



Annual Report 2018

Asian Phytochemicals Public Company Limited

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## Message from the Committee

In 2018, Asian Phytoceuticals Public Company Limited (APCO) succeeded in fulfilling the commitment previously made to our shareholders regarding moving our listed securities from the Market for Alternative Investment (MAI) to be traded on the Stock Exchange of Thailand (SET). The request was finally approved and the trading of our listed securities on the SET begun on 14 May 2018. APCO common shares are classified in the industry group of consumer products, personal products and pharmaceuticals sector, bearing the symbol “APCO” as before.

Throughout the year, amidst the emerging trend of 4.0 era industries where technology has a significant role in the daily lives of the consumers' resulting in changes in consumers' preferences towards acquiring goods and services, APCO has adjusted itself accordingly. The attempt to be well-prepared and ready for changes has led us to search for other business opportunities and channels. Technology has been brought in to increase competitiveness by expanding our sales channels by means of 'dropshipping' which makes it easier for the retailers to start their businesses. Sales can be made via online channels without the need to invest any money, to keep goods in stock or ship the products. Instead, the retailers can transfer the customers' order and shipment details to the company, we then ship the goods directly to the customers.

Moreover, the company has expanded its market overseas, in order to lessen the risk from over-dependency on the domestic market, by signing a contract with our Chinese business partner to trade our facial firming products, which have received encouraging feedback. At present, the Chinese partner is also interested in our Operation BIM products for HIV/AIDS-infected patients. The company is expected to sign another trading contract to sell these products in the Peoples Republic of China in the near future.

Lastly, 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 sustainable 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 ไฟytoceuticals 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 600 million common shares, each of which is worth THB 0.5 per share (31 <sup>st</sup> December 2018)
Issued and Paid-up Share	: THB 300 million, comprising 600 million common shares, each of which is worth THB 0.5 per share (31 <sup>st</sup> December 2018)
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	: Bim Health Certer Co.,Ltd. Paradise Park Building, Room No.GC078, G Floor, 61 Srinakarin Road, Nongbon, Prawet, Bangkok 10250
Business Category	: Distribute the company's products
Registered Capital	: 10 million Baht (APCO holds 49.99% of shares)
References	: Thailand Securities Depository Co.,Ltd.
Securities Registrar	: 93 The Stock Exchange of Thailand Building, Ratchadapisek Road, Dindaeng, Bangkok 10140 Tel. 0-2229-2000 Fax. 0-2654-5642
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

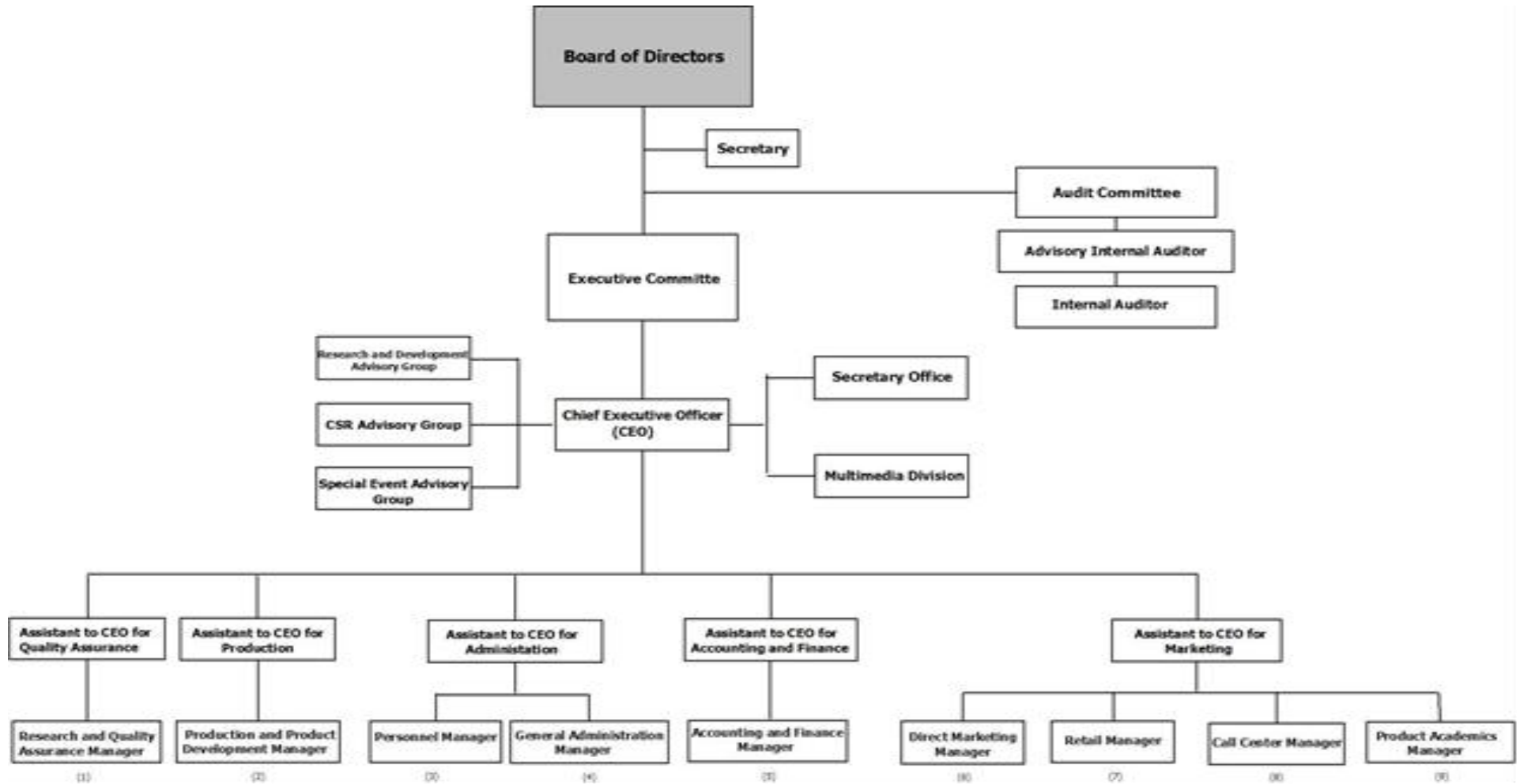
## Important Financial Information

Financial Position Statement	2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Assets</b>						
Current Assets	569,415,727	85.53	573,626,792	84.51	595,590,602	83.75
Non-Current Assets	96,305,407	14.47	105,152,987	15.49	115,594,594	16.25
Total Assets	665,721,134	100.00	678,779,779	100.00	711,185,196	100.00
<b>Liabilities and Shareholders' equity</b>						
Current Liabilities	36,918,684	5.55	37,798,518	5.57	50,267,237	7.07
Non - Current Liabilities	14,639,244	2.20	12,669,866	1.87	11,816,583	1.66
Total Liabilities	51,557,928	7.74	50,468,384	7.44	62,083,820	8.73
Shareholders' equity	614,163,206	92.26	628,311,395	92.56	649,101,376	91.27
Total Liabilities and Shareholders'	665,721,134	100.00	678,779,779	100.00	711,185,196	100.00
<b>Comprehensive income Statement</b>						
Total Revenue	376,451,769	100.00	424,086,091	100.00	454,713,564	100.00
Costs of Sales	64,889,414	17.24	67,486,007	15.91	59,596,979	13.11
Gross Earnings	304,944,565	81.00	348,256,247	83.77	361,782,232	85.86
Profit from Operations	117,656,105	31.25	131,639,125	31.04	164,258,743	36.12
Earnings	94,745,571	25.17	108,210,019	25.52	131,417,758	28.90
Earnings Before Interest, Taxes, Depreciation, and Amortization	131,434,709	34.91	146,095,945	34.45	181,279,739	39.87

Financial Ratios		2018	2017	2016
Current Ratio	(times)	15.42	15.18	11.85
Gross Profit Margin	(%)	82.45	83.77	85.86
Operating Profit Margin	(%)	31.25	31.04	36.12
Net Profit Margin	(%)	25.17	25.52	28.90
Return On Equity	(%)	15.25	16.94	21.72
Return on Assets	(%)	14.09	15.57	19.74
Debt/Equity Ratio	(times)	0.08	0.08	0.10
Dividend Payout ratio	(%)	98.09	99.81	97.57
Fully Diluted Earnings per Share	(Baht)	0.16	0.04	0.04
Number of Shares Issued	(per million)	600.00	3,000.00	3,000.00
Book Value per Share	(Baht)	1.02	0.21	0.22
Price to Earnings Ratio (P/E)	(times)	25.33	30.00	40.75

## Company's Structure

As of 31<sup>st</sup> December 2018



## Board of Directors\*

\* As of 31<sup>st</sup> December 2018

### Ms. Maleeratna Plumchitchom

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

Age: 73 Years



#### Education

- Master of Business Administration, Michigan State University
- Bachelor of Accountancy, Chulalongkorn University. (Honors)

#### Training

- Diploma of DCP, Batch 45/2004, Thai Institute of Directors Association (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
- Diploma of Chief Executive Course for Urban Development Management (Mahanakorn), Urban Green Development Institute Bangkok

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

*Posting date:* 30<sup>th</sup> April 2011

#### Experiences in the past 5 years

- 2017 – Present Chairperson of the Board, Nara 12 Co., Ltd.
- 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)

#### Holding a position of director/executive in other organization

1. Listed Company : Board, SYNEX Public Co., Ltd. (Thailand)
2. None-Listed Company : -None-

## **Prof.Dr.Pichaet Wiriyaichitra**

**Board / Chairperson of the Executive Committee / CEO**

Age: 74 Years



### ***Education***

- Honorary Doctorate Degree in Science (Chemistry), Prince of Songkla University
- Post-Doctoral Fellow Chemistry/Natural Products, University of Connecticut, USA
- 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, Thai Institute of Directors Association (IOD)

***% of Shareholding in the company:*** 50.01%

***Posting date:*** 30<sup>th</sup> April 2011

### ***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 Phytoceuticals Public Co., Ltd. |

### ***Holding a position of director/executive in other organization***

1. Listed Company : -None-
2. None-Listed Company : Board, Arun Pittaya Co., Ltd.



## Dr.Jingjai Hanchanlash

### Board / Executive Committee

Age: 76 Years

#### Education

- Doctor of Philosophy in Public Law, CAEN, France
- Diploma in Project Analysis, Connecticut, USA
- Diploma in Mid-Career Management Training, Western Ontario, Canada

#### Training

- Diploma of DAP 1/2003, Thai Institute of Directors Association (IOD)
- Audit Committee Program 19/2007, Thai Institute of Directors Association (IOD)

**% of Shareholding in the company:** 0.87%

**Posting date:** 30<sup>th</sup> April 2011

#### Experiences in the past 5 years

- 2017 – Present Advisor, Thai Chamber of Commerce University Council
- 2017 – Present Director, Thai Environmental Institute Foundation
- 2017 – Present Vice-Chairman, Muang Thai Insurance Public Co.,Ltd.
- 2016 – Present Executive Committee, The Centre for European Studies (CES)
- 2016 – Present Vice-Chairman of the Executive Committee, Loxley Public Co.,Ltd.
- 2016 – Present Chairman, Thai-Canadian Economic Cooperation Foundation
- 2014 – Present Promotion Committee, Princess Galyani Vadhana Institute of Music
- 2014 – 2017 Qualified Member, The Thailand Research Fund (TRF)
- 2014 – 2015 Member of National Reform Council, Education Reformation
- 2007 – 2017 Board, 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, Spie Oil and Gas services (Thailand) Co.,Ltd.
- 2001 – Present Independent Director, Laguna Resorts and Hotel Public Co., Ltd.
- 2000 – Present Independent Director, Thai Wah Food Products Public Co., Ltd.
- 1999 – Present Chairman of the Executive Committee, Rutnin-Gimbel LASIK Centre
- 1999 – 2017 Board, Thai Chamber of Commerce University Council
- 1999 – Present Board, French-Thai Business Council ( FTBC)
- 1999 – Present Board, The Development Cooperation Foundation
- 1997 – Present Vice-Chairman, The Thai Chamber of Commerce (TCC)
- 1996 – Present Board, Mekong Region Law Center

#### Holding a position of director/executive in other organization

1. Listed Company : Vice-Chairman, Muang Thai Insurance Public Co.,Ltd.  
Vice-Chairman of the Executive Committee, Loxley Public Co.,Ltd.  
Independent Director, Laguna Resorts and Hotel Public Co.,Ltd.  
Independent Director, Thai Wah Food Products Public Co., Ltd.
2. None-Listed Company : Board, Spie Oil and Gas services (Thailand) Co.,Ltd.  
Chairman of the Executive Committee, Rutnin-Gimbel LASIK Centre



## Assoc.Prof.Arune Wiriyaachitra

### Board / Executive Committee

Age: 72 Years

#### Education

- Honorary Doctorate Degree in English Language Studies, Thammasat University.
- Honorary Doctorate Degree in English for Communication, Ubon Ratchathani University.
- MEd. in Bilingual Education, University of Connecticut, USA
- BA in Linguistics, Thammasat University
- Diploma of English Language Teaching, Perth Technical College, Australia

#### Training

- Diploma of DAP, Batch 43/2005, Thai Institute of Directors Association (IOD)

**%of Shareholding in the company:** 15.37% (As of 4<sup>th</sup> January 2019)

**Posting date:** 30<sup>th</sup> April 2011

#### Experiences in the past 5 years

- |                |  |
|----------------|--|
| 2015           | Sub-committee for Legal Reform commission of Thailand.                     |
| 2012 – Present | President, Corporate Sustainability, Asian Phytoceuticals Public Co., Ltd. |
| 2012 – Present | Vice-President, Association of Developing Human Potential and Giftiness    |
| 2011 – 2015    | 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.                                  |

#### Holding a position of director/executive in other organization

1. Listed Company : -None-
2. None-Listed Company : Managing Director, Arun Pittaya Co., Ltd.





**Assoc.Prof.Dr.Varakorn Samakoses**

**Audit Committee / Independent Director**

Age: 71 Years

***Education***

- Doctor of Philosophy in Economics, University of Kansas, USA
- MSc. in Economics, University of Kansas, USA
- BSc. in Economics, University of Western Australia, Australia

***Training***

- Diploma of DCP, Batch 14/2002, Thai Institute of Directors Association (IOD)
- Diploma of the Rule of Law for Democracy, Class 2/2014, The Constitutional Court

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

***Posting date:*** 30<sup>th</sup> April 2011

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

- |                                      |   |
|--------------------------------------|---|
| 2011 – Present                       | Audit Committee/ Independent Director,<br>Asian Phytoceuticals Public Co., Ltd. |
| 2010 – 31 <sup>st</sup> January 2016 | President, Dhurakij Pundit University   |

***Holding a position of director/executive in other organization***

1. Listed Company : -None-
2. None-Listed Company : -None-



**Prof.Dr.Praipol Koomsup**

**Audit Committee / Independent Director**

Age: 71 Years

***Education***

- Doctor of Philosophy in Economics, Yale University, USA
- MSc. in Economics, Thammasat University
- BSc. in Economics, University of Western Australia, Australia

***Training***

- Diploma of DCP, Batch 91/2007, Thai Institute of Directors Association (IOD)
- Diploma of DAP, Batch 52/2006, Thai Institute of Directors Association (IOD)

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

***Posting date:*** 30<sup>th</sup> April 2011

***Experiences in the past 5 years.***

- |                |   |
|----------------|---|
| 2014 – 2015    | Member of National Reform Council   |
| 2014 – 2015    | Assistant to Minister of Energy   |
| 2014 – 2015    | Executive Board, Thai Oil Public Co., Ltd.                                      |
| 2011 – Present | Audit Committee/ Independent Director,<br>Asian Phytoceuticals Public Co., Ltd. |
| 1993 – Present | Fund Committee, Energy Policy and Planning Office                               |

***Holding a position of director/executive in other organization***

1. Listed Company : -None-
2. None-Listed Company : -None-

## Vision and Missions

### Vision




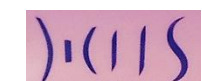
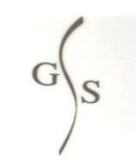

A leader in innovation of healthcare and beauty products based on Thai researchers' studies and developments of "Thai natural extracts" to promote the life quality of Thais and people worldwide




### 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
- Maintaining social responsibility in business operations




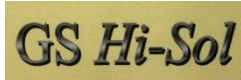


## List of Products

### 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
			GS		2018
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	GM-1 extracted from Asiatic Pennywort, licorice	7 Miracles		2005









Product	Characteristics and Properties	Herbs Essential	Brand / Trademark		Year
	the skin and to stimulate the production of collagen in the skin.		7 Wonders		2008
			Asian Life		2012
			Gold Figor	Gold Figor	2018
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	GARCÍNIA	1988
	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	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
			GS Hi-Sol		2017
	Mangosteen-garcinia drinks in can, contain the properties of excess fat reduction.		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
<b>Health Products</b>  - Dietary Supplement Health Products “BIM Formula” <sup>/1</sup>	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
	- Supplements in capsule form ( 600 mg.) for balancing immunity for those who want to maintain a good health.		BALANC <sup>/3</sup>		2013
			ALLERGINOK		2013
			ULCINOK <sup>/3</sup>		2014
			GERMINOK <sup>/3</sup>		2015
			MYLIFE <sup>/3</sup>		2017
			VVIN Plus		2018
	- Supplements in capsule form ( 600 mg.) for those with diabetic problems		DIABENOX <sup>/3</sup>		2009
			BIM.D <sup>/3</sup>		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 <sup>/3</sup>		2013
	- Supplements in capsule form ( 600 mg.) for people with psoriasis		NORIASIS <sup>3</sup>		2009
	- Supplements in capsule form ( 600 mg.) for people who have cancer		TUMORID		2011
			Th 17 <sup>/3</sup>		2012
	- Supplements in capsule form ( 600 mg.) for HIV infected patients		LIV <sup>3</sup>		2013
	- Supplements in capsule form ( 600 mg.) for people with eye problems caused by the degeneration of the eye such as vitreous degeneration, dry eyes, glaucoma, cataracts, retinal disease, macular degeneration.		BIM O <sup>3</sup>		2015
			BIM E		2016
	- Supplements in capsule form ( 600 mg.) for balancing immunity for those who want to maintain a good health.	Extracts of mangosteen	I18 <sup>/3</sup>		2017

Product	Characteristics and Properties	Herbs Essential	Brand/ Trademark		Year
- 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
			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

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 and on May 14<sup>th</sup>, 2018, the company moved its listed securities trading on the Stock Exchange of Thailand (SET).

### 2. Important Changes and Development

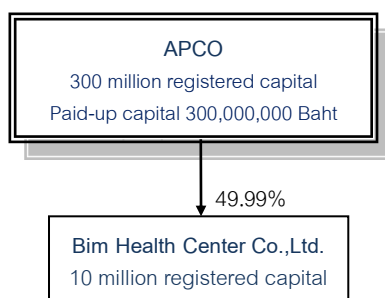
- |                           |   |
|---------------------------|---|
| 2 <sup>nd</sup> June 1988 | <ul style="list-style-type: none"> <li>Natural Cosmetics Research Co.,Ltd. was founded with paid registered capital of 1 million Baht divided into 10,000 common shares, each of which was worth 100 Baht. 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>  |
| 1991                      | <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 1998 | <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> <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 <sup>nd</sup> 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 28<sup>th</sup> 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<sup>th</sup>-9<sup>th</sup>, 12<sup>nd</sup>, and 14<sup>th</sup> 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 <sup>th</sup> June 2014	<ul style="list-style-type: none"> <li>Open BIM Health Center, 3<sup>rd</sup> Floor, Esplanade Shopping Mall.</li> </ul>
26 <sup>th</sup> 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>
24 <sup>th</sup> & 27 <sup>th</sup> -30 <sup>th</sup> April 2015	<ul style="list-style-type: none"> <li>The company offered of not more than 280,000,180 new ordinary shares at par value of Baht 0.10 per share for public offering to the Company's patrons. The total subscribed shares were 25,374,825 shares, thus the remaining shares are 254,625,355 shares at par value of Baht 0.10 per share.</li> </ul>

- 8<sup>th</sup> April 2016
  - The Annual General Meeting of Shareholders 2016 approved a decrease of the registered capital for Baht 25,462,535.50, at the par value of Baht 0.10 each, from the existing capital of Baht 300,000,000 to Baht 274,537,464.50 by cancelling the unissued shares for the public offering of 254,625,355 shares at the par value of Baht 0.10 each.
  - The Annual General Meeting of Shareholders 2016 approved an increase of the registered capital for Baht 25,462,535.50 at the par value of Baht 0.10 each, from the existing paid-up capital of Baht 274,537,464.50 to Baht 300,000,000 for public offering to the Company's patrons. There are remaining shares from the subscription by the Company's patrons, the Company shall allocate such remaining shares to right offering.
- 7<sup>th</sup> & 10<sup>th</sup>-13<sup>rd</sup> October 2016
  - The Company offering of not more than 254,625,355 new ordinary shares at a par value of Baht 0.10 per share for public offering to the Company's patrons. The total subscribed shares were 16,252,060 shares, thus the remaining shares are 238,373,295 shares at par value of Baht 0.10 per share.
- 18<sup>th</sup> & 21<sup>st</sup>-24<sup>th</sup> November 2016
  - The company offering of not more than 238,373,295 new ordinary shares at a par value of Baht 0.10 per share to right offering. The total subscribed shares were 238,373,295 shares at par value of Baht 0.10 per share.
- February 2017
  - The company has invested in Bim Health Center Co.,Ltd., in the proportion of 49.99% of the capital of the company to establish BIM Health Center.
  - The company has invested in AC Plus Global Co.,Ltd., in the proportion of 50% of the capital of the company to expand the distribution channel on Digital Marketing. In August 2017, the Company disposal all of its investments in ordinary shares in AC Plus Global Company Limited to third party because the operation is not in accordance with the plan.
- 9<sup>th</sup> April 2018
  - The 2016 Annual General Meeting of Shareholders approved to change the par value from Baht 0.10 per share to Baht 0.50 per share for listing on the Stock Exchange of Thailand (SET).
- 14<sup>th</sup> May 2018
  - SET moves APCO from MAI to SET.

### 3. Shareholding Structure

The company assumes the following shareholding structure as :



#### 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, distribution via dropship channel and 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 China, Singapore, Malaysia and America.

#### 5. Revenue Structure

The revenue structure classified by types of products in 2016-2018 is described as follows:

Unit: Million Baht

Revenue Structure	2018		2017		2016	
	Value	Percent	Value	Percent	Value	Percent
<b>Beauty Cosmetics Products</b>						
- Sliming Products	5.97	1.59	7.86	1.85	8.35	1.83
- Anti-Wrinkle and Anti-Spot Products	21.43	5.69	6.10	1.44	10.64	2.34
- Skincare Products	2.71	0.72	3.39	0.80	3.85	0.85
<b>Total</b>	<b>30.11</b>	<b>8.00</b>	<b>17.35</b>	<b>4.09</b>	<b>22.84</b>	<b>5.02</b>
<b>Dietary Supplement Products</b>						
- Fat Reduction Products	8.42	2.24	17.67	4.17	16.17	3.56
- Healthcare Products	250.03	66.42	292.07	68.87	314.94	69.26
- Skincare Products	0.16	0.04	0.48	0.11	1.35	0.30
- Health Drink Products	81.11	21.54	88.17	20.79	66.08	14.53
<b>Total</b>	<b>339.72</b>	<b>90.24</b>	<b>398.39</b>	<b>93.94</b>	<b>398.54</b>	<b>87.65</b>
<b>Revenue from Sales</b>	<b>369.83</b>	<b>98.24</b>	<b>415.74</b>	<b>98.03</b>	<b>421.38</b>	<b>92.67</b>
Gain on disposal of fixed assets	-	-	-	-	27.30	6.00
Other Revenues *	6.62	1.76	8.35	1.97	6.03	1.33
<b>Total Revenue</b>	<b>376.45</b>	<b>100.00</b>	<b>424.09</b>	<b>100.00</b>	<b>454.71</b>	<b>100.00</b>

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

Revenue Structure during 2016-2018 from Domestic and International Sales

Unit: Million Baht

Revenue Structure	2018		2017		2016	
	Value	Percent	Value	Percent	Value	Percent
Revenue from Domestic Sales	356.88	94.80	415.57	97.99	419.60	92.28
Revenue from International Sales	12.95	3.44	0.17	0.04	1.78	0.39
<b>Total Revenue from Sales</b>	<b>369.83</b>	<b>98.24</b>	<b>415.74</b>	<b>98.03</b>	<b>421.38</b>	<b>92.67</b>
Gain on disposal of fixed assets	-	-	-	-	27.30	6.00
Other Revenues	6.62	1.76	8.35	1.97	6.03	1.33
<b>Total Revenue</b>	<b>376.45</b>	<b>100.00</b>	<b>424.09</b>	<b>100.00</b>	<b>454.71</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 2016, 2017, and 2018 the company profited from the direct distribution of overall income at 60.01 percent, 66.31 percent, and 61.16 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 this 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. So, the policy of compensation is in the same level as in other company. It has a compensation structure that motivates both sales and network members. There are also other types of returns such as giving special prizes to members who make sales up to a certain level and the company believes that the credibility of the product can give consumers confidence and satisfaction to buy in the long time. The increase in sales revenue in this channel has continued to increase coupled with research and development is a variable that puts the risk of reliance on direct sales to become stable. It is a part of the company's continued growth.

Actually, the company has received an increase of sales proportion through the call center around 25.63 percent of the total revenues in 2016, is 23.93 and 20.87 percent in 2017 and 2018 respectively. Dropship channels around 5.04 percent of total revenue in 2018. Moreover, the company has establishing a joint venture, Bim Health Center Co.,Ltd. to set up a BIM Health Center for consumers who need advice on how to use BIM health care products correctly and effectively by medical scientists.

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

The main raw materials of the company are Garcinia and mangosteen. These 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, including 3 southern provinces which may be difficult to obtain if there is any unrest.

The company realizes that the natural condition cannot be controlled and 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 of 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 also has local agents in the southern part of Thailand who supply us 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 are now available numerously. 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. In 2016, 2017 and 2018, the company has the proportion of foreign sales of 0.42 percent, 0.04 percent, and 1.05 percent when compared to the total sales 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 2015 – 2017, the proportion of sales in the foreign currency was approximately 0.08 percent of the total circulations. This can be considered that the company has a low risk of exchange rate.

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

As of 4<sup>th</sup> January 2019, the Wiriyaichitra family has 397,208,229 company shares, representing 66.20 percent of the shares sold by the company. The Wiriyaichitra 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. So, the Committee provides an independent third party, including 3 persons who serve as a chairperson as well as the audit committee of 3 members from the total number of 6 persons to serve as checks and balances of the board of directors.

Moreover, 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. 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 600,000,000 paid-up ordinary shares calculated at 600,000,000 shares, each of which is worth 0.50 Baht.

### 2. Shareholders

The first 10 major shareholders as of 31<sup>st</sup> December 2018 are as follows:

List of Shareholders	Amount (Share)	Percent
1. Wiriyachitra family including		
Mr.Pichaet Wiriyachitra	300,080,000	50.01
Mrs.Arune Wiriyachitra	66,004,144	11.00
Mrs.Wilawan Wiriyachitra	441,326	0.07
Mrs.Wipa Witayawayroj	618,951	0.10
Mr.Sinart Wiriyachitra	1,033,399	0.17
Ms.Sirirat Wiriyachitra	1,002,801	0.17
Mrs.Sirithip Wiriyachitra	217,695	0.04
Mr.Niphon Wiriyachitra	138,000	0.02
Mr.Thitaphon Wiriyachitra	5	0.00
Mr.Sasis Wiriyachitra	1,471,908	0.25
<b>Entire Wiriyachitra Family</b>	<b>371,008,229</b>	<b>61.83</b>
2. Mr.Chinnakarn Samalapa	23,000,000	3.83
3. Mr.Nattapat Rangsana	18,535,000	3.09
4.. Hanchanlash family including		
Khunying Chamnongsri Hanchanlash	12,818,169	2.14
Mr.Jingjai Hanchanlash	5,212,187	0.87
<b>Entire Hanchanlash Family</b>	<b>18,030,356</b>	<b>3.01</b>
5. Mr.Somchai Pongsuriyanan	12,647,853	2.11
6. Mr.Chan Wongchatcharn	6,088,000	1.01
7. Mr.Noppasit Thanarongruk	5,168,549	0.86
8. Ms.Uncharee Kosolsak	4,423,899	0.74
9. Thai NVDR Co., Ltd.	4,054,323	0.68
10. Other minor shareholders	133,663,550	22.28
<b>Total</b>	<b>600,000,000</b>	<b>100.00</b>

Source: Thailand Securities Depository Co.,Ltd. on 31<sup>st</sup> December 2018

### 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			
	2018 ( Proposed )	2017	2016	2015
1. Net Profits (Baht) (Separate Financial Statements)	92,957,719	107,534,686	130,696,215	100,914,609
2. Net Profits After Legal Reserve (Baht)	92,957,719	107,584,686	127,348,215	95,814,609
3. Dividend Payment Per Share (Baht/Share)	0.1549	0.0360	0.0430	0.0347
4. Rate of Dividend Payment Per Net Profit After Legal Reserve (Percentage)	100.00	100.43	101.30	99.43

## 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 2018, the company's board of directors consists of 6 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. Assoc.Prof. Arunee	Wiriyachitra	Board
5. Assoc.Prof.Dr.Varakorn	Samakoses	Independent Director and Audit Committee
6. Prof.Dr.Praipol	Koomsup	Independent Director and Audit Committee

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

Directors who resigned during the year 2018

1. Mr. Chinnakarn Samalapa, Board, effective on 31<sup>st</sup> November 2018

The director who has authorities to sign for the company is

(1) Mr.Pichaet Wiriyachitra or Ms.Arunee Wiriyachitra signs jointly with Mr.Jingjai Hanchanlash with the Company's seal affixed

(2) Mr.Pichaet Wiriyachitra or Ms.Arunee Wiriyachitra or Mr.Jingjai Hanchanlash signs with the Company's seal affixed only when requests or contacts with the government agencies or state enterprises to obtain the license, certificate and rights, as well as doing business with private companies for normal transactions of the company and authentication of documents and / or copies of company documents.

#### 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 Wiriyaichitra 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 3 members on 31<sup>st</sup> December 2018.

- |                                     |   |
|-------------------------------------|---|
| 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   |
- 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 3 members on 31<sup>st</sup> December 2018.

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

Executive Committee who resigned during the year 2018

- 1. Mr. Chinnakarn Samalapa, Executive Committee, effective on 31<sup>st</sup> November 2018

#### 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 31<sup>st</sup> December 2018:

1. Prof.Dr.Pichaet Wiriyaচিত্রা	Chief Executive Officer
2. Mrs.Jannatthabhorn Janprasert	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 Wiriyaচিত্রা	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 two 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  |

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.

and Advisor for Special Events consists of

1. Miss Natchapat Tantiwawat

In charge of developing the marketing strategies as well as directing the project's sales team of BIM Health Center.

## **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 the company is still small. 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 listed 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 2018 annual general meeting of shareholders which was held on 9<sup>th</sup> April 2018 has specified the compensation for board members audit committee and executive committee in the form of board meeting allowance and bonus 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

**Note** : 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.

The bonus of the Independent Directors for the year 2018 which is the bonus from the revenue from sales of 2017 is at the rate of 0.125 percent. The said bonus shall be averaged by the number of the Independent Directors.

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

First-Last Name	Year 2017				
	Meeting Allowance as company's board	Meeting Allowance as audit committee	Meeting Allowance as executive committee	Annual Bonus	Total (Baht)
Ms.Maleeratna Plumchitchom <sup>/1, /2, /4</sup>	100,000	80,000	-	173,226	353,226
Prof.Dr.Pichaet Wiriyachitra	-	-	-	-	-
Dr.Jingjai Hanchanlash <sup>/3</sup>	75,000	-	36,000	-	111,000
Mr.Chinnakarn Samalapa <sup>/3, /5</sup>	45,000	-	-	-	45,000
Assoc.Prof.Arune Wiriyachitra	-	-	-	-	-
Assoc.Dr.Varakorn Samakoses <sup>/4</sup>	75,000	60,000	-	173,226	308,226
Prof.Dr.Praipol Koomsup <sup>/4</sup>	75,000	60,000	-	173,226	308,226

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

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

<sup>/3</sup> Executive Committee

<sup>/4</sup> 2018 Bonus for the Board is paid to the Independent Director, calculated from the 2017 sales

<sup>/5</sup> Resigned from the position of director on 30<sup>th</sup> November 2018.

#### Compensation for management team

	2018	2017
Number of Management Team	7 persons	7 persons
Total Compensation (Baht)	15,674,163	15,656,487
Form of Compensation	Salaries and Bonuses	

#### (2) Additional compensation

##### Additional compensation for board members

- None -

##### Additional compensation for management team

The company has established the Retirement Mutual Fund for management team 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

##### 4.1 Number of employees and remuneration

The company's employees can be classified as follows.

No.	Main Departments	Number of Employee (person) on 31 <sup>st</sup> Dec. 2018
1.	Production and Product Development	41
2.	Sales and Marketing	45
3.	Office Administration	19
4.	Account and Finance	15
5.	Research and Development	3
Total		123

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.

	2018	2017
Number of employees (Person)	123	120
Compensation (Baht)	35,554,686	35,770,720

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 2017, the employee of Asian Phytochemicals Public Co. Ltd. has attended training courses as follows:

Courses Titles	Organized by
<ul style="list-style-type: none"> <li>Enhancing Entrepreneurial Competencies in Compliance with Factory Laws and Promote the Development of Enterprises to the Green Industry.</li> <li>Food Policy of Lamphun Province, 2018.</li> <li>Standard on Prevention and Solution to Drugs Problems in an Establishment of the Year 2018.</li> <li>Filing Tax Forms through the Withholding Service System For Online Service (SVS).</li> <li>The Final Countdown to TFRS9.</li> <li>Safety Officer : Supervisor Level.</li> <li>Rehearsing Understanding of Investor Warning Measures.</li> <li>Project for the Development of Social Responsibility of Labour in Establishment.</li> <li>Training on Electronic Authorization System (e-PP) and Providing Information to Support the Suppression.</li> <li>Campaign to Create Awareness of Safety Protection Measures Occupational Health and Working Environment in the Workplace.</li> <li>Prepare to Support Changes in Financial Reporting Standards Regarding Financial Instruments, Version 2.</li> <li>Weighing for Preparation of Substances to Meet International Standards.</li> <li>Facebook Advertising for SMEs (Class 13).</li> <li>Update the Effective Laws of the Department of Labor Protection and Welfare.</li> <li>Understanding TFRS for the Benefit of Securities Analysis.</li> <li>IT Future for Capital Market : Business Strategy with AI.</li> <li>Training in Fire Protection and First Aid.</li> <li>Draft TFRS15 Revenue from Customer's Contracts.</li> <li>Operational Techniques with 5S Activities for Organizational Success</li> <li>Safety, Occupational Health and Working Environment.</li> </ul>	<p>Northern Region Industrial Estate</p> <p>Lamphun Provincial Health Office.</p> <p>Department of Labour Protection and Welfare, Lamphun.</p> <p>Lamphun Area Revenue.</p> <p>Federation of Accounting Professions .</p> <p>Pinthong Group Management and Consultants Co.,Ltd.</p> <p>The Stock Exchange of Thailand.</p> <p>Department of Labour Protection and Welfare</p> <p>Northern Region Industrial Estate.</p> <p>Office of Occupational Safety and Health Area 5.</p> <p>The Stock Exchange of Thailand.</p> <p>Mettler-Toledo (Thailand) Co.,Ltd.</p> <p>ReadyPlanet Co., Ltd.</p> <p>Chiranatee Associates Co.,Ltd.</p> <p>Department of Business Development.</p> <p>The Stock Exchange of Thailand.</p> <p>Lamphun Provincial Administrative Organization.</p> <p>75 CPE Co.,Ltd.</p> <p>Pattana Sam Keng Limited Partnership.</p> <p>Asian Phytochemicals Public Co.,Ltd.</p>



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. The setting up of any provision is based on actual practicality. In addition, the Company utilizes the principle of Good Corporate Governance for listed companies 2017 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 the efficiency and transparency of the management and business. The Corporate Governance Code is specified to be reviewed annually. The contents of Good Corporate Governance and the business ethics should be made in a manual form as guideline to be used by the board of directors, Executives and Employees and publicized on the company's website for the outsiders. The summary of the practice in the year 2018 is as follows:

### Section 1: The Rights of the Shareholders

The company realizes and respects 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 of 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).
- The Company used a barcode system for registration based on the reference number already included in the registration form to ensure convenience for shareholders and facilitate the registration. Registration for the Meeting started no less than 2 hours prior to the Meeting.
- 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 had the minutes of the Shareholders' Meeting both in Thai and English. The summary of the questions of shareholders, the Board's explanation, the resolution of the Meeting and vote has been clearly explained and submitted to The Securities and Exchange Commission and the Stock Exchange of Thailand within 14 days from the date of the meeting as stipulated by law, including disseminated on the Company's website.
- 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
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	<p>minor shareholders for the best interest of shareholders as a whole. This includes disclosure of information on a regular basis with completeness and accuracy.</p>
Employees:	<p>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. In last year, records of accidents, absence, and ailments from work were empty.</p>
Clients:	<p>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.</p>
Joint Ventures:	<p>The company respects the rights of all joint ventures, will not infringe any intellectual property 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.</p>
Partners and creditors:	<p>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 addition, The Company will manage its finance to create an appropriate financial structure to support the business and maintain the creditors' confidence. In the event that one of the terms is not fulfilled or there arises a cause for a default, the Company must notify the creditor without concealing facts so as to jointly find solutions on a reasonable basis. 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.</p>
Competitors:	<p>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.</p>
Society:	<p>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</p>

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 and will not infringe any intellectual property.

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.

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 Wiriyachitra, Chief Executive Officer Ms.Pawatsawam Niyomkrew to be responsible for communicating with shareholders, analysts and those involved.

In 2018, Senior management and the Investor Relations section releases the public information by

- The Stock Exchange of Thailand 14 times.
- The Securities and Exchange Commission (SEC) 2 times.
- Newsletter mailing to 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)

Moreover, The company has disseminated the information regarding the financial performance of the Company quarterly after the release via the Stock Exchange of Thailand's SET Portal including the disclosure of all shareholdings by its directors and executives, either directly, i.e. shareholdings by themselves, or indirectly, e.g. shareholdings by their spouses and the auditors' remuneration as follows:

## Possessions of securities owned by Board of Directors and Executive Board

First-Last Name	Title	Balance as of 31 <sup>st</sup> December		Increase (Decrease) during the year
		2017(Restated)	2018 <sup>1</sup>	
Ms.Maleeratna Plumchitchom	Chairperson of the Board Chairperson of the Audit Committee	-	-	-
Prof.Dr.Pichaet Wiriyaichitra	Chief Executive Officer	1,500,300,000	300,080,000	20,000
Dr.Jingjai Hanchanlash	Executive Board	17,960,938	5,212,187	1,620,000
- Spouse		63,590,843	12,818,169	100,000
Mr.Chinnakarn Samalapa <sup>2</sup>	Executive Board	340,000,000	23,000,000	(45,000,000)
- Spouse		901,207	180,241	-
Assoc.Prof. Arunee Wiriyaichitra	Executive Board	105,020,720	66,004,144	45,000,000
Assoc.Prof.Dr.Varakorn Samakoses	Audit Committee	-	-	-
- Spouse		148,771	29,754	-
Prof.Dr.Praipol Koomsup	Audit Committee	-	-	-
Ms.Jannatthabhorn Janprasert	Assistant to Chief Executive Officer for Production	1,097,804	219,561	-
Ms.Sirithip Wiriyaichitra	Assistant to Chief Executive Officer for Research and Quality Assurance	1,088,476	217,695	-
Ms.Sureeporn Teeyaprechaya	Assistant to Chief Executive Officer for Management	1,626,216	325,243	-
Ms.Apinya Ulumpanon	Assistant to Chief Executive Officer for Accounting and Finance	2,004,817	400,963	-
Ms.Ornpimol Prasertwit	Assistant to Chief Executive Officer for Marketing	1,300,971	260,194	-

Note : <sup>1</sup> Change the par value from 0.10 baht per share to 0.50 baht per share on 23<sup>rd</sup> April 2018

<sup>2</sup> Resigned from the position of director on 30<sup>th</sup> November 2018

## The auditors' remuneration

1. Audit fee: The Company paid audit fees to

- Auditor of the Company: -None-
- The auditor's office, any person or any business related to the auditor in the fiscal year 2018, the total amount is 1,200,000 baht.

2. Non-audit fee

-None-

## 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 6 directors, including 3 independent directors: one woman chairperson of the audit committee and two men 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 Company is composed of an executive director, which is the Chief Executive Officer (CEO), and 5 non-executive directors, most of whom have prior experience related to the Company's main business, the industrial sector, or the management of a large organization beneficial to the directing of the Company.

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 listed companies for each board member to serve as their board of directors; not more than 3 for listed companies and not more than 5 for subsidiaries which are not the registered companies. At present, all 5 directors do not serve as the board for other listed companies exceeding the limit of three companies, there is only 1 director who 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 has 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.

#### Observation of Human Rights

The company requires that its directors, management and employees fully respect international human rights by encouraging all employees to exercise their rights of citizenship in accordance with the constitution and relevant laws. Employees' personal information such as family background, health and employment records are kept with discretion and confidentiality. Disclosure of such information to public without that employee's permission is considered a violation of the Code of Conduct and may result in some disciplinary actions except when it is done in accordance with the Company's regulations or legal requirements and does not support any business related to the violation of human rights and frauds. The company also cultivate all employees to refrain from any deliberated discrimination or harassment both in words and actions against other people on the basis of race, gender, religion, age and physical or mental disability.

#### Intellectual Property or Copyright

The company has a policy not to take any action to infringe intellectual property rights whether it is the copyright, patent or trademark. The company is complied with the legal requirements on intellectual property. Careful checking is required before using the work or information that belongs to the third party so as to prevent the violation of intellectual property.

#### Internal Control and Internal Audit

The company has placed much importance on internal control system so that all the management and the performance level will be effective. The duties and authority of executives and performers are defined clearly in writing. The company's resources are controlled to be used efficiently for maximum benefits, restructuring is formed to segregate duties with checks and balances so as to give the investors' confidence that the company operates efficiently and to increase the credibility of the financial budget.

Moreover, the Company has set up an internal audit division, under the audit committee and appointed the person who has thorough training from the Institute of Internal Auditors of Thailand to be responsible. The duty is to independently audit and evaluate according to the annual audit plan of the internal audit division and directly report to the 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 inform the staff assigned by the Board at least 1 day prior to trading and 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.

#### (5) Procedure of the board of directors' meeting

According to the official meeting schedules for the company's committee throughout the year 2018, 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 2018, 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	Board of Directors without management
Ms.Maleeratna Plumchitchom	5/5	4/4	-	1/1
Prof.Dr.Pichaet Wiriyachitra	5/5	-	3/3	-
Dr.Jingjai Hanchanlash	5/5	-	3/3	-
Mr.Chinnakarn Samalapa <sup>n</sup>	3/5	-	3/3	-
Assoc.Prof. Arunee Wiriyachitra	5/5	-	3/3	-
Assoc.Prof.Dr.Varakorn Samakoses	5/5	4/4	-	1/1
Prof.Dr.Praipol Koomsup	5/5	4/4	-	1/1

<sup>n</sup> Resigned from the position of director on 30<sup>th</sup> November 2018.

#### (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.

#### **(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, our 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) (4) and Director Accreditation Program (DCP) (3).

#### **(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 2018 through the self-assessment were in the range of Good-Excellence (3.79).

#### **(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 2018 through the self-assessment were in the range of Good-Excellence (3.65)

#### **(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 2018 as evaluated by the company's board were in the range of Good-Excellence (3.74).

#### **(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 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.1/2019 on 21<sup>st</sup> February 2019, 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. The company has set up the internal audit section to assess the company freely and present the result directly to the audit committee and assist the audit board to perform its task effectively. The assessment conducted by the outside independent experts subject to the standard performance will be conducted later when necessary. 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 Miss Jutirat Promchotchai, as the company's internal auditor and as the secretary to the audit committee. The results of internal audit will be presented to the audit committee at least every three months. 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
		2017	2018	31 <sup>st</sup> Dec 2017	31 <sup>st</sup> Dec 2018		
<b>Arun Pittaya Co.,Ltd.</b> <u>Relationship</u> Board members and shareholders; Mr.Pichaet Wiriyachitra and Ms.Aruneewiriyachitra hold 65.38% of shares in APCO and 100% of shares in Arun Pittaya Co.,Ltd.	Royalty fee for research and product development /Payable	9,001,876	8,437,861	816,848	743,765	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 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.	Such transaction is reasonable for Mr.Pichaet Wiriyachitra, who does research and develop the products for the company.
	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 2017-30 <sup>th</sup> June 2020. 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>Juristic Body</b> Ms.Aruneewiriyachitra And Ms.Wipa Wittayaverroj <u>Relationship</u> Board Members and Shareholders; (Totally shareholding 15.47%)	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 2017 - 30 <sup>th</sup> June 2020. 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
		2017	2018	31 <sup>st</sup> Dec 2017	31 <sup>st</sup> Dec 2018		
<p>Samaphan Health Co.,Ltd. <u>Relationship</u> Board Member and Shareholders; At present, Mr.Chinnakarn Samalapa<sup>/1</sup> holds 0.00%<sup>/2</sup> of shares in APCO and 0.0001% of shares in Samaphan Health Co.,Ltd.</p> <p><u>Note</u> : <sup>/1</sup> Resigned from the position of director on 30<sup>th</sup> November 2018 <sup>/2</sup> As of 4<sup>th</sup> January 2019</p>	Production and Packaging Services	468,950 (Jada)	- (Jada)	-	-	APCO has produced and packaged the product "Jada" using the packages and brands of Samapha Health Co.,Ltd. (formerly Samaphan Trading Co.,Ltd.). 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	The transaction is made under the existing agreement with Mr.Chinnakarn's affiliated companies. It is therefore reasonable and normal.
	Product Sales	62,600 (VWIN Plus)	62,600 (VWIN 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.
<p>Samaphan International Co.,Ltd. <u>Relationship</u> Board Member and Shareholders; At present, Mr.Chinnakarn Samalapa<sup>/1</sup> holds 0.00%<sup>/2</sup> of shares in APCO and 30% of shares in Samaphan International Co.,Ltd.</p> <p><u>Note</u> : <sup>/1</sup> Resigned from the position of director on 30<sup>th</sup> November 2018 <sup>/2</sup> As of 4<sup>th</sup> January 2019.</p>	Production and Packaging Services	-	270,000 (Jada)	-	-	APCO has produced and packaged the product "Jada" using the packages and brands of Samapha International Co.,Ltd. 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.	The transaction is made under the existing agreement with Mr.Chinnakarn's affiliated companies. 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
		2017	2018	31 <sup>st</sup> Dec 2017	31 <sup>st</sup> Dec 2018		
<b>Bim Health Center Co.,Ltd.</b> <u>Relationship</u> An associate company; APCO holds 49.99% of shares in this company.	Product Sales/ Receivable	2,820,793	4,399,502	557,138	1,231,537	This transaction is another distribution channel for the company whereby the company can distribute the product at the market price equivalent to the outsiders.	The transaction is normal.
	Other Income / Other Receivables	160,075	201,064	55,133	51,479	APCO Charges Management Fee from Bim Health Center Co., Ltd.	The transaction is normal.



## 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.

## 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 2018, 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 3 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                    |

The 3 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 2018, 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 2018 annual financial budget of the company and its subsidiaries for 2018. 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 2016

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 2016. 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 2017

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 2017. 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 2018

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 2018. 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

As at 31<sup>st</sup> December 2016 until 31<sup>st</sup> December 2018

Unit: Baht

Statement of Financial Position	Financial Statement in which the equity method is applied. <sup>/1</sup>					
	As of 31 <sup>st</sup> 2018		As of 31 <sup>st</sup> 2017		As of 31 <sup>st</sup> 2016	
	Amount	Amount	Amount	Percent	Amount	Percent
<b>Asset</b>						
<b>Current Assets</b>						
Cash and cash equivalents	182,356,167	27.39	244,301,670	35.99	222,497,723	31.29
Short - term investments	313,394,106	47.08	270,520,070	39.85	315,495,918	44.36
Trade and other receivables	7,569,970	1.14	6,882,552	1.01	8,580,574	1.21
Inventories - Net	65,472,339	9.83	51,054,191	7.52	48,174,191	6.77
Other current assets	623,145	0.09	868,309	0.13	842,196	0.12
<b>Total current assets</b>	<b>569,415,727</b>	<b>85.53</b>	<b>573,626,792</b>	<b>84.51</b>	<b>595,590,602</b>	<b>83.75</b>
<b>Non - Current Assets</b>						
Deposits pledged as collateral	519,084	0.08	514,499	0.08	509,956	0.07
Investment in associate	2,819,420	0.43	1,925,328	0.28	-	-
Property, plant and equipment - Net	83,606,998	12.56	93,771,532	13.81	106,711,819	15.01
Intangible assets - Net	814,806	0.12	971,609	0.14	1,129,408	0.16
Deferred tax assets <sup>/2</sup>	3,090,863	0.46	2,608,190	0.38	2,516,614	0.35
Other non - current assets	5,454,236	0.82	5,361,829	0.79	4,726,797	0.66
<b>Total non - current assets</b>	<b>96,305,407</b>	<b>14.47</b>	<b>105,152,987</b>	<b>15.49</b>	<b>115,594,594</b>	<b>16.25</b>
<b>Total Assets</b>	<b>665,721,134</b>	<b>100.00</b>	<b>678,779,779</b>	<b>100.00</b>	<b>711,185,196</b>	<b>100.00</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade and other payables	21,996,012	3.30	22,557,867	3.32	27,273,149	3.84
Accrued Income Tax	12,173,182	1.83	12,081,975	1.78	18,917,765	2.66
Other current liabilities	2,749,490	0.41	3,158,676	0.47	4,076,323	0.57
<b>Total current liabilities</b>	<b>36,918,684</b>	<b>5.54</b>	<b>37,798,518</b>	<b>5.57</b>	<b>50,267,237</b>	<b>7.07</b>
<b>Non - Current Liabilities</b>						
Employee benefit obligations	11,243,928	1.69	9,274,550	1.37	8,421,267	1.18
Provision for dismantling cost	3,395,316	0.51	3,395,316	0.50	3,395,316	0.48
<b>Total Non - Current Liabilities</b>	<b>14,639,244</b>	<b>2.20</b>	<b>12,669,866</b>	<b>1.87</b>	<b>11,816,583</b>	<b>1.66</b>
<b>Total Liabilities</b>	<b>51,557,928</b>	<b>7.74</b>	<b>50,468,384</b>	<b>7.44</b>	<b>62,083,820</b>	<b>8.73</b>
<b>Shareholders' Equity</b>						
Registered capital	300,000,000	45.06	300,000,000	44.20	300,000,000	42.18
Issued and paid-up	300,000,000	45.06	300,000,000	44.20	300,000,000	42.18
Premium on share capital	166,944,654	25.08	166,944,654	24.59	166,944,654	23.47
Surplus from business combinations under common control <sup>/3</sup>	22,666,575	3.41	22,666,575	3.34	22,666,575	3.19
Retained earnings – Appropriated for legal reserve	30,000,000	4.51	30,000,000	4.42	30,000,000	4.22
Retained earnings – Unappropriated	94,551,977	14.20	108,700,166	16.01	129,490,147	18.21
<b>Total shareholders' equity</b>	<b>614,163,206</b>	<b>92.26</b>	<b>628,311,395</b>	<b>92.56</b>	<b>649,101,376</b>	<b>91.27</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>665,721,134</b>	<b>100.00</b>	<b>678,779,779</b>	<b>100.00</b>	<b>711,185,196</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> The Accounting Standards No.12 regarding income tax, which has been effective since 1<sup>st</sup> January 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.

<sup>/3</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.

## Statement of Comprehensive Income

At the end of project from 31<sup>st</sup> December 2016 until 31<sup>st</sup> December 2018

Unit: Baht

Statement of Comprehensive Income	Financial Statement in which the equity method is applied <sup>/1</sup>					
	2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Income	376,451,769	100.00	424,086,091	100.00	454,713,564	100.00
Sales	369,833,979	98.24	415,742,254	98.03	421,379,211	92.67
Costs of sales	64,889,414	17.24	67,486,007	15.91	59,596,979	13.11
Gross Profit	304,944,565	81.00 <sup>/2</sup>	348,256,247	83.77 <sup>/2</sup>	361,782,232	85.86 <sup>/2</sup>
Gain on disposal of fixed assets	-	-	-	-	27,303,340	6.00
Other Income	6,617,790	1.76	8,343,837	1.97	6,031,013	1.33
Profit before expenses	311,562,355	82.76	356,600,084	84.09	395,116,585	86.89
Selling expenses	114,393,997	30.39	140,749,449	33.19	144,762,804	31.84
Administrative expenses	80,406,345	21.36	84,738,393	19.98	85,591,581	18.82
Share of gain (loss) from investment in associate	894,092	0.24	526,883	0.12	(503,457)	0.11
Profit before finance costs and income tax expense	117,656,105	31.25	131,639,125	31.04	164,258,743	36.12
Finance costs	-	-	-	-	-	-
Profit before income tax expense	117,656,105	31.25	131,639,125	31.04	164,258,743	36.12
Income tax expense	22,910,534	6.09	23,429,106	5.52	32,840,985	7.22
Profit for the year	94,745,571	25.17	108,210,019	25.52	131,417,758	28.90
Other comprehensive income for the year	(893,760)	0.24	-	-	799,682	0.18
Defined benefit plan actuarial loss						
Total comprehensive income for the year	93,851,811	24.93	108,210,019	25.52	132,217,440	29.08

**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. 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.

<sup>/2</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.

## Statement of Cash Flow

At the end of project from 31<sup>st</sup> December 2016 until 31<sup>st</sup> December 2018

Unit: Baht

Statement of Cash Flow	Financial Statement in which equity method is applied		
	2018	2017	2016
<b>Cash Flows from Operating Activities</b>			
Profit before income tax	117,656,105	131,639,125	164,258,743
Adjustments to reconcile profit to net cash provided by operating activities			
Reversal of allowance for obsolescence of inventories	(116,895)	313,695	99,406
Loss (Gain) on disposal of equipment	(11,011)	(29,190)	(27,303,340)
Depreciation	13,621,801	14,299,021	16,841,882
Amortization of intangible assets	156,803	157,799	179,114
Share of (gain) loss from investment in associate	(894,092)	(526,883)	503,457
Employee benefit obligations	1,068,655	1,029,242	1,064,388
Interest income	(5,154,096)	(5,425,570)	(5,199,372)
Profit (Loss) from operating activities before change in operational assets and liabilities	126,327,270	141,457,239	150,444,278
Decrease (Increase) in operating assets			
Trade and other receivables	(559,180)	867,128	2,475,412
Inventories	(14,301,253)	(3,193,695)	(155,254)
Other current assets	245,164	(26,113)	(283,703)
Other non - current assets	(92,407)	(635,032)	(7,500)
Operating Asset (Increase) Decrease	(14,707,676)	(2,987,712)	2,028,955
Increase (Decrease) in operating liabilities			
Trade and other payables	(677,254)	(4,777,342)	(2,755,612)
Employee benefit obligations	(216,477)	(175,959)	-
Other current liabilities	(409,186)	(917,647)	(172,740)
Operating Liabilities; increase (decrease)	(1,302,917)	(5,870,948)	(2,928,352)
Cash received from operations	110,316,677	132,598,579	149,544,881
Interest paid	-	-	-
Income tax paid	(23,078,560)	(30,356,472)	(29,281,129)
<b>Net cash provided by operating activities</b>	<b>87,238,117</b>	<b>102,242,107</b>	<b>120,263,752</b>
<b>Cash Flows from Investing Activities</b>			
Interest income	5,025,858	6,256,464	4,450,992
Decrease(Increase) in short - term investments	(42,874,036)	44,975,848	(120,087,503)
Decrease(Increase) in fixed deposits pledged as collateral	(4,585)	(4,543)	(5,239)
Cash paid for investment in associate	-	(1,749,995)	-
Proceeds from disposal of investment in associate	-	351,550	-
Decrease(Increase) in short-term loan to a related person	-	-	5,000,000
Proceeds from disposal of equipment	98,730	509,464	51,703,381
Cash paid for acquisition of machinery and equipment	(3,429,587)	(1,776,948)	(1,261,310)
Cash paid for acquisition of intangible assets	-	-	(74,224)
<b>Net cash provided by (used in) investing activities</b>	<b>(41,183,620)</b>	<b>48,561,840</b>	<b>(60,273,903)</b>
<b>Cash Flows from Financial Activities</b>			
Net cash received from increase in share capital	-	-	43,969,320
Dividends paid	(108,000,000)	(129,000,000)	(95,264,500)
<b>Net cash used in financing activities</b>	<b>(108,000,000)</b>	<b>(129,000,000)</b>	<b>(51,295,180)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(61,945,503)</b>	<b>21,803,947</b>	<b>8,694,669</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>244,301,670</b>	<b>222,497,723</b>	<b>213,803,054</b>
<b>Cash and cash equivalents, end of year</b>	<b>182,356,167</b>	<b>244,301,670</b>	<b>222,497,723</b>



### Important Financial Ratio

At the end of project from 31<sup>st</sup> December 2016 until 31<sup>st</sup> December 2018

Financial Ratio		2018	2017	2016
<b>Current Ratio</b>				
Current Ratio	(Time)	15.42	15.18	11.85
Quick Ratio	(Time)	13.63	13.80	10.87
Current Cash Flow Ratio	(Time)	2.34	2.32	2.42
Account Receivable Turnover	(Time)	51.18	53.77	44.62
Average Collection Period	(Days)	7.13	6.79	8.18
Inventory Turnover	(Time)	1.11	1.36	1.24
Average Sale(Inventory)Period <sup>1</sup>	(Days)	323	265	290
Account Payable Turnover	(Time)	39.53	40.99	33.04
Payment Period	(Days)	9	9	11
Cash Cycle	(Days)	314	256	279
<b>Profitability Ratio</b>				
Gross Profit Margin	(%)	82.45	83.77	85.86
Operating Profit Margin	(%)	31.25	31.04	36.12
Cash Per Profitability Ratio	(%)	74.15	77.67	73.22
Net Profit Margin	(%)	25.17	25.52	28.90
Return On Equity	(%)	15.25	16.94	21.72
<b>Efficiency Ratio</b>				
Return on Assets	(%)	14.09	15.57	19.74
Return on Fixed Assets	(%)	122.19	122.21	117.65
Total Asset Turnover	(Time)	0.56	0.61	0.68
<b>Financial Ratio</b>				
Debt/Equity Ratio	(Time)	0.08	0.08	0.10
Rate of Commitment Payment Efficiency	(Time)	0.78	0.78	1.24
Dividend Payout ratio	(%)	98.09	99.81	97.57
Rate of Fully Diluted Net Profit per Share	(Baht)	0.158	0.036	0.044

Note : <sup>1</sup> The average goods selling time is high, since the inventories consist of some raw materials, such as garcinia, which is seasonally produced and is rare in some years, and it takes time to gather and transport from the areas in the three southern border provinces. Therefore, a large amount of raw material has to be reserved for production.

The average goods selling time for **finished goods** in 2018 is 74 days, 2017 is 70 days and 2016 is 83 days.

## 2. Financial Status and Performance Description and Analysis

### 1.1 Overall of previous performance

APCO manufactures and sells beauty cosmetics products and dietary supplements products developed and researched by the company itself. The products are sold mainly through direct selling along with the Call Center and are distributed in many countries such as America, East Asia and Southeast Asia. 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. In 2016, the total revenue was 427.41 million Baht (excluding the revenue from the sale of property was 27.30 million Baht), an increase by 2.78% compared to the same period of the previous year as a result of the growth in food supplements. In 2017, the total revenue was 424.09 million Baht, 0.78% lower than that of the year 2016 as a result of the decreasing revenue of the beauty cosmetics products. For the year 2018, the total revenue was 376.45 million Baht, 11.23% lower than that of the year 2017 as a result of the sales of domestic food supplements decreased.

In 2016 to 2017, and 2018 the company had gained the net profit in sum of 131.42 million Baht, 108.21 million Baht, and 94.75 million Baht respectively, or 28.90%, 25.52%, and 25.17% 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 Call Center as there are no commissions. The commission proportion in the total revenue then continued to reduce from the previous years. And even though the proportion has been reduced from the previous year In addition, there is an increase in the depreciation, rental and utilities expenses of the new office. Therefore, the net profit of the company was reduced compared to the previous year. Meanwhile, in 2016, as the company disseminated less product information through TV, it resulted in a decrease of advertisement expenses. In 2016, Sales of goods increased by 2.96 percent from 2015, while cost of sales decreased 8.25 percent from the previous year. And profit from the sale of assets in the year 2016 of 27.30 million, resulting in a Gross profit and net profit margin increase. The year 2017 net profit decreased as a result of the decreasing sales volumes of beauty cosmetics products compared to the same period of the previous year. For the year 2018, sales of domestic food supplement products decreased, resulting in a net profit decrease.

Right now, APCO is focusing on 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 who are confident in the products. This angle could potentially enhance the security of the revenue base. Moreover, the Operation "BIM" line has been continuously increasing its 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 2016 - 2018 amounted to 454.71 million Baht, 424.09 million Baht, and 376.45 million Baht respectively as shown in the revenue structure below.

Unit: Million Baht

Revenue Structure	2018		2017		2016	
	Value	Percent	Value	Percent	Value	Percent
Beauty Cosmetics Products						
- Sliming Products	5.97	1.59	7.86	1.85	8.35	1.83
- Anti-Wrinkle and Anti-Spot Products	21.43	5.69	6.10	1.44	10.64	2.34
- Skincare Products	2.71	0.72	3.39	0.80	3.85	0.85
Total	30.11	8.00	17.35	4.09	22.84	5.02

Revenue Structure	2018		2017		2016	
	Value	Percent	Value	Percent	Value	Percent
<b>Dietary Supplement Products</b>						
- Healthcare Products	250.03	66.42	292.07	68.87	314.94	69.26
- Fat Reduction Products	8.42	2.24	17.67	4.17	16.17	3.56
- Healthy Drink Products	81.11	21.54	88.17	20.79	66.08	14.53
- Skincare Products	0.16	0.04	0.48	0.11	1.35	0.30
<b>Total</b>	<b>339.72</b>	<b>90.24</b>	<b>398.39</b>	<b>93.94</b>	<b>398.54</b>	<b>87.65</b>
<b>Total Revenue from Sales</b>	<b>369.83</b>	<b>98.24</b>	<b>415.74</b>	<b>98.03</b>	<b>421.38</b>	<b>92.67</b>
Gain on disposal of fixed assets	-	-	-	-	27.30	6.00
Other Revenues*	6.62	1.76	8.35	1.97	6.03	1.33
<b>Total Revenue</b>	<b>376.45</b>	<b>100.00</b>	<b>424.09</b>	<b>100.00</b>	<b>454.71</b>	<b>100.00</b>

#### Sales Revenue

The sales revenue of the company from 2016-2018 was 421.38 million Baht, 415.74 million Baht, and 369.83 million Baht respectively. The growth rate was an increase of 2.96 % in 2016, a decrease of 1.34% and a decrease of 11.04% for, 2017 and 2018. The year 2016, the Company had sales revenue of 421.38 million Baht, or 2.96% growth compared to the same period of the previous year as a result of the growth of dietary supplements. The company obtained the revenues from the production and product distribution in two ways as follow.

(1) Revenue from cosmetics products; between 2016-2018, the company gained the sales revenues from cosmetics products amounted to 22.84 million Baht, 17.35 million Baht, and 30.11 million Baht respectively, or a decrease of 27.33%, 24.04% in 2016, 2017 respectively and an increase of 73.54% in 2018. In the year 2018, cosmetic products have increased sales from the previous year. In 2016, the revenue from cosmetic sales was 22.84 million Baht, or a decrease of 27.33 % compared to the same period of the previous year, due to lower income from slimming product as a result of fewer product advertisement releases via TV. For the year 2017, the revenue from cosmetic sales was 17.35 million Baht which is 24.04 % lower than that of the year 2016 as a result of the decreasing revenue of Anti-Wrinkle and Anti-Spot Products. For the year 2018, the revenue from cosmetic sales was 30.11 million Baht, or an increase of 73.54% due to increased revenue from anti-aging products and dark spots.

Most of the revenues from cosmetics products were anti-wrinkle and slimming products and anti-spot products. The revenue from the nourishment products (2016-2018) was averagely at 40.63%, 31.55%, and 14.15% of the total revenues gained in the cosmetics products respectively. While in 2018, the majority of income comes from anti- wrinkle and dark spots products, followed by slimming products and skin care products. They accounted for 71.17%, 19.83% and 9.00%, respectively because customers purchased from APCO and sold through cable TV. There are more orders for anti- wrinkle and dark spots cosmetics, instead of ordering Gold Shape slimming products because of the less information disseminated through TV.

(2) Revenue from food supplement products; between 2016-2018, the company generated the sales revenues from food supplements amounted to 398.54 million Baht, 398.39 million Baht, and 339.72 million Baht respectively, or an increase of 5.48%, decrease of 0.04% and decrease of 14.73% in 2016-2017 and 2018 respectively, compared to the same periods of the previous year. The company had gained the increased revenues from this product line in 2016, 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", which were widely accepted. Moreover, the company launched the marketing campaigns and organized the Operation BIM seminars along with the experience sharing from other consumers through the cable television programs and free television channels. The sales proportion through the company's Call Center 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. However, the sale revenue of the food supplement products in 2018 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 one customer was reduced 50%, compared to the previous year. Their customer bought the products directly from APCO in full price and carried out her 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.

For the year 2016, the Company's income from food supplements sales was 398.54 million Baht, representing 5.48% growth compared to the same period of the previous year. The majority of revenue growth still comes from Health Care and Health Drink in the "Operation BIM" product segment, while revenue from the Gold Shape Fat Reduction products decreased by 60.95% compared to the same period of the previous year, due to fewer product releases via TV.

Most of the revenue comes from healthcare products, healthy drinks products, fat reduction products and skincare products, The average proportion (2016-2018) is 75.40 %, 20.71%, 3.72%, and 0.18% of the total revenues from the food supplement products respectively. The sales volumes of healthcare products and healthy drinks had decreased from 380.24 million Baht in 2017 to 331.14 million Baht in 2018. Meanwhile, in 2016 - 2018, the company revenue from food supplements are from health care products followed by healthy drinks products, fat reduction products and skin care products accounted for 73.31%, 22.13%, 4.44% and 0.12%, respectively in 2017 and accounted for 73.60%, 23.88%, 4.48% and 0.05%, respectively in 2018.

The Company has revenue from sales from both domestic and international customers. The sales revenue for the years 2016 – 2018 is approximately 92.67%, 98.03 and 98.24% of the total revenue, respectively. For the year 2016-2018, the Company has revenue from sales to Domestic customers accounted for approximately 92.28%, 97.99% and 94.80% of the total revenue respectively, as summarized in the table.

Unit: Million Baht

Revenue Structure	2018		2017		2016	
	Value	Percent	Value	Percent	Value	Percent
Revenue from Domestic Sales	356.88	94.80	415.57	97.99	419.60	92.28
Revenue from International Sales	12.95	3.44	0.17	0.04	1.78	0.39
<b>Total Revenue from Sales</b>	<b>369.83</b>	<b>98.24</b>	<b>415.74</b>	<b>98.03</b>	<b>421.38</b>	<b>92.67</b>
Gain on disposal of fixed assets	-	-	-	-	27.30	6.00
Other Revenues	6.62	1.76	8.35	1.97	6.03	1.33
<b>Total Revenue</b>	<b>376.45</b>	<b>100.00</b>	<b>424.09</b>	<b>100.00</b>	<b>454.71</b>	<b>100.00</b>

The decreased sales volumes of food supplement products, resulting in a decrease in revenue from domestic sales by 0.96% and 14.12% in 2017 and 2018 when compared to the previous year. Revenue from health care products continued to decline in Year 2018.

In 2017, the company has revenue from International Sales 0.17 million Baht, or 0.04 % of total revenue, which was reduced approximately compared to the previous year. For 2018, the company has revenue from International Sales 12.95 million Baht, or 3.44 % of total revenue.

#### Other Revenues

Other revenues of the Company for the years 2016 - 2018 were equal to 6.03 million Baht, 8.35 million Baht and 6.62 million Baht, or 1.33%, 1.97% 1.76% of total revenues, respectively. In fact, it was regarded as a small amount of the company's revenues with the proportion not exceeding 3% of total revenue. Other revenues included the interest, revenue from corporate income tax return of the years 2015, profit from asset sales, and profit from the currency exchange. Around 65-78% of these revenues were from the interest. In 2016, the gain from disposal of assets was 27.30 million Baht, or 6% of total revenues, from office sales in the RS Tower. In 2017, the company has revenue from corporate income tax return of the years 2015 amount 2.02 million Baht.

#### Cost of sales and gross profit

Cost of sales of the Company for the year 2016 - 2018 was 59.60 million Baht, 67.49 million Baht and 64.89 million Baht, respectively. The gross profit margin was 85.86%, 83.77% and 82.45%, respectively. The annual gross profit margin of the company was nearly equivalent.

The main components of the cost of sales comes from the cost of raw materials such as agricultural raw materials, chemicals, and packages. The company has a policy to purchase only 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 cost of sales included the labor cost, compensation for the research and development, depreciation cost, and the production cost of mangosteen juice. For the year 2016-2017, the company has the cost of production mangosteen juice of about 5.10 million Baht, 6.66 million Baht, which is to produce all BIM Formula mangosteen juice.

#### Selling and Administrative Expenses

Selling expenses in 2016 - 2018 amounted to 144.76 million Baht, 140.75 million Baht, and 114.39 million Baht respectively, accounted for 31.84%, 33.19% and 30.39% of the total revenues respectively. The important factor that affected the proportion of selling expenses to the total revenue 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 Call Center with a gradual increased from 25.51% in 2014 to 29.31% in 2015 and 25.85% in 2016, thus resulting in a proportion of selling expenses to total revenues in 2016 decrease.

Even though the company has its higher proportion of sales distribution through the Call Center, 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 selling expenses. 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 2014-2016 and 2017. Besides, another essential expense is the advertising and marketing campaign, averagely proportioned about 19% of the selling expenses. In 2015, there was an increased expense of the advertising and marketing campaign, leading to an increased sales expenditure proportion of 8% of the total revenues in 2015 and reduced to 5% of total revenue in 2016 and 2017 as less product information was disseminated via TV. Make advertising expenses decrease.

Administrative expenses for 2016 to 2018 amounted to 85.59 million Baht, 84.74 million Baht, and 80.41 million Baht respectively, accounted for 18.82%, 19.98%, and 21.36% of the total revenue respectively. As for 2016-2017 and 2018, the proportion of the administrative expenses increased as the company moved its Bangkok office to AIA Building, incurring in increased rental and utilities expenses. The important administrative expenses included expenses on executives and employees such as salary, bonus and contributions to funds. These expenditures from 2016 were averagely at 35%, 2017 and 2018 35% of administrative expenses. Other administrative expenses are depreciation, rental, banking fees, and utilities expenses, accounted for 39%, 47% and 44% of the administrative expenditures respectively. The depreciation increased 12% of the administrative expenses in 2014 to 20% of the administrative expenses in 2015-2016 from the investment in the decoration of office at AIA Building. For the year 2017, depreciation accounted for 17% of administrative expenses in 2017, as the Company paid for research development to the Faculty of Medicine, Siriraj Hospital, as a result the proportion of administrative expenses to total revenue increased.

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

In February 2017, the Company invested in 499,998 ordinary shares of BIM Health Center Co., Ltd., with a par value of 10 Baht per share (paid-up 2.50 Baht per share) totaling 1.2 million Baht, The shareholding of these 50 associates was incorporated on February 2, 2017. The Company recognized the share of profit from investments in associated companies. The said amount was 0.68 million Baht

In February 2017 The Company has also invested 5,000 ordinary shares of AC Plus Global Co., Ltd., with a par value of Baht 100 per share totaling 0.5 million Baht, representing a 50% shareholding. AC Plus Global Co., Ltd., was registered with the Ministry of Commerce on February 17, 2017. In August 2017 The Company sold 5,000 ordinary shares of AC Plus Global Co., Ltd. at the par value of 70.31 Baht in the amount of 0.35 million Baht to the third parties. The Company recognized loss from disposal of investment in associate amounting to 0.15 million Baht in the income statement.

#### **Net Profits**

APCO received the net profits for 2016 - 2018 in the amount of 131.42 million Baht, 108.21 million Baht, and 94.75 million Baht respectively, accounted for 28.90%, 25.52%, and 25.17% respectively. This shows that the net profits have been increasing each year, especially in 2016. 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 Call Center subject to reduction of commissions. While in 2016, since the company published less product information through TV, advertising expenses decreased. And the company had a gain from the sale of assets of 27.30 million Baht, causing an increased net profit margin.

### **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.

#### **Assets**

At the end of the years 2016 to 2018, APCO's total assets amounted to 711.19 million Baht, 678.78 million Baht, and 665.72 million Baht respectively, accounted for the growth rate of 13.07%, and the decrease or 4.56%, 1.92%, respectively.

The current assets at the end of the years 2016 to 2018 amounted to 595.59 million Baht, 573.63 million Baht, and 569.42 million Baht respectively, accounted for 83.75%, 84.51%, and 85.53% of the total assets respectively. The company's current assets include the following important assets:

(1) Cash and the equivalent at the end of 2016 to 2018 amounted to 222.50 million Baht, 244.30 million Baht, and 182.36 million Baht respectively, accounted for 31.29%, 35.99%, and 27.39% of the total assets respectively. The company's cash and cash equivalents increased continuously in 2016-2017 as a result of the profits.

(2) Temporary invested capital at the end of 2016 and 2018 was equivalent to 315.50 million Baht, and 270.52 million Baht and 313.39 million Baht, or 44.36%, 39.85% and 47.08 of the total assets. This temporary invested capital was the savings in 9-month Exchange Bill and 6-12-month fixed deposit with the interest rate of 1.4 – 1.9% per year. Temporary investment at the end of 2016 is increased because the company invested in 12-month and 9-month bills of exchange.

(3) The net number of account receivable and others at the end of 2016 to 2018 amounted to 8.58 million Baht, 6.89 million Baht, and 7.57 million Baht respectively, accounted for 1.21%, 1.01%, and 1.14% 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 trade accounts receivable from related parties at the end of 2016 to 2018 was equivalent to 0.00 million Baht, 0.56 million Baht, and 1.23 million Baht respectively. And at the end of the year 2017, there are no outstanding balances of trade

accounts receivable from related parties. At the end of 2017-2018, the receivables from the sale of goods are through its associate BIM Health Center.

Accounts receivable unrelated parties at the end of 2016 - at the end of 2018 amounted to 3.19 million Baht, 3.33 million Baht and 3.02 million Baht, respectively. Classified by age of outstanding debt is summarized in the following table.

Trade Accounts Receivable Details (Excluding related parties)	Value (Baht)		
	As of 31 <sup>st</sup> Dec 2018	As of 31 <sup>st</sup> Dec 2017	As of 31 <sup>st</sup> Dec 2016
Undue Payment	55,125	2,421,638	2,741,879
Overdue Less than 3 months	218,856	905,630	273,921
Overdue 3 - 6 months	44,910	-	171,609
Overdue 6 - 9 months	2,704,162	-	-
Overdue 9 - 12 months	-	-	-
Overdue more than 12 months	-	-	-
<b>Total</b>	<b>3,023,053</b>	<b>3,327,268</b>	<b>3,187,409</b>
Deducting Allowance for Doubtful	-	-	-
<b>Net</b>	<b>3,023,053</b>	<b>3,327,268</b>	<b>3,187,409</b>

The company distributes products through direct sales channels and Call Center channels, which are sold mainly by cash. Therefore, there are relatively few trade receivables. The short-term collection period is approximately 8 days, 7 days and 7 days for 2016, 2017 and 2018, respectively, reflecting the company's liquidity. Customers who shop directly with the company without direct sales representative has the credit term 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 December 31, 2017, the Company had overdue receivables of less than 3 months in the amount of 0.91 million Baht from one debtors.

As of December 31, 2018, the company has overdue accounts receivable 6 - 9 months, amount of 2.70 million from one debtor who is in the process of repayment.

Moreover, the amount of other receivables at the end of 2016 through 2018 was equivalent to 5.39 million Baht, 2.30 million Baht, and 3.32 million Baht respectively. The important other receivables were advance payments for goods, prepaid expenses and accrued interest receivable, etc. As on 31 December 2016 and 2017, other receivables decreased due to the decrease in prepaid expenses from previous years. As of December 31, 2018, other receivables increased due to prepaid expenses increasing from the previous year.

(4) Net inventory as of 2016 through 2018 was equivalent to 48.17 million Baht, 51.05 million Baht, and 65.47 million Baht respectively, accounted for 6.77%, 7.52%, and 9.83% of the total assets respectively. The company's inventory was divided into finished goods, work in process, Convertible 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 2018	As of 31 <sup>st</sup> Dec 2017	As of 31 <sup>st</sup> Dec 2016
Inventory			
- Finished Goods	14,224,590	13,394,331	13,616,230
- Work in Process	358,377	767,845	-
- Convertible raw materials	14,575,528	11,793,337	16,150,289
- raw materials	28,052,546	18,373,234	11,949,124
- Packages and Factory Supplies	10,111,498	8,692,538	8,111,947
<b>Total of Inventory</b>	<b>67,322,539</b>	<b>53,021,285</b>	<b>49,827,590</b>

Details of Inventory	Value (Baht)		
	As of 31 <sup>st</sup> Dec 2018	As of 31 <sup>st</sup> Dec 2017	As of 31 <sup>st</sup> Dec 2016
<u>Deducting</u> Allowance for Lower Prices of Goods			
- Finished Goods	491,250	478,115	474,548
- Work in Process	-	-	-
- Convertible raw materials	-	133,566	131,583
- raw materials	23,018	42,023	14,296
- Packages and Factory Supplies	1,335,931	1,313,390	1,032,972
<b>Total</b>	<b>1,850,199</b>	<b>1,967,094</b>	<b>1,653,399</b>
<b>Inventories - net</b>	<b>65,472,339</b>	<b>51,054,191</b>	<b>48,174,191</b>

Note: Convertible raw materials as of December 31, 2016 increased since the stock of extracts from CenTella Dry increase to match the production capacity of about 2 years according to the Company's policy. Asiatic as raw materials that are released seasonally. The company will bring dried asiatic leaves and produce extracts of Centella asiatica (CenTella Dry) for production.

Most of the inventory was stored in the form of raw materials, more importantly the agricultural ones and finished goods. From 2016-2018, these raw materials were averaged at 34.30% 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 December 31, 2016, the raw materials were reduced since they were used in production. Raw material as of December 31, 2017 and 2018 increased 53.76% and 52.68%, due to the increase in mangosteen procurement to be sufficient for 2 years production, as the company plans to use more mangosteen as raw material for its production.

Other inventory included finished goods. During 2016 – 2018, it valued averagely at 24.23% of the total values of inventory. As of December 31, 2016, finished goods decreased by 7.30% from the end of 2015. Sales of slimming products continued to decline, as a result, most finished goods are Mangosteen Juice mixed with canned "Gold Shape Drink" no finished goods over the age of 2.5 years. As of December 31, 2017, the Company's finished goods were similar to that of the previous year, slightly lower accounted for 1.63 percent from the end of 2016.

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 Garnicia whereas the amount of Garnicia stored at 31<sup>st</sup> December 2016, compared to an estimation of the annual production, could be used for about 2 years in a row since it was projected that Garnicia would be used for more production. Garnicia 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 Garnicia 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 December 31, 2016, the company had Garnicia aged 9-10 years valued at 0.00 million Baht, with allowance for deterioration of quality products made at 0.00 million Baht. As of December 31, 2017, the company had 3 years and 4 months Garnicia valued at 5.68 million Baht. The company did not have any Garnicia aged over 10 years in its stock. The company has a policy to buy



a lot of Garnicia, since it is a seasonally rare fruit and it is rare in some years. It takes time to gather and transport from the southern border provinces. Therefore, the stock has been reserved for sufficient production.

As of 31<sup>st</sup> December 2016, 2017 and 2018, the amount of stored mangosteen peel aged over 1 year was worth 0.00 million Baht, 0.70 million Baht and 1.22 million Baht respectively. 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. 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 2016, 2017 and 2018, the amount of stored mangosteen flesh aged over 1 year was worth 1.11 million Baht, 0.00 million Baht and 0.00 million Baht, respectively. 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 2016 through 2018 were equivalent to 115.59 million Baht, 105.15 million Baht, and 96.31 million Baht respectively, accounted for 16.25%, 15.49%, and 14.47% of the total assets respectively. Main non-current assets were land plots, buildings, and instruments worth at 106.71 million Baht, 93.77 million Baht, and 83.61 million Baht at the end of 2016-2018 or 89.60% of non-current assets. At the end of 2016, a decrease of 27.25% from 2015 and at the end of 2017, decreased of 12.13 % from 2016, due to the sale of office space in RS Tower. At the end of 2018, a decreased by 10.84% from 2017. Other non-current assets Consists of insurance money and various deposits.

#### Liabilities

Total liabilities of the Company as at the end of 2016 - 2017 amounted to 62.08 million Baht, 50.47 million Baht and 51.56 million Baht respectively. The Company did not use any source of funds from financial institution loans. Therefore, most of its liabilities are considered the Total current liabilities, amounted to 50.27 million Baht, 37.80 million Baht and 36.92 million Baht, respectively, or 7.07%, 5.57% and 5.54% of total assets respectively. Main current liabilities are indicated below.

(1) Accounts payable and other payables at the end of 2016 - 2018, amounted to 27.27 million Baht, 22.56 million Baht and 21.99 million Baht, respectively, or 3.84%, 3.32% and 3.30% of total assets, respectively. Classified as trade accounts payable at the end of 2016 - 2018 amounted to 1.75 million Baht, 1.55 million Baht and 1.74 million Baht, respectively. With the payment period of 11 days, 9 days and 9 days, respectively. Other payables include other payables - related companies 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. Accrued expenses hereby consist of accrued commissions, accrued rental expense, accrued services and public utilities, and accrued advertisement expenses. As of December 31, 2016, trade and other payables decreased 2.74 million Baht from the end of the year 2015 due to decreased commissions and advance receipts. As of 31 December 2017, trade and other payables decreased by approximately 4.71 million Baht from the end of 2016, due to the decrease in commissions and prepaid checks from previous years.

(2) Accrued income tax at the end of 2016 - 2018 amounted to 18.92 million Baht, 12.08 million Baht and 12.17 million Baht, respectively. As at 2016-2017 and as at December 31, 2018, Accrued income tax accounted for 37.63%, 31.96% and 32.97% of current liabilities respectively, or 2.66%, 1.78% and 1.83% of total assets, respectively.

Non-current liabilities of the Company as at the end of 2016 - 2018, amounted to 11.82 million Baht, 12.67 million Baht and 14.64 million Baht, respectively, accounted for 1.66%, 1.87% and 2.20% of the total assets respectively. Non-current liabilities of the company included:

(1) Employee benefit obligations at the end of 2016- 2018, amounted to 8.42 million Baht, 9.27 million Baht and 11.24 million Baht, respectively, accounted for 1.18%, 1.37% and 1.69% of total assets respectively. Segmentation is an estimate of post-employment benefits and gratuity benefits in accordance with the provisions of the Labor Protection Act BE 2541 providing retirement benefits and other long-term benefits to employees based on their rights and working time according to TAS 19, which entered into force in 2011.

(2) Estimated cost in demolishing the rental building, at the end of 2016-2017 and 31 December 2018 amounted to 3.40 million Baht or 0.48%, 0.50% and 0.51% of the total assets, respectively. The estimated cost of demolition 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. The company has renewed the lease for another 3 years in 2017.

#### Shareholder's Equity

At the end of 2016 – 2018, Shareholders' equity was equivalent to 649.10 million Baht, 628.31 million Baht and 614.16 million Baht respectively. Retained earnings of the Company as at the end of 2016 - 2018 was equivalent to 159.49 million Baht, 138.70 million Baht and 124.55 million Baht respectively. The Company also paid the dividend from 2016-2018 in sum of 115.60 million Baht 95.26 million Baht and 129 million Baht respectively.

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.

On April 8, 2016, the Annual General Meeting of Shareholders passed the following resolutions:

1. Approval of the capital reduction by canceling total amount 254,625,355 registered ordinary shares, the par value of 0.10 Baht per share, totaling 25,462,535.50 Baht, from the existing registered capital of Baht 300,000,000, to the registered capital of 274,537,464.50 Baht.

2. Approved the increase of the registered capital 25,462,535.50 Baht divided into 254,625,355 common shares with a par value of 0.10 Baht per share from the existing registered capital. Baht 274,537,464.50 to a registered share capital of Baht 300,000,000 divided into 3,000,000,000 common shares with a par value of 0.10 Baht each.

3. Approved the allocation of up to 254,625,355 new ordinary shares with a par value of 0.10 Baht per share, for Public offering. The offering price is determined by the average market price of the common shares of the company. In the case of the remaining capital from the public offering, the Company will allocate them to the existing shareholders in proportion (Right Offering) at 0.10 Baht.

The Company has offered for sale to public offering of 254,625,355 shares on October 7<sup>th</sup> and October 10<sup>th</sup> - 13<sup>th</sup>, 2016 whereas the supporters of the company have subscribed of 16,252,060 newly issued ordinary shares at the price of 1.3455 Baht per share (the selling price of 1.48 Baht per share, including 10% of the paid-up shares, The net price per share paid by the investor is 1.3455 Baht per share), totaling 21.9 million Baht. On October 14, 2016, the Company received the entire paid-up capital. The Company registered the increase of its paid-up capital to the Ministry of Commerce on 18 October 2016, resulting in 238,373,295 new ordinary shares. The Board of Directors' Meeting No. 5/2016 held on 18 October 2016 passed a resolution to approve Allotment of 238,373,295 newly issued ordinary shares to existing shareholders at the offering price of 0.10 Baht, with the allocation ratio of 11.5854 existing shares for 1 new share. On 18 and 21-24 November 2016 has new ordinary shares have been subscribed and paid up shares for the existing shareholders. On November 28, 2016, the Company received the payment of share capital of 23.8 million Baht. The Company registered the increase of its paid-up capital to the Ministry of Commerce on 29 November 2016. The direct expenses associated with the share offering of Baht 2.2 million (net of income tax of Baht 0.4 million) are presented net of share premium.

The liability ratio per shareholder's equity at the end of 2016 through 2018 was equivalent to 0.10 times, 0.08 times, and 0.08 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 2016 through 2018 remained constantly positive, amounting to 120.26 million Baht, 102.24 million Baht, and 87.24 million Baht respectively. This stemmed from continuous net profits of the company. The cash flow from investments in 2016 through 2018 amounted to (60.27) million Baht, 48.56 million Baht, and (41.08) million Baht respectively.

For the year 2016, cash flow from the investing activities was negative. Since the company has temporarily increased its investment of 12-month bills of exchange amounting to 120.08 million Baht and has decreased short-term loans to related parties by 5.00 million Baht due to repayment of the loan. The Company has cash received from sales of buildings and equipment of Baht 51.71 million.

For the year 2017, cash flow from the investing activities was positive since the company has temporarily reduced its investment 12-month bills of exchange amounted to 44.98 million Baht, with interest income of 6.26 million Baht, Cash receipts from disposal of investment in associates is 0.35 mill Baht, and the Company had cash received from sales of buildings and equipment of 0.51 million Baht.

In addition, cash flow from financial events in 2016 through 2018 was equivalent to (51.30) million Baht, (129) million Baht, and (108) 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. 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). For the year 2016, the Company's cash flow from financing activities

decreased negative due to the receipt of capital increase of 43.97 million Baht. In the year 2017, cash flow from financing activities decreased due to the dividend payment of 129 million Baht.

## (2) Liquidity Ratio

From 2016 – 2018, APCO's liquidity amounted to 11.85 times, 15.18 times and 15.42 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 2016 to 2018, the company's cash flow was 279, 256, and 314 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, sales of excess fat reduction products decreased. Therefore, there are still finished goods. As a result, the cash cycle in 2016 and 2018 increased from the previous year. However, the Company still has sufficient liquidity to manage such long-term cash cycle. Therefore, the company does not rely on loans from financial institutions.

## 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 Call Center 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.



ACCOUNTING SYSTEM & TAX  
Certified Public Accountants

บริษัท เอเอสที มาสเตอร์ จำกัด

790/12 ทองหล่อทาวเวอร์ ซอยทองหล่อ 18  
ถนนสุขุมวิท 55 แขวงคลองตันเหนือ เขตวัฒนา  
กรุงเทพฯ 10110  
โทร : 0-2714-8842-3, 0-2185-0342  
แฟกซ์ : 0-2185-0225

### Independent Auditor's Report

To the Board of Directors and Shareholders of  
**Asian Phytochemicals Public Company Limited**

#### Opinion

I have audited the accompanying financial statements in which the equity method is applied of **Asian Phytochemicals Public Company Limited** ("the Company"), which comprise the statement of financial position in which the equity method is applied as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of **Asian Phytochemicals Public Company Limited** for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Asian Phytochemicals Public Company Limited** as at 31 December 2018, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

#### Basis for Opinion

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

#### Key Audit Matters

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

## AST MASTER

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Key audit matters and how audit procedures respond for each matter are described below.

### Revenue Recognition

The Company generally recognizes revenues when the risks and rewards have been transferred to the customers. The Company's revenues typically derives from multi-channel distribution, for example sales through business networking, sales through referrals by call center and other channels. Because of the diversity of distribution channels, the Company requires the special considerations of the appropriate accounting period on the revenue recognition from such sales. Therefore, I determine that this matter is significant to my audit.

I conducted the audit to obtain the reasonable assurance that the Company recognized revenues in an appropriate accounting period by testing the effectiveness of internal controls over the revenue cycle. I focused on the test that responded to the accuracy and the timing in which revenues were recognized in the Company's financial statements. I tested the samples of sale transactions to verify the accuracy and the appropriateness of the revenue recognition and to determine whether they were in compliance with the condition set out in the agreement or sales documents and the Company's revenue recognition policy. I tested supporting evidence for the sales incurred during the years and close to year end, tested the credit notes issued after year end and tested the significant adjustments to revenues. I also analyzed revenues by distribution to determine the appropriateness of revenues recognized throughout the accounting period.

### Commissions paid on the sales over the business network

The Company has developed compensation structures that is unique and complex due to multiple distribution channels and the Company has to pay the compensation to its member in the form of commissions. I give a special consideration to the accuracy and completeness of accounting records on the commissions paid to members or sales compensation which are presented as selling expense, in the amount of Baht 78.4 million or approximately by 21% of total revenues as described in the Note 22 to the financial statements. Therefore, I determine that this matter is significant to my audit.

I examined whether the Company recorded the sales commissions in the accurate amount and appropriate timing by testing the effectiveness of internal controls related to the Company's information technology. I tested the calculation of commissions in each compensation structures and analyzed the commission against total sales.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

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

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

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

## AST MASTER

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of equity-accounted investees of the Company to express an opinion on the financial statements in which the equity method is applied. I am responsible for the direction, supervision and performance of the audit of the financial statements in which the equity method is applied. I remain solely responsible for my audit opinion.

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

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

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

PRADIT RODLOYTUK  
Certified Public Accountant  
Registration No. 218

AST Master Co., Ltd.  
21 February 2019



ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

ASSETS	Notes	In Baht			
		Financial statements in which equity method is applied		Separate financial statements	
		2018	2017	2018	2017
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	182,356,167	244,301,670	182,356,167	244,301,670
Short - term investments	7	313,394,106	270,520,070	313,394,106	270,520,070
Trade and other receivables	8	7,569,970	6,882,552	7,569,970	6,882,552
Inventories	9	65,472,339	51,054,191	65,472,339	51,054,191
Other current assets		623,145	868,309	623,145	868,309
<b>Total current assets</b>		<b>569,415,727</b>	<b>573,626,792</b>	<b>569,415,727</b>	<b>573,626,792</b>
<b>NON - CURRENT ASSETS</b>					
Deposits pledged as collateral	10	519,084	514,499	519,084	514,499
Investment in associate	11	2,819,420	1,925,328	1,249,995	1,249,995
Property, plant and equipment	12	83,606,998	93,771,532	83,606,998	93,771,532
Intangible assets	13	814,806	971,609	814,806	971,609
Deferred tax assets	18	3,090,863	2,608,190	3,090,863	2,608,190
Other non - current assets		5,454,236	5,361,829	5,454,236	5,361,829
<b>Total non - current assets</b>		<b>96,305,407</b>	<b>105,152,987</b>	<b>94,735,982</b>	<b>104,477,654</b>
<b>TOTAL ASSETS</b>		<b>665,721,134</b>	<b>678,779,779</b>	<b>664,151,709</b>	<b>678,104,446</b>

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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

		In Baht			
		Financial statements in which		Separate	
		equity method is applied		financial statements	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Notes</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	21,996,012	22,557,867	21,996,012	22,557,867
Accrued income tax		12,173,182	12,081,975	12,173,182	12,081,975
Other current liabilities		2,749,490	3,158,676	2,749,490	3,158,676
<b>Total current liabilities</b>		<b>36,918,684</b>	<b>37,798,518</b>	<b>36,918,684</b>	<b>37,798,518</b>
<b>NON - CURRENT LIABILITIES</b>					
Employee benefit obligations	15	11,243,928	9,274,550	11,243,928	9,274,550
Provision for dismantling cost		3,395,316	3,395,316	3,395,316	3,395,316
<b>Total non - current liabilities</b>		<b>14,639,244</b>	<b>12,669,866</b>	<b>14,639,244</b>	<b>12,669,866</b>
<b>Total liabilities</b>		<b>51,557,928</b>	<b>50,468,384</b>	<b>51,557,928</b>	<b>50,468,384</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	16				
Registered					
600,000,000 ordinary shares of Baht 0.50 each					
(2017 : 3,000,000,000 ordinary shares of Baht 0.10 each)		300,000,000	300,000,000	300,000,000	300,000,000
Issued and paid-up					
600,000,000 ordinary shares of Baht 0.50 each					
(2017 : 3,000,000,000 ordinary shares of Baht 0.10 each)		300,000,000	300,000,000	300,000,000	300,000,000
Premium on share capital		166,944,654	166,944,654	166,944,654	166,944,654
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	17	30,000,000	30,000,000	30,000,000	30,000,000
Unappropriated		94,551,977	108,700,166	92,982,552	108,024,833
<b>Total shareholders' equity</b>		<b>614,163,206</b>	<b>628,311,395</b>	<b>612,593,781</b>	<b>627,636,062</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>665,721,134</b>	<b>678,779,779</b>	<b>664,151,709</b>	<b>678,104,446</b>

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

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	In Baht			
		Financial statements in which equity method is applied		Separate financial statements	
		2018	2017	2018	2017
Sales		369,833,979	415,742,254	369,833,979	415,742,254
Costs of sales		(64,889,414)	(67,486,007)	(64,889,414)	(67,486,007)
<b>Gross profit</b>		<b>304,944,565</b>	<b>348,256,247</b>	<b>304,944,565</b>	<b>348,256,247</b>
Other income		6,617,790	8,343,837	6,617,790	8,343,837
<b>Profit before expenses</b>		<b>311,562,355</b>	<b>356,600,084</b>	<b>311,562,355</b>	<b>356,600,084</b>
Selling expenses		(114,393,997)	(140,749,449)	(114,393,997)	(140,749,449)
Administrative expenses		(80,406,345)	(84,738,393)	(80,406,345)	(84,886,843)
Total expenses		(194,800,342)	(225,487,842)	(194,800,342)	(225,636,292)
<b>Profit before share of gain from investment in associate and income tax expense</b>		<b>116,762,013</b>	<b>131,112,242</b>	<b>116,762,013</b>	<b>130,963,792</b>
Share of gain from investment in associate	11	894,092	526,883	-	-
<b>Profit before income tax expense</b>		<b>117,656,105</b>	<b>131,639,125</b>	<b>116,762,013</b>	<b>130,963,792</b>
Income tax expense	18	(22,910,534)	(23,429,106)	(22,910,534)	(23,429,106)
<b>Profit for the year</b>		<b>94,745,571</b>	<b>108,210,019</b>	<b>93,851,479</b>	<b>107,534,686</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial loss	15	(1,117,200)	-	(1,117,200)	-
Less : Income tax effect	18	223,440	-	223,440	-
<b>Other comprehensive income for the year</b>		<b>(893,760)</b>	<b>-</b>	<b>(893,760)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>93,851,811</b>	<b>108,210,019</b>	<b>92,957,719</b>	<b>107,534,686</b>
<b>Basic earnings per share</b>					
Profit for the year	19	0.16	0.18	0.16	0.18
Weighted average number of ordinary shares		600,000,000	600,000,000	600,000,000	600,000,000

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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

Financial statements in which equity method is applied						
In Baht						
Notes	Issued and Paid - up Share Capital	Premium on share capital	Surplus from business combinations under common control	Retained earnings		Total shareholders' equity
				Appropriated for legal reserve	Unappropriated	
Balance as at 1 January 2017	300,000,000	166,944,654	22,666,575	30,000,000	129,490,147	649,101,376
Dividend paid 16	-	-	-	-	(129,000,000)	(129,000,000)
Profit for the year	-	-	-	-	108,210,019	108,210,019
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	108,210,019	108,210,019
Balance as at 31 December 2017	300,000,000	166,944,654	22,666,575	30,000,000	108,700,166	628,311,395
Balance as at 1 January 2018	300,000,000	166,944,654	22,666,575	30,000,000	108,700,166	628,311,395
Dividend paid 16	-	-	-	-	(108,000,000)	(108,000,000)
Profit for the year	-	-	-	-	94,745,571	94,745,571
Other comprehensive income for the year	-	-	-	-	(893,760)	(893,760)
Total comprehensive income for the year	-	-	-	-	93,851,811	93,851,811
Balance as at 31 December 2018	300,000,000	166,944,654	22,666,575	30,000,000	94,551,977	614,163,206

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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

Separate financial statements							
In Baht							
	Notes	Issued and Paid - up Share Capital	Premium on share capital	Surplus from business combinations under common control	Retained earnings		Total shareholders' equity
					Appropriated for legal reserve	Unappropriated	
Balance as at 1 January 2017		300,000,000	166,944,654	22,666,575	30,000,000	129,490,147	649,101,376
Dividend paid	16	-	-	-	-	(129,000,000)	(129,000,000)
Profit for the year		-	-	-	-	107,534,686	107,534,686
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	107,534,686	107,534,686
Balance as at 31 December 2017		300,000,000	166,944,654	22,666,575	30,000,000	108,024,833	627,636,062
Balance as at 1 January 2018		300,000,000	166,944,654	22,666,575	30,000,000	108,024,833	627,636,062
Dividend paid	16	-	-	-	-	(108,000,000)	(108,000,000)
Profit for the year		-	-	-	-	93,851,479	93,851,479
Other comprehensive income for the year		-	-	-	-	(893,760)	(893,760)
Total comprehensive income for the year		-	-	-	-	92,957,719	92,957,719
Balance as at 31 December 2018		300,000,000	166,944,654	22,666,575	30,000,000	92,982,552	612,593,781

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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

	In Baht			
	Financial statements in which		Separate	
	equity method is applied		financial statements	
	2018	2017	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before income tax	117,656,105	131,639,125	116,762,013	130,963,792
Adjustments to reconcile profit to net cash provided by operating activities				
Allowance for write-down and obsolescence of inventories (Reversal)	(116,895)	313,695	(116,895)	313,695
Gain on disposal of equipment	(11,011)	(29,190)	(11,011)	(29,190)
Depreciation	13,621,801	14,299,021	13,621,801	14,299,021
Amortization of intangible assets	156,803	157,799	156,803	157,799
Loss from disposal of investment in associate	-	-	-	148,450
Share of gain from investment in associate	(894,092)	(526,883)	-	-
Employee benefit obligations	1,068,655	1,029,242	1,068,655	1,029,242
Interest income	(5,154,096)	(5,425,570)	(5,154,096)	(5,425,570)
Profit from operating activities before change in operational assets and liabilities	126,327,270	141,457,239	126,327,270	141,457,239
Decrease (Increase) in operating assets				
Trade and other receivables	(559,180)	867,128	(559,180)	867,128
Inventories	(14,301,253)	(3,193,695)	(14,301,253)	(3,193,695)
Other current assets	245,164	(26,113)	245,164	(26,113)
Other non - current assets	(92,407)	(635,032)	(92,407)	(635,032)
Increase (Decrease) in operating liabilities				
Trade and other payables	(677,254)	(4,777,342)	(677,254)	(4,777,342)
Employee benefit obligations	(216,477)	(175,959)	(216,477)	(175,959)
Other current liabilities	(409,186)	(917,647)	(409,186)	(917,647)
Cash received from operations	110,316,677	132,598,579	110,316,677	132,598,579
Income tax paid	(23,078,560)	(30,356,472)	(23,078,560)	(30,356,472)
Net cash provided by operating activities	87,238,117	102,242,107	87,238,117	102,242,107

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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	In Baht			
	Financial statements in which		Separate	
	equity method is applied		financial statements	
	2018	2017	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	5,025,858	6,256,464	5,025,858	6,256,464
Decrease (increase) in short - term investments	(42,874,036)	44,975,848	(42,874,036)	44,975,848
Increase in fixed deposits pledged as collateral	(4,585)	(4,543)	(4,585)	(4,543)
Cash paid for investment in associate	-	(1,749,995)	-	(1,749,995)
Proceeds from disposal of investment in associate	-	351,550	-	351,550
Proceeds from disposal of equipment	98,730	509,464	98,730	509,464
Cash paid for acquisition of machinery and equipment	(3,429,587)	(1,776,948)	(3,429,587)	(1,776,948)
Net cash provided by (used in) investing activities	(41,183,620)	48,561,840	(41,183,620)	48,561,840
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid	(108,000,000)	(129,000,000)	(108,000,000)	(129,000,000)
Net cash used in financing activities	(108,000,000)	(129,000,000)	(108,000,000)	(129,000,000)
Net increase (decrease) in cash and cash equivalents	(61,945,503)	21,803,947	(61,945,503)	21,803,947
Cash and cash equivalents, beginning of year	244,301,670	222,497,723	244,301,670	222,497,723
Cash and cash equivalents, end of year	182,356,167	244,301,670	182,356,167	244,301,670
<u>Supplement Disclosures of Cash Flows information</u>				
Non - cash transactions				
Increase in payable from acquisition of assets	115,399	62,060	115,399	62,060

The accompanying notes are an integral part of the 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). Subsequently, the Company has filed an application requesting the Stock Exchange of Thailand (SET). Thus, the SET will instruct the trading on the Stock Exchange of Thailand (SET) from 14 May 2018 onwards.

## 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 FINANCIAL REPORTING STANDARDS

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

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2017) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

### 3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

During the current year, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.



The management of the Company believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company believe that this standard will not have any significant impact on the financial statements when it is initially applied.

**3.3 Financial reporting standards related to the set of financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

#### 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 and doubtful accounts 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 financial statements in which the equity method is applied (equity-accounted investees) and is recognised initially at cost.

Investment in associate is accounted for in the financial statements in which the equity method is applied 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	5-10	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 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 less or) 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 are calculated by dividing the income attributable to shareholders by the weighted average number of common shares during the year.

#### 4.15 Financial instruments

Financial assets carried on the statements of financial position include cash and cash equivalents, short-term investments, trade accounts receivable, deposits pledged as collateral. Financial liabilities carried on the statements of financial position include, trade accounts payable, accrued expenses and other payable and accrued income tax. 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>	
Bim Health Center Co., Ltd.	Shareholding by the Company
Th17 (Thailand) Co., Ltd.	Shareholding by the Company until 17 May 2017
AC Plus Global Co., Ltd.	Shareholding by the Company until 11 August 2017
<b>Related companies</b>	
Samaphan Health Co., Ltd.	Common shareholders and directorship until 30 November 2018
Samaphan International Co., Ltd.	Common shareholders and directorship until 30 November 2018
Arun Pitaya Co., Ltd.	Common shareholders and directorship
<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.
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 2018 and 2017 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
<b>Trade accounts receivable</b>		
Associate	1,231,537	557,138
<b>Other receivable</b>		
Associate	51,479	55,133
<b>Other payables</b>		
Related companies	743,765	816,848

## 5.3 Revenues and expenses with related parties

Significant transactions with related parties for the year ended 31 December 2018 and 2017 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
<b>Sales</b>		
Associate	4,399,502	3,694,462
Related companies	332,600	531,550
Total	4,732,102	4,226,012
<b>Other income</b>		
Associate	201,064	160,075
<b>Service fee of utilization from products' research and development</b>		
Related companies	8,437,861	9,001,876
<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 years ended 31 December 2018 and 2017, as below

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
Short-term employee benefits	16,396,957	16,440,779
Post-employment benefits	402,884	381,432
Total	16,799,841	16,822,211

#### 6. CASH AND CASH EQUIVALENTS

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
Cash on hand	316,356	394,240
Regular checking accounts	7,046,667	5,695,975
Saving accounts	174,993,144	238,211,455
Total	182,356,167	244,301,670

As at 31 December 2018, the weighted average effective interest rates of deposits at financial institutions were 0.125 % to 0.85 % per annum (2017: 0.125 % to 0.85 % per annum).

#### 7. SHORT – TERM INVESTMENTS

	Interest rate (% p.a.)		In Baht	
	2018	2017	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017	2018	2017
Debt securities held to maturity				
Certificate of deposit	-	1.4	-	50,000,000
Fixed deposits 6 - 12 months	0.9 - 1.7	0.9 - 1.7	313,394,106	220,520,070
Total			313,394,106	270,520,070

#### 8. TRADE AND OTHER RECEIVABLES

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
Trade accounts receivable - associate (Note 5.2)	1,231,537	557,138
Trade accounts receivable - other companies	3,023,053	3,327,268
Total trade accounts receivable	4,254,590	3,884,406
Advances for inventories	1,367,414	1,633,918
Prepaid expenses	954,186	698,039
Accrued interest	424,101	295,863
Revenue department receivable	151,670	151,670
Others	418,009	218,656
Total	7,569,970	6,882,552



**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

Aging of trade accounts receivable as at 31 December 2018 and 2017 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
<b>Trade accounts receivable - associate</b>		
Within credit terms	1,231,537	551,258
Overdue:		
Less than 3 months	-	5,880
Total	1,231,537	557,138
<b>Trade accounts receivable - other companies</b>		
Within credit terms	55,125	2,421,638
Overdue:		
Less than 3 months	218,856	905,630
3 - 6 months	44,910	-
6 - 9 months	2,704,162	-
Total	3,023,053	3,327,268

**9. INVENTORIES**

	In Baht					
	Financial statements in which equity method is applied and Separate financial statements					
	At cost		Allowance for obsolescence of inventories		Inventories-net	
	2018	2017	2018	2017	2018	2017
Finished goods	14,224,589	13,394,331	(491,250)	(478,115)	13,733,339	12,916,216
Work in process	358,377	767,845	-	-	358,377	767,845
Transform raw						
Material	14,575,528	11,793,337	-	(133,566)	14,575,528	11,659,771
Raw material	28,052,546	18,373,234	(23,018)	(42,023)	28,029,528	18,331,211
Packaging and supplies	10,111,498	8,692,538	(1,335,931)	(1,313,390)	8,775,567	7,379,148
Total	67,322,538	53,021,285	(1,850,199)	(1,967,094)	65,472,339	51,054,191

During the current year, the Company reversed the write-down of cost of inventories by Baht 0.1 million and reduced the amount of inventories recognised as expenses during the year. (2017 : the Company reduced cost of inventories by Baht 0.3 million, to reflect the net realisable value. This was presented as cost of sales.)

**10. DEPOSITS PLEDGED AS COLLATERAL**

As at 31 December 2018, the Company has fixed deposits in the amounts of Baht 0.5 million (2017: Baht 0.5 million), bears interest at the rates ranging from 0.9% per annum (2017 : interest at the rates ranging from 0.9% 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

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. INVESTMENT IN ASSOCIATE**

Name	Nature of business	Paid-up Capital (In Baht)	Holdings (%)		In Baht			
			2018		At equity method		At Cost	
			2018	2017	2018	2017	2018	2017
Bim Health Center Co., Ltd.	Operates as a distributor for products of Asian Phytoceuticals Public Company Limited.	2,500,000	50	50	2,819,420	1,925,328	1,249,995	1,249,995

**Share of gain (loss) from investment in associate**

The Company recognized its share of gain (loss) from investment in the associate in the financial statements in which equity method is applied, for the years ended 31 December 2018 and 2017, as follows:

Name	In Baht	
	2018	2017
Bim Health Center Co., Ltd.	894,092	675,333
AC Plus Global Co., Ltd.	-	(148,450)
<b>Total</b>	<b>894,092</b>	<b>526,883</b>

**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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Bim Health Center Co., Ltd.	2,500,000	2,500,000	8,060,570	5,066,059	1,555,832	850,116	8,828,385	5,794,086	2,288,796	1,715,943
AC Plus Global Co., Ltd.	-	-	-	-	-	-	-	2,071,348	-	(296,892)

In February 2017, the Company made an investment in AC Plus Global Company Limited of 5,000 ordinary shares, with a par value of Baht 100 per share, totalling Baht 0.5 million. Total invested shares represent 50% ownership. The associate was incorporated on 17 February 2017. In August 2017, the Company disposal all of its investments in ordinary shares in AC Plus Global Company Limited of 5,000 ordinary shares, at a price of Baht 70.31 per share, totalling Baht 0.35 million. to third party and recognized loss arising from the sales of investments in associate of Baht 0.15 million in the statement of comprehensive income.

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT

	In Baht						
	Financial statements in which equity method is applied and Separate financial statements						
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Total
As at 1 January 2017							
Cost	8,287,320	94,268,745	37,878,667	10,635,449	16,930,626	16,784,767	184,785,574
<u>Less</u> Accumulated depreciation	<u>(59,268)</u>	<u>(31,041,200)</u>	<u>(20,852,036)</u>	<u>(8,161,395)</u>	<u>(11,465,554)</u>	<u>(6,494,302)</u>	<u>(78,073,755)</u>
Net book amount	<u>8,228,052</u>	<u>63,227,545</u>	<u>17,026,631</u>	<u>2,474,054</u>	<u>5,465,072</u>	<u>10,290,465</u>	<u>106,711,819</u>
For the year ended 31 December 2017							
Net book value, beginning of year	8,228,052	63,227,545	17,026,631	2,474,054	5,465,072	10,290,465	106,711,819
Acquisition assets	-	-	667,723	376,862	237,169	557,254	1,839,008
Disposals	-	(1)	(480,264)	(3)	(4)	(2)	(480,274)
Depreciation	<u>(8,890)</u>	<u>(7,667,173)</u>	<u>(2,500,906)</u>	<u>(781,343)</u>	<u>(2,283,340)</u>	<u>(1,057,369)</u>	<u>(14,299,021)</u>
Net book value, end of year	<u>8,219,162</u>	<u>55,560,371</u>	<u>14,713,184</u>	<u>2,069,570</u>	<u>3,418,897</u>	<u>9,790,348</u>	<u>93,771,532</u>
As at 31 December 2017							
Cost	8,287,320	93,768,745	34,115,092	10,990,438	17,120,103	17,276,096	181,557,794
<u>Less</u> Accumulated depreciation	<u>(68,158)</u>	<u>(38,208,374)</u>	<u>(19,401,908)</u>	<u>(8,920,868)</u>	<u>(13,701,206)</u>	<u>(7,485,748)</u>	<u>(87,786,262)</u>
Net book amount	<u>8,219,162</u>	<u>55,560,371</u>	<u>14,713,184</u>	<u>2,069,570</u>	<u>3,418,897</u>	<u>9,790,348</u>	<u>93,771,532</u>

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	In Baht						
	Financial statements in which equity method is applied and						
	Separate financial statements						
	Land & Improvement	Buildings & Improvement	Machinery & Equipment	Tools	Office Equipment	Vehicles	Total
For the year ended 31 December 2018							
Net book value, beginning of year	8,219,162	55,560,371	14,713,184	2,069,570	3,418,897	9,790,348	93,771,532
Acquisition assets	-	-	2,621,024	435,616	488,346	-	3,544,986
Disposals	-	-	(83,007)	(4,521)	(191)	-	(87,719)
Depreciation	(8,890)	(7,591,585)	(2,408,635)	(816,437)	(1,734,470)	(1,061,784)	(13,621,801)
Net book value, end of year	<u>8,210,272</u>	<u>47,968,786</u>	<u>14,842,566</u>	<u>1,684,228</u>	<u>2,172,582</u>	<u>8,728,564</u>	<u>83,606,998</u>
As at 31 December 2018							
Cost	8,287,320	93,768,745	35,502,064	11,348,195	17,524,663	17,276,096	183,707,083
Less Accumulated depreciation	<u>(77,048)</u>	<u>(45,799,959)</u>	<u>(20,659,498)</u>	<u>(9,663,967)</u>	<u>(15,352,081)</u>	<u>(8,547,532)</u>	<u>(100,100,085)</u>
Net book amount	<u>8,210,272</u>	<u>47,968,786</u>	<u>14,842,566</u>	<u>1,684,228</u>	<u>2,172,582</u>	<u>8,728,564</u>	<u>83,606,998</u>

As at 31 December 2018, certain asset items of the Company has been fully depreciated. The gross carrying amount before deducting accumulated depreciation of those assets amounted to Baht 36.0 million (2017: Baht 32.4 million).

ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

13. INTANGIBLE ASSETS

The net book value of computer software as at 31 December 2018 and 2017 is presented below.

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
As at 1 January		
Cost	2,420,302	2,420,302
<u>Less</u> Accumulated amortization	(1,448,693)	(1,290,894)
Net book value	971,609	1,129,408
Transactions during the year ended 31 December		
Net book value, beginning of year	971,609	1,129,408
Amortization	(156,803)	(157,799)
Net book value, end of year	814,806	971,609
As at 31 December		
Cost	2,420,302	2,420,302
<u>Less</u> Accumulated amortization	(1,605,496)	(1,448,693)
Net book value	814,806	971,609

14. TRADE AND OTHER PAYABLES

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
Trade accounts payable	1,735,312	1,548,031
Other payables - related parties (Note 5.2)	743,765	816,848
Accrued expenses	18,392,240	18,553,328
Unearned revenues	259,542	256,800
Others	865,153	1,382,860
Total	21,996,012	22,557,867

# 15. 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	
	2018	2017
Defined benefit obligations at 1 January	9,274,550	8,421,267
Included in profit or loss:		
Current service cost	758,268	745,148
Interest cost	310,387	284,094
Benefits paid during the year	(216,477)	(175,959)
Included in other comprehensive income :		
Actuarial losses arising from		
Financial assumptions changes	425,628	-
Demographic assumptions changes	67,894	-
Experience adjustments	623,678	-
Total	1,117,200	-
Defined benefit obligations at 31 December	11,243,928	9,274,550

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	
	2018	2017
Costs of sales	329,468	331,093
Administrative expenses	739,187	698,149
Total expenses recognised in profit or loss	1,068,655	1,029,242

The Company expect to not pay of long-term employee benefits during the next year. (2017 : The Company expect to pay Baht 0.2 million of long-term employee benefits.)

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 14 years. (2017 : 16 years)

Principal actuarial assumptions at the reporting date

For the year ended 31 December 2018 and 2017

	31 December 2018	31 December 2017
Discount rate	3.02% per annum	3.40% per annum
Salary increase rate	5.00%	5.00%
Employee turnover rate	Scale related to Age ranging from 1.91 – 22.92% According to Thailand TMO 2017	Scale related to Age ranging from 1.91 – 22.92% According to Thailand TMO 2008
Mortality rate	male and female tables 105%	male and female tables 80%

**ASIAN PHYTOCEUTICALS PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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.

Effect on the non-current provisions for defined benefit plans at 31 December

	In Baht			
	Financial statements in which equity method is applied and Separate financial statements			
	2018		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (50 basis points)	(565,118)	608,795	(476,597)	513,604
Discount rate (100 basis points)	(1,090,384)	1,265,523	(919,431)	1,067,830
Future salary growth (1% movement)	1,216,087	(1,071,197)	1,128,692	(986,353)
Future salary growth (2% movement)	2,600,158	(2,017,166)	2,423,507	(1,850,467)
Turnover rate (20% movement)	(643,454)	718,334	(612,169)	692,857
Turnover rate (40% movement)	(1,223,562)	1,526,121	(1,157,452)	1,484,349

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.

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company have additional liabilities for long-term employee benefits of Baht 3.2 million. The Company will reflect the effect of the change by recognising past services costs as expenses in the profit or loss of the period in which the law is effective.

**16. 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 31 December 2017 (Par value of Baht 0.10 each)	3,000,000,000	300,000,000	3,000,000,000	300,000,000	166,944,654
As at 23 April 2018 The devaluation par value from Baht 0.10 per share to Baht 0.50 Per share and reduce the ordinary shares	(2,400,000,000)	-	(2,400,000,000)	-	-
As at 31 December 2018 (Par value of Baht 0.50 each)	600,000,000	300,000,000	600,000,000	300,000,000	166,944,654

## DIVIDENDS

Dividends paid in 2018 and 2017 are as follows :

		In Baht	
		Financial statements in which equity method is applied and Separate financial statements	
		Dividend paid	
	Approved by	Cash dividend paid	Dividend per share
Dividend for year 2017	Annual General Meeting of the shareholders on 9 April 2018	108,000,000	0.0360
Dividend for year 2016	Annual General Meeting of the shareholders on 19 April 2017	129,000,000	0.0430

On 9 April 2018, the Company's Annual General Meeting of the shareholders passed the following resolutions:

- To approve the payment of dividend to its shareholders of 3,000,000,000 shares at the rate of Baht 0.036 per share, totaling of Baht 108.0 million, from the retained earnings and profit for the year 2017. The cash dividend have been paid on 3 May 2018.
- To approve the change of par value from Baht 0.10 per share to Baht 0.50 per share (from registered share capital of Baht 300,000,000, divided into 3,000,000,000 ordinary shares with Baht 0.10 par value to 600,000,000 ordinary shares with par value of Baht 0.50 each). The Company registered the change of par value with the Ministry of Commerce on 23 April 2018.

On 19 April 2017, the Company's Annual General Meeting of the shareholders passed the following resolutions:

- To approve the payment of dividend to its shareholders of 3,000,000,000 shares at the rate of Baht 0.043 per share, totalling of Baht 129 million, from the operating results for the year 2016. The cash dividend have been paid on 9 May 2017.

## 17. 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. At present, the statutory reserve has fully been set aside.



# 18. INCOME TAX

Income tax expenses for the year ended 31 December 2018 and 2017 are as follows:

	In Baht	
	Financial statements in which equity method is applied and	Separate financial statements
	2018	2017
<b>Current income</b>		
Corporate income tax charge	23,169,767	23,520,682
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	(259,233)	(91,576)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>22,910,534</b>	<b>23,429,106</b>
Income tax recognized in other comprehensive income		
Actuarial loss	(223,440)	-

## Reconciliation of effective tax rate

	In Baht			
	Financial statements in which equity method is applied		Separate financial statements	
	2018	2017	2018	2017
Accounting profit before corporate income tax	117,656,105	131,639,125	116,762,013	130,963,792
Applicable tax rate	20%	20%	20%	20%
Accounting profit before corporate income tax multiplied by applicable tax rate	23,531,221	26,327,825	23,352,402	26,192,758
Effects of:				
Addition expenses deductible for tax purposes	(589,509)	(2,987,387)	(589,509)	(2,987,387)
Expenses not deductible for tax purposes	406,873	315,311	406,874	315,311
Share of gain from investment in associate	(178,819)	(135,067)	-	-
Total	(361,454)	(2,807,143)	(182,635)	(2,672,076)
Relating to origination and reversal of temporary differences	(259,233)	(91,576)	(259,233)	(91,576)
Income tax expense	22,910,534	23,429,106	22,910,534	23,429,106

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	
	2018	2017
<b>Deferred tax assets</b>		
Allowance for obsolescence of inventories	370,040	393,418
Employee benefit obligations	2,251,782	1,854,910
Provisions	34,540	38,560
Provision for dismantling cost	434,501	321,302
<b>Total</b>	<b>3,090,863</b>	<b>2,608,190</b>

#### 19. 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 year ended 31 December 2017, in proportion to the change in the number of shares as a result of the change in par value which the number of ordinary shares are decreased from 3,000,000,000 shares to 600,000,000 shares, which approved on 9 April 2018 by the ordinary shareholders' meeting (Note 16). The number ordinary shares is adjusted as if the change of share had occurred at the beginning of the earliest period reported.

#### 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 2018, the Company's contribution to the provident fund recorded amounting of Baht 1.1 million (2017 : Baht 1.1 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 2018, export revenue were 3.50% (2017: 0.04%) of total sales revenues.

##### Major customers

For the year 2018 and 2017, the Company has no major customer with revenues of 10% or more of total revenues.

## 22. EXPENSES BY NATURE

Significant expenses by nature for the years ended 31 December 2018 and 2017 are as follows:

	In Baht	
	Financial statements in which equity method is applied and Separate financial statements	
	2018	2017
Changes in finished goods and work in process	(420,790)	(545,946)
Raw materials and consumable used	25,152,813	29,039,286
Production fee	6,091,335	6,660,447
Service fee of utilization from products' research and development	8,437,861	9,001,876
Commission	78,377,308	99,934,408
Products' research and development	1,627,452	7,576,817
Employees costs	35,554,686	35,770,720
Managements' remuneration	16,799,841	16,822,211
Rental and service expense	21,129,273	18,231,374
Depreciation and amortization	13,778,604	14,456,820

## 23. COMMITMENTS AND CONTINGENT LIABILITIES

### 23.1 Operating lease commitments and service agreements

As at 31 December 2018, the Company has commitment on rental and service agreements are as follows:

	In Million Baht
Within 1 year	20.7
Over 1-3 years	16.2
Total	36.9

### 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 approval.

- 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 provide 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 2018 and 2017, the Company's debt-to-equity ratio were 0.08 : 1 and 0.08 : 1, respectively.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2019, the Company's Board of Directors meeting No.1/2562 passed the following resolutions :

- To approve the payment of dividend to its shareholders of 600,000,000 shares at the rate of Baht 0.1549 per share, totaling of Baht 92.94 million, from the profit for the year 2018.

However, these resolutions will be further propose for the shareholders' approval in the Ordinary General Meeting of Shareholders for the fiscal year of 2019.

## 28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 21 February 2019.