



Annual Report 2015

Asian Phytochemicals Public Company Limited

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## Message from the Committee

Despite challenging economic circumstances in 2015, Asian Phytoceuticals Public Company Limited (APCO) continued to dedicate itself to building our business and developing innovative new health products to help strengthen the company going forward. At present, APCO has a range of products that can successfully address and tackle all kinds of health problems caused by imbalances in the immune system, for example allergic rhinitis, gastroenterocolitis, Gastro-Esophageal Reflux Disease (GERD), chronic sinusitis, hemorrhoids, diabetes, knee osteoarthritis, Systemic Lupus Erythematosus (SLE), gout, cysts, cancer and HIV infection. Recently, APCO has launched an eye care product line to improve the quality of life of people with eye problems, such as eye floaters, far-sightedness, cataracts, glaucoma, macular degeneration and other eye-related symptoms. The new product has received positive responses from customers. An example of our ongoing quest to innovate and demonstrate the effectiveness of our products is the signing of an MOU on Product Research and Development with the Department of Immunology, the Faculty of Medicine Siriraj Hospital, Mahidol University, one of the leading medical research centers in Thailand. This project will study the effectiveness of Operation BIM products in reinforcing and balancing the immune system in order to extend the research on health-related products to comprehensively cover every aspect of healthcare, as well as enhance the effectiveness of the existing research in order that the consumers of APCO's products have a better quality of life and the products gain acceptance both in Thailand and abroad.

Regarding our financial performance, despite the decrease of purchasing power in Thailand, APCO was able to mitigate the effects of this situation on the company's turnover because the overall turnover in 2015 decreased to be just a little lower than that of the year before. In the last fiscal year, the financial performance of APCO had increased significantly. If this situation continues, APCO is confident that the turnover will increase at least 10 percent in 2016 despite the economic challenges faced in 2015. In 2016, APCO not only aims for stable business growth, but we will also continue in our determination to be "the Public Company Limited Co-created by the Public" by opening a special channel for the consumers to jointly own the company as "shareholder benefactors" as well as inviting the existing shareholders to become "shareholder benefactors" by using the company's products.

APCO's achievements have also gained recognition within both the business and scientific communities. We were listed by Forbes Asia Magazine as one of "Asia's 200 Best under a Billion" for companies in Asia that experienced growth in terms of revenue, net profit and return on equity (ROE). The company also received, for the second consecutive year, the 2015 Best Company Performance Award and the 2015 Best CEO Award for companies listed on the Stock Exchange of Thailand (MAI). In 2014, APCO was presented the CST Award for Distinguished Contribution to Economic Advancement by the Chemical Society of Thailand. Also in 2015, APCO received the Australian Alumni Award which recognises the significant achievements of Australian-educated alumni whose endeavors reflect admirably on Australian education and render benefits to humanity, for our products for HIV and cancer patients. In addition, the National Innovation Agency of Thailand (NIA) issued the certification for APCO product, "LIV," as the innovative product of Thailand in improving the quality of life of HIV infected people globally.

In addition, APCO continues to recognize the importance of operating under the direction of good corporate governance, being transparent and accountable, having high ethics and a zero tolerance of corruption, safeguarding the interests of all the stakeholders, and we remain committed to sustainable business practices, as well as being socially responsible and giving back to society and local communities.

On behalf of the committee, we would like to thank all the shareholders, customers, business partners and employees for their continuous support. With this support and the management team's determination, we believe that we can build a stable future of the company and retain your trust and ongoing support as we move forward to an even brighter future.

**Maleeratna Plumchitchom**

( Ms.Maleeratna Plumchitchom )

Chairperson of the Board

**Pichaet Wiriyaichitra**

( Prof.Dr.Pichaet Wiriyaichitra )

Chairperson of the Executive Committee

## General Information

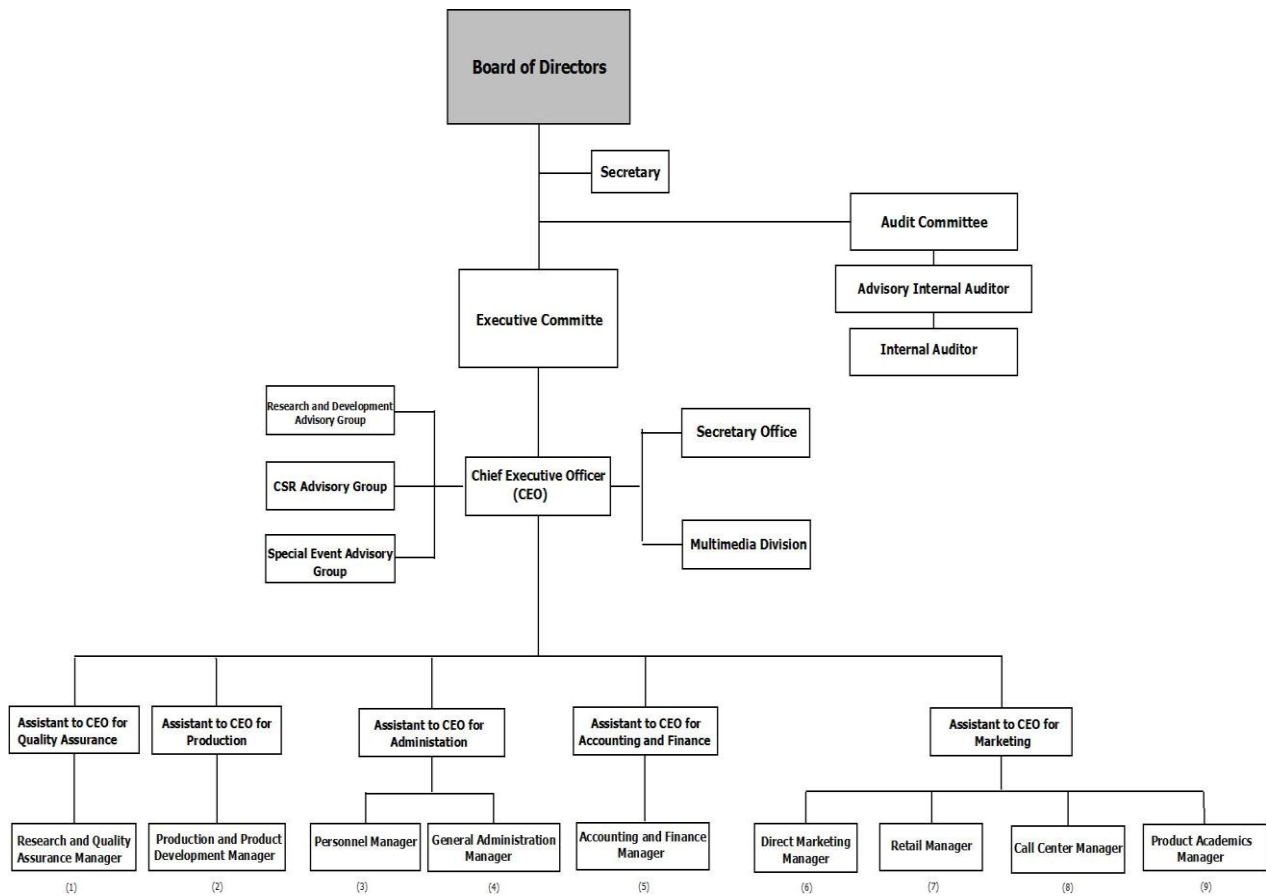
Company Name in Thai	: บริษัท เอเชียัน ไฟโตเซวติคอลส์ จำกัด (มหาชน) (“บริษัท”)
Company Name in English	: ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED
Business Category	: Manufacture and distribute health and beauty products from natural extracts based on the researches and developments of Thai scientists.
Registered Capital	: THB 300 million, comprising 3,000 million common shares, each of which is worth THB 0.1 per share (31 <sup>st</sup> December 2015)
Issued and Paid-up Share	: THB 275 million, comprising 2,725 million common shares, each of which is worth THB 0.1 per share (31 <sup>st</sup> December 2015)
Head Office	: 84/3 Moo 4 Northern Region Industrial Estate (West side) Super Highway No.11 Rd., Banklang, Muang Lamphun, Lamphun 51000 Tel. 053 581 374 Fax. 053 581 375
Branch Office	: <u>Ratchadapisek Branch</u> 89, 30 <sup>th</sup> Floor, AIA Capital Center Building, Ratchadapisek Rd., Dindaeng, Bangkok 10400 Tel. 0-2646-4800 : <u>Chiang Mai Branch</u> 61/5 Intawarorot Rd., Sripum Sub-district, Muang, Chiang Mai 50200 Tel. 0-5335-8276 : <u>Surat Thani Branch</u> 251/6 Chonkasem Rd., Talad Sub-district, Muang, Surat Thani 84000 Tel. 0-7728-8013 : <u>Chonburi Branch</u> 170/126-128 Moo 3, Samet Sub-district, Muang, Chonburi 20000 Tel. 0-3845-5025 : <u>Esplanade Branch</u> Esplanade Building, Room No. 317, 3 <sup>rd</sup> Floor, 99 Ratchadapisek Rd., Dindaeng, Bangkok 10400 Tel. 0-2660-9011 : <u>BIM Esplanade Branch</u> Esplanade Building, Room No. 318, 3 <sup>rd</sup> Floor, 99 Ratchadapisek Rd., Dindaeng, Bangkok 10400 Tel. 0-2660-9013
Registration Number	: 0107548000480
Home Page	: <a href="http://www.apco.co.th">www.apco.co.th</a>
Joint Venture Company	: TH17 (Thailand) Co.,Ltd. 276 Taksin Rd., Bang Yi Rua, Thonburi, Bangkok 10600
Business Category	: Distribute the company's products for cancer patients
Registered Capital	: 5 Million Baht (APCO holds 49% of shares)
References	: Thailand Securities Depository Co.,Ltd. 93 The Stock Exchange of Thailand Building, Ratchadapisek Road, Dindaeng, Bangkok 10140 Tel. 0-2229-2000 Fax. 0-2654-5642
Securities Registrar	
Auditor	: Mr.Pradit Rodloitung, CPA License No. 218 AST Master Co.,Ltd. 790/12 Thonglor Tower Building, Thonglor Soi 18, Sukhumvit Rd., 55 Klongtan, Wattana, Bangkok Tel. 0-2714-8842 Fax. 0-2185-0225

## Important Financial Information

	2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Financial Position Statement</b>						
Current Asset	473,195,911	75.23	446,582,613	79.38	357,967,538	78.30
Fixed Asset	155,780,257	24.77	116,022,282	20.62	99,191,190	21.70
Total Asset	628,976,168	100	562,604,895	100	457,158,728	100
<b>Current Liabilities</b>						
Total Current Liabilities	49,045,254	7.80	40,192,274	7.14	46,429,908	10.16
Total Fixed Liabilities	11,751,798	1.87	7,368,809	1.31	6,453,101	1.41
Total Liabilities	60,797,052	9.67	47,561,083	8.45	52,883,009	11.57
Shareholder	568,179,116	90.33	515,043,812	91.55	404,275,719	88.43
Total Liabilities and Shareholder	628,976,168	100	562,604,895	100	457,158,728	100
<b>Income Statement</b>						
Total Revenue	415,828,403	100	433,070,194	100	355,867,101	100
Cost of Sales	64,954,362	15.62	69,768,193	16.11	58,452,913	16.43
Gross Earnings *	344,296,787	84.13	356,045,768	83.62	290,088,136	83.23
Gross Profit	125,429,474	30.16	147,818,805	34.13	103,941,252	29.21
Earnings	100,622,584	24.20	118,768,111	27.42	78,844,801	22.16
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)	141,038,071	33.95	156,571,228	36.15	112,365,059	31.58

Financial Ratios		2015	2014	2013
Current Ratio	(times)	9.65	11.11	7.71
Gross Profit Margin	(%)	84.13	83.62	83.23
Profit Rate/ Performance	(%)	30.65	34.71	29.82
Net Profit Ratio	(%)	24.20	27.42	22.01
Shareholders' Equity Ratio	(%)	18.58	25.84	39.16
Rate of Return (Asset)	(%)	16.89	23.29	17.13
Debt Rate per Shareholders	(times)	0.11	0.09	0.13
Rate Payable Dividend	(%)	94.68	97.33	100
Maximum Rate Arbitrary **	(Baht)	0.03	0.04	0.03
Number of Shares Issued	(per million)	2,745.37	271.99	200
Book Value per Share	(Baht)	0.21	1.89	2.02
Ratio of Market Price per Equity Shares (P/E)	(times)	41.75	59.09	26.15

## Company's Structure



## Board of Directors

### Ms.Maleeratna Plumchitchom

Chairperson of the Board / Chairperson of the Audit Committee/ Independent Director

#### Education

Master of Business Administration, Michigan State University

Bachelor of Accountancy, Chulalongkorn University. (Honors)

#### Training

Diploma of DCP, batch 45/2004, Institute of Directors Associate of Thailand (IOD)

Diploma, National Defence College of Thailand, The Joint State-Private Sector Course, Class 11

Diploma of Senior Executive Program, Capital Market Academy, Class 6/2008

Diploma of Power of the Land Program, Chulalongkorn University, Class 2/2013

Diploma of Advanced Security Management Program, The Association National Defence College of Thailand, Class 3/2012

*Posting date:* 30 April 2011

*% of Shareholding in the company:* none

#### Experiences in the past 5 years

2011 – Present Chairperson of the Board / Chairperson of Auditing Committee/ Independent Director,  
Asian Phytochemicals Public Co., Ltd.

2007 – Present Board, SYNEX Public Co., Ltd. (Thailand)

2005 – 2011 Consultant, Thanachart Bank Co., Ltd.



### Prof.Dr.Pichaet Wiriyaichitra

Board / Chairperson of the Executive Committee / CEO

#### Education

Honorary Doctorate Degree in Science (Chemistry), Prince of Songkla University

Post-Doctoral Fellow Chemistry/Natural Products, University of Connecticut

Post-Doctoral Fellow Chemistry/Natural Products, University of Pennsylvania, USA

Doctor of Philosophy in Organic Chemistry, University of Tasmania, Australia

BSc. (Hons) in Science, University of Western Australia, Australia

#### Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

*Posting date:* 30 April 2011

*% of Shareholding in the company:* 49.84%

#### Experiences in the past 5 years

2012 – 2013 Board, Th17 Global Co., Ltd.

2000 – Present Board, Arun Pittaya Co., Ltd.

1999 – 2013 Managing Director, Asian Life Co., Ltd.

1995 – 2013 Managing Director, Green Gold Co., Ltd.

1988 – Present CEO, Asian Phytochemicals Public Co., Ltd.



## Dr.Jingjai Hanchanlash

### Board / Executive Committee

#### *Education*

Doctor of Philosophy in Public Law, CAEN, France

Diploma in Project Analysis, Connecticut, US

Diploma in Management, Western Ontario, Canada

#### *Training*

Diploma of DAP, Institute of Directors Associate of Thailand (IOD)

*% of Shareholding in the company:* 0.60%

*Posting date:* 30 April 2011

#### *Experiences in the past 5 years*

- 2014 – Present Qualified Member, The Thailand Research Fund
- 2014 – 2015 Member of National Reform Council, Education Reformation
- 2009 – 2012 Chairperson of the Executive Committee, Office of Standards and Quality Assessment (Public organization)
- 2008 – Present Board, Loxley Co., Ltd.
- 2007 – Present Council of King Prajadhipok's Institute
- 2007 – Present Board, Foundation Institute of Foreign Affairs Saranrom
- 2007 – Present Qualified member, National Institute of Science and Technology
- 2005 – Present Board and Executive Committee, Asian Phytoceuticals Public Co., Ltd.
- 2004 – Present President, the French Association
- 2004 – Present Honorary Consuls, Honorary Consulate of Jamaica in Thailand.
- 2003 – Present Board, Spee Oil and Gas services Co (Thailand)
- 2001 – Present Independent Director, Lugana Hotel and Resort Plc.
- 2000 – 2015 Chairperson of the Board, Loxley Pacific Co., Ltd.
- 2000 – Present Independent Director, Thai Wah Food Co., Ltd.
- 1999 – 2013 Board, Asian Life Co., Ltd.
- 1999 – Present Chairperson of the Board, LASIK eye Rutnin – Kimbell centre
- 1999 – Present Board, Thai Chamber of Commerce University Council
- 1999 – Present Chairperson of the Board, Thai Business Council – French Board
- 1999 – Present Secretary, The Development Cooperation Foundation
- 1997 – Present Vice-Chairman, Thai Chamber of Commerce University
- 1996 – Present Board, Mekong Region Law Center





## Mr.Chinnakarn Samalapa

Board / Executive Committee / Vice Managing Director

### Education

MSc. Strathclyde University, UK

BSc. in Pharmaceutical Sciences, Chulalongkorn University

### Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 12.5%

Posting date: 30 April 2011

### Experiences in the past 5 years

- 2014 – Present CEO, Samaphan Health Co., Ltd.
- 2014 – Present Managing Director, Health Loving Co.,Ltd.
- 2010 – Present Board, Samaphan Property Co., Ltd.
- 2007 - Present Board, Samaphan Pattana Co., Ltd.
- 2007 – 2014 Board, Nova Medic Co., Ltd.
- 2005 – Present Board/ Executive Committee, Asian Phytoceuticals Public Co., Ltd.
- 2002 – 2014 Managing Director, Bio Nutrition Research Co., Ltd.
- 2001 – 2014 Board, Nova-Tech Healthcare Co., Ltd.
- 2000 – Present Board, Samaphan International Co., Ltd.
- 1999 – 2013 Board, Asian Life Co., Ltd.
- 1993 – Present Board, Samaphan Development Co., Ltd.
- 1993 – 2014 Managing Director, Health Supplement Co., Ltd.
- 1991 – 2013 Board, Samaphan Trading Co., Ltd.



## Assoc.Prof.Arune Wiriyaichitra

Board / Executive Committee

### Education

MEd. in Bilingual Education, University of Connecticut, US

BA in Linguistics, Thammasat University

Diploma of English Language Teaching, Perth Technical College, Australia

### Training

Diploma of DAP, batch 43/2005, Institute of Directors Associate of Thailand (IOD)

% of Shareholding in the company: 3.85%

Posting date: 30 April 2011

### Experiences in the past 5 years

- 2015 Sub-committee for Legal Reform commission of Thailand.
- 2012 – Present President, Corporate Social Responsibilities, Asian Phytoceuticals Public Co., Ltd.
- 2012 – Present Vice-President, Association of Developing Human Potential and Giftiness
- 2011 – Present Executive Board, National of Educational Testing Service
- 2010 – 2015 Board, The officer for National Education Standards and Quality Assessment
- 2005 – Present Board, Asian Phytoceuticals Public Co., Ltd.
- 2000 – Present Managing Director, Arun Pittaya Co., Ltd.



## Assoc.Prof.Dr.Varakorn Samakoses

Audit Committee / Independent Director



### Education

Doctor of Philosophy in Economics, University of Kansas, US

MSc. in Economics, University of Kansas, US

BSc. in Economics, University of Western Australia, Australia

### Training

Diploma of DCP, batch 14/2002, Institute of Directors Associate of Thailand (IOD)

Diploma of the Rule of Law for Democracy, Class 2/2014, The Constitutional Court

*% of Shareholding in the company:* None

*Posting date:* 30 April 2011

### Experiences in the past 5 years

2011 – Present Audit Committee/ Independent Director,

Asian Phytoceuticals Public Co., Ltd.

2010 – Present President, Dhurakij Pundit University

2010 – 2012 Board, Phatra Capital Public Co., Ltd.

2005 – January 2007 and 2008 – 2012 Board, Phatra Securities Public Co., Ltd.

## Prof.Dr.Praipol Koomsup

Audit Committee / Independent Director



### Education

Doctor of Philosophy in Economics, Yale University, US.

MSc. in Economics, Thammasat University

BSc. in Economics, University of Western Australia, Australia

### Training

Diploma of DAP, batch 91/2007, Institute of Directors Associate of Thailand (IOD)

Diploma of DAP, batch 52/2006, Institute of Directors Associate of Thailand (IOD)

*% of Shareholding in the company:* None

*Posting date:* 30 April 2011

### Experiences in the past 5 years.

2014 – 2015 Member of National Reform Council

2014 – Present Assistant to Minister of Energy

2010 – Present Audit Committee/ Independent Director,

Asian Phytoceuticals Public Co., Ltd.

2009 – 2011 Prime Minister's Economic Advisory Committee  
(Mr. Abhisit Vejjajiva)

2008 – 2011 Monetary Policy Committee, Bank of Thailand

1993 – Present Fund Committee, Energy Policy and Planning Office

1993 – Present Economics Consultant, Business & Economic Research  
Associates Co., Ltd.

1972 – 2012 Lecturer of Economics, Thammasat University.

## **Emeritus Prof.Krait Boonyakiat**

**Audit Committee / Independent Director**

### ***Education***

Honorary Doctorate Degree in Business Administration (Marketing),  
Chiangmai University

MBA, Massachusetts Institute of Technology

BSc. in Botany, Chulalongkorn University

Advanced Vocational Diploma in International Trade,

The Management School of the United Nations, the Republic of Italy

### ***Training***

Diploma of DAP, batch 0/2000, Institute of Directors Associate of Thailand (IOD)

**% of Shareholding in the company:** None

**Posting date:** 3 August 2011

### ***Experiences in the past 5 years***

- |                |  |
|----------------|--|
| 2014 – 2015    | Member of National Reform Council  |
| 2012 – Present | Chairperson of Risk Management, Thai Health Promotion Foundation             |
| 2011 – Present | Audit Committee/ Independent Director, Asian Phytoceuticals Public Co., Ltd. |
| 2007 – Present | Audit Committee/ Independent Director, DIMET(Siam) Public Co., Ltd.          |
| 1999 – Present | Audit Committee, Safety Insurance Public Co., Ltd.                           |



## Vision and Missions

### Vision







A leader in innovation of healthcare and beauty products based on Thai researchers' studies and developments of "Thai natural extracts" to promote the life quality of Thais and people worldwide






### Missions

- Producing the best health supplements and beauty products with the latest technology of the 21st century
- Promoting Thai researchers' research on natural extracts
- Meeting customers' expectations of health and beauty products
- Expanding a variety of modern distribution channels
- Promoting life quality of Thais and the world's people
- Promoting Thai products to international customers
- Building the sustainable industry
- Operating with work ethics that prioritise stockholders, employees and society under the policy of white business
- Promoting creativity to build a good image of the organisation, stockholders, involved parties and society
- Building local and international business partnership
- Building customers and partners' trust

## List of Products








### Beauty Cosmetics Products

Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
Slimming Products	Cream or body lotion products in the form of bottle/tube, massaged into the skin to tighten the skin and reduce the proportion of the intended body such as waist, hip, brachium and thigh. Facial lotion products are also available to create flexibility to the skin, chin, throat and cheek.	Extracts from Garcinia, Asiatic Pennywort, chili, ginger, Chinese tea, Mint.	Gold Shape		2003
			Figor		2007
			TrimOne		2008
			MILS		2009
Anti-wrinkle and Anti-Spots Products	The lotion, cream and serum products in the form of bottle/tube, used for maintaining the skin, focusing on properties of the skin treatment and hyperpigmentation to naturally maintain the balance of moisture and oil of the skin and to stimulate the production of collagen in the skin.	GM-1 extracted from Asiatic Pennywort, licorice	7 Miracles		2005
			7 Wonders		2008










Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
			Asian Life		2012
	The lotion product in the form of a spray bottle to increase skin radiance, reduce dark circles and dark spots on the face. Make skin smooth and soft, always.	GM-1 extracted from Asiatic Pennywort, licorice	APCO		In last 2015
Skin Care Product	Gel, cream or body lotion products are used for showering, skin caring, sun blocking, and cleansing. They can prevent the imbalance which is the cause of inflammatory symptoms and infections, the major cause of acne and bacterial diseases. They can decrease inflammation, be anti-inflammatory, anti-oxidant, and help to tighten pores (anti-stringent)	GM-1	Garcinia		1988
	Gel, cream or body lotion products are used for skin caring, sun blocking, and cleansing. Featuring antioxidant properties of melanin, the products yield results of skin whitening.	Extracts from mangosteen, Asiatic pennywort, and mulberry	Lyfe		2000
	Cream products for strengthening and nourishing the skin to be smooth and elastic, cool and refreshing, especially on skin psoriasis.	Extracts from mangosteen, Asiatic pennywort	Noriasis		2010





## Dietary Supplement Products and Drinks

Product	Characteristics and Properties	Herbs Essential	Brand/ Trademark		Year
Fat Reduction Products	Dietary supplement products attribute to accelerate the transformation of fat into energy. (600 mg.) They also delay the creation of new fat from food and slow down the fat accumulation process. They make consumers feel full more rapidly and longer, fresh and energetic. The products are in the form of capsule and water-soluble powder.	Extracts from Garcinia	Gold Shape		1995
			TrimOne		2008
			Gold Shape Plus		2014
	Mangosteen-garcinia drinks in can, contain the properties of excess fat reduction.		Gold Shape		2014
	Barbecue-flavor snack consisting of Hi-Soy/Plus and whole grains to replace one meal		Gold Shape		2014
Skin Care Products	The supplements in capsule form (600 mg.) contain antioxidants that are used to balance the hormone level, the cause of freckles and black spots, in the body, and to help moisturize the skin.	French pine bark extracts, glutathione, and extracted protein from soy	Bryte & Spryte		2004

Product	Characteristics and Properties	Herbs Essential	Brand/ Trademark		Year
Health Products	These are divided into the following groups.	Extracts of Asiatic pennywort, black sesame, guava, mangosteen, and extracted protein from soy	Garcinia <sup>/3</sup>		2007
- Dietary Supplement Health Products "BIM Formula" <sup>/1</sup>	- Supplements in capsule form ( 600 mg.) for balancing immune for those who want to maintain a good health.		Balanc <sup>/3</sup>		2013
			Allerginok		2013
			ULCINOK		2014
			GERMINOK <sup>/3</sup>		2015
			Diabenox <sup>/3</sup>		2009
	- Supplements in capsule form ( 600 mg.) for those with diabetic problems		BIM.D		2013



Product	Characteristics and Properties	Herbs Essential	Brand/ Trademark		Year
	- Supplements in capsule form ( 600 mg.) for people with knee problems		Arthrinox <sup>/3</sup>		2009
			BIM.A		2013
	- Supplements in capsule form ( 600 mg.) for people with psoriasis		Noriasis		2009
	- Supplements in capsule form ( 600 mg.) for people who have cancer		Tumorid		2011
			Th 17		2012
	- Supplements in capsule form ( 600 mg.) for HIV infected patients		LIV		2013
	- Supplements in capsule form ( 600 mg.) for people with the eye problems		BIM O		2015
			BIM E		2016
- BIM Health Care Products	- Concentrated mangosteen juice in sachets with no sugar or preservative is able to fight against oxidants that are the causes of cancerous cell growth (studied in a research lab). It adjusts the balance of immune system and the symptoms associated with the autoimmune disease itself such as allergy and inflammation. Also, it reduces blood pressure.	Concentrated mangosteen juice <sup>/2</sup>	Myhelth		2008

Product	Characteristics and Properties	Herbs Essential	Brand/ Trademark		Year
			BIM		2010
	- Concentrated mangosteen juice in sachets together with Garcinia extracts have two benefits: balancing the body immune and slimming properties of Garcinia.	Concentrated mangosteen juice, and garcinia extract <sup>2</sup>	BIM & Trim		2010
- Other Health Care Products	They are supplements “Ginkgo Biloba” in capsule form (112 mg.) for enhancing health and intelligence which can also decrease a migraine attack. They increase the circulation of blood in the brain, enhance the short term memory, and decrease the lack of concentration.	Ginkgo leaf extracts	ANC		1998
	Supplements in capsule form ( 600 mg.) with the antioxidant properties	Extracts of black sesame and brown rice	Sesami-Cap		2014

Note <sup>1</sup> Products in the Operation “BIM” Group

<sup>2</sup> Mangosteen juice is produced with ingredients and process supervised by the company.

<sup>3</sup> Products granted with Halal Logo

## Business Operation Features

### 1. History

Asian Phytoceuticals Public Company Limited (“Company” or “APCO”) was founded on 2<sup>nd</sup> June 1988 with the paid-up registered capital at 1 million THB under the name of “Natural Cosmetics Research Co.,Ltd.” with aims to manufacture and distribute the cosmetics products and dietary supplements from natural extracts. Later in 2005, it was transformed into the public company under the name of “Asian Phytoceuticals Public Co., Ltd.” Afterwards, it was registered in the MAI stock market, bearing the symbol “APCO”, on 4<sup>th</sup> November 2011.

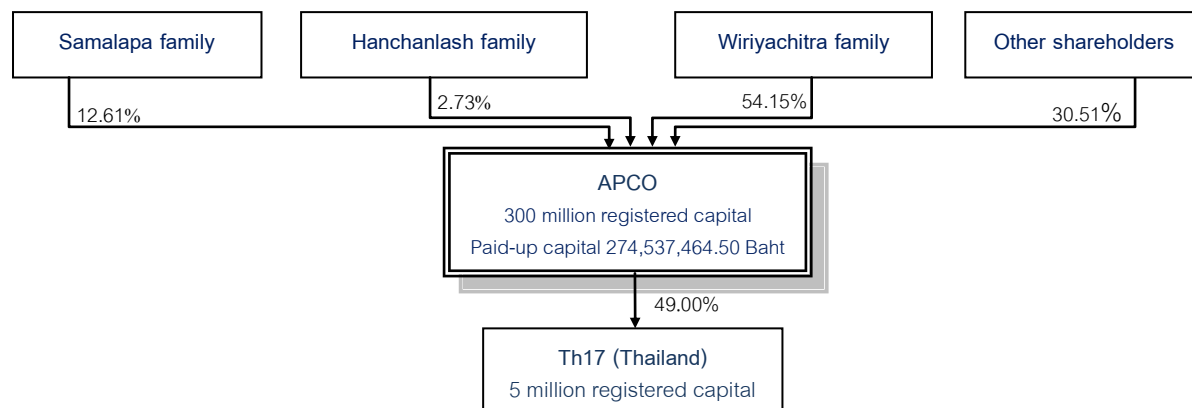
### 2. Important Changes and Development

- |                           |   |
|---------------------------|---|
| 2 <sup>nd</sup> June 1988 | <ul style="list-style-type: none"> <li>Natural Cosmetics Research Co.,Ltd. was founded with paid registered capital of 1 million Baht divided into 10,000 common shares, each of which was worth 100 Baht. The founder, Prof. Dr. Pichaet Wiriyachitra, had 92% of the capital.</li> </ul> <p>Natural Cosmetics Research Co.,Ltd.’s initial goal was to manufacture herbal cosmetics products. The first factory was situated in Meung District, Chiang Mai.</p>  |
| 1989                      | <ul style="list-style-type: none"> <li>A new plant was built at the Northern Industrial Estate, Lamphun. All the manufacturing was moved to the new factory.</li> </ul>   |
| 25 <sup>th</sup> May 1995 | <ul style="list-style-type: none"> <li>Green Gold Co., Ltd. (“GG”) was established with paid registered capital of 5 million Baht, divided into 50,000 common shares, each of which was worth 100 Baht. The aim was to produce dietary supplements from natural herbs.</li> </ul>   |
| 18 <sup>th</sup> May 1996 | <ul style="list-style-type: none"> <li>Asian Neutraceutical Centre Co.,Ltd. was founded with paid registered capital of 1 million Baht divided into 10,000 common shares, each of which was worth 100 Baht. The aim was to conduct research and develop cosmetics products and dietary supplements before APCO and GG manufactured the approved products.</li> </ul>  |
| 20 <sup>th</sup> May 1999 | <ul style="list-style-type: none"> <li>Asian Life Co.,Ltd. (“ASL”) was founded, with paid registered capital of 10 million Baht divided into 100,000 common shares, each of which was worth 100 Baht. The aim was to sell the cosmetics and health products of the companies through a multi-level direct sales system such as Multi-Level Marketing or MLM.</li> </ul>   |
| 2003                      | <ul style="list-style-type: none"> <li>Green Gold or GG received a certificate of Good Manufacturing Practice from Food and Drug Administration, Ministry of Public Health.</li> </ul>  |
| 2005                      | <ul style="list-style-type: none"> <li>The structure of group companies was adjusted. Natural cosmetics Research Co., Ltd. Increased the registered capital to 93 million Baht, divided into 9.3 million common shares, each was worth 10 Baht. The money gained from the increased capital was spent buying shares in the ratio of 99.99% in three companies:               <ol style="list-style-type: none"> <li>(1) Green Gold Co., Ltd.</li> <li>(2) Asian Life Co., Ltd.</li> <li>(3) Asian Neutraceutical Centre Co.,Ltd.</li> </ol> <p>Later, Natural Cosmetics Research Co., Ltd was transformed into a public company and its name was changed to Asian Phytoceuticals Public Company Limited. In addition, the share value was changed from 10 Baht per share to 1 Baht per share. The increase was made to the capital from 93 million shares to 116.25 in order to comply with a proposal to sell shares to the general public. However, the registration was initially put off.</p> </li> </ul> |
| 2005                      | <ul style="list-style-type: none"> <li>APCO received a certificate of Good Manufacturing Practice from Food and Drug Administration, Ministry of Public Health.</li> </ul>  |

2006	<ul style="list-style-type: none"> <li>The company restructured by transferring The Research and Development Business of Asian Nutraceutical Centre Co.,Ltd. to APCO and closing the account of Asian Nutraceutical Centre Co.,Ltd.</li> </ul>
2011	<ul style="list-style-type: none"> <li>The capital was increased to 200 million Baht for the initial public offering (IPO) in a total of 45 million ordinary shares and other 5 million shares to the executives and employees of the company. Also, the common shares were registered in the MAI stock market.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Th17 Global Co., Ltd. was established with registered capital of 1 million Baht, divided into 100,000 common shares, each of which was worth 10 Baht. The aim is to expand the market by coordinating and managing the sale of products for cancer patients both in Thailand and in foreign countries.</li> <li>The company has invested in Th17(Thailand) Co.,Ltd., in the proportion of 44% of the capital of the company to expand its marketing channel.</li> <li>Top Marcom Co., Ltd. was established with paid registered capital of 1 million Baht, divided into 100,000 common shares, each of which was worth 10 Baht. The aim was to distribute the dietary supplements from natural herbs and provide event marketing to other organization.</li> </ul>
2 Dec 2013	<ul style="list-style-type: none"> <li>The company was restructured through the entire business transfer (EBT) from subsidiary companies where 100% of shares in each company were held by APCO such as Asian Life Co.,Ltd, Green Gold Co.,Ltd., Th17 Global Co.,Ltd., and Top Marcom Co.,Ltd. The entire transferred businesses have now been operated by APCO. The subsidiary companies were also deregistered.</li> </ul>
2014	<ul style="list-style-type: none"> <li>The company paid 40 million dividend shares on April 28, 2014 and offered the additional shares to the existing shareholders (Right Offering) in a total of 32 million shares at the equivalent price to the par value at 1.00 Baht during 7-9, 12, and 14 May, 2014.</li> <li>The Extraordinary Shareholder Meeting No.1/2014 approved a decrease of the registered capital in sum of 28,000,018 Baht from the previous registered capital in sum of 300,000,000 Baht to the new registered capital in sum of 271,999,982 Baht by excluding 18 remaining shares from the dividend shares and excluding the common shares which are not yet offered to the private placement approximately at 28,000,000 shares.</li> <li>The Extraordinary Shareholder Meeting No.1/2014 also approved an increase of the registered capital in sum of 28,000,018 Baht to form the new registered capital in sum of 300,000,000 Baht from the existing registered capital worth 271,999,982 Baht for the public offering who had sponsored the company and/or the public before registering such common shares in the MAI stock market.</li> </ul>
7 June 2014	<ul style="list-style-type: none"> <li>Open BIM Healthcare Center, 3<sup>rd</sup> Floor, Esplanade Shopping Mall.</li> </ul>
26 March 2015	<ul style="list-style-type: none"> <li>The Annual General Meeting of Shareholders 2015 approved to change the par value from 1.00 baht per share to 0.10 baht per share and approved the allotment of 28,000,018 new ordinary shares at a par value of Baht 1 per to not more than 280,000,180 newly issued ordinary shares at a par value of Baht 0.10 per share for public offering to the Company's patrons</li> </ul>

### 3. The Structure of the Company's Shareholders

The company assumes the following shareholder's structure:



### 4. Overviews of the Company's Operations

The company has produced and marketed the healthcare and beauty products from the natural extracts from the research of Prof. Dr. Pichaet Wiriyachitra, the main shareholder and CEO, and specialists, including a team of academic institutions in Thailand and research organizations in order to develop new products and improve the existing products. The company has also applied for patent registration and received a safety guarantee from Food and Drug Administration (FDA) with scientific certification.

The company has distributed its products to customers both domestic and international by Multi-Channel Marketing. For international distribution, Multi-Level Marketing or MLM has been adopted. At present, there are six branches; Chiang Mai, Surat Thani, Chonburi, Ratchadapisek, Esplanade, BIM Esplanade. Moreover, the distribution through Tele-Marketing the service of BIM Health Center, a service center for customers who wish to use the products for their healthcare correctly and efficiently by medical scientists who are specialized in all the types of Operation BIM and distributed through the pharmacy network of over 80 branches over country. The distribution is also carried out by agents in several countries, focusing the customers who prioritize good-looking shape and healthcare apart from the direct distribution to other international distributors such as Singapore, Malaysia, America, and Saudi Arabia.

## 5. Revenue Structure

The revenue structure classified by types of products in 2013-2015 is described as follows:

Unit: Million Baht

Revenue Structure	2015		2014		2013	
	Value	Percent	Value	Percent	Value	Percent
<b>Beauty Cosmetics Products</b>						
- Sliming Products	16.99	4.08	20.41	4.71	35.60	10.00
- Anti-Wrinkle and Anti-Spot Products	10.50	2.53	11.73	2.71	17.16	4.82
- Skincare Products	3.94	0.95	4.81	1.11	5.12	1.44
<b>Total</b>	<b>31.43</b>	<b>7.56</b>	<b>36.96</b>	<b>8.53</b>	<b>57.88</b>	<b>16.26</b>
<b>Dietary Supplement Products</b>						
- Fat Reduction Products	41.41	9.96	79.08	18.26	47.95	13.47
- Healthcare Products	288.93	69.48	263.89	60.93	198.63	55.82
- Skincare Products	1.80	0.43	3.25	0.75	4.09	1.15
- Health Drink Products	45.67	10.98	42.63	9.84	39.99	11.24
<b>Total</b>	<b>377.82</b>	<b>90.86</b>	<b>388.85</b>	<b>89.79</b>	<b>290.66</b>	<b>81.68</b>
<b>Revenue from Sales</b>	<b>409.25</b>	<b>98.42</b>	<b>425.81</b>	<b>98.32</b>	<b>348.54</b>	<b>97.94</b>
Other Revenues *	6.58	1.58	7.26	1.68	7.33	2.06
<b>Total Revenue</b>	<b>415.83</b>	<b>100.00</b>	<b>433.07</b>	<b>100.00</b>	<b>355.87</b>	<b>100.00</b>

Note: \* Other revenues consist of the interest, earning from asset sales, earning from packaging sales, and earning from the currency exchange.

### Revenue Structure during 2013-2015 from Domestic and International Sales

Unit: Million Baht

Revenue Structure	2015		2014		2013	
	Value	Percent	Value	Percent	Value	Percent
Revenue from Domestic Sales	393.16	94.55	423.23	97.73	329.01	92.45
Revenue from International Sales	16.09	3.87	2.58	0.60	19.53	5.49
<b>Total Revenue from Sales</b>	<b>409.25</b>	<b>98.42</b>	<b>425.81</b>	<b>98.32</b>	<b>348.54</b>	<b>97.94</b>
Other Revenues	6.58	1.58	7.26	1.68	7.33	2.06
<b>Total Revenue</b>	<b>415.83</b>	<b>100.00</b>	<b>433.07</b>	<b>100.00</b>	<b>355.87</b>	<b>100.00</b>

### 1. The Risk of Business

#### 1.1 The risk of relying on staff

In terms of the academic respect, most of the products that the conglomerate produces and sales recently are from the research and development led by Professor Dr. Pichaet Wiriyachitra, this makes the risk of relying on the knowledge and expertise of the staff. In addition, Professor Dr. Pichaet Wiriyachitra also served as a Chief Executive Officer (CEO), who is directly responsible for determining the policies, directions and marketing of the company. In the future, if the staff is changed it may affect to operations of the company.

However, Professor Dr. Pichaet Wiriyachitra is the founder and major shareholder of the company, thus it is expected that the company may be able to persuade him to work in a long run. Besides, the company has formed a research and development team which involves experts in various fields related to our products, and established Thai Mangosteen Research and Development Center. Also, the company has cooperated with several of research agencies to jointly conduct research and further develop the products continuously without relying on only one person or agency. In addition, we have allocated budget to the research team to participate as an owner and motivated them to stay with the company in a long period.

Besides, in case there is product research and development related to new raw materials of which the research team has no knowledge, the company will hire other organizations with such expertise such as the university and other research departments to conduct the research. It was anticipated that it would take less time and fewer costs for the company to conduct the research and development by itself while reducing the burdens of the personnel. However, all the formulas obtained from the research and developments of Professor Dr. Pichaet Wiriyachitra and other researchers as well as outside organizations which are in the present or will be in the future belong to the company. Meanwhile, records of the entire formulas are kept in the company's safety box and two executives hold one key each. At present, the company has already applied for the patent registration for all the formulas and products.

As for the management, the company has appointed the director as the one who sets up business policies and directions, and the executive director as the administrator who is responsible for the policies from the committee board and shareholders. Furthermore, the company has prepared the adviser board to consult such over fields as marketing, research and development, CSR (Corporate Social Responsibility), etc. Such board consists of ones who have expertise in such fields to give advice about management so that the business can go forward effectively.

#### 1.2 The risk of the business channels

One part of the company's income is from the direct marketing. In 2013, 2014, and 2015, the company profited from the direct distribution of overall income at 64.81 percent, 55.68 percent, and 52.72 percent respectively. Such business is very competitive with several of entrepreneurs. However, there are many direct distributors or agents who can work for any entrepreneurs in industry depending on the structure and return on sales (ROS). So, the better offers can persuade the distributors and agents to change their mind easier. This circumstance may also apply to the company's distributors or agents.

As mentioned, we have focused on the good structure of ROS for the agents. The policy of compensation should be in the same level as in industry such as Tele-Marketing Channel. Actually, the company has received an increase of sales proportion through the Tele-Marketing around 14.77 percent of the total revenues in 2013, 25.51 percent in 2014, and 29.51 percent in 2015 respectively and in 2015 the company has increased one more of its sale channel through pharmacies. Furthermore, the company has increased more sales promotion in several countries, for example, product distribution through Natural Cancer Care Center or "NCCC" in Singapore, providing services to people in Singapore and foreigners. The company also distributes the products through

the distributors in several countries apart from appointing our agents to market the products in each country to facilitate the product distribution to overseas customers.

### **1.3 The risk of supplying raw materials**

The main raw materials of the company are Garcinia and mangosteen. They are agricultural materials which bear fruits once a year and yield depending on climatic conditions of the year. So, if climate is unusual like floods or drought, we may face a shortage of raw materials. Garcinia is a plant cultivated in the south which is very tough to obtain according to the unrest recently.

The company realizes the natural condition that cannot be controlled. It affects the supply of raw materials. Therefore, we decide to purchase them in a large quantity, and each production and purchase will cover the sales at least two years. As they are dry-processed and maintained in suitable conditions, they can be stored for longer than 10 years whereas their essential compounds do not decay. The company has local agents in the southern part of Thailand who supply Garcinia.

### **1.4 The risk of product replacement**

Beauty products, cosmetics and dietary supplements are the replaceable products with similar features, for example, slimming products which are available numerously to distribute. Most of them have similar properties; help consumers lose weight and keep in good shape. Therefore, there are choices for the consumers.

The company realizes the similar properties of the products in beauty, cosmetics and dietary supplements industry. So, we aim to clarify the differences of the products to the consumers, beginning from publication of research to show that our products are more effective than others, as well as the shared experience and satisfaction of the users. Moreover, the company focuses on training our sale agents to have better understanding about the properties of products so that they are able to help consumers comprehend the differences between our products and other products.

### **1.5 The risk of the exchange rate**

The company distributes a very few of our products in foreign countries. They were fewer when comparing to the total circulations. In 2013, 2014 and 2015, the company's distributing proportions were 5.49 percent, 0.60 percent and 3.87 percent compared to the total circulations respectively. We mainly set up the aboard marketing policies with Bath currency, except for some customers who preferred trading with U.S. dollars currency. By the year 2013 – 2015, the proportion of sales in the foreign currency was approximately 2.50 percent of the total circulations. This can be considered that the company has a low risk of exchange rate. However, we also set up a policy of expanding the distribution proportion abroad, particularly in Southeast Asia, Middle East and China. This may increase the higher risk of exchange rate. But we still have a policy of Forward Contract which is for the high-value products trade, and this will be considered case by case.

## **2. The Risk of a Shareholder with more than 50 percent of the Company's Shares.**

As of 10<sup>th</sup> March 2016, the Wiriyachitra family has 1,486,356,890 company shares, representing 54.13 percent of the shares sold by the company. The Wiriyachitra family became the major shareholder that controls the majority in the shareholders meeting. Unless the law or the Articles of Association requires a resolution of no less than three in four of the general meeting of shareholders, such as increasing cost of capital to sell or transfer all or part of such a shareholder, the company may not be able to gather the votes to determine the balance of the shareholders present.

The company is aware of such risks. The Committee provides an independent third party, including 4 persons who serve as chairman as well as the audit committee of 4 members from the total number of 8 persons to serve as checks and balances of the



board of directors. Formerly, there were 3 audit committees to comply with the regulations of Stock Exchange of Thailand. As the company was aware of this risk management, one additional independent director was appointed to serve as the audit committee. In addition, experts are appointed for the internal audit advisory services to complete the internal auditing process.

The executive and the board of directors have a policy by taking into account the shareholders' best interests, the scope of authority of the board of directors and the committee clearly. If the company is required to make transactions with persons who may have conflicts of interest, we will take steps to approve the transaction and the rules of the Stock Exchange of Thailand regulations. The person who may have a conflict will be excluded from voting on the transaction.

## Capital Structure

### 1. Company Securities

The company has registered capital of 300,000,000 Baht. There are 2,745,374,645 paid-up ordinary shares calculated at 2,745,374,645 shares, each of which is worth 0.10 Baht.

### 2. Shareholders

The first 10 major shareholders as of 10<sup>th</sup> March 2016 are as follows:

List of Shareholders	Amount (Share)	Percent
1. Wiriyachitra family including		
Mr.Pichaet Wiriyachitra	1,368,200,790	49.84
Mrs.Arune Wiriyachitra	105,630,200	3.85
Mrs.Wilawan Wiriyachitra	3,646,370	0.13
Mrs.Wipa Witayawayroj	2,676,650	0.10
Mr.Sinart Wiriyachitra	2,756,440	0.10
Ms.Sirirat Wiriyachitra	2,606,440	0.09
Mrs.Sirithip Wiriyachitra	1,000,000	0.04
Entire Wiriyachitra family	1,486,516,890	54.15
2. Samalapa family including		
Mr.Chinnakarn Samalapa	340,000,000	12.38
Mrs.Supankhae Samalapa	829,600	0.03
Mr.Chankrit Samalapa	5,500,000	0.20
Entire Samalapa family	346,329,600	12.61
3. Mr.Nattapat Rangsarn	84,600,000	3.08
4.. Hanchanlash family including		
Khunying Chamnongsri Hanchanlash	58,520,410	2.13
Mr.Jingjai Hanchanlash	16,500,970	0.60
All Hanchanlash Family	75,021,380	2.73
5. Ms.Uncharee Kosolsak	41,732,000	1.52
6. Mr.Somchai Pongsuriyanan	33,489,310	1.22
7. Mr.Monchai Leesirikul	33,000,000	1.20
8. Mr.Chan Wongchatcharn	25,500,000	0.93
9. Ms.Pachara Dhechapraphan	23,064,080	0.84
10. Mr.Noppasit Thanarongruk	22,999,000	0.84
Other minor shareholders	573,122,385	20.88
Total	2,745,374,645	100.00

Source: Thailand Securities Depository Co.,Ltd. on 10<sup>th</sup> March 2016

### 3. Issuance of Other Securities

-None-

### 4. Dividend Policy

The company is required to pay shareholders dividend of not less than 40% of the net profit after deducting corporate income tax and legal reserve. The payment of dividend must take the following factors into consideration such as operation results and the company's financial status, liquidity, business expansion and other relevant factors related to the company's management. However, the company may pay the lower rate of dividend in case the company needs to spend the money from the net profit expanding the company's business.

Similarly, subsidiaries and/or corporates are required to pay the company dividend of 100% of the net profit after deducting corporate income tax and legal reserve. The payment of dividend must take the following factors into consideration such as operation results and the company's financial status, liquidity, business expansion and other relevant factors related to the company's management. However, the company may pay the lower rate of dividend in case the company needs to spend the money from the net profit expanding the company's business.

Records of dividend policy are as follows:

Particulars	Business Operation Result			
	2015 (Year of Proposal)	2014	2013	2012
1. Net Profits (Baht)	100,914,609	118,866,720	79,112,871	55,172,034
2. Net Profits After Legal Reserve (Baht)	95,814,609	112,916,720	74,901,871	52,381,034
3. Dividend Payment Per Share (Baht/Share)	0.0347	0.0425	0.40	0.27
4. Rate of Dividend Payment Per Net Profit After Legal Reserve (Percentage)	<b>99.43</b>	<b>102.38</b>	<b>106.81</b>	<b>103.09</b>

## Management

### 1. Management Structure

The company's management structure consists of three series of committees, including the Board of Directors, Audit Committee, and Executive Committee. The details are as follows:

#### 1.1 Board of Directors

As of 31<sup>st</sup> December 2015, the company's board of directors consists of 9 members:

1. Ms.Maleeratna	Plumchitchom	Independent Director, Chairperson of the Board, and Chairperson of the Audit Committee
2. Prof.Dr.Pichaet	Wiriyachitra	Board
3. Dr.Jingjai	Hanchanlash	Board
4 Mr.Chinnakarn	Samalapa	Board
5. Assoc.Prof. Arunee	Wiriyachitra	Board
6. Emeritus Prof.Krairit	Boonyakiat	Independent Director and Audit Committee
7. Assoc.Prof.Dr.Varakorn	Samakoses	Independent Director and Audit Committee
8. Prof.Dr.Praipol	Koomsup	Independent Director and Audit Committee

Note: Assoc.Prof. Arunee Wiriyachitra serves as Secretary.

The director who has authorities to sign for the company is Mr. Pichaet Wiriyachitra or Mrs. Arunee Wiriyachitra. Another signature is required, whether it is Mr.Jingjai Hanchanlash or Mr.Chinnakarn Samalapa. In total, the two signatures are required along with the company's seal.

#### Scope of Duties and Responsibilities of the Board Directors

The Board Directors hold the authority and responsibility to manage the company in accordance with the law. The duties and responsibilities can be concluded as follows;

1. Arrange the annual shareholders' meeting within 4 months after the end of the company's accounting period.
2. Arrange the board of director meeting at least once every three months
3. Prepare the company's balance sheet and income statement at the end of the company's accounting period, have them audited by auditors and present them to the shareholders for consideration and approval.
4. The board of directors may authorize one director or more or other parties to perform a task under the board of directors' supervision. Or the board may delegate authorities to the person in a certain period of time as seen appropriate. The board has a right to revoke the authority or change the person at any time as seen appropriate.  
  
In addition, the board gives authority to the managing committee to perform different tasks but the authority is limited by the committee's rights and duties. However, this authority must not give any power to the board of directors or the authorized person that will allow them to consider or approve the list of items that they are personally involved in, have profit or loss or have a conflict of interest with the company or its subsidiaries. An exception is made if the approved list goes along with the company's policy already considered and approved by the committee. All of this will be according to the law.
5. Set the company's goals, directions, policies, plans, and budgets. Supervise the executive boards' administration and management as agreed in the policy. However, there are some issues that need to be approved by the shareholders first. They are the issues required by law such as the increase or decrease of capital share, the issuance of share, the

sales or transfer of the company's business, whole or partial, to other parties or the purchase or transfer receipt of other parties' business, the amendment of memorandum of association or regulations and etc.

Moreover, the board of directors is also responsible for ensuring that the company complies with the laws and regulations from the Securities and Exchange Act. The regulations of the stock exchange include transactions and trades of assets in accordance with the regulations of the Stock Exchange of Thailand or other laws concerning the company's business.

6. Examine the management structure and appoint members of board directors, chief executive officer and other committees as appropriate.
7. Continuously monitor the company's performance to follow plans and budgets.
8. Unless the matter is brought to the board of directors prior to appointment, directors shall not engage in any business of the same type or business that is a competition of the company, become a partner in any ordinary partnership or unlimited liability in any ordinary partnership or be a director of any private company doing the same business, whether it is done for their own or others' benefits.
9. Directors are required to immediately notify the company in case they benefit or lose profits from, either directly or indirectly, the company's contract, shares or the increase or decrease of other securities in the company or subsidiaries.

#### **Authority of Board of Directors**

1. Approve the annual budget and the company's business plan.
2. Approve the obligations regarding the company's financial burdens such as loan agreements or guarantee.
3. Approve the investment project in a large-scale business.
4. Approve an establishment of the new company
5. Approve the purchase or sales of company's assets based on the regulations of the Stock Exchange of Thailand.
6. Approve the company's transactions based on the regulations of the Stock Exchange of Thailand.
7. Approve the policy to increase the payment and annual bonus rates.
8. Approve the company's financial sheets.
9. Approve the opening or closing of bank accounts.
10. Approve the appointment of sub-committee.
11. Approve the new board directors to substitute for those periodically retired.

The board of directors also takes charge of approving the transactions to comply with the announcements of the Securities and Exchange Commission and the Stock Exchange of Thailand as well as other applicable laws.

#### **Company Secretary**

The Board agreed to appoint Assoc.Prof. Arunee Wiryachitra as company secretary since 2<sup>nd</sup> July 2011, whereby the secretary must perform the duties prescribed under Section 89/15 of the Securities and Exchange Act 1992, and Section 89/16 of the Securities and Exchange Act 2008 (NO.4), effective since 31<sup>st</sup> August 2008, with the responsibility, carefulness, and honesty as well as any operation in accordance with the company's objectives, resolutions of the board directors, and resolutions of the shareholder's meetings. The secretary's duties and responsibilities are as follows:

1. Prepare and preserve committee registration documents;
2. Prepare and preserve meeting agendas (board of directors/ shareholders), meeting reports (board of directors/ shareholders) and annual reports;
3. Preserve reports of conflict of interest reported by both directors and committees. Submit the copies to the chairperson to audit within seven working days.
4. Manage other matters as announced by the Federation of Thai Capital Market Organization.

In addition, the secretary is responsible for other duties assigned by the company (or the board directors) below.

1. Organize the meetings of the board directors and shareholders.
2. Coordinate with the company's internal divisions to follow the resolutions of the board directors and shareholders.
3. Perform other duties as assigned by the company.

## 1.2 Audit Committee

The Board of Audit Committee consists of 4 members on 31<sup>st</sup> December 2015.

- |                                     |   |
|-------------------------------------|---|
| 1. Ms.Maleeratna Plumchitchom       | Chairperson of the Audit Committee (who graduated in the field of accounting with knowledge and experiences of auditing the company's financial statements) |
| 2. Assoc.Prof.Dr.Varakorn Samakoses | Audit Committee   |
| 3. Prof.Dr.Praipol Koomsup          | Audit Committee   |
| 4. Emeritus Prof.Krairit Boonyakiat | Audit Committee   |
- And Ms.Jutirat Promchotchai serves as secretary of Audit Committee

### Scope of Duties and Responsibilities of Audit Committee

The shareholders' annual meeting agreed to give the audit committee the following authorities and responsibilities:

1. Ensure that the company has an adequately accurate and transparent financial statement by coordinating with external auditors and executives responsible for preparing quarterly and annual financial reports. The audit committee may recommend auditors to review or check any items as seen necessary for the company's auditing;
2. Ensure that the company has an internal control and an internal audit system that is appropriate and effective;
3. Monitor the company's compliance with existing laws and regulations governing the operation of public companies, e.g. Securities Act and Stock Exchange's regulations and other relevant commercial laws;
4. Screen, select and nominate an auditor for the company. Propose auditing fees after considering the reliability, resource sufficiency, the amount of existing auditing work of an auditing company as well as the experiences of an appointed auditor;
5. Review the disclosure of information in case there are connected transactions or any other transactions that may be the cause of conflict of interest to ensure the accuracy and completion. Also, approve such transactions before presenting them to the board of directors and shareholder of the company;
6. Review the company's policies of financial management and risk management according to the approval of board of directors and audit committees;
7. Prepare a report on the audit committee's affairs as part of the Company's Annual Report, certified and signed by the chairperson;
8. Perform and carry out any other duties and tasks as assigned by the audit committee.
9. Report to the board of directors when finding out or suspecting any of the following items or actions that could have an impact on the company's financial standing and operation results:
  - A. Items containing a conflict of interest
  - B. Corruption or irregularity or any significant defect of internal control
  - C. Violation of laws and regulations of the Securities Act, the Stock Exchange and other relevant commercial laws.

### 1.3 Executive Committee

The Board of executive committee consists of 4 members on 31<sup>st</sup> December 2015.

1. Prof.Dr.Pichaet Wiriyaichitra	Chairperson of the Executive Committee and Chief Executive Officer
2. Dr.Jingjai Hanchanlash	Executive Committee
3. Mr.Chinnakarn Samalapa	Executive Committee
4. Assoc. Prof.Arune Wiriyaichitra	Executive Committee

### Scope of Duties and Responsibilities of Executive Committee

The authority and responsibility to manage the ordinary business operation and management, policies, business plans, budgets, management structure, and other relevant business matters of the company to suit the economic situations. The scope includes monitoring and following the company's business operations in accordance with the approved policy. The duties and responsibilities can be summed up as follows:

1. Ensure that the company operates and manages the business in compliance with the objectives, regulations, policies, orders, and resolutions of the board of directors and/or shareholders in all aspects.
2. Set the company policies, strategies goals, company directions, budget plans, human resource management, investment plans, and public relations in compliance with the board's approval. Control and supervise the appointed operation team to achieve the company's goals.
3. Prepare annual budgets proposed by the management team and present them to the board of directors for consideration and approval. Furthermore, consider and approve changes and increases in annual budgets when there is no board meeting and present them to the board of directors in the next meeting for approval or oath.
4. Set the organization's structure and administrative power including appointment, employment, transfer, salary structure, compensation, bonus payment policy for directors and layoff.
5. Have a power to authorize one or more committees or any other person to operate one or more task under the supervision of the board of directors. Or they may delegate their authority to such a person with power in a period of time as seen appropriate. The committee has a right to revoke, withdraw or change such a person or authority at any time when appropriate. However, they will not authorize any person who may have conflicts of interest in the operation.
6. Have the authority to approve the following financial transactions:
  - A. Approval of reimbursement for normal operation expenses and procurement of properties or other services that benefit the company in the amount of not exceeding 30 million Baht per time, not more than 100 million Baht per quarter. If the budget exceeds this amount, permission needs to be given by the board of directors.
  - B. Approval of loan or open credit of the company, including requests for bank guarantee statements for both normal business conditions and investment expenditures such as investment or property trades and loans to subsidiaries with the amount of not exceeding 20 million Baht per time and not more than 40 million per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.
  - C. Approval of ordinary sales or services of the company such as products sales approval and approval of contract of ordinary business operations. The amount of each transaction is not over 50 million Baht, not over 400 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.
  - D. Approval to pledge or mortgage the company's assets as collateral to the company's existing or future debt. The amount is not over 20 million Baht per time, not over 40 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 40 million Baht.

- E. Approval of opening and closing all types of accounts with banks or financial institutions with a right to set conditions of the withdrawal or other relevant legal transactions of such account.
- F. Approval of significant capital expenditures in the annual budget expenditure as specified by the board of Directors or by the principles approved by the board of directors or by the temporary appointment of the board of directors.

Nevertheless, the board of directors has no authority to consider or approve transactions from which the directors gain or lose profits or transactions that have a conflict of interest with other companies or subsidiaries unless those transactions are approved and comply with the policies and regulations mutually agreed by the board of directors and shareholders as well as the law. However, this can be cancelled, revoked or amended through the agreement of the board of directors.

#### **Management Group and Advisory Group**

##### **Management Team**

The management team had 6 members on 12<sup>th</sup> February 2015:

- |                                  |   |
|----------------------------------|---|
| 1. Prof.Dr.Pichaet Wiriyaichitra | Chief Executive Officer   |
| 2. Mrs.Chantip Tasuya            | Assistant to Chief Executive Officer for Production                     |
| 3. Ms.Sureeporn Teeyaprechaya    | Assistant to Chief Executive Officer for Management                     |
| 4. Mrs.Apinya Ulumpanon          | Assistant to Chief Executive Officer for Accounting and Finance         |
| 5. Mrs.Sirithip Wiriyaichitra    | Assistant to Chief Executive Officer for Research and Quality Assurance |
| 6. Ms.Ornphimol Prasertwit       | Assistant to Chief Executive Officer for Marketing                      |

##### **Scope of Duties and Responsibilities of Chief Executive Officer**

1. Have an authority as administrator to manage, control, and operate the company's business;
2. Implement duties assigned by the board of directors and/or the executive committee and be able to delegate power and task to other individuals as seen appropriate by chief executive officer. However, no authority shall be delegated to those who may have a conflict of interest in the operation;
3. Have power to issue orders, regulations, announcements and memos to ensure that the operation complies with the company's policies and benefits as well as to maintain the disciplines in the organization;
4. Act on behalf of the company or be a representative to external parties in issues related to the company and its benefits.
5. Investigate investment opportunities in order to present them to the board of directors and/or the executive committee;
6. Consider appointing consultants necessary to the operation of company business to present them to the board of directors and/or the executive committee;
7. Have authority to approve the following financial transactions:
  - A. Approval of reimbursement for normal operation expenses and procurement of properties or other services that benefit the company in the amount of not exceeding 10 million Baht per time, not more than 30 million Baht per quarter. However, the amount does not include operations such as the company's loan or trust approval or approval of investment expenditures such as investment capital trades or permanent assets. The above operations require permission from the board of directors and/or the executive committee.
  - B. Approval of ordinary sales or services of the company such as products sales approval and approval of contract of ordinary business operations. The amount of each transaction is not over 30 million Baht, not over 100 million Baht per quarter. Permission is required from the board of directors if the amount exceeds 100 million Baht.



8. Perform and carry out any other duties and tasks as assigned by the company's board of directors and/or the executive committee.

In this regard, the chief executive officer has no authority to consider or approve transactions from which he/she gains or loses profits or transactions that have a conflict of interest with other companies or subsidiaries unless those transactions are approved and comply with the policies and regulations mutually agreed by the board of directors and shareholders as well as the law. However, the chief executive officer's decision can be cancelled, revoked or amended through the agreement of the board of directors.

#### Advisory Group

The company has four advisory groups giving advice on various aspects of operations to the company:

#### Advisory Group for Research and Development consists of

- |                           |               |
|---------------------------|---------------|
| 1. Assoc.Prof.Dr.Ampai    | Panthong      |
| 2. Assoc.Prof.Dr.Souwaluk | Phongpaichit  |
| 3. Assoc.Prof.Dr.Wilawan  | Mahabusarakam |
| 4. Assoc.Prof.Dr.Siriwan  | Ong-chai      |

Their roles are to give advice on product research and development and to be a part of the research and development team in order to further improve and develop the company's products. All the members are professors who specialize in different research fields from Chiang Mai University and Prince of Songkla University.

#### Advisory Group for CSR (Corporate Social Responsibility) consists of

- |                         |              |
|-------------------------|--------------|
| 1. Assoc.Prof. Arunee   | Wiriyachitra |
| 2. Khunying Chamnongsri | Hanchanlash  |
| 3. Dr.Jingjai           | Hanchanlash  |
| 4. Mrs.Suphankae        | Samalapa     |

Their roles are to give advice on arranging activities for the society and environment such as budget sponsoring events for research and development in government-owned institutions, money and item donations for the underprivileged and victims of natural disasters and etc. Those activities are part of the company's continuous policies to pay back to the society and environment.

#### Advisory Internal Auditor consists of

1. Assoc.Prof.Chusri Taesiriphet

In charge of providing advisory services for the internal auditing

#### Advisory Organizer for Special Events consists of

1. Miss Natchapat Tantiwawat

In charge of acting as the manager for the Gold Shape Project and developing the marketing strategies as well as directing

the project's sales team.

## **2. Election of Board Members and Directors**

### **2.1 Factors and appointment of the board of directors**

The company has no committee to select board members or directors in particular because this is the first year of the company's commercial registration. Therefore, to elect individuals to be the board of directors according to the policies, the Board of APCO has considered candidates based on their gender, knowledge, competency, experiences, expertise, essential skills, and their constant participation in the board meeting as well as qualifications specified by law. The board of directors must consist of no less than half (1/2) of the total number of directors whose residency is in the Kingdom of Thailand.

Also during October to December each year, the Company has allowed shareholders the right to nominate persons to be appointed to the Board at the General Meeting of Shareholders on the basis of the Company regulation. The Board of Directors will then consider the appropriate person. After the committee has selected and been approved by the Board of Directors, the company

will propose the name to be approved by the AGM. 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 according to the number of shares they possess.
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 the candidates.
3. The persons who receive the most votes in ranking order will be elected as directors. In case the persons elected in subsequent order have equal votes, 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 not be divisible by three, the number of Directors nearest to one-third (1/3) of all directors shall retire. In the first and second year of the registration of the company, Directors shall draw lots to decide who shall retire the longest-serving directors shall retire in the third and subsequent years. Directors who retire may be re-elected.

## **2.2 Factors and appointment of independent committee**

The Board of Directors considers the primary qualifications of the persons who will be independent committee. The independent committee's qualifications are considered along with the Public Companies Act, Laws on Securities and Stock Exchange, Announcements of the Capital Market Supervisory Board, the regulations of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand as well as other relevant announcements and/or regulations. Other qualifications are also considered such as work experiences and competency. The selected persons shall be presented to the shareholders for formal appointment. Independent committee shall consist of one-third (1/3) of all directors and no less than 3 persons.

### **Qualifications of independent committee**

1. Holding not more than 1% of the total shares with voting rights of the company, a subsidiary or associated company thereof, a person with controlling interest or a juristic person with a potential conflict of interest. The amount of shares includes those held by related parties.
2. Not or never being a director involved in management, an employee, staff or consultant with a regular salary or a person with controlling interest in the company, a subsidiary, associated company or affiliate thereof, a major shareholder or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years. Furthermore, the above prohibited qualifications do not include cases where individuals were government officials or consultants to government institutions that are major shareholders or have a controlling authority over the company.
3. Not having a relation by blood or lawful registration as father, mother, spouse, sibling, offspring, including spouse of the offspring of an executive, a major shareholder, a person with controlling interest or a person being nominated as an executive or a person with controlling interest of the company and a subsidiary thereof.
4. Not having or never having a business relationship with the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest in a manner that may impede the exercise of his/her independent judgment, including a person being or having been a major shareholder, a non-independent director, or an executive with a business relationship with the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years prior to the appointment. The business relationship above includes normal transactions of business, rent or lease of real property, transactions related to assets or services, or a provision or receipt of financial assistance by receiving or granting a loan, guarantee, allowing the use of an asset as collateral for a debt, including other similar acts that result in the company or its party being liable to the other party from three percent of a tangible asset or 20 million Baht, whichever is smaller. The calculation of such obligation shall comply, mutatis mutandis, with the method used in the calculation of connected transactions under the Office of the Securities and Exchange Commission's Notification Re: Information Disclosure and

Practices of Listed Companies on Connected Transactions. The amount of the obligation shall include the amount incurred one year prior to the date of business relationship with the same person.

5. Not or never being an auditor of the company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest and not being a major shareholder, non-independent director or managing partner of an audit firm which has its auditor as an auditor of the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest, except that such characteristics have lapsed for at least two years.
6. Not or never being a provider of any professional service including legal service or financial advisor service with a service fee amounting to over two million Baht per year from the Company, a subsidiary or associated company thereof, or a juristic person with a potential conflict of interest. In case the professional service provider is a juristic person, a major shareholder, non-independent director, executive, or managing partner of the professional service provider is included, except that such characteristics have lapsed for at least two years prior to the appointment.
7. Not being appointed to represent a director, major shareholder or related person of a major shareholder of the company such as having a shareholders agreement on the election of the directors to represent and look after the benefit of a particular group of shareholders.
8. Not being a director of other listed companies, which is the parent company, subsidiary or same level subsidiary. Not being a director who participates in administration, service and staff section or a permanent consultant with a regular salary. Not being a shareholder of more than 1 percentage of all voting shareholders belonging to other listed companies that are the competitors of the company and subsidiaries.
9. Being able to perform duties, or express opinions or reports as assigned by the board of directors without any characteristics, which render him/her incapable of expressing independent opinions with regard to the company's business affairs. Being free from influences of a particular individual or group of people or circumstances that may affect his/her explicit opinion expression.

### **2.3 Factors and appointment of audit committee**

The board of directors will appoint the audit committee, consisting of at least 3 members from the independent committee.

The extended qualifications of Audit Committee are as follows:

1. Not being a director appointed to by the board of directors, where he or she is allowed to make any decision on company business, parent company, subsidiaries, associate company or same level subsidiary, major holders or persons with controlling power of the company.
2. Not being a director in any registered parent company, subsidiaries or same level subsidiary.
3. Having enough knowledge and experiences to perform as audit committee. The audit committee must be able to devote sufficient time to perform the duties of audit committee.
4. Not being a director of over 5 registered companies since it might influence the performance of one company unless he/she is an important part in providing advice to companies and able to allocate appropriate time for the company.
5. At least one Audit Committee shall have enough knowledge, comprehension or experience in accounting to perform a reliable audit of financial report.

Each independent/ audit committee shall have the official terms of three years. The official terms shall continue in excess of three terms in a row unless the board directors grants an unanimous consent in the case that such excessive official terms have no effect on the independence of the committee with the approval from the company's shareholders.

### **3. Compensation for Committee and Executives**

The Company has established clear and transparent policies and procedures as follows:

1. **Committee Compensation** The Company has determined the compensation for the directors at the same level with the same type of industry with regard to the appropriateness and consistency with the responsibilities of the board. It is proposed to Shareholders' meeting to approve.
2. **Executive Compensation** Executive compensation is in accordance with the policies and guidelines set by the Board of Directors which link to the performance of the company and the workload of each executive.

(1) **Monetary compensation**

**Total compensation for board members**

The 2015 annual general meeting of shareholders which was held on 26<sup>st</sup> March 2016 has specified the compensation for board members audit committee and executive committee in the form of board meeting allowance as displayed in the following table.

Position	Meeting Allowance
<i>Committee meeting</i>	
Chairperson Committee	20,000 Baht/time
Committee	15,000 Baht/time
<i>Audit committee meeting</i>	
Chairperson of the Audit Committee	20,000 Baht/time
Audit Committee	15,000 Baht/time
<i>Executive committee meeting</i>	
Executive Committee	12,000 Baht/time

However, any board member who is also in the position of an executive will not receive board meeting pension since he or she already receives compensation as an executive.

Compensation for board of directors regarding the meeting allowance and pension is summarized in the following table.

First-Last Name	Year 2015				
	Meeting Allowance as company's board <sup>5</sup>	Meeting Allowance as audit committee	Meeting Allowance as executive committee	Annual Bonus	Total (Baht)
Ms.Maleeratna Plunmitchom <sup>1,2,4</sup>	94,000	77,000	-	133,067	304,067
Prof.Dr.Pichaet Wiriyachitra	-	-	-	-	-
Dr.Jingjai Hanchanlash <sup>3</sup>	69,000	-	80,000	-	149,000
Mr.Chinnakarn Samalapa <sup>3</sup>	69,000	-	80,000	-	149,000
Assoc.Prof.Arune Wiriyachitra	-	-	-	-	-
Emeritus Prof.Krairit Boonyakiat <sup>4</sup>	57,000	57,000	-	133,067	247,067
Assoc.Dr.Varakorn Samakoses <sup>4</sup>	57,000	57,000	-	133,067	247,067
Prof.Dr.Praipol Koomsup <sup>4</sup>	54,000	42,000	-	133,067	229,067

**Note** <sup>1</sup> Chairperson of the Board

<sup>2</sup> Chairperson of the Audit Committee

<sup>3</sup> Executive Committee

<sup>4</sup> 2015 Bonus for the Board is paid to the Independent Director, calculated from the 2014 sales.

<sup>5</sup> Meeting allowance for the board directors in 2015 consists of four meetings of the board directors, one meeting for the committee attending the 2015 Ordinary Shareholder Meeting.

#### Compensation for management team

	2015	2014
Number of Management Team	7 persons	8 persons
Total Compensation for Executive (Baht)	13,583,256	17,096,835
Form of Compensation	Salaries and Bonuses	

#### (2) Additional compensation

The company has established the Retirement Mutual Fund for the directors and employees since 2005 which requires each member to contribute at the rate of 3 percent of their salaries and the same amount will be contributed by the employers.

### 4. Employee

#### 6.1 Number of employees and remuneration

The company's employees can be classified as follows.

No.	Main Departments	Number of Employee (person) on 31 Dec 2015
1.	Production and Product Development	46
2.	Sales and Marketing	40
3.	Office Administration	24
4.	Account and Finance	14
5.	Research and Development	3
<b>Total</b>		<b>127</b>

The payments paid to its employees (excluding the compensation paid to the executives) include the salary, bonus, and others applicable e.g. provident fund, overtime, allowance, and compensation fund totally calculated as follows.

	2015	2014
Number of employees (Person)	127	128
Compensation (Baht)	31,200,283	32,790,722

The company has set out the remuneration, privileges, and welfares based on the position and ability of all-level employees in the company subject to the review of work performance suitable for the company's business operations and economy compared to the business in the same industry. It is therefore to ensure that all the employees obtain the proper remuneration, privileges, and welfares.

#### 4.2 Policy on employee training and development

The company has its policy on personnel developments mainly aimed at developing and promoting the human resources with better knowledge and understanding on their effective performance, promoting their advancements of career path, and enhancing the company's competitiveness in its core businesses.

Therefore, the training plans for developing its human resources are divided into three sessions.

- (1) Developing the company's key potential whereas all employees are educated about its core businesses, acknowledgement of the targets and goals, and awareness of the company's changes as well as adjustment for the future change
- (2) Developing the employee's efficacy for better knowledge and expertise by allowing them to take courses relating to their duties in order to master their work skills while providing useful books and reading materials to help promote their knowledge
- (3) Developing the leadership especially the departmental heads and other higher positions to lead the roles and teamwork to prepare for the business targets and changes

In 2015, the overall in-house and public trainings of Asian Phytochemicals Public Co. Ltd. were accounted for an average of 7.82 hours per person per year. The record in 2015 is as follows:

Date	Courses Titles	Organized by
24 Jan 2015	Webpresso on the topic "Web Trend 2015"	Thai Webmaster Association
11 Feb 2015	1st Joomla Talk	Marvelic Engine Co., Ltd.
22 Mar 2015	Update on the Whole Tax System and Direction of Tax Law in Thailand	Faculty of Business Administration, Maejo University
22 May 2015	Seminar on Microsoft Dynamics AX	Bhattara Progress Co., Ltd.
19 Jun 2015	Standard of Factory Infirmary	Lamphun Provincial Public Health Office
25 Jun 2015	Abiding to the Industrial Waste Laws and Basic Information System on Industrial Waste Management	Northern Region Industrial Estate
30 Jun 2015	International Weighing Scales and Systems for Trusted Results	Thai Scale Co., Ltd.
16 Jul 2015	Seminar on Marketing through E-mail and Facebook	True Corporation Public Co., Ltd.
22 Jul 2015	Efficiency Development Project for National Halal Entrepreneur	The Halal Standard Institute of Thailand
29 Jul 2015	Zero Disease, Zero Accident, Happy Body and Soul Project	Lamphun Provincial Public Health Office
14 Aug 2015	Guideline for Establishing Savings Cooperatives in the Welfare Organization	Lamphun Provincial Labour Protection and Office
13, 20 Nov 2015	Photoshop Tutorials for Beginners	Habba Thailand
21 Nov 2015	TFRSs and the Important Issues in Reporting the Financial Statements	Dharmniti Seminar and Training Co., Ltd.
24 Nov 2015	Environmental Engineering	Northern Region Industrial Estate
24 Nov 2015	Sigma and Quality Control Circle	Green World Publication Co., Ltd.
27 Nov 2015	New Improvements of E-Privilege & Permission (e-PP)	Northern Region Industrial Estate
27 Nov 2015	Latest Automatic Machinery in Factory	Northern Region Industrial Estate
28 Nov 2015	Training on Fire Prevention and Basic First Aid	Disaster Prevention and Mitigation Centre, Mueang Lamphun Municipality
2 Dec 2015	Value Engineering and Its Application in Factory	Northern Region Industrial Estate
11 Dec 2015	Explanation on Water Management Plan in the Drought	Northern Region Industrial Estate
14 Dec 2015	Explanation on Current Distribution from Nearby Power Station	Lamphun Provincial Electricity Authority (PEA)
17 Dec 2015	Updated Information on Standard Financial Reporting and the Future Trend	DIA Audit Co., Ltd.
17 Dec 2015	Energy Efficient with Atlas Copco Innovation	Atlas Copco (Thailand) Ltd.
17 Dec 2015	Heading for International Arena on the FTA Route	Northern Region Industrial Estate
18 Dec 2015	Food Policy of Lamphun Province in 2016	Lamphun Provincial Public Health Office
21 Dec 2015	Improving the Prevention and Solving System of the Problems of Drugs Addiction, HIV/Aids and Tuberculosis in the and Welfare Organization in 2016	Lamphun Provincial Labour Protection Office

The company realizes the importance of complying with the principle of corporate governance in business. Hence, the board of directors has created a policy to comply with the principle and code of best practices for the board members which is consistent with the Code of Best Practices for Directors of Listed Company according to the Stock Exchange of Thailand. Therefore, the setting up of any provision will be based on actual practicality. In addition, the Company utilizes the principle of Good Corporate Governance in guiding the policy development that includes the rights and equality of the shareholders and stakeholders, structure, roles, responsibilities and independence of the board of directors, disclosure and transparency, control and risk management, and business ethics. All of these are for promoting efficiency and transparency of the management and business proceeding of the Company through the principle of Good Corporate Governance whose third amendment was approved by the Board of Directors and initially implemented on February 12, 2015. An annual review for its contents is also scheduled and publicized on the company's website to acknowledge any outsider and employee of the good corporate governance whereas employees at all levels must adopt this principle strictly. The principle of Good Corporate Governance covers the five categories as follows.

### Section 1: The Rights of the Shareholders

The company realizes and respects to the rights of the shareholders by not proceeding in any action that violates the right of shareholders. Moreover, it will support the shareholders to exercise their basic rights, e.g. sale or transfer of shares, sharing of the company's profits, receiving adequate information regarding the Company, attending the shareholder meetings to exercise the right to vote in the removal of directors, selecting auditors and making decisions on matters that affect the Company such as the allocation of the dividend, the provision or amendment of regulations and memorandum of association, the reduction or increase of capital, and the approval of special items.

The company will support any matter that encourages and facilitates the exercise of rights of the shareholders as follows:

- The company will assign the board of directors to provide a written appointment both in Thai and in English for shareholder meetings with adequate information for the shareholders to be notified about 30 days prior to the date of the meeting on the company's website at [www.apco.co.th](http://www.apco.co.th) before sending the document to the shareholders not less than 21 days prior to the date of the meeting or to follow the prescription of the Securities and Exchange Commission and the Stock Exchange of Thailand.
- The shareholders have the right to propose an agenda for the shareholder meetings in advance during October-December of each year and are given opportunities to raise questions with regard to the shareholder meeting's agendas in advance until January 31 of each year. They are informed through the information system of the Stock Exchange of Thailand whereas the clear criteria and procedures are posted on the company's website at [www.apco.co.th](http://www.apco.co.th).
- In each shareholder meeting, the chairman will clarify the rules for the meeting including voting procedures and allocate time sufficiently for the meeting.
- The shareholders will annually approve the remuneration for the board of directors including meeting fees and bonus. The policies and clear criteria for such remuneration will also be informed to the shareholders.
- The Company assigned shareholders to vote for an individual director. Each director will be nominated to shareholders to vote.
- The shareholders will be given extreme opportunities to raise questions and give comments and suggestions in any meeting with the presence of the board members and directors. After the meeting is adjourned, the company will produce the meeting minutes by showing accurate and complete information for the scrutiny of the shareholders.
- In the case that any shareholder cannot attend the meeting by him- or herself, the company grants an opportunity to these shareholders the privilege of authorizing any independent director or person to attend the meeting in his or her

name by using any type of the proxy (The company has identified recommendations for shareholders to use proxy type B This is where the shareholders can specify their vote) enclosed with the written appointment specifying the document/evidence including suggestions on how to authorize any other person without any difficulty for the shareholders.

- To facilitate the attendance of institutional investors, the company specifies the documents and evidence to be presented on the meeting date in the letter in details. It is aimed to facilitate the meeting registration of shareholders.
- The company has no policy to block or interrupt any communication among the shareholders.

## Section 2: The Equal Treatment of the Shareholders

The company will treat all shareholders equally and fairly including shareholders who are in the position of director, shareholders who are not in the position of director, foreign shareholders as well as minor shareholders with the following principles:

- The shareholders have the right to nominate any other person to be considered for the board of director in advance during October-December of each year. They are informed through the information system of the Stock Exchange of Thailand whereas the clear criteria and procedures are posted on the company's website at [www.apco.co.th](http://www.apco.co.th).
- The board of directors will not raise an additional agenda without informing the shareholders in advance if it is not necessary, especially an important agenda that requires the shareholders time to study before making any decision.
- No other companies, except for the subsidiaries, are subject to any financial aids.
- The company has set up a policy to prevent any unauthorized use of information by prohibiting agencies that were exposed to the information from revealing it to other agencies or non-related personals. In the event that any employee or director reveals the information or use it to benefit themselves or their accomplices, it will be considered a serious offense and will receive a disciplinary punishment.
- In a shareholder meeting, board members and chief executive officer will share information about their interests in each agenda in order for the board of directors to consider any transaction that may be in conflict with the interests. This will allow them to make decisions for the benefit of the company as a whole. The board members and the chief executive officer whose interests are in conflict with the company's will be revoked the right to vote in that agenda.
- The company has a clear and transparent structure of stockholders without any cross holding with the major stockholders and without the pyramid structure of stockholding among the subsidiaries. This can result in no conflict of interest to any party. In fact, the stockholding structure of the company and its subsidiaries including a complete list of securities owned by the board of directors are publicly revealed in the annual report.

## Section 3: The Roles of Stakeholders

The company respects the rights of every group of stakeholders and has created a policy which is important in treating all stakeholders as follows.

Shareholders:	In addition to the fundamental rights, the rights specified by the laws and company's regulations include the right to attend the shareholder's meeting and vote, the right to express their opinion freely and others. The company is committed to dealing businesses with the knowledge and management skills as best as possible in all cases with the honesty and fairness to both major and minor shareholders for the best interest of shareholders as a whole. This includes disclosure of information on a regular basis with completeness and accuracy.
Employees:	The company will provide fair compensation to employees, set up the provident fund, maintain good health and safety, maintain the working environment that is safe for life and property through welfare policy, privilege, safety, health and environment in the workplace, the sanitary conditions and working environment, make the rules for work safety for employees along with an appointment



of the security officer in charge of monitoring it to ensure the work safety, and give an emphasis on the development of employees' potential thoroughly and consistently. It will also strictly comply with laws and regulations that are employee-related and avoid any action that is deemed unfair which may affect the career integrity of the employees as well as treat the employees with courtesy and respect to their dignity as human beings.

In last year, records of accidents, absence, and ailments from work were empty. (details regarding the compensation and employee benefits are show is in the " Employee " page 36.)

Clients: The company is committed to produce products and services with quality and standards at a reasonable price while promoting the sustainable relationship by setting up its department in term of recommending the products and giving relevant suggestions to maximize the customers' satisfaction. Moreover, it is committed to very strictly and consistently maintain confidentiality of customers, relentlessly in pursuit of opportunities that will continuously benefit the customers and strictly in compliance with conditions prescribed to its clients.

Joint Venturer: The company respects the rights of all joint venturers and performs under the ethics as well as provides good cooperation in order to promote the success in compliance with the joint venture's objectives.

Partners and creditors: The company will not practice corruption in dealing businesses with its partners and creditors and is committed to comply with the terms of trade and abide by its commitment strictly prescribed with business partners and creditors, e.g. the purposes of payment, reimbursement, the regulations of the quality of collateral and any other agreements with creditors to achieve mutual benefits. In the selection of partners, the company will consider the reasonableness of the price, quality and service received, a condition to look for and to implement is precise and do not call for money or benefits of any kind support from the partners, support the product that are environmentally friendly, avoid buying products from partners with human rights violations or intellectual property violations, not do business with suppliers that do unlawful business.

Competitors: The company will conduct operations under the rules of good competition, will not seek competitors' confidential information by dishonest or improper means, will not infringe any intellectual property or copy right, will act against any corruption and bribe for the company's benefit, and will not damage the reputation of its alleged competitors without unfounded grounds.

Society: The company will focus on an operation using the resources efficiently and will not take any action that may result in damage to the natural and social environment. Instead, it seeks opportunities to support creative social activities, knowledge training, and social responsibility among employees at all levels continuously and seriously as well as to promote the principle of a good citizen for the community and society in a sustainable way. Moreover, it is to control the practices or performances strictly in accordance with the spirit of the law and regulations issued by regulatory agencies.

All the stakeholders including employees can directly contact or file a complaint or whistle-blowing regarding the offence, fraudulent act, or suspicion of misconducts or any matter which may damage the company to the company or the audit committee by a letter to the address posted on the company's website or email at [www.apco.co.th](http://www.apco.co.th). The informant will be protected without any disclosure of his personal information to any person. The questions, complaints, and suggestions will be forwarded to the relevant authorities to detect and find out the further solutions.

#### Section 4: Disclosure and Transparency

The Company assigns the Board of Directors and management teams to be responsible to report to the Chairperson the stakeholder's report. The list of shares of directors and executives must be properly disclosed on the terms of the Stock Exchange of Thailand, Office of the Securities and Exchange Commission (SEC) and the Capital Market. The company recognizes the importance of disclosure of accurate, complete and timely information and meets the standards of the Stock Exchange of Thailand in terms of financial reports and general information as well as other important information affecting stock prices and the decision-making process of investors and stakeholders of the company. Moreover, to provide all the relevant information equally. In 2015, Senior management and the Investor Relations section releases the public information by

- The Stock Exchange of Thailand
- The Securities and Exchange Commission (SEC)
- Analyst Meeting
- Newsletter mailing to shareholders 8 times.
- Meeting between management and the shareholders 3 times.
- Opportunity day 4 times.
- Press newspapers, magazines, journals, TV
- Social Media
- Company's website at [www.apco.co.th](http://www.apco.co.th)

In addition, the company has published a press release (Press Release) every time important business or investment activities occurred. It also provides information to investors through the Company's website, which has been updated consistently.

The board of directors is responsibly aware of the significance of the accurate and reasonable financial report. The statement of the company was prepared in accordance with the well-accepted accounting standard by the selection of appropriate accounting policies and accounting records which have enough accuracy to maintain the property. This is to identify the weaknesses in order to prevent fraud or irregularities of the material which is consistently implemented and to make sure that the financial statements are adequately disclosed. Furthermore, the board has appointed a committee to monitor financial reports, transactions and internal control system. The audit committee will report the audit results to the board in every meeting. The board of directors, the audit committee and the auditor's reports are detailed in the annual report. As for the investor relations, it is assigned to Professor Dr. Pichaet Wiriyaichitra, Chief Executive Director Ms. Parita Kolsolsak and Ms. Pawatsawam Niyomkrew to be responsible for communicating with shareholders, analysts and those involved.

#### Section 5: Responsibilities of the Board of Directors

##### (1) Structure of the board of directors

The board of directors consists of the directors who have knowledge, competency and experience in doing business which is beneficial for the company. The company's board of directors is appointed by the general meeting of shareholders. It consists of 9 directors, including 4 independent directors: one chairman of the audit committee and two audit committees. At least one committee must have enough accounting knowledge to be able to audit and ensure the reliability of financial statements. The company also regulates that at least one-third of the board, but not fewer than 3 persons, is to be independent directors representing the minority of shareholders. They have to check and balance the company's administration of the affairs to provide the best, fairest and most accurate interest to the shareholders.

The chairperson of the board must not be the same person as the chairperson of the executive committee and chief executive officer to achieve the balance and the review of the management. To achieve this, the company has clearly set the scopes of power, duties and responsibilities of the chairperson of the board and the chairperson of the executive committee with the scope of power as described below.

##### Scopes of Power for the Chairperson of the Board

1. Act as the leader in monitoring and supervising the management of the board directors and sub-committee to achieve

the objectives a planned.

2. Act as the chairman for board meetings and shareholder meetings.
3. Make a final decision in the event of equal votes among the board of directors.

#### Scopes of Power for Executive Managing Director

1. Manage and supervise the operation relating to the company's general affairs to accord with the objectives, policy, rules and regulations of the company.
2. Plan about the investment in businesses and propose to the executives and board directors for any further approval.
3. Have the power to enter into the agreements to bind the company under the scopes as stipulated in the policy and operation guidelines of the company with respect to the power of approval.
4. Perform any operation as assigned by the resolutions of the board meeting and/or the resolutions of the shareholder's meeting.

In addition, the company has clearly set out the scope, power, duty and responsibility of the committee, board directors, and chief executive officer to prevent the board of directors and chief executive officer from overpower and approval for unlimited financial credits.

The company also has the policy to limit a number of registered companies for each board member to serve as their board of directors; not more than 3 for registered companies and not more than 5 for subsidiaries which are not the registered companies. However, none of its board of directors serves as the board in other registered companies exceeding the limit of three companies.

For any of the company's board working as its executive, they are not able to serve in other companies as the board member exceeding the limit of two companies. As the chief executive officer has his duties to administer the routines, taking a position of a board member in other companies may disturb the working hours. The board of directors has no policy to support the chief executive officer to take any positions in other businesses.

#### **(2) Sub-Committee**

The board of directors has appointed the following sub-committee to assist in the company's operations:

- 3 executive committees who help facilitate operations with the powers and duties assigned by the board of directors.
- The audit committee has at least 3 persons to monitor and assist in overseeing the operations of the company's scope of duties as assigned by the Board of Directors. All members have qualifications stated in the Securities and Exchange Act or in the rules and regulations of the Securities and Exchange Commission or the Securities and Exchange Commission or the Stock Exchange of Thailand.

However, the company may recruit other sub-committees to perform their assigned tasks to alleviate the administrative burden of the Board of Directors in the future.

#### **(3) Roles, duties and responsibilities of directors**

The board of directors determines the policy, vision, strategy, goal, business plan and budget as well as oversees the effective and efficient administration and management to ensure compliance with agreed policies and strategies within the framework of the law, the company's objectives, regulations and resolutions of the shareholders established by the board of directors.

#### Business Code of Conduct

The company has written a guidelines on the business code of conduct for the board, the audit committee, and the employees to observe. Its key issues are the discretion of the company's confidentiality, honest and law-abiding operations, respect of the legitimate rights of each other and caution of the resources, both internal and external environment. This important focus of ethics in business will bring integrity in performances and the efficiency of an internal control, resulting in faith in capital markets and confidence to establish credibility with investors.

The company has publicized the business codes of conduct through several channels and assigned all the heads to monitor and observe an implementation of the business codes of conduct, including suggestions and consultations in the event of the arising problems beyond the stipulated business codes of conduct. Those suggestions must comply with the law without any conflict against the company's policy or business codes of conduct. Besides, they must not damage the company's image and other relevant stakeholders.

In case of any violation to the business codes of conduct, the heads must undertake proper measures to correct the misconduct or give any warning. The wrongdoer is subject to any disciplinary penalty or legal punishment if such misconduct is against the laws.

#### *The Policy on Against Corruption and Corruption*

The company has joined Thailand's Private Sector Collective Action Coalition Against Corruption (Collective Anti-Corruption: CAC). Because the company has realized that this is very important, the Board of Directors and the Internal Audit have therefore, jointly consider policies against corruption. The practical guide for good corporate governance and code of conduct has been written for the Board of Directors, Audit Committee and all employees to adhere to the practice. The company prohibit the Board of Directors, Executive team and employees of the Company to perform any activities related to corruption and corrupt for direct or indirect benefits for themselves, their families, friends or acquaintances, whether they be in a position to receive or offer bribes in terms of monetary or non-monetary form to the government agency or private company that has been doing business with the company. Everybody needs to comply with the anti-corruption policies and corrupt strictly.

#### *The Policy on Conflicts of Interest*

The company's policy on conflict of interest is based on a principle that the board and all employees are required to act only in the best interest of the company. Any actions or decisions must be free from influences of the needs of themselves, their family, relatives, siblings or other parties of their own acquaintances. The policy covers two following issues:

- Transactions: The company will consider the appropriateness before carefully making any transaction item or determining the price and condition of any transaction, as if the company is making a transaction with a third party (Arm's Length Basis). Also, the audit committee will consider and verify the necessity and reasonability of the transaction. If the company or the subsidiary company make any transaction which is listed in the announcement of the Securities and Exchange Commission Thailand's "Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions 2003," the company will follow the regulations, conditions and procedures of the aforementioned announcement and reveal the said item in its annual report and registration statement (Type 56-1). This is done for the transparency of any transaction and to eliminate the problems of conflict of interest and other related situations.
- Other situations that can lead to conflicts of interest can be categorized as follows:
  1. General investment: The company will not allow its employees who are also shareholders, or those who benefit from its competitors, or vendors/suppliers who are in business contact with the company to take part in any decision making regarding business relationship, unless approved by the board of directors.
  2. Receiving gifts: Personnel of all levels should not receive gifts, transportation tickets, sport tickets, travel offers, accommodation or personal offers, etc., if such action can lead the company to any binding conditions or make the company lose profit.
  3. Accepting work in academia or public service, a lecturer post, or any position: Personnel of all levels can ask the head of their department to approve the acceptance of work in academic institutions or public service, or a lecturer post or any position such as company director or adviser that will help broaden their vision and offer them experience. However, all personnel are not allowed to involve the company or their position in the company with any external activity, unless approved by the board of directors.

#### *Internal Control*

The company has an internal control system to give the investors' confidence that the company operates efficiently and increase the financial budget credibility. Therefore, the company appointed Associated Professor Chusri Taesiriphet, a lecturer of

Faculty of Business Administration, Chiang Mai University, with knowledge and expertise of accounting and internal control as a consultant for the internal control system and to help eliminate risks and prevent erroneous transactions as well as set up the internal audit department to monitor and follow up different control systems.

Moreover, Miss Jutirat Promchotchai, the company's internal inspector, has been appointed as the secretary of the internal audit committee to coordinate with Associated Professor Chusri Taesiriphet and report the result of the internal inspection to the internal audit committee at least once every three months.

#### **(4) Control of the use of insider trading in securities**

The company has established the policy and auditing procedure against the company's board members and executives in using the undisclosed information to the public for their own trading in securities as follows.

1. The board of directors and executives in charge of any duties in the company must report their own possessions of securities to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand (SET) under Section 59 and its Announcement of Sor.Chor.12/2009 on Reports and Disclosure of Securities Possessions of the Board, Executives, and Auditors as well as Punishments under Section 275 of The Securities and Exchange Act 1992. These also apply to their wives and minors.
2. The company requires its committee and executives to report any changes of their possessions of securities to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand (SET) under Section 39 of The Securities and Exchange Act 1992 and its Announcement of Sor.Chor. 12/2009 on Reports and Disclosure of Securities Possessions of the Board, Executives, and Auditors to allow the company to detect the sales and purchases of its all committee and executives subject to the reports to the board director meeting in the following meetings to acknowledge of such matters.
3. The company's executives acknowledging the essential inside information which may affect the changes of its securities must suspend their trading in securities within one month prior to the disclosure of such financial statements or information to be disclosed in public. In addition, information seen as essential cannot be disclosed to any other person. For any use of inside information which may damage the company or its shareholders by any of the Board of Executive Committee, proper punishments will be considered by the Board of Directors. Any wrongdoers of executives in other levels will be punished by the Board of Executive Committee.

Possessions of securities owned by Board of Directors and Executive Board in 2015

First-Last Name	Title	In 2014	In 2015		
		Remaining Shares as of 31 <sup>st</sup> December 2014 <sup>/1</sup>	Obtaining in 2015 Amount	Sales in 2015 Amount	Remaining Shares as of 31 <sup>st</sup> December 2015
Ms.Maleeratna Plumchitchom	Chairperson of the Board Chairperson of the Audit Committee	-	-	-	-
Prof.Dr.Pichaet Wiriyachitra	Managing Director	136,489,079	3,310,000	-	1,368,200,079
Dr.Jingjai Hanchanlash	Executive Board	1,650,097	-	-	16,500,970
- Spouse		5,852,041	-	-	58,520,410
Mr.Chinnakarn Samalapa	Executive Board	34,000,000	-	-	340,000,000
- Spouse		82,960	-	-	829,600
Assoc.Prof. Arunee Wiriyachitra	Executive Board	15,553,020	100,000	50,000,000 <sup>/2</sup>	105,630,200
Emeritus Prof.Krait Boonyakiat	Audit Committee	-	-	-	-
Assoc.Prof.Dr.Varakorn Samakoses	Audit Committee	-	-	-	-
- Spouse		13,668	-	-	136,680
Prof.Dr.Praipol Koomsup	Audit Committee	-	-	-	-
Ms.Chantip Tasuya	Assistant to Chief Executive Officer for Production	186,857	-	-	1,008,570
Ms.Sirithip Wiriyachitra	Assistant to Chief Executive Officer for Research and Quality Assurance	136,691	964,400	1,331,310 <sup>/2</sup>	1,000,000
Ms.Sureeporn Teeyaprechaya	Assistant to Chief Executive Officer for Management	149,403	-	-	1,494,030
Ms.Apinya Ulumpanon	Assistant to Chief Executive Officer for Accounting and Finance	184,552	-	-	1,845,520
Ms.Ornpimol Prasertwit	Assistant to Chief Executive Officer for Marketing	89,760	300,000	-	1,197,600

Note <sup>/1</sup> Number of shares before change in par value of 1 baht per share to 0.10 baht per share.

<sup>/2</sup> Sales by transferring.

**(5). Procedure of the board of directors' meeting**

According to the official meeting schedules for the company's committee throughout the year 2013, the board of directors held at least one meeting every three months as well as other special meetings if necessary. A monthly report is also expected to be compiled and distributed among the board of the directors to help them direct, control and supervise the operation of the management section promptly and continuously. A meeting invitation has to be sent to the board of directors for consideration at least seven days before a meeting is held, except in urgent cases to protect the company's rights or profits. The board of directors can ask for any extra information from the secretary if needed.

The chairman and chief executive officer will consider the agenda, and each member of the board can also propose an agenda. The chief executive may join the meeting in order to give extra information in certain occasions.

Prior to the resolution at the board meeting, the company has the policy of the minimum quorum at the time of voting not less than 2 out of 3 of the whole board director.

In case of necessity, the committee who are not the executive officer may hold a meeting without the management attending such a meeting in order to discuss about the management-related problems of their interest and inform the chief executive officer of the meeting's result. This has been usually practiced prior to the board of directors' meeting.

In 2015, records of the company's board and audit committee attending the meeting were described below.

First-Last Name	Record of Meeting Attendance (Times)		
	Board of Directors	Audit Committee	Executive Committee
Ms.Maleeratna Plumchitchom	4/4	4/4	-
Prof.Dr.Pichaet Wiriyachitra	4/4	-	7/7
Dr.Jingjai Hanchanlash	4/4	-	7/7
Mr.Chinnakarn Samalapa	4/4	-	7/7
Assoc.Prof. Arunee Wiriyachitra	4/4	-	7/7
Emeritus Prof.Krairit Boonyakiat	4/4	4/4	-
Assoc.Prof.Dr.Varakorn Samakoses	4/4	4/4	-
Prof.Dr.Praipol Koomsup	3/4	3/4	-

#### (6) Remuneration

The remuneration of the company's board of directors and audit members is at the level which can motivate them to maintain the desired qualities. The remuneration will be at the same level as that of other groups in the same industry, and is linked to the company's performance. The remuneration of the board of directors is approved in the shareholders' meeting.

The remuneration of the managing director and chief executive is set to match their responsibility and authority according to the rules and policies determined by the board of directors for the highest benefits of the company. The level of remuneration, including salary, bonus and long-term incentive, is set in accordance with the performance of the company and each director (details of remuneration for the board of directors and executives of the year 2014 are shown in "Remuneration for Board Directors and Executives" Page 35-36).

#### (7) Board of directors and executives' development

For any change in the board of directors, the company's secretary will provide useful documents to the new members, as well as arrange for advice on the business type and model to be given to the new boards of directors.

In addition, the board of directors supports and provides training and workshops to all employees who are involved in the corporate governance system, such as the managing director and audit director, in order to continuously help improve their performance. Training and workshops may be arranged in the office or at other external institutes.

At present, five directors out of eight directors have attended the training courses relating to the roles of a board organized by Thai Institute of Directors Association (IOD), in particular, Director Certification Program (DAP) and Director Accreditation Program (DCP).

#### (8) Assessment of the board's performance

The Board Self-Assessment is required once a year to serve as the framework for assessing the board's performance during the previous year and to improve as well as to enhance work efficiency of the board of directors. The result of this assessment will be further considered for setting up the working guideline. The Company Secretary should deliver the performance assessment of the Board of Directors for performing self-assessment in 6 headings: (1) Board structure and qualifications (2) Roles, duties and responsibilities of the board (3) The board meeting (4) Duties of directors (5) Relationship with management (6) Director's self improvement and management training. The results will be presented to the Board for consideration

The performance results of the company's committees in 2015 through the self-assessment were in the range of Good-Excellence (3.75).

#### **(9) Assessment of the sub-committee's performance**

The Board has assigned the Audit Committee to perform Self-Assessment once a year to serve as the framework for assess its performance during the previous year for improvement as well as enhancing work efficiency of the Audit Committee. The result of this assessment will be further considered for setting up the working guideline. The Company Secretary should deliver a performance assessment for the Audit Committee to self-assess in 3 headings: (1) The appropriateness of the Board structure and qualifications to do effective work (2) The effectiveness of the committee in performing the meetings (3) The roles and responsibilities of the committee in recognizing the importance and to spend the time to consider, review and abide sufficiently. The results will be presented to the Board for consideration

The performance results of the audit's committees in 2015 through the self-assessment were in the range of Good-Excellence (3.56)

#### **(10) Assessment of the top management**

The top management is expected for an annual assessment requiring an adoption of the assessment criteria suitable to the company as suggested by the Stock Exchange of Thailand. The Company Secretary should deliver a performance assessment of the top management to the board of directors to evaluate in 10 headings: (1) leadership, (2) the strategic plan (3) the execution of the strategy (4) the planning and executing of debt (5) the relationship with the board (6) the relationship with the outsiders (7) management and relationships with staff (8) the succession (9) the knowledge of products and services (10) the personal characteristic. The results will be presented the Board for consideration

The performance results of the top management in 2014 as evaluated by the company's board were in the range of Good-Excellence (3.79).

#### **(11) Succession planning**

The board of directors prioritizes and supports the development of succession planning in the position of chief executive officer and/or important management positions regarded as a part of human resource strategies by taking into account the person suited to the succession plan. Meanwhile, the second chief executive will temporarily act for such a position. However, the permanent one must be approved by the board of directors to assure that such a person is professional and capable of managing the company freely from the influence of the major shareholders or any other person.



## Internal Control and Risk Management

The company puts importance on internal control for efficiency. To achieve the company's objectives, we focus on comprehensive internal controlling programs that are suitable with our business model in order to enhance efficiency in human resources management and assets and property maintenance. We are also equipped with highly-efficient accounting and financial reporting system that are credible and compliant with related rules and regulations. The company conducts an internal audit through a team of professional consultants who work independently in assessing and evaluating. The company's board assigns the audit committee to review the internal audit report and provide advice on the development plan of internal auditing system regularly.

### 1. Sufficiency Assessment of Internal Control System by Board of Directors

Regarding the board's meeting no.1/2016 on 23<sup>th</sup> February 2016, the Board of Directors and audit committee convened and assessed the availability and appropriateness of the company's internal control following the COSO 2013 requirements of the Securities and Exchange Commission while discussing about proper actions of a good internal control system. The assessment of its internal control system consists of five components which include control environment, risk assessment, control activities, information and communication, and monitoring activities. They all agreed that the company's internal control system was sufficient and no report of faults relating to the major internal control was found except for the assessment conducted by the outside independent experts subject to the standard performance. However, the audit committee put an emphasis on strict operations under the company's corporate governance to promote its performance with transparency and efficiency. Furthermore, the company has introduced the filing system for important documents so that the board of directors, auditors, and legal authorities are able to detect within the proper time duration.

### 2. Policy for Internal Audit

The company has its own policy to conduct the internal control under the international standards for internal audit. Therefore, it appointed Associated Professor Chusri Taesiriphet, a lecturer from Accounting Department, Faculty of Business Administration, Chiang Mai University in charge of advisory services for the internal audit in accordance with the sufficiency of internal control system, risk management, and corporate governance. Meanwhile, Miss Jutirat Promchotchai, the company's internal auditor, was appointed to serve as the secretary to the audit committee to coordinate with Associated Professor Chusri Taesiriphet and present the results of internal audit to the audit committee at least every three months. This person was approved by the audit committee to perform those duties efficiently. In this regard, the internal auditor will conduct the risk assessment and prepare the internal audit plan each year, perform the audit and monitor the results of system improvement, and directly report to the audit committee at least every quarter. The main objective is to assess the efficiency and sufficiency of the internal control system, operation, implementation of policy and relevant operational guidelines, and reliability of the company's financial statements. The internal auditor has audited the company's performance and given some suggestions to improve the work performance whereas the executives always pay their attention and conduct an improvement as recommended by the internal auditor.

In this regard, any consideration and approval, appointment, removal, and transfer of the person in charge of the head of internal auditor shall be approved (or given a consent) by the audit committee.

### 3. Policy for Risk Management

Regarded as a small-sized company, the risk management committee is not yet formed. As the company has realized the importance of risk management, the sufficient risk management system is then created by the board of directors through a working group of risk management consisting of executives of each division. They need to take charge of risk assessment, plan and creation of risk management measures, risk assessment which might put an impact on the company's business, and monitoring activities of risk management performed by other internal divisions. They are also required to report to the board of directors and audit committee. Indeed, risk management is the responsibility of all executives.

#### 4. Authority for Monitoring Work Performance

The company does not form a separate authority for monitoring the company's work performance. Therefore, monitoring Activities for the work performance to accord with the regulations of the Securities and Stock Exchange Commission, the Stock Exchange of Thailand, and other applicable laws is under the supervision of the company's secretary division.

## Related Transaction

### 1. Related transactions of the company group and persons who may have a conflict of interest

Relevant Person(s) or Juristic Person(s) and Relationships	Description	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
		2014	2015	31 Dec 2014	31 Dec 2015		
<b>Arun Pittaya Co.,Ltd.</b> <u>Relationship</u> Board members and shareholders; Mr.Pichaet Wiriyachitra and Ms.Aruneer Wiriyachitra hold 55.80% of shares in APCO and 100% of shares in Arun Pittaya Co.,Ltd.	Royalty fee for research and product development /Payable	10,653,668	9,768,414	1,728,717	1,082,068	Details described in Note 1	Such transaction is reasonable for Mr.Pichaet Wiriyachitra, who does research and develop the products for the company.
	<p><u>Note1:</u> Necessity and reasonability regarding compensation for the research and product development</p> <p>Such compensation is for the research and product development (not the copyright fees) for the products made from mangosteen and Garcinia developed by Dr.Pichaet Wiriyachitra on behalf of Arun Pittaya Co.,Ltd., which has developed these products from the past to present and to the future. The compensation is for expenses in obtaining the production's formulas, applications, follow-up process, and compensation for participating patients, all under the responsibility of Arun Pittaya Co.,Ltd. After Dr.Pichaet handed in the research to APCO, the company's research team in conjunction with Chiang Mai University has improved the formulas and conducted the efficiency tests under the company's expenses to generate a business opportunity for more income to the company.</p> <p>The company agreed to pay compensation for the research and development in percentage 5% from sales volumes made from the factory, and 2% from sales volumes of branch offices, starting from 1<sup>st</sup> December 2013 by payment once a month. After conclusion of the sales of products that are not included in the calculation of compensation include Bryte &amp; Spryte, Ginkgo Biloba, and some of the 7 Miracles and Jada.</p>						
	Rental fee	420,000	420,000	-	-	The transaction is for the rental fee of Chiang Mai Branch Office at the rate of 35,000 Baht per month. The lease contract is 3-year term, starting from 1 <sup>st</sup> July 2014-30 <sup>th</sup> June 2017. The rate has been the same rate since the year 2011, with no addition of rental fee.	The transaction is reasonable and it is the same rate.

Relevant Person(s) or Juristic Person(s) and Relationships	Description	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
		2014	2015	31 Dec 2014	31 Dec 2015		
	Product Sales / Account Receivable	726,641	375,128	47,504	26,852	Arun Pittaya Co.,Ltd. purchases products from the company to conduct trial experiments on those who have health problems and reports the test results to APCO. The sale price is based on the agreed price which is higher than the cost as this trial is considered another channel for the company's marketing campaigns.	The transaction is reasonable and beneficial for the company.
<b>Juristic Body</b> Ms.Arune Wiriyaichitra And Ms.Wipa Wittayaveroj <u>Relationship</u> Board Members and Shareholders (totally shareholding 5.81%)	Rental fee	156,000	156,000	-	-	The transaction is for the rental fee of Surat Thani Branch Office at the rate of 13,000 Baht per month. The lease contract is 3-year term, starting from 1 <sup>st</sup> July 2014-30 <sup>th</sup> June 2017. The rate has been the same rate since the year 2011, with no addition of rental fee.	The transaction is reasonable and it is the same rate.
<b>Samaphan Health Co.,Ltd.</b> <u>Relationship</u> Board Member and Shareholders: Mr.Chinnakarn Samalapa holds 12.50% of shares in APCO and 23.74% of shares in Samaphan Health Co.,Ltd.	Product Purchase/ Account Payable	195,415	131,503	-	36,161	APCO purchases products from Samaphan Health Co.,Ltd (not Jada Product) for distribution. The gross profit of distribution is equivalent to other products distributed by APCO.	The transaction is to increase the product lines to the company. It is therefore reasonable and normal.
	Product Sales	135,000 (Gold Shape) 375,600 (VVIN Plus)	150,579 (Gold Shape) - (VVIN Plus)	-	-	APCO sells products bearing its own brand to Samaphan Health Co.,Ltd. (formerly Samaphan Trading Co.,Ltd.) at the market price equivalent to the outsiders. The affiliated companies of Mr.Chinnakarn Samalapa will distribute the products through the drug stores, regarded another distribution channels for the company.	The transaction is to increase the product lines to the company. It is therefore reasonable and normal.

Relevant Person(s) or Juristic Person(s) and Relationships	Description	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
		2014	2015	31 Dec 2014	31 Dec 2015		
	Production and packaging services	-	958,650 (Jada)	-	-	APCO has produced and packaged the product "Jada" using the packages and brands of Samapha Health Co.,Ltd. (formerly Samaphan Trading Co.,Ltd.) and Samaphan International Co.,Ltd.	The transaction is made under the existing agreement with Mr.Chinnakarn's affiliated companies. It is therefore reasonable and normal.
<b>Samaphan International Co.,Ltd.</b> <u>Relationship</u> Board member and Shareholder; Mr.Chinnakarn Samalapa holds 12.50% of shares in APCO and 30% of shares in Samaphan International Co.,Ltd.	Production and Packaging Services / Account Receivable	1,514,800 (Product Jada)	- (Product Jada)	351,816	-	The company receives the payment for production at the market price equivalent to the outsiders. The affiliated companies of Mr.Chinnakarn Samalapa will distribute the product through drug stores and export to Vietnam based on the trade agreement dated on 20 <sup>th</sup> July 2011 (details shown in 11.4; guideline for preventing the conflict of interest in the event that a major shareholder conducts any business partially similar to that of the company).	
<b>K&amp;N Organic Herb Ltd. Part.</b> <u>Relationship</u> Shareholders (Miss Natchapat Tantiwiwat holds 0.09% of shares in APCO and 100% of shares in this partnership.)	Product Purchase	776,950	154,830	-	-	The company purchases products from K&N Organic Herb Ltd.,Part. for distribution. The gross profit of distribution is similar to other products distributed by the company.	The transaction is normal and reasonable as it is to increase the product lines to the company.
	Other Revenues / Account Receivable	7,816	5,573	1,327	-	K&N Organic Herb Ltd., Part. purchases the company's package for its product to be sold to the company.	
<b>TH 17 (Thailand) Co.,Ltd.</b> <u>Relationship</u> An associate company: APCO holds 49% of shares in this company.	Product Sales/ Account Receivable	2,760,668	1,662,115	191,290	370,293	This transaction is another distribution channel for the company whereby the company can distribute the product at the market price equivalent to the	The transaction is normal.

Relevant Person(s) or Juristic Person(s) and Relationships	Description	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	Auditor Committee's Opinion
		2014	2015	31 Dec 2014	31 Dec 2015		
						outsiders.	
	Advance Income	-	-	194,843	-	Due to the customer has exceeded that the payments, the company credited it as an revenue deferred to the next item.	
<b>APCODM Pte Ltd</b> <u>Relationship</u> The company's international customer in Singapore, Mr.Simon Tan is a director and shareholder in APCODM.	Product Sales	-	10,244,500	-	-	Experimental marketing distribution channels abroad through Digital Marketing Network in ecommerce. APCO appointed APCODM Pte.Ltd. to be the supplier of its products through Digital Marketing. Customers can order products through dealer websites (Agent) of APCODM. APCO has sold products to APCODM on the prices agreed in the contract.	The trial distribution of the products has now ended.
<b>Mr.Simon Tan</b> <u>Relationship</u> Director and shareholder of APCODM Pte Ltd	Product Sales	-	1,262,384	-	-	Price is equal to direct service members.	The transaction is normal.
	Short term loans	-	5,000,000	-	5,000,000	APCO provides short-term loan to Mr.Simon Tan, a director and shareholder of APCODM to spend on creating a Digital Marketing platform to increase the distribution channels for APCO, with interest rates of 2.65 per year. The director of APCO is the personal guarantor. APCO received repayment in full amount on February 12, 2016.	The guarantee is reasonable and beneficial for the company as the guarantor does not receive any compensation.
	Interest	-	119,068	-	-		

## 2. Measures or approval procedures for inter-company transactions

The company and its subsidiaries ensure transparency in measures or approval procedures of inter-company transactions with the principle of fairness while protecting the benefits of the company and its subsidiaries as our priority. In handling the issue with individuals who may have conflict of interest, the issue needs to be reported to the Audit committee for consideration and approval for the ultimate benefits of each transaction and also to protect investors and related parties. In dealing with such transaction, rules, regulations, requirements, orders and conditions of the Securities and Exchange Commission (SEC) or concerned laws need to be strictly followed and observed. Those who may have conflict of interest or their benefits or loss are at stake in such transaction shall have no participation in approving such transaction.

As for a normal trade transaction i.e. purchasing of a product or product selling, etc., the company has the right to set conditions and requirements in line with normal trade transaction, fair practices, and market prices which can be used as a reference point incurring to external parties. The company's examination committee is in charge of deliberating the issue and granting the approval as well as reporting to the company's board every quarter. The justification of the transaction will be deliberated based upon the market price including other factors such as conditions and the inevitable business impacts i.e. delivery timeline, specific characteristics of a product, etc. for the ultimate benefit of the company.

The future guideline on setting the rental rate for a renewal of lease contracts between relevant people and the company or the company and relevant people will be based on the rates applicable at present. In the event of any addition to the rental rates, the evaluation company as approved by the Securities and Exchange Commission will evaluate the rental fees and/or utilize the rental fees of nearby places. In this regard, the audit committee will take charge of consideration and approval for such transaction regarding the reasonability and necessity while keeping the board of directors informed every quarter.

## 3. Tendency of future inter-company transactions

For future inter-company transactions, conditions shall be set according to normal trade characteristic by using market price and its appropriate conditions as a reference point. The company and/or its company group will have the examination committee or independent committee provide the opinion about the compensation rate and the necessity as well as the appropriateness of such transaction. Should there be a transaction processed by a person that may have conflict of interest in the future, the company will apply rules, regulations, announcement and/or requirements of SEC and/or Stock Exchange of Thailand to the case whereby the company may have independent specialists or the company's auditor provide the opinion on the transaction which will be used to support the deliberation of the committee or shareholders, depending on each case. The company shall disclose the inter-company transactions in the appendix attached to audited financial budget and publish it in the company's annual report.

## 4. Measures to prevent conflict of interests in the case that a major shareholder may conduct business transaction that is identical to the type of business of the company.

Mr. Chinnakarn Samalapa, Board Committee of the Company and major shareholder, holds the shares amounted to 12.5% of the company's paid-up capital. He also takes position of a committee member and shareholder of businesses that may have conflict of interest with the company (referred as "Affiliate of Chinnakarn Group") as listed below

Company	Business	Registered Capital	Mr.Chinnakarn Samalapa		
			Shareholding (shares) *	Percent**	Position Holding
Samaphan Health Co., Ltd. <sup>/3</sup>	Production and Distribution of Supplement Product, Import and Distribution of Medicine, Medical Equipment, and Medical Supplies	157.50 Million Baht	373,950	23.74	Authorised Signatory

Company	Business	Registered Capital	Mr.Chinnakarn Samalapa		
			Shareholding (shares) *	Percent**	Position Holding
Nova-Tech Healthcare Co., Ltd.	Import and Distribution of Medicine, Medical Devices	15 Million Baht	16,250	10.83	-
Nova Medic Co., Ltd.	Manufactures of Medical Devices	17 Million Baht	37,400	22.00	-
Samaphan International Co., Ltd.	Import and Distribution of Medical Devices	5 Million Baht	15,000	30.00	Authorised Signatory
Health Living Co.,Ltd (formerly, Supplements Co., Ltd.)	Distribution of Supplement Products, Medical Devices	8 Million Baht	1	0.001	Authorised Signatory
AHCC (Thailand) Co.,Ltd.	Distribution of Supplement Products	3 Million Baht	1	0.003	Committee

Note: <sup>1</sup> The value; 100 Baht per share

<sup>2</sup> Percentage of paid-up registered capital

<sup>3</sup> Samaphan Health Co.,Ltd. was a result of the merger of Samaphan Trading Co.,Ltd, Bio-nutrition Research Co.,Ltd, Nature One Co.,Ltd, and Bio Plus GMP Co.,Ltd. The new company was registered on 29<sup>th</sup> November 2013.

References: <http://www.bdb.go.th> and Mr. Chinnakarn Samalapa

Affiliated companies of the Chinnakarn Group operated its business in 1995 since the foundation of Green Gold Co.,Ltd. or “GG” (APCO’s former subsidiary) to produce and distribute food supplement products. At that time, the Chinnakarn Group purchased GG products in order to distribute in modern trade channel whereas other direct-selling companies commenced their trade through direct channels. In 1999, Asian Life Co., Ltd. or “ASL” (APCO’s former subsidiary) was established as a direct distribution channel. Mr. Chinnakarn Samalapa was invited to be ASL shareholder and take the position of the Managing Director in order to separate the trade distribution channel to ensure that it would not be overlapping with the existing products that Chinnakarn Group had already handled. Later in 2005 when the company underwent a corporate restructuring, Mr. Chinnakarn became one of the APCO shareholders by default with 4.59 million shares in hand, accounting for about 4.93% of the paid-up capital worth 93 million THB. He also took up the position of the managing director and executive director.

Before the listing of APCO, the company had the objective to distribute and sell its products in other trade channels in addition to ASL direct-selling channels. The executive committee reached a joint decision to ask Mr. Chinnakarn to manage this part because of his expertise and experience. At the committee meeting 4/2011 dated 2<sup>nd</sup> July 2011 and the extraordinary shareholders meeting 2/2011 dated 30<sup>th</sup> July 2011 reached the resolution to allocating 25.41 million of ordinary shares / capital increase to Mr. Chinnakarn Samalapa. This added the share ratio held by Mr. Chinnakarn to reach 30.00 million shares, accounting for 15.00% of the company’s paid-up registered capital after the public offering. The transaction was set under the joint agreement that the Chinnakarn Group would give up the selling of products from its subsidiaries for the purpose of domestic and imported trade to the direct-selling rights of APCO except for Vietnam of which the contract was previously agreed with the Chinnakarn Group and needed to be continued. In addition, Mr. Chinnakarn shall not use any insider information related to the products of the affiliated companies to sell the same type of products through a Chinnakarn Group affiliate or any products through Chinnakarn Group companies which shall be considered as an act to compete with APCO.



Hence, in order to comply with the company's practice, Mr. Chinnakarn Samalapa signed in the joint trade memorandum dated 20<sup>th</sup> July 2012 with the following conditions:

- (1) Products that Mr. Chinnakarn's affiliated company purchases from APCO for sale and distribution in Vietnam prior to this agreement will be an exclusive right of sale and distribution to Mr. Chinnakarn's affiliated company as stated in the binding contract with the rights to reserve product extension and market expansion to other countries.
- (2) Mr. Chinnakarn Samalapa agrees to provide cooperation in sale and distribution of products researched and developed by APCO through channels assigned by APCO which also falls in the area of expertise of Mr. Chinnakarn i.e. pharmacies, hospitals, Modern trade outlets etc. while APCO will remain as a direct distributor.
- (3) Chinnakarn Group and its affiliated companies shall now sell and distribute the products identical to those that APCO assigns and will not use APCO insider information to sell and distribute such products.
- (4) Mr. Chinnakarn Samalapa will seek out markets for sale and distribution of products researched and developed by APCO both in domestic and overseas markets. Should the transaction happen, the sale and distribution shall be conducted directly from APCO to consumers.

In addition, such agreement will take effect as long as Mr. Chinnakarn Samalapa assumes the position of the managing director and holds less than 10% of registered capital.

Besides, Mr.Chinnakarn Samalapa has resigned from the position of Deputy Managing Director since October1, 2013 but still resumes the position of the Board Committee and Executive Committee.

The company's executive additionally explained that the APCO's product purchased by the affiliated companies of Mr.Chinnakarn Samalapa to be distributed in Vietnam before this agreement is still to comply with the right of those companies; that is, only Jada. Other distributors are able to distribute APCO's products in Vietnam, but only for a different type or different brand of products. At present, APCO assigns Mr.Chinnakarn's affiliated companies to distribute its products bearing the name of VVin Plus. In 2015, a total order value is 375,600 baht, Moreover, Mr.Chinnakarn's affiliated companies have ordered other products of APCO bearing the brand of Gold Shape with the orders totaling in 2014 and 2015, worth 135,000 Baht and 150,579 Baht, shown in the related transactions. Products are completely sold to Mr.Chinnakarn's companies and APCO has never paid the distribution fees to those companies.

## Report on the Responsibility of the Board of Directors on the Financial Report

The board of directors is responsible not only for the financial statement and the combined financial statement of Asian Phytoceuticals Public Co., Ltd. and its subsidiaries but also for the financial statement information on the annual report, which is written in adherence to the Generally Accepted Accounting Principles of Thailand. Important information is given out adequately for the benefit of the shareholders and general investors.

For this reason the board has appointed an audit committee to check and report on the financial operations of the company to the board. The opinions of the audit committee are already presented in the annual report.

The board of directors sees that the internal administration of the company is transparent and is confident that for the year end of 31<sup>st</sup> December 2015, the financial statement and combined financial statement of Asian Phytoceuticals Public Co., Ltd. and its subsidiaries are reliable and abides with auditing standards generally accepted in Thailand.

**Maleeratna Plumchitchom**

( Ms. Maleeratna Plumchitchom )

Chairperson of the Board

**Pichaet Wiriyachitra**

( Professor Dr. Pichaet Wiriyachitra )

Chairperson of the Executive Committee

## Audit Committee Report

The audit committee of Asian Phytoceuticals Public Co., Ltd. is comprised of 4 members as follows:

- |    |   |                                    |
|----|---|------------------------------------|
| 1. | Ms. Maleeratna Plumchitchom               | Chairperson of the Audit Committee |
| 2. | Associate Professor Dr.Varakorn Samakoses | Audit Committee                    |
| 3. | Professor Dr.Praipol Koomsup              | Audit Committee                    |
| 4. | Emeritus Prof.Krairit Boonyakiat          | Audit Committee                    |

The 4 audit committee members have the qualifications required by the Stock Exchange of Thailand's qualifications and Scope of Work of the Audit Committees (No.2) 2009.

In 2015, the audit committee held 4 meetings and has done their duties discreetly and employed their skills and knowledge in undertaking their duties and responsibilities independently. They have collaborated with the administrative section, internal auditors and account auditors for the benefit of the stakeholders. The summary is as follows:

1. To verify the regularity of the quarterly financial budget and the 2015 annual financial budget of the company and its subsidiaries for 2013. To provide adequate open information to ensure that the accounting system and the financial reports are done in accordance to the general accounting principles and to also provide complete and reliable information.

2. To examine the internal control system and internal audit system to ensure that the company's internal control system and internal audit system are suitable, sufficient and effective.

3. To inspect the actions of the company to ensure that it follows the guidelines determined by the law regarding property and the stock exchange, the rules and regulations of the stock exchange and other laws which is relevant to the business of the company.

4. To check the adequacy and effectiveness of the Risk Management System.

5. To ensure the company has good corporate governance in order to operate its business transparently and to disclose records that are relevant or records that might have conflicting interests.

6. To consider, nominate, appoint account auditors for the company at the same time determine and offer their compensation package to present at the shareholders' meeting for approval.

From the inspection of the internal control system, the audit committee sees that the company has a good internal control system. The financial reports are in adherence with the general accounting principles. An amount adequate of information is disclosed. Furthermore, the company has a suitable risk management system, has good corporate governance, transparent and reliable. In addition, the company continuously tries to improve and develop the effectiveness of its performances.

**Maleeratna Plumchitchom**

(Ms. Maleeratna Plumchitchom)

Chairperson of the Audit Committee

## Financial Position and Performances

### 1. Financial Budget

#### 1.1 Summary of account audit

##### Financial Budget for the Fiscal Year 2013

Audited by Mr. Pradit Rodloituk, certified public accountant no. 218 from AST Master Company Ltd., whose opinion is that the abovementioned financial statement has shown the financial position as of 31<sup>st</sup> December 2013. Its performances and cash flow of Asian Phytoceuticals Public Company Limited are accurate in according with the auditing standards with its data and incidents associated with a change of accounting policy due to an adoption of the accounting standard no.12 regarding income taxation. This also affects the financial statements as of 1<sup>st</sup> January 2012, as of 31<sup>st</sup> December 2012, and as of 31<sup>st</sup> December 2013 with an increase of deferred tax assets by 3.24 Million Baht, 2.62 Million Baht, and 1.82 Million Baht respectively along with the same amount of increasing retained earnings. The net profit of 2012 decreased to 0.62 Million Baht.

##### Financial Budget for the Fiscal Year 2014

Audited by Miss Nongram Laoha-areedilok, certified public accountant no. 4344 from AST Master Company Ltd., whose opinion is that the abovementioned financial statement has shown the financial position as of 31<sup>st</sup> December 2014. Its performances and cash flow of Asian Phytoceuticals Public Company Limited for the end of its fiscal year are accurate in accordance with the auditing standards.

##### Financial Budget for the Fiscal Year 2015

Audited by Miss Nongram Laoha-areedilok, certified public accountant no. 4344 from AST Master Company Ltd., whose opinion is that the abovementioned financial statement has shown the financial position as of 31<sup>st</sup> December 2015. Its performances and cash flow of Asian Phytoceuticals Public Company Limited for the end of its fiscal year are accurate in accordance with the auditing standards.

## Statement of Financial Position

At the end of project from 31<sup>st</sup> December 2013 until 31<sup>st</sup> December 2015

Unit: Baht

Statement of Financial Position	Financial Statement in which the equity method is applied. <sup>1</sup>					
	As of 31st 2015		As of 31 <sup>st</sup> 2014		As of 31 <sup>st</sup> 2013	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Asset</b>						
<b>Current Assets</b>						
Cash and cash equivalents	213,803,054	33.99	376,922,030	67.00	302,463,756	66.16
Short - term investments	195,408,415	31.07	-	-	-	-
Trade and other receivables	10,307,606	1.64	16,632,629	2.96	13,045,326	2.85
Short-term loan to a related person	5,000,000	0.79	-	-	-	-
Inventory - Net	48,118,343	7.65	52,273,080	9.29	40,010,126	8.75
Other current assets	558,493	0.09	754,874	0.13	2,448,330	0.54
<b>Total current assets</b>	<b>473,195,911</b>	<b>75.23</b>	<b>446,582,613</b>	<b>79.38</b>	<b>357,967,538</b>	<b>78.30</b>
<b>Non - Current Assets</b>						
Deposits pledged as collateral	504,717	0.08	939,066	0.17	2,911,325	0.64
Investment in associate	503,457	0.08	795,482	0.14	769,091	0.17
Property, plant and equipment - Net	146,681,472	23.32	105,743,406	18.80	91,509,133	20.02
Intangible assets - Net	1,234,298	0.20	1,342,910	0.24	478,460	0.10
Deferred tax assets <sup>/3</sup>	2,137,016	0.34	1,922,107	0.34	1,820,262	0.40
Other non - current assets	4,719,297	0.75	5,279,311	0.94	1,702,919	0.37
<b>Total non - current assets</b>	<b>155,780,257</b>	<b>24.77</b>	<b>116,022,282</b>	<b>20.62</b>	<b>99,191,190</b>	<b>21.70</b>
<b>Total Assets</b>	<b>628,976,168</b>	<b>100.00</b>	<b>562,604,895</b>	<b>100.00</b>	<b>457,158,728</b>	<b>100.00</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade and other payables	30,017,801	4.77	27,777,320	4.94	29,953,159	6.55
Liabilities under finance leases to be paid within 1 year	-	-	-	-	469,024	0.10
Accrued Income Tax	14,778,390	2.35	9,102,685	1.62	12,516,638	2.74
Other current liabilities	4,249,063	0.68	3,312,269	0.59	3,491,087	0.76
<b>Total current liabilities</b>	<b>49,045,254</b>	<b>7.80</b>	<b>40,192,274</b>	<b>7.14</b>	<b>46,429,908</b>	<b>10.16</b>
<b>Non - Current Liabilities</b>						
Employee benefit obligations	8,356,482	1.33	7,368,809	1.31	6,453,101	1.41
Provision for dismantling cost	3,395,316	0.54	-	-	-	-
<b>Total Non - Current Liabilities</b>	<b>11,751,798</b>	<b>1.87</b>	<b>7,368,809</b>	<b>1.31</b>	<b>6,453,101</b>	<b>1.41</b>
<b>Total Liabilities</b>	<b>60,797,052</b>	<b>9.67</b>	<b>47,561,083</b>	<b>8.45</b>	<b>52,883,009</b>	<b>11.57</b>
<b>Shareholders' Equity</b>						
Registered Capital	300,000,000	47.70	300,000,000	53.32	200,000,000	43.75
Issued and Paid-up	274,537,465	43.65	271,999,982	48.35	200,000,000	43.75
Premium on share capital	148,437,869	23.60	82,862,640	14.73	82,862,640	18.13
Surplus from Business Combinations under common control <sup>2</sup>	22,666,575	3.60	22,666,575	4.03	22,666,575	4.96
Retained Earnings – Appropriated for legal reserve	26,652,000	4.24	21,552,000	3.83	15,602,000	3.41
Retained Earnings – Unappropriated	95,885,207	15.24	115,962,615	20.61	83,144,504	18.19
Part of the Minority Shareholders	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>568,179,116</b>	<b>90.33</b>	<b>515,043,812</b>	<b>91.55</b>	<b>404,275,719</b>	<b>88.43</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>628,976,168</b>	<b>100.00</b>	<b>562,604,895</b>	<b>100.00</b>	<b>457,158,728</b>	<b>100.00</b>

**Note:** <sup>/1</sup> The Extraordinary Shareholder Meeting dated 20<sup>th</sup> September 2013 approved the company to restrict the company group by receiving the entire business transfer (EBT) of its subsidiaries whose shares totaling 100 percent were held by the company. These included Asian Life Co., Ltd, Green Gold Co.,Ltd, TH17 Global Co.,Ltd, and Top Marcom Co.,Ltd. (under the condition of licensing). This transfer from the subsidiaries did not affect a change of control power and shareholder structure of Asian Phytoceuticals Public Co., Ltd. The company already received the entire business transfer on 2<sup>nd</sup> December 2013 whereas its subsidiaries deregistered with the Ministry of Commerce on 2<sup>nd</sup> December 2013. At present, these companies are under the process of auditing. The company therefore prepares the separate financial statement, regarded as business combinations under the same control since the beginning for all the financial statements subject to comparisons as shown in the table of financial statement.

<sup>/2</sup> Capital surplus on business combinations under the same control is a result of business combinations under the same control whereas the book value of assets is higher than the cost price of exchanges among the subsidiaries under the same control.

<sup>/3</sup> The Accounting Standards No.12 regarding income tax, which has been effective since January 1, 2013, requires the company to specify the temporary results caused by differences of the asset values and liabilities between the basis of accounting and taxation to acknowledge the taxation impact as the asset or liability for deferred tax based on the applicable regulations. The company has changed the accounting policy since 2013 as shown in the financial statement and already audited.

## Statement of Comprehensive Income

At the end of project from 31<sup>st</sup> December 2013 until 31<sup>st</sup> December 2015

Unit: Baht

Statement of Comprehensive Income	Financial Statement in which the equity method is applied <sup>2</sup>					
	2015		2014		2013	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Income	415,828,403	100.00	433,070,194	100.00	355,867,101	100.00
Sales	409,251,149	98.42	425,813,961	98.32	348,541,049	97.94
Costs of sales	64,954,362	15.62	69,768,193	16.11	58,452,913	16.43
Gross Profit*	344,296,787	84.13 <sup>1</sup>	356,045,768	83.62 <sup>1</sup>	290,088,136	83.23 <sup>1</sup>
Other Income	6,577,254	1.58	7,256,233	1.68	7,326,052	2.06
Profit before expenses	350,874,041	84.38	363,302,001	83.89	297,414,188	83.57
Selling expenses	147,337,902	35.43	144,215,027	33.30	134,026,069	37.66
Administrative expenses	77,814,640	18.71	71,169,560	16.43	59,178,797	16.63
Share of loss from investment in associate	292,025	0.07	98,609	0.02	268,070	0.08
Profit before finance costs and income tax expense	125,429,474	30.16	147,818,805	34.13	103,941,252	29.21
Finance costs	-	-	17,895	0.01	87,481	0.02
Profit before income tax expense	125,429,474	30.16	147,800,910	34.14	103,853,771	29.18
Income tax expense	24,806,890	5.97	29,032,799	6.70	25,008,970	7.03
Profit for the year	100,622,584	24.20	118,768,111	27.42	78,844,801	22.16
Other comprehensive income for the year	-	-	-	-	527,000	0.15
Defined benefit plan actuarial loss	-	-	-	-	-	-
Total comprehensive income for the year	100,622,584	24.20	118,768,111	27.42	78,317,801	22.01

**Note:** <sup>1</sup> Percentage of gross profit is calculated from the value of gross profit divided by the main income from product sales (excluding other income) which is consistent with the gross profit ratio disclosed in the key financial ratios.

<sup>2</sup> The Extraordinary Shareholder Meeting dated 20<sup>th</sup> September 2013 approved the company to restrict the company group by receiving the entire business transfer (EBT) of its subsidiaries whose shares totaling 100 percent were held by the company. These included Asian Life Co., Ltd, Green Gold Co.,Ltd, TH17 Global Co.,Ltd, and Top Marcom Co.,Ltd. (under the condition of licensing). This transfer from the subsidiaries did not affect a change of control power and shareholder structure of Asian Phytoceuticals Public Co., Ltd. The company already received the entire business transfer on 2<sup>nd</sup> December 2013 whereas its subsidiaries deregistered with the Ministry of Commerce on 2<sup>nd</sup> December 2013. At present, these companies are under the process of auditing. The company therefore prepares the separate financial statement, regarded as business combinations under the same control since the beginning for all the financial statements subject to comparisons. The company does not prepare the consolidated financial statements as of 31<sup>st</sup> December 2013 and 2012 whereas it prepares the financial statement in which the equity is applied as of 31<sup>st</sup> December 2013 and 2012 as the company has its investing capital in the associate company shown by the equity method.

## Statement of Cash Flow

At the end of project from 31<sup>st</sup> December 2013 until 31<sup>st</sup> December 2015

Unit: Baht

Statement of Cash Flow	Financial Statement in which equity method is applied		
	2015	2014	2013
<b>Cash Flows from Operating Activities</b>			
Profit (Loss) before income tax	125,429,474	147,800,910	103,853,771
Adjustments to reconcile profit to net cash provided by operating activities			
Reversal of allowance for obsolescence of inventories	(509,933)	(229,084)	(733,960)
Bad debt	-	16,140	113,634
Loss on disposal of equipment	276,969	773,007	1,955
Depreciation	15,411,485	8,646,873	8,301,994
Amortization of intangible assets	197,112	105,550	121,813
Interest expense	-	17,895	87,481
Share of loss from investment in associate	292,025	98,609	268,070
Employee benefit obligations	987,673	915,708	598,922
Profit (Loss) from operating activities before change in operational assets and liabilities	142,084,805	158,145,608	112,613,680
Decrease (Increase) in operating assets			
Trade and other receivables	6,325,023	(1,852,274)	(5,474,609)
Inventories	4,664,670	(12,033,870)	1,496,962
Other current assets	196,381	(57,713)	468,432
Other non - current assets	(39,986)	(3,689,892)	(656,060)
Operating Asset (Increase) Decrease	11,146,088	(17,633,749)	(4,165,275)
Increase (Decrease) in operating liabilities			
Trade and other payables	4,231,950	(3,521,139)	5,711,260
Other current liabilities	936,794	(178,818)	(103,130)
Operating Liabilities; increase (decrease)	5,168,744	(3,699,957)	5,608,130
Cash received from operations	158,399,637	136,811,902	114,056,535
Interest paid	-	(17,481)	(87,481)
Income tax paid	(19,346,094)	(32,548,597)	(19,717,175)
<b>Net cash provided by operating activities</b>	<b>139,053,543</b>	<b>104,245,410</b>	<b>94,251,879</b>
<b>Cash Flows from Investing Activities</b>			
Increase in short - term investments	(195,408,415)	-	194,900,000
Decrease(Increase) in fixed deposits pledged as collateral	434,349	1,972,259	(8,104)
Cash paid for investment in associate	-	(125,000)	-
Increase in short-term loan to a related person	(5,000,000)	-	-
Proceeds from disposal of equipment	6,755	1,953,458	841
Cash paid for acquisition of property, plant and equipment	(53,659,428)	(25,118,811)	(15,908,806)
Cash paid for acquisition of intangible assets	(1,058,500)	-	(25,094)
<b>Net cash used in investing activities</b>	<b>(254,685,239)</b>	<b>(21,318,094)</b>	<b>178,958,837</b>
<b>Cash Flows from Financial Activities</b>			
Repayment of liabilities under finance lease contracts	-	(469,024)	(883,998)
Net cash received from increase in share capital	68,112,712	32,000,000	-
Dividends paid	(115,599,992)	(40,000,018)	(54,000,000)
<b>Net cash used in financing activities</b>	<b>(47,487,280)</b>	<b>(8,469,042)</b>	<b>(54,883,998)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(163,118,976)</b>	<b>74,458,274</b>	<b>218,326,718</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>376,922,030</b>	<b>302,463,756</b>	<b>84,137,038</b>
<b>Cash and cash equivalents, end of year</b>	<b>213,803,054</b>	<b>376,922,030</b>	<b>302,463,756</b>



### Important Financial Ratio

At the end of project from 31<sup>st</sup> December 2013 until 31<sup>st</sup> December 2015

Financial Ratio		2015	2014	2013
<b>Current Ratio</b>				
Current Ratio	(Time)	9.65	11.11	7.71
Acid Test Ratio	(Time)	8.55	9.79	6.80
Current Cash Flow Ratio	(Time)	3.12	2.41	2.17
Account Receivable Turnover	(Time)	30.38	28.70	33.63
Average Collection Period	(Days)	12	13	11
Inventory Turnover	(Time)	1.29	1.51	1.45
Average selling product Period	(Days)	279	239	249
Account Payable Turnover	(Time)	39.98	41.66	37.24
Payment Period	(Days)	10	9	10
Cash Cycle	(Days)	281	243	250
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	84.13	83.62	83.23
Operating Profit Margin	(%)	30.65	34.71	29.82
Cash Per Profitability Ratio	(%)	110.86	70.52	90.68
Net Profit Margin	(%)	24.20	27.42	22.16
Return On Equity*	(%)	18.58	25.84	20.11
<b>Efficiency Ratio</b>				
Rate of Assets	(%)	16.89	23.29	17.85
Rate of Fixed Assets	(%)	91.94	129.19	97.05
Rate of Asset Turnover	(Time)	0.70	0.85	0.81
<b>Financial Ratio</b>				
Rate of Liability per Shareholder	(Time)	0.11	0.09	0.13
Rate of Commitment Payment Efficiency	(Time)	0.82	1.59	1.33
Dividend Payout	(%)	94.68	97.33	101.47
Rate of Fully Diluted Net Profit per Share <sup>/1</sup>	(Baht)	0.034	0.040	0.026

Note : <sup>/1</sup> Calculation from the registered capital of 3,000 million shares with a par value at 0.10 Baht

## 2. Financial Status and Performance Description and Analysis

### 1.1 Overall of previous performance

APCO manufactures and sells cosmetics and food supplements developed and researched by the company itself. The products are sold mainly through direct selling along with the Tele-Marketing and are distributed in many countries such as the Middle Eastern countries and Southeast Asian countries. The important factor to the growth in APCO's revenue is the innovative products from the company's research that are in demand in the market. As the company has consistently responded to the market demands, the total revenue of 2013 was 355.87 Million Baht, an increase by 20.89% from the year 2012. In 2014, the company generated the revenue in sum of 433.07 Million Baht, an increase by 21.69% compared to the previous year. Meanwhile, the food supplements are still regarded the main factor for a continuous growth. Nevertheless, in 2015, the total revenue was 415.83 Million Baht which is 3.98% lower than that of the year 2014 as a result of the decreasing sales volumes of beauty cosmetics products and food supplements due to deceleration of market and purchasing power,

Between 2013 and 2015, the company had gained the net profit in sum of 78.84 Million Baht, 118.77 Million Baht, and 100.62 Million Baht respectively, or 22.16%, 27.42%, and 24.20% respectively. The factors influencing the net profit rate include the marketing channels whereas direct sales marketing lead to a quite large sum of commissions and promotion expenses compared to other marketing channels. The company realizes the importance of increasing the sales proportion through its Tele-Marketing as there are no commissions. The commission proportion in the total revenue then continued to reduce from the previous years. However, in 2015, the company had increased advertisement and sales promotion expenses as well as rental and utilities expenses of the new office. Therefore, the net profit of the company reduced compared to the previous year.

Right now, APCO is focusing the research and development on its food supplement products as the tendency of the market is positive and the executives expect repeated and continuous purchase from the customers of these products who are confident in the merchandise. This angle could potentially enhance the security of the revenue base. Moreover, the Operation "BIM" line has been continuously increasing in popularity since it was launched in 2008 and can be expanded into several new products.

### 1.2 Performance analysis

#### Revenue

The total revenue of APCO from 2013 - 2015 amounted to 355.87 million Baht, 433.07 Million Baht and 415.83 Million Baht respectively as shown in the sales revenue structure below.

Unit: Million Baht

Revenue Structure	2015		2014		2013	
	Value	Percent	Value	Percent	Value	Percent
<b>Beauty Cosmetics Products</b>						
- Sliming Products	16.99	4.08	20.41	4.71	35.60	10.00
- Anti-Wrinkle and Anti-Spot Products	10.50	2.53	11.74	2.71	17.16	4.82
- Skincare Products	3.94	0.95	4.81	1.11	5.12	1.44
<b>Total</b>						
<b>Dietary Supplement Products</b>						
- Fat Reduction Products	41.41	9.96	79.08	18.16	47.95	13.47
- Healthcare Products	288.94	69.48	263.89	60.93	198.63	55.82
- Skincare Products	1.80	0.43	3.25	0.75	4.09	1.15
- Healthy Drink Products	45.67	10.98	42.63	9.84	39.99	11.24
<b>Total</b>	<b>377.82</b>	<b>90.86</b>	<b>388.85</b>	<b>89.79</b>	<b>290.66</b>	<b>81.68</b>

Revenue Structure	2015		2014		2013	
	Value	Percent	Value	Percent	Value	Percent
Revenue from Sales	409.25	98.42	425.81	98.32	348.54	97.94
Other Revenues*	6.58	1.58	7.26	1.68	7.33	2.06
Total Revenue	415.83	100.00	433.07	100.00	355.87	100.00

#### Sales Revenue

The sales revenue of the company from 2013-2015 was 348.54 Million Baht, 425.81 Million Baht, and 409.25 Million Baht respectively, accounting for 21.88%, 22.17%, and a decrease of 3.89% compared to the same periods of the previous year respectively. The sales revenue in 2013 and 2014 tremendously increased due to a large amount of sales volumes for food supplements. In fact, the company has focused on the innovative food supplements and marketing channels in accordance with the uptrend of this industry and an increase of targeted customers ranging from the middle-aged to the elderly in favor of healthcare. As for the year 2015, the sales revenue reduced to be a little lower than that of the year 2014, resulting from the deceleration of market and purchasing power in the country. In this regard, the company has consistently adjusted its sales strategies to cope with the circumstances. The company obtained the revenues from the production and product distribution in two ways as follow.

(1) Revenue from cosmetics products; between 2013-2015, the company gained the sales revenues from cosmetics products amounted to 57.88 Million Baht, 36.96 Million Baht, and 31.43 Million Baht respectively, or a decrease of 23.85%, 36.14%, and 14.96% respectively, compared to the same periods of the previous year. The sales volumes of cosmetics products had continuously decreased due to a high competition. In order to boost sales volumes of cosmetics products, the company had launched its new product, an anti-wrinkle and anti-spot spray, in the late 2015. This spray bottle packaging is well-suited to the lifestyle of the customers who strived for convenience and quickness in applying the products.

Most of the revenues from cosmetics products were slimming products and anti-wrinkle and anti-spot products. The revenue from the nourishment products (2013-2015) was averagely at 60%, 30%, and 10% of the total revenues gained in the cosmetics products respectively. At present, the company does not produce or distribute the hair repairing and nourishing products.

(2) Revenue from food supplement products; between 2013-2015, the company generated the sales revenues from food supplements amounted to 290.67 Million Baht, 388.85 Million Baht, and 377.82 Million Baht respectively, or an increase of 38.44%, 33.78%, and a decrease of 2.84% respectively, compared to the same periods of the previous year. The company had continuously gained the increased revenues from this product line, particularly in 2013 and 2014, since it has focused on the innovative food supplements through a variety of new products. For instance, the company released the healthcare products and drinks subject to "Operation BIM" in 2013 and Gold Shape products in 2014, which were widely accepted. Moreover, the company launched the marketing campaigns and organized the Operation BIM seminars along with experience sharing from other consumers through the cable television programs and free television channels. The sales proportion through the company's Tele-Marketing is increasing whereas customers can place their orders and access to the products easily. Consequently, the food supplement and healthy drink products are still popular and can gain continuous increased sales volumes in 2015. However, the sale revenue of the food supplement products in 2015 encountered a slightly decrease continuing from the previous year, mainly as a result of the reducing sales volumes of the slimming product, "Gold Shape." The order of the product placed by a customer reduced 50%, compared to the previous year due to the deceleration of purchasing power. These customers bought products directly from APCO in full price and carried out their own marketing and sales promotion campaigns through cable television programs. In addition, there is a decrease of sales volumes of skincare products due to a high competition.

Most of the food supplements were from healthcare products, Gold Shape products, healthy drinks, and skincare products respectively (2013-2015), accounting for 70%, 16%, 13%, and 1% of the total revenues obtained from the food supplement products. The sales volumes of healthcare products and healthy drinks had increased from 238.62 Million Baht in 2013 to 334.61 Million Baht in 2015.

Actually, the company has obtained the sales revenues from both domestic and international customers. The sales proportion in Thailand from 2013-2015 was averagely at 97% and 3% of the total sales revenues as shown below.

Unit: Million Baht

Revenue Structure	2015		2014		2013	
	Value	Percent	Value	Percent	Value	Percent
Revenue from Domestic Sales	393.16	94.55	423.23	97.73	329.01	92.45
Revenue from International Sales	16.09	3.87	2.58	0.60	19.53	5.49
<b>Total Revenue from Sales</b>	<b>409.25</b>	<b>98.42</b>	<b>425.81</b>	<b>98.32</b>	<b>348.54</b>	<b>97.94</b>
Other Revenues	6.58	1.58	7.26	1.68	7.33	2.06
<b>Total Revenue</b>	<b>415.83</b>	<b>100.00</b>	<b>433.07</b>	<b>100.00</b>	<b>355.87</b>	<b>100.00</b>

From 2013-2014, the sales revenue in Thailand had continually gone up, especially the food supplements, healthcare products, and Gold Shape products, accounting for 18.35% and 28.64% respectively. Nevertheless, with the decreased sales volumes of Gold Shape products in 2015, the sales revenue in Thailand then reduced approximately 7.10%, compared to the previous year.

In 2013, the sales revenue from overseas mainly came from the sales in Singapore and Malaysia. In 2014, there was a decrease of overseas sales because the customers who bought the products were carrying out the marketing campaigns and delaying their purchases. As the company tried to expand more overseas distribution channels, in 2014, it appointed a number of distributors or representatives in many countries such as in South East Asia, East Asia, the Middle East, China, and Europe with its aims to promote the company's distribution channels. In 2015, the sales revenue from overseas increased after the company sold its products to APCODM Pte.Ltd. in an amount of 10.24 million Baht (APCO received payment in full without existing debts as of the end of 2015) through the new sales channel via Digital Marketing Network based on e-commerce. In this way the customers would have more channels for directly selling the products to overseas customers. In Singapore, APCO appointed APCODM Pte.Ltd. as APCO's sole distributor in Digital Marketing Network. The customers could place an order for the company's products on the APCODM sales agents' website. APCO sold the products to APCODM at the prices agreed upon in the contract. As of 2015, there were no products deposited by APCODM in APCO warehouses after APCO shipped all deposit products to APCODM's office in Singapore. The products purchased by APCODM were sold outright and could be returned only on the case of defect. From the evaluation of the 6-month trial on the use of this distribution channel, it was found that APCODM was unable to meet the indicated sales target. APCO, therefore, terminated the contract with APCODM and ceased all transactions between the two parties.

#### Other Revenues

Other revenues of the company from 2013-2015 were equal to 7.33 Million Baht, 7.26 Million Baht, and 6.58 Million Baht, accounting for 2.06%, 1.68%, and 1.58% respectively. In fact, it was regarded as a small amount of the company's revenues with the proportion not exceeding 3% of the total revenues. Other revenues included the interest, profit from asset sales, revenue from packaging sales, and profit from the currency exchange. Around 85-90% of these revenues were from the interest.

#### Sales Cost and Preliminary Profits

The company's sales cost from 2013 to 2015 was 58.45 Million Baht, 69.77 million Baht, and 64.95 Million Baht respectively. The gross profit margin was 83.23%, 83.62%, and 84.13% respectively. The annual gross profit margin of the company was nearly equivalent.

The main components of sales cost were based on the cost of raw materials such as agricultural raw materials, chemicals, and packages (2013-2015), averagely accounted for 50% of the total costs or 8% of the sales revenues. Such proportion was quite stable for each year as the company set up the policy to purchase the sufficient amounts of raw materials for its production at least two years to prevent a shortage of raw materials and to reduce the transportation costs as well as to avoid the risk from any fluctuation of

raw material prices. Moreover, other important sale costs included the labor cost, compensation for the research and development, and depreciation cost, averagely accounted for 16%, 15%, and 7% of the total costs respectively. The depreciation for the year 2015, representing about 7 percent of the total costs, increase of 4.5 percent of total costs in 2014 because to investments in building products and systems for electrical building. From 2013-2015, the cost for mangosteen juice production went up to be 2.69 Million Baht, 4.82 Million Baht and 3.79 Million Baht, respectively, in order to prepare for an increase of orders. In 2014, the cost for mangosteen juice production went up in order to prepare for the increased orders of mangosteen juice, BIM Formula, and the canned-mangosteen juice "Gold Shape" for reducing excess fat was additionally produced. Nevertheless, in 2015, the cost for mangosteen juice production went down from the previous year as a result of the decreased production of the canned-mangosteen juice "Gold Shape," following the reduced sales volumes of the slimming products.

#### **Sales and Administrative Expenditures**

The expenditures of sales in 2013 through 2015 amounted to 134.03 Million Baht, 144.22 Million Baht, and 147.34 Million Baht respectively, accounting for 37.66%, 33.30% and 35.43% of the total revenues respectively. The important factor that affected the proportion of sales expenditures of the company was the distribution channel. Direct sales require high commissions compared to other channels. As a result, the company centered on more distribution through the Tele-Marketing with a gradual increase by 14.77% in 2013 to 25.94% in 2015, which helped reduce its total sales expenditures proportion compared to the total revenues in 2014. However, in 2015, the company had increased expenses on advertising and marketing campaigns on the free television programs in order to publicize the products and boost sales volumes, leading to the increase of the total sales expenditures proportion on the total revenues.

Even though the company has its higher proportion of sales distribution through the Tele-Marketing, the main distribution channel is still direct sales. Therefore, expenses associated with commissions and marketing campaigns are considered the main expenditures. The commission proportion is averagely at 70% of the sales expenditures. When compared with the total revenues, the commission expense is subject to a continuous reduction, from 27% of the total revenues in 2013 to 23% of the total revenues in 2015. Besides, another essential expense is the advertising and marketing campaign, averagely proportioned about 19% of the sales expenditures. When compared with the total revenues, this expense has decreased from 7% of the total revenues in 2013 to 5% of the total revenues in 2014. In 2015, there was an increased expense of the advertising and marketing campaign, leading to an increased sales expenditure proportion regarding advertising and marketing activities to 8% of the total revenues in 2015.

The expenditures spent in administration from 2013 to 2015 amounted to 59.18 Million Baht, 71.17 million Baht, and 77.81 Million Baht respectively, accounting for 16.63%, 16.43%, and 18.71% of the total revenue respectively. As for 2015, the proportion of the administrative expenditure increased as the company moved its Bangkok office to AIA Building, incurring increased rental and utilities expenses. The important administrative expenditures included expenses on executives and employees such as salary, bonus and contributions to funds. These expenditures from 2013-2015 were averagely at 40% of the administration expenditures respectively. Other administrative expenditures are depreciation costs, rental cost and banking fees, or averagely accounted for 10%, 8% and 5% of the administrative expenditures respectively. The depreciation increased 8 percent of the cost of administration in 2014 is 14 percent of the cost of administration in 2015 from the investment decorated office building at AIA.

#### **Share of Loss from investment in Associate Company**

In November 2012, the company invested in TH17 (Thailand) Company in a total of 22,000 ordinary shares, worth 50 Baht per each, totally amounted to 1.10 Million Baht (paid-up 50%) or 44% of the registered capital. TH17 (Thailand) Co.,Ltd. was registered with the Ministry of Commerce on 1<sup>st</sup> November 2012 to trade APCO products for cancer patients. From 2013-2015, the company acknowledged the share of loss from its invested capital in such a company in sum of 0.27 Million Baht, 0.10 Million Baht, and 0.29 Million Baht respectively, regarded as a small proportion compared to the total revenues. Hence, it has no significant impact on the company's earning.

### Net Profits

APCO received the net profits for 2013 through 2015 in the amount of 78.32 Million Baht, 118.77 Million Baht, and 100.62 Million Baht respectively, accounting for 22.16%, 27.42%, and 24.20% respectively. This shows that the net profits have been increasing each year, especially in 2013 and 2015. The main reason was from a rising proportion of sales volumes, including a decreasing proportion of paid commissions compared to the total revenues due to an increased proportion of sales through the Tele-Marketing subject to reduction of commissions. As for the year 2015, even though the proportion of paid commissions compared to the total revenue continued to decrease, the company had to pay higher expenses on advertising and marketing campaigns than the previous year as there were programs on free television channels in order to publicize the products and boost sales volumes with the additional expenses on depreciation, utilities expense and rental cost of the new office. The gross profit margin of the year 2015 then reduced.

### **1.3 Financial status analysis**

The ordinary shareholder meeting dated 20<sup>th</sup> September 2013 approved the company to restructure the company group by the entire business transfer (EBT) of its subsidiary companies whereby APCO held totally 100 percent of shares. These companies were Asian Life Co.,Ltd, Green Gold Co.,Ltd, TH17 Global Co.,Ltd, and Top MarcomCo.,Ltd. (under the condition of licensing). This entire business transfer would have no effect on the power control and shareholder structure of Asian Phytoceuticals Public Co.,Ltd (APCO). The company had already accepted such transfer on 2<sup>nd</sup> December 2013 whereas these subsidiaries were deregistered with the Ministry of Commerce on 2<sup>nd</sup> December 2013. At present, these companies are under the process of auditing. Only the company's separate financial statement is therefore presented as it is regarded as business combinations under the same control since the beginning for all the financial statements subject to such comparisons, that is, as of 31<sup>st</sup> December 2013, 31<sup>st</sup> December 2014, and 31<sup>st</sup> December 2015.

### Assets

At the end of the years 2013 to 2015, APCO's total assets amounted to 457.16 Million Baht, 562.60 Million Baht, and 628.98 Million Baht respectively, accounting for the growth rate of 7.28%, 23.07%, and 11.80% respectively.

The current assets at the end of the years 2013 through 2015 amounted to 357.97 Million Baht, 446.58 Million Baht, and 473.20 Million Baht respectively, accounting for 78.30%, 79.38%, and 75.23% of the total assets respectively. The company's current assets include the following important assets:

(1) Cash and the equivalent at the end of 2013 through 2015 amounted to 302.46 Million Baht, 376.92 Million Baht, and 213.80 Million Baht respectively, accounting for 66.16%, 67.00%, and 33.99% of the total assets respectively. The company's cash and cash equivalents increased continuously as a result of the profits. At the end of 2014, cash and the equivalent has decreased from the previous year due to an increase of savings in 6-month Exchange Bill and 12-month fixed deposit.

(2) Temporary invested capital at the end of 2015 was equivalent to 195.41 Million Baht or 31.07% of the total assets. This temporary invested capital was the savings in 6-month Exchange Bill and 12-month fixed deposit with the interest rate of 1.7 – 1.9% per year.

(3) The net number of account receivable and others at the end of 2013 through 2015 amounted to 13.05 Million Baht, 16.63 Million Baht, and 10.31 Million Baht respectively, accounting for 2.85%, 2.96%, and 1.64% of the total assets respectively. The amounts of the account receivable on relevant business, the account receivable on irrelevant business and others are as follows:

The amount of account receivable on relevant business at the end of 2013 through 2015 was equivalent to 0.68 Million Baht, 0.60 Million Baht, and 0.40 Million Baht respectively. At the end of the years 2013 and 2014, such amount was from sales through the associate company or TH17 (Thailand) Co.,Ltd. and Mr. Chinnakarn Samalapa's affiliated companies. By the end of the year 2015, such amount was from sales through the associate company or TH17 (Thailand) Co.,Ltd.

The amount of account receivable on irrelevant business at the end of 2013 through 2015 was equivalent to 9.91 Million Baht, 12.12 Million Baht, and 3.88 Million Baht respectively. As of the year 2015, the amount of account receivable drastically reduced compared to the previous year, following the decreased domestic sales volumes, mainly as a result of the decreasing needs of the slimming products, "Gold Shape." Details of payment performed by business debtors for ordinary trades excluding relevant businesses are summarized in the following table.

Account Receivable (Excluding Related Transactions)	Value (Baht)		
	As of 31 <sup>st</sup> Dec 2015	As of 31 <sup>st</sup> Dec 2014	As of 31 <sup>st</sup> Dec 2013
Undue Payment	1,873,945	9,072,062	5,952,450
Exceeding less than 3 months	1,871,805	2,979,907	3,771,823
Exceeding 3-6 months	-	9,975	64,074
Exceeding 6-9 months	131,840	9,313	6,750
Exceeding 9-12 months	-	18,257	60,137
Exceeding more than 12 months	-	29,847	51,207
<b>Total</b>	<b>3,877,590</b>	<b>12,119,364</b>	<b>9,906,441</b>
<u>Deducting</u> Allowance for Doubtful Account	-	-	-
<b>Net</b>	<b>3,877,590</b>	<b>12,119,364</b>	<b>9,906,441</b>

The company mainly distributes its products through direct sales and Tele-Marketing, receiving mostly cash with a small number of business debtors and faster collection period of 11 days, 13 days, and 12 days for the year 2013, 2014, and 2015 respectively, demonstrating the liquidity of debt collection. The business debtors are direct customers who purchase the products from the company without the representatives with the credit terms of 30-60 days.

From the table above, it is shown that most debtors of irrelevant businesses are not yet due whereas overdue debtors are less than 3 months based on an increase of sales volumes. As of 31<sup>st</sup> December 2015, 3-month overdue debtors amounted to 1.87 Million Baht out of 2 debtors whereas 1 out of 2 debtors had the overdue payment in sum of 1.74 Million Baht. This domestic debtor performed sales and distribution through television and cable channels with a decrease of sales volumes. This debtor had the lower amount of outstanding debts compared to the previous year and had no overdue payment exceeding 3 months. As of 31<sup>st</sup> December 2015, more than 3-month overdue debtors amounted to 0.13 Million Baht out of 2 debtors whereas 1 out of 2 debtors had the overdue payment in sum of 0.11 Million Baht. They were from overseas. The company expected to receive the unpaid debts in full and therefore there is no reservation regarding allowance for doubtful accounts.

Moreover, the amount of other receivables at the end of 2013 through 2015 was equivalent to 2.45 Million Baht, 3.92 Million Baht, and 6.03 Million Baht respectively. The important payments from the other receivables were advance payments for goods, prepaid expenses and accrued interest receivable, etc. In 2015, the amount of other receivables increased from the previous year due to the increased prepaid expenses which were deferred expenses for advertising on free television channels in the amount of 1.99 Million Baht.

(4) Short-term loans to related parties at the end of the year 2015 amounted to 5.00 Million Baht, provided to a committee member and company's shareholder in order to create a Digital Marketing Platform which could help expand the customer base, with the interest rate of 2.65% per year. The loan was guaranteed by a committee member. On 12<sup>th</sup> February 2016, the company had received the full amount of the principle.

(5) Net inventory as of 2013 through 2015 was equivalent to 40.01 Million Baht, 52.27 Million Baht, and 48.12 Million Baht respectively, accounting for 8.75%, 9.29%, and 7.65% of the total assets respectively. The company's inventory was divided into finished goods, goods in process, processed raw materials, raw materials, packages, and factory supplies as shown in the table below.

Details of Inventory	Value (Baht)		
	As of 31 <sup>st</sup> Dec 2015	As of 31 <sup>st</sup> Dec 2014	As of 31 <sup>st</sup> Dec 2013
Inventory			
- Finished Goods	14,687,721	14,229,043	7,976,229
- Goods in Process	49,220	140,000	1,235,090
- Processed Raw Materials	12,303,985	7,773,836	9,346,132
- Raw Materials	14,404,912	23,521,888	16,435,113
- Packages and Factory Supplies	8,226,498	8,672,239	7,310,572
<b>Total of Inventory</b>	<b>49,672,336</b>	<b>54,337,006</b>	<b>42,303,136</b>
Deducting Allowance for Lower Prices of Goods			
- Finished Goods	460,598	475,467	434,236
- Goods in Process	-	-	-
- Processed Raw Materials	88,357	112,790	66,614
- Raw Materials	300,302	839,817	1,329,575
- Packages and Factory Supplies	704,736	635,852	462,585
<b>Total</b>	<b>1,553,993</b>	<b>2,063,926</b>	<b>2,293,010</b>
<b>Total-Net</b>	<b>48,118,343</b>	<b>52,273,080</b>	<b>40,010,126</b>

Most of the inventory was stored in the form of raw materials, more importantly the agricultural ones and finished goods. From 2013-2015, these raw materials were averaged at 37% of the total values of inventory. The company also has the policy to purchase the agricultural products in a large sum for each time to prevent a shortage of raw materials and uncertainty of the supply cultivated each year. In fact, agricultural products can be stored for a long period of time after being extracted into transformation raw materials. As of 31<sup>st</sup> December 2014, the raw materials have increased by 43.12% from the end of year 2013 due to a purchasing transaction of more Garcinia and mangosteen. These materials were projected to be used for more production. As of 31<sup>st</sup> December 2015, the raw materials have decreased by 38.78% as the company had an adequate amount of Garcinia and mangosteen, the main raw materials) for production according to the plan. Therefore, no Garcinia and mangosteen was ordered.

Other inventory included finished goods. During 2013 – 2015, it valued averagely at 25% of the total values of inventory. As of 31<sup>st</sup> December 2014, the finished goods have increased by 78.39% since the company began producing canned-mangosteen juice, “Gold Shape,” which was the new product in 2014, in addition to its existing packages. As of 31<sup>st</sup> December 2015, the number of stored finished goods slightly increased by 3.22% from the previous year. Most of them were canned-mangosteen juice, “Gold Shape,” due to the decreased sales volumes of slimming products, continuing from the previous year. These stored finished goods were produced less than 2 years.

Allowance for the lower prices of goods and deterioration of quality products in each year has no significant changes. The company has arranged the allowance for the lower prices of goods and deterioration of quality products, mainly caused by a slow flow of finished goods and raw materials but not by defects. In fact, these were caused by a slow flow of most Garcinia whereas the amount of Garcinia stored at 31<sup>st</sup> December 2015, compared to an estimation of the annual production, could be used for about 2 years in a row since it was projected that Garcinia would be used for more production. Garcinia raw materials would be stored in the form of dried products in the warehouse with proper temperature and humidity. The company would annually check the physical and chemical properties to ensure that essential components or Hydroxy-citric acids (HCA) were to accord with the standard criteria. According to the company's tests, the amount of HCA in Garcinia stored more than 5 years was still in compliance with the set standards. The policy regarding allowance for deterioration of quality raw materials is shown below.

Raw materials aged over 5-10 years – Allowance for deterioration of quality products made at 20%

Raw materials aged over 10-11 years – Allowance for deterioration of quality products made at 40%

Raw materials aged over 11-12 years – Allowance for deterioration of quality products made at 60%

Raw materials aged over 12-13 years – Allowance for deterioration of quality products made at 80%



Raw materials aged over 13 years – Allowance for deterioration of quality products made at 100%

As of 31<sup>st</sup> December 2015, the amount of stored Garnicia aged over 5 years was worth at 1.46 Million Baht (from 4.15 Million Baht at the end of the year 2014) with allowance for deterioration of quality products made at 0.29 Million Baht. The company did not have any Garnicia aged over 10 years in its stock.

As of 31<sup>st</sup> December 2015, the amount of stored mangosteen peel aged over 1 year was worth 1.02 Million Baht. As there was no stock of mangosteen peel over 2 years, the company did not need the allowance for deterioration of quality products regarding the mangosteen peel. Moreover, the mangosteen peel was already under the policy for allowance for deterioration of quality products regarding raw materials. That is to say, the company would make its reservation for raw materials aged over 5 years. However, the mangosteen peel contained stable molecular substances with a slim chance of value deterioration. Even though it was stored under humidity, this would not decrease Mangostin (GM-1) obtained from the mangosteen peel.

As of 31<sup>st</sup> December 2015, the amount of stored mangosteen flesh aged over 1 year was worth 2.65 Million Baht. There was no mangosteen flesh aged over 2 year left in the stock. Therefore, the company has not arranged the allowance for deterioration of quality products as the mangosteen flesh would be stored in a controlled room with its temperature below -18 C. This would help preserve the physical and chemical properties of mangosteen flesh. According to the Auditing Committee Meeting no.4/2014 dated 10<sup>th</sup> November 2014, the policy for allowance for deterioration of quality products regarding fresh raw materials aged over 3 years was made at 20%.

Non-current assets at the end of 2013 through 2015 were equivalent to 99.19 Million Baht, 116.02 Million Baht, and 155.78 Million Baht respectively, accounting for 21.70%, 20.62%, and 24.77% of the total assets respectively. Main non-current assets were land plots, buildings, and instruments worth at 91.51 Million Baht, 105.74 Million Baht, and 146.68 Million Baht at the end of 2013-2015 or 93% of non-current assets. There was an increase of land plots, buildings, and instruments at the end of 2014 or 15.56% from the year 2013 due to a purchase of machine and instrument worth at 4.69 Million Baht. The Ratchada Branch in the AIA Tower was under restoration with the budget of 7 Million Baht. At the end of the year 2015, the non-current assets increased 38.71% from the previous year as the company was constructing the new manufacturing building at the headquarter in Lamphun Province, improving the electric power system of the factory buildings at the cost of approximately 19 Million Baht, decorated the Ratchada branch at the AIA Tower at an estimate cost of 17 Million Baht, and provision for dismantling the AIA Tower at an estimate cost of 3.4 Million Baht, buying office supplies at the cost of approximately 6 Million Baht and vehicles at the cost of 6.50 Million Baht.

As of 31<sup>st</sup> December 2014, the company has a lower burden of fixed deposits pledged as collateral approximately at 2.00 Million Baht from the end of year 2013 since such collateral-pledged deposits belonged to the subsidiary companies. After the entire business transfer (EBT) to APCO and deregistration, the company closed such fixed deposit accounts. Other non-current assets as of 31<sup>st</sup> December 2014 increased from guarantee deposits for the rental building of AIA Capital Center worth at 3.75 Million Baht, functioned as a new branch at Ratchada since the fourth quarter of the fiscal year 2014.

#### Liabilities

Total liabilities of the company as of 2013-2015 were equivalent to 52.88 Million Baht, 47.56 Million Baht, and 60.80 Million Baht respectively, without any outside resource from the financial institutes. Therefore, most of its liabilities are considered the current liabilities, amounted to 46.43 Million Baht, 40.19 Million Baht, and 49.05 Million Baht respectively, or 10.16%, 7.14%, and 7.80% of the total assets respectively. Main current liabilities are indicated below.

(1) Account payable and others at the end of 2013 through 2015 were equivalent to 29.95 Million Baht, 27.78 Million Baht and 30.02 Million Baht respectively, or 6.55%, 4.94%, and 4.77% of the total assets respectively. In this regard, account payable at the end of 2013 through 2015 amounted to 1.96 Million Baht, 1.39 Million Baht, and 1.86 Million Baht respectively, with the payment period of 10 days, 9 days, and 10 days respectively. Other creditors consist of other creditor-relevant company, asset purchase creditor, and accrued expenses. The creditor-relevant company refers to the creditor subject to compensations for the research and development the company must pay to ArunPittaya Co.,Ltd. Asset creditor refers to payment for the machine in the reduced amount of

approximately 1.99 Million Baht as the company had already paid the due payment. Accrued expenses hereby consist of accrued commissions, accrued rental expense, accrued services and public utilities, and accrued advertisement expenses.

(2) Income tax payable at the end of 2013 through 2015 was equivalent to 12.52 Million Baht, 9.10 Million Baht, and 14.78 Million Baht respectively. At the end of 2015, income tax payable was averaged at 30.13% of the current liabilities or 2.35% of the total assets.

Non-current liabilities of the company at the end of 2013 through 2015 were equivalent to 6.45 Million Baht, 7.37 Million Baht, and 11.75 Million Baht respectively, or 1.41%, 1.31 % and 1.87 % of the total assets. Non-current liabilities of the company included:

(1) Obligations for the employee's benefit, accounting for 8.36 Million Baht or 1.33% of the total assets at the end of 2015, regarded as compensations for the employee after retirement and pensions under the regulations of Labor Protection Act B.E.2541 regarding the benefits upon the retirement and other long-term benefits to the employee based on the rights and years of service according to the Accounting Standard No.19, enforceable in 2011.

(2) Estimated cost in demolishing the rental building, amounted to 3.40 Million Baht or 0.54% of the total assets at the end of 2015, comprising the demolition cost at the end of the 3-year rental contract (starting from 1<sup>st</sup> October 2014) of the AIA Building Capital Center (30<sup>th</sup> floor), the new branch at Ratchada.

#### Shareholder's Equity

At the end of 2013 through 2015, shareholder's equity was equivalent to 404.28 Million Baht, 515.04 Million Baht, and 568.18 Million Baht respectively. The shareholder's equity has been increasing because of rising profits made each year. From 2013-2015, the company's retained earnings were 98.75 Million Baht, 137.51 Million Baht, and 122.54 Million Baht respectively. The company also paid the dividend from 2013-2015 in sum of 54.88 Million Baht, 80 Million Baht (stock dividend worth 40 Million Baht and cash worth 40 Million Baht), and 115.60 Million Baht respectively.

At the end of the year 2014, shareholder's equity increased as a result of the higher profits from the operation. Moreover, in 2014, the company increased the registered capital from 200.00 Million Baht to 300.00 Million Baht to comply with the resolution made by the 2014 Annual Shareholder Meeting on 31<sup>st</sup> March 2014 to pay the stock dividend worth 40 Million Baht and to decide on the right offering in a total of 32.00 Million shares whereas the remaining 28 Million shares is subject to the private placement. The company processed the stock dividend and the right offering in April as well as registration for changing the paid-up capital to 272 Million Baht on 20<sup>th</sup> May 2014. According to the Extraordinary Shareholder Meeting No.1/2014 dated 23<sup>rd</sup> September 2014, the capital decrease in sum of 28 Million shares was approved whereas the equivalent capital increase was also approved for the public offering in response of their supports.

The 2015 Annual Shareholder Meeting on 26<sup>th</sup> March 2015 approved the change of par value from 1.00 Baht per share to 0.10 Baht per share, which changed a total of 300,000,000 ordinary shares worth 1.00 Baht per share to a total of 3,000,000,000 ordinary shares worth 0.10 Baht. Upon being approved by the shareholders, the public offering will be processed, from a sum of 28,000,018 ordinary shares worth 1.00 Baht per share to 280,000,018 ordinary shares worth 0.10 Baht. On 24<sup>th</sup>, 27<sup>th</sup> – 30<sup>th</sup> April 2015, the company sold the newly issued ordinary shares in the public offering process in response of their supports in a total of 25,374,825 ordinary shares worth 0.10 Baht each, at the proposed price of 2.7714 Baht per share (The actual sales price was 2.91 Baht per share as when summing up with the complimentary shares of 5% of the total purchased shares, the net price per share that investors paid was equivalent to 2.7714 Baht). The total newly issued ordinary shares offered were worth 70.32 Million Baht, shown in the paid new ordinary shares at 2.54 Million Baht and the share premium at 65.57 Million Baht (Net value after deducting share offering expenses of 2.2 Million Baht). As a result, the proportion of shareholders at the end of the year 2015 increased. In this regard, the company has registered the paid-up capital of 274.54 Million Baht to the Ministry of Commerce on 20<sup>th</sup> May 2015.

The liability ratio per shareholder's equity at the end of 2013 through 2015 was equivalent to 0.13 times, 0.09 times, and 0.11 times respectively. This ratio is quite a low level in line with the facts that the capital sources for business operations in the company

derive from the shareholder's equity and cash flow from its operation. Positively, it also leads to a low level of financial risks and more flexibility for business operations.

#### Liquidity

##### (1) Cash Flow

Cash flow from the company's operations in 2013 through 2015 remained constantly positive, amounting to 94.25 Million Baht, 104.25 Million Baht, and 139.05 Million Baht respectively. This stemmed from continuous net profits of the company. The cash flow from investments in 2013 through 2015 amounted to 178.96 Million Baht, (21.32) Million Baht, and (254.69) Million Baht respectively.

In 2013, cash flow from the company's investment was positive as the company reduced its temporary investment in an amount of 194.90 Million Baht and changed to the deposits of 3-month Exchange Bill and more cash was held by the company. The company also invested on the decorations for Ratchada branch with the cost of approximately 7.30 Million Baht and purchased machines, instruments, and office supplies in the headquarter in sum of 8.6 Million Baht.

In 2014, the company had no temporary investment but an investment on purchasing machines and instruments, valued approximately 4.69 Million Baht, and decorating the Ratchada branch at AIA Building, valued approximately 7 Million Baht. Cash flow from the company's investment then turned to be negative,

In 2015, the company's cash flow from the investment became more negative because (1) The company invested in savings in the form of 6-month Exchange Bill at the financial institution and 12-month fixed deposit in an amount of 195.41 Million Baht, changed from 3-month Exchange Bill at the financial institution for a higher return rate; (2) The company provided a short-term loan to the relevant person worth 5.00 Million Baht and received the full amount of the principle on 12<sup>th</sup> February 2016; and (3) The company constructed a new manufacturing building at the headquarter in Lamphun Province, improved the electric power system of the factory buildings, worth approximately 19 Million Baht, decorated the Ratchada branch at the AIA Tower at an estimate cost of 17 Million Baht, and provision for dismantling the AIA Tower at an estimate cost of 3.4 Million Baht, bought office supplies of approximately 6 Million Baht, and purchased vehicles at 6.50 Million Baht.

In addition, cash flow from financial events in 2013 through 2015 was equivalent to (54.88) Million Baht, (8.47) Million Baht, and (47.49) Million Baht respectively. As the company annually paid the dividend to shareholders at the proportion higher than 95% of the net profit, cash flow from financial events was negative. In 2014, cash flow from financial events decreased because the company decided to increase the capital by the right offering in a total of 32.00 Million shares and received the money from such transaction around 32.00 Million Baht. Moreover in 2015, the company increased the capital by the public offering in a total of 25.37 Million shares and received the money from such transaction around 68.11 Million Baht (Net value after deducting share offering expenses of 2.2 Million Baht).

##### (2) Liquidity Ratio

From 2013 – 2015, APCO's liquidity amounted to 7.71 times, 11.11 times and 9.65 times respectively, regarded as a high level since the company maintained a huge amount of cash from its operation. However, with respect to the cash flow of the company, it was deemed a long period. From 2013 to 2015, the company's cash flow was 250, 243, and 281 days respectively. The main cause was the storage of agricultural raw materials and processed materials in a large amount for production exceeding 2 years. In addition, the amount of the stored finished goods continued to increase as the sales volumes of the slimming products reduced. Therefore, the cash flow increased from the previous year. However, the company still has enough liquidity to manage its long cash flow, with no reliance on any loans from the financial institutes.

#### Significant Financial Changes after 31<sup>st</sup> December 2015

(1) The company will pay the dividend to its shareholders totaling 2,745,374,645 shares in the rate of 0.0347 Baht or totally 95.26 Million Baht. Also, the company will announce the names of shareholders eligible for the dividend (Record Date) on 21<sup>th</sup>

April 2016 and will halt the share transfer registration on 22<sup>th</sup> April 2016 to determine the rights to receive the dividend. In this regard, the dividend is scheduled to be paid on 3<sup>rd</sup> May 2016. The payment of dividend will affect the retained earnings and shareholder's equity as of 31<sup>st</sup> December 2015 as follows:

	As of 31 <sup>st</sup> December 2015	Post-Dividend Payment in May 2015
Retained Earnings (Million Baht)	95.89	Approximately 0.63
Shareholders' Equity (Million Baht)	568.18	Approximately 472.92

- (2) The decrease of capital was approved by canceling the registered and unpaid ordinary shares in the amount of 254,625,355 shares of par value of 0.10 Baht, totaling 25,462,535.50 Baht. The registered capital changed from 300,000,000 Baht to 274,537,464.50 Baht
- (3) The increase of capital was approved in sum of 25,462,535.50 Baht, comprising 254,625,355 ordinary shares of par value of 0.10 Baht. The registered capital changed from 274,537,464.50 Baht to 300,000,000 Baht with 3,000,000,000 ordinary shares worth 0.10 Baht per share.
- (4) The Allocation of the newly issued ordinary shares in the amount up to 254,625,355 shares of par value of 0.10 Baht through public offering in response of their supports. The offered price was considered from the average market price of the company's ordinary shares. In the case that there were any outstanding ordinary shares after public offering process, the company would allocate them to the existing shareholders according to the shareholding proportion (right offering), at the price of 0.10 Baht per share.

#### 1.4 Factors that may affect APCO's performance or financial status in the future

##### Effects from Change of Distribution Channel

Channels for distribution are an important factor affecting the company's performance. Direct sales lead to higher sale costs than other channels due to commissions paid to sales representatives, including a large volume of expenses for marketing campaigns. In this regard, the company decided to expand other distribution channels. In particular, the proportion of distribution through its Tele-Marketing is raised because of lower commissions. Moreover, the company will increase the proportion of oversea sales by appointing distributors or agents in many countries and more potential distribution channels. It is projected that these will raise the proportion of revenues obtained from other distribution channels in addition to a higher volume of sales through direct sales in order to improve the net profits in the near future.

## Independent Auditor's Report

To the Board of Directors and Shareholders of  
Asian Phytoceuticals Public Company Limited

I have audited the accompanying financial statements in which the equity method is applied of **Asian Phytoceuticals Public Company Limited**, which comprise the statement of financial position in which the equity method is applied as at 31 December 2015, and the related statements of comprehensive income in which the equity method is applied, changes in shareholders' equity in which the equity method is applied and cash flows in which the equity method is applied 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 **Asian Phytoceuticals 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 judgment, 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 Asian Phytoceuticals Public Company Limited as at 31 December 2015, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

NONGRAM LAOHAAREEDILOK

Certified Public Accountant

Registration No. 4334

Ast Master Co.,Ltd.

23 February 2016

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

		In Baht			
		Financial statements in which			
		equity method is applied		Separate financial statements	
<u>ASSETS</u>	<u>Notes</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	213,803,054	376,922,030	213,803,054	376,922,030
Short - term investments	7	195,408,415	-	195,408,415	-
Trade and other receivables	8	10,307,606	16,632,629	10,307,606	16,632,629
Short-term loan to a related person	9	5,000,000	-	5,000,000	-
Inventories	10	48,118,343	52,273,080	48,118,343	52,273,080
Other current assets		558,493	754,874	558,493	754,874
<b>Total current assets</b>		473,195,911	446,582,613	473,195,911	446,582,613
<b>NON - CURRENT ASSETS</b>					
Deposits pledged as collateral	11	504,717	939,066	504,717	939,066
Investment in associate	12	503,457	795,482	1,225,000	1,225,000
Property, plant and equipment	13	146,681,472	105,743,406	146,681,472	105,743,406
Intangible assets	14	1,234,298	1,342,910	1,234,298	1,342,910
Deferred tax assets	19	2,137,016	1,922,107	2,137,016	1,922,107
Other non - current assets		4,719,297	5,279,311	4,719,297	5,279,311
<b>Total non - current assets</b>		155,780,257	116,022,282	156,501,800	116,451,800
<b>TOTAL ASSETS</b>		628,976,168	562,604,895	629,697,711	563,034,413

The notes to financial statements are an integral part of these financial statements.

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2015**

In Baht

<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	<b><u>Notes</u></b>	<div>Financial statements in which</div> <div>equity method is applied      Separate financial statements</div>			
		<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	30,017,801	27,777,320	30,017,801	27,777,320
Accrued income tax		14,778,390	9,102,685	14,778,390	9,102,685
Other current liabilities		4,249,063	3,312,269	4,249,063	3,312,269
<b>Total current liabilities</b>		<b>49,045,254</b>	<b>40,192,274</b>	<b>49,045,254</b>	<b>40,192,274</b>
<b>NON - CURRENT LIABILITIES</b>					
Employee benefit obligations	16	8,356,482	7,368,809	8,356,482	7,368,809
Provision for dismantling cost		3,395,316	-	3,395,316	-
<b>Total non - current liabilities</b>		<b>11,751,798</b>	<b>7,368,809</b>	<b>11,751,798</b>	<b>7,368,809</b>
<b>Total liabilities</b>		<b>60,797,052</b>	<b>47,561,083</b>	<b>60,797,052</b>	<b>47,561,083</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	17				
Registered					
3,000,000,000 ordinary shares of Baht 0.10 each (2014 : 300,000,000 ordinary shares of Baht 1 each)		<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
Issued and paid-up					
2,745,374,645 ordinary shares of Baht 0.10 each (2014 : 271,999,982 ordinary shares of Baht 1 each)		274,537,465	271,999,982	274,537,465	271,999,982
Premium on share capital	17	148,437,869	82,862,640	148,437,869	82,862,640
Surplus from business combinations					
under common control		22,666,575	22,666,575	22,666,575	22,666,575
Retained earnings					
Appropriated for legal reserve	18	26,652,000	21,552,000	26,652,000	21,552,000
Unappropriated		95,885,207	115,962,615	96,606,750	116,392,133
<b>Total shareholders' equity</b>		<b>568,179,116</b>	<b>515,043,812</b>	<b>568,900,659</b>	<b>515,473,330</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>628,976,168</b>	<b>562,604,895</b>	<b>629,697,711</b>	<b>563,034,413</b>

The notes to financial statements are an integral part of these financial statements.

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015

In Baht

	Notes	Financial statements in which equity method is applied		Separate financial statements	
		2015	2014	2015	2014
Sales		409,251,149	425,813,961	409,251,149	425,813,961
Costs of sales		(64,954,362)	(69,768,193)	(64,954,362)	(69,768,193)
<b>Gross profit</b>		344,296,787	356,045,768	344,296,787	356,045,768
Other income		6,577,254	7,256,233	6,577,254	7,256,233
<b>Profit before expenses</b>		350,874,041	363,302,001	350,874,041	363,302,001
Selling expenses		(147,337,902)	(144,215,027)	(147,337,902)	(144,215,027)
Administrative expenses		(77,814,640)	(71,169,560)	(77,814,640)	(71,169,560)
Total expenses		(225,152,542)	(215,384,587)	(225,152,542)	(215,384,587)
<b>Profit before share of loss from investment in associate, finance costs and income tax expense</b>		125,721,499	147,917,414	125,721,499	147,917,414
Share of loss from investment in associate	12	(292,025)	(98,609)	-	-
<b>Profit before finance costs and income tax expense</b>		125,429,474	147,818,805	125,721,499	147,917,414
Finance costs		-	(17,895)	-	(17,895)
<b>Profit before income tax expense</b>		125,429,474	147,800,910	125,721,499	147,899,519
Income tax expense	19	(24,806,890)	(29,032,799)	(24,806,890)	(29,032,799)
<b>Profit for the year</b>		100,622,584	118,768,111	100,914,609	118,866,720
<b>Other comprehensive income for the year</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		100,622,584	118,768,111	100,914,609	118,866,720
<b>Basic earnings per share</b>					
Profit for the year		0.04	0.05	0.04	0.05
Weighted average number of ordinary shares		2,735,711,355	2,598,136,810	2,735,711,355	2,598,136,810

The notes to financial statements are an integral part of these financial statements.



**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

Financial statements in which equity method is applied

		In Baht						
		Issued and  Paid - up Share Capital	Premium  on share capital	Surplus from business combinations under common control	Retained earnings		Other  components  of equity	Total  shareholders'  equity
					Appropriated			
Notes					for legal  reserve	Unappropriated		
		200,000,000	82,862,640	22,666,575	15,602,000	83,144,504	-	404,275,719
Increase in share capital	17	32,000,000	-	-	-	-	-	32,000,000
Stock dividend	17	39,999,982	-	-	-	-39,999,982	-	-
Dividend paid	17	-	-	-	-	-40,000,018	-	-40,000,018
Increase in legal reserve	18	-	-	-	5,950,000	-5,950,000	-	-
Total comprehensive income for the year		-	-	-	-	118,768,111	-	118,768,111
Balance as at 31 December 2014		271,999,982	82,862,640	22,666,575	21,552,000	115,962,615	-	515,043,812
Balance as at 1 January 2015		271,999,982	82,862,640	22,666,575	21,552,000	115,962,615	-	515,043,812
Increase in share capital	17	2,537,483	65,575,229	-	-	-	-	68,112,712
Dividend paid	17	-	-	-	-	-115,599,992	-	115,599,992
Increase in legal reserve	18	-	-	-	5,100,000	-5,100,000	-	-
Total comprehensive income for the year		-	-	-	-	100,622,584	-	100,622,584
Balance as at 31 December 2015		274,537,465	148,437,869	22,666,575	26,652,000	95,885,207	-	568,179,116

The notes to financial statements are an integral part of these financial statements.

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

Separate financial statements

In Baht

	Notes	Retained earnings						Total
		Issued and	Premium	Surplus from	Appropriated	Unappropriated	Other	
		Paid - up	on share	business	for legal		components	shareholders'
		Share	capital	ombinations	reserve		of equity	equity
		Capital		under				
				common				
				control				
Balance as at 1 January 2014		200,000,000	82,862,640	22,666,575	15,602,000	83,475,413	-	404,606,628
Increase in share capital	17	32,000,000	-	-	-	-	-	32,000,000
Stock dividend	17	39,999,982	-	-	-	(39,999,982)	-	-
Dividend paid	17	-	-	-	-	(40,000,018)	-	(40,000,018)
Increase in legal reserve	18	-	-	-	5,950,000	(5,950,000)	-	-
Total comprehensive income for the year		-	-	-	-	118,866,720	-	118,866,720
Balance as at 31 December 2014		<u>271,999,982</u>	<u>82,862,640</u>	<u>22,666,575</u>	<u>21,552,000</u>	<u>116,392,133</u>	<u>-</u>	<u>515,473,330</u>
Balance as at 1 January 2015		271,999,982	82,862,640	22,666,575	21,552,000	116,392,133	-	515,473,330
Increase in share capital	17	2,537,483	65,575,229	-	-	-	-	68,112,712
Dividend paid	17	-	-	-	-	(115,599,992)	-	(115,599,992)
Increase in legal reserve	18	-	-	-	5,100,000	(5,100,000)	-	-
Total comprehensive income for the year		-	-	-	-	100,914,609	-	100,914,609
Balance as at 31 December 2015		<u>274,537,465</u>	<u>148,437,869</u>	<u>22,666,575</u>	<u>26,652,000</u>	<u>96,606,750</u>	<u>-</u>	<u>568,900,659</u>

The notes to financial statements are an integral part of these financial statements.

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	In Baht			
	Financial statements in which		Separate	
	equity method is applied		financial statements	
	2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	125,429,474	147,800,910	125,721,499	147,899,519
Adjustments to reconcile profit to net cash provided by operating activities				
Reversal of allowance for obsolescence of inventories	(509,933)	(229,084)	(509,933)	(229,084)
Bad debt	-	16,140	-	16,140
Loss on disposal of equipment	276,969	773,007	276,969	773,007
Depreciation	15,411,485	8,646,873	15,411,485	8,646,873
Amortization of intangible assets	197,112	105,550	197,112	105,550
Share of loss from investment in associate	292,025	98,609	-	-
Employee benefit obligations	987,673	915,708	987,673	915,708
Interest expenses	-	17,895	-	17,895
Profit from operating activities before change in operational assets and liabilities	142,084,805	158,145,608	142,084,805	158,145,608
Decrease (Increase) in operating assets				
Trade and other receivables	6,325,023	(1,852,274)	6,325,023	(1,852,274)
Inventories	4,664,670	(12,033,870)	4,664,670	(12,033,870)
Other current assets	196,381	(57,713)	196,381	(57,713)
Other non - current assets	(39,986)	(3,689,892)	(39,986)	(3,689,892)
Increase (Decrease) in operating liabilities				
Trade and other payables	4,231,950	(3,521,139)	4,231,950	(3,521,139)
Other current liabilities	936,794	(178,818)	936,794	(178,818)
Cash received from operations	158,399,637	136,811,902	158,399,637	136,811,902
Interest paid	-	(17,895)	-	(17,895)
Income tax paid	(19,346,094)	(32,548,597)	(19,346,094)	(32,548,597)
Net cash provided by operating activities	139,053,543	104,245,410	139,053,543	104,245,410

The notes to financial statements are an integral part of these financial statements.

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	In Baht			
	Financial statements in which equity method is applied		Separate financial statements	
	2015	2014	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in short - term investments	(195,408,415)	-	(195,408,415)	-
Increase in short-term loan to a related person	(5,000,000)	-	(5,000,000)	-
Decrease(Increase) in fixed deposits pledged as collateral	434,349	1,972,259	434,349	1,972,259
Cash paid for investment in associate	-	(125,000)	-	(125,000)
Proceeds from disposal of equipment	6,755	1,953,458	6,755	1,953,458
Cash paid for acquisition of property, plant and equipment (Supplementary information 1)	(53,659,428)	(25,118,811)	(53,659,428)	(25,118,811)
Cash paid for acquisition of intangible assets (Supplementary information 2)	(1,058,500)	-	(1,058,500)	-
Net cash used in investing activities	(254,685,239)	(21,318,094)	(254,685,239)	(21,318,094)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of liabilities under finance lease contracts	-	(469,024)	-	(469,024)
Net cash received from increase in share capital	68,112,712	32,000,000	68,112,712	32,000,000
Dividends paid	(115,599,992)	(40,000,018)	(115,599,992)	(40,000,018)
Net cash used in financing activities	(47,487,280)	(8,469,042)	(47,487,280)	(8,469,042)
Net increase (decrease) in cash and cash equivalents	(163,118,976)	74,458,274	(163,118,976)	74,458,274
Cash and cash equivalents, beginning of year	376,922,030	302,463,756	376,922,030	302,463,756
Cash and cash equivalents, end of year	213,803,054	376,922,030	213,803,054	376,922,030
<b>Supplement Disclosures of Cash Flows Information</b>				
1. Cash paid for acquisition of property, plant and equipment				
Acquisition of property, plant and equipment during the year	(56,633,275)	(25,607,611)	(56,633,275)	(25,607,611)
Decrease in advances for purchases of equipment	600,000	113,500	600,000	113,500
Increase (decrease) in payable from acquisition of assets	(1,021,469)	375,300	(1,021,469)	375,300
Increase in provision for dismantling cost	3,395,316	-	3,395,316	-
Cash paid for acquisition of property, plant and equipment	(53,659,428)	(25,118,811)	(53,659,428)	(25,118,811)
2. Cash paid for acquisition of intangible assets				
Acquisition of intangible assets during the year	(88,500)	(970,000)	(88,500)	(970,000)
Increase (decrease) in payable from acquisition of assets	(970,000)	970,000	(970,000)	970,000
Cash paid for acquisition of intangible assets	(1,058,500)	-	(1,058,500)	-

The notes to financial statements are an integral part of these financial statements.

## 1. GENERAL INFORMATION

Asian Phytochemicals Public Company Limited (“the Company”) is a public company limited on 12 July 2005. The Company is engaged in business of research and development, manufacturing and distribution of its products for health and natural beauty. The Company is located at 84/3 Moo 4 Highway No.11 Road, Banklang, Muang Lamphun, Lamphun.

The Company was listed on the Stock Exchange of Thailand on 4 November 2011 and the Company’s stocks were traded on the MAI (Market for Alternative Investment).

## 2. BASIS FOR FINANCIAL STATEMENTS PREPARATION

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements in which equity method is applied and separate financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

### Acquisitions from entities under common control

Business combinations of entities or businesses under common control are accounted for using a method similar to the pooling of interest method and in accordance with Guidelines issued in 2009 by the FAP.

The excess of book value of net assets acquired in subsidiaries under common control over the price at which they were exchanged is presented in shareholders’ equity in the consolidated statement of financial position under the caption “Surplus from business combinations under common control”.

For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

## 3. NEW ACCOUNTING 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.

### 3.1 Financial reporting standards that became effective in the current year

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which 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 standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, some of these standards involve changes to key principles, which are summarised below:

#### TAS 1 (revised 2014) Presentation of Financial Statements

The main change is that a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

### **TAS 19 (revised 2014) Employee Benefits**

This revised standard requires that the entity recognise actuarial gains and losses immediately in other comprehensive income while the former standard allowed the entity to recognise such gains and losses immediately in either profit or loss or 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 already recognise actuarial gains and losses immediately in other comprehensive income.

### **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 on the financial statements of the Company.

### **TFRS 13 Fair Value Measurement**

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. 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 effects of the adoption of this standard are to be recognised prospectively.

This standard does not have any significant impact on the Company's financial statements

## **3.2 Thai Financial Reporting Standards (TFRS) not yet adopted**

During the current year, the Federation of Accounting Professions issued a number of the revised (revised 2015) and new financial reporting standards and accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards. The management of the Company believe that the revised and new financial reporting standards and accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied.

TFRS	Topic
TAS 1 (revised 2015)	Presentation of Financial Statements
TAS 2 (revised 2015)	Inventories
TAS 7 (revised 2015)	Statement of Cash Flows
TAS 8 (revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2015)	Events After the Reporting Period
TAS 11 (revised 2015)	Construction contracts
TAS 12 (revised 2015)	Income Taxes
TAS 16 (revised 2015)	Property, Plant and Equipment
TAS 17 (revised 2015)	Leases
TAS 18 (revised 2015)	Revenue
TAS 19 (revised 2015)	Employee Benefits
TAS 20 (revised 2015)	Accounting for government grants and disclosure of government assistance
TAS 21 (revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2015)	Borrowing Costs

TFRS	Topic
TAS 24 (revised 2015)	Related Party Disclosures
TAS 26 (revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2015)	Separate Financial Statements
TAS 28 (revised 2015)	Investments in Associates and Joint Ventures
TAS 29 (revised 2015)	Financial reporting in hyperinflationary economies
TAS 33 (revised 2015)	Earnings per Share
TAS 34 (revised 2015)	Interim Financial Reporting
TAS 36 (revised 2015)	Impairment of Assets
TAS 37 (revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2015)	Intangible assets
TAS 40 (revised 2015)	Investment Property
TAS 41	Agriculture
TFRS 2 (revised 2015)	Share-based Payment
TFRS 3 (revised 2015)	Business Combinations
TFRS 4 (revised 2015)	Insurance contracts
TFRS 5 (revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2015)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2015)	Operating Segments
TFRS 10 (revised 2015)	Consolidated Financial Statements
TFRS 11 (revised 2015)	Joint Arrangements
TFRS 12 (revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2015)	Fair Value Measurement
TSIC 10 (revised 2015)	Government Assistance – No Specific Relation to Operating Activities
TSIC 15 (revised 2015)	Operating Leases – Incentives
TSIC 25 (revised 2015)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2015)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2015)	Revenue – Barter Transactions Involving Advertising Services
TSIC 32 (revised 2015)	Intangible Assets – Web Site Costs
TFRIC 1 (revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2015)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds



TFRS	Topic
TFRIC 7 (revised 2015)	Applying the Restatement Approach under TAS29 (revised 2015) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2015)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2015)	Service Concession Arrangements
TFRIC 13 (revised 2015)	Customer Loyalty Programmes
TFRIC 14 (revised 2015)	TAS 19 (revised 2015) <i>Employee Benefits</i> – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 15 (revised 2015)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2015)	Distributions of Non – cash Assets to Owners
TFRIC 18 (revised 2015)	Transfers of Assets from Customers
TFRIC 20 (revised 2015)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2015)	Levies

#### 4. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below;

##### 4.1 Cash and cash equivalents

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

Deposits at financial institutions that are restricted in use are presented as “Fixed deposits pledged as collateral” under non - current assets in the statement of financial position.

##### 4.2 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount less allowance for doubtful account receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debt is written off in profit or loss during the year in which they are identified and it is a part of administrative expenses.

##### 4.3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow moving and defective inventories.

##### 4.4 Investments in associate

Associate is entity in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.



Investment in associate is accounted for in the consolidated financial statements using the equity method (equity-accounted investees) and is recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Company's share of profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Investment in associate is reported by using the cost method of accounting in the separate financial statements.

#### 4.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation and allowance for loss on impairment of asset (if any).

Decommissioning costs are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation is calculated on a straight-line basis over the expected period of the decommissioning.

Depreciation of plant and equipment is calculated on the straight line method over their estimated useful lives are as follows:

Land improvement	10	years
Building and improvement	3-20	years
Machinery and equipment	10	years
Tools	5-10	years
Office equipment	3-10	years
Vehicles	5-10	years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged in profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

When assets are sold or retired, the Company will eliminate their costs and accumulated depreciation from the accounts and recognize any gain or loss resulting from their disposal in the statement of comprehensive income.

#### 4.6 Impairment of assets

The Company reviewed the impairment of land building and equipment whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount. the Company recognize the impairment losses and a reversal of impairment loss is recognized as income when there is an indication that the expected recoverable amount is higher than the amount recognized provided that such a reversal should not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior periods.

#### **4.7 Intangible assets and amortization**

Intangible asset is computer software and cost of website which is stated at historical cost less any accumulated amortisation and allowance for loss on impairment of assets (if any). Amortized using the straight line method over its useful live of 10 years.

#### **4.8 Accounting for leases - where a company is the lessee**

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged in profit or loss over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in profit or loss on a straight-line basis over the period of the lease.

#### **4.9 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### **4.10 Employee benefits**

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company and its employees have jointly established a provident fund. 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 contributions are recognised as expenses when incurred.

Defined benefit plans

The Company have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

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

#### **4.11 Revenue recognition**

The Company recognized sales as income when delivery has taken place and transfer of risks and rewards has been completed.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

#### **4.12 Foreign currency transactions**

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in profit or loss.

#### **4.13 Income tax**

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

##### **Current tax**

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

##### **Deferred tax**

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

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

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

#### **4.14 Basic earnings per share**

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Company adjusted the number of ordinary shares for the years ended 31 December 2015 and 2014, in proportion to the change in the number of shares as a result of the change in par value from Baht 1 each to Baht 0.10 each, which approved on 26 March 2015 by the ordinary shareholders' meeting, as described in Note 17 to the financial statements. The number ordinary shares is adjusted as if the share split had occurred at the beginning of the earliest period reported.

#### **4.15 Financial instruments**

Financial assets carried on the statements of financial position include cash and cash equivalents, trade accounts receivable, deposits pledged as collateral. Financial liabilities carried on the statements of financial position include, trade accounts payable, financial lease liabilities, accrued income tax and accrued expenses and other payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **4.16 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

##### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement 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 judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

##### **Allowance for net realizable value**

The Company considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

##### **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 Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses 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.

##### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan 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.

#### **4.17 Related person and companies**

Persons and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personal, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

## 5. TRANSACTIONS WITH RELATED PARTIES

### 5.1 Relationship and pricing policies

	Relationship
<b>Associate</b>	
Th17 (Thailand) Co., Ltd.	Shareholding by the Company
<b>Related companies</b>	
Samaphan Health Co., Ltd.	Common shareholders and directorship
Samaphan International Co., Ltd.	Common shareholders and directorship
Arun Pitaya Co., Ltd.	Common shareholders and directorship
K&N Organic Herb Limited Partnership	Partner of the partnership is a shareholder
APCODM Pte. Ltd. "APCODM"	A major shareholder of APCODM borrowed the loan from Asian Phytochemicals Public Company Limited, "APCO", which was guaranteed by the director of APCO.
<b>Related persons</b>	Director and shareholder

Pricing policies for subsidiaries, related parties are as follows:

	Pricing policy
Sales	At price which had been agreed upon that excess cost value.
Other income	At price which had been agreed upon that excess cost value.
Purchase	At price which had been agreed upon.
Service fee of utilization from products' research and development	At contract price which had been agreed upon.
Rental expense	At contract price which had been agreed upon.

### 5.2 Balances of transactions with related parties

Significant balances with related parties as at 31 December 2015 and 2014 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
<b>Trade accounts receivable</b>		
Associate	370,293	191,290
Related companies	26,851	400,647
Total	397,144	591,937
<b>Short-term loan</b>		
Related person (Note 9)	5,000,000	-
<b>Trade accounts payable</b>		
Related companies	36,161	-
<b>Other payables</b>		
Associate	-	194,843
Related companies	1,082,068	1,728,717

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Total	1,082,068	1,923,560

### 5.3 Revenues and expenses with related parties

Significant transactions with related parties for the year ended 31 December 2015 and 2014 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
<b>Sales</b>		
Associate	1,662,115	2,760,668
Related companies	11,728,857	2,752,041
Related person	1,262,384	-
Total	14,653,356	5,512,709
<b>Other income</b>		
Related companies	5,573	7,816
<b>Interest income</b>		
Related person	119,068	-
<b>Purchase</b>		
Related companies	286,333	972,365
<b>Service fee of utilization from products' research and development</b>		
Related companies	9,768,414	10,653,668
<b>Rental expense</b>		
Related companies	420,000	420,000
Related persons	156,000	156,000
Total	576,000	576,000

### DIRECTORS AND MANAGEMENT'S BENEFITS

The Company had employee benefit expenses of its directors and management for the year ended 31 December 2015 and 2014, as below

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Short-term employee benefits	14,908,524	18,110,511
Post-employment benefits	689,612	649,860
Total	15,598,136	18,760,371

## 6. CASH AND CASH EQUIVALENTS

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Cash on hand	537,280	309,740
Regular checking accounts	10,628,323	12,064,860
Saving accounts	132,637,451	152,647,430
Bill of exchanges, maturity 3 months	70,000,000	211,900,000
Total	213,803,054	376,922,030

As at 31 December 2015, the weighted average effective interest rates of deposits at financial institutions were 0.125 % to 1.85 % per annum (2014: 0.375% to 2.70% per annum).

## 7. SHORT - TERM INVESTMENTS

		In Baht	
		Financial statements in which equity method is applied and Separate financial statements	
	Interest rate (%) p.a.	2015	2014
Bill of exchanges, maturity 6 months	1.7 – 1.9	194,900,000	-
Fixed deposits 12 months	1.7	508,415	-
Total		195,408,415	-

## 8. TRADE AND OTHER RECEIVABLES

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Trade accounts receivable - related parties (Note 5.2)	397,144	591,937
Trade accounts receivable - other companies	3,877,590	12,119,364
Total trade accounts receivable	4,274,734	12,711,301
Advances for inventories	2,435,100	1,927,980
Prepaid expenses	2,791,933	994,450
Accrued interest	378,377	476,454
Revenue department receivable	151,670	151,670
Others	275,792	370,774
Total	10,307,606	16,632,629

Aging of trade accounts receivable as at 31 December 2015 and 2014 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
<b>Trade accounts receivable - related parties</b>		
Within credit terms	141,885	590,610
Overdue:		



	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Less than 3 months	255,259	1,327
Total	397,144	591,937

**Trade accounts receivable - other companies**

Within credit terms	1,873,945	9,072,065
Overdue:		
Less than 3 months	1,871,805	2,979,907
3 - 6 months	-	9,975
6 - 9 months	131,840	9,313
9 - 12 months	-	18,257
Over 12 months	-	29,847
Total	3,877,590	12,119,364

**9. SHORT-TERM LOAN TO A RELATED PERSON**

As at 31 December 2015, the Company has short-term loan to a related person, who is a director and shareholder of a major customer of the Company, amounting to Baht 5 million for build Platform Digital Marketing, which bears interest rate at the rate of 2.65% per annum and agrees to pay the interest every month. Such loan is guaranteed by a director of Asian Phytochemicals Public Company Limited. The Company has already received for such loan on 12 February 2016.

**10. INVENTORIES**

	In Baht					
	Financial statements in which equity method is applied and Separate financial statements					
	At cost		Allowance for obsolescence of inventories		Inventories-net	
	2015	2014	2015	2014	2015	2014
Finished goods	14,687,721	14,229,043	(460,598)	(475,467)	14,227,123	13,753,576
Work in process	49,220	140,000	-	-	49,220	140,000
Transform raw						
Material	12,303,985	7,773,836	(88,357)	(112,790)	12,215,628	7,661,046
Raw material	14,404,912	23,521,888	(300,302)	(839,817)	14,104,610	22,682,071
Packaging and supplies	8,226,498	8,672,239	(704,736)	(635,852)	7,521,762	8,036,387
Total	49,672,336	54,337,006	(1,553,993)	(2,063,926)	48,118,343	52,273,080

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Inventories recognised as an expense in 'cost of sale of goods':		
Cost	64,954,362	69,768,193



(Reversal of) write-down to net realisable value	(509,933)	(229,084)
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#### 11. DEPOSITS PLEDGED AS COLLATERAL

As at 31 December 2015, the Company has fixed deposits in the amounts of Baht 0.5 million (2014: Baht 0.9 million), bears interest at the rates ranging from 1.0% - 1.4% per annum (2014 : interest at the rates ranging from 1.05% - 1.70% per annum).

These deposits are pledged as collateral for bank guarantees from financial institutions for government and private agency as discussed in Note 23.2.

#### 12. INVESTMENT IN ASSOCIATE

Name	Paid-up Capital (In Baht)	Holdings (%)	In Baht			
			At equity method		At Cost	
			2015	2014	2015	2014
Th17 (Thailand) Co., Ltd.	2,500,000	49	503,457	795,482	1,225,000	1,225,000

Th17 (Thailand) Co., Ltd. operates as a distributor for products of Asian Phytochemicals Public Company Limited with emphasis on cancer prevention and control (CPC).

##### Share of loss from investment in associate

The Company recognized its share of loss from investment in the associate in the financial statements in which equity method is applied, for the year ended 31 December 2015 and 2014, as follows:

Name	In Baht	
	2015	2014
Th17 (Thailand) Co., Ltd.	292,025	98,609

#### Summary financial information of associate

Name	In Baht									
	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues		Profit (loss)	
	31 December		31 December		31 December		for the years ended		for the years ended	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Th17 (Thailand) Co., Ltd.	2,500,000	2,500,000	1,588,050	1,908,746	398,891	230,000	2,852,958	4,566,966	(489,587)	(69,191)

### 13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Financial statements in which equity method is applied and Separate financial statements							
	In Baht							
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Building instruction	Total
As at 1 January 2014								
Cost	8,287,320	88,546,916	23,126,992	7,825,517	11,187,835	14,811,769	379,400	154,165,749
<u>Less</u> Accumulated depreciation	(32,573)	(29,197,337)	(13,984,335)	(6,660,343)	(6,373,096)	(6,408,932)	-	(62,656,616)
Net book amount	<u>8,254,747</u>	<u>59,349,579</u>	<u>9,142,657</u>	<u>1,165,174</u>	<u>4,814,739</u>	<u>8,402,837</u>	<u>379,400</u>	<u>91,509,133</u>
For the year ended 31 December 2014								
Net book value, beginning of year	8,254,747	59,349,579	9,142,657	1,165,174	4,814,739	8,402,837	379,400	91,509,133
Acquisition assets	-	836,231	4,688,994	959,236	1,172,247	554,448	17,396,455	25,607,611
Transfer in (out)	-	3,496,357	519,954	9,869	590,800	-	(4,616,980)	-
Disposals	-	-	-	(7)	(1,267)	(2,725,191)	-	(2,726,465)
Depreciation	(8,890)	(4,246,118)	(1,462,250)	(635,501)	(1,810,405)	(483,709)	-	(8,646,873)
Net book value, end of year	<u>8,245,857</u>	<u>59,436,049</u>	<u>12,889,355</u>	<u>1,498,771</u>	<u>4,766,114</u>	<u>5,748,385</u>	<u>13,158,875</u>	<u>105,743,406</u>
As at 31 December 2014								
Cost	8,287,320	92,879,505	28,824,459	8,588,383	12,902,477	10,288,267	13,158,875	174,929,286
<u>Less</u> Accumulated depreciation	(41,463)	(33,443,456)	(15,935,104)	(7,089,612)	(8,136,363)	(4,539,882)	-	(69,185,880)
Net book amount	<u>8,245,857</u>	<u>59,436,049</u>	<u>12,889,355</u>	<u>1,498,771</u>	<u>4,766,114</u>	<u>5,748,385</u>	<u>13,158,875</u>	<u>105,743,406</u>

Financial statements in which equity method is applied and  
Separate financial statements

	In Baht							
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Building instruction	Total
For the year ended 31 December 2015								
Net book value, beginning of year	8,245,857	59,436,049	12,889,355	1,498,771	4,766,114	5,748,385	13,158,875	105,743,406
Acquisition assets	-	6,415,731	2,359,478	2,266,149	5,981,887	6,496,500	33,113,530	56,633,275
Transfer in (out)	-	39,850,247	6,183,874	181,899	43,970	-	(46,259,990)	-
Disposals	-	(45,222)	(5,258)	(230,841)	(2,403)	-	-	(283,724)
Depreciation	(8,890)	(8,642,987)	(2,430,133)	(688,885)	(2,696,551)	(944,039)	-	(15,411,485)
Net book value, end of year	<u>8,236,967</u>	<u>97,013,818</u>	<u>18,997,316</u>	<u>3,027,093</u>	<u>8,093,017</u>	<u>11,300,846</u>	<u>12,415</u>	<u>146,681,472</u>
As at 31 December 2015								
Cost	8,287,320	139,083,800	37,352,751	10,689,611	18,705,243	16,784,767	12,415	230,915,907
<u>Less</u> Accumulated depreciation	<u>(50,353)</u>	<u>(42,069,982)</u>	<u>(18,355,435)</u>	<u>(7,662,518)</u>	<u>(10,612,226)</u>	<u>(5,483,921)</u>	<u>-</u>	<u>(84,234,435)</u>
Net book amount	<u>8,236,967</u>	<u>97,013,818</u>	<u>18,997,316</u>	<u>3,027,093</u>	<u>8,093,017</u>	<u>11,300,846</u>	<u>12,415</u>	<u>146,681,472</u>

14. **COMPUTER SOFTWARE**

The net book value of computer software as at 31 December 2015 and 2014 is presented below.

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
As at 1 January		
Cost	2,257,578	1,287,578
<u>Less</u> Accumulated amortization	(914,668)	(809,118)
Net book value	<u>1,342,910</u>	<u>478,460</u>
Transactions during the year ended 31 December		
Net book value, beginning of year	1,342,910	478,460
Acquisition of computer software	88,500	970,000
Amortization	(197,112)	(105,550)
Net book value, end of year	<u>1,234,298</u>	<u>1,342,910</u>
As at 31 December		
Cost	2,346,078	2,257,578
<u>Less</u> Accumulated amortization	(1,111,780)	(914,668)
Net book value	<u>1,234,298</u>	<u>1,342,910</u>

15. **TRADE AND OTHER PAYABLES**

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Trade accounts payable - related parties (Note 5.2)	36,161	-
Trade accounts payable - other companies	1,826,348	1,386,733
Total trade accounts payable	1,862,509	1,386,733
Other payables - related parties (Note 5.2)	1,082,068	1,923,560
Payable from acquisition of assets	193,781	2,185,250
Accrued expenses	23,959,659	20,522,716
Unearned revenue	1,343,988	491,643
Others	1,575,796	1,267,418
Total	<u>30,017,801</u>	<u>27,777,320</u>

**16. EMPLOYEE BENEFIT OBLIGATIONS**

The Company operate post employment benefit and pension based on the requirement of Thai Labor Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Defined benefit obligations at 1 January	7,368,809	6,453,101
Included in profit or loss:		
Current service cost	611,726	584,200
Interest cost	375,947	331,508
Defined benefit obligations at 31 December	8,356,482	7,368,809

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Costs of sales	166,281	154,197
Administrative expenses	821,392	761,511
Total expenses recognised in profit or loss	987,673	915,708

The Company expect to not pay of long-term employee benefits during the next year.

As at 31 December 2015 and 2014, the weighted average duration of the liabilities for long-term employee benefit is 24 years.

Principal actuarial assumptions at the reporting date

For the year ended 31 December 2015 and 2014

Discount rate	4.71 - 4.88% per annum
Salary increase rate	5.99 - 6.74%
Employee turnover rate	Scale related to Age ranging from 0 - 36%
Mortality rate	According to Thailand TMO 2008 male and female tables

**Sensitivity analysis**

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

Defined benefit obligation at 31 December 2015	In Baht	
	Increase	Decrease
Discount rate (0.50% movement)	(411,676)	439,262
Future salary growth (0.50% movement)	510,051	(479,326)
Turnover rate (0.50% movement)	(300,249)	326,647

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

**17. SHARE CAPITAL AND DIVIDENDS PAID****SHARE CAPITAL**

	Registered		Issued and paid-up		Premium on share capital
	Ordinary Shares	Amount In Baht	Ordinary Shares	Amount In Baht	Amount In Baht
As at 1 January 2015 (Par value of Baht 1 each)	300,000,000	300,000,000	271,999,982	271,999,982	82,862,640
The devaluation par value from Baht 1 per share to Baht 0.10 per share	3,000,000,000	300,000,000	2,719,999,820	271,999,982	-
Increase in share capital	-	-	25,374,825	2,537,483	65,575,229
As at 31 December 2015 (Par value of Baht 0.10 each)	3,000,000,000	300,000,000	2,745,374,645	274,537,465	148,437,869
As at 1 January 2014 (Par value of Baht 1 each)	200,000,000	200,000,000	200,000,000	200,000,000	82,862,640
Increase in authorized share capital	100,000,000	100,000,000	-	-	-
Increase in share capital	-	-	32,000,000	32,000,000	-
Stock dividend	-	-	39,999,982	39,999,982	-
As at 31 December 2014 (Par value of Baht 1 each)	300,000,000	300,000,000	271,999,982	271,999,982	82,862,640

**DIVIDENDS**

Dividends paid in 2015 and 2014 are as follows :

	Approved by	In Baht			
		Financial statements in which equity method is applied and Separate financial statements			
		Dividend paid			
		Stock dividend	Cash dividend paid	Total	Dividend per share
Dividend for year 2014	Annual General Meeting of the shareholders on 26 March 2015	-	115,599,992	115,599,992	0.0425

Dividend for year 2013 Annual General Meeting of the

shareholders on 31 March 2014	39,999,982	40,000,018	80,000,000	0.40
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On 26 March 2015, the Company's Annual General Meeting of the shareholders passed the following resolutions:

- To approve the devalue of par value from Baht 1 per share to Baht 0.10 per share (from 300,000,000 ordinary shares with Baht 1 par value to 3,000,000,000 ordinary shares with par value of Baht 0.10 each). The Company registered the change of devaluation of par value with the Ministry of Commerce on 30 March 2015.
- To approve the payment of dividend to its shareholders of 2,719,999,820 shares at the rate of Baht 0.0425 per share, totalling of Baht 115.6 million, from the profit for year 2014 and retained earnings. The dividend have been paid on 23 April 2015.
- To approve the allotment of not more than 280,000,180 newly issued ordinary shares at a par value of Baht 0.10 per share for public offering to the Company's patrons due to the changing of per value from Baht 1 per share to Baht 0.10 per share.

During 24 April 2015 to 30 April 2015, the Company made a public offering of the 25,374,825 additional shares at Baht 2.7714 per share (the price of Baht 2.91 per share was included the additional premium shares of 5% of total subscription amount. The net price per share that investors paid for the shares is equal to Baht 2.7714), total consideration is amounting to Baht 70.3 million and received the consideration of increased share capital on 18 May 2015. All direct expenses related to the share offering amounting to Baht 2.2 million (net of income tax of Baht 0.6 million), are presented as a deduction from the share premium. The Company registered the increase of paid-up share capital with the Ministry of Commerce on 20 May 2015.

As at 31 December 2015, the Company has the registered share capital amounting to Baht 300 million, (divided into 3,000,000,000 ordinary shares of Baht 0.10 each) and the Company has the paid-up capital amounting to Baht 275 million, (divided into 2,745,374,645 ordinary shares of Baht 0.10 each).

As at 31 December 2014, the Company has the registered share capital amounting to Baht 300 million, (divided into 300,000,000 ordinary shares of Baht 1 each) and the Company has the paid-up capital amounting to Baht 272 million, (divided into 271,999,982 ordinary shares of Baht 1 each).

#### 18. LEGAL RESERVE

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as legal reserve until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

#### 19. INCOME TAX

Income tax expenses for the year ended 31 December 2015 and 2014 are as follows :

In Baht	
Financial statements in which equity method is applied and Separate financial statements	
2015	2014

**Current income**

Corporate income tax charge	24,468,848	29,134,644
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**Deferred tax**

Relating to origination and reversal of temporary differences	(214,909)	(101,845)
Effects of income tax related to the share offering (Note 17)	552,951	-

**Income tax expense reported in the statement of comprehensive income**

24,806,890	29,032,799
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**Reconciliation of effective tax rate**

	In Baht			
	Financial statements in which equity method is applied		Separate financial statements	
	2015	2014	2015	2014
Accounting profit before corporate income tax	125,429,474	147,800,910	125,721,499	147,899,519
Applicable tax rate	20%	20%	20%	20%
Accounting profit before corporate income tax multiplied by applicable tax rate	25,085,895	29,560,182	25,144,300	29,579,904
Effects of:				
Addition expenses deductible for tax purposes	(561,680)	(652,367)	(561,680)	(652,367)
Expenses not deductible for tax purposes	439,179	207,107	439,179	207,107
Share of loss from investment in associate	58,405	19,722	-	-
Total	(64,096)	(425,538)	(122,501)	(445,260)
Relating to origination and reversal of temporary differences	(214,909)	(101,845)	(214,909)	(101,845)
Income tax expense	24,806,890	29,032,799	24,806,890	29,032,799

Deferred tax assets is presented in the statements of financial position as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
<b>Deferred tax assets</b>		
Allowance for obsolescence of inventories	310,798	412,785
Employee benefit obligations	1,671,296	1,473,762
Provisions	60,020	35,560



Provision for dismantling cost	94,902	-
Total	2,137,016	1,922,107

## 20. PROVIDENT FUND

The Company and their employees established a contributory registered provident fund in accordance with the provident fund Act, B.E.2530. The Company and employees contribute monthly the amounts equivalent 3% of their basic. The provident fund has been managed by Kasikorn asset management Co., Ltd. The fund contributed to employee in accordance with the terms and conditions prescribed following their provident funds. During 2015, the Company's contribution to the provident fund recorded amounting of Baht 1.0 million (2014 : Baht 1.0 million).

## 21. 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 Company operates business of manufacturing and distribution of dietary supplement from herb. The management has considered this operation to be supported to each other. The Company operates in one geographical area in Thailand. Therefore revenue from operation and all assets in the financial statement involve in one business and geographical. For the year ended 31 December 2015, export revenue were 3.9% (2014: 0.6%) of total sales revenues.

### Major customers

For the year 2015, the Company has no major customer with revenues of 10% or more of total revenues.

For the year 2014, the Company has revenue from a major customer, represented at 14% of total revenues.

## 22. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2015 and 2014 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2015	2014
Changes in finished goods and work in process	(367,898)	(5,157,724)
Purchase of finished goods	286,333	1,149,521
Raw materials and consumable used	27,898,912	34,266,325
Production fee	3,791,355	4,822,500
Service fee of utilization from products' research and development	9,768,414	10,653,668
Commission	96,488,027	102,505,403
Employees costs	31,007,709	33,936,456
Managements' remuneration	15,598,136	18,760,371
Rental and service expense	17,509,054	7,816,492

Depreciation and amortization	15,608,597	8,752,423
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## 23. COMMITMENTS AND CONTINGENT LIABILITIES

### 23.1 Operating lease commitments and service agreements

As at 31 December 2015, the Company has commitment on rental and service agreements are as follows:

	In Million Baht
Within 1 year	15.6
Over 1-3 years	11.8
Total	27.4

### 23.2 Contingent liabilities

The Company has contingent liabilities for letters of guarantee issued by banks to government and private agency amounting to Baht 0.5 million, which are pledged by fixed deposits of the Company.

## 24. LICENSE OF UTILIZATION FROM PRODUCTS' RESEARCH AND DEVELOPMENT

The Company has made a research and development contract with Arun Pitaya Co., Ltd (the contractor), which is related company with conditions as follows:

- Research and Development means Research and Development of mangosteen extract and/or Garcinia Cambogia extract that licensor has researched and developed from the past until now including the derivatives from the abovementioned extracts which comes from the specific innovation of the extracts production process.
- The licensee agrees to pay a 5% service fee of sales of products of the head office and 2% service fee of sales of products of the branches. The service fees will be paid on a monthly basis.
- Contractor will work in cooperation with both public and private sectors in this research and development. The request for any documents to confirm the qualification and safety during processing will bring no charge against the Company, unless the expenses are actually disbursed to the participants (both public and private sectors). However, they must notify the Company from time to time for improvement.
- Contractor must deliver 1 unit of formulation and production process from product research and development to the Company. It's also forbidden to release such formulas and procedures to be released to others.
- Termination of contract must be in writing. The contract shall be terminated only when receiving the consent of both parties.

## 25. FINANCIAL INSTRUMENTS

### a) Financial risk management policies

The principal financial risks faced by the Company are interest rate risk. The Company did not adopt any derivative strategies to manage such exposures.

The Company has no intention to engage in trading derivative instruments for speculative purposes.

**b) Interest rate risk**

The Company was exposed to interest risks because it held deposits at financial institutions. However, the Company believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

**c) Credit risk**

The Company was exposed to credit risk. However, due to the large number and diversity of the entities comprising the Company's customer base, the Company does not anticipate material losses from its debt collection. The Company estimated the allowance for doubtful accounts from the ending balance of accounts receivable. The estimate was made by generally accepted principles.

**d) Fair value of financial instruments**

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

A fair value is the amount for which an asset can be exchanged 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.

**26. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 December 2015 and 2014, the Company's debt-to-equity ratio were 0.11 :1 and 0.09: 1, respectively.

**27. EVENTS AFTER THE REPORTING PERIOD**

On 23 February 2016, the Company's Board of Directors meeting No. 1/2559 passed the following resolutions :

- To approve the payment of dividend to its shareholders of 2,745,374,645 shares at the rate of Baht 0.0347 per share, totalling of Baht 95.3 million, from the operating results for the year 2015.
- Approved the decrease of the registered capital for 254,625,355 shares at the par value of Baht 0.10 each, totaling of Baht 25.5 million, by cancelling the authorized capital but unissued shares, from the existing registered capital of Baht 300 million to Baht 274.5 million.
- Approve the increase of the registered capital for Baht 25.5 million, divided into 254,625,355 ordinary shares at the par value of Baht 0.10 each, from the existing paid-up capital of Baht 274.5 million to Baht 300 million, divided into 3,000,000,000 ordinary shares at the par value of Baht 0.10 each, to allot for the public offering to the Company's patrons, and in case there are remaining shares from the subscription by the Company's patrons, the Company shall allocate such remaining shares to right offering.
- Approved the allotment of not more than 254,625,355 newly issued ordinary shares at a par value of Baht 0.10 per share for public offering to the Company's patrons. The offering price shall be valued from average market price of APCO ordinary share. In case there are remaining shares from the subscription by the Company's patrons, the Company shall allocate such remaining shares to the right offering at the price of Baht 0.10 each.

However, these resolutions will be further propose for the shareholders' approval in the Ordinary General Meeting of Shareholders for the fiscal year of 2016.

## 28. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2014 have been reclassified to conform to the current period's classification with no effect to previously reported profit or shareholders' equity. The reclassifications are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	As reclassified	As previously reported
Trade and other receivables	16,632,629	14,639,281
Other current assets	754,874	2,748,222

## 29. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 23 February 2016.