investment in the automotive parts industry will increase. Most of the foreign manufacturers to produce automotive parts (First Tier) will set up plants in Thailand. As a result, some of Thai Enterprises leave the market or pressured to raise the standard because of higher competition. But at the same time, new technology come to in this industry the cost declined and the car manufactures have a competitive advantage in terms of cost due to parts supply within the country. Parts more than 95 percent can be produced in Thailand and do not have added the transportation cost. For Chinese car manufacturers are likely to invest in Thailand for at least 3 companies such as SAIC MOTOR – CP Co., Ltd., DONGFENG AUTOMOBILE (Thailand) Co., Ltd. and Brilliance Auto International Trade Corporation.

In 2014 – 2015, Japanese entrepreneurs, more than 200 cases with the total investment of Baht 4,000 million, or an average of Baht 20 million will invest in Thailand. This was mainly due to the higher competition in Japan. The high rate of growth of the automobile industry Thailand, familiarity of a Japanese car industry towards Thailand, and imported machines and automotive industries, including 1,427 million baht, an increase of 11 percent. This signals that the production car will have better prospects for sure. Manufacturers are targeting the domestic distribution at 70 percent and exports by 30 percent. The average profit of the industry is approximately 5-10 percent. Because of its investments, the market competition is intense.

Trends, Market Characteristics, Products and Services.

In 2015, Leather upholstery, auto industry is expected to recover to follow the growth of the automotive industry. Because of 2014 is bottomed down for automotive industry. Thailand's automotive industry is expected to production to 2.25 million units in 2015 or growth 15.4 percent. Based on the assumption that the eco-car will be continued to be a major driving force of growth in automotive production in the next year. The Board of Investment has approved eco-car Phase II to 5 automotive manufacturers and also that are other 5 manufacturers still in the process such as TOYOTA, Honda, Suzuki, SAIC and Volkswagen.

When it comes to domestic demand in 2015 shows that household debt in Canada continued to affect the automotive market. In 2015, the automotive industry of the country will return to growth compared with 2014. Thailand maintained for automotive manufacturing center in the region. However, high leverage, can also affect the automotive industry and will affect domestic demand.

However, the growth of the Company's overall revenue shares from production service, by increasing non-auto product. The targets are consistent with the idea that to reduce the volatility of revenues from the automotive industry. It also adds a variety of other products (Product Mix).

1. Product Strategy

The products are high quality and certified to international standards ISO / TS 16949: 2002 by TUV. It is recognized in the automotive industry and can produce the products according to the customer's every need (Make to order) which development together with the automobile manufacturers. The Company has a team of experienced engineers and modern machinery. Currently has a capacity for up to 56 million square feet per year. In addition, the Company also has developed new products regularly to meet the needs of our customers even more especially the environmentally safe products, such as Chrome-free Leather and also including with innovative products, such as Split Leather.

2. Service Strategy

Creating satisfied customers is the one of the main goals of the company's operation. The Company has developed continuously in terms of product quality, on time delivery and reasonable price. In particular, the delivery of which the Company is aware because customers cannot be stopped the production line. So the Company is preparing a tremendous capacity to meet rising steadily.

3. Price Strategy

The Company has developed continuously, to be fair for both in quality and price especially to meet the customers' needs, which can maintain profit at a reasonable level. The Company has established product development teams in the education and care of the particular.

4. Marketing Strategy

In addition, the normal needs of customers in terms of quality, delivery and reasonable price. The Company will increase choice by offering new products to customers. By conducting such activities are carried out closely with automotive manufacturers, seat manufacturers and automotive parts manufacturers. Such as, to explore the needs and preferences of the vehicle on the materials used to make the seat. In term of pattern and color for the purpose of developing products that meet the needs and preferences of the vehicle as possible.

5. Strategies for building and maintaining relationships with customers.

The Company recognizes the importance of building and maintaining relationships with customers by a quick response have more efficiency and powerful to the point together with the hearing the customer feedback as perfectly and efficiently, to make our customers' confidence in the management of the Company.

6. Strategies for the Development and Technology

The Company has the policy to develop both the technological development and the creative talent of the staff. Training and learning as they work (On-the-job-training), by adhering to the manufacturer's global technology standards in a range of learning and development. Review process focused on quality and efficiency even more.

SWOT Analysis

1. STRENGTH

- A public company and is recognized in the market, including the Automotive Industry
- A production company has process, from beginning to final product which causes substantial competitive advantage.
- The Company has been certified by ISO9001, TS16949.
- Able to control Quality all stages of production.

- Companies can meet the needs of customers ranging from leather to sewing, called All in one service
- Experienced in producing leather car seat.
- Workers as skilled workers have been optimized with training both internal and outsourced consistently.
- The Company has sufficient capacity to grow

2. WEAKNESS

- Must be strengthened in terms of Design
- Employees also need to improve the language skills to support the ASEAN community
- New staff Turn order due Automotive market also needs a lot of labor

3. OPPORTUNITY

- Thailand is a member of the AEC or the AEC, which results in facilitating trade, such as the reduction of tariffs on imports - exports. The entry of workers with the ability to ASEAN countries
- Government policy to support the automotive industry. Such as, The Board of Investment has approved eco-car Phase II to 5 automotive manufacturers and also that are other 5 manufacturers still in the process such as TOYOTA, Honda, Suzuki, SAIC and Volkswagen.

4. THREAT

- The entry of competitors of a multinational company. The drawback in such a competitive production costs. Global market share Professional specialists or even the turnover of personnel.
- Customs clearance logistic tax charge resulting in redundant and cannot compete in the world market.

COMPETITORS Analysis

Leather Car Seat Industry in 2015 can be seen that the competition was fierce, especially strategy above the line and below the line. Because of Thailand is a manufacturing base and export to all countries. The potential of Thailand is still a center for car production in Asia and the availability of Thailand. As a result, Thailand is a market of sweet plant compounds that are ready to set up production bases in Thailand. The competitive price is a strategic path that was used to capture a share of the market. Aside from the price, the Company also has to compete in terms of quality, feature century innovations including the issue of access.

Competitors are divided into two kinds as follow:

- 1) Direct Competitor
- 2) Indirect Competitor (Leather Seat Manufacturers)

Direct Competitors

1.1) Chai Watana Tannery Group Pcl.

There is business same as Interhides Public Company Limited. Main business is focused on quality products with reasonable price, delivering the goods on time and design products that meet their needs.

- Specializes in the manufacture of leather upholstery and auto parts manufacturing.
- Do not rely on any customer and any supplier exceed 30 % customers is Honda.
- To expanding into markets pet toys in China.
- Proportion of Domestic Sales and Export Sales is 70:30
- Capacity of leather around 1,000,000 sq.ft / month.
- Car Seats and parts production capacity of 20,000 units / month
- Total revenue for year 2014 is Baht 953.04 Million.

1.2) Eagle Ottawa (Thailand) Limited

A world leader in the field of leather products for the automotive industry, found in 1985. They are combining traditional craftsmanship with innovative technology, design, engineering and manufacture of leather goods.

- Acquired by Lear Corporation on January 5, 2015
- The registered capital of 100 million baht in Thailand and has been promoted investment in the country since 2005.
- With operations in about 18 countries around the world
- Position the marketing of a product is the Premium.
- The parent company has been established since 1865 and has come into the Auto Industry in 1916
- Received certificate ISO / TS16949

Indirect Competitors (Leather Seat manufactures)

Indirect Competitors are the member of PVC fabric and synthetic leather for used in the car seat.

1. SAHA SEIREN

Manufacture of car seat covers and airbags is a joint venture between Japan and the Saha Group, Operating for more than 10 years in the production of car seat covers. And has been made a movie that slender Synthetic leather imported from China to offer customers the motor camp in the country.

2. Thai Num Choke Textile Co., Ltd.

Founded in 1992, conducted for the textile industry with Certified ISO 9002 standards This company focuses on Japan and Europe market and focuses on innovative research, this is the beginning Marketing Point of help in marketing which has focused on the use of natural materials. It is possible to produce woven fabric dyeing process that uses chemicals. Synthetic and energy used in dyeing

3. Omnova decorative products (Thailand) Co., Ltd

A foreign company which products are mainly PVC and chemicals which can be imported PVC for a seat in various products. This company focus on the After Market with Net sales of \$ 987.4 million in 2014 and worker of 2,300 people in the US, Europe and Asia.

Customers and prospective customers

1. Domestic Customers

The production of seats for car accessories and parts (1st Tier OEM) to the car manufacturer, the main customers of the Company. Customers have led the Company's products to be used for production for domestic sales. Moreover, it also exported to foreign countries for cars, parts and components (Component knock-down). However, the Company can be ordered from the customer, which selected from auto manufacturers and indirect automobile manufacturers with the development of products for vehicle manufacturers. Therefore, the Company has direct client of which the production of seats for car accessories and parts and indirect customers. The car manufacturers for the year 2014 portion of the production of seats for car accessories and parts (1st Tier OEM) within the country, is about 77 percent.

2. Foreign Customers

The Company's products are exported to foreign countries. Seats are sold to manufacturers for car accessories and parts (1st Tier OEM) only. The Company has expanded its distribution channels for our products to various countries.

Unit : Million Baht	2010		2011		2012		2013		2014	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Domestic	1,191	65%	1,101	71%	1,468	78%	1,257	70%	1,423	77%
Export	632	35%	440	29%	424	22%	533	30%	429	23%
Total	1,823	100%	1,541	100%	1,892	100%	1,790	100%	1,852	100%

Target customers

The Company plans to enter into Asia Pacific, especially OEM country and to develop and improve product quality and style to meet the requirements and needs of the customer. The target customers is a manufacturer of car accessories and parts for seat of the car manufacturer (Original Equipment Manufactory) The Company recognizes that there is still room to expand out to be a lot more. Due to the popularity of the car seat using genuine leather material is getting more and more popular. The Company is well equipped in terms of the quality of the product and capacity, while still retaining existing customers both within the country and abroad. Excluding the production of seats for car accessories and parts of the car manufacturer, the Company's products export to other countries in the form of finished vehicles.

The Company has been entrusted to produce leather for car seat and the car interior leather, such as steering wheel, gear knob and so on. For more than 30 models of cars, both at home and abroad, with car models currently on the market are as follows:

Pricing Policy

Pricing, the Company will set a price based on cost plus a margin. (Cost Plus Margin) which takes into account of the volume of orders, business relationship with each customer and industrial competition. The price is set by the car manufacturer, the Company will bid for the car manufacturer. (The Company may bid higher or lower than the price set by the car manufacturer). Current manufacturers in Thailand are 3-4 cases.

Sales and Distribution Channels

The Company sells products to customers whose the production of seats for car accessories and parts (1st Tier OEM) both domestic and abroad. The Company's marketing department is responsible for both domestic and international markets themselves. However, in the case that someone introduce the customers to the Company, to expand our business to new customers both at home and abroad, the Company would have to return for a commission for recommend it.

Risk factors

1) Risks on earning revenue

1.1) Structure of revenue

The main revenue of the company is from manufacturing and selling the leather for automobile, not only for seat but also steering wheel, gear knob and fabric for car seat. The process to get business is to compete with competitors by bidding process. The company has to make direct offer to carmakers for each specific model time by time, no long-term contract to be a sole supplier for carmakers, because the policy of carmakers are to get the most competitive offer for each model and not to monopolize only single supplier for their all models. However, once the company gets awarded for each model, then carmakers will issue a letter of intent to confirm the order and permit the company to supply the leather for whole model life of that model, which normally takes 4 - 8 years.

The major portion of sales is for domestic production, but of course some of the domestic-production vehicles which used the company's leather are exported by carmakers themselves as Completed Built Unit (CBU). Due to the company's revenue depends on performance of automotive industry, so there will be a big influence to the company if the automotive industry goes down. However, the company had a policy to diversify such risk by increased the proportion revenue from non-automotive such as shoes leather and furnisher leather in order to reduce dependence on performance of automotive industry.

(Million Baht)

Revenue from operation	2014		2013	
	Revenue	%	Revenue	%
Revenue from Automotive Industry	1,395	75%	1,369	76%
Revenue from Non-Automotive Industry	457	24%	419	23%
Other revenue	11	1%	9	1%
Total	1,863	100%	1,797	100%

In 2014, the revenue from automotive industry increased by Baht 26 million or 1.90% from year 2013. Meanwhile the revenue from non-automotive industry increased by Baht 38 million or 9.07% from year 2013.

1.2) Business competition

Competition in the domestic automotive leather does not so tough because of sever demand on quality of carmakers. The company whom will be authorized by carmakers to be listed as a supplier has to be able to produce the leather to comply all requirements in carmakers' specification, and there are few suppliers in domestic compete in this business at the moment.

Even though trade barriers become less which facilitate carmakers to utilize materials from overseas under their Global Sourcing Policy, but it is still quite hard for new comer from overseas to penetrate in the genuine leather business because of government regulation in zoning the area for tannery and long lead-time to develop and approve new supplier and new material. Anyway, there should be more/less influence of such privilege to the company in the future by having more competition either from directs investment of overseas tannery or imported leather of authorized supplier in overseas.

2) Risks on costing management

Fluctuation of raw materials price

Main costs of production are from raw hides and chemicals, which are around 70% of total cost of production. Such costs of raw materials may move according to world demand and supply, or they could be changed by special factors occasionally; for instance, price increasing from mad-cow disease. Besides, the price of raw hides can be also higher by the effect of oil price increasing which results to higher logistics cost. As a result of the aforesaid factors, the company may need to shoulder the higher cost of production. Anyway, the company still has a room to negotiate for increasing price with carmakers based on the fact of raw materials' prices increasing.

3) Risks on human resource

Relying on expert personnel

Since the genuine leather is very unique product as it is a natural material, so it requires personnel who have expertise in this field. Besides, lower stream process like cutting and sewing also require skillful persons to work at the sites in order to materialize workmanship goods. Therefore, it is quite hard for the company to guarantee that those skillful and experienced personnel will work with the company lastingly.

To cover the aforementioned issue, the company has addressed in 3 means by adopting machines and equipments to facilitate or replace manual works, then continual organizing training courses to get new generation to succeed the jobs, and the last the company offers reasonable benefits and welfare, including setting another incentive for each working station when it can achieve the goals, to attract such valuable human resource to remain at the company.

4) Risks on financial

Risk from foreign exchange rate

The Company imports materials such as raw hides and chemicals from abroad which payment is mainly dominated in U.S. dollars. At the same time, the Company is also exporting products for which revenue is received in U.S. dollars. However, the company has a policy of risk management for exchange rate with the Natural Hedge Risk management by spending foreign currency received from export to pay for the imported raw materials without exchange the currency. And the company, also apply a hedging policy of buying and selling Forward Contract based upon certain situations, without any policy to seek profits from the exchange rate speculation. As a result, the company can be relieved from the risk of exchange rate fluctuation.

Shareholding Structure

At present, the Registered Capital of Interhides Public Co., Ltd. is Baht 419,999,076 and the Paid Up Capital is Baht 419,998,782 divided into 419,999,076 ordinary shares with the par value of Baht 1

Top 10 major shareholders

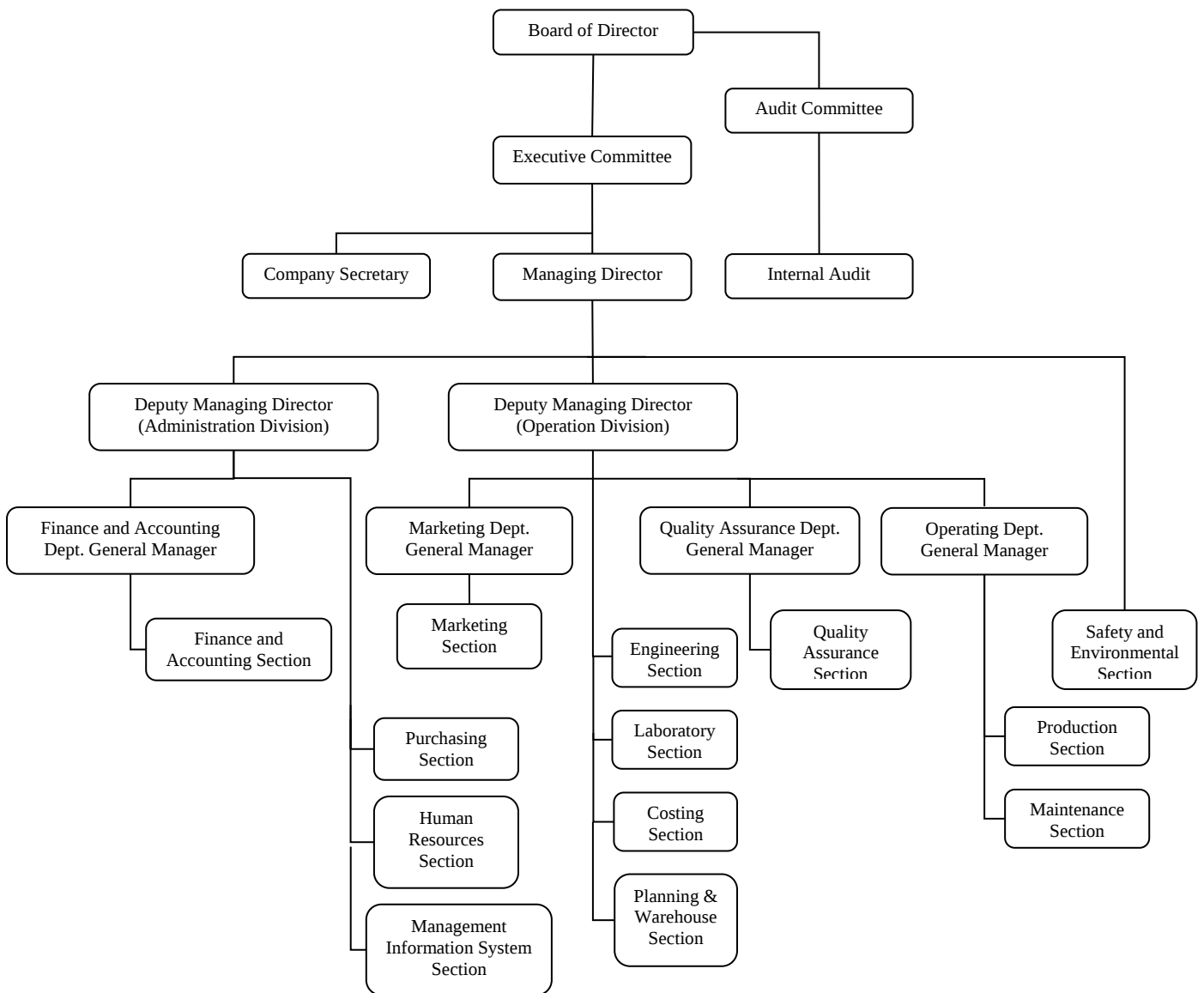
				December 30, 2014	
	Name			Number of Shares	% of Share
1	Mr.Ongart Thumrongsakunvong's Group				
	Mr.	Ongart	Thumrongsakunvong	163,399,900	38.90%
	Miss	Chutima	Busayapoka	88,401,147	21.05%
	Mr.	Wasin	Thumrongsakunvong	15,924,700	3.79%
	Mr.	Warit	Thumrongsakunvong	10,800,600	2.57%
	Miss	Wanvisa	Thumrongsakunvong	8,209,900	1.95%
	Total Mr.Ongart Thumrongsakunvong 's Group			286,736,247	68.27%
2	Mr.	Sorat	Wanitwarakit	35,519,759	8.46%
3	Modernform Group Public Company Limited			19,200,000	4.57%
4	Mr.	Surasak	Laosaicher	8,720,000	2.08%
5	Mr.	Lampoon	Phleanthengtham	4,479,999	1.07%
6	Mr.	Pichai	Wijakkhaphan	3,060,000	0.73%
7	Mr.	Chaiyaporn	Wongsaenganan	3,000,000	0.71%
8	Mrs.	Wallapa	Thuannavarat	1,679,999	0.40%
9	Mr.	Siruth	Busayapoka	1,677,439	0.40%
10	Mr.	Phisit	Soisuwan	1,595,059	0.38%
	Others			54,330,182	12.94%
	Total Shares			419,998,684	100.00%

Mr.Ongart Thumrongsakunvong's group nominated 2 directors: Mr.Ongart Thumrongsakunvong and Miss Chutima Busayapoka.

Dividend Payment Policy

The Board of Directors sets a dividend payment policy of the Company that whenever the Company has a net profit, the Company will pay dividend to the Company's shareholders at the rate of not lower than 40% of the net profit except in case that the Company has other investment projects.

Management Structure



Structure of Board of the Company

The corporate structure of the Company comprises 5 committees, namely, Board of Directors, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Board of Directors

As of December 31, 2014, Board of Directors consists of 9 committees as follows:

Name	Position
1. Mr.Thira Wipuchanin	Chairman and Independent Director
2. Mr.Ongart Thumrongsakunvong	Deputy Chairman
3. Miss.Chutima Busayapoka	Director
4. Mr.Ouychai Matitanaviroon Mrs.Wallapa	Director
5. Mr.Thaksa Busayapoka	Director
6. Mr.Niti Nerngchamnong	Director
7. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
8. Mr.Somchart Limpanuphap	Audit Committee and Independent Director
9. Mr.Weboon Seetthaporn	Audit Committee and Independent Director

Duties and responsibilities of the Board of Directors

1. The Board of Directors has power and duties to conduct the Company's business according to the laws, Company's objectives, Articles of Association, and resolutions of the shareholders meetings.
2. To set the Company's directions in running business; monitor the Company's operation complying with laws and regulations of Government authorities, disclose sufficient information to shareholders and transparently run the business for the best benefits the shareholders.
3. To fix the Company's goals, directions, policies, plans and budgets; monitor the Company's management delegated to implement the policy. Some matters must be approved by the shareholders before being implemented such as amending the Memorandum and Articles of Association, increasing or reducing the capital of the Company, issuing stocks or debentures, selling or transferring the Company's business to other persons or purchase or acceptance of transfer of the business of other companies, the making, amending or terminating of contracts with respect to the granting of a lease of the whole or important parts of the business of the company, the assignment of the management of the business of the company to any other persons or the amalgamation of the

business with other persons with the purpose of profit and loss sharing merging or dissolution of the company, paying remuneration and bonus to directors, etc.

4. The Company's Board may appoint an executive committee as it deemed appropriate to operate the business assigned by the Company's Board, and the Company's Board will appoint one of the executive director to serve as Chairman of the Executive Committee.
5. The Company's Board may assign the Managing Director or give to other person authority to operate the business under the Board of Directors' supervision or may give authority to such persons with a scope and duration as the Board thinks fit. The Board may revoke, withdraw, or revise such authority. In case the Board assigns the Managing Director or other persons to operate the company's normal and regular businesses the assignment must be approved by the Board meeting which attended by independent directors or audit committee. If the independent directors or audit committee object to the assignment of authority the opinion of the said directors must be clearly recorded in the minutes of the meeting. The assignment of authority must stated clearly the scope of authority and responsibility of the assignee. The assigned authority must not empower the assignee to approve transaction with the assignee himself or with persons with real or potential conflicting interest with the company or its subsidiaries.
6. The Company's board will ensure that the Company has an effective control system and internal auditing by providing internal auditors to monitor the implementation of the system and co-ordinate with the Audit Committee.
7. Independent and external directors shall have their own discretion independently in setting strategy, management, appointment of directors to fill positions vacated by resigned directors, and consider matters affecting interest of the company's stakeholder. The directors have access to the financial and other business information sufficient to perform their duty.
8. The Board shall prepare compliance manual regarding code of ethics, business ethics, executive and staff codes of ethics to be used as guideline in the Company.

2. Executive Directors

As of December 31, 2014, there are 2 Executive Directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman of Executive Directors
2. Miss.Chutima Busayapoka	Executive Directors

Authorized directors who can sign on behalf of the Company

Authorized signatories to sign on behalf of the Company are Miss.Chutima Busayapoka and Mr.Ongart Thumrongsakunvong, sign jointly with the Company's seal.

Duties and responsibilities of Executive Directors

1. To set policy, direction, strategy and principle to be in accordance with the goal assigned by the Company's Board and be authorized to implement the Board's policy under the law, conditions, regulations, and Company Articles of Association.
2. To develop organization structure and authority manual covering recruitment selection, employment, transferring, training, and dismissal of company's staff, except the Chairman of the Board and the Managing Director.
3. To consider annual budget proposed by the Managing Director for scrutinization before submitting for the Board's approval.
4. To examine, monitor implementation of policy and guidelines set by the company so that efficiency can be achieved.
5. To consider, screen, investment in projects related to core business as well as unrelated ones before submitting for Board's approval.
6. To have authority to approve loans or credit line from financial institutions, making imbursement for the Company's regular business transactions such as investment, buying land or land with building(s), buying machinery or other assets and other payments with a limit for each transaction of not

exceeding 50 million baht. For transaction over Baht 50 million prior Board approval shall be required.

7. To have authority in considering and allocating reward, bonus or other remunerations approved by the Board.
8. To perform other duties in each duration assigned by the Board
9. To approve loans as welfare to staff with low income in the amount not exceeding Baht 500,000.

A director having interests in a matter or a conflict of interests against the company or subsidiaries shall not be entitled to approve of such matter. (In accordance with the regulations of the stock Exchange of Thailand and the committee of securities control)

3. The Audit Committee

As of December 31, 2014, the Audit Committee consist of 3 independent directors follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Audit Committee and Independent Director
2. Mr.Somchart Limpanuphap	Audit Committee
3. Mr.Weboon Seethaporn	Audit Committee

Mr.Poobaize Benjasiriworakul is the secretary of the Audit Committee.

Duties and responsibilities of the Audit Committee

1. To review financial reports to ensure their accuracy and adequacy.
2. To review the internal control system and audit functions to ensure their appropriateness and effectiveness and review the sufficient independence of the internal audit, and provide opinions for the appointment, transfer, and promotion of heads of the internal audit or other offices with responsibilities for internal audit activities.
3. To review the Company's operations and activities to ensure their compliance with the Securities and Exchange Act, SET regulations and other applicable laws to the Company's business.

4. To consider and propose for the persons with independence of performing the duties of external auditors for the Company, purpose the remunerations, and arrange the meeting with external auditors at least once a year without the presence of the Company's management.
5. To review the connected transaction or transactions with potential conflict of interest to be in compliance with laws and requirements of the Stock Exchange of Thailand in order to ensure that such transactions are reasonable and provide the best benefits for the Company.
6. To prepare and disclose the audit committee reports in the annual reports which must be signed by the Chairman of the audit committee. The report should consist of:
 - a) Opinions about the process of conducting and disclosing information in the Company's financial report as well as its accuracy, completeness and reliability.
 - b) Opinions about the sufficiency of the Company's internal control system.
 - c) Opinions about the compliance with laws on securities and exchange, requirements of the Stock Exchange of Thailand and any other laws relating to the Company's business.
 - d) Opinions about the appropriateness of external auditors.
 - e) Opinions about transactions with potential conflict of interest.
 - f) Number of meetings to be convened by the Audit Committee and meeting attendance of each Audit Committee member.
 - g) Opinions or general findings obtained by performing its duties in accordance with the Audit Committee Charter.
 - h) Opinions about other matters that should be inform to general shareholders and investors under the scope of duties and responsibilities assigned by the Board of Directors.
7. To perform any acts as assigned by the Board of Directors of the Company together with and approval and under the scope of duties and responsibilities of the Audit Committee.

4. The Remuneration Committee

As of December 31, 2014, there are 3 Remuneration Committee as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Remuneration Committee
2. Mr.Somchart Limpanuphap	Remuneration Committee
3. Mr.Ouychai Matitanaviroon	Remuneration Committee

Duties and responsibilities of the Remuneration Committee

1. To consider directors' remuneration basing on directors' performance in each year, duties and responsibilities, company's financial status and rate of remuneration comparing to industrial standard, and to propose salary adjustment and other benefits for the Board's consideration.
2. Other duties assigned by the Company's Board.

5. The Nomination Committee

As of December 31, 2014, there are 3 Nomination Committee as follows:

Name	Position
1. Mr.Punnop Charasaiya	Chairman of Remuneration Committee
2. Mr.Somchart Limpanuphap	Remuneration Committee
3. Mr.Ouychai Matitanaviroon	Remuneration Committee

Duties and responsibilities of the Nomination Committee

1. Select persons who deserve to be nominated as the new Directors, or select of Managing Director.
2. Determine the procedures and regulations on selection of Directors or Managing Director to ensure the transparency.

6. The Management Team

As of December 31, 2014, there are 2 directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Managing Director
2. Miss.Chutima Busayapoka	Deputy Managing Director (Operation) Operation Dept. General Manager Marketing Dept. General Manager Quality Assurance Dept. General Manager Deputy Managing Director (Administration) Finance and Account Dept. General Manager

7. Company Secretary

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Miss.Wanvisa Thumrongsakunvong, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and good Corporate Governance and responsible for holding the Board and Shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.

The Consideration of the Remuneration

The Company has the policy to consider the Remunerations as follows;

Directors' remuneration	:	setting up clear remuneration and suitable level in keeping with the industry.
Executives' remuneration	:	remuneration based on guideline and policy set by the Board which related to the Company's operation outcome and performance of each executive

Moreover, the remuneration of directors and executives should be fair appropriate and sufficient to keep qualified executives required by the Company and create sufficient motivation to perform with good standard appropriate for the assigned tasks

The Election of the Directors

According to the Good Corporate Governance, the company had granted the shareholders to propose the director nominee in advance through the Stock Exchange of Thailand's website on December 12, 2014. The shareholders could propose the director nominee to the company from December 15, 2014 to January 15, 2015. The names of qualified candidates will initially review by the Nomination Committee before propose to the board of directors.

Who were approved by the board of directors including the opinion of the board of directors will be proposed in the agenda of the Annual General Meeting of shareholders

The election of directors by the shareholders meeting shall be in accordance with the following rules and procedures:

- (1) A shareholder shall have one vote for one share.
- (2) Each shareholder shall use all his or her votes under (1) to elect one or several persons as a director. However, he or she may not divide his or her votes among candidates.
- (3) The persons who receive the most votes in ranking order will be elected as directors until all the director positions are filled. In case the persons being elected in descending order are tied but their election will exceed the number of director positions available, the chairman of the meeting shall have a casting vote.

At each annual general meeting of shareholders, one-third of the Company's directors shall retire in rotation. Should the number of directors to retire in rotation is not a multiple of three, the number of directors closest to one-third (1/3) of all directors shall retire.

In the first and second year of the registration of the Company, directors retiring from office shall be selected by drawing lots. In subsequent year the director who has held office longest shall retire. A director who vacates office may be re-elected.

Apart from the vacation upon the expiry of his or her term, a director shall vacate office upon:

- Death
- Resignation
- Lack of qualifications or possession of prohibited characteristics under section 68 the Public Company Act B.E.2535
- Removal by a resolution of the Shareholders meeting
- Removal by a court order.

Definition of Independent Director

“**Independent Director**” means the director who is independent in expressing his opinion to the operation of the Company, must be a person who has no involvement or interest to the result of operation either directly or indirectly.

The qualifications of the Independent Director are as follows:

1. Hold share not more than 1% of paid up capital of the Company, affiliates company, joint company, associated company, including the shares held by the related person.
2. Being independent either directly or indirectly of both financial and management of the Company or joint company or major shareholders of the Company, and having no benefit or interest in such manner within 2 years before being appointed as the Independent Director, unless the Board of Director has carefully considered and see that such participation in having benefit or interest will not affect the duty performing and the independence in giving an opinion.
3. Being independent from the executives and major shareholders of the Company. Must not be the Director who has been appointed as the representative to maintain the interest of the Director of the Company, major shareholders, or shareholders who are related to the major shareholders of the Company.
4. Must not participate in management and must not be employee, staff or consultant who receives regular salary in the Company, affiliate company, joint company, company or major shareholder of the Company.
5. Must not be related person or relatives of the executive or major shareholders of the Company.
6. Capable to perform his duty and express opinion or report result of duty performing independently as assigned by the Board of Directors, and not under the control of the Executive or major shareholders of the Company, including related person or close relatives of such person.
7. No other character that causes the inability to give opinion to operation of the Company independently.

All the definition above has complied with the rules and regulations stipulated by Securities and Exchange Commission and the Stock Exchange of Thailand.

Directors and Management Remuneration

1. The total amount of directors and management remuneration for year 2014 is 19,743,720.08 baht by dividing the remuneration to the Directors positions, the Executive Directors and Management details are as follows :

a.) The Directors Positions : 3,480,000 baht

- Remuneration for the Board of Director : 2,880,000 baht
- Remuneration for the Audit Committee : 600,000 baht

Name	Board of Director (Baht)	Audit Committee (Baht)	Total (Baht)
1 Mr.Thira Wipuchanin	480,000	-	480,000
2 Mr.Ongart Thumrongsakunvong	300,000	-	300,000
3 Miss.Chutima Busayapoka	300,000	-	300,000
4 Mr.Ouychai Matitanaviroon	300,000	-	300,000
5 Mr.Thaksa Busayapoka	300,000	-	200,000
6 Mr.Niti Nerngchamnong	300,000	-	200,000
7 Mr.Punnop Charasaiya	300,000	240,000	540,000
8 Mr.Somchart Limpanuphap	300,000	180,000	480,000
9 Mr.Weboon Seetthaporn	300,000	180,000	480,000
	2,880,000	600,000	3,480,000

- b.) Remuneration for the Executive Directors and Management¹ for year 2014 comprising salaries, bonus and welfare is totally of 6,263,720.08 baht.

Remark:

1. “Management ” means Managing Director and the first 4 executives down from the Managing Director, excluding the accounting or financial managers if not in the same level as the 4th management executive.
2. Other remunerations :
 - None –

Summary of director attendance for the year 2014

Name	Board of Director	Audit Committee	Remuneration Committee	Nomination Committee
	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting
1 Mr.Thira Wipuchanin	4/4	-	-	-
2 Mr.Ongart Thumrongsakunvong	4/4	-	-	-
3 Miss.Chutima Busayapoka	3/4	-	-	-
4 Mr.Ouychai Matitanaviroon	3/4	-	1/1	1/1
5 Mr.Thaksa Busayapoka	3/4	-	-	-
6 Mr.Niti Nerngchamnong	3/4	-	-	-
7 Mr.Punnop Charasaiya	3/4	4/4	1/1	1/1
8 Mr.Somchart Limpanuphap	3/4	4/4	1/1	1/1
9 Mr.Weboon Seethaporn	4/4	4/4	-	-

Good Corporate Governance

The Board of Directors realizes the importance of Corporate Governance and believes that the good Corporate Governance is the crucial factor for business operation, in order to the efficient and effective management in business to have stability, continuous growth and fairness to all stakeholders. From such reasons, the Board of Directors stipulates the Corporate Governance Policy, having content covering the important principle as follows:

1. Rights of Shareholders

The Board of Directors of the Company gives the importance to the right of shareholders by not performing any act that violates or lessens the rights, and to facilitate the exercise of rights on various matters. It is then the guideline of operation is set in order to ensure that shareholders that they will be protected under the basic rights as follows:

- The Company gives an opportunity to the shareholders to propose agenda and propose the name list to be appointed as Directors in advance, which the Company has notified the rules and supplementary documents on the web site of the Company.
- The Company has delivered the notice calling for the meeting with information, documentation supplement to each agenda with proxy to shareholders 7 days prior to the meeting date and posts all of these documents on the web site of the Company. Each agenda is provided with opinions of the Board of Directors to facilitate shareholders' decision. Minutes of the shareholder meeting will be prepared for shareholder's inspection.
- For shareholders who are unable to attend the meeting, proxy form is provided for appointment of proxy to attend the meeting.
- Prior to the meeting commencement, the Board of Directors will explain to the shareholders to acknowledge the rights under the Articles of Association of the Company, the proceeding of the meeting, casting the vote, including the giving of the rights to shareholders to raise questions and express opinion equally.

2. Equitable Treatment of Shareholders

The Company ensures the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Ascertaining that the date, time, venue of the meeting is convenient to attend.
- Offering one-share-one-vote.

- Facilitate proxy voting: clearly specifying the documents required to give proxy and by sending out the Notice to the extent possible under the regulations to the Company's shareholders. For shareholders who are unable to attend in each meeting, the Company has designated the Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings. Moreover, the Notice, including Proxy (Form B.), was disclosed on the Company's website to facilitate its download by shareholders.
- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Providing ballot papers for each agenda item.
- Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.
- Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
- Not adding any new agenda item without notice to shareholders in advance.
- Directors disclosing their interests and those of their related parties to the Board.
- Directors report their ownership of Company's shares to the Board regularly.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
 - A new Director/Executive submits the Form "Report on Conflict of Interest Transaction" within 30 days after appointment.
 - Thereafter when there is a change, Director/Executive submits the updated Form "Report on Conflict of Interest Transaction" immediately or no later than 7 working days from the transaction date.
 - The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit & Corporate Governance Committee within seven working days from the date on which the Company has received such a report.

- The Board of Directors has established a guideline to prohibit a Director/Executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a Director/Executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the “Related Party Transactions” section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the “Insider Trading Controls” section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

3. Roles of Stakeholders

The Company put a high value on every group of persons who has a stake in the Company both internally (company’s board and staff) and externally (competitor, creditor).

Management: The Company recognizes that Management is one of the key success factors for the Company’s operations and accordingly, management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also allowed to work independently without interference as defined in their duties and responsibilities, which are approved by the Board of Directors.

Employees: The Company recognizes that employees are one more key success factor for the Company’s operations. The Company provides equal opportunities in employment, job security, and career advancement, as well as adhering to other good principles related to employees and employment. The Company also ensures that employees are adequately knowledgeable and skillful to perform their jobs for the Company’s business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends as well as a focus on the safety and occupational health of all employees.

The Company provides remuneration to employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments. Bonus is also based on financial status/performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place since the Company feels

that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses. Moreover, the Company supports good relationship between all employees including the Management.

Creditors: The Company recognizes Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's highly capital intensive business. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral and other conditions as may be agreed.

Suppliers: The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

Customers: The Company recognizes that the Customers are the key success factors for the Company's operations. The Company always protects customers' interests, is attentive and ultimately responsible for the needs of the customers with regard to service, and in setting and maintaining steady standards of service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

Competitors: The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

Social Responsibility to the Community: The Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's conduct that affect the people more than what the laws require, including making efforts to absorb social accountability.

Regulators: The Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of compliance with related laws and regulations and has included its review of compliance as one of the duties of the Internal Audit Department.

Environment: The Company recognizes that the Tanning and Re-tanning operations if conducted irresponsibly may affect the environment, particularly in terms of air and/or water pollution. For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy.

Respect for International Human Rights Principles: The Company requires that all of its Directors, the Management and staff strictly respect International Human Rights Principles as part of the operations and the Company does not tolerate any violations thereof.

Ethics for Intellectual Property Rights: The Company requires that all of its directors, the Management and staff respect the intellectual property rights of others with care and caution.

Policy on preventing corruption and offering a bribe: The Company has guidelines for preventing corruption and offering a bribe as follows:

- Giving and receiving benefits that could improperly influence decision making should be conducted correctly, honestly and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed with the Company's staff.

- Procurement is to be conducted according to the Company's guidelines and should be fair to all involved. The procurement's decisions are to be made on the basis of reasonable prices, quality, service and should stand scrutiny if an investigation occurs.
- Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

4. Disclosure and Transparency

The Board of Directors stressed the importance of disclosing correct, complete, clear, accessible and on-time information to investors in terms of financial reports, performance reports and other related information. The Company realizes that all information plays a key role for investors' decisions to invest.

The Company provides the Investor Relation to communicate with the investors and analysts including organized activities such as Company Visit, meeting with Management for information exchanges and various activities that encourage relationship between the Company and the investors details are as follows:

Miss Pimara Mekseriwattana	Finance Manager.
Telephone No.	: 0-2323-2754-5
Email	: Pimarmek@interhides.com

5. Board Responsibilities

The Company separates positions clearly according to the scope of duties and responsibilities set by the Company's Board and Managing Director. The Board Chairman is an independent director and not the same person as Managing Director. Furthermore, the Company appoints 3 independent directors as Audit Committee to monitor the Company's operation as a counter-balance.

The Company set a policy to have a meeting of Board of Directors every 3 months. However, additional meeting may be called if needed by giving notice with agenda 7 days in advance so that the directors have enough time to study the details before the meeting.

The Company sets up 3 sub-committees which are Auditing Committee, Remuneration Committee and Nomination Committee to help the Company's supervision according to information in the Structure of Board of the Company, the Auditing Committee having a meeting by every 3 months. If there is an emergency case, an urgent meeting will be conducted.

The Board of Directors is responsible for important business operation and supervision, budget, financial information to publics in form of annual report with carefulness and disclosing sufficient information such as stock structure, risk factors, and relevant items to shareholder.

The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

Furthermore, the Board of Directors has appointed an Audit Committee, which consists of independent directors responsible for the quality of financial statements, internal control system.

Business Ethics

The Company has set up a code of ethics for Directors, Management and employees as a guideline to carry out their respective work for the Company in a transparent, honest, faithful and justifiable manner.

Directors and Management Training

The Board of Directors continues to try and enhance their value by participation in activities, courses and events which add to their knowledge base in the continually changing business environment to ensure that they are updated and possess full knowledge. All the Company's Directors attended the important training courses that are available such as the Director Certification Program (DCP) or the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

Directors' Orientation

If someone is a newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.

Insider Information Controls

The Company had the policy to ensure correct and adequate disclosure of information such as financial statements and other significant data or information related to the business, on a transparent and timely basis to shareholders, investors and general public.

The Board of Directors is committed to comply with rules and regulations with regarding to the disclosure of information in a timely manner with full transparency. The monitoring of the use of insider information of the Company is considered the responsibility of the Directors, Executives and senior staff who are obliged to strictly monitor and prevent any leaks of the Company's confidential and privileged information including information not yet revealed to the public or any data that might affect the Company's operations or share price. This includes the prohibition on use of Company's information obtained from directorships or employment for personal benefit or conducting business or other activities in competition with the Company.

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, the Directors in an executive position, who are full-time employees of the Company (or its subsidiary) and Senior Management, are not allowed to trade / transfer in the Company's shares during the period of 2 weeks before and 2 days after public the Financial Statement. The Management personnel are also strongly encouraged to follow this policy and during the year 2013, all members of Management have fully complied with this policy and no non-compliance cases have been observed.

Internal Control

The Board of Directors has appointed an Audit Committee to direct efficient and effective internal control and to ensure that the Company operates in check and balance providing appropriate and tight control. All aspects of operations; finance, accounting and general administration are audited in compliance with laws, regulations and guidelines of related business areas. Assessments include operational risks and internal control systems that are effective tools to safeguard shareholder's interests as well as the Company's assets. All operational instructions and department administrative guidelines are provided in writing including approval authorities in each business area and disciplinary code of conducts expected from executives as well as employees in charge of that particular business area. Internal auditors are responsible for auditing, testing and reviewing operational systems of each business line according to the annual audit plan. The Board of Directors will be reported with audit results and operational results from internal auditors. As an effort of continuous improvement, the Audit Committee together with the Board of Directors, review and re-assess performance of the internal control system annually. For 2013, the Board of the Directors concluded that the internal control at present is sufficient and effective and resolved this opinion in Board Meeting no.1/2014 on February 26, 2014. The Board of Directors agreed that the Company and its subsidiaries have sufficient levels of internal control appropriate to the industry and type of business. The Company is aware of the importance in having the internal control as a tool for risk management for executives about the significance of risk management and internal control where each department was urged to develop its own internal control system for the purpose of control self-assessment (CSA). In addition, the Internal Audit Department was entrusted to enhance understanding and assess the CSA procedures in all other departments. This is to build up confidence that the administration and implementation systems accord with the Company's control structure and internal control objectives in terms of creditability and accurateness of the information and practice along with the rules and regulations, security of property in order to have efficient and effective performance, and actually achieve the Company's objectives and goals. The internal control comprises of the following elements as summarized below.

1. Internal Environment

The Board of Directors has put in place an organization structure that allows future adjustments to suit the business growth and changing business environment. Policies and regulations are regularly reviewed and communicated to staff in writing so that everyone has the same understanding, which will allow employees to perform their duties effectively while the Company can constantly enhances their skills and capacity to be in line with their responsibilities.

Furthermore, the Company pays high attention on the internal control in employee's ethics and quality of people, concentrating on self - control together with the implementation control and creation of control environment for positive attitude to the internal control that enable both employees and executives to be aware of the internal control's benefits and lead to the continuous improvement. The code of conduct sets out guidelines of professionalism; conflicts of interests, integrity, handling sensitive information which all would lead our staff to always do the right thing and use the utmost of integrity in order to protect the benefits of our company and stakeholders. Adherence to their guidelines in their day-to-day activities is ensured by close follow-up.

2. Objective Setting

The Company has clearly set its objectives and business goals that are not only achievable but also measurable. Guidelines, strategies, business plans, authority, line of command, reporting procedures and standard operating procedures are written for each corporate level to be in synchronize with the Company's Core Value. Employees took part in setting objectives in the work process that they were involved so that their performance would effectively correspond with the corporate's main objective that they commonly recognized. In addition, the objective is reviewed from time to time to ensure that it aligns with the Company's overall goal.

3. Event Identification

The Company has an ability to identify risks from various changes at various levels. The focus is to enable each department or unit to identify both the event risks and other risk factors that may jeopardize both the organizational and operational goals of the Company from either internal or external threats on a regular basis. In addition, both opportunities and risks are identified in order to find a right solution from our internal process to manage these risks in a coordinated manner.

4. Risk Assessment

The Company recognizes the importance of Risk Assessment as a tool to indicate a dangerous signal that could result in loss and, therefore, the Company has annually assessed prominent risks. Such assessments bring out the risks that affect the Company's operations which are then required to be managed through a set- up of correct and appropriate control systems. The results of Risk Assessment for various activities are reported periodically to the Management and the Board of Directors for consideration.

5. Risk Response

The Company gives importance to following the internal control guidelines of COSO - ERM in elements of risks such as risk identification, risk evaluation and response to risk. Both internal and external risk factors are focused from activity level to the organizational level. The Company's Internal Control Department applies the risk management analytical concept for evaluation of the adequacy of the internal control, encourages self - control within work units. This aims at collaboration on arrangement of the specific, measurable, and practical work plan and objectives which accord to the Company's vision and mission and are communicated to the employees and executives to be aware of the importance of the risk management and the internal control in reducing damages that may arise and in containing risk at the acceptable level and establishes work standards for better efficiency.

6. Control Activities

The Company has established internal control at all levels and all duties of our operation as deemed necessary with a written policy and operation procedures to make sure that all employees have been provided with necessary guidance to work and coordinate under the same standards of practice in all departments i.e. finance, purchasing, sales. The guideline clearly states the level of checks and balances in asset management, segregated approval authority and performance evaluations. Authorization and approval limits are also clearly stipulated. There is a provision of a work implementation plan in line with the organization's policy and objectives under an appropriate timeframe. The Internal Audit Department performs its duty and monitor results independently to increase efficiency and effectiveness of the Company's internal control procedures.

7. Information and Communications

The Company also provides sufficient information technology and both internal and external communications channels that are reliable and in time for shareholders, investors, stakeholders, directors and the Management to make decision on the basis of accurate and up-to-date information. Financial report, general information and important information affecting a decision-making process are published in the Annual Report, the 56-1 Annual Information Report Form, the company's website and other channels of the Stock Exchange of Thailand (SET) access into information is controlled to be in line with the levels of work implementation assigned by the Company. Examination is performed to ensure that the input control, data interpretation, processing control, and output control are accurate, efficient and in time as designated by relevant rules and regulations. This is to allow for efficient management and decision making. We have set sufficient and proper information back-up system, safety system and emergency plan to safeguard our international technology system to not only to better manage our IT but also to accommodate our expansion.

8. Monitoring

The Board of Executive Directors will continue to measure business results regularly by meeting with management teams at least 1time / quarter to measure performance against goals and departmental objectives. This will ensure that we work effectively and efficiently toward our goals and allow us to adjust tactics or fix problems in time. During 2011, we introduced the use of KPI (Key performance Index) as the Company's measuring index ultimately making concrete measurement of all results and corresponding with the Company's core value in supporting goal achievement and objective evaluation of individual performance. This is to ascertain the adherence to the Company's vision, mission, and strategy.

In addition, the Internal Control Department is set to independently perform audit and evaluation. Each project audited is monitored closely on its performance. This appears on an annual audit plan of the Internal Control Department which is directly reported to the Audit Committee. This is to push for improvement and adjustment following any suggestions as a mean to prevent drawbacks that may significantly affect the Company's work processes, reputation and financial status. The monitoring system builds up confidence on the Company's good corporate governance, internal control and business ethics that truly allow clearness, transparency and optimal benefits to the shareholders.

Management Information

Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
1. Mr.Thira Wipuchanin Chairman	65	- BBA. University of Wisconsin, USA. - DCP 6/2001 and ACP 5 Program of IOD	-	-	10	2005 - Present 2005 - Present 2003 - Present 2000 - Present 2000- Present 1998 - 2003 1994 - 1997 1990 - 1994 1975 - 1990	Chairman and Independent Director Chairman of Audit Committee Audit Committee and Independent Director Chairman and Independent Director Chairman and Independent Director Senior Deputy Managing Director Deputy Managing Director Thailand Branch Representative Deputy Chairman	Interhides Public Company Limited Bangkok First Investment & Trust Public Company Limited Siam Macro Public Company Limited United Palm Oil Industry Public Company Limited Precious Shipping Public Company Limited Export-Import Bank of Thailand Premier Group Prudential Asset Management Asia Ltd. American International Assurance Co.,Ltd.
2. Mr.Ongart Thumrongsakunvong - Deputy Chairman - Chief Executive Director - Managing Director	56	- High school, Assumption Sriracha School - DAP 44/2005 Program of IOD	251,801,047 (59.95%) (including Spouse)	Spouse of No. 3	23	1992 - Present 2005 - Present 2005 - Present 2005 - Present 1992 - 1994 1988 - 1991	Chief Executive Director Director Director Director Managing Director Manager	Interhides Public Company Limited Vivid Atelier Company Limited Schumans Electronics Company Limited Automotive Accessory Company Limited OC Leather Limited Partnership (Closed) OC Leather Limited Partnership (Closed)
3. Mr.Punnop Charasaiya - Independent Director - Chairman of Audit Committee	67	- Master Science of Management Arthur D. Little University, USA. - DAP 43/2005 and ACP 8 Program of IOD	-	-	9	2008 - 2010 2005 - Present 1996 - 2008 1976 - 1996	Consultant Chairman of Audit Committee and Independent Director Deputy Managing Director Vice President	Export-Import Bank of Thailand Interhides Public Company Limited Export-Import Bank of Thailand Kasikorn Bank Public Company Limited

Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
4. Mr.Weboon Seetthaporn - Independent Director - Audit Committee	67	- LL.M. Temple University, USA. - A Barrister-at-Law, The Bar Association - DAP 43/2005 and ACP 8 Program of IOD	-	-	9	2005 - Present	Audit Committee and Independent Director	Interhides Public Company Limited
						2006 - 2008	Deputy Managing Director	Export-Import Bank of Thailand
						1998 - 2006	Executive Vice President	Export-Import Bank of Thailand
						1976 - 1997	Vice President	Kasikorn Bank Public Company Limited
						1974 - 1975	Attorney	Office of Adul Singhanade
						1971 - 1973	Credit Compromise Officer	Bangkok Bank Public Company Limited
5. Mr.Somchart Limpanuphap - Independent Director - Audit Committee	63	- Master of Accountancy Thammasat University - DAP 43/2005 and ACP 8 Program of IOD	630,000 (0.15%)	-	10	2008 - 2013	Head of Provincial Loan Recovery Department	Bangkok Bank Public Company Limited
						2005 - Present	Audit Committee and Independent Director	Interhides Public Company Limited
						1999 - 2008	Manager (Credit Dept.)	Bangkok Bank Public Company Limited
						1985 - 1999	Branch Manager	Bangkok Bank Public Company Limited
						1975 - 1984	Internal Auditor	Bangkok Bank Public Company Limited
6. Miss Chutima Busayapoka - Director - Deputy Chief Executive Director - Deputy Managing Director (Operation) - Production General Mgr. - Quality Assurance General Mgr. - Marketing&Engineering General Mgr.	53	- Diploma Certificate, Phanyapranit College - DCP 66/2005 Program of IOD	251,801,047 (59.95%) (including Spouse)	Spouse of No. 2	23	1992 - Present	Deputy Managing Director	Interhides Public Company Limited
						1992 - 1994	(Operation)	OC Leather Limited Partnership (Closed)
						1988 - 1991	Deputy Managing Director Assistant Manager	OC Leather Limited Partnership (Closed)

Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
7. Mr.Ouychai Matitanaviroon Director	55	- MBA. Campbell University, USA. - DAP 44/2005 Program of IOD	-	-	10	2008 - Present	Director and Division Head Transportation and Infrastructure Division	Sumitomo Corporation Thailand Company Limited
						2005 - Present	Director	
						2006 - 2008	Director and Deputy Transportation and Infrastructure Division	Interhides Public Company Limited
						2003 - 2006	General Manager	Sumitomo Corporation Thailand Company Limited
						1998 - 2003	Deputy General Manager	
						1993 - 1998	Manager	Sumitomo Corporation Thailand Company Limited
						1992 - 1992	Assistant Manager	Sumitomo Corporation Thailand Company Limited
						1989 - 1989	Senior In charge	Sumitomo Corporation Thailand Company Limited
						1986 - 1986	Officer	Sumitomo Corporation Thailand Company Limited
								Sumitomo Corporation Thailand Company Limited
8. Mr. Thaksa Busayapoka	65	- Master, New Technology Venture College of Management, Mahidol University - B.Com Marketing Chulalongkorn University	1,572,000 (0.37%)	Brother of Miss.Chutima	2	1997 - Present	Chief Executive Director	Modernform Group Public Company Limited
						1994 - Present	Chairman	Thai Plaspac Public Company Limited
						2005 - Present	Chairman	Modernform Health & Care Company Limited
						1989 - Present	Executive Director	Modernform Tower Company Limited
						2006 - Present	Executive Director	Rafa Associate Company Limited
						2013 - Present	Director	Interhides Public Company Limited

Name	Age	Education	No. and % of Shares	Relationship	No. of service year	Employment Record		
						Period	Position	Company
		Faculty of Commerce and Accountancy - DCP 32/2003 Program of IOD						
9. Mr.Niti Nerngchamnong	34	- Master of Laws (LL.M.) Assumption University Thailand in collaboration with Indiana University, USA. - Bachelor of Laws (LL.B.) in recognition of Academic Excellence Assumption University Thailand	200,000 (0.05%)	-	2	2013 - Present Present Present Present 2005 2002 2001	Director Assistant Director, Retail Business Development Section Director Sripatum Legal Center and Lecture Faculty of Laws Director of Thai International Health Care Standard Training Center Lecture Master of Laws (International Program) Faculty of Laws Attorney Attorney	Interhides Public Company Limited Modernform Group Public Company Limited Sripatum University Mahidol University Assumption University International Legal Counsellors Thailand Ltd.(ILCT) Baker & McKenzie
10. Miss Wanvisa Thumrongsakunvong - Company Secretary	29	- Master Degree of Executive MBA, Nation University. - Bachelor Degree of Business Economics, Asian University. -The Company Secretary Program ,43/2011, IOD	8,209,900 (1.95%)	Daughter of No.2 and 6	4	2554 – Present 2551 – Present	Company Secretary Purchasing Manager	Interhides Public Company Limited Interhides Public Company Limited

Audit Committee Report

To the shareholders of Interhides Public Company Limited

At present, the Audit Committee of the Company comprises of 3 independent directors viz., Mr. Punnop Charasaiya as Chairman, Mr. Somchart Limpanuphap and Mr. Weboon Seetthaporn as Committee members. All members possess adequate qualifications for their posts as required by the Audit Committee Charter and in accordance with the Stock Exchange of Thailand's Best Practice Guidelines. The secretary of the Audit Committee is Mr. Poobaize Benjasiriworakul.

The Audit Committee has performed its duties and responsibilities as assigned by the Board of Directors in supervising and overseeing the Company's state of affairs in order to show precisely and ensure that Management and executive directors, who are accountable to shareholders of the Company, execute their duties with honesty and responsibility, and in accordance with the policy of the Company accurately and completely, and by reaching a level of standard practice. The Audit Committee conducted a total of 4 meetings in 2014 and appropriately discussed and shared opinions with senior management, external auditors, and internal auditors on related matters. This can be summarized as follows:

1. Reviewed quarterly and annual financial statements of the Company for 2014, which had already been reviewed and audited by the external auditor, before submitting them to the Board of Directors for approval. The Audit Committee inquired into the accuracy and completeness of financial statements of the external auditor and the Management, and the adequacy of financial disclosure. In addition, the Audit Committee considered and acknowledged the management letter and audit approach for the external auditor's 2014 financial statement. The Audit Committee came to the conclusion that internal control of the financial reporting process was adequate to ensure that such financial statements represented the Company's financial status and operating results accurately, that they were in accordance with legally defined accounting principles, and that they were adequately and promptly disclosed for the benefit of investors and users of such statements when making investment decisions.

2. Reviewed connected transactions executed by the Company with related parties who were considered as having a conflict of interest, and reviewed the sufficiency of the disclosure of these transactions in accordance with the requirements of the Stock Exchange of Thailand. The Audit Committee came to the conclusion that the aforementioned transactions were conducted by Management fairly and priced with a view to giving the utmost benefit to the Company at an arm's length basis, and that they were accurately and adequately disclosed.

3. Reviewed, from a total of four meetings, compliance with Securities and Exchange laws, regulations of the Stock Exchange of Thailand, and other relevant laws including Securities and Exchange acts, regulations of the Securities and Exchange Commission, the Public Company Act BE 2535, rules, the Revenue Code, Labour Law, business commitments. The Audit Committee came to the conclusion that the Company had complied with all applicable regulatory requirements.

4. Reviewed the Internal Control System in its evaluation of the adequacy and effectiveness of the Company in achieving its goals. The Audit Committee reviewed the Internal Audit Report for 2014, according to the approved Internal Audit Action Plan, of major business processes such as inventory control process, production management system or collection management. There were no major weaknesses or significant errors in internal control. In addition, the Audit Committee evaluated the Company's Internal Control System, which consisted of management control, financial control and compliance control based on guidelines of the Office of the Securities and Exchange Commission. The Audit Committee came to the conclusion that the Internal Control System was adequate and functioning effectively with regards to the internal environment, risk assessment, control activities, information and communication systems, and monitoring system.

5. Reviewed the Risk Management System to evaluate its adequacy and effectiveness. The Audit Committee considered risk management policy, the Risk Management Manual, risk identification, and risk response including the progress of the Risk Management Plan as proposed by the Top Management on a yearly basis. The Audit Committee came to the conclusion that the Risk Management System was adequate and functioning effectively with clear objectives, complete risk identification, appropriate risk assessment and risk response.

6. Considered the nomination and appointment of the external auditor and the annual audit fee for 2015 to seek approval from the Company's Board of Directors for the 2015 Annual General Meeting of Shareholders. The Audit Committee reviewed the independence, performance, and services of the external auditor including the audit fees, and judged that the external auditor gave useful opinions and recommendations regarding financial reporting and internal control. Therefore, the Audit Committee proposed that an external auditor from EY Office Limited be appointed the Certified Public Accountant of the Company for 2015. This recommendation was made to the Board of Directors prior to being presented to the Annual General Meeting of Shareholders.

7. To propose activity reports of the Audit Committee to the Board of Directors for every meeting of the Audit Committee in order to be in conformity with good conduct of the Audit Committee.

8. To consider the annual audit plan and reexamine report of inspecting result as well as evaluating the internal control in order to assure that the internal control is efficient enough to meet the acceptable risk and suitability for changing business environment.

In 2014, the Audit Committee conducted as total of 4 meeting, the summary of attendance are as following:

Name of Audit Committee		Position	Number of Attendance/Total Meeting
Mr.Punnop	Charasaiya	Chairman of the Audit Committee	4/4
Mr.Somchart	Limpanuphap	Audit Committee member	4/4
Mr.Weboon	Seetthaporn	Audit Committee member	4/4

The Audit Committee exercised its judgment and independently fulfilled its duties and responsibilities with sufficient competency, with circumspectness, and with full access to information from the Management, employees, and relevant persons. The Audit Committee also gave comments and recommendations on the equitable treatment of stakeholders.

In summary, the Audit Committee is of the opinion that the Board of Directors, Management, and executive directors have operated with an ethical mind and have had the intention of performing duties professionally to achieve the Company's goals. Furthermore, the Company has committed itself to operate the business under an effective Internal Control System. In addition, the Company has established a concise and appropriate Risk Management System and has effective corporate governance.



Mr. Punnop Charasaiya
Chairman of the Audit Committee



Mr. Somchart Limpanuphap
Audit Committee member



Mr. Weboon Seetthaporn
Audit Committee member

Related Party Transactions

Detail of related party transactions in the 2013 and 2014

1) Schumans Electronics Company Limited (“Schumans”)

Nature of business	Assembly of electronic equipment for use in the vehicle industry i.e. reverse sensor. Founded on May 16, 2005 as Trio Fusion Company Limited and renamed to Schumans Electronics Company Limited with the Department of Business Development on January 24, 2006
Registered and paid capital	Baht 10 million with total 1 million shares at par Baht 10 (Bor Or Jor 5 as at February 23, 2010)
Shareholding structure	As of December 31, 2014

Name	No. of Share	Percentage
Schumans (Thailand) Co., Ltd.	682,496	68.25
Mr. Rama Jandran Tangaweru	145,000	14.50
Mr. Ongart Thumrongsakunvong	100,000	10.00
Mr. Taan Huan Kaan	72,500	7.25
Other aliens	3	0.00
Other Thai citizens	1	0.00
Total	1,000,000	100.00

Relationship with the Company	Relative operation in which director as main shareholder and executive of the Company, Mr. Ongart Thumrongsakunvong, held 100,000 shares of Schumans, or 10 percent shareholding.
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Important Particulars	Value (Baht)		Terms of Price / Necessity	Comments of the Audit Committee
	Year 2014	Year 2013		
<u>Continuous particulars</u> 1. The Company purchased finished goods from Schumans. - Purchase of finished goods	5,220,478.84	4,390,128	- The Company purchased sets of reverse sensors from Schumans. The product sets were made by orders and the Company can mark up the additional profit at least 15% by a cost plus method. - The Company signed the letter of intent and the business agreement with Schumans for each model. The agreement presents details of the product price which enable the Company to mark up the profit which is a generally accepted price. In addition, according to made-by-order products, it is beneficiary to the Company by not keeping the stocks and not disadvantage to the Company. - For orders of the new models, if the Company develops the reverse sensors together with car manufacturers, it assumes that the Company is assigned to search for the reverse sensors for the car manufacturers and the Company will hire Schumans as a sub-contractor with the pricing method as mentioned. However, if Schumans can directly find out and contact car manufacturers, it can make the deal by itself without passing through the Company.	- The transaction was reasonable for normal business and the purchase prices were set upon the cost and benefit of the Company which considered being fair price for business deal.

2) Automotive Accessories Company Limited (“Automotive”)

Nature of business Manufacture and sale of coating work, pattern coating, pattern spray, wood coating spray, spray on material surface used in the vehicle industry. Founded on July 13, 2005

Registered and paid capital Baht 15 million with total 1.5 million shares at par Baht 10 (Bor Or Jor 5 as at April 26, 2010)

Shareholding structure As of December 31, 2014

Name	No. of Share	Percent
Mr. Ongart Thumrongsakunvong	719,999	48.00
Miss Chutima Busayapoka	719,998	48.00
Miss Wanvisa Thumrongsakunvong	60,003	4.00
Total	1,500,000	100.00

Relationship with the Company Main shareholders; Mr. Ongart Thumrongsakunvong, Miss Chutima Busayapok and Miss Wanvisa Thumrongsakunvong held total shares of Automotive Accessories Co., Ltd. with co-director; Mr.Ongart Thumrongsakunvong.

Important Particulars	Value (Baht)		Terms of Price / Necessity	Comments of the Audit Committee
	Year 2014	Year 2013		
<u>Continuous particulars</u> 1. The Company leased office and factory space to Automotive. - Rental and central service charge	-	-	- The Company leased the total area of 750 square meters on the 1st floor of address no. 55/5 to be used as office and factory. The agreement commencing from July 1, 2007 with option to extend for another 1 year upon the expiration. The Company will charge additional rent not exceeding 10 percent at each time of extension. The Company charged the rental plus central service charge at the rate of 130 Baht per square meter per month which close to the market rate assessed by Cantor Consultant Co., Ltd. - The Company or lessee can terminate the contract prior to expiration date with prior notice in writing not less than 3 months. - The lessee did not extend the rent since July 1, 2012.	- The rental rate was based on the market price of normal lease and does not prejudice the Company, and it is considered as efficiently utilization of unused area of the Company. The agreement is made in short time, about 1 year in case the Company needs additional space to support work expansion in the future. The contract can be extended if the Company deems proper.

Important Particulars	Value (Baht)		Terms of Price / Necessity	Comments of the Audit Committee
	Year 2014	Year 2013		
2. The Company charged the utility fee from Automotive. - Utility fee	-	-	- The Company allowed Automotive as lessee to use water and electricity, and water and electric meters have been installed separately for measurement of used quantity of water and electricity. Automotive was responsible for the water and electricity charges at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority. The payment must be done within 7 days after receipt of notice from the Company. - The lessee did not use this facility since 2013.	- Utility fee was charged separately between Company and lessee as the meters have been installed separately for measurement of the used quantity and can be charged from Automotive at the rate regulated by the authority.
3. The Company purchased finished goods from Automotive - Purchase of finished goods	5,963,069	487,549	- The Company purchased wooden surface products from Automotive for selling to third parties or car manufacturers with made-by-orders. The Company gained the additional profit by marking up the price at least 15% of cost. - In present, there is no wooden surface manufacturer in Thailand, mostly import from international with expensive price. According to	- The transaction was reasonable for normal business and the price did not prejudice the Company as well as the conditions of the agreement were prepared as those of third parties' agreement.

Important Particulars	Value (Baht)		Terms of Price / Necessity	Comments of the Audit Committee
	Year 2014	Year 2013		
			many difference of product types complied with different models of cars, it is difficult to have a comparison price. The Company, however, made a business contract to Automotive by each product model after the Company has the letter of intent from the car manufacturer. The letter of intent presents adequate details and price for the Company to set the additional profit and generally-accepted-business-conditions. In addition, the sale orders of the products are made by order which enable the Company to not keep stocks; therefore, this transaction is not disadvantageous to the Company. - For orders of the new models, if the Company develops the wooden surface products together with car manufacturers, it assumes that the Company is assigned to search for the wooden surface products for the car manufacturers and the Company will hire Automotive as a sub-contractor with the pricing method above.	

3) Modernform Group Public Co.,Ltd. (“Modern”)

Nature of business	Manufacturer, Importer and Distributor of Knocked-Down Furniture
Registered Capital	Baht 809,646,280
Paid-up Capital	Baht 750,000,000
Relationship with the Company	Relative Operation in which as at December 31, 2014, Modern and Mr.Thaksa Busayapoks the Chief Executive Director of Modern were the shareholders of the Company with a total of 20,772,000 shares and Mr.Thaksa Bussyapoka is the Director of the Company.

Important Particulars	Value (Baht)		Terms of Price / Necessity	Comments of the Audit Committee
	Year 2014	Year 2013		
<u>Continuous particulars</u>				
1. The Company sold finished goods to Modern				
- Sell of finished goods	7,369,967.80	8,032,121	- The Company sold the finished leather to Modern to produce the furniture with the same price with the other customers.	- The transaction was reasonable for normal business and the purchase prices were set upon the cost and benefit of the Company which considered being fair price for business deal.
1. The Company purchased finished goods from Modern				
- Purchase of finished goods	-	548,760	- The company purchased the furniture from Modern with 30% discount from the normal price.	- The transaction was reasonable for normal business and the purchase prices were set upon the cost and benefit of the Company which considered being fair price for business deal.

Necessity and justification for the related party transactions

At the board of directors meeting, the Audit Committee examined the particulars together with the Company's executives and considered that interactions among individual or juristic person in conflict are reasonable. The price requirements or terms of the particulars are fair, and the comparison has been made with the price estimated by the central estimation company or market price.

Upon consideration of the businesses of the related companies, it may be considered that the businesses are related to the leather manufacturing business using in the automotive industry i.e. Schumans and Automotive. However, on presentation to be products manufacturer for the automobile manufacturing company, each part will be offered separately and the Company cannot offer products of related company together with those of company products. It is deemed as normal purchase procedures of the automobile manufacturing company. In addition, the automobile manufacturing company has standard cost as a base in selection of manufacturer of each parts and each car model. The automobile manufacturing company must realize the quality of products and companies separately for the most benefit in term of cost, quality and reliability.

Measures or procedures for approving the related party transactions

The Company complied with the regulations of the Committee of the Securities Control and the Stock Exchange of Thailand. In case where the related transactions are to be causing possible conflict of interests, the approval must be granted by the board of directors. The Audit Committee shall consider the reasonability of particulars and realize the most benefits of the Company. The price and terms of particulars must be based on the normal course of business by using fair price or comparison market price. In addition, the persons or person having possible conflict of interest shall not be able to participate in the approval of transactions.

For continuous related transaction which has been considered by the Audit Committee, the Audit Committee planned to examine that particular on quarterly basis.

Policy or tendency of entering into related transaction

The Company's policy of entering into related party transactions in the future for continuous particulars will be based on necessity and reasonability of the particulars by considering fair price and market price as well as benefits of the Company as the main purpose. The main particulars can be summarized as follows:

- 1) Space leased to related company to be used as office and plant.

The lease rate was in accordance with the assessed price from the central estimation company in the list of the Committee of the Securities Control. An agreement represented a short-term lease not exceeding 1 year in case the Company needs additional space in which the Company may extend the agreement if it deemed appropriate upon its expiration.

- 2) Utility used by related companies

The Company installed the water and electricity meters separately for each space leased to related companies and charged those companies at the rate regulated by the Provincial Water Authority and Provincial Electricity Authority.

- 3) Purchase of products from "Automotive" for re-sale

The Company's pricing policy is to add up profit for products purchased from related companies for the re-sale purpose of not less than 15 percent.

- 4) Purchase and Sell of products which are the normal traditional

The pricing policy between the Related Party has to be the market price.

The Company shall comply with the rules and regulations of the Committee of Securities Control and the Stock Exchange of Thailand as well as requirements to disclose the related transaction, acquisition and distribution of important assets of the Company or affiliated company in accordance to the accounting standard provided by the Professional Accountant Council. In case transaction having possible conflict of interest, the Company shall require the board of directors and Audit Committee to consider the necessity and reasonability of the particulars, including terms of price and circumstances to correspond with the normal business practice. The Company may consider comparison of price with outsider or with the market price. The person having possible conflict of interest shall not be able to participate in the approval of transactions. In case the Audit Committee does not have the expertise required in considering the related transaction, the Company may assign an independent expert or auditor to give opinion on such related transaction for supporting of decision made by the board of directors or Audit Committee or shareholders as the case maybe. The Company will disclose information on related party transaction in the notes accompanying the financial statement examined by the auditor and in the annual information sheet (Form 56-1)

Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors of Interhides Public Company Limited has provided the financial statements showing the Company's financial status and business operation result for the year 2014 under the Public Limited Companies Act B.E. 2535 (A.D. 1992) and Rules and Regulations of the Stock Exchange of Thailand. The Board of Directors is responsible for the Company's financial statements presented in this annual report. The Board of Directors confirms that the financial statements are in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policy consistently employed by the Company as well as applying careful judgment and best estimation. Important information is adequately disclosed in the notes to financial statements.

Financial Statements of the Company have been audited by EY Office Limited, auditor of the Company. The Board of Directors has supported the auditor with all necessary information and documents so the external auditor could audit and express his opinion in accordance with auditing standards. The external auditor has expressed his opinion in Auditor's Report as shown in the Annual Report.

The Board of Directors has provided and maintained an efficient internal control system to ensure that accounting records are accurate, complete and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

The Board of Directors has appointed an Audit Committee, which consists of Non-Executive Directors responsible for the quality of financial statements, internal control system and law compliance, whose comments on these issues are readily included in the Audit Committee Report in this annual report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to the satisfactory level and rendered credibility and reliability to the consolidated and company financial statements for they year ended December 31, 2014.



MR. THIRA WIPUCHANIN
Chairman of the Board



MR. ONGART THUMRONGSAKUNVONG
Managing Director

Management Discussion and Analysis of Financial Position and Performance

Financial Overview

Over the past several years, the automotive industry had been affected by several major events such as the Tsunami in Japan in April 2011, severe floods swept across central and northern Thailand in the 2nd half of 2011, Government's 2012 first-time car buyer programme and a coup in May 2014. Of such events, the Company plans to reduce the dependence from the automotive industry by increasing the contribution from furniture leather and shoes leather. However, the revenues from the automotive industry are still the major revenue of the Company.

For 2015, there is the sign for recovery in the domestic automotive industry by the end of 2014 and The Federation of Thai Industries (FTI) and the Office of Industrial Economics' viewpoints also stated that the automotive and automotive components will grow at the bright again. The expected growth rate is around 8 – 10% and the vehicle production will be reached at 2.2 million units from the increase in domestic sales market and ASEAN market after AEC. Also, the launch of new models in 2015 would be expected to be the positive effects on the Company's revenue.

Revenue from Operation (Million Baht)	2014		2013		2012	
	Revenue	%	Revenue	%	Revenue	%
Revenue from Automotive Industry	1,395	75%	1,369	76%	1,570	82%
Revenue from Non-Automotive Industry	457	24%	419	23%	321	17%
Other revenue	11	1%	9	1%	25	1%
Total	1,863	100%	1,797	100%	1,916	100%

In 2014, the revenue from automotive industry slightly increased by Baht 26 million or 1.9% from year 2013. Also, the revenue from non-automotive industry increased by Baht 38 million or 9.1% from year 2013 comply with the Company's policy.

Analysis of Financial Performance

For the Consolidate Financial Statement of 2014, the Company had a Net Profit of Baht 194 million comparing to year 2013 with a net profit of Baht 197 million ,decreased by Baht 3 million or 1.7% was mainly due to factors as follows;

Revenue

Sales and Service Revenue (Million Baht)	2014		2013		2012	
	Revenue	%	Revenue	%	Revenue	%
Domestic Sales	1,423	77%	1,260	70%	1,587	84%
Export Sales	429	23%	528	30%	304	16%
Total	1,852	100%	1,788	100%	1,891	100%

Total revenue of 2014 was Baht 1,863 million comparing to that of year 2013 with total revenue Baht 1,797 million increased by Baht 66 million or 3.7%. The decline was mainly due to the unfavorable political situation and pull-ahead effect from customers taking advantage of the government's 2012 first-time car buyer programme, increased household debt, and strictly auto loan approval. However, the situation was continuously improved in the 2nd half of 2014, caused by higher in consumer confidence in political and crisis.

Furthermore, in 2014 the Company had gain on exchange rate in amount of Baht 5 million meanwhile the Company had losses on exchange in amount of Baht 1 million which be classified to other income in 2013.

Cost and Expenses

Cost of Sales and Services

Cost of Sales and Services of 2014 was Baht 1,502 million or 81.1% of Sales and Services Revenue comparing to that of 2013 with the Cost of Sales and Services of Baht 1,414 million or 79%. The increasing in percentage of Cost of Sales and Services was mainly due to the cost of hides in 2014 was higher than in 2013.

Selling and Administrative Expenses

The Selling and Administrative Expenses of 2014 was Baht 120 million or 6.5% of Sales and Service Revenue comparing to 2013 Selling and Administrative Expenses of Baht 117 million or 6.5% of Sales and Service Revenue, which slightly increased.

Financial Cost

Financial Cost of 2014 was Baht 35 million, decreased by Baht 6 million or 15% from 2013. This is mainly due to the efficiency in inventory management and the dividend from subsidiary company Baht 120 million to paid for the operation of the Company and to prepaid the long-term loan. Also, the Company has reached the efficiency in cash flow management and has a bargaining power to negotiate the short-term loan interest rate from financial institutes.

Analysis of Financial Position

Total Assets

Major company's assets comprise cash and cash equivalents, trade accounts receivable, inventories and property, plant and equipment. As of December 31, 2014, total assets of the Company were Baht 2,142 million , decreased by Baht 36 million or 1.7% from year 2013 was mainly due to factors as follows;

Cash and Cash Equivalents

As of December 31, 2014, the Company's cash and cash equivalents was Baht 8 million dramatically decreased by Baht 62 million from 2013, mainly due to the efficiency in cash flow management.

Trade Accounts Receivable

As of December 31, 2014, the Company's trade account receivables was Baht 339 million increased by 86 million or 34% from year 2013. This is mainly due to the decreasing in sales volume since the 2nd half of 2014.

Inventories

As of December 31, 2014, the Company's inventories were Baht 620 million slightly increased by Baht 16 million or 2.7% from 2013.

Total Liabilities

As of December 31, 2014, the Company's total liabilities were Baht 1,044 million, decreased by 82 million or 7.2% from 2013. This is mainly due to the efficiency in inventory management and cash management.

Shareholder's Equity

As of December 31, 2014, the total shareholder's equity of the Company was Baht 1,098 million, increased by 45 million or 4.3% from 2013.

Audit Fees

The Company paid to auditors, EY Office Limited amounting to 1,530,000 baht which solely for the audit fees of the Company and subsidiary. However, the Company had no obligation for other non-audit fees paying to the auditors or auditing offices, personnel, or any other businesses related to the auditors and the subsidiary of the auditors or auditing offices in any way.

Interhides Public Company Limited and its subsidiary
Report and consolidated financial statements
31 December 2014

Independent Auditor's Report

To the Shareholders of Interhides Public Company Limited

I have audited the accompanying consolidated financial statements of Interhides Public Company Limited and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Interhides Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interhides Public Company Limited and its subsidiary and of Interhides Public Company Limited as at 31 December 2014, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 27.5 to the financial statements regarding contingent liabilities as described that the Company received a letter from Thai Asset Management Corporation (TAMC), alleging the Company and acquitting termination of debt restructuring agreements. In addition, TAMC petitioned to the Central Bankruptcy Court to declare the Company bankrupt. The Central Bankruptcy Court dismissed the case. However, TAMC submitted an appeal against the judgment of the Central Bankruptcy Court to the Bankruptcy Division of the Supreme Court, and the Company filed a statement of objection in respect of the appeal. This appeal is current still being considered by the Supreme Court. The above matter shows that there is material uncertainty that may have an effect or may in the end have no effect on going concern of the Company which cannot be determined at this stage. My opinion is not qualified in respect of this matter.

Waraporn Prapasirikul

Certified Public Accountant (Thailand) No. 4579

EY Office Limited

Bangkok: 23 February 2015

Interhides Public Company Limited and its subsidiary

Statement of financial position

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets					
Current assets					
Cash and cash equivalents	7	7,507,130	69,858,312	3,650,493	39,682,496
Current investment - investment unit					
in open-ended fund		19,000,000	-	-	-
Trade and other receivables	8	338,708,014	253,202,201	309,380,118	220,761,438
Inventories	9	620,131,823	603,775,018	548,446,145	530,654,556
Advance payments for purchase of raw material					
and spareparts		3,199,769	13,494,183	3,199,769	13,494,183
Other current assets		6,368,007	4,759,728	5,771,918	3,640,283
Total current assets		994,914,743	945,089,442	870,448,443	808,232,956
Non-current assets					
Restricted bank deposits	10	-	5,525,000	-	5,525,000
Investment in a subsidiary	11	-	-	19,999,800	19,999,800
Property, plant and equipment	12	1,116,784,218	1,198,085,763	1,082,566,283	1,176,582,953
Intangible asset	13	2,552,187	2,255,105	2,273,345	2,183,280
Advance payments for purchase of machinery		82,459	63,043	-	-
Deferred tax assets	21	25,504,582	25,031,444	25,150,245	25,031,444
Other non-current assets		2,535,804	2,518,804	2,534,004	2,518,004
Total non-current assets		1,147,459,250	1,233,479,159	1,132,523,677	1,231,840,481
Total assets		2,142,373,993	2,178,568,601	2,002,972,120	2,040,073,437

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	14	185,393,936	337,679,706	185,393,936	337,679,706
Trust receipts	14	233,671,563	142,371,670	233,671,563	142,371,670
Trade and other payables	15	169,888,091	129,333,303	140,918,579	90,388,801
Current portion of liabilities under finance lease					
agreements	16	18,462,754	21,393,815	18,462,754	21,393,815
Current portion of long-term loans	17	116,255,801	103,247,422	116,255,801	103,247,422
Income tax payable		4,204,661	7,997,787	3,248,884	6,987,718
Other current liabilities		8,224,862	3,393,301	7,382,395	3,094,201
Total current liabilities		736,101,668	745,417,004	705,333,912	705,163,333
Non-current liabilities					
Liabilities under finance lease agreements, net					
of current portion	16	18,301,943	36,202,143	18,301,943	36,202,143
Long-term loans, net of current portion	17	169,745,000	228,606,515	169,745,000	228,606,515
Provision for long-term employee benefits	18	14,831,144	10,327,762	12,799,099	10,327,762
Provision for contingent loss on allegation	27.5	105,000,000	105,000,000	105,000,000	105,000,000
Total non-current liabilities		307,878,087	380,136,420	305,846,042	380,136,420
Total liabilities		1,043,979,755	1,125,553,424	1,011,179,954	1,085,299,753

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary

Statement of financial position (continued)

As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
		As at	As at	As at	As at
	Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Shareholders' equity					
Share capital					
Registered					
419,999,076 ordinary shares of Baht 1 each		419,999,076	419,999,076	419,999,076	419,999,076
Issued and fully paid					
419,998,782 ordinary shares of Baht 1 each		419,998,782	419,998,782	419,998,782	419,998,782
Share premium		211,584,110	211,584,110	211,584,110	211,584,110
Retained earnings					
Appropriated					
Statutory reserve - the Company	19	42,000,000	42,000,000	42,000,000	42,000,000
Statutory reserve - the subsidiary		2,000,000	2,000,000	-	-
Unappropriated		422,811,346	377,432,285	318,209,274	281,190,792
Total shareholders' equity		1,098,394,238	1,053,015,177	991,792,166	954,773,684
Total liabilities and shareholders' equity		2,142,373,993	2,178,568,601	2,002,972,120	2,040,073,437

The accompanying notes are an integral part of the financial statements.

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Directors

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Interhides Public Company Limited and its subsidiary
Statement of comprehensive income
For the year ended 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit or loss:					
Revenues					
Sales and services revenue	22	1,851,645,045	1,788,112,589	1,453,329,010	1,564,502,946
Other income					
Gains on exchange		4,956,431	-	4,956,431	-
Dividend income from a subsidiary company	6,11	-	-	119,998,800	39,999,600
Others		<u>6,022,615</u>	<u>9,379,612</u>	<u>27,530,757</u>	<u>33,605,914</u>
Total revenues		<u>1,862,624,091</u>	<u>1,797,492,201</u>	<u>1,605,814,998</u>	<u>1,638,108,460</u>
Expenses					
Cost of sales and services		1,502,385,636	1,414,457,830	1,269,001,102	1,314,818,624
Selling expenses		22,783,082	21,436,768	18,303,882	17,132,788
Administrative expenses		<u>96,840,759</u>	<u>95,909,581</u>	<u>92,699,589</u>	<u>92,243,303</u>
Total expenses		<u>1,622,009,477</u>	<u>1,531,804,179</u>	<u>1,380,004,573</u>	<u>1,424,194,715</u>
Profit before finance costs and income tax expenses		240,614,614	265,688,022	225,810,425	213,913,745
Finance costs		<u>(34,678,582)</u>	<u>(40,642,137)</u>	<u>(34,678,228)</u>	<u>(40,476,609)</u>
Profit before income tax expenses		205,936,032	225,045,885	191,132,197	173,437,136
Income tax expenses	21	<u>(12,233,583)</u>	<u>(27,912,897)</u>	<u>(5,790,327)</u>	<u>(25,509,572)</u>
Profit for the year		<u>193,702,449</u>	<u>197,132,988</u>	<u>185,341,870</u>	<u>147,927,564</u>
Other comprehensive income:					
Actuarial loss, net of income tax		<u>(1,323,815)</u>	<u>(332,808)</u>	<u>(1,323,815)</u>	<u>(332,808)</u>
Total comprehensive income for the year		<u>192,378,634</u>	<u>196,800,180</u>	<u>184,018,055</u>	<u>147,594,756</u>
Basic earnings per share	23				
Profit for the year		<u>0.46</u>	<u>0.47</u>	<u>0.44</u>	<u>0.35</u>

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary

Cash flow statement

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Profit before tax	205,936,032	225,045,885	191,132,197	173,437,136
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	151,008,249	140,153,503	146,999,406	137,625,967
Allowance for doubtful accounts	154,885	1,275,041	6,903	1,275,041
Written off of trade accounts receivable	(6,903)	-	(6,903)	-
Reversal of reduction of inventories cost to net realisable value	(1,051,617)	(5,361,735)	(1,369,015)	(5,914,780)
Gain on sales of equipment	(92,142)	(179,428)	(92,142)	(179,428)
Provision for long-term employee benefits	3,520,273	2,398,723	1,488,228	2,398,723
Unrealised (gains) losses on exchange	(296,214)	3,807,469	(296,214)	3,807,469
Dividend income from a subsidiary company	-	-	(119,998,800)	(39,999,600)
Interest expenses	33,140,688	38,196,384	33,140,334	38,071,726
Profit from operating activities before changes in operating assets and liabilities	392,313,251	405,335,842	251,003,994	310,522,254
Operating assets (increase) decrease				
Trade and other receivables	(84,694,442)	30,139,963	(87,659,327)	43,484,576
Inventories	(5,010,774)	114,386,572	(6,128,160)	148,211,628
Other current assets	(1,919,139)	(482,462)	(1,988,441)	(329,066)
Other non-current assets	(708,001)	(626,830)	(470,001)	(626,630)
Operating liabilities increase (decrease)				
Trade and other payables	43,746,497	(57,009,830)	51,034,575	(74,832,309)
Cash paid for long-term employee benefits	(671,660)	(1,188,500)	(671,660)	(1,188,500)
Other current liabilities	4,831,561	(1,982,671)	4,288,194	(1,663,862)
Cash flows from operating activities	347,887,293	488,572,084	209,409,174	423,578,091
Cash paid for interest expenses	(33,133,105)	(38,518,069)	(33,132,751)	(38,393,411)
Cash paid for income tax	(15,858,033)	(38,339,259)	(9,460,201)	(35,567,810)
Net cash flows from operating activities	298,896,155	411,714,756	166,816,222	349,616,870

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary

Cash flow statement (continued)

For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities				
Decrease (increase) in restricted bank deposits	5,525,000	-5,525,000	5,525,000	(5,525,000)
Increase in current investment	-19,000,000	-	-	-
Dividend received from a subsidiary company	-	-	119,998,800	39,999,600
Acquisition of property, plant and equipment	(72,465,212)	(126,914,361)	(53,064,900)	(117,534,383)
Cash paid for interest capitalised	(225,335)	(3,427,697)	(225,335)	(3,427,697)
Proceeds from sales of equipment	<u>216,243</u>	<u>485,981</u>	<u>216,243</u>	<u>485,981</u>
Net cash flows from (used in) investing activities	<u>(85,949,304)</u>	<u>(135,381,077)</u>	<u>72,449,808</u>	<u>(86,001,499)</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans				
from financial institutions	(152,285,770)	(237,309,303)	(152,285,770)	(237,309,303)
Increase (decrease) in trust receipts	90,843,964	(34,118,724)	90,843,964	(34,118,724)
Increase in liabilities under finance lease agreements	-	29,780,091	-	29,780,091
Payment of liabilities under finance lease agreements	(20,887,729)	(17,028,063)	(20,887,729)	(17,028,063)
Cash received from long-term loans	100,000,000	200,000,000	100,000,000	200,000,000
Repayment of long-term loans	(145,853,136)	(108,555,002)	(145,853,136)	(108,555,002)
Dividend paid	<u>(147,115,362)</u>	<u>(70,713,312)</u>	<u>(147,115,362)</u>	<u>(70,713,312)</u>
Net cash flows used in financing activities	<u>(275,298,033)</u>	<u>(237,944,313)</u>	<u>(275,298,033)</u>	<u>(237,944,313)</u>
Net increase (decrease) in cash and cash equivalents	<u>(62,351,182)</u>	<u>38,389,366</u>	<u>(36,032,003)</u>	<u>25,671,058</u>
Cash and cash equivalents at beginning of year	<u>69,858,312</u>	<u>31,468,946</u>	<u>39,682,496</u>	<u>14,011,438</u>
Cash and cash equivalents at end of year	<u>7,507,130</u>	<u>69,858,312</u>	<u>3,650,493</u>	<u>39,682,496</u>
	-	-	-	-
Supplemental cash flows information				
Non-cash item				
Increase of machinery and vehicle from				
finance lease agreements	-	960,000	-	960,000
Increase (decrease) in accounts payable - purchase				
of machinery	(3,234,245)	57,891	(547,333)	(2,744,803)
Increase in advance payments				
for purchase of machinery	19,416	3,484,934	-	-
Increase (decrease) in dividend payable	-115,789	64,833	-115,789	64,833

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary
Statement of changes in shareholders' equity
For the year ended 31 December 2014

(Unit: Baht)

	Consolidated financial statements					
			Retained earnings			
	Issued and	Share	Appropriated			
	paid-up		Statutory reserve -	Statutory reserve -	Unappropriated	Total
	share capital	premium	the Company	the subsidiary		
Balance as at 1 January 2013	349,999,230	211,584,110	35,000,000	2,000,000	328,409,802	926,993,142
Unappropriated retained earnings transferred to statutory reserve (Note 19)	-	-	7,000,000	-	(7,000,000)	-
Stock dividends (Note 26)	69,999,552	-	-	-	(69,999,552)	-
Dividend paid (Note 26)	-	-	-	-	(70,778,145)	(70,778,145)
Profit for the year	-	-	-	-	197,132,988	197,132,988
Other comprehensive income for the year	-	-	-	-	(332,808)	(332,808)
Total comprehensive income for the year	-	-	-	-	196,800,180	196,800,180
Balance as at 31 December 2013	419,998,782	211,584,110	42,000,000	2,000,000	377,432,285	1,053,015,177
						-
Balance as at 1 January 2014	419,998,782	211,584,110	42,000,000	2,000,000	377,432,285	1,053,015,177
Dividend paid (Note 26)	-	-	-	-	(146,999,573)	(146,999,573)
Profit for the year	-	-	-	-	193,702,449	193,702,449
Other comprehensive income for the year	-	-	-	-	(1,323,815)	(1,323,815)
Total comprehensive income for the year	-	-	-	-	192,378,634	192,378,634
Balance as at 31 December 2014	419,998,782	211,584,110	42,000,000	2,000,000	422,811,346	1,098,394,238

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2014

(Unit: Baht)

	Separate financial statements				
	Issued and paid-up share capital	Share premium	Retained earnings		Total
			Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2013	349,999,230	211,584,110	35,000,000	281,373,733	877,957,073
Unappropriated retained earnings transferred to statutory reserve (Note 19)	-	-	7,000,000	(7,000,000)	-
Stock dividends (Note 26)	69,999,552	-	-	(69,999,552)	-
Dividend paid (Note 26)	-	-	-	(70,778,145)	(70,778,145)
Profit for the year	-	-	-	147,927,564	147,927,564
Other comprehensive income for the year	-	-	-	(332,808)	(332,808)
Total comprehensive income for the year	-	-	-	147,594,756	147,594,756
Balance as at 31 December 2013	<u>419,998,782</u>	<u>211,584,110</u>	<u>42,000,000</u>	<u>281,190,792</u>	<u>954,773,684</u>
					-
Balance as at 1 January 2014	419,998,782	211,584,110	42,000,000	281,190,792	954,773,684
Dividend paid (Note 26)	-	-	-	(146,999,573)	(146,999,573)
Profit for the year	-	-	-	185,341,870	185,341,870
Other comprehensive income for the year	-	-	-	(1,323,815)	(1,323,815)
Total comprehensive income for the year	-	-	-	184,018,055	184,018,055
Balance as at 31 December 2014	<u>419,998,782</u>	<u>211,584,110</u>	<u>42,000,000</u>	<u>318,209,274</u>	<u>991,792,166</u>

The accompanying notes are an integral part of the financial statements.

Interhides Public Company Limited and its subsidiary

Notes to consolidated financial statements

For the year ended 31 December 2014

1. General information

Interhides Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholders are group of individuals. The Company is principally engaged in the manufacture and distribution of leather coverings for car seats. The registered office of the Company is at 678 Soi T.J.C., Sukhumvit Road, Bangpoomai, Muang, Samutprakarn.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Interhides Public Company Limited (“the Company”) and the following subsidiary company (“the subsidiary”).

Company	Nature of business	Country of incorporation	Percentage of shareholding	
			2014	2013
			Percent	Percent
Inter Seat Cover Company Limited	Manufacturing and trading of leather coverings for car seats	Thailand	100	100

- b) A subsidiary is fully consolidated, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

- c) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Company.
 - d) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in the subsidiary under the cost method, have been prepared solely for the benefit of the public.

3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

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

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures
TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets

Financial Reporting Standards:

TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments

Accounting Standard Interpretations:

TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

Financial Reporting Standard Interpretations:

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Treatment Guidance for Stock Dividend

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of accounting standards. The management of the Company believes they will not have any

significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in profit or loss, or in other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiary already recognised actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the part dealing with consolidated financial statements as included in TAS 27 *Consolidated and Separate Financial Statements*. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over the investees and determine which entities have to be included for preparation of the consolidated financial statements.

The management of the Company and its subsidiary believes that this standard will not have any significant impact on the Company's and its subsidiary's financial statements.

TFRS 11 Joint Arrangements

TFRS 11 supersedes TAS 31 *Interests in Joint Ventures*. This standard requires an entity to account for an investment in a jointly controlled entity using the equity method, while TAS 31 allows the entity to apply either the proportionate consolidation method or the equity method to account for such an investment. This standard is not relevant to the financial statements of the Company and its subsidiary.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact to the financial statements of the Company and its subsidiary.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

Based on the preliminary analysis, the management of the Company and its subsidiary believes that this standard will not have any significant impact on the Company's and its subsidiary's financial statements.

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

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

Rendering of services

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

Dividends income

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

4.5 Investments

- a) Investments in securities held for trading are stated at fair value. Change in the fair value of these securities are recorded in profit or loss.
- b) An investment in subsidiary is accounted for in the separate financial statements using the cost method.

The fair value of unit trusts is determined from their net asset value.

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

4.6 Property, plant and equipment / Depreciation

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

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

Buildings	-	20	years
Building improvement	-	5	years
Machinery and equipment	-	10	years
Furniture, fixture and office equipment	-	5	years
Motor vehicles	-	5	years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation and construction.

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

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Intangible assets

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

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

Intangible asset with finite lives of the Company is computer software with useful live of 4 years and 10 years.

4.9 Related party transactions

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

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

4.10 Long-term lease

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

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

4.11 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements are measured using the functional currency of that entity.

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.13 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

4.14 Provisions

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

4.15 Income Tax

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

Current tax

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

Deferred tax

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

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

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

The Company and its subsidiary record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4.16 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

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

Leases

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 has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Reduce inventory cost to net realisable value

In determining a reduction of inventory cost to net realisable value, the management makes judgment and estimates net realisable value of inventory based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period. Also, the management makes judgment and estimates expected loss from stock obsolescence based upon aging profile of inventories and the prevailing economic condition.

Property plant and equipment/Depreciation

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

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 judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Deferred tax assets

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

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

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

Provision for contingent loss on allegation

As described in Note 27.5 to the financial statements, the Company was alleged that the nature and value of the assets that the Company had transferred in settlement of debt under debt restructuring agreement were not as had been presented. The Company's management has exercised judgment to assess of the results of this allegation and recorded provision for contingent loss as a result of such allegation in its account. However, actual results could differ from the estimates.

6. Related party transactions

During the years, the Company and its subsidiary had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2014	2013	2014	2013	
<u>Transactions with subsidiary company</u>					
<i>(Eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	265	269	Cost plus margin
Management income	-	-	13	11	Contract price
Rental and service income	-	-	9	9	Contract price
Services income	-	-	11	4	Agreed price
Purchase of goods	-	-	11	54	Cost plus margin
Dividend income	-	-	120	40	As declared
<u>Transactions with related companies</u>					
Sales of goods	7	8	7	8	Cost plus margin
Purchase of goods	6	5	6	5	Cost plus margin
Purchase of office equipment	-	1	-	1	Market price

As at 31 December 2014 and 2013, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary company	-	-	30,465	21,330
Related company (related by common director)	2,470	2,779	2,309	2,779
Total trade and other receivables - related parties	<u>2,470</u>	<u>2,779</u>	<u>32,774</u>	<u>24,109</u>

Trade and other payables - related parties

(Note 15)

Subsidiary company	-	-	492	6,080
Related companies (related by common director)	410	747	410	747
Total trade and other payables - related parties	<u>410</u>	<u>747</u>	<u>902</u>	<u>6,827</u>

Directors and management's benefits

During the years ended 31 December 2014 and 2013, the Company and its subsidiary had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2014	2013
Short-term employee benefits	16,264	18,859
Post-employment benefits	398	369
Other long-term benefits	33	49
Total	<u>16,695</u>	<u>19,277</u>

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Cash	215	234	213	225
Bank deposits	7,292	69,624	3,437	39,457
Total	7,507	69,858	3,650	39,682

As at 31 December 2014, bank deposits carried interests between 0.13% - 0.38% per annum (2013: 0.50% - 0.65% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)				
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	1,072	628	28,286	18,730
Past due				
Up to 1 month	1,080	2,151	1,080	2,151
1 - 2 months	157	-	157	-
2 - 3 months	161	-	161	-
Total trade accounts receivable - related parties	2,470	2,779	29,684	20,881
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	234,957	222,474	175,673	169,851
Past due				
Up to 1 month	90,003	1,025	89,739	73
1 - 2 months	9,646	14,054	9,644	14,034
2 - 3 months	179	10,847	122	10,847
3 - 6 months	11	742	11	742
6 - 12 months	152	97	152	97
Over 12 months	5,497	5,524	5,349	5,373
Total	340,445	254,763	280,690	201,017
Less: Allowance for doubtful accounts	(5,521)	(5,373)	(5,373)	(5,373)
Total trade accounts receivable - unrelated parties, net	334,924	249,390	275,317	195,644
Total trade accounts receivable, net	337,394	252,169	305,001	216,525
<u>Other receivables</u>				
Other receivable - related party	-	-	3,090	3,228
Other receivable - unrelated parties	1,314	1,033	1,289	1,008
Total other receivables	1,314	1,033	4,379	4,236
Total trade and other receivables, net	338,708	253,202	309,380	220,761

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	187,276	173,976	(3,072)	(2,945)	184,204	171,031
Work in process	286,120	311,883	-	-	286,120	311,883
Raw materials	82,055	79,481	(5,085)	(6,264)	76,970	73,217
Supplies	5,837	5,776	-	-	5,837	5,776
Raw materials in transit	67,001	41,868	-	-	67,001	41,868
Total	628,289	612,984	(8,157)	(9,209)	620,132	603,775

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	174,717	163,350	(2,942)	(2,890)	171,775	160,460
Work in process	253,649	264,785	-	-	253,649	264,785
Raw materials	54,529	63,532	(4,345)	(5,766)	50,184	57,766
Supplies	5,837	5,776	-	-	5,837	5,776
Raw materials in transit	67,001	41,868	-	-	67,001	41,868
Total	555,733	539,311	(7,287)	(8,656)	548,446	530,655

During the current year, the Company and its subsidiary reduced cost of inventories by Baht 1.9 million (2013: Baht 4.2 million) (The Company only: Baht 1.6 million and 2013: Baht 3.7 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiary reversed the write-down of cost of inventories by Baht 3.0 million (2013: Baht 9.6 million) (The Company only: Baht 3.0 million and 2013: Baht 9.6 million), and reduced the amount of inventories recognised as expenses during the year.

10. Restricted bank deposits

This represent saving deposit pledged with the bank to secure bank guarantees.

11. Investment in a subsidiary

Details of investment in a subsidiary as presented in separate financial statements are as follows:

Company	(Unit: Thousand Baht)							
	Paid-up share capital		Percentage of shareholding		Cost		Dividend received during the year	
	2014	2013	2014	2013	2014	2013	2014	2013
			percent	percent				
Inter Seat Cover Company Limited	20,000	20,000	100	100	<u>20,000</u>	<u>20,000</u>	<u>119,999</u>	<u>40,000</u>

12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements							Total
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	
Cost:								
As at 1 January 2013	252,245	2,146	656,129	969,575	28,562	22,616	44,989	1,976,262
Additions	11,016	-	660	10,385	4,080	1,357	103,804	131,302
Disposals/written-off	-	-	-	(969)	-	(1,207)	-	(2,176)
Transfers	-	-	24,296	30,779	94	-	(55,169)	-
Capitalised interest	-	-	-	-	-	-	3,428	3,428
As at 31 December 2013	263,261	2,146	681,085	1,009,770	32,736	22,766	97,052	2,108,816
Additions	15,000	1,300	-	10,759	1,966	1,129	39,058	69,212
Disposals/written-off	-	-	-	(333)	(168)	(1,051)	-	(1,552)
Transfers	-	-	41,722	81,948	-	-	(123,670)	-
Capitalised interest	-	-	-	-	-	-	225	225
As at 31 December 2014	278,261	3,446	722,807	1,102,144	34,534	22,844	12,665	2,176,701
Accumulated depreciation:								
As at 1 January 2013	-	-	271,360	465,829	20,347	15,165	-	772,701
Depreciation for the year	-	-	42,497	91,501	3,033	2,867	-	139,898
Depreciation on disposals/written-off	-	-	-	(672)	-	(1,197)	-	(1,869)
As at 31 December 2013	-	-	313,857	556,658	23,380	16,835	-	910,730
Depreciation for the year	-	-	44,034	100,126	3,298	3,157	-	150,615
Depreciation on disposals/written-off	-	-	-	(224)	(157)	(1,047)	-	(1,428)
As at 31 December 2014	-	-	357,891	656,560	26,521	18,945	-	1,059,917
Net book value:								
As at 31 December 2013	263,261	2,146	367,228	453,112	9,356	5,931	97,052	1,198,086
As at 31 December 2014	278,261	3,446	364,916	445,584	8,013	3,899	12,665	1,116,784
Depreciation for the year:								
2013 (Baht 134 million included in manufacturing cost, and the balance in administrative expenses)								139,898
2014 (Baht 144 million included in manufacturing cost, and the balance in administrative expenses)								150,615

(Unit: Thousand Baht)

	Separate financial statements							Total
	Land	Land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	
Cost:								
As at 1 January 2013	252,245	2,146	656,129	933,583	28,431	22,616	44,826	1,939,976
Additions	11,016	-	660	6,169	4,035	1,357	92,513	115,750
Disposals/written-off	-	-	-	(969)	-	(1,207)	-	(2,176)
Transfers	-	-	24,296	30,779	94	-	(55,169)	-
Capitalised interest	-	-	-	-	-	-	3,428	3,428
As at 31 December 2013	263,261	2,146	681,085	969,562	32,560	22,766	85,598	2,056,978
Additions	15,000	1,300	-	7,533	1,886	1,129	25,671	52,519
Disposals/written-off	-	-	-	(333)	(168)	(1,051)	-	(1,552)
Transfers	-	-	41,722	57,190	-	-	(98,912)	-
Capitalised interest	-	-	-	-	-	-	225	225
As at 31 December 2014	278,261	3,446	722,807	1,033,952	34,278	22,844	12,582	2,108,170
Accumulated depreciation:								
As at 1 January 2013	-	-	271,360	438,040	20,319	15,165	-	744,884
Depreciation for the year	-	-	42,497	89,022	2,994	2,867	-	137,380
Depreciation on disposals/written-off	-	-	-	(672)	-	(1,197)	-	(1,869)
As at 31 December 2013	-	-	313,857	526,390	23,313	16,835	-	880,395
Depreciation for the year	-	-	44,034	96,192	3,254	3,157	-	146,637
Depreciation on disposals/written-off	-	-	-	(224)	(157)	(1,047)	-	(1,428)
As at 31 December 2014	-	-	357,891	622,358	26,410	18,945	-	1,025,604
Net book value:								
As at 31 December 2013	263,261	2,146	367,228	443,172	9,247	5,931	85,598	1,176,583
As at 31 December 2014	278,261	3,446	364,916	411,594	7,868	3,899	12,582	1,082,566
Depreciation for the year:								
2013 (Baht 131 million included in manufacturing cost, and the balance in administrative expenses)								137,380
2014 (Baht 140 million included in manufacturing cost, and the balance in administrative expenses)								146,637

As at 31 December 2014, the Company and its subsidiary had an outstanding balance of a building under construction and machine under installation amounting to Baht 13 million (2013: Baht 97 million) (the Company only: 2014: Baht 13 million and 2013: Baht 86 million). Construction of the building and machine under installation has been financed with loans from several financial institutions. Borrowing costs amounting to Baht 0.2 million were capitalised during the year ended 31 December 2014 (2013: Baht 3 million). The weighted average rate of 3.97% (2013: 3.86%) has been used to determine the amount of borrowing costs eligible for capitalisation.

As at 31 December 2014, the Company had machinery and motor vehicles with net book values of Baht 61 million (2013: Baht 72 million) which were acquired under finance lease agreements.

As at 31 December 2014, certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 214 million (2013: Baht 193 million).

The Company has pledged its property, plant and equipment amounting to approximately Baht 380 million (2013: Baht 401 million) as collateral against credit facilities which the Company and its subsidiary received from financial institutions.

13. Intangible assets

Intangible asset of the Company and its subsidiary are computer software which have details as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
As at 31 December 2014:		
Cost	8,493	8,166
Less: Accumulated amortisation	(5,941)	(5,893)
Net book value	2,552	2,273
As at 31 December 2013:		
Cost	7,803	7,713
Less: Accumulated amortisation	(5,548)	(5,530)
Net book value	2,255	2,183

A reconciliation of the net book value of intangible assets for the years 2014 and 2013 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	2,255	1,545	2,183	1,464
Acquisition of computer software	691	966	454	966
Amortisation	(394)	(256)	(364)	(247)
Net book value at end of year	<u>2,552</u>	<u>2,255</u>	<u>2,273</u>	<u>2,183</u>

14. Bank overdrafts and short-term loans from financial institutions/Trust receipts

	(Unit: Thousand Baht)			
	Interest rate		Consolidated/Separate	
	(percent per annum)		financial statements	
	2014	2013	2014	2013
Bank overdrafts	7.13 - 7.40	8.00	394	3,018
Promissory notes	3.60 - 3.65	3.80 - 3.93	185,000	295,000
Bill of exchange	-	4.25	-	39,662
Total bank overdrafts and short-term loans from financial institutions			<u>185,394</u>	<u>337,680</u>

	(Unit: Thousand Baht)			
	Interest rate		Consolidated/Separate	
	(percent per annum)		financial statements	
	2014	2013	2014	2013
Trust receipts	0.90% - 3.65%	1.37% - 1.86%	<u>233,672</u>	<u>142,372</u>

The above credit facilities are secured by mortgage sum of land with structures thereon and machinery of the Company.

15. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Trade accounts payable - related parties	366	169	858	6,249
Trade accounts payable - unrelated parties	127,526	85,245	101,414	46,964
Other payable - related party	44	-	44	-
Other payable - unrelated parties	21,426	20,810	19,741	18,465
Accounts payable - purchase of assets - related party	-	578	-	578
Accounts payable - purchase of machinery - unrelated parties	2,131	4,787	2,131	2,101
Accrued expenses	18,395	17,744	16,731	16,032
Total trade and other payables	<u>169,888</u>	<u>129,333</u>	<u>140,919</u>	<u>90,389</u>

16. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2014	2013
Liabilities under finance lease agreements	39,392	62,462
Less: Deferred interest expenses	(2,627)	(4,866)
Total	36,765	57,596
Less: Portion due within one year	(18,463)	(21,394)
Liabilities under finance lease agreements - net of current portion	<u>18,302</u>	<u>36,202</u>

The Company has entered into the finance lease agreements with leasing companies for rental of machinery and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The term of the agreements is generally between 3 - 10 years. Finance lease agreements are non-cancelable.

Future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Thousand Baht)

As at 31 December 2014				
	Less than			
	1 year	1 - 5 years	Over 5 years	Total
Future minimum lease payments	19,714	15,747	3,931	39,392
Deferred interest expenses	(1,251)	(1,264)	(112)	(2,627)
Present value of future minimum lease payments	18,463	14,483	3,819	36,765

(Unit: Thousand Baht)

As at 31 December 2013				
	Less than			
	1 year	1 - 5 years	Over 5 years	Total
Future minimum lease payments	23,772	32,307	6,383	62,462
Deferred interest expenses	(2,378)	(2,199)	(289)	(4,866)
Present value of future minimum lease payments	21,394	30,108	6,094	57,596

17. Long-term loans

			(Unit: Thousand Baht)	
			Consolidated/ Separate	
			financial statements	
Loan	Interest rate (%)	Repayment schedule	2014	2013
1	MLR-1.5 for first 2 years, MLR-1 for years 3 to 5 and MLR-0.5 for years 6 to 7	Monthly installments as from February 2011	12,630	40,525
2	MLR-1.5 for first 2 years, MLR-1 for years 3 to 5 and MLR-0.5 for years 6 to 7	Monthly installments as from September 2010	-	27,186
3	MLR-1.5 for first 2 years, MLR-1 for years 3 to 5 and MLR-0.5 for years 6 to 7	Monthly installments as from January 2012	39,700	55,450
4	MLR-1.5 for first 2 years and MLR-1 for years 3 to 5	Monthly installments as from September 2011	17,595	38,708
5	MLR - 2	Monthly installments as from April 2013	129,965	169,985
6	MLR - 2	Monthly installments as from July 2014	86,111	-
Total			286,001	331,854
Less: Current portion			(116,256)	(103,247)
Long-term loans, net of current portion			169,745	228,607

The loans are secured by the mortgage sum of the Company's land with structures thereon and machinery.

The loan agreements contain several covenants which, among other things, require the Company to maintain debt-to-equity ratio, debt service coverage ratio, current ratio and including restrictions on disposals of assets as prescribed in the agreements.

18. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employee's retirement and other long-term employee benefits as detailed below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Post-employment benefits	10,784	7,399	9,516	7,399
Other long-term employee benefits	4,047	2,929	3,283	2,929
Total	14,831	10,328	12,799	10,328

18.1 Provision for long-term employee benefits, which represents compensations payable to employees after they retire from the Company and the subsidiary, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	7,399	6,900	7,399	6,900
Current service cost	2,056	783	831	783
Interest cost	346	300	303	300
Benefits paid during the year	(672)	(1,000)	(672)	(1,000)
Actuarial loss	1,655	416	1,655	416
Defined benefit obligation at end of year	10,784	7,399	9,516	7,399

Long-term employee benefit expenses included in the profit or loss consist of the following:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current service cost	2,056	783	831	783
Interest cost	346	300	303	300
Total expenses recognised in profit or loss	2,402	1,083	1,134	1,083
Line items in profit or loss under which such expenses are included				
Cost of sales	1,769	460	501	460
Selling and administrative expenses	633	623	633	623

As at 31 December 2014, cumulative actuarial losses, which were recognised in other comprehensive income of the Company and its subsidiary, amounted to Baht 2.1 million (2013: Baht 0.4 .million) (The Company only: Baht 2.1 million and 2013: Baht 0.4 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.4 - 3.7	4.1	3.7	4.1
Future salary increase rate (depending on employee type)	4.0 - 5.0	4.5	4.0 - 5.0	4.5
Employee turnover rate (depending on age of employees and employee type)	0.0 - 65.0	5.0 - 65.0	0.0 - 65.0	5.0 - 65.0

The amounts of defined benefit obligations and experience adjustments for the current year and the past four years are as follows:

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
2014	10,784	9,516	1,309	1,309
2013	7,399	7,399	(495)	(495)
2012	6,900	6,900	-	-
2011	6,017	6,017	-	-
2010	5,151	5,151	-	-

18.2 Provision for other long-term employee benefits was as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Defined benefit obligation at beginning of year	2,929	1,802	2,929	1,802
Current service cost	1,321	477	583	477
Interest cost	135	100	109	100
Benefits paid during the year	-	(189)	-	(189)
Actuarial (gain) loss for the year	(338)	739	(338)	739
Defined benefit obligation at end of year	<u>4,047</u>	<u>2,929</u>	<u>3,283</u>	<u>2,929</u>

19. Statutory reserve

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

20. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Salaries and wages and other employee benefits	229,590	239,080	188,514	196,274
Depreciation	150,615	139,898	146,637	137,380
Amortisation expenses	394	256	364	247
Utility expenses	56,527	59,845	56,527	59,845
Rental expenses from operating lease agreements	8,715	8,878	8,715	8,878
Raw materials and consumables used	1,007,159	821,966	830,918	742,152
Changes in inventories of finished goods and work in process	12,463	61,315	(231)	88,442

21. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Current income tax:				
Current income tax charge	12,376	26,898	5,578	24,495
Deferred tax:				
Relating to origination and reversal of temporary differences	(142)	1,015	212	1,015
Income tax expense reported in the statement of comprehensive income	<u>12,234</u>	<u>27,913</u>	<u>5,790</u>	<u>25,510</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	(Unit : Thousand Baht)	
	Consolidated/ Separate financial statements	
	2014	2013
Deferred tax relating to actuarial loss	332	83

Reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	205,936	225,046	191,132	173,437
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	41,187	45,009	38,226	34,688
Effects of:				
Dividend income not required to be included in the tax calculation	-	-	(24,000)	(8,000)
Promotional privileges (Note 22)	(26,781)	(16,430)	(6,322)	-
Non-deductible expenses	317	710	294	336
Additional expense deductions allowed	(2,437)	(1,769)	(2,437)	(1,769)
Others	(52)	393	29	255
Total	(28,953)	(17,096)	(32,436)	(9,178)
Income tax expenses reported in the statement of comprehensive income	12,234	27,913	5,790	25,510

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated financial statements		Separate financial statements	
	As at	As at	As at	As at
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax assets				
Allowance for diminution in value of inventories	1,631	1,731	1,457	1,731
Accumulated amortisation - Computer software	161	235	161	235
Provision for long-term employee benefits	2,713	2,065	2,532	2,065
Provision for contingent loss on allegation	21,000	21,000	21,000	21,000
Total	25,505	25,031	25,150	25,031

22. Promotional privileges

The Company has received promotional privileges from the Board of Investment for the manufacture of finishing, pursuant to the investment promotion certificate No.1785(2)/2554 issued on 3 May 2011. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of eight years from the date the promoted operations begin generating revenues (3 January 2014) to extent that the amount of tax exempted does not exceed the amount of investment (excluding land cost and working capital). This privilege will expire on 2 January 2022.

The subsidiary has received promotional privileges from the Board of Investment for the manufacture of finishing, pursuant to the investment promotion certificate No.1981(5)/2554 issued on 14 March 2011. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax for a period of eight years from the date the promoted operations begin generating revenues (1 September 2011). This privilege will expire on 31 August 2019.

The Company's and its subsidiary's operating revenues for the years ended 31 December 2014 and 2013, divided between promoted and non-promoted operation, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
			operations			
	2014	2013	2014	2013	2014	2013
Sales and services income						
Domestic	839,369	751,323	583,240	508,306	1,422,609	1,259,629
Export	-	-	429,036	528,484	429,036	528,484
Total sales and services income	<u>839,369</u>	<u>751,323</u>	<u>1,012,276</u>	<u>1,036,790</u>	<u>1,851,645</u>	<u>1,788,113</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
			operations			
	2014	2013	2014	2013	2014	2013
Sales and services income						
Domestic	245,286	-	779,007	1,036,019	1,024,293	1,036,019
Export	-	-	429,036	528,484	429,036	528,484
Total sales and services income	<u>245,286</u>	<u>-</u>	<u>1,208,043</u>	<u>1,564,503</u>	<u>1,453,329</u>	<u>1,564,503</u>

23. Earnings per share

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

24. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as managing director.

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

- Manufacturing and distribution of leather and other products consisting of leather coverings for car seat and other by products from production.
- Servicing segment, which provides bleaching, dyeing and finishing service.

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

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following table presents revenue and profit information regarding the Company and its subsidiary's operating segments for the year ended 31 December 2014 and 2013.

(Unit: Million Baht)

For the year ended 31 December								
	Manufacturing and distribution of leather and other products		Services		Adjustments and eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues from external customers	1,596	1,524	256	264	-	-	1,852	1,788
Segment profit	250	249	99	125	-	-	349	374
Unallocated income (expenses):								
Other income							11	9
Selling expenses							(22)	(21)
Administrative expenses							(97)	(96)
Finance costs							(35)	(41)
Income tax expenses							(12)	(28)
Profit for the year							194	197

The chief operating decision maker monitors the total assets for business operations, therefore, no allocation of assets to each segment.

Geographic information

Revenue from external customers is based on locations of the customers are as follow.

	(Unit: Million Baht)	
	2014	2013
Revenue from external customers		
Thailand	1,423	1,260
England	131	133
China	150	156
India	30	123
Indonesia	43	42
Taiwan	9	40
Malaysia	22	8
Philippines	26	20
Japan	10	-
Others	8	6
Total	1,852	1,788

Major customers

For the year 2014, the Company and its subsidiary have revenue from three major customers in amount of Baht 849 million, arising from sales by the manufacturing and distribution of leather and other products segment (2013: Baht 765 million derived from three major customers, arising from sales by the manufacturing and distribution of leather and other products segment).

25. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by CIMB-Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2014, the Company contributed Baht 1.0 million (2013: Baht 1.0 million) to the fund.

26. Dividend

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividends for 2013:			
Final dividend in respect of retained earnings as at 31 December 2012	Annual General Meeting of the shareholders on 26 April 2013		
- Cash dividend		7,778	0.02*
- Stock dividend of 69,999,846 ordinary shares		70,000	0.20*
Interim dividend in respect of the retained earnings as at 30 June 2013	Board of Director's meeting of the Company No.3/2556 held on 9 August 2013	63,000	0.15
Total for 2013		140,778	0.37
Dividends for 2014:			
Final dividend in respect of retained earnings and from the operating profit for the year 2013	Annual General Meeting of the shareholders on 25 April 2014	63,000	0.15
Interim dividend in respect of the retained earnings	Board of Director's meeting of the Company No.3/2557 held on 13 August 2014	84,000	0.20
Total for 2014		147,000	0.35

* Calculated based on number of ordinary shares before the declaration of stock dividend

27. Commitments and contingent liabilities

27.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of equipment and motor vehicles, and service agreements. The terms of the agreements are generally between 3 years and 4 years. Operating lease and service agreements are non-cancellable.

Future minimum payments required under these non-cancellable operating leases and service contracts were as follows.

(Unit: Million Baht)		
As at 31 December		
	2014	2013
Payable:		
In up to 1 year	6	7
In over 1 and up to 4 years	6	3

27.2 Capital commitments

As at 31 December 2014, the Company had capital commitment of approximately Baht 33 million and USD 0.3 million relating to construct of factory building and purchase of machinery (31 December 2013: Nil).

27.3 Purchase of raw material commitments

As at 31 December 2014, the Company had commitments of approximately USD 5 million (2013: USD 3 million) relating to purchase of raw materials.

27.4 Bank guarantees

As at 31 December 2014, there were outstanding bank guarantees of Baht 12 million (2013: Baht 18 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 3 million (2013: Baht 3 million) to guarantee payments due to government agencies, Baht 8 million (2013: Baht 14 million) to guarantee electricity use and Baht 1 million (2013: Baht 1 million) to guarantee for purchase of inventory.

27.5 Contingent liabilities

In the year 2003 the Company restructured debt of approximately Baht 735 million with Thai Asset Management Corporation (TAMC) and such debt restructuring process was completed, Under the Debt Restructure Agreement the total was settled at a payment of Baht 118 million in cash and an approximately Baht 105 million worth of assets (land). The Company realised the gain from the debt restructuring in the year 2003 and there was no remaining debt with TAMC. In April 2007, the Company received a letter from TAMC, alleging that the nature and value of the assets (land) that the Company had transferred to settle the debt under the Debt Restructure Agreement were not as they had been presented to TAMC,

so announcing that the Debt Restructuring Agreement and all privileges granted to the Company under such agreement were terminated, and demanding the Company to settle the original amount debts. The Company's management disagreed with the allegations made by TAMC, and had consulted with its solicitor for a solution to settle the dispute with TAMC. For reasons of prudence, and without admitting any obligations, the Company has set up provision for contingent loss in respect of the allegation amounting to Baht 105 million in its accounts. This provision was set aside for account recording purpose only, and does not constitute an admission of legal liability.

In July and September 2009, TAMC petitioned to the Central Bankruptcy Court to issue an order for absolute receivership and to declare the Company bankrupt, on the grounds that the Company was insolvent. The Company's management and its legal advisor believed that no significant loss would arise from the case and the Company assigned its attorney to defend the case, with its defence being that the Company was not insolvent as alleged by TAMC and also that the Company has fulfilled conditions of the Debt Restructure Agreement and that all debt obligations had been settled. Later, in November 2009, the Central Bankruptcy Court dismissed the case on the grounds that the debt that was the subject of the lawsuit was debt under the Debt Restructuring Agreement that had already been restructured with TAMC. However, in December 2009, TAMC submitted an appeal against the judgment of the Central Bankruptcy Court to the Bankruptcy Division of the Supreme Court, and the Company filed a statement of objection in respect of the appeal. The final outcome of the case depends on the decision of the Supreme Court, which has to date yet to hand down its judgment.

During year 2012, the Company received a letter from TAMC stating that TAMC was in the process of being liquidated and had transferred its right of claim with respect to the case to Sukhumvit Asset Management Company Limited.

The above matter indicates the existence of material uncertainty that may have an effect or may in the end have no effect on the Company's continuous operation, and this cannot be determined at this stage. Nevertheless, the financial statements have been prepared on a going concern basis.

28. Financial instruments

28.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investment, trade and other receivables, restricted bank deposits, trade accounts payable, other accounts payable, bank overdrafts and short-term loans, trust receipts, liabilities under finance lease agreements and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term loans, trust receipts, liabilities under finance lease agreements and long-term loans. Most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2014							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	4	4	8	0.13 - 0.38
Current investment	-	-	-	-	19	19	-
Trade and other receivables	-	-	-	-	339	339	-
<u>Financial liabilities</u>							
Bank overdrafts and short- term loans from financial institutions	185	-	-	-	-	185	3.60 - 7.40
Trust receipts	234	-	-	-	-	234	0.90 - 3.65
Trade and other payables	-	-	-	-	170	170	-
Liabilities under finance lease agreements	18	15	4	-	-	37	2.15 - 7.00
Long-term loans	-	-	-	286	-	286	4.75 - 5.75

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2013							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	37	33	70	0.50 - 0.65
Trade and other receivables	-	-	-	-	253	253	-
Restricted bank deposits	-	-	-	6	-	6	0.50 - 0.65
<u>Financial liabilities</u>							
Bank overdrafts and short- term loans from financial institutions	335	-	-	3	-	338	3.80 - 8.00
Trust receipts	142	-	-	-	-	142	1.37 - 1.86
Trade and other payables	-	-	-	-	129	129	-
Liabilities under finance lease agreements	22	30	6	-	-	58	2.15 - 7.00
Long-term loans	-	-	-	332	-	332	5.38 - 6.63

(Unit: Million Baht)

Separate financial statements

As at 31 December 2014

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	-	4	4	-
Trade and other receivables	-	-	-	-	309	309	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	185	-	-	-	-	185	3.60 - 7.40
Trust receipts	234	-	-	-	-	234	0.90 - 3.65
Trade and other payables	-	-	-	-	141	141	-
Liabilities under finance lease agreements	18	15	4	-	-	37	2.15 - 7.00
Long-term loans	-	-	-	286	-	286	4.75 - 5.75

(Unit: Million Baht)

Separate financial statements

As at 31 December 2013

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	7	33	40	0.50 - 0.65
Trade and other receivables	-	-	-	-	221	221	-
Restricted bank deposits	-	-	-	6	-	6	0.50 - 0.65
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions	335	-	-	3	-	338	3.80 - 8.00
Trust receipts	142	-	-	-	-	142	1.37 - 1.86
Trade and other payables	-	-	-	-	90	90	-
Liabilities under finance lease agreements	22	30	6	-	-	58	2.15 - 7.00
Long-term loans	-	-	-	332	-	332	5.38 - 6.63

Foreign currency risk

The Company's exposure to foreign currency risk arises from purchase and sales of goods and services and purchase of machinery that are denominated in foreign currency. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

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

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	3	3	5	4	32.96	32.81

As at 31 December 2014 and 2013, there is no outstanding balances of significant foreign exchange contracts.

28.2 Fair value of financial instruments

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

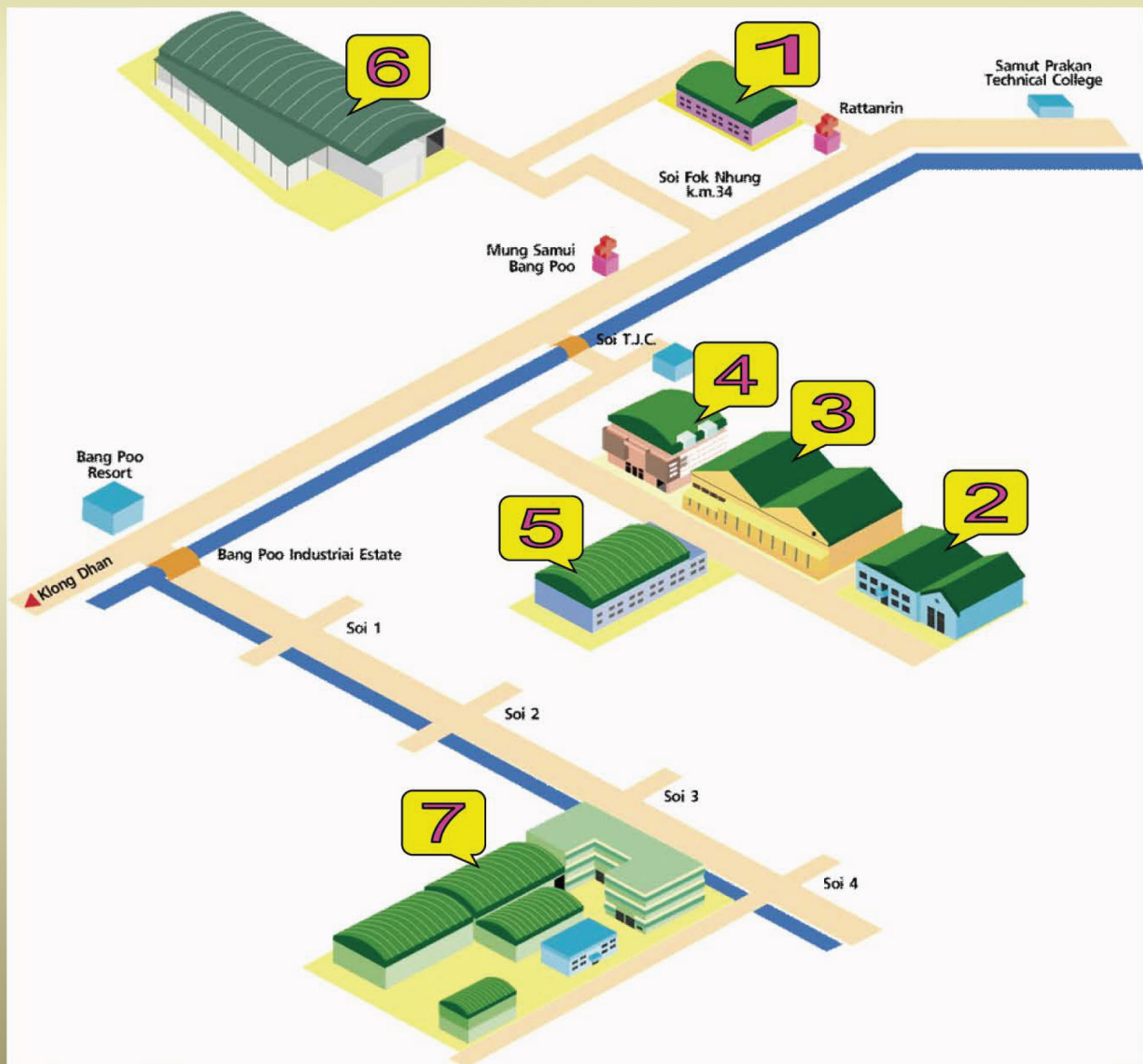
A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

29. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2014, the Group's debt-to-equity ratio was 0.95:1 (2013: 1.07:1) and the Company's was 1.02:1 (2013: 1.14:1).

30. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 23 February 2015.



Head Office

678 Soi T.J.C. Sukhumvit Rd. T.Bangpoomai
A.Muang, Samutprakarn 10280

Tel : 02-3232754-5 Fax : 02-3232749

สำนักงานใหญ่

678 ซอย ที.เจ.ซี. ถ.สุขุมวิท ต.บางปูใหม่
อ.เมืองฯ จ.สมุทรปราการ 10280

โทรศัพท์ : 02-3232754-5 โทรสาร : 02-3232749