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FUNNOVATION

Sappe Annual Report 2019

**“BECAUSE WE
BELIEVE BEST
INNOVATIONS
COME FROM
FUN INNOVATORS”**

2019

FUNNOVATIVE

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VISION & MISSION

**We better people's lives
through our innovative spirit.**

SION

VISION

Becoming the preferred and trusted global brand driven by a team of passionate and synergistic top talents passionately working happily together in a dynamically innovative workplace.

MISSION

Be an inspiring Thai model organization delivering superior choices of food and beverages to better people's lives.

**MESSAGE FROM
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER**



2019 was a very fun and challenging year for us. We continued what we have already started intensively throughout the year. With our strong commitment to the mission, we grew well amidst the changing and volatile economic conditions. We are still a leading company innovating food and beverages for health and beauty conscious consumers in both domestic and international markets. We have continuously supported and developed our people, the most important resource, in operating business, initiating ideas and innovating products for consumers as well as never stopped developing the existing business for better future.

This resulted in achieving the targeted performance with the total sales revenue of

3,299.5
million baht

growing
16.7%
from 2018

the total net profit of
402.7
million baht

The proportion between domestic and international sales was at

42%:58%

The international expansion to more than 90 countries worldwide in Asia, Southeast Asia, Middle East, Europe, Africa, North America, and South America markets helped create a strong perception towards Thais' quality health and beauty beverage products. Furthermore, we strengthened our business by partnering with 2 business allies to develop and deliver the better and sustainable innovative healthy food and beverages to Thais and people around the world.

>90 countries
worldwide



In the beginning of 2019, we collaborated with **MYEN PTE. LTD.** or "**Danone**" to invest in a joint venture company, **Danone Sappe Beverages Company Limited** to develop, manufacture, market and distribute healthy hydration beverages in Thailand.

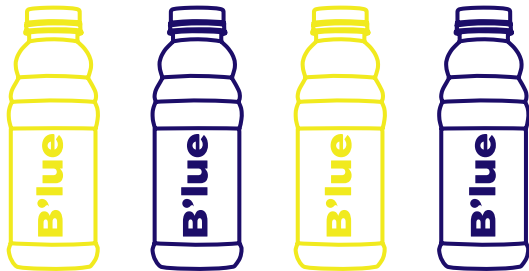
Dedicated to bringing health through food to as many people as possible, **Danone** is a leading global food & beverage company, aiming to inspire healthier and more sustainable eating and drinking practices, in line with its vision - Danone, One Planet. One Health - which reflects a strong belief that the health of people and the health of the planet are interconnected. Under



DANONE
ONE PLANET. ONE HEALTH

this collaboration, we launched a new beverage product, “**B’lue**” brand, a fruit-flavored vitamin water, in 4 flavors, for health-conscious consumers with unique styles under “**Be More with B’lue**” concept.

Be More With B’lue



We became a major shareholder of **All Coco Group Company Limited** or “**All Coco**”, a manufacturer and distributor of various coconut-based food and beverages under the “All Coco” trademark, e.g. bottled coconut water, coconut ice-cream, and Nam Hom coconut pudding. In the past 2 years since the Company’s first acquisition in All Coco, its performance has continued growing. Besides, a global rising trend of plant-based consumption and our strong distribution channels reaching target consumers help ensure that our revenue will be steadily generated for the years to come.



Throughout the year, we also launched new innovative products for health and beauty conscious consumers including, new series of beverage under “**Sappe Beauti Drink**” brand, “**Chia Up Series**” with 2 recipes “**Beauti Chia Up Fiber**” and “**Beauti Chia Up Calcium**”; “**Preaw Nutri-Grain**” under “**Preaw Coffee**” brand, healthy breakfast cereal available in 2 recipes, “**Chia Seed**” and “**Brown Rice**”; an organic soybean pudding with chia seed under “**DeNosh**” brand; and men’s product under “**Maxtivity**” brand, a golden banana jelly giving energy before exercise. These new products were developed by focusing on consumers’ needs and became popular with the high growth trend.

*These achievements were driven by creativities of all parties, including our executives, employees, and business partners. We inspired each other and passed powerful creativities to everyone surrounded in order to achieve the same goal, **delivery of the best products to win consumers’ hearts**. To promote ideas initiation, we created a workplace, called “**Sappe Home of Innovators**” and developed our people to be innovators through various “**Funnovation**” activities to grow the organization with “**Innovate to Grow, Innovate to Win**” concept, the key concept to deliver truly made-with-heart products to consumers.*



On behalf of the Board of Directors, executives and employees, we would like to thank all shareholders, investors, customers, communities, media, and business partners for their trusts and supports for our steady growth. We commit to further develop strong organization, to increase sales growth, to maintain market share as well as to expand domestic and international markets to the fullest, while at the same time, operating business concerning society, environment, and all stakeholders. Not only do we make everyone’s life enjoyable with our creativities, but we will also do our best to deliver what we have always committed to,

“We better people’s lives through our innovative spirit”

Mr. Natee Onin

Chairman of
the Board of Directors

Ms. Piyajit Ruckariyapong

Director,
Executive Committee,
and Chief Executive Officer

Statement of financial position - Consolidated financial statements

Statement of financial position	31-Dec-19		31-Dec-18		31-Dec-17		31-Dec-16	
	million baht	%	million baht	%	million baht	%	million baht	%
ASSETS	3,389.97	100.00	2,922.91	100.00	2,758.41	100.00	2,451.65	100.00
Current assets	1,943.88	57.34	1,604.56	54.90	1,498.26	54.32	1,123.13	45.81
Cash and cash equivalent	181.70	5.36	172.64	5.91	155.68	5.64	358.51	14.62
Current investments	1,132.13	33.40	915.80	31.33	905.21	32.82	227.28	9.27
Trade accounts receivable	352.87	10.41	248.96	8.52	203.21	7.37	170.64	6.96
Other receivables	40.95	1.21	36.72	1.26	43.13	1.56	202.77	8.27
Short-term loans to related parties	-	-	8.00	0.27	8.00	0.29	4.00	0.16
Inventories	216.90	6.40	213.77	7.31	176.19	6.39	156.76	6.39
Other current assets	19.33	0.57	8.67	0.30	6.84	0.25	3.17	0.13
Non-current assets	1,446.09	42.66	1,318.35	45.10	1,260.15	45.68	1,328.52	54.19
Investment in associates	29.74	0.88	142.01	4.86	141.93	5.15	140.80	5.74
Other long-term investments	100.00	2.95	50.00	1.71	-	-	-	-
Property, plant and equipment	1,133.84	33.45	1,055.95	36.13	1,048.12	38.00	1,112.45	45.38
Goodwill	90.90	2.68	-	-	-	-	-	-
Other intangible assets	56.06	1.65	52.30	1.79	56.30	2.04	58.36	2.38
Deferred tax assets	14.96	0.44	12.79	0.44	9.40	0.34	13.38	0.55
Other non-current assets	20.59	0.61	5.30	0.18	4.40	0.16	3.53	0.14
LIABILITIES AND EQUITY	3,389.97	100.00	2,922.91	100.00	2,758.41	100.00	2,451.65	100.00
LIABILITIES	646.20	19.06	499.37	17.08	506.01	18.34	451.12	18.40
Current liabilities	602.71	17.78	482.47	16.51	493.00	17.87	431.93	17.62
Bank Overdraft	-	-	0.95	0.03	1.05	0.04	-	-
Trade accounts payable	182.08	5.37	176.34	6.03	168.60	6.11	142.69	5.82
Other payables	366.35	10.81	272.99	9.34	276.09	10.01	239.17	9.75
Current portion of long-term loans from financial institutions	0.10	0.00	-	-	-	-	-	-
Short-term loans from related parties	10.98	0.32	3.99	0.14	4.18	0.15	4.06	0.17
Current portion of finance lease liabilities	6.50	0.19	0.30	0.01	-	-	0.20	0.01

Statement of financial position - Consolidated financial statements

Statement of financial position	31-Dec-19		31-Dec-18		31-Dec-17		31-Dec-16	
	million baht	%	million baht	%	million baht	%	million baht	%
Current tax payable	36.70	1.08	27.90	0.95	43.08	1.56	45.81	1.87
Non-Current liabilities	43.49	1.28	16.90	0.58	13.01	0.47	19.20	0.78
Long-term loans from financial institution	0.03	0.00	-	-	-	-	-	-
Finance lease liability	12.45	0.37	0.42	0.01	-	-	-	-
Deferred tax liabilities	2.57	0.08	-	-	-	-	-	-
Non-current provisions for employee benefit	20.30	0.60	12.43	0.43	8.75	0.32	15.08	0.61
Other non-current liabilities	8.14	0.24	4.05	0.14	4.26	0.15	4.12	0.17
EQUITY	2,743.77	80.94	2,423.54	82.92	2,252.40	81.66	2,000.52	81.60
Issued and paid-up share capital	304.38	8.98	304.37	10.41	303.08	10.99	301.79	12.31
Share premium on ordinary shares	975.61	28.78	975.34	33.37	956.75	34.68	938.37	38.28
Warrant	20.93	0.62	9.07	0.31	1.93	0.07	6.93	0.28
Retained earnings - Legal reserve	30.84	0.91	30.84	1.06	30.46	1.10	30.46	1.24
Retained earnings - Unappropriate	1,312.46	38.72	1,109.71	37.97	968.55	35.11	730.34	29.79
Difference arising from common control transactions	(4.37)	(0.13)	(4.36)	(0.15)	(4.37)	(0.16)	(4.37)	(0.18)
Currency translation differences	7.34	0.22	3.42	0.12	0.91	0.03	1.13	0.05
Equity attributable to Non-controlling interests	96.58	2.85	(4.85)	(0.17)	(4.91)	(0.18)	(4.13)	(0.17)

Statement of financial position - Separate financial statements

Statement of financial position	31-Dec-19		31-Dec-18		31-Dec-17		31-Dec-16	
	million baht	%	million baht	%	million baht	%	million baht	%
ASSETS	3,279.25	100.00	2,951.81	100.00	2,810.87	100.00	2,473.34	100.00
Current assets	1,849.27	56.39	1,581.80	53.59	1,500.20	53.37	1,092.31	44.16
Cash and cash equivalent	124.39	3.79	159.56	5.41	142.52	5.07	325.09	13.14
Current investments	1,132.13	34.52	915.80	31.02	905.21	32.20	227.28	9.19
Trade accounts receivable	334.59	10.20	244.37	8.28	199.36	7.09	166.52	6.73
Other receivables	42.87	1.31	36.78	1.25	56.74	2.02	202.55	8.19
Short-term loans to related parties	7.65	0.23	8.00	0.27	17.14	0.61	13.70	0.55
Inventories	188.98	5.76	209.64	7.10	173.03	6.16	154.58	6.25
Other current assets	18.66	0.57	7.65	0.26	6.20	0.22	2.59	0.10
Non-current assets	1,429.98	43.61	1,370.01	46.41	1,310.67	46.63	1,381.03	55.84
Investment in associates	290.16	8.85	197.16	6.68	197.16	7.01	197.16	7.97
Other long-term investments	100.00	3.05	50.00	-	-	-	-	-
Property, plant and equipment	973.01	29.67	1,052.46	35.65	1,043.41	37.12	1,108.60	44.82
Other intangible assets	46.52	1.42	52.30	1.77	56.30	2.00	58.36	2.36
Deferred tax assets	14.92	0.46	12.79	0.43	9.40	0.33	13.38	0.54
Other non-current assets	5.37	0.16	5.30	0.18	4.40	0.16	3.53	0.14
LIABILITIES AND EQUITY	3,279.25	100.00	2,951.81	100.00	2,810.87	100.00	2,473.34	100.00
LIABILITIES	581.49	17.73	484.78	16.42	496.12	17.65	430.12	17.39
Current liabilities	561.54	17.12	472.35	16.00	487.37	17.34	415.04	16.78
Trade accounts payable	179.78	5.48	175.26	5.94	167.38	5.95	141.30	5.71
Other payables	345.16	10.53	269.19	9.12	276.91	9.85	227.85	9.21
Current portion of long-term loans from financial institutions	-	-	-	-	-	-	-	-
Current portion of finance lease liabilities	-	-	-	-	-	-	0.20	0.01
Current tax payable	36.60	1.12	27.90	0.95	43.08	1.53	45.70	1.85

Statement of financial position - Separate financial statements

Statement of financial position	31-Dec-19		31-Dec-18		31-Dec-17		31-Dec-16	
	million baht	%	million baht	%	million baht	%	million baht	%
Non-Current liabilities	19.95	0.61	12.43	0.42	8.75	0.31	15.08	0.61
Long-term loans from financial institution	-	-	-	-	-	-	-	-
Finance lease liability	-	-	-	-	-	-	-	-
Non-current provisions for employee benefit	19.95	0.61	12.43	0.42	8.75	0.31	15.08	0.61
EQUITY	2,697.76	82.27	2,467.03	83.58	2,314.75	82.35	2,043.22	82.61
Issued and paid-up share capital	304.38	9.28	304.37	10.31	303.08	10.78	301.79	12.20
Share premium on ordinary shares	975.61	29.75	975.34	33.04	956.75	34.04	938.37	37.94
Warrant	20.93	0.64	9.07	0.31	1.93	0.07	6.93	0.28
Retained earnings - Legal reserve	30.84	0.94	30.84	1.04	30.46	1.08	30.46	1.23
Retained earnings - Unappropriate	1,366.00	41.66	1,147.41	38.87	1,022.54	36.38	765.67	30.96

Statement of comprehensive income - Consolidated financial statements

Statement of comprehensive income	Consolidated financial statements Year ended 31 December							
	2019		2018		2017		2016	
	million baht	%	million baht	%	million baht	%	million baht	%
Revenue								
Revenue from sale of goods	3,299.48	97.42	2,826.86	97.95	2,687.32	97.86	2,712.49	97.15
Other income	69.92	2.06	51.54	1.79	40.55	1.48	72.71	2.60
Gain from change in interest in associate	10.08	0.30						
Net foreign exchange gain	7.38	0.22	7.48	0.26	18.10	0.66	6.81	0.24
Total revenue	3,386.86	100.00	2,885.88	100.00	2,745.97	100.00	2,792.01	100.00
Expenses								
Cost of sales of goods	2,083.85	61.53	1,799.82	62.37	1,637.26	59.62	1,523.93	54.58
Distribution costs	490.11	14.47	383.49	13.29	363.49	13.24	506.34	18.14
Administrative expenses	290.70	8.58	265.48	9.20	242.62	8.84	263.47	9.44
Finance costs	1.12	0.03	0.18	0.01	0.18	0.01	0.17	0.01
Total expenses	2,865.77	84.61	2,448.97	84.86	2,243.55	81.70	2,293.91	82.27
Share of profit (loss) of associates	(18.35)	(0.54)	0.08	0.00	1.13	0.04	(3.06)	(0.11)
Profit before income tax expense	502.74	14.84	436.99	15.14	503.55	18.34	495.04	17.73
Tax expense	100.01	2.95	85.62	2.97	103.03	3.75	97.08	3.48
Profit for the year	402.73	11.89	351.37	12.18	400.52	14.59	397.96	14.25
Exchange differences on translating foreign operations	4.35		2.76		(0.37)		3.50	
Gains on remeasurements of defined benefit plans	0.53		-		0.33		-	
Other comprehensive income for the year, net of tax	4.88		2.76		(0.04)		-	
Total comprehensive income for the year	407.61		354.13		400.48		401.46	
Total comprehensive income (expense) attributable to								
Owners of the parent	407.50		354.07		401.26		412.44	
Non-controlling interests	0.11		0.06		(0.78)		(10.98)	
Total comprehensive income for the year	407.61		354.13		400.48		401.46	

Statement of comprehensive income - Separate financial statements

Statement of comprehensive income	Separate financial statements							
	Year ended 31 December							
	2019		2018		2017		2016	
	million baht	%	million baht	%	million baht	%	million baht	%
Revenue								
Revenue from sale of goods	3,051.48	97.51	2,799.07	97.88	2,663.26	97.85	2,472.93	98.28
Other income	65.58	2.10	49.90	1.74	39.76	1.46	37.69	1.50
Net foreign exchange gain	12.27	0.39	10.80	0.38	18.76	0.69	5.58	0.22
Total revenue	3,129.33	100.00	2,859.77	100.00	2,721.78	100.00	2,516.21	100.00
Expenses								
Cost of sales of goods	1,888.40	60.35	1,776.19	62.11	1,616.76	59.40	1,483.72	58.97
Distribution costs	456.90	14.60	379.57	13.27	352.92	12.97	339.62	13.50
Administrative expenses	265.39	8.48	283.14	9.90	229.35	8.43	192.60	7.65
Finance costs	0.00	0.00	0.00	0.00	0.03	0.00	0.06	-
Total expenses	2,610.69	83.43	2,438.90	85.28	2,199.06	80.79	2,016.01	80.12
Profit before income tax expense	518.64	16.57	420.87	14.72	522.72	19.21	500.20	19.88
Tax expense	99.75	3.19	85.61	2.99	102.92	3.78	99.29	3.95
Profit for the year	418.89	13.39	335.26	11.72	419.80	15.42	400.91	15.93
Gains on remeasurements of defined benefit plans	0.53	-	-	-	0.33	-	-	-
Other comprehensive income for the year, net of tax	0.53		-		0.33		-	
Total comprehensive income for the year	419.42		335.26		420.13		400.91	
Total comprehensive income (expense) attributable to								
Owners of the parent	419.42		335.26		420.13		400.91	
Non-controlling interests			-		-		-	
Total comprehensive income for the year	419.42		335.26		420.13		400.91	

Statements of cash flows - Consolidated financial statements

Unit: baht

Statements of cash flows	2019	2018	2017	2016
Net cash from operating activities	605,655,849	433,473,242	712,113,596	671,157,532
Net cash from investing activities	(387,579,109)	(216,882,071)	(765,491,877)	(276,781,230)
Net cash from financing activities	(209,018,592)	(199,638,061)	(149,442,663)	(117,270,344)
Cash and cash equivalents at 1 January	172,637,193	155,684,171	358,505,286	84,782,572
Effect of disposals of investments in subsidiary	-	-	-	(3,343,108)
Effect of exchange rate changes on cash and cash equivalents	(296)	(88)	(171)	(40,136)
Cash and cash equivalents at 31 December	181,695,045	172,637,193	155,684,171	358,505,286

Statements of cash flows - Separate financial statements

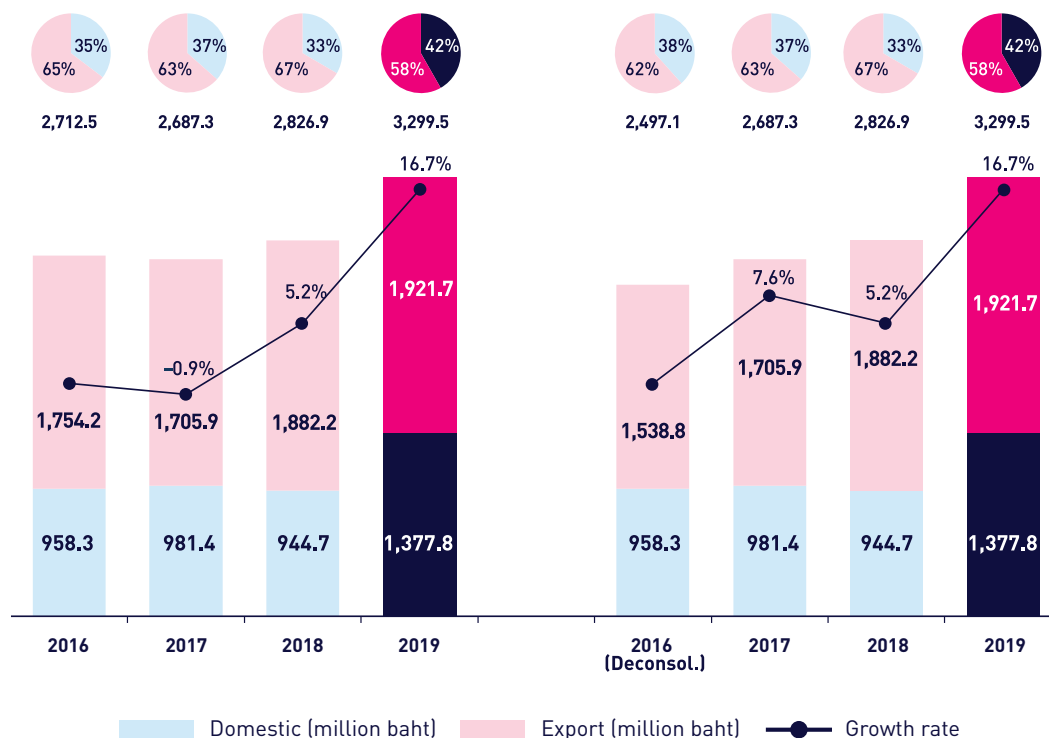
Unit: baht

Statements of cash flows	2019	2018	2017	2016
Net cash from operating activities	590,240,545	431,855,536	729,966,543	691,316,662
Net cash from investing activities	(424,787,015)	(217,844,439)	(762,129,048)	(327,186,812)
Net cash from financing activities	(200,624,738)	(196,971,374)	(150,411,507)	(117,206,144)
Cash and cash equivalents at 1 January	159,558,463	142,518,828	325,093,011	78,209,441
Effect of exchange rate changes on cash and cash equivalents	(296)	(88)	(171)	(40,136)
Cash and cash equivalents at 31 December	124,386,959	159,558,463	142,518,828	325,093,011

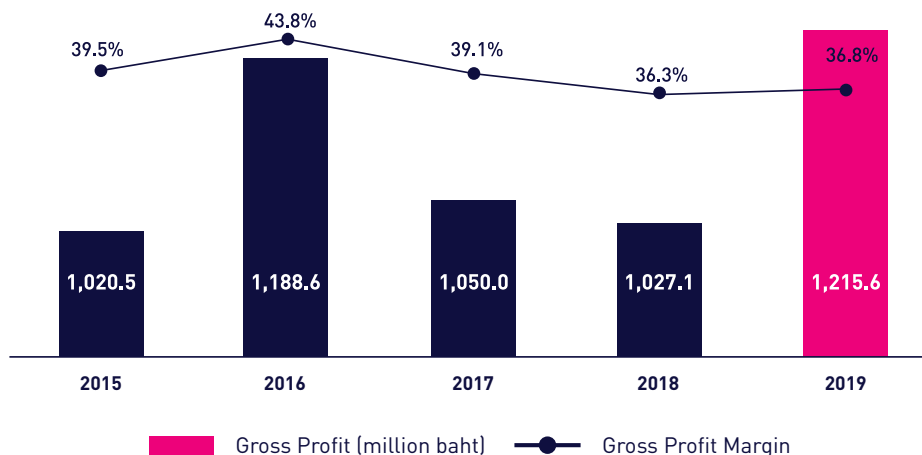
Financial Ratios

Financial ratios	2019	2018	2017	2016
Liquidity ratio				
Liquidity ratio	3.23	3.33	3.04	2.60
Quick ratio	2.77	2.77	2.56	1.75
Cash ratio	1.12	0.89	1.44	1.44
Accounts receivable turnover	14.59	14.94	14.20	11.28
Average Collection Period (days)	24.67	24.10	25.36	31.93
Inventory turnover	27.01	21.96	24.10	17.76
Days Sales of Inventory (days)	13.33	16.40	14.94	20.27
Accounts payable turnover	11.63	10.44	9.71	10.35
Day Payable Outstanding (days)	30.96	34.50	37.07	34.79
Cash Cycle (days)	7.04	6.00	3.22	17.41
Profitability ratio				
Gross Profit Margin (%)	36.84	36.33	39.07	43.82
Operating Profit Margin (%)	13.14	13.37	16.56	15.32
Other income to Total Revenue (%)	2.28	2.05	2.14	2.85
Cash to Profit Margin (%)	139.65	114.71	160.06	161.52
Net Profit Margin (%)	11.89	12.18	14.59	14.25
Return of Equity (%)	15.59	15.03	18.83	21.17
Efficiency ratio				
Return on Assets (%)	12.76	12.37	15.37	16.84
Return of Fixed Assets (%)	53.56	48.00	51.38	47.56
Assets turnover	1.07	1.02	1.05	1.18
Financial policy ratio				
Debt to Equity	0.24	0.21	0.22	0.23
Interest Coverage	405.83	232.55	7,670.97	6,126.03
Debt serviceability	1.10	1.13	0.60	1.81
Dividend Payout (%)	49.87	59.77	40.76	31.8

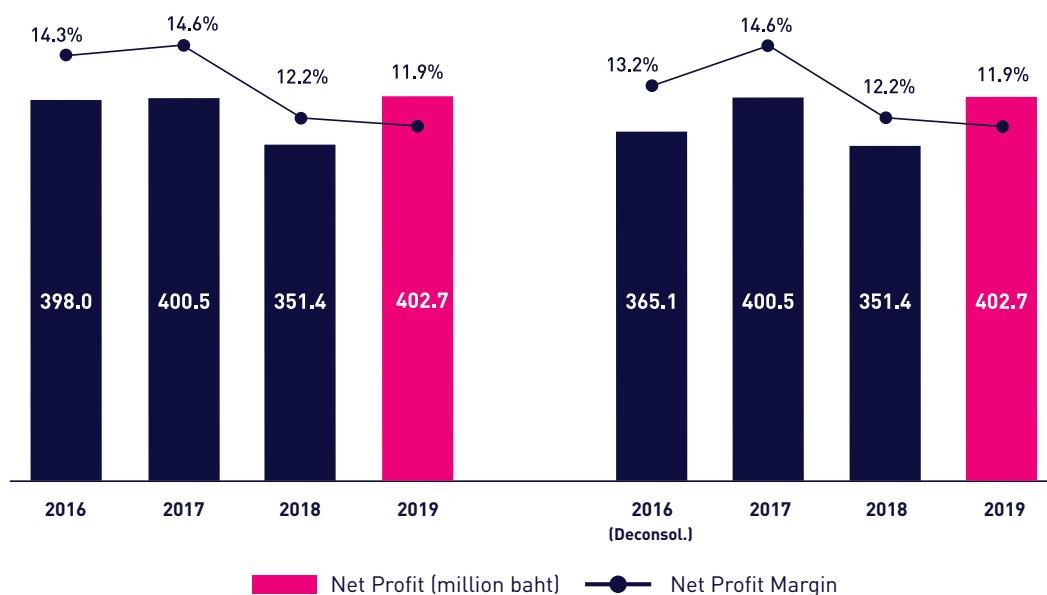
Revenue From Sale of Goods



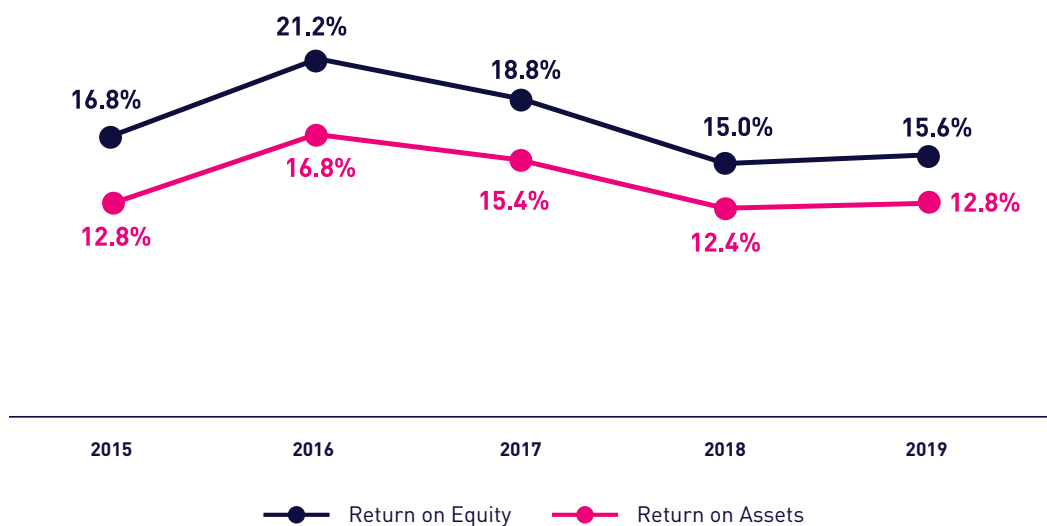
Gross Profit Margin



Net Profit and Net Profit Margin



Return on Assets and Return on Equity



Letting people enjoy their creativities is Sappe's way to innovate new things for the consumers. We believe that the best idea usually starts from a little thing called "attention", from both employees and executives as they are the most important forces, who drive the growth of the Company by turning innovations into reality, as well as create unity in the Company through a belief that

"We better people's lives through our innovative spirit"

FUNNOVATION

Our workplace, or "**Sappe Playground**", is the place where opens to new ideas and creativities. We keep practicing, developing and equipping our people to be ready with the changes of market conditions and product trends. We cultivate **Sappe's DNA** to our people for unity through a variety of training courses, e.g. self-development training programs such as

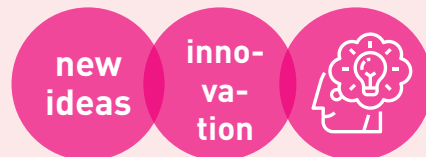


SIX PACK YOUR MIND (COACHING SKILL)

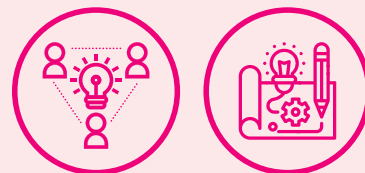
to be a supervisor's guideline or tools used to bring out the best in their subordinates,

THE HIGHLY EFFECTIVE PEOPLE, WDP FOR LINE MANAGERS, LUNCH AND LEARN, TRAIN THE TRAINERS

to build inside trainers and equip them with business knowledges and Company's values and culture so they can pass on to the next generation leaders. The **Twist to Sappe Family** program helps strengthening relationships among colleagues through games and activities organized monthly by different departments. The ongoing activity, The **4 Discipline of Execution (4DX)**, focusing on working



participation, creating mutual responsibility among the teams and a good work culture in the Company. The **Design Thinking** course helps crystallize ideas, leading to combinations of innovations and consumers' needs, resulting in innovative products and services launch to the market.



Apart from people development programs, we are open to all business partners having the same goal to co-develop and co-innovate food products and simultaneously support Thai SMEs to grow together. This year, we collaborated with Srinakharinwirot University and Kasetsart University for research and development, which included educational cooperation provided by the Company's experienced management team and employees in innovation, as well as recruitment of new graduates from both universities to work with the Company



These activities inspire employees, executives and people around to understand our desire to develop the best products to the consumers, which can be seen in various innovative health and beauty beverage products delivered with unique concepts such as Fruit-flavored vitamin water under “**B’lue**” brand, a new product developed in collaboration with **Danone X Sappe**, new series of “**Sappe Beauti Drink**” mixed with chia seeds, “**Chia Up**” series, Preaw’s Nutri-Grain, an organic soybean pudding with chia seeds under “**DeNosh**” brand, men’s product made from golden banana, local products with international standard under “**Maxtive Energy**” brand, and many new products ready for launch to the market to attract consumers attention and to be a leading company of health conscious products in various formats. These product innovations are invented basing on close attention to consumers’ needs. They are not just products but are also values accepted by well-known institutes with many award winnings, the great achievements that all of us are very proud of.

In addition to the success of new products, innovations cultivated in the workplace, both at factory and at the office, have grown into a concrete result in the form of cost savings. Not only are the ideas, initiated together by executives and employees, the main contribution to these achievements, but these ideas also help generating sales growth, making our people well-rounded, building strong Sappe’s DNA and culture, eventually resulting in a significant lower rate of employee turnover and inspiring teams to work together with joy and endless creativities.

Every success of ours is a result of sincerity and close attention to the highest quality of work with unique individual identity full of creativities. We enjoy thinking, doing and developing our people by building

“FUNNOVATION DNA”

in them because we want to deliver the **BEST** to Thai people.

BOARD OF DIRECTORS



Mr. Natee Onin
Chairman



Mr. Adisak Ruckariyaphong
Vice Chairman
and Chairman of
Executive Committee



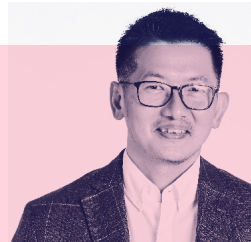
Mr. Padungdej Indralak
Independent Director
and Chairman of
Audit Committee



Ms. Kunnigar Triyangkulsri
Independent Director
and Audit Committee



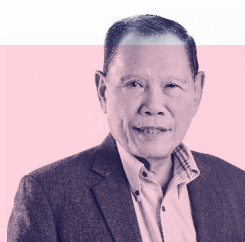
Mr. Surath Palongsilp
Independent Director
and Audit Committee



Mr. Thana Thienachariya
Independent Director



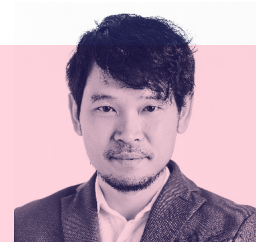
Mrs. Niratchara Siriamphunkul
Independent Director



Mr. Anan Ruckariyapong
Director,
Executive Committee,
and President



Ms. Piyajit Ruckariyapong
Director,
Executive Committee,
and Chief
Executive Officer



Mr. Arnupap Ruckariyapong
Director,
Executive Committee,
and Chief
Operating Officer

2019

SIGNIFICANT CHANGES AND DEVELOPMENTS



JANUARY

Launched and distributed a new formula under the “**Sappe Beauti Jelly**” brand, “**Camomile**”, a mixture of Chamomile, Lavendor, and L-Theanine for easy sleep, relaxation, and feeling full with only 40 calories.

Formed a new sales team, an “Out of Home”, to penetrate special sales channels such as restaurants, schools, universities, airports, hotels, etc., new channels in addition to traditional sales channels in the modern and the traditional trades.



MARCH

Launched and distributed the 500 ml. of fruit-flavored vitamin water under the “**B'lue**” brand containing vitamins B3, B6 and B12 beneficial to the brain and nervous system. It is a product developed under **Danone Sappe Beverages Company Limited**, available in 3 flavors: “**Playful Peach**” “**Cool Calamansi**” and “**Positive Pear**”. The products set a new standard for the Thailand beverage market with low sugar and with quality assurance of the Healthier Choice logo.

Launched and distributed a new product, “**She-Wy**”, chewable

FEBRUARY

Became a business partner with **MYEN PTE. LTD.** (or “**Danone**”), a 100% subsidiary of Danone SA, establishing a joint venture company, **Danone Sappe Beverages Company Limited**, with the objective to develop, manufacture, market, and distribute healthy hydration beverages in Thailand with 25% of the company holds.

Additionally, acquired 11% of total issued ordinary shares of **All Coco Group Company Limited** (or “**All Coco**”), resulting to the total shareholding ratio is equal to 51%, and changed the organizational structure to be more consistent between the two companies in order to create stable income growth in the future.



supplement tablets with 2 flavors: “**Coffee**” and “**Matcha Green Tea**”. The coffee beans and green tea extracts help antioxidant, while Chromium Amino Acid Chelate helps insulin to function better and control appetite.

Launched and distributed the Tamarind flavored fruit juice with Nata de coco under the “**Mogu Mogu**” brand.



APRIL

Launched and distributed the Cranberry flavored fruit juice with Nata de coco under the “**Mogu Mogu**” brand.

Internationally broadcasted the “**Chew Like A Child**” commercial advertising for the “**Mogu Mogu**” brand as a prototype to be a Global Brand in the future.



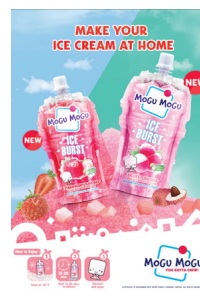
JUNE

Received an offer from Lotte Corporation (or “**Lotte**”), a large multinational group company in South Korea, to use the “**Mogu Mogu**” brand with Lotte’s new product, helping strengthen the brand in international market.

Introduced the newest presenter of “**Preaw Coffee**” brand, **Fonhip Watcharakul** (or “**Pooklook**”), the beautiful slim actress, who loves taking care of body shape, emphasizing the fabulous trend of slim women with more beautiful, confident, and healthy image.

JULY

Launched and distributed a new product under the “**Preaw Coffee**” brand, “**Preaw Nutri-Grain**”, available in 2 cereal ingredient formula, consisting of “**Chia Seed**” with 3,000 mg. of fiber to help with the excretory system and Chromium Amino Acid Chelate to help reduce appetite, and “**Brown Rice**”, rich in vitamins A, B2 and B6. Both recipes do not contain sugar and help feel full for a long period of time, good choices for a hasty breakfast.



AUGUST

Launched and distributed a new product under the “**Sappe Beauti Drink**” brand, “**Beauti Drink Chia up**”, containing chia seeds to fill stomach with no sugar and low calories at only 50 calories, available in 2 formulas. “**High Calcium**” formula helps increase calcium and strengthen body with feeling of freshness. “**XOS Fiber**” formula helps increase fiber in the digestive system, balancing the excretory system, promoting good health and well-being in the long term.

Launched and distributed a new product, “**Mogu Mogu Ice**”, 150 ml. of frozen fruit juice with Nata de coco in pouch format, available in 2 flavors: “**Lychee**” and “**Strawberry**”.



SEPTEMBER

Launched and distributed a new product under the Healthier Snack category, the “**DeNosh**” brand, an organic soybean pudding with high-fiber chia seeds to stimulate the excretory system and with high Omega to accelerate fat burning system efficiently, available in 2 flavors: **Original and Black Sesame**.



OCTOBER

Launched and distributed another healthier snack product under the “**Maxtivity**” brand, “**Banana Energy Jelly**”, made from Golden banana, helping replenish energy before exercise. With good smell and taste, quick absorption, vitamins B3 and B6 containing, the product helps stimulate nervous system and reduces symptoms of muscle contraction. BCAA substances in the product also restores and builds strong muscle after workout.



NOVEMBER

Launched and distributed fruit-flavored vitamin water under the “**B'lue**” brand with the new flavor, “**Lucky Lychee**”.



DECEMBER

Launched and distributed black coffee drink mixed with chicken essence under the “**Maxtivity**” brand, the innovation of the canned coffee market. The product comes with the concept of strong and tasty coffee with nutrition benefits serving all lifestyles and people who love drinking canned coffee. Also, It is an energy booster for people with condition of sleep deprivation.

Launched and distributed the special sized drinks, 180 ml., for the “**Beauti Drink**” brand (**Collagen** formula) and for the “**Preaw**” brand (**Chlorophyll** formula) to penetrate the mass market at affordable selling price of 15 baht.



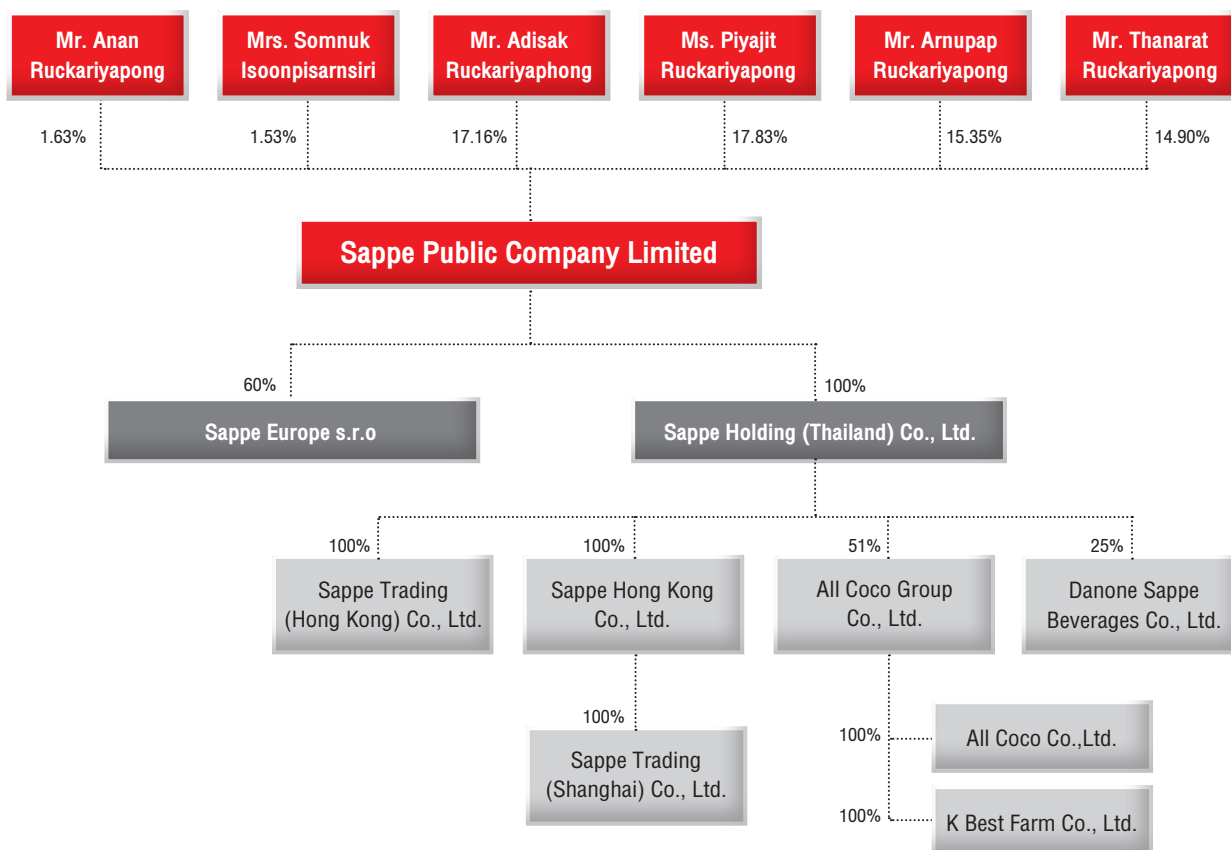
Thanks to our **HAPPY**
INNOVATORS

for such a

FUNNOVATIVE
year!

Company Information

Shareholding Structure as of 31 December 2019



The Company has determined the control and the supervision of the operations of subsidiaries and associates. The policies ensure that the management and operations of these subsidiaries and associates are controllable as if they were an internal unit. Moreover, measures have been devised to monitor the management of the subsidiaries and associates to protect the Company's investments.

Relationship with the Major Shareholder's Business Sectors

The Ruckariyapongs is the major shareholder of the Company with a 68.40% share of the total paid-in shares. Currently, the Company is the only key business of the family. The list of relationships with other businesses of the major shareholder of the Company is available in Part 2, Item 12 of the connected transactions in the Annual Registration Statement (Form 56-1).

Company	: Sappe Public Company Limited
Nature of Business Operations	: Manufacturer and distributor of healthy food and beverages
Office	: 1) Head Office and Research and Development Center 9/3 Bangchan Industrial Estate, Soi Serithai 56, Serithai Road, Kannayao, Bangkok 2) Branch Office and Factory 8 Moo 7 Tambon Puech-udom, Amphoe Lamlukka, Prathumthani 3) Branch Office 71 S.P. Arcade Building, Ramkhamhaeng Road, Huamark, Bangkok, Bangkok
Registration No.	: 0107556000591
Website	: www.sappe.com
Tel	: 0-2319-4949
Fax	: 0-2319-7337
Email	: ir@sappe.com
Registered Capital	: 308,438,080 Baht, divided into 308,438,080 Common shares at 1 Baht per share
Paid-up Capital	: 304,378,080 Baht, divided into 304,378,080 Common shares at 1 Baht per share

Subsidiaries and Associates

As of 31 December 2019, the Company has 2 Direct Subsidiaries, 6 Indirect Subsidiaries and 1 Associate as follows:

Direct Subsidiaries

1) Sappe Europe s.r.o : A registered company in Slovakia, operating business in distributing healthy beverage products in European countries

Office	: Golánova 3140/5 Bratislava 821 03
Paid-up Capital	: 6,639 EURO (equivalent to 0.27 million Baht)
Type of share	: Common share
% shareholding	: 60

2) Sappe Holding (Thailand) Company Limited : A registered company in Thailand, operating business in providing management services to group of companies

Office	: 8 Moo 7 Tambon Puech-udom, Amphoe Lamlukka, Pathumthani
Registered Capital	: 290,000,000 Baht
Paid-up Capital	: 290,000,000 Baht (or 100 percent of registered capital)
Price per share	: 10 Baht
Type of share	: Common share
% shareholding	: 100

Indirect Subsidiaries

1) Sappe Trading (Hong Kong) Company Limited : A registered company in Hong Kong, operating business in importing, exporting and trading

Office	: RM 907, 9/F KENBO COMM BLDG, 335-339 QUEEN'S RD, WEST, HK
Registered Capital	: 100,000 Hong Kong Dollar (equivalent to 0.45 million Baht)
Paid-up Capital	: 100,000 Hong Kong Dollar (100% of registered capital)
Price per share	: 10 Hong Kong Dollar
Type of share	: Common share
% shareholding	: 100% shares held by Sappe Holding (Thailand) Co., Ltd.

2) Sappe Hong Kong Company Limited : A registered company in Hong Kong, operating business in providing management services to group of companies

Office : RM 907, 9/F KENBO COMM BLDG, 335-339 QUEEN'S RD, WEST, HK
Registered Capital : 3,000,000 Hong Kong Dollar (equivalent to 13.98 million Baht)
Paid-up Capital : 3,000,000 Hong Kong Dollar (100% of registered capital)
Price per share : 10 Hong Kong Dollar
Type of share : Common share
% shareholding : 100% shares held by Sappe Holding (Thailand) Co., Ltd.

3) Sappe Trading (Shanghai) Company Limited : A registered company in China, operating business in distributing healthy beverage products

Office : Room 806,8/F, Building#2, 55 Meisheng Road, China (Shanghai)
Registered Capital : 2,000,000 RMB (equivalent to 10.17 million Baht), as of 23 January 2017
Paid-up Capital : Nil
% shareholding : 100% shares held by Sappe Holding (Thailand) Co., Ltd.

4) All Coco Group Company Limited : A registered company in Thailand, operating business in manufacturing and distributing coconut-based products under "ALL COCO" trademark

Office : 139/6 Moo 2, Tambon Laksam, Amphoe Baanpoew, Samut Sakorn
Registered Capital : 168,000,000 Baht
Paid-up Capital : 168,000,000 Baht (100% of registered capital)
Price per share : 100 Baht
Type of share : Common share
% shareholding : 51% shares held by Sappe Holding (Thailand) Co., Ltd.

5) All Coco Company Limited : A registered company in Thailand, operating business in distributing coconut-based products under "ALL COCO" trademark

Office : 98/38 Moo 6, Tambon Bang Mueng Mai, Amphoe Mueng, Samut Prakarn
Registered Capital : 15,000,000 Baht
Paid-up Capital : 15,000,000 Baht (100% of registered capital)
Price per share : 100 Baht
Type of share : Common share
% shareholding : 51% shares held by All Coco Group Co., Ltd.

6) K Best Farm Company Limited : A registered company in Thailand, operating business in sourcing and distributing fresh coconut in Thailand

Office : 98/38 Moo 6, Tambon Bang Mueng Mai, Amphoe Mueng, Samut Prakarn
Registered Capital : 2,430,000 Baht
Paid-up Capital : 2,430,000 Baht (100% of registered capital)
Price per share : 100 Baht
Type of share : Common share
% shareholding : 100% shares held by All Coco Group Co., Ltd.

Affiliates

1) Danone Sappe Beverages Company Limited: A registered company in Thailand, operating business in developing, manufacturing, marketing and distributing healthy beverage products in Thailand

Office : 71 S.P. Arcade Building, Ramkhamhaeng Road, Huamark, Bangkok
Registered Capital : 200,000,000 Baht
Paid-up Capital : 200,000,000 Baht (100% of registered capital)
Price per share : 100 Baht
Type of share : Common share
% shareholding : 25% shares held by Sappe Holding (Thailand) Co., Ltd.

References

1) Company Registrar

Thailand Securities Depository Company Limited

93 The Stock Exchange of Thailand Building, Rajadapisek Road, Dindaeng, Dindaeng, Bangkok

Telephone 02-009-9000

Fax 02-009-9991

Website <http://www.set.or.th/tsd>

Email SETContactCenter@set.or.th

2) Auditor

1. Ms. Sureerat Thong-Arunsaeng CPA No. 4409 and/or
2. Mr. Bundit Tungpakorn CPA No. 8509 and/or
3. Ms. Marisa Tharathornbhanpakul CPA No. 5752

KPMG Phoomchai Audit Ltd.

Empire Tower 1, 50th Floor, South Sathorn Road, Yannawa, Sathorn, Bangkok

Telephone: 02-677-2000

3) Coordinators

1. Company Secretary: Ms. Sutatip Chantharangsee
Tel: 02-319-4949 ext. 9709
E-mail: sutatip.ch.@sappe.com
2. Company Secretary Assistant: Ms. Sakares Sukkasem
Tel: 02-319-4949 ext. 2503
E-mail: sakares.su@sappe.com
3. Company Secretary Assistant: Ms. Pimolmas Chaveworn
Tel: 02-319-4949 ext. 2503
E-mail: pimolmas.ch@sappe.com
4. Investor Relations: Mr. Chinnavit Lertbannaphong
Tel: 02-319-4949 ext. 1805
E-mail: ir@sappe.com

Other Information

-Nil-

Shareholding Structure

As of 31 December 2019, the Company's Registered Capital was at 308,438,080 Baht and Paid-up Capital at 304,378,080 Baht, divided into 304,378,080 shares at 1 Baht per share.

List of major shareholders listed in the share register of shareholders as of 31 December 2019 are summarized as follows:

No.	Name	No. of shares	%
1	Ms. Piyajit Ruckariyapong	54,260,223	17.83
2	Mr. Adisak Ruckariyaphong	52,239,257	17.16
3	Mr. Arnupap Ruckariyapong	46,736,574	15.35
4	Mr. Thanarat Ruckariyapong	45,347,542	14.90
5	UBS AG SINGAPORE BRANCH by Mr. Arnupap Ruckariyapong and Mr. Thanarat Ruckariyapong	20,000,000	6.57
6	DBS BANK LTD	9,537,200	3.13
7	THAI NVDR Co., Ltd.	6,251,620	2.05
8	Mr. Anan Ruckariyapong	4,950,392	1.63
9	Mrs. Somnuk Isoonpisansiri	4,665,632	1.53
10	K Mid Small Cap Equity RMF	2,217,600	0.73
Total		246,206,040	80.89

Major Shareholders Whose Actions Significantly Influence the Company's Management Policies or Operations

Due to the fact that the Ruckariyapongs is the major shareholder of the Company, its role significantly influences the Company's management and operational policies through the approval of the Board of Directors at the meeting. However, on December 31, 2019, there were 4 major shareholders holding 4 positions out of 10 company directors, namely Ms. Piyajit Ruckariyapong, Mr. Adisak Ruckariyaphong, Mr. Arnupap Ruckariyapong, and Mr. Anan Ruckariyapong.

Report on the Shareholding of Directors

No.	Name	Position	% of Shareholding			Remark
			1 January 2019	Increase (Decrease)	31 December 2019	
1.	Mr. Natee Onin	Chairman	0.00	0.00	0.00	Mrs. Yata Onin (spouse) holds 0.03% of shares (89,070 shares) as of 31 December 2019
2.	Mr. Adisak Ruckariphong	Vice Chairman and Chairman of Executive Committee	17.16	0.00	17.16	
3.	Mr. Anan Ruckariyapong	Director and President	1.63	0.00	1.63	
4.	Mrs. Piyajit Ruckariyapong	Director and Chief Executive Officer	17.83	0.00	17.83	Entitled to receive Company's shares regarding SAPPE-WA2 program
5.	Mr. Arnupap Ruckariyapong	Director and Chief Operating Officer	18.64	(3.29)	15.35	Entitled to receive Company's shares regarding SAPPE-WA2 program
6.	Mrs. Niratchara Sriamphunkul	Independent Director	0.00	0.00	0.00	
7.	Mr. Thana Thienachariya	Independent Director	0.00	0.00	0.00	
8.	Mr. Padungdej Indralak	Independent Director and Chairman of Audit Committee	0.00	0.00	0.00	
9.	Ms. Kunnigar Triyangkulsri	Independent Director and Audit Committee	0.02	0.00	0.02	
10.	Mr. Surath Pralongsilp	Independent Director and Audit Committee	0.00	0.00	0.00	
11.	Ms. Sutatip Chantharangsee	Company Secretary and AVP-New Business Partnerships	0.003	(0.001)	0.002	

Dividend Payment Policy

With the same guidelines, the Company and subsidiaries have established the dividend payment policy of the said subsidiaries as follows:

The Company has established the dividend payment policy for the shareholders not less than 40% of the net profit, from the separate financial statements, after corporate income tax and all legal reserves. However, each dividend payment may be subject to change due to various factors to maximize benefits of shareholders, such as performance, financial status, liquidity, cash flow, working capital requirement, investment plans, terms and conditions in various contracts the Company is bound, legal restrictions, other needs and suitability in the future as the Board of Directors may deem suitable. The dividend payment must not entail any significant impact on the Company's normal operations. The Company proposes a resolution of the dividend payment the Board of Directors, and an approval will be sought at the shareholders' meeting, except the interim dividend payment which the Board of Directors has the authority to approve when it agrees that the Company had sufficient profits to do so, and then the Board reports a resolution at the next shareholders' meeting.

Nature of Business Operations

Sappe Public Company Limited (“the Company”) was founded, by Mr. Anan Ruckariyapong and Mrs. Somnuk Isoonpisansiri, on 10 May 1998 under the name of Sapanan General Food Co., Ltd. with initial registered capital of 500,000 baht. The company started as a small family-based business in 1973 to manufacture and sell high-quality and rich-flavored Thai sweets under the “Piyajit” brand. With continuous growth, in 1998, the Company expanded its business by moving the production base to Bangchan Industrial Estate.

In 2001, the Company entered the beverage market with a concept of **“Focus on key differentiation”** by producing and distributing the first beverage product under **“Mogu Mogu”** brand, the world’s first fruit juice mixed with Nata de coco (or “Coconut jelly”). The product was well recognized as **“chewable drink”** with big sized coconut jelly and became popular in the market.

After the big success of **“Mogu Mogu”** brand, the Company has constantly invented and developed new products to serve consumers’ needs as follows:

- 2004 : Expanded a new line of product, **“Aloe Vera Mix Drink”**, which initially was distributed domestically and later became a bestseller overseas. Currently, it is one of the main export products.
- 2006: Distributed product under the **“Beauti Drink”** brand to serve women’s needs focusing on skins, digestion and detoxification. At the time, the Company was the pioneer of the beauty beverages with unique benefits, the rich in taste, and low calories. This also created a new category of beverage, functional drink, in Thailand and since then the Company has become the leader in the category.
- 2008: Distributed a new smaller size of concentrated functional drink, providing fast results for health and beauty under the **“Beauty Shot”** and **“St. Anna”** brands.
- 2009: Due to the increasing tendency that consumers took better care of their health, 100% vegetable and fruit juice under **“For One Day”** brand was introduced to the market. The juice was full of vitamins and minerals sufficient for 1-day consumption per recommendation by World Health Organization (“WHO”).
- 2011: Distributed 3-in-1 instant coffee powder under **“Preaw”** brand for women’s weight control purpose. Not only was this an innovation of instant coffee product, but this also was an innovation of coffee packaging format, a hanging sachet format, making the product very outstanding when displaying in small stores, e.g. grocery stores and traditional stores, with limited space.

- 2015: Reformulated all products under **“Sappe Beauti Drink”** brand by removing granulated sugar and reducing calories to 40-60 kilocalories. This was to serve consumers’ trend demanding healthier products

- 2017: Started to pay serious attention to **“Innovation”**, coming with a challenging question, “How could the Company build innovation for sustainable growth?”

- 2018: A new product category, **“Healthier Snack”**, was created to expand its health and beauty products portfolio to cover both food and beverages, serving higher demand.

With experience of products distribution across 90 countries worldwide and participations in famous international food and beverages trade shows over 5 times a year, the Company discovers that global food and beverages trend is being towards **“Local Goodness”** products and strongly believes in Thailand’s unique raw materials that can be used to create value in many products but yet no company sees this untapped opportunity.

In addition, the original framework of the Company that built innovation by relying on a single individual or a single team could no longer create products variety and sustainability. Therefore, the Company began to follow a different path with the belief that **“Local goodness and/or innovation comes from all stakeholders, starting from senior executives and employees to people, institutions, and organizations outside the Company”**

Innovation platforms and processes have been established under the concept of **“INNO THINK”** and divided into 3 platforms as follows:

1) In-House Innovation: Ideas initiated from internal executives or working teams for new products development.

2) Strategic Business Partnership: Business cooperation with medium and large sized companies. For example, additional purchase of shares in All Coco Group Co., Ltd., manufacturer and distributor of Aromatic (or “Nam Hom”) coconut water and products. The Nam Hom coconut is special breed that can only be grown in some specific areas of Thailand, providing sweetest taste and strong fragrance, different from other coconut breeds in other countries. In addition, these coconut products also help improve quality of life of Thai coconut farmers. With Nam Hom coconut’s unique quality and Company’s selling expertise in 90 countries worldwide, we strongly believe that Thai local goodness can be leveraged to the global scale under the concept of **“LOCAL GOODNESS TO GLOBAL SUCCESS”**

Furthermore, in 2019, the Company announced another business cooperation with Danone Group, a world leading manufacturer of dairy and plant-based beverage products to co-develop, manufacture, and distribute healthy beverages in Thailand. Through this partnership, in March 2019, the Company launched a new product under the “B'lue” brand, a fruit flavored vitamin water, to the market, creating a new category of beverage in Thailand, “Water Plus” category.

3) INNO Studio, a new team set up to innovate new products by applying Thailand's local goodness products with external innovations created by universities, SMEs, farmers, for example. This team also helps plant the seeds of creativity in all employees and inspires innovative culture in a workplace.

In the recent years, the Company has been focusing on people development through activities and creating new forms of training to invigorate and reinforce thinking foundation by stimulating all employees to bring out their innovator talents to the fullest, leading to new ideas initiation transformed into innovative products ready for launch to the market. These new ideas gained were also used for internal development and management, as well as for cost savings in production processes.

These efforts were fully dedicated as we wanted to deliver the best innovation for better life of people including consumers, business partners, suppliers, employees, communities, and the society as our promise – *“We better people's lives through our innovative spirit”*

For all the past years, dedications from executives and all employees towards this promise have been proven. Not only executives but also all employees play significant roles in the field of ideas and creativity. They own the same space where we call, **“Sappe Home of Innovators”**, a place that opens to new ideas and creativities as we truly believe that powerful creativities and innovations will always start within the organization.

Letting people enjoy their creativities is Sappe's way to innovate new things for the consumers. We believe that the best idea usually starts from a little thing called “Attention”, from both employees and executives as they are the most important resource, who drive the growth of the Company, and turn innovations into reality, as well as create unity in the Company through a belief that *“We better people's lives through our innovative spirit”*

The Company cultivates SAPPE's DNA to its people for unity through a variety of training courses, e.g. self-development training program by providing supervisors' guideline or tools to bring out the best in their subordinates through Leadership and Coaching programs, **Train the Trainer** program to build insiders, equipped with business knowledges and understanding of Company's values and culture, to design its own program to train the next generation leaders, **The Twist to SAPPE Family** program strengthening relationships among colleagues through games and activities organized monthly by different departments and **The Design Thinking** course, helping crystallize ideas, leading to combination of innovations and consumers' needs and resulting in innovative products and services to the market.

Furthermore, the Company is open to all business partners having the same goal to co-develop and co-innovate food products and simultaneously support Thai SMEs to grow together. This year, we collaborated with Srinakharinwirot University and Kasetsart University for research and development, which included educational cooperation provided by Company's experienced management and employees in innovation, as well as recruitment of new graduates from both universities to work with the Company.

These activities inspired employees, executives and people around to understand our desire to create the best products to the consumers, seen in various innovative health and beauty beverage products delivered with unique concepts such as Fruit flavored vitamin water under “B'lue” brand, a new product developed in collaboration with **DanoneXSappe**, new series of **“Sappe Beauti Drink”** mixed with chia seeds, **“Chia Up”** series, Preaw's Nutri-Grain, an organic soybean pudding with chia seeds under **“DeNosh”** brand, men's product made from golden banana, local products with international standard under **“Maxtive Energy”** brand, and many new products ready for launch to the market.

In addition to the success of new products, innovations cultivated in the workplace, both at factory and at the office, have grown into concrete results in the forms of cost savings, continuous sales growth, more well-rounded people and stronger SAPPE's DNA and culture, which eventually resulted in a remarkable lower rate of employee turnover and inspired the teams to work together with joy and endless creativity.

Every success of ours is a result of sincerity and close attention to the highest quality of work with unique individual identity full of creativity. We enjoy thinking, doing and developing our people to deliver all stakeholders the best to achieve both medium and long-term objectives that ***“The Company aims to become the leading manufacturer and distributor of healthy food and beverage products for consumers by focusing on new products development with variety of choices in high quality products and outstanding packaging formats”***

The Company's goal in the next 3 to 5 years will be targeted to at least 10% sales growth per year from existing business, launches of innovative products to the market, and business partnerships, together with strategic planning, people development and working processes design for excellence under corporate's good governance.

Products and Services

In 2019, the Company expanded the business by increasing shareholding of All Coco Group Company Limited from 40% to 51% and establishing **Danone Sappe Beverages Company Limited** a joint venture company between Sappe Holding (Thailand) Company Limited, a subsidiary holding 100% of shares, and MYEN PTE. LTD., a subsidiary of Danone S.A. holding 100% of shares, to develop, manufacture, market, and distribute healthy beverages in Thailand. At present, the Company has 18 products brands, under 5 categories, distributed in both domestic and overseas markets as follows:

1. Functional Drink

- **Sappe Beauti Drink:** Sappe is a pioneer and a leader of health and beauty drink for women, possessing unique quality, good taste with no sugar and low calories for women's health and beauty from head to toe.
- **Sappe Beauti Shot:** A concentrated health & beauty drink.
- **St. Anna:** A concentrated health & beauty drink with affordable price.

B'lue Water: A fruit-flavored vitamin water, containing vitamin B3, B6, and B12, developed by Danone Sappe Beverages Co., Ltd. This product serves new generation's lifestyle as a new alternative of water. The product comes in a remarkable and modern bottle design with awesome taste.

2. Fruit Juice/Juice Drink

- **Sappe Aloe Vera:** Fruit juice mixed with Aloe Vera flesh in different flavors. Due to its big size of Aloe Vera flesh, the product has become a popular beverage for a long time.
- **Sappe For One Day:** 100% concentrated ready-to-drink vegetable and fruit juice with high nutrition for health-conscious people with fast paced lifestyle.
- **Mogu Mogu:** The first fruit juice with Nata de coco (or “coconut jelly”) in Thailand. The origin of “chewable drinks” in the global market and popular in more than 90 countries worldwide
- **Gumi Gumi by Mogu Mogu:** Fruit Juice with Nada de coco distributed only in Thailand with export quality.
- **All Coco:** Aromatic (or “Nam Hom”) Coconut Water from the best planting area in Ban Phaeo District, Samut Prakan Province.

3. Functional Powder

- **Preaw Coffee and SlimFit Coffee:** No.1 best-selling product. Coffee powder for weight control purpose and for better health and beauty, available in various formulas.
- **Preaw Chlorophyll:** Chlorophyll powder imported from Japan with a detoxification quality.
- **Sappe Beauti Powder:** A dietary supplement in powder format, which can be mixed with other drinks or sprinkled on food and drinks.

4. Other Ready-to-Drink

- **Preaw Coffee:** Ready-to-drink canned coffee for weight control with a good taste and 0% Cholesterol for health and beauty.

5. Healthier Snack

- **Beauti Jelly:** An innovative product in a form of jelly for health and beauty purpose.
- **ZeaMax:** A crispy grilled fish snack with 90% sea fish meat processed by grilling and baking for a crispy texture without fats.
- **Chimdii:** A unique snack made from shrimp chins, full of nutrients and calcium.
- **Maxtive:** An innovative product in jelly format for men who want good health to build up their self-confidences
- **DeNosh:** An organic soy pudding, an innovative product full of nutrients from black sesame and chia seeds, for convenience consumption at anytime, anywhere.

The Company and its subsidiaries' sales totaled to 2,687.3 million baht, 2,826.9 million baht, and 3,299.5 million baht in 2017, 2018, and 2019 respectively. Classification of sales into product categories are as follows.

Product Category	2019		2018		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Functional Beverage	547.6	16.6	327.2	11.6	362.8	13.5
2. Fruit Juice/Juice Drink Category	2,265.0	68.6	2,035.5	72.0	1,917.8	71.4
3. Functional Powder	296.9	9.0	307.7	10.9	375.8	13.9
4. Other Ready-to-Drink (RTD)	31.5	1.0	35.6	1.3	30.9	1.2
5. Healthier snack	158.4	4.8	120.9	4.3	-	-

Sales	2019		2018		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Total	3,299.5	100.0	2,826.9	100.0	2,687.3	100.0

Sales	2019		2018		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic	1,377.8	42.0	944.7	33.4	981.4	36.5
Overseas	1,921.7	58.0	1,882.2	66.6	1,705.9	63.5

In 2019, the Company's sales proportion between domestic sales and overseas sales was 42:58.

The domestic distribution channel consisted of 4 main channels:

- 1) Modern Trade, through convenience stores, supermarkets and hypermarkets.
- 2) Traditional Trade, through distributors to traditional wholesaling / retailing stores.
- 3) Out of Home, through special channels e.g. hotels, restaurants, cafés, airports, golf courses, gyms, universities, food courts, health stores, and sport stores etc.
- 4) E-Commerce.

Overseas distribution channels included 1) Subsidiary, 2) Importer and 3) Local distributors in 94 countries in Asia, South East Asia, Middle East, Europe, Africa, North America and South America. In 2019, the International sales was 58% of total sales revenue, breaking down into 39% Asian countries, 10% European and American countries and 9% Middle East and other countries.

Marketing and competitions

2019 was a challenging year in terms of growth and competitions from declining domestic and international economies. Among 5 categories, Functional drink was a category with strong growth with 29.8% market share as of 31 December 2019 (Source: The Nielsen Company (Thailand) Company Limited). However, with concentration in in-dept marketing research and consumers' needs, the Company's overall performance was still going in a good direction

For international market, the Company has changed the selling structure to strengthen and balance the distribution channels, expanding the consumer base into potential new markets in many countries and creating communication campaigns, public relations and sales promotions to meet consumer demands. Despite strong appreciation of Thai baht in 2018-2019, its sales and net profits continued to grow.

Furthermore, new products were launched to excite functional drink market in the second half of the year with the new series of Beauti Drink, "Chia Up" series, available in 2 formulas, for women who prefer tasty drink but no weight gaining. This is to secure No. 1 functional drink leader and to meet the health and beauty conscious consumers demand.

Summary of Marketing and Competition in each category

1. Functional Drink

1.1 Sappe Beauti Drink

Sappe Beauti Drink was launched in 2006 with a catchy slogan, **“Just Drink and Be Pretty”**, catching Thai market trend, focusing on beauty. This product became a phenomenal success and created a new beverage category in Thailand, Functional Drink.

In 2016, the 10th anniversary of Sappe Beauti Drink, the Company still committed to its consumers to develop product for modern and beauty conscious women but also focused more on healthy trend. Therefore, Sappe Beauti Drink changed its concept to a new slogan, **“Beauty is not a coincidence”**, as believing that there are many techniques, tricks and tips behind women's beauty and good health. Sappe Beauti Drink has been repositioned as a product supporting women's beauty and good health by starting with product's reformulation to decrease calories and sugar level, plus new formulas launch each year to emphasize its functional drink leader position.

1.2 B'lue

Another milestone of the Company in 2019 was a collaboration with Danone, the world leading food & beverage company, with the objective to inspire the sustainable consumption of healthy food and beverages. Both companies co-invested to establish a joint venture company, Danone Sappe Beverages Company Limited, to develop and manufacture a fruit-flavored vitamin water under **“B'lue”** brand and launched to the market at the same time as a competitor.

Thanks to its outstanding and unique packaging design, comparing to those of competitors in the same category, plus refreshing flavors matching Thai consumers' taste through diverse marketing plans, **B'lue** has immediately been recognized as a leader in the Water Plus segment and become the product on which consumers should keep an eye.

2. Fruit Juice/Juice Drink

2.1 Sappe Aloe Vera

This fruit juice mixed with Aloe Vera bits has enjoyed success in the world's market due to its quality that served consumers' needs towards global health trend. As a selling point for foreign consumers who prefer plant-based drinks, big sized Aloe Vera bits were carefully selected through reliable sources in Thailand. Sappe Aloe Vera drink has become one of the most popular beverage products which being paid close attention for consumers base expansion in International market.

2.2 Mogu Mogu and Gumi Gumi by Mogu Mogu

With its good taste and a wide range of flavors, as well as quality standard, **Mogu Mogu** has become one of Thailand's leading juice products with Nata de coco exported to 91 countries worldwide.

In 2019, **Mogu Mogu** still maintained its stable growth of sales in the international market, by upholding its leader position in juice with Nata de coco market and maintaining its market shares in Asia, Europe and North America. There were also new markets where Mogu Mogu was able to build its brand awareness and grow bigger, leading to intense marketing activities for this year and next year.

The growing popularity and readiness of distribution channels globally are strong foundation making **Mogu Mogu** to be accepted as the international brand.

Gumi Gumi by Mogu Mogu, juice with Nata de coco launched in 2016 and available only in Thailand, is the product with unique flavors, high quality of raw materials and export quality guarantee.

2.3 All Coco

Another quality brand that helps strengthening Sappe's juice drink category. Comparing to other coconut products, All Coco's products are unique with supreme quality control, starting from soil preparation for coconut growing to the production process preserving the product's taste and nutrients, helping to promote Thai coconut consumption to Thai people and Thai coconut products export to the world's market via the Company's strong distribution channels.

3. Functional Powder and Other RTD

3.1 Preaw Coffee

In 2019, **“Preaw Coffee”** brand introduced new product series for health lovers, **“Preaw Nutrigrain”**, a natural grains product available in 2 formulas, chia seed and brown rice. The brand's latest presenter is **Fonthip Watcharatrakul** (or **“Pooklook”**), a slender and beautiful actress who loves to take care of her body shape, representing the new image of prettier, healthier and more self-confident Preaw lady. Commercial advertisement has been communicated to its target group via various channels e.g. online TVs and social media etc.

4. Healthier Snack

4.1 Sappe Beauti Jelly

A functional jelly product under **“Sappe Beauti Jelly”** brand developed for health and beauty purpose and at the same time, focused on innovation to create varieties of choice for consumers. In addition, the product's packaging format is also well known and popular in overseas market. Therefore, it is confident that this product will bring the functional beverage market to life

4.2 ZEAMax

A grilled fish snack under “ZEAMax” brand was advertised on social media and became viral because of its catchy content to communicate the benefits of fish consumption with creativity by focusing on product’s selling point, A snack made of 90% sea fish meat, grilled and baked until fatless crispy snack is ready-to-eat. The product is well popular among health-conscious consumers and snack lovers, especially the group of young and working women.

4.3 Chimdii

The Company strengthened its healthier snack category with an introduction of crispy shrimp chin snack under “Chimdii” brand, distributed only to export market. The product’s selling point was communicated as a high calcium shrimp chins snack.

4.4 Maxtive

Due to a success of **Sappe Beauti Jelly** for female consumers, the Company developed and launched a new product with the same function by targeting male consumers who care for themselves.

4.5 DeNosh

The first organic soybean pudding with high nutrients from chia seeds and black sesame in a jelly format, developed for new generations and health conscious consumers

Type of customers and target groups

The Company’s target groups vary, depending on each product; the Company’s products cover all target groups, regardless the genders, ages occupations, interests, lifestyles and level of income as listed below:

Brands	Target Groups
Sappe Beauti Drink	● Health and beauty conscious women
Sappe Beauti Shot	● Health and beauty conscious women who want highly concentrated product
Sappe Beauti Powder	● Health and beauty conscious women who want a product that can be consumed with foods or beverages of their choice.
St. Anna	● Health and beauty conscious women who want a concentrated product with affordable price
B'lue	● Health conscious teenagers and young-at-heart working people who seek for extraordinary things that match their lifestyles
All Coco	● Health conscious consumers who seek for the best aromatic coconut products for their preferences regarding flavors, nutrients and social images.
Sappe For One Day	● Health conscious consumers of all ages and genders
Sappe Aloe Vera Drink	● New generation of all genders who seek for something new and fun with a refreshing and tasty product and Aloe Vera pulp.
Mogu Mogu and Gumi	● All consumers who want a refreshing and tasty product with Nata de coco.
Gumi by Mogu Mogu	
Preaw Coffee	● Ready-mix instant coffee powder for health and beauty conscious women
Preaw Coffee – Canned	● Ready-to-drink aromatic and tasty canned coffee with no sugar and cholesterol for health and beauty conscious women.
Preaw Chlorophyll	● Ready-mix chlorophyll powder imported from Japan for consumers of all ages and genders who care for their health.
SlimFit Coffee	● Ready-mix instant coffee powder with affordable price for health and beauty conscious women.
Sappe Beauti Jelly	● Jelly product for young people of all ages and genders who want to take good care of themselves.
ZEAMax	● Health conscious teenagers and working people who love snacks.
Chimdii	● Teenagers and working people who like unique snacks with high calcium nutrient.
Maxtive	● Men who care for themselves to boost their self-confidence.
DeNosh	● Health conscious teenagers and working people

Selling and distribution channels

In 2019, the Company's products were distributed domestically and internationally in more than 90 countries worldwide, with 42% domestic and 58% international sales proportion. The Company's products were distributed to wholesalers, distributors, importers, retailers and retail stores in various channels. The Company's domestic and international sales teams consisted of 40 selling experienced members to contact and coordinate with different distribution channels for efficient products distribution to consumers.

Regarding domestic sales, the Company has conducted marketing activities by commercially advertising via medias such as television commercial (TVC) and launching sales promotion campaigns with modern trades and stores. For international sales, the marketing activities have been planned together by the Company and distributors.

● Domestic distribution channels

As domestic beverage market was highly competitive in 2019, seen by new entries of many products into the market and new products development for particular channels, the Company increased its distribution channels to four channels as follows:

1) Modern Trade: A distribution directly to modern trader such as convenient stores like 7-11, Lawson108 or Jiffy, hypermarkets or supermarkets like Tesco Lotus, Big C Supermarket, Tops, MaxValu and The Mall, Cash & Carry or Makro and petrol stations like SUSCO and PT. The Company distributed the products to these customers' distribution centers, which were then distributed to their outlets nationwide.

In 2019, the Company expanded its product distribution to frozen food segment, apart from beverages segment, to support All Coco business and to leverage Company's relationship with its modern trade customers.

2) Traditional Trade: A distribution to retail stores nationwide via the Company's distributors. In 2019, the Company increased the types of distributors to three as follows:

2.1) National Distributor: 2 distributors in total, external legal entities with no connection with the Company. These distributors act as wholesalers, distributing the Company's products to retail shops nationwide.

2.2) Local Distributors: In charge of specific areas assigned by the Company for higher coverage to increase frequency of stores visit in the strategic areas. In 2019, the Company had 11 local distributors and is still seeking for business opportunities with experienced distributors in cold-chained logistic segment to support Company's chilled products business further from the previous year.

2.3) Specialty stores: with the Company's employees as salespersons to sell products directly to beauty shops, schools, large wholesalers and their outlets and automatic vending machines.

3) Out of Home: A new channel to offer products to consumers via hotels, restaurants, cafes, airports, golf courses, gyms, universities, food courts, health stores, and sport stores, for example. This also included selling products, such as All Coco's coconut meat and water, as raw materials for processing foods, snacks and beverages.

4) E-Commerce: Due to change of consumer behavior, the Company expanded its distribution channel to online channel via various platforms, including Official LINE@, Lazada and Shopee, to directly access to consumers to increase selling opportunities.

Furthermore, marketing activities were conducted at popular locations to the target groups to promote Company's products by offering free trial and samples or special price to create consumers' direct experiences and become regular customers.

● International distribution channels

Company's products have been distributed via importers or local distributors. With long term relationship with existing business partners who believes in products and visions of the Company, the Company has distributed **Mogu Mogu** product to more than 90 countries in Asia, Southeast Asia, Middle East, Europe, Africa, North America, and South America.

In addition to **Mogu Mogu** product, in 2019 the Company has expanded to distribute products under other brands such as Sappe Aloe Vera, **Sappe Beuti Jelly**, **ZEAMax**, **Chimdii**, and products of its subsidiaries, **All Coco and B'lue**, to penetrate markets in various countries. For a subsidiary in Europe, SAPPE Europe s.r.o., it still focuses on distribution coverage expansion of Sappe Aloe Vera products throughout Europe.

Competitive Strategies

The Company has established both short-term and long-term strategies to cope with the changes of market conditions and consumers' needs. These strategies are planned and cooperated by all functions including sales, production and supporting functions together with continuously improving the production process to develop and manufacture tasty and high-quality products for health and beauty conscious consumers.

In 2019, 2 new innovative products were launched under Healthier Snack category, consisting of 1) health and beauty snack under **Sappe Beuti Jelly** brand and 2) healthy snack under **ZEAMax** and **Chimdii** brands, which were awarded by famous international food exhibitions, **SIAL INNOVATION CHINA** and **SIAL INNOVATION PARIS**.

To create a friendly work environment for employees and outsiders, the Company continues to develop its organization and people to be happy with their works through active learning to manufacture products with quality and varieties for all groups of consumers and for any occasions. This also includes the building of trust and brand loyalty as well as values creation to products with market competition strategies as follows:

- **From THAI brand to GLOBAL brand**

All executives and working teams across the organization have thoroughly together set strategic direction to develop existing SAPPE brand recognition to become a global brand. To achieve this, all employees, recognized as Company's brand ambassadors, have been provided trainings by executives and well-known instructors and have been communicated for more understanding towards Company's business direction. Not only is this a short-term goal but also it is Company's **DNA** created through cooperation of all members which eventually turns into long lasting organizational culture.

For international market, the Company has set different strategy for stronger brand positioning in each country regarding business size growth rate, product coverage in each distribution channel, characteristic of the partners, competition and consumers' needs. Brand strategy has been deployed in the form of 360-degree branding activities through Above The Line (ATL) marketing campaigns, such as advertising on print media, radio, TV, or online channels, and Below The Line (BTL) marketing campaigns, such as public relation events or sponsorships. The integration of these activities makes SAPPE brand worth for investments through better communication as a global brand.

- **Customer Relationship Management**

The Company has established good relationships with all partners by operating business basing on Win-Win cooperation, resulting in business expansion to more than 90 countries worldwide. The Company is determined to improve the relationships by considering partners as brand ambassadors who take a significant role to co-promote brand with the Company

The same direction followed by the Company and its partners has been considered the critical factor, driving mutual success for all. The Company's responsibility is to support and advise its partners about brand building through knowledge exchanges so the perfect marketing mix can be co-developed. The Company also created partnership platform to develop and select partners, leading to business expansion and strong brand positioning in the global market.

Moreover, strong relationship with business partners has also been established by assisting in analysis of the past operational performances, evaluation of marketing activities to provide useful information for future planning, providing dedicated teams to advise on stock management, procurement management and financial management for smooth cooperation.

- **Good product development by focusing on consumers' needs**

As consumer satisfaction is the key focus, high quality products have been continuously developed to serve consumers' needs. This is our strength since the beginning of the company establishment, bringing us a more than decade success.

The distribution of high quality and health beneficial products with reasonable prices for different target consumer groups has been continued to win consumers satisfaction. In addition, the Company has constantly developed new products through marketing research focusing on customers insight in each country for in-depth understanding in order to win local customers with innovative products, packages, and marketing activities.

Regarding new products development for new target consumer groups leading to business expansion and sustainability, market and customer trends and new food and beverage production technologies have been studied to deliver suitable products while simultaneously maintaining Company's unique characteristic to offer "Superior choices" of products to the customers, the key factor in doing business as always.

Procurement of Goods and Services

Manufacturing Facility

At present, the Company owns 1 manufacturing facility, "Khlong 13 factory", located at 8 village number 7, Phuet Udom, Lamlukka, Pathumthani with an area of 154 Rais 5 Ngan 82 Sq. Wah, and well-equipped with cutting-edge technology and equipment. The factory was constructed in 2010 and commenced operation in 2012.

The Khlong 13 factory consists of 2 manufacturing buildings and 1 warehouse. The first manufacturing building is equipped with 4 production lines, at total maximum capacity of 125,830 tons per year, to produce health and beauty beverage, juice, and fruit-flavored beverage products. The second manufacturing building is equipped with machineries, with total maximum capacity of 2,450 tons per year, to produce instant health and beauty powder products. The Company also owns a research and development laboratory located in Bangchan Industrial Estate at 9/3 Bangchan Industrial Estate, Serithai Rd., Kannayao, Bangkok with an area of 2 Rais 1 Ngan 88.20 Sq. Wah.

Regarding quality policy, the Khlong 13 factory has acquired the certification of GMP HACCP, ISO9001:2015, ISO14001:2015, HALAL MUI, HALAL CICOS, and KOSHER, and passed the evaluation by external private and public organizations e.g. USFDA, KFDA, etc.

Through cooperation with Danone group, the Company has been assisted and supported in terms of quality development and food safety as follows:

- 1) Provide with high-skilled specialists for knowledge transfer regarding global standard production to improve the existing production
- 2) Improve quality of water used in the production process in accordance with global standard
- 3) Establish efficient procedures of supplier inspection, material receipt inspection, packaging production, product storage, and product distribution
- 4) Improve existing food safety control system for being used as food defense measure by advising on factory area entrance restriction to mitigate terrorist threats to food and on a guideline for authorized person appointment to keep the production area safe, as well as on preparation of backup plan for emergency situations caused by unintentional contamination of food

- 5) Provide risk assessment for activities performed in the factory and advise the best practice to design proper procedures, processes and recording pattern regarding Safety Health and Environment

In 2019, the Company saved costs through various schemes such as production cost management, workforce planning, production planning, and production efficiency improvement. This schemes also helped in terms of better production and delivery of products in the peak season. The packaging labels have been changed from PVC to PET material, more eco-friendly, 100% recyclable and costs less. 5S and INNO KAIZEN* activities have been continuously performed by allowing employees to improve their work processes and environment, leading to production cost reduction.

*Remark: *INNO KAIZEN is the activity in accordance with KAIZEN principle or continuous improvement in the factory. This activity has been implemented under the program called "Little Things Change the World" by encouraging employees not to overlook small things which can be improved, making a powerful and positive impact to people's lives and to the company. Out of 400 projects initiated by the employees, 200 projects have been approved for implementation in order to improve safety, quality, and effectiveness of the factory, as well as to reduce production cost.*

Production Capacity

The Company's production capacity in 2017, 2018, and 2019 are as follows:

Khlong 13 Factory	2019	2018	2017
Maximum Capacity	125,830	116,390	112,020
Actual Volume	90,926	84,961	82,323
Capacity Utilization Rate	72%	73%	73%

To provide domestic and international markets sufficient supplies, the Company's production is planned in consideration with sales and marketing plans periodically changed by market demand together with inventory level to prevent excess/shortage inventory.

Most of the production's workforces are permanent employment, allowing the Company to manage effectively. For peak production season, temporary workforce employment is considered. For the past years, the Company has never encountered workforce shortage.

Raw Materials and Suppliers

Main raw materials of beverage products include concentrates, fruit bits such as Nata de coco, active ingredients such as fiber, collagen, and vitamins, and packages, such as PET bottles and paper cartons. Bottle preforms and PET bottles are produced in the Company's factory by using polyethylene terephthalate as raw material for production.

Details of raw materials procurement are as follows:

- 1) Concentrates are domestically procured via importers.
- 2) Fruit bits, such as Nata de coco, are procured domestically, from the largest supplier in Samut Songkhram and from some small suppliers. This raw material can be supplied all year round and is not cyclically affected.

3) Active ingredients, such as fiber, collagen, and vitamins, are domestically procured via importers.

4) PET resin (Polyethylene Terephthalate) used for bottle preforms production is procured domestically and internationally at 70% and 30% respectively. With the support from a partner, Danone, the Company has been introduced new suppliers for better production cost management. The procurement of this raw material is planned in accordance with the production plan and customers' orders.

In 2018 and 2019, the Company had no purchase orders with individual supplier greater than 30% of total purchase value. In addition, in 2019, the Company was assisted by Danone's team to advise on production cost savings methods and new strategies to improve existing procurement process.

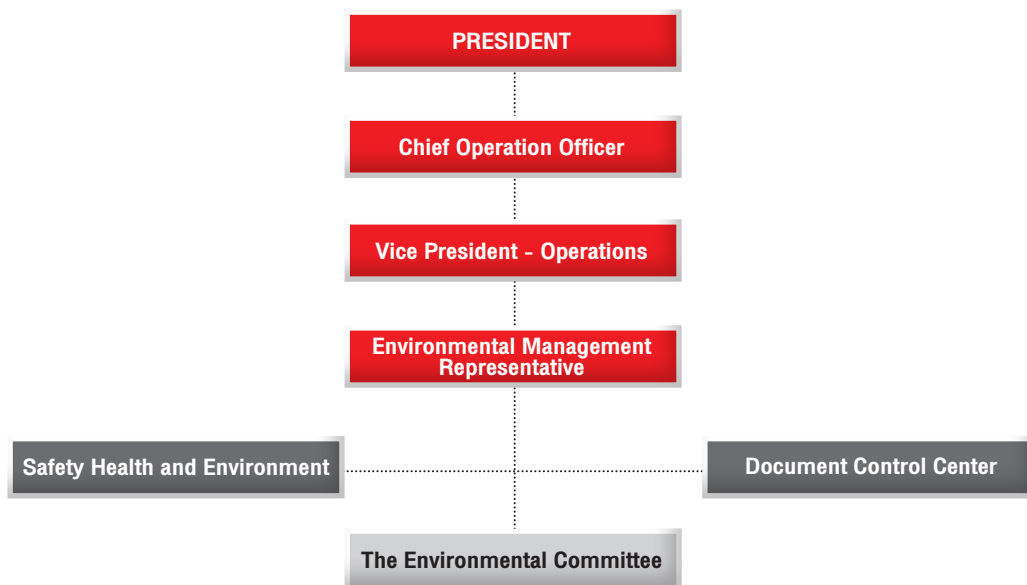
Environmental Impact

The Company has always placed emphasis on the effective production and service and social and environmental responsibility. The Company has implemented Environment Management System in accordance with ISO 140001 standard

and requested all employees to strictly follow the policy with details as follows:

1. Strictly follow the Factory Law and the international environmental standard.
2. Control the release of air pollutants and dust from production process up to the international standard, recycle water for efficient usage in the factory, and prevent all pollutions from business operation causing environmental damages.
3. Prevent the occurrences of all accidents and incidents adversely affecting environment.
4. Save and use energy to highest efficiency and constantly revise the environmental management policy.

For highly effectiveness of business operation, Environment Committee, reporting directly to Mr. Anan Ruckariyapong, the Director and President of the Company, has been established with the main objective to monitor and control the good compliance of ISO 14001 Environment management System. The committee's structure is as follows:



The Company has constantly provided trainings regarding energy conservation and environmental management to both supervisory employees and newcomers in order to raise awareness and to encourage everybody to implement all knowledges gained for concrete results. The Company has also cooperated with government and private sectors in researching on new guidelines and technologies for continuous improvement, including participations in various activities organized by local government agencies and communities' leaders to promote peaceful co-existence between the manufacturer and the communities.

In 2019, environmental training programs were provided to the employees as follows:

1. Environmental Management Training
2. ISO 14001: 2015 Certification Training
3. ISO 14001: 2015 Internal Audit Training

In addition, the assistance provided by Danone group regarding the inspection and recommendations to improve the existing wastewater treatment system has standardized Company's operation to be on par with international standards.

At present, the Company has never been filed any environmental dispute or litigation.

Risk Factors

Business Risks

1. Risks posed by a lack of the Company's own land used as a factory location

At present, the Company's manufacturing factory is the Khlong 13 factory, located in Lam Lukka district, Pathumthani, with an area of 97 rai, 3 Ngan, 49 Square Wah. The product research and development base is the Bangchan office located in the Bang Chan Industrial Estate on Seri Thai road, Kannayao district, Bangkok, with an area of 2 Rai, 1 Ngan, 88.2 Square Wah. Both the Khlong 13 factory and the Bang Chan office are located on lands owned by the group of major shareholders. The Company has leased vacant land / land with buildings from this group with the rental rate in accordance with the market rate basing on the appraisal value of the independent appraiser.

Bang Chan Office previously was the first factory of the Company. At present, all production base has been relocated to the Khlong 13 factory and the old factory was renovated into a product research and development base. One shareholder is the owner of the land with a factory and buildings of which the Company made a lease agreement with. The 3-year lease period starts from 1 October 2013 to 30 September 2016 and can be extended for 3 years at a time. Currently, the agreement has been renewed twice with the current ending period on 30 September 2022.

Klong 13 Factory is the current production base. The land on which this factory is located is co-owned by major shareholders of the Company. The Company has invested in construction of factories and buildings in 2010 and the first production was commenced in April 2012. At present, the Company has entered into the land lease agreement for a period of 20 years, starting from 1 October 2013 to 30 September 2033. After the 3-year period since the beginning of the agreement, the Company has right to purchase the land at the average price of the appraisal value evaluated by two independent appraisers approved by the Securities and Exchange Commission.

Due to market opportunities, spending investment in production expansion was better alternative than the investment in factory's land. Therefore, the Company decided to enter the land lease agreements instead of the lands purchase. Regarding the land lease at the Klong 13 factory, if the Company has excess cash flow in the future, the Company will consider to purchase the land from the group of major shareholders in accordance with the principles presented in the Board of Directors meeting no. 11/2013 on 29 November 2013. The purchase will be proceeded in accordance

with the regulations and rules regarding the connected transactions and will be approved by the Audit Committee, the Board of Directors and / or the shareholders' meeting. Currently, the Company's excess cash flow is prepared for the business expansion to support future growth. The land purchase option is still being under consideration.

However, during the lease period, the Company may expose to a risk in case the Company breaches the agreement resulting in the agreement termination. In this regard, factories and buildings previously invested by the Company will belong to the lessor. The Company will not receive any compensation but records an impairment of the investment in those fixed assets.

According to the agreements, the Company has obligation to pay monthly rental at the amount of 542,136 baht with the increasing rate at 2.0% - 3.0% per year from June 2014 onwards. In 2019, the Company paid monthly rental at the amount of 624,268.00 baht by using internal cash flow. The Company strictly complies with other conditions stated in the agreements such as maintaining and repairing the factory and buildings to be in good condition until the agreements terminated, paying taxes related to leased property etc. The Company is confident to fully comply with all required conditions and that no occurrence leading to premature termination of the agreements will arise.

In addition, the lessor is the group of the major shareholders holding approximately 68.4% of the shares and is in the Company's management team responsible for the business growth. Therefore, entering the lease agreements will not adversely affect the future production and operations of the Company.

2. Risks posed by competition and business environment

At present, the beverage market is highly competitive due to numerous factors, such as many existing players, entry of new players, substitute products, new product launches, new marketing activities with increasing budgets by competitors, and laws and regulations enacted by government sector etc.

To mitigate the risks, the Company always prepares to address business competition and actively responds to the changing behaviors of consumers by inventing and developing diverse products for various consumer groups, while at the same time creating a strong brand positioning to maximize value and differentiation in the market. This involves not only innovating new beverage products focusing on health & beauty consumption and taste, but also focus on other areas. Examples include new market penetration by launching new products in the form of healthier

snacks, design of attractive packages, creation of value-added & safe products to serve consumers' needs, and sales promotions through marketing activities to reach targeted consumers and to encourage the repurchase as often as possible.

Regarding changes in laws related to consumer products, the sugar-sweetened beverage tax is the major concern stimulating the Company to do in-dept researches to improve products' recipes. In response to this, the Company has prepared to develop new recipes and simultaneously maintaining good taste & nutrients to serve consumers' demands. The studies of changing in consumers' needs have also continued to ensure that the new products' recipes and flavors are acceptable.

3. Risks posed by prices of raw materials

The major raw materials used in beverages production are granulated sugar or liquid sucrose and Polyethylene Terephthalate (PET) used for PET bottles production. The Company purchases both materials from both domestic and foreign suppliers. Both raw materials are commodity products with price fluctuation in accordance with demand and supply, resulting in higher production cost when the prices increase. For other raw materials such as concentrated fruit juice, coffee powder etc., the purchase orders are relatively small, less than 10% of the total purchase order.

PET: Most of the Company's products are packaged in hot-filled PET bottles, which is the main production cost. Its price fluctuation, in accordance with the world market price and / or the crude oil price, has a direct impact on the Company's production cost. Volatile oil price together with the shutdown of the major US plastic resin manufacturer by the end of 2017 resulted in the decrease of supply, leading to higher plastic resin costs in 2018.

However, in 2019, the plastic resin price was significantly lower due to increasing supply from an acquisition of this major US plastic resin manufacturer by the world leading Petrochemical and Energy group of companies and the weakening US dollars currency.

Granulated Sugar: Produced from sugar cane, an agricultural crop whose production depends on weather conditions, currently impacted by the global warming, and natural disasters. These conditions may adversely affect the supply, making its price higher. However, the Company has purchased this raw material from domestic suppliers with the price set and controlled by the Office of the Cane and Sugar Board, which is infrequently changed. Each year the purchased quantity will be confirmed with the suppliers to make sure of sufficiency, which aligns with the Company's target sales. In 2020, the Company has addition of a major sugar supplier, resulting in lower shortage risk and higher bargaining power.

In addition, the Company manages raw materials shortage and price risks by the analysis of price trend together with the assessment of raw material usage for production, enabling the Company to plan the purchase order to prevent the overstock / shortage of raw materials. For some types of raw materials regularly required in large quantity amount, the Company and the suppliers will determine the quantities together and the orders will be placed in advance at agreed prices. This policy prevents price fluctuations and ensures that no shortage arises. The Company also compares prices, quality and other terms and conditions proposed by at least 2 - 3 suppliers.

4. Risks posed by new products development

To receive consumers' positive feedbacks and acceptances from new product launch, high investment, especially in marketing activities such as public relations, advertising, and sales promotion, is usually required. Amongst the competitive environment where many new products are launched by the competitors, the Company may expose to an investment risk if such product launches fail.

The Company is aware of this risk and therefore places emphasis on the process preparation before the launches to mitigate the risk. Starting from research and development process by an independent R&D team to carefully conduct analysis of business opportunities, marketing strategies, product development and design, market and laboratory testing, and new products selection to meet the needs of targeted consumers. Each new product launch, the Company focuses on "newness" which offers differentiation to satisfy consumers. The Company also conducts many tests regarding product's taste & quality and market while creating launch plan, advertising campaigns and marketing activities to stimulate product trial and repurchase to ensure success of the launch. Moreover, the existing products have been continuously improved through researches and market surveys to serve changing needs of consumers.

5. Risks posed by natural disasters

The 2011 massive flood widely damaged provinces across Thailand. The Bangchan and Klong 13 factories suffered devastation at the frontal zones of the compounds. Similarly, the drought in 2015 left Lamlukka district to be a disaster-stricken area as the water supply station did not work properly. However, the Company managed to cope with these risks and survived both events without experiencing any impact to production capability even though the transportation during the 2011 flood was affected.

Located in the downstream area, the Khlong 13 factory is near floodway as defined in the Master Plan of Water Resources Management of the government. The plan aims to prevent flooding in the country's main economic areas on the eastern side of the Chao Phraya river. Therefore, a risk of flooding in the factory area is common and property is prone to damage. However, this factory is quite new as it was constructed in 2010. The buildings and locations of machineries and equipment have been designed to be able to stand on elevated floors, 2.20 meters higher than road surfaces, to prevent the flood. The Company also has an insurance for damage caused by natural disasters for both factories in case of loss or damage from flooding in an amount of not over 500 million baht per occurrence.

To cope with drought, the Company has built and acquired additional water resources. If water supply station in the area cannot supply water in an emergency situation, the Company is still able to supply enough water for production, for not less than 3 months, which is deemed as a proper length of time to prevent business interruption.

6. Risks posed by investment in subsidiaries overseas

The Company is currently investing in overseas subsidiaries. For instance, Sappe Europe s.r.o (Sappe Europe), registered in Slovakia, provides toll manufacturing service, sells and markets Sappe beverage products in Europe, in which the Company holds 60% of the shares. The Company owns 3 indirect overseas subsidiaries, namely, (1) Sappe Trading (Hong Kong) Company Limited, registered in Hong Kong, operates business of import and export and distribution of products, (2) Sappe Hong Kong Company Limited, registered in Hong Kong, provides management services; and 3. Sappe Trading (Shanghai) Company Limited, registered in China, operates business of import and export and distribution of products. Sappe Holding (Thailand) Company Limited holds 100% of the shares of all these three subsidiaries. The operation of these overseas entities may be susceptible to numerous risk factors, both internal factors caused by the subsidiaries themselves and external threats e.g. economy, consumers' behaviors and purchasing power, political stability, law, tax rates and foreign exchange rates in particular countries. If such occurrences adversely affect business operations of the subsidiaries, it may destabilize the Company's business operations as well.

However, to mitigate the risk, the Company has rolled out a clear investment in subsidiaries and affiliates policy. For the past investments, the Company considered carefully regarding growth opportunities, investment size and relevant risks and has regularly monitored through the reports and the follow-ups of subsidiaries' operations.

7. Risks posed by volatility in foreign exchange rates

Since the export sales, approximately 58% of total sales in 2019, is mainly in US Dollars while most of raw material cost is in Thai Baht, the Company exposes to the foreign exchange risk, which consequently affects product prices, sales and profit.

To mitigate the risk, foreign exchange rate policy has been established, allowing the Company to enter forward contract, at not exceeding 75% of total foreign currency sales over the next 6 months. Simultaneously, the Company reprices the export products to reflect the volatile foreign exchange rates as well as regularly monitors and updates information and news to support quick decisions making.

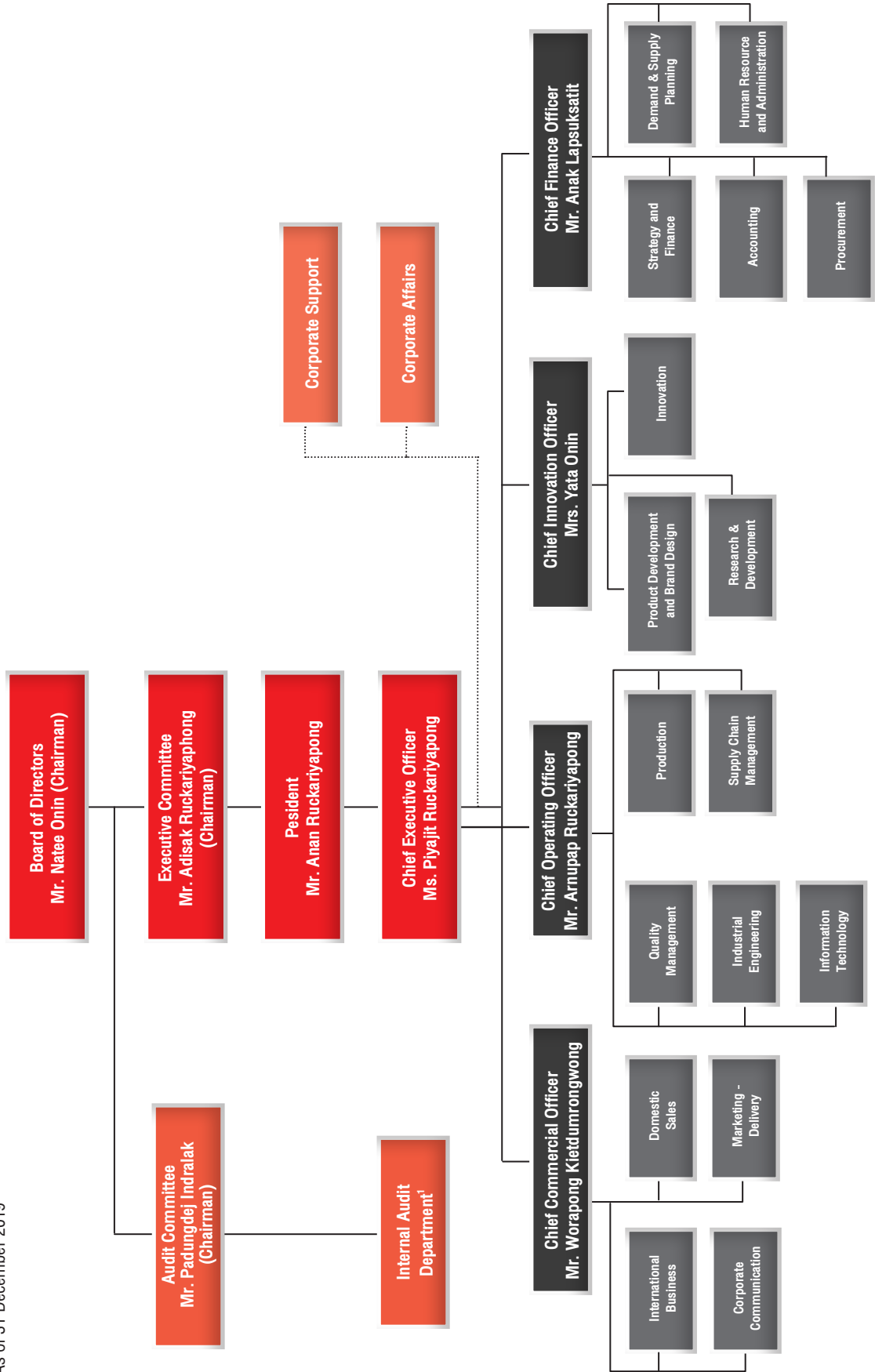
8. Risks to securities holders posed by key shareholders with management's sphere of influence

At present, the Ruckariyapongs holds the majority of the Company's shares, accounting for 68.40%. With the said proportion, the family can control nearly all of the resolutions of the shareholders' meeting, which include appointment of directors, agendas requiring the majority of votes, and other topics in need of three-fourths of votes as prescribed by law or the Company's Article of Association. As a result, other shareholders may expose to the risk of inability to secure their votes to counterbalance the agenda proposed by this group of shareholders.

However, to ensure the transparent business operations of the Company and to balance management power, the Company sets up a management structure by having skillful and experienced persons as management team members. Scope of business operations and delegation of authorities to directors and executives are also clearly defined. Five outsiders have been appointed as independent directors out of the total ten directors, in which three of them are the members of Audit Committee, in order to audit, counterbalance the management's decisions, consider, and approve transactions before proposing to the shareholders' meeting. Moreover, the Company defines measures related to transactions conducted with persons who may have conflicts of interest by limiting the voting right of those involved. An internal audit is regularly performed by an external independent professional company, directing to the Audit Committee, to primarily oversee the Company's internal control system to be aligned with the specified system. These are to ensure the transparency to the shareholders and to balance management power in the Company.

Management Structure

As of 31 December 2019



Note: ¹ P&L Corporation Co., Ltd. was hired as an internal auditing company in each quarter of 2019

Management structure of the Company consists of Board of Directors, Audit Committee, and Executive Committee. The Board of Directors, committees, and executives of the Company comprise personnel with qualifications as per Section 68 of Public Limited Companies Act B.E. 2535 and the relevant Notifications of the Capital Market Supervisory Board as supported by description below.

1. Board of Directors

Board of Directors Structure

The Board of Directors consists of experts who are valuable to the Company in the aspects of business knowledge, accounting & finance, management, business strategy, and corporate governance while possessing qualifications in line with laws regarding public limited companies and securities and exchange. They are persons who can dedicate themselves and their time to acting on duties and responsibilities.

As of 31 December 2019, the Board of Directors consisted of 10 persons as follows.

	Name		Position
1.	Mr. Natee	Onin	Chairman
2.	Mr. Adisak	Ruckariyaphong	Vice Chairman
3.	Mr. Anan	Ruckariyapong	Director
4.	Mr. Arnupap	Ruckariyapong	Director
5.	Ms. Piyajit	Ruckariyapong	Director
6.	Mrs. Niratchara	Siriamphunkul	Independent Director
7.	Mr. Thana	Thienachariya	Independent Director
8.	Mr. Padungdej	Indralak	Independent Director and Chairman of the Audit Committee
9.	Ms. Kunnigar	Triyangkulsri	Independent Director and Member of the Audit Committee
10.	Mr. Surath	Pralongsil	Independent Director and Member of the Audit Committee

Ms. Sutatip Chantharangsee, Assistant Vice President of New Business Partnership, Strategy and Finance Department, is the company secretary.

The Board of Directors structure consists of 10 persons, appropriate for size of the business, including 6 non-executive directors. There are 5 independent directors which amount to one-third of total directors.

In addition, the Board of Directors recognizes the benefits of diversity in the Board which is an important factor for decision-making and performance of the Board. The diversity does not only limit to gender, but it also includes ages, educational backgrounds, work experience, skills, and knowledge. As such, recruitment and nomination of directors shall be based on competence and selection criteria which also consider benefits of diversity.

Names, backgrounds, qualifications, experience, and held shares of all directors are disclosed in this 2019 annual report.

Authorized Director

2 of 3 directors, Mr. Anan Ruckariyapong, Mr. Adisak Ruckariyaphong, and Mr. Arnupap Ruckariyapong, shall jointly sign and stamp the seal of the Company.

In case of land lease agreements and trademark license agreements as well as any operation required and related to the agreements, including but not limited to the agreement registration with relevant government agencies and signing of relevant documents, Mr. Natee Onin shall sign and stamp the seal of the Company.

Term of Office of Directors

In an Annual General Meeting, one-third of directors shall vacate the office. If the number of directors makes it impossible to divide them into 3 equal parts, the number of directors nearest to one-third shall vacate the office. The directors who shall vacate the offices in the first and the second year after the registration of the company shall be decided by drawing lots. After that, the directors who have been in office the longest shall vacate the office. Vacating director may be re-elected.

Board of Directors Meeting Attendance in Previous Year

The Company requires a board of directors meeting to be held quarterly. The Chairman shall call for the meeting, but 2 or more directors can request the Chairman to hold the meeting if necessary. In 2019, the Board of Directors held 9 meetings with attendance as follows.

Name		Position	Attendance / Total (Time)
1. Mr. Natee	Onin	Chairman	8/9
2. Mr. Adisak	Ruckariyaphong	Vice Chairman	8/9
3. Mr. Anan	Ruckariyapong	Director	8/9
4. Mr. Arnupap	Ruckariyapong	Director	9/9
5. Ms. Piyajit	Ruckariyapong	Director	9/9
6. Mrs. Niratchara	Siriamphunkul	Independent Director	6/9
7. Mr. Thana	Thienachariya	Independent Director	8/9
8. Mr. Padungdej	Indralak	Independent Director and Chairman of the Audit Committee	8/9
9. Ms. Kunnigar	Triyangkulsri	Independent Director and Member of the Audit Committee	9/9
10. Mr. Surath	Pralongsil	Independent Director and Member of the Audit Committee	9/9

In 2019, the Company scheduled the meetings in the year in advance and informed directors in the 4th quarter of 2018 in order for them to efficiently prepare for the meetings.

Scope of Authority, Duties, and Responsibilities of Directors

The Board of Directors possesses the authority, duties, and responsibilities for management of the Company in accordance with laws, objectives, and regulations of the Company and resolutions of the Annual General Meeting through honesty and attention to the best interest of the Company, including significant duties and responsibilities as follows.

1. Hold Annual General Meetings within 4 months after accounting period end date of the Company. The Company shall send board of directors meeting and Annual General Meeting invitation letters in advance which should have adequate preparing time and shall not be lower than the required duration as dictated by the regulation of the Company.

2. Hold a board of directors meeting once every 3 months with everyone presented for consideration and resolution of significant transactions, which include acquisition or disposition of assets of companies and subsidiaries affecting the Company, purchase or sale of significant assets, investment project expansion, consideration and approval connected transactions as per criteria of Stock Exchange of Thailand determination of level of authority, establishment of finance and risk management policy for the Company's operations, etc.

3. Ensure clear and transparent processes and management regarding transaction between the Company and connected persons and acquisition or disposition of assets of the Company to prevent conflicts of interest by establishing an approval process as well as disseminating information in line with criteria, methodology, and procedures as specified in Securities and Exchange Act B.E. 2535 (including amendment) and relevant laws, rules, notifications, and regulations of the Stock exchange of Thailand.

4. Establish credible accounting, financial reporting, and auditing systems and documentation systems, which can check accuracy of information by tracing back to its origin, as well as efficient and effective internal control, internal audit, and risk management.

5. Ensure proper conduct of financial statements at end date of accounting period in order to display financial status and performance in the previous year accurately and completely as per generally accepted accounting principles, and be audited by the Company's auditor before proposing to Annual General Meetings for consideration and approval.

6. Establish goals, guidelines, policies, action plans, and budgets of the Company, and monitor and supervise the management as specified in the established policies, action plans, and budgets efficiently and effectively.

7. Review, verify, and approve business expansion plans, major investment projects, and joint investments with other entrepreneurs as proposed by the management.

8. Consider appointment of the Audit Committee, Executive Committee, Chairman of Executive Committee, President, Chief Executive Officer ("CEO"), and other committees as deemed appropriate, and define scope of authority as well as remuneration of the appointed Executive Committee, Chairman of Executive Committee, President, CEO, and other committees.

Granting such mandate should not allow the Executive committee, Chairman of Executive Committee, President, CEO, and other committees to consider and approve transactions which may have conflicts of interest or other conflicts of interest with the Company or subsidiaries (if any) unless approving transactions are in accordance with policies and criteria which have already been considered and approved by the Board of Directors.

In case the Board of Directors assigns Chairman of Executive Committee, President, CEO, and other persons to act on behalf of the Board, the assignment shall include a proof in a written form or a resolution as recorded in minutes of meeting of the board of directors as well as a clear scope of delegated authority.

9. The Board of Directors may assign one or many directors or other persons to operate any particular actions on behalf of the Board under monitoring and supervision of the Board, or delegate authority to such persons with scope and duration as deemed appropriate. The Board may cancel, change, or rectify such authority as appropriate.

The authorization should not allow such persons to consider and approve transactions in which they or related persons may have conflicts of interest with the Company or subsidiaries (if any) unless approving normal transactions in accordance with normal trade terms, policies and criteria, which have already been considered and approved by the Board of Directors. The mandate shall follow criteria, conditions, and procedures regarding connected transactions and acquisition or disposition of significant assets of listed companies as per relevant Notifications of the Capital Market Supervisory Board and/or other notifications of relevant agencies.

10. Directors and executives shall report conflicts of interest of selves and connected persons who have conflicts of interest in business management of the Company or subsidiaries as per criteria, conditions, and procedures of relevant Notifications of the Capital Market Supervisory Board.

11. Both directors and executives shall be liable to any persons who trade the Company's securities and cause potential damage from disclosure of false information or hiding substantial information which is required to be disclosed as per Securities and Exchange Act unless such directors and executives can prove they are not in the position to know such information or the lack of such information to be disclosed.

12. Directors, executives, and spouses and minor children of directors or executives are not allowed to use internal information of the Company, subsidiaries, or associate companies whether from performing duties or other means which cause or may cause a significant impact to the Company, subsidiaries, or associate companies for benefits of selves or others, directly or indirectly, and whether receiving compensation or not.

13. Directors and executives of the Company including related persons of such directors and executives are obliged to inform the Company about their relationships and any connected transactions with the Company, subsidiaries, or associate companies which may cause conflicts of interest, and avoid making such transactions with the Company, subsidiaries, or associate companies.

2. Committee

(1) Audit Committee As of 31 December 2019, the Audit Committee consisted of 3 persons as follows.

Name		Position
1.	Mr. Padungdej Indralak	Chairman
2.	Ms. Kunnigar Triyangkulsri	Member
3.	Mr. Surath Pralongsil	Member

Ms. Kunnigar Triyangkulsri is an expert with adequate skills and experience for auditing credibility of financial statements, and Ms. Sutatip Chantharangsee, the Assistant Vice President of the New Business Partnership, Strategy and Finance Department, is the secretary of the Audit Committee.

Term of Office of the Audit Committee Members

The Audit Committee has 3 years term of office, starting from the date of appointment. Vacating members may be re-elected. In case a position in the Audit Committee is vacant due to other reasons than vacating from the term of office, the Board of Directors shall appoint a candidate with suitable qualifications and such candidate shall be in the office for the remaining period of the substituted member.

Audit Committee Meeting Attendance in Previous Year

The Company requires an Audit Committee meeting to be held quarterly. However, the Chairman shall call for the meeting in a special occasion in case there are requests from Audit Committee members, internal auditors, auditors, or the Chairman of the Board to consider important issues, as well as in case the Company needs to make connected transactions or transactions regarding acquisition or disposition of assets of the Company.

In 2019, the Audit Committee held 5 meetings with attendance of its members below. The Audit Committee has reported its annual performance in the Report of the Audit Committee.

Name		Position	Attendance / Total (Time)
1.	Mr. Padungdej Indralak	Chairman	5/5
2.	Ms. Kunnigar Triyangkulsri	Member	5/5
3.	Mr. Surath Pralongsil	Member	5/5

In 2019, the Company scheduled the meetings in the year in advance and informed members in the 4th quarter of 2018 in order for them to efficiently prepare for the meetings.

Scope of Authority, Duties, and Responsibilities of Audit Committee

1. Ensure accurate and adequate financial statements of the Company.
2. Ensure appropriate and efficient internal control and internal audit systems of the Company, consider independency of internal audit agencies, and make approval in consideration of appointment, relocation, and termination of the head of the internal audit agencies or other relevant agencies.
3. Ensure the Company complies with Securities and Exchange Act, regulations of the Stock Exchange of Thailand, and other relevant laws.
4. Consider, select, nominate, and terminate independent persons to be auditors of the Company, offer remuneration to such persons, and attend a meeting with auditors and without the participation of the management at least once a year.
5. Consider connected transactions or transactions which may have conflicts of interest to be in line with laws and regulations of the Stock Exchange of Thailand in order to ensure such transactions are reasonable and offer the best interest to the Company.
6. Other operations assigned by the Board of Directors and approved by the Audit Committee, for example, review financial management and risk management policies, review code of conduct compliance of executives, and review together with the Company's executives the publication of important reports as specified by law, such as management reports and analyses, etc.
7. Conduct report of the Audit Committee to be disclosed in annual report of the Company. The report shall be signed by the Chairman of the Audit Committee and incorporate information as follows.
 - Opinions on accuracy, completeness, and credibility of financial reports of the Company.
 - Opinions on adequacy of the internal control system of the Company.
 - Opinions on compliance regarding Securities and Exchange Act, regulations of the Stock Exchange of Thailand, or relevant laws.
 - Opinions on suitability of auditors.
 - Opinions on transactions which may have conflicts of interest.
 - Numbers of Audit Committee meetings and attendance of each member.

- Overall opinions or observations received regarding the compliance with Audit Committee Charter.
- Other reports which shareholders and investors should be informed under scope of duties and responsibilities as granted by the Board of Directors.

8. In the Audit Committee's operations, if the committee finds or is suspicious of these transactions below which may significantly affect financial status and performance of the Company, the committee shall report the matters to the Board of Directors in order to rectify them within periods as deemed appropriate by the Board.

- Conflict of interest transaction.
- Corruption or significant abnormality or fault in the internal control system.
- Violation of Securities and Exchange Act, regulations of the Stock Exchange of Thailand, or relevant laws.

If the Board of Directors or executives do not rectify the aforementioned matters within periods as specified in the first paragraph, any Audit Committee member may report such matters to the Securities and Exchange Commission or the Stock Exchange of Thailand.

9. Summarize Missions of the Audit Committee to the Board of Directors.

The Audit Committee has authority to carry out operations, for example, inviting directors, employees, or workers of the Company to a meeting to discuss and clarify the matters regarding duties and responsibilities of the Audit Committee, requesting advice from experts or the Company's consultants (if any) or hiring outside consultants or experts occasionally as necessary within the Company's budgets, requesting evidence documents regarding the business of the Company for investigation, assigning one or many employees of the Company to perform tasks within the scope of duties of the committee on account of investigation including relevant tasks assigned or requested by the subsidiaries.

The Company hired P&L Corporation Co., Ltd. as an internal auditing company in 2019 which was a third party and did not have any connection with the Company to examine the internal control system of the Company to ensure sufficiency of the system.

(2) Executive Committee As of 31 December 2019, the executive committee consisted of 5 persons as follows.

	Name	Position
1.	Mr. Adisak Ruckariyaphong	Chairman
2.	Mr. Anan Ruckariyapong	Member
3.	Ms. Piyajit Ruckariyapong	Member
4.	Mr. Arnupap Ruckariyapong	Member
5.	Mr. Thanarat Ruckariyapong	Member

Ms. Sutatip Chantharangsee, Assistant Vice President of New Business Partnership, Strategy and Finance Department, is the secretary of the executive committee.

Term of Office of Executive Committee

An executive committee member is appointed by the Board of Directors with consideration of educational backgrounds and work experiences of the candidate. An executive committee member shall vacate the position due to death, resignation, disqualification and possession of prohibited characteristics in accordance with laws or being removed from the office by the resolution of the Board of Directors meeting. Any executive committee member who intends to resign shall submit a resignation letter to the Company and shall be effective upon submission. In case an executive committee position is vacant, the Board of Directors shall select a new qualified person.

Executive Committee Meeting Attendance in Previous Year

Executive committee meetings shall be held or called as deemed appropriate; however, a regular executive committee meeting shall be held at least once a month and called by the Chairman of the executive committee unless unavailable due to necessary reasons. If necessary, 2 or more executive committee members may request the Chairman to hold the meeting.

In 2019, the executive committee held 15 meetings with attendance of its members as follows.

	Name	Position	Attendance / Total (Time)
1.	Mr. Adisak Ruckariyaphong	Chairman	15/15
2.	Mr. Anan Ruckariyapong	Member	15/15
3.	Ms. Piyajit Ruckariyapong	Member	14/15
4.	Mr. Arnupap Ruckariyapong	Member	15/15
5.	Mr. Thanarat Ruckariyapong	Member	13/15

Scope of Authority, Duties, and Responsibilities of Executive Committee

The executive committee has authority, duties, and responsibilities regarding normal cause of business operations as per objectives, regulations, policies, rules, provisions, orders, and resolutions of the Board of Directors meetings and resolutions of Annual General Meetings. The executive committee shall review and establish policies, business plans, budgets, management structure, and management authority of the Company while establishing criteria for business operations in line with economic conditions and propose to the Board of Directors for consideration and approval, as well as monitor and follow-up the Company's performance as specified in the policies. The executive committee has duties and responsibilities as follows.

1. Propose goals, policies, business plans, business strategies, annual budgets, business expansion, financial planning, human resource management policies, consider and review management's proposals to be proposed to the Board of Directors for approval.
2. Manage and follow up business operations in accordance with the established policies, business plans, and goals as well as budgets approved by the Board of Directors.
3. Consider and approve for major expenditures indicated in the annual budget as approved in principles by the Board of Directors.
4. Consider and approve loans and credit requests with the period not exceeding 5 years; each request of credit limit is within 300 million baht and debt to equity ratio shall be maintained at the level approved by the Board of Directors. In case there is request for the Company's assets, except for land and factory, as collaterals, the matter shall be proposed to the Board of Directors for approval.
5. Consider profit and loss of the Company and interim or annual dividend payment to be proposed for the Board of Directors' approval before proposing to the Annual General Meeting.
6. Establish organizational structure, as well as appointment, employment, relocation, termination, consideration of wage/ remuneration/ bonus of executives with the positions equivalent to or higher than the positions of vice president on, except for the positions of Chairman of the executive committee, President, and CEO.
7. Delegate authority to one or many persons to perform any particular action under supervision of the executive committee or delegate authority to such persons within duration as deemed appropriate. The executive committee may cancel, revoke, change, or rectify such authorized persons or the authority as deemed appropriate

The executive committee shall not delegate authority allowing the authorized persons to approve conflict of interest transactions (per definition in Notifications of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies) or transactions that have conflicts of interest with the Company or subsidiaries and/or associated companies. The matters shall be proposed to the Board of Directors meeting and/or the Annual General Meeting for approval unless they are normal transactions with trade terms in line with Notifications of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies.

8. Perform other duties as assigned by the Board of Directors.

3. Management Team As of 31 December 2019, the management team consisted of 8 persons as follows.

Name		Position
1. Mr. Adisak	Ruckariyaphong	Chairman of the Executive Committee
2. Mr. Anan	Ruckariyapong	President
3. Ms. Piyajit	Ruckariyapong	Chief Executive Officer
4. Mr. Arnupap	Ruckariyapong	Chief Operating Officer
5. Mr. Worapong	Kietdumrongwong	Chief Commercial Officer
6. Mr. Anak	Lapsuksatit	Chief Financial Officer
7. Mrs. Yata	Onin	Chief Innovation Officer
8. Ms. Sutatip	Chantharangsee	Company Secretary and Assistant Vice President New Business Partnership, Strategy and Finance Department

Scope of Authority, Duties, and Responsibilities of President

1. Study investment possibilities with value not exceeding 100 million baht.
2. Approve investment in new projects with value not exceeding 10 million baht.
3. Human resources management regarding senior executive positions, including employment, appointment, relocation, evaluation, punishment, and removal which to be jointly signed with the CEO.
4. Consider remuneration and other benefits for senior executives which is to be jointly signed with the CEO.
5. Consider and approve asset write-off with value not exceeding 8 million baht and report those transactions with value exceeding 0.5 million baht to the Board of Directors.
6. Approve payment specified in agreements or contracts (as per approved budgets) with unlimited amount.
7. Approve entertainment expenses and charity donations with value not exceeding 1 million baht.
8. Approve short-term investment (not exceeding 1 year).
9. Approve procurement transactions, agreements, and transactions regarding normal business operations with unlimited amount but within approved annual budget.
10. Perform other duties as assigned by the Board of Directors.

Delegation of authority of the President shall not allow the President or authorized persons to approve conflict of interest transactions (per definition in Notifications of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies) or transactions that have conflicts of interest with the Company or subsidiaries and/or associated companies; the President shall not have the authority to approve such matters as they shall be proposed to the Board of Directors meeting and/or the Annual General Meeting for approval unless they are normal transactions with trade terms in line with Notifications of the Capital Market Supervisory Board and/or the Stock Exchange of Thailand and/or relevant agencies.

Scope of Authority, Duties, and Responsibilities of CEO

1. Oversee the Company's regulations are complied, resolve when in doubt, and request to the Board of Directors for approvals when amendments of the regulations are required.
2. Possess authority to order and establish work procedures and practices as deemed appropriate.
3. Delegate authority to employees with responsibility for such actions.
4. Establish policies, strategies, and goals together with the Board of Directors and implement as planned.
5. Manage business operations in accordance with the vision, mission, policies, and strategies.

6. Ensure each department efficiently and effectively operates in accordance with its strategic plans and goals as well as constantly develop human resources of the Company.
7. Develop the organization for good performance and improvement for sustainable growth.
8. Follow up, verify, control, and report overall performance of the Company to the Board of Directors quarterly.
9. Study new investment opportunities by focusing on both technical and financial analysis for decision-making.
10. Supervise daily operations of the Company.
11. Operate and manage in accordance with policies, plans, and budgets approved by the Board of Directors and/or the executive committee.
12. Establish policies, business plans, business strategies, and annual budgets of the Company to be proposed to the executive committee for approval.

4. Company Secretary

The Board of Directors had a resolution to appoint Ms. Sutatip Chantharangsee as the company secretary on 13 December 2018 in accordance with the Securities and Exchange Act B.E. 2535 (including amendment) to supervise and provide basic instructions to committees and executives regarding regulations and laws, and conduct effective coordination within and outside of the organization.

5. Remuneration of Directors and Executives

(1) Monetary Remuneration

(a) Directors

The 2019 Annual General Meeting on 18 April 2019 had a resolution for remuneration of the Board of Directors and the Audit Committee not exceeding 9,000,000 baht with description as follows.

1.1 Annual Remuneration

- (1) Chairman 168,000 Baht (per Year)
- (2) Director 168,000 Baht (a Person per Year)

1.2 Meeting Attendance Fee

- (1) Chairman 25,000 Baht (per attendance)
- (2) Chairman of the Audit Committee 25,000 Baht (per attendance)
- (3) Director and Audit Committee Member 20,000 Baht (per Person per attendance)

Annual remuneration and meeting attendance fee of the Board of Director in 2019 remained unchanged from the previous year.

1.3 Gratuity

By considering net profits of the Company and at discretion of the Board of Directors, in 2019, the Board of Directors allocated the gratuity for 402,727 baht per person (0.1% of net profits of the consolidated financial statements).

In 2018 and 2019, the Company paid total remuneration for directors as follows.

		2019			2018		
		Director	Audit Committee Member	Gratuity	Director	Audit Committee Member	Gratuity
Name							
1. Mr. Natee Onin		368,000	-	402,727	410,000	-	351,370
2. Mr. Anan Ruckariyapong		328,000	-	402,727	360,000	-	351,370
3. Mr. Adisak Ruckariyaphong		328,000	-	402,727	340,000	-	351,370
4. Ms. Piyajit Ruckariyapong		348,000	-	402,727	320,000	-	351,370
5. Mr. Arnupap Ruckariyapong		348,000	-	402,727	360,000	-	351,370
6. Mrs. Niratchara Siriamphunkul		288,000	-	402,727	340,000	-	351,370
7. Mr. Thana Thienachariya		328,000	-	402,727	280,000	-	351,370
8. Mr. Padungdej Indralak		328,000	125,000	402,727	360,000	100,000	351,370
9. Ms. Kunnigar Triyangkulsri		348,000	100,000	402,727	360,000	80,000	351,370
10. Mr. Surath Pralongsil		348,000	100,000	402,727	360,000	80,000	351,370
Total		3,360,000	325,000	4,027,270	3,490,000	260,000	3,513,700

b. Executives In 2018 and 2019, the Company paid remuneration to executives as follows.

Remuneration	2019		2018	
	Number of Persons	Remuneration (Million Baht)	Number of Persons	Remuneration (Million Baht)
Salaries, bonuses, and other remuneration, including provident funds, post-employment benefits, and short-term benefit estimation.	6	62.22	6	55.71

Directors and executives of the Company which also assume a director position in a subsidiary or indirect subsidiary shall not receive remuneration in the subsidiary or indirect subsidiary.

(2) Other Remuneration

In addition, the Company received an approval from the Annual General Meeting on 26 April 2018 to issue and allocate non-transferable warrant with name entitlement No.2 to executives (including executives who are also directors) and employees ("Warrant" of "SAPPE-WA2") for 4,070,000 units with the offering price of 20.56 baht per unit and the warrant was valid for 4 years starting from the date of the issue. 1 warrant counted for 1 share unless there was adjustment in exercise ratio as per condition of right adjustment. Such Warrant could be exercised at the end date of June and December of each year throughout the Warrant term.

Personnel

a. Number of Personnel As of 31 December 2018 and 2019, the Company and its subsidiaries had 577 and 576 employees respectively (excluding directors and executives as in 1(b)) which can be sorted by work function as follows.

Function	Number of Employee (Person) as of			
	31 December 2019		31 December 2018	
	Full-Time	Temporary	Full-Time	Temporary
Sappe Public Company Limited	503	73	499	78
Research and Development	15	-	15	-
Product Development & Brand Design	20	-	12	-
Marketing – Delivery	15	-	13	-
Domestic Sales	19	-	14	-
International Business	20	-	20	-
Strategy and Finance	34	-	31	-
Corporate Support	44	-	39	8
Transportation and Warehouse	63	-	60	-
Operations	268	73	289	70
Information Technology	5	-	6	-
Subsidiaries	-	-	2	-
Sappe Europe s.r.o.	-	-	2	-
Sappe Holding (Thailand) Company Limited	-	-	-	-
Indirect Subsidiaries				
Sappe Trading (Hong Kong) Company Limited	-	-	-	-
Sappe Hong Kong Company Limited	-	-	-	-
Sappe Trading (Shanghai) Company Limited	-	-	-	-
All Coco Group Company Limited	130	11	Becoming a subsidiary in 2019	
All Coco Company Limited	-	-	Becoming a subsidiary in 2019	
K Best Farm Company Limited	39	-	Becoming a subsidiary in 2019	

Personnel sorted by location (including directors and executives as in b.) were as follows.

Location	Number of Employee Sorted by Gender			
	31 December 2019		31 December 2018	
	No. of persons	(%)	No. of persons	(%)
Office	152	26%	148	25%
Factory	430	74%	435	75%
Total	582	100%	583	100%

Personnel sorted by gender, age, and level of position were as follows.

Gender	Number of Employee Sorted by Gender			
	31 December 2019		31 December 2018	
	No. of persons	(%)	No. of persons	(%)
Male	257	44%	263	45%
Female	325	56%	320	55%
Total	582	100%	583	100%

Age	Number of Employee Sorted by Gender			
	31 December 2019		31 December 2018	
	No. of persons	(%)	No. of persons	(%)
Lower than 30 years	232	40%	198	34%
30-50 years	330	57%	360	62%
Higher than 50 years	20	3%	25	4%
Total	582	100%	583	100%

Level of position	Number of Employee Sorted by Gender			
	31 December 2019		31 December 2018	
	No. of persons	(%)	No. of persons	(%)
Officer	471	81%	463	79%
Division manager	96	16%	94	16%
Assistant Vice President	9	2%	11	2%
Vice President and higher	6	1%	15	3%
Total	582	100	583	100%

b. Remuneration of Employees

In 2018 and 2019, the Company paid remuneration to employees for a total of 344.15 million baht and 368.51 million baht respectively which included remunerations in the form of salaries, overtime payment, social security benefit, provident fund, and others.

c. Provident Fund

The Company established provident fund on 1 January 2010 under management of UOB Asset Management (Thailand) Co., Ltd. in order to motivate and retain employees in the long term. The Company has been contributing to the provident funds since January 2010.

The Company encourages employees to save money and aims to create security for the employees and their families when they retire, pass away, or resign from the Company. In 2017, the Company reviewed and increased employer's contribution regarding the employees' years of service, comparing to companies in the same or similar industry.

d. Other Remuneration

On 26 April 2018, the Company received an approval from the Annual General Meeting to issue and allocate non-transferable warrant with name entitlement No.2 to its executives (including executives who are also directors) and employees ("Warrant" of "SAPPE-WA2") for 4,070,000 units with the offering price of 20.56 baht per unit and the warrant was valid for 4 years starting from the date of the issue. 1 warrant is counted for 1 share unless there was adjustment in exercise ratio as per condition of right adjustment. Such Warrant could be exercised at the end date of June and December of each year throughout the Warrant term.

Personnel Development Policy

The Company focuses on continuous development of employees to increase efficiency by equipping them with knowledges and abilities to cope with rapid changes and challenges in order to gain a competitive edge through the mission of the Company – "We better people's lives through our innovative spirit". As such, the Company places an emphasis on good quality of life of all employees as well as encourages them to contribute creativities and innovations to the organization. As all employees are the key to business growth and success, the Company focuses on building leaders to be the main force for driving new innovations and developing organizational culture of innovation. The Company has adjusted learning

process by applying Learning Performance model and focusing on individual expertise, leading to creations of innovation, aligning with the Company's objective; This principle shall be improved regularly. The Company believes that growing through innovation and happiness will eventually help its organization, employees, customers, business partners, shareholders, communities and society growing sustainably.

The Company establishes to continuously develop potential of executives and employees with an attempt to grow employees with innovation so they can enjoy working by focusing on career development with a set of activities and procedures throughout their career paths. According to the 70:20:10 rule (Berkelley,2017), there are 2 types of skill improvement, education & training and experience development with description as follows.

- 70%: From activities and workplace learning, for example, project management, cross-functional learning, job rotation, etc.
- 20%: From interaction with others including mentoring, coaching, engagement, and leadership.
- 10%: From training including training in classrooms, seminars, conferences, etc.

The Company focuses on designing faster learning processes leading to faster and better changes to help employees on problem-solving, decision-making, and leadership management, especially specific development programs for each department and individual through a new evaluation system and work development plans (WDPs), enabling employees to conduct self-assessments and to inform supervisors their desired developments in order to jointly create development plans. This also builds engagement within the organization and continuously improves employees in all level through competency-based methods in line with the Company's goal, creating the best benefits to be applied to work efficiently. With dedication to build innovation mindset to all employees, creative and fun content or activities are included in all training courses; it builds employees satisfaction and encourages them to participate in training programs and activities of the Company, leading to the creations of innovations in products, work processes, and new technologies. The Company focuses on building practical knowledges in the form of action learning and promoting good moral, ethics, governance in work operations as well as increasing employees' intellectual value to become innovators in the future.

In 2019, the Company held training programs for employees as follows.

1. Business Acumen Development, including the “To Know More CVS” course – from classroom learning to actual application, by assigning the project to employees in the talent group.

2. Communication Development, including the “Visual communication” course, “business English - listening and speaking” course, and “general English communication” course.

3. Leadership Development, including “Coaching skill” course, “Diversity management” course, “Train-the-Trainer” course, “WDP master” course.

4. Talent Development is a program for high-performance employees, who have a role in management and possess potential to advance their career, under the purpose to leverage competency and increase potential. The program has development processes as well as screening as per the established process and program designing which prioritizes action-based learning through project management along with training, self-improvement, efficient communication, awareness of the Company’s goal, personnel development, and society contribution for sustainability. Evaluation is designed to be 360 degree comprehensive and direct evaluation from participants.

Apart from the training courses, the Company held many projects for employees to participate to practice their learning skill through various activities, for example:

1. Creative Innovation Project, to leverage competency and creativity and facilitate cross-interactions among colleagues in other departments to propose new innovations through knowledges, concepts, personnel coaching, advices and contests holding provided by the Company.

2. Design Thinking Program: As critical factors to build competitive advantage of the organization are better customers accessibility and understanding as well as quality products which meet customers’ needs and increase total organizational productivity, all employees are encouraged to express opinions and exploit their potential as a driving force for improvement, leading to the creations of new working procedures with higher efficiency. In addition, the Company has provided training program on customers communication along with activities to share information obtained from the customers, and new product communication strategies.

3. Supervisor-leveled Employee Potential Development Program: a 6-month program focusing on creation of learning experiences to enhance the supervisors’ potential in terms of leadership, communication, and subordinate understanding.

4. World Class Quality & Service Mind Program: Aromatic Coconut Experimental Learning Program is practice-based learning in processes of upstream-to-downstream operations with the purpose to make the attendees understand working processes and adapt this knowledge to all operations (production, service, and process). This also results in a better understanding of operations and improved competencies of both operational and supporting teams leading to excellent services and happiness provided to customers and communities.

Moreover, the Company has continuously provided employees in all levels with specialized training courses relating to production, quality, marketing, and health and environmental safety. The Company also educates and cultivates corporate culture of ethics and transparency. Orientation sessions are conducted with newcomers by giving information about compliances, regulations, value, and corporate governance policies, including anti-corruption policy, in order to make the employees understand, aware of, and abide by principles, values, and regulations of the organization.

In order to drive both Company and its subsidiaries towards the same organizational goals, the Company has also provided trainings and knowledges for employees in its subsidiaries. Collaboration activities have also been conducted with the purpose to learn about each other to establish strong cooperation for mutual growth.

As the Board of Directors is aware of long-term effectiveness of business management and business continuity which leads to sustainable growth, the following succession plan is made to ensure that the Company’s management team is well-equipped with knowledges and expertise to operate the business:

1. Board of Directors determines sustainable management development plan, which shall support future sustainable growth, and succession plan for important positions.
2. The management defines qualification on knowledge, competency, and experience of each position for selection of qualified candidates.
3. The management evaluates performance and capability of its subordinates in order to establish development plan being implemented for reducing competency gaps.
4. The management assigns Human Resource Department to develop the selected candidates’ capabilities through suitable activities and submit monthly monitoring report to the management.
5. The management annually reports the performance of such development to the Board of Directors.

Welfare Policy

It is the Company's policy to keep the employees healthy and happy with their jobs. The Company believes that if the employees are well-treated with appropriate welfare, job security and good quality of life provided, they will be happy, leading to effectiveness and efficiency of work. The Company's welfare and benefits are compared among companies in the same or similar industry or provided as prescribed by laws. The Company has continuously implemented its welfare policy from the past years as follows:

1. Friendly workplace environment is well maintained for happy working, promoting creativity and inspiration
2. Welfares such as hygienic canteen, clean toilets, clean first aid room, and shuttle bus services are provided, in compliance with law, to employees at the factory
3. Employees' compensations and benefits are appropriately, fairly, and thoroughly determined by considering inflation rate and comparative information of companies in the same industry. The wages are complied with an announcement of minimum wage rate under labor law.
4. Up-to-date information system is well designed to allow employees to constantly receive information via digital system.
5. Office supplies, working equipment and up-to-date information system are provided to increase efficiency.
6. Canteen at Khlong 13 factory has been renovated with glass partition wall installation, making the canteen more organized and hygienic.
7. Table tennis play area is provided at both the office and Khlong 13 factory to promote exercise routine and employees' interaction.
8. Walkway construction at Khlong 13 factory was complete as a sunshade and a rain protection as well as a traffic control in the factory
9. Change of payroll bank account for employees' lower bank charges
10. Installation of ATM machine at the Khlong 13 factory for employees' convenient financial transactions.
11. Installation of Human resource information system (HRIS) for attendance tracking, online leave request, personal information access, e-pay slip request, and online training history as well as for lower paper usage.
12. Massage by professional therapist is provided to prevent office syndrome and reduce stress at work, increasing employees' performances

13. High speed wi-fi facility provided for work efficiency and convenience.

The Company also has created various programs prescribed by law such as establishment of Sports & Recreations club by Welfare Committee, formation of Employee Committee as employee representative to help constantly assess employees' needs and suggestions relating to welfare provision and workplace environment and present to management meetings for discussion.

Moreover, the Company has provided welfare housing loan program in collaboration with the Government Housing Bank (GH Bank) to give special interest rate, discount for floating rate loan, and maximum loan limit at 100% of appraisal value. This welfare allows the employees to afford their own houses.

Health and Environmental Safety Policy

To promote happy and safe workplace environment for the employees, the Company has adhered to the Health and Environmental Safety Policy, continuously implemented from the past years as follows:

1. Safety in workplace is everyone's responsibility.
2. Improve working environment for employees' safety.
3. Reinforce activities regarding the safety of working environment
4. Provide safety trainings to all levels of employees to build safety awareness towards themselves, colleagues, and the Company's properties.
5. Specify safety rules and regulations. Supervisors act as role models to comply with such rules and regulations.
6. Encourage the collaboration of all levels of employees to follow the Health and Environmental Safety Policy

Human Resources Policy

To achieve the Company's goal, Sappe Public Company Limited has established the policy of high-skilled employee retention and encouraged all employees to utilize their skills to reach full potentials with good ethics and code of conduct to maintain one another harmony and positive relationships as follows:

1. Candidates selection for each position shall have qualifications that meet requirements. The selections or job rotations shall be fairly executed without prejudice
2. The Company shall treat the employees fairly
3. The Company shall constantly provide the employees supports and developments

4. The employee compensation shall be fairly and appropriately determined according to circumstances, job natures, organizational performance, and affordability of the Company.
5. The Company shall support the employees to constantly receive relevant information.
6. The Company shall create corporate culture by encouraging the employees to act in accordance with the corporate core values leading to employees' behavior change, and consequently driving the organization to achieve strategic goals.

Employees

To take care of employees, our valued human resources, the Company has established a policy stipulating that all employees will be treated fairly regarding opportunities, benefits, potential developments, health and environmental safety and provident funds to ensure their quality of lives. The employees' compensations and benefits will be considered from the individual abilities and performance, Company's performance and the competitiveness in the same industry. For the employees' skill and knowledge developments, they will be provided through various internal and external training courses. The safety and hygiene of workplace at the office and the factory are provided in line with the health and environmental safety policy. Statistics of occupational accident rate, injury rate and leave rate are collected for analysis to improve employee safety standard.

In addition, the human rights have also been taken into consideration. the Company holds no discrimination and provides same hiring opportunities to all employees regardless of their races, skin colors, genders, religions and political opinions. The Company treats all employees fairly with suitable remunerations and inspires employees to participate in communities and societies development programs through a range of activities.

Administrative Policy

The Company focuses on pleasant and creative working environment in the organization, good spirit and morale, health and environmental safety as these lead to effective working performance, bringing future success to the organization.

The Company has continuously implemented its administrative policy from the past years as follows:

1. The workplace is designed with consideration of numerous factors relating to employees' personalities and diverse working styles.
2. Cleanliness and tidiness within the office are always maintained
3. A hygienic canteen, a clean first-aid room and shuttle bus service are provided as stated in the law (for employees at the factory).

4. Office supplies, photocopy machines and internet access are well managed and controlled for the most effective usage.

5. Positive and lawful relationships are built with external parties, customers and government agencies

Internal Data Confidentiality Policy

Internal data protection is very significant to the Company's success and to all employees' career security. To ensure that information disclosure to the public does not tarnish the operation and the Company's image, the Code of Conduct for confidentiality and internal data usage has been formulated as follows:

1. The Company's directors, executives, employees and temporary workers should adhere to the Company's confidentiality and/or internal significant information which has not been disclosed to the public for their own interests.
2. The Company has informed the executives of the roles and responsibilities over shareholding, whether by one's self, spouses and minor children and of reporting changes in the number of shares under possession to the Office of the Securities and Exchange Commission pursuant to Section 59 and the Punishment Chapter in Section 275 of the Securities and Exchange Act B.E. 2535.
3. The Company's directors, executives, employees and temporary workers should not disclose confidential information and/or internal information or seek interests for one own or others' interests, whether or not directly, and whether or not paid.
4. The Company's directors, executives, employees and temporary workers should not buy, sell, transfer or accept a transfer of the Company's securities using its confidentiality and/or internal information or enter into any transactions by using those confidentiality and/or internal information, which may affect the Company, whether or not directly. This regulation should also include the spouses and minor children of the directors, executives, employees and temporary workers. Those who violate the regulations will be considered as a serious offence.
5. The Company has determined the guideline for maintaining and preventing the illegal insider trading, by banning directors, executives, employees with the roles of at least department director and parties related to insider information from buying or selling the Company's securities one month before the disclosure of quarterly financial statement and annual financial statement; as well as 24 hours after the significant information is disclosed.
6. The Company's directors, executives, employees with the roles of at least department director, should report all securities trading to the Company.

7. The Company's employees across levels who receive personal information should carefully keep or use such information.

8. The Company stipulates that the information related to the parties and the conditions agreed with the parties are confidential information that should not be disclosed to others, unless it has been approved by the Company and the parties.

9. The Company has determined the measures and systems to strictly control and oversee information of each department or division to prevent internal serious information from being released to the public before an official publication. It is deemed that such measures and systems are also parts of the Company's major risk control measures.

10. The Company has tasked the supervisors in all levels with the duties and responsibilities of preventing one's own subordinates from committing a leak of serious information and news to the public before the Company's official disclosure is made.

11. The employees' internal information usage should be consistent to the related employees' boundaries of duties and responsibilities as assigned.

12. The Company's employees across levels must not disclose confidential information even when they are no longer employed or service is terminated.

The Company has formulated penalties with regards to an abuse of the Company's internal information for one's own benefits by publishing in regulations. A penalty ranges from a verbal warning to a dismissal.

The determination to endlessly develop the workforce through concrete processes is a testimony of the success based on the indicators in the employee engagement survey. In 2019, the Company was marked with 4.13 (out of 5), which was a high level. This is, therefore, deemed as one of the Company's prides regarding human resource development. The achievement also serves as the guideline of further development towards the goal of sustainable organization.

Mr. Natee Onin (Age 47)

Position: Chairman of the Board of Directors

Type of Director: Non-executive Director

Period of directorship at SAPPE: 6 years 4 months (start date was 2 September 2013)

Nationality: Thai

Education:

- M.Sc. International Business, London South Bank University, UK.
- Bachelor of Business Administration, Assumption University

Thai Institute of Director (IOD)'s Trainings and Seminars:

- Director Certification Program (DCP), Class 269/2019 (2019)
- Board Matters and Trends (BMT), Class 4/2017 (2017)
- Chairman Forum 1/2014, topic "Clean Business: What is the Chairman Role?"
- Director Accreditation Program (DAP), Class 106/2013 (2013)
- Role of the Chairman Program (RCP), Class 32/2013 (2013)

Shareholding Percent in the Company (%) (as of 31 December 2019): No (Mrs. Yata Onin (spouse) holds 0.03% of shares)

Family Relationship of Management: None

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand:** None

- **Non-listed companies in the Stock Exchange of Thailand:**

Sep 2016 - Present	Director, Kampangsaan Company Limited / Apartment rental service for residential purpose
Sep 2016 - Present	Director, June 59 Company Limited / Apartment rental service for residential purpose
Sep 2016 - Present	Director, July 59 Company Limited / Apartment rental service for residential purpose
Sep 2016 - Present	Director, December 59 Company Limited / Apartment rental service for residential purpose
Oct 2016 - Present	Director, Oninloft Company Limited
Aug 2013 - Present	Director, 3T Engineering Company Limited / Production and distribution of conveyor belts in industrial factories
Jul 2013 - Present	Director, Leisure House Company Limited / Construction business
Jan 2011 - Present	General Manager, Toyox Trading (Thailand) Company Limited / Industrial pipe distribution
May 2009 - Present	Director, Onin Property Company Limited / Real Estate Agent



Mr. Adisak Ruckariyaphong (Age 46)

Position : Vice-Chairman and Chairman of Executive Committee

Type of director : Executive Director

Period of directorship at SAPPE: 6 years 4 months (since 2 September 2013)

Nationality : Thai

Education

- Master's degree of Business Management, Nagoya University, Japan
- Bachelor's degree of Business Administration, Assumption University

Training

- Chief People Officer Program (CPO) class of 5 (2015)
- Capital Market Academy Program (CMA) class of 21 (2014)
- Director Accreditation Program (DAP) 103/2013 (2013)
- Academy of Business Creativity (ABC) class of 1 (2013)
- Academy of Business Creativity, Sripatum University

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): 17.16

Family Relationship of Management: Son of Mr. Anan Ruckariyapong and sibling of Ms. Piyajit Ruckariyapong and Mr. Arnupap Ruckariyapong

Past 5 Year Experiences:

• Listed companies in the Stock Exchange of Thailand:

Oct 2018 - Present	Independent director and Audit Committee member, Index Living Mall Public Company Limited / Distributor of furniture, household goods, accessories and appliances
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• Non-listed companies in the Stock Exchange of Thailand:

Oct 2018 - Present	Director, Index International Group Company Limited / Architecture and related consultant business
Feb 2018 - Present	Director, Meatster Company Limited / Retail and wholesale of meat product
Nov 2017 - Present	Director, Coco Art Company Limited / Manufacturer and Distributor of coconut and other agricultural products
Oct 2017 - Present	Director, Toyox Asia (Thailand) Company Limited / Manufacturer of industrial hoses
Oct 2016 - Present	Director, All Coco Group Company Limited / Manufacturer and distributor of coconut products (subsidiary)
Sep 2016 - Present	Director, Hose Center Company Limited / Manufacturer and distributor of industrial hoses
Dec 2015 - Present	Director, Sappe Hong Kong Company Limited / Management service for associated companies (subsidiary)
Jun 2015 - Present	Director, Sappe Trading (Hong Kong) Company Limited / Distribution of healthy beverages (subsidiary)
May 2015 - Present	Director, Sappe Holding (Thailand) Company Limited / Management service for associated companies (subsidiary)
Sep 2011 - Present	Director, Mitan Interior Design Service Company Limited / Wholesale of household electronic appliances
Sep 2010 - Present	Director, Hayashi Products Company Limited / Distributor of condoms
Jul 2008 - Present	Director, Sappe Corporation Company Limited / Distributor of non-alcoholic beverages
2007 - Present	Managing Director, Toyox Trading (Thailand) Company Limited / Distributor of industrial pipes
Aug 2013 - May 2016	Director, 3T Engineering Company Limited / Manufacturer and distributor of conveyor belts in industrial factories



Mr. Anan Ruckariyapong (Age 76)

Position : Director and President

Type of director : Executive Director

Period of directorship at SAPPE: 6 years 4 months (since 2 September 2013)

Nationality : Thai

Training Courses by the Thai Institute of Directors Association (IOD):

- Director Accreditation Program (DAP) 103/2013

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): 1.63

Family Relationship of Management:

Father of Mr. Adisak Ruckariyaphong, Ms. Piyajit Ruckariyapong and Mr. Arnupap Ruckariyapong

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand:** None
- **Non-listed companies in the Stock Exchange of Thailand:**
2008 - Present Director, Sappe Corporation Company Limited / Distributor of non-alcoholic beverages



Ms. Piyajit Ruckariyapong (Age 44)

Position : Director and Chief Executive Officer

Type of director : Executive Director

Period of directorship at SAPPE: 6 years 4 months (since 2 September 2013)

Nationality: Thai

Education:

- Bachelor's Degree (with honors), Liberal Arts from University of Sheffield, UK

Training Courses by the Thai Institute of Directors Association (IOD):

- Director Accreditation Program (DAP) 103/2013

Others Training Courses:

- Senior Executive Program, Capital Market Academy Program (CMA) class of 26
- Academy of Business Creativity (ABC) 5/2016 by Academy of Business Creativity, Sripatum University

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): 17.83

Family Relationship of Management: Daughter of Mr. Anan Ruckariyapong and sibling of Mr. Adisak Ruckariyaphong and Mr. Arnupap Ruckariyapong

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand:** None

- **Non-listed companies in the Stock Exchange of Thailand:**

Nov 2016 - Present	Director, Sappe Trading (Shanghai) Company Limited / Distributing health drinking products
Oct 2016 - Present	Director, All Coco Group Company Limited / Producing and distributing coconut products
Dec 2015 - Present	Director, Sappe Hong Kong Company Limited / Management service for associated companies (subsidiary)
Jun 2015 - Present	Director, Sappe Trading (Hong Kong) Company Limited / Distribution of healthy beverages (subsidiary)
May 2015 - Present	Director, Sappe Holding (Thailand) Company Limited / Management service for associated companies (subsidiary)
Jul 2008 - Present	Director, Sappe Corporation Company Limited / Distributor of non-alcoholic beverages
2013 - Dec 2016	Director, PT. Sappe Indonesia / Distributing health drinking products



Mr. Arnupap Ruckariyapong (Age 41)

Position : Director and Chief Operating Officer

Type of director : Executive Director

Period of directorship at SAPPE: 6 years 4 months (since 2 September 2013)

Nationality : Thai

Education:

- Bachelor's Degree, Engineer Major Computer Science,

University of California, USA

Training Courses by the Thai Institute of Directors Association (IOD):

- Director Accreditation Program (DAP) 103/2013

Others Training Courses:

- Academy of Business Creativity (ABC) 3/2015 by Academy of Business Creativity, Sripatum University

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): 15.35

Family Relationship of Management: Son of Mr. Anan Ruckariyapong and sibling of Mr. Adisak Ruckariyaphong and Ms. Piyajit Ruckariyapong

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand:** None

- **Non-listed companies in the Stock Exchange of Thailand:**

Sep 2016 - Present Director, On Fifth Company Limited / Restaurant

Mar 2016 - Present Director, 3T Engineering Company Limited/ Manufacturer and distributor of conveyor belts for industrial factories

Dec 2015 - Present Director, Sappe Hong Kong Company Limited / Management service for associated companies (subsidiary)

Jun 2015 - Present Director, Sappe Trading (Hong Kong) Company Limited / Distribution of healthy beverages (subsidiary)

May 2015 - Present Director, Sappe Holding (Thailand) Company Limited / Management service for associated companies (subsidiary)

2010 - Present Director, Hayachi Products Company Limited / Distributor of condoms

Jul 2008 - Present Director, Sappe Corporation Company Limited / Distributor of non-alcoholic beverages



Mrs. Niratchara Siriamphunkul (Age 57)

Position: Director

Type of Director: Independent Director

Period of directorship at SAPPE: 6 years 4 months (start date was 2 September 2013)

Nationality: Thai

Education:

- Bachelor of Economics, Chiang Mai University

Thai Institute of Director (IOD)'s Trainings and Seminars:

- Director Certification Program (DCP), Class 180/2013 (2013)

Other Trainings and Seminars:

- Capital Market Academy's Top Management, Class 5 (2008) by Capital Market Academy

Shareholding Percent in the Company (%) (As of 31 December 2019): None

Family Relationship of Management: None

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand:** None
- **Non-listed companies in the Stock Exchange of Thailand:**

2007 - Present Chairman, Thung Sod Company Limited / Packaging product business



Mr. Thana Thienachariya (Age 50)

Position : Director

Type of director : Independent Director

Period of directorship at SAPPE : 6 years 4 months (since 2 September 2013)

Nationality : Thai

Education:

- Master's degree of Business Administration, Washington State University, USA.
- Bachelor's degree of Economic (2nd class honors), Chulalongkorn University

Training Courses by the Thai Institute of Directors Association (IOD):

- Director Certification Program (DCP) 181/2013

Others Training Courses:

- TLCA Executive Development Program (EPD) class of 8/2011 by Thai Listed Companies Association
- A new leader in democracy Program class of 1/2011, King Prajadhipok's institute
- Senior Executive Program, Capital Market Academy Program (CMA) class of 8

Percentage of SAPPE Shareholding (%) (As of 31 December 2019): None

Family Relationship of Management: None

Past 5 Year Experiences:

• **Listed companies in the Stock Exchange of Thailand:**

2015 - Present	Senior Executive Vice President, Chief Marketing Officer and Head of External Communication & CSR (Acting), Siam Commercial Bank Public Company Limited / Commercial Bank
2015 - Present	Director, Aksorn Education Public Company Limited
2015 - Jul 2016	Independent Director and Audit Committee, Singha Estate Public Company Limited / Real Estate

• **Non-listed companies in the Stock Exchange of Thailand:**

2013 - Present	Director, Southpaw Business Company Limited
2013 - Present	Director - Academy of Business Creativity, Sripatum University
Aug 2013 - 2016	Director, SF Corporation Company Limited



Mr. Padungdej Indralak (Age 65)

Position : Director and Chairman of Audit Committee

Type of Director : Independent Director

Period of directorship at SAPPE : 2 years 5 months (since 26 July 2017)

Nationality: Thai

Education:

- Postgraduate Diploma (Development Economics), North London Polytechnic, UK
- B.A. (Economics), Chulalongkorn University

Training Courses by the Thai Institute of Directors Association (IOD):

- Director Accreditation Program Class 103/2013

Others Training Courses:

- SCG Management Development Program (Wharton Business School)
- National Defense College (NDC 2548)
- Corporate Finance Certificate, INSEAD, France.
- Senior Executive Program, Capital Market Academy Program (CMA) class of 18

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): None

Family Relationship of Management : None

Past 5 Year Experiences:

• **Listed companies in the Stock Exchange of Thailand:**

- 2018 - Present Independent Director, Audit Committee and Director of Enterprise Risk Management Committee, Thai Group Holding Public Company Limited
- 2013 - 2015 Independent Director, Audit Committee and Director of Enterprise Risk Management committee, Nok Airlines Public Company Limited

• **Non-listed companies in the Stock Exchange of Thailand:**

- 2014 - Present Director and Audit Committee, Southeast Insurance Public Company Limited / Insurance
- 2018 - Present Director of Enterprise Risk Management Committee, Southeast Insurance Public Company Limited / Insurance
- 2014 - Present Director and Audit Committee, Southeast Life Insurance Public Company Limited / Insurance
- 2018 - Present Director of Enterprise Risk Management Committee, Southeast Life Insurance Public Company Limited / Insurance
- 2014 - Present Director and Audit Committee, Southeast Capital Company Limited / Leasing
- 2018 - Present Director of Enterprise Risk Management Committee, Southeast Capital Company Limited / Leasing
- 2014 - Present Independent Director and Chairman of Audit Committee, ANZ Bank (Thai) Public Company Limited / Financial Institution
- 2014 - 2015 Director, Nok Mangkang Company Limited / Airlines Business
- 2014 - 2015 Independent Director, Audit Committee and Director of Enterprise Risk Management Committee, Wuttisak Clinic International Group Company Limited / Beauty Business



Ms. Kunnigar Triyangkulsri (Age 53)

Position : Director and Audit Committee

Type of Director : Independent Director

Period of directorship at SAPPE: 6 year 4 months (since 2 September 2013)

Nationality: Thai

Education:

- Master of International Finance, American Graduate School of International Management, USA
- Bachelor of Business Administration, Major Finance, Thammasat University

Training Courses by the Thai Institute of Directors Association (IOD):

- Role and the Nomination and Governance Committee RNG 7/2015
- Audit Committee Program 45/2013
- Director Certification Program (DCP) 133/2010

Percentage of SAPPE Shareholding (%) (as of 31 December 2019): 0.02

Family Relationship of Management: None

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand :** None

- **Non-listed companies in the Stock Exchange of Thailand :**

Feb 2019 - Present Advisor of Supervision and Examination Division, Anti-Money Laundering Office / Government Agency

Oct 2018 - Present Sub-Committee of Supervision and Examination, Anti-Money Laundering Office / Government Agency

Aug 2017 - Present Director, AHG Partner Company Limited / Health & Care Business

Year 2012 - Present Director, Arun Health Garden Company Limited / Health Clinic

Year 2005 - Present Director, Arunotel Company Limited / Hotel and restaurant

Dec 2013 - Dec 2016 Independent Director and Member of Nominating and Remuneration Committee, The Thai Credit Retail Bank Public Company Limited / Commercial Bank



Mr. Surath Pralongsilp (Age 49)

Position : Director and Audit Committee

Type of director : Independent Director

Period of directorship at SAPPE: 6 years 4 months (since 2 September 2013)

Nationality: Thai

Education:

- Master's degree, M.A in Finance and Investment, University of Exeter
 - Master's degree of Business Administration, Thammasat University
 - Bachelor's degree of Engineering Program in Industrial Engineering, Chulalongkorn University
- Training Courses by the Thai Institute of Directors Association (IOD):
- Director Certification Program (DCP) 259/2018 (2018)
 - Advance Audit Committee Program (AACP) 14/2014 (2014)
 - Director Accreditation Program (DAP) 106/2013 (2013)

Others Training Courses:

- Strategic Chief Financial Officer 9/2019 by The Securities Exchange of Thailand
- Executive Development Program 4/2009 by Thai Listed Companies Association

Percentage of SAPPE Shareholding (%) (As of 31 December 2019): None

Family Relationship of Management: None

Past 5 Year Experiences:

• Listed companies in the Stock Exchange of Thailand :

March 2019 - Present Director and Executive Vice President (Finance), Kulthorn Kirby Public Company Limited
Sep 2015 - Jun 2017 Director and CEO, Bangpakong Terminal Public Company Limited / Port facilities Service
Aug 2014 - Aug 2015 Director and Audit Committee, Bangpakong Terminal Public Company Limited / Port facilities Service

• Non-listed companies in the Stock Exchange of Thailand :

April 2019 - Present Director, Kulthorn Premier Company Limited.
April 2019 - Present Director, Kulthorn Kirby Foundry Company Limited.
April 2019 - Present Director, Kulthorn Materials and Controls Company Limited.
April 2019 - Present Director, Kulthorn Steel Company Limited.
April 2019 - Present Director, Kulthorn Metal Products Company Limited.
April 2019 - Present Director, Kulthorn Research and Development Company Limited.
Jan 2015 - Aug 2015 Senior Vice President of Marketing and Supply Chain, ItalThai Industrial Company Limited
Jan 2013 - Dec 2014 Director of Supply Chain Management, ItalThai Industrial Company Limited



Company Secretary

Ms. Sutatip Chantharangsee (41 Years)

Position : Company Secretary and Board of Directors Secretary Audit Committee Secretary,
Executive Committee Secretary and Assistant Vice President– New Business
Partnership, Strategy and Finance Department

Education:

- Master's degree of Business Administration, Sasin School of Management
- Bachelor's degree, Faculty of Commerce and Accountancy,
Banking and Finance (Second-class Honor) Thammasat University

Thai Institute Of Director (IOD)'s Trainings and Seminars :

- Company Secretary Program, 2019

Percentage of SAPPE Shareholding (%) (As of 31 December 2019): 0.002

Family Relationship of Management: None

Past 5 Year Experiences:

- **Listed companies in the Stock Exchange of Thailand :**

2014 - 2017 Finance Department Manager, Chememan Public Company Limited

2007 - 2010 Assistant Vice President - Multi Corporate Business Department, Kasikornbank Public Company Limited

- **Non-listed companies in the Stock Exchange of Thailand :**

2011 - 2014 Treasurer & Corporate Planning Team Lead, CUEL Company Limited



Qualifications of Independent Director

The Company has defined the composition of the Board of Directors to include independent directors at least one-third of the total number of directors.

The Board of Directors or the shareholders' meeting (as the case may be) shall appoint independent directors to join the Board of Directors. The Company has policy to appoint independent directors at least one-third of the total number of directors, or at least three independent directors.

The criteria for selecting and nominating independent directors are based on those for the nomination of directors. An independent director shall have the required qualifications and no prohibited characteristics, pursuant to the Public Limited Companies Act, and the Securities and Exchange Act, as well as other relevant notifications, stipulations and/or regulations. The independent director shall have capabilities, specialized expertise, work experience and other required qualifications. Nominations of qualified candidates shall be submitted to the shareholders' meeting for election and appointment as directors. In case of any independent director vacating office before retiring by rotation, the Board of Directors may appoint a new independent director with the required qualifications as a replacement. The replacing independent director shall hold office only for the remaining term of office of the independent director whom he has replaced.

Qualifications of an independent director shall be as follows:

1. Holding not more than 1% of the total shares with voting rights of the Company, or its principal company, subsidiary company, associated company, major shareholder, or controlling person of the Company, which shall be inclusive of the shares held by any related person thereof;
2. Neither being nor having been an executive director, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Company, or its subsidiary company, associated company, subsidiary company at the same level, major shareholder or controlling person of the Company unless the foregoing status has ended for no less than 2 years before the independent director assumes the post of Audit Committee member;
3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of a child, of an executive, major shareholder, controlling person or person to be nominated as an executive or a controlling person of the Company or its subsidiary company;
4. Neither holding nor having held a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person in a manner which may interfere with his/her independent judgment; and neither being nor having been a substantial shareholder or a controlling person of any person having a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;
5. Neither being nor having been an auditor of the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of an audit firm which employs auditors of the Company, principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;
6. Neither being nor having been any professional service provider including legal advisor or financial advisor who receives an annual service fee exceeding Baht 2 million from the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of the professional service provider, unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as Audit Committee member;
7. Not being a director who has been appointed as a representative of a director of the Company, major shareholder, or shareholder related to the major shareholder of the Company;
8. Not undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, is competitive with the business of the Company or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an adviser who receives a regular salary, or a shareholder holding more than 1% of the total shares with voting rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary company;
9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.

The Company realizes the significance of effective, transparent, accountable management system which shall build the confidence to all stakeholders and will bring the sustainable growth of the business by operating the business with ethics and complies with relevant law. Therefore, the Company has established its Corporate Governance Policies so as to improve its existing operation to be the apparent system and diverse the practice to all employees of the Company which shall truly enhance the building of Corporate Governance culture. In order to do so, the Company adopted a guideline from **Corporate Governance Code For a Listed Company 2017 (Corporate Governance Code: CG Code) which the Board of the Company acknowledge a guideline of CG code and aware of the role of the leader (Governing Body) in building the value for the business in sustainable manner and also evaluate the compliance of CG Code in general by considering to the evaluation result prepared and briefed by the Management. Whereas in Year 2019, the Company still determine in compliance with CG Code as much as practicable**; the entire guideline in evaluation is composed of 5 sections as follows:

Section 1 The Rights of Shareholders

The Company is aware of and realizes the significance of the basic rights of shareholders, both as an investor and corporate owner e.g. right to buy, sell and transfer their securities freely; right to receive dividend; right to receive sufficient information; right to attend a Shareholders' Meeting; right to express an opinion; right to join in deciding on an important matter of the Company e.g. an allocation of dividend, a selection and a dismissal of a director, an appointment of auditor and an approval of important business transactions that will impact on the Company's business direction, an amendment of the Articles of Association or the Company's regulations etc..

Besides the abovementioned basic rights, the Company also encourages and facilitates shareholders to use their rights as follows:

1. The Company shall send a notice of Shareholders' Meeting together with sufficient information on each of the agenda in order that the shareholders will have the opportunity to be acknowledged in advance according to relevant law. The Company shall prepare such notice explicitly stating the venue, date and time, agenda, subject that will be proposed to the meeting. Each agenda shall be provided together with the Board of Directors' opinion and the publication of such notice shall be not less than 3 days prior to the date of meeting and shall be publicized for 3 days consecutive. The Company also publicizes such notice in the Company's website so that the shareholders shall be able to study the information prior to the meeting.

2. The Company encourages all shareholders including institutional shareholders, the Board of Directors, management and relevant government agencies as well as an auditor to attend the Shareholders' Meeting.

3. In case that a shareholder cannot attend the meeting by him/herself, the Company allows such shareholder to appoint an independent director or any person as a proxy to attend the meeting by using a proxy form, enclosed in the notice, which enables him/her to indicate the direction of the votes.

4. The Company has established a policy, providing an opportunity to shareholders to propose their opinions, suggestions or questions in advance.

5. In the meeting, the Company provides fair opportunity for all shareholders to express their opinions and suggestions and to ask questions prior to the voting on each agenda. In the Shareholders' Meeting, the Board of Directors and management team are to be presented at the meeting to answer any questions. Questions and material recommendations shall be recorded in the minutes of meeting so that the shareholders are able to inspect.

6. The Company encourages the implementation of technology in the Shareholders' Meeting, such as shareholder registration system, vote counting and display of vote results, so that the meeting can be convened in brief, correct and precise manner.

7. In the meeting to appoint director, the Company provides an opportunity to shareholders to vote for a nominee of one whereas the shareholders are entitled to vote for their representatives of which they seems most suitable to be the director in order to protect their interests which will result in diversity and truly being the representative of the shareholders.

8. The Company encourages independent person to inspect vote counting and disclose vote results to the meeting and record such results in the minutes of meeting.

9. In an important agenda such as related person transactions, the acquisition or distribution of assets etc., the Company shall use the voting card for transparency and accountability.

10. After a meeting, the Company shall record the minutes of meeting, containing the vote process, the procedure to display vote results to the meeting prior the meeting's official commencement, the vote result of each agenda, list of directors who attend or absent from a meeting, including material issues raised in the meeting for shareholders' review. In addition, the Company will publish the minutes of Shareholders' Meeting on the Company's website.

Section 2 The Equitable Treatment of Shareholders

The Company has a policy to treat all types of shareholders - majority shareholders, minority shareholders, shareholders vesting management position, as well as foreign shareholders - equally. The Company encourages the preparation of bilingual, Thai - English, meeting invitations and publication of such invitations on the Company's website. The Company also offers shareholders an opportunity to propose meeting agenda considered material and to nominate qualified and suitable persons for consideration of being elected as a board of directors member before the Shareholders' Meeting takes place so that the Board of Directors is able to review and prepare and adopt the proposed agenda in an Annual General Meeting of Shareholders.

The qualification of a shareholder to propose an agenda as abovementioned shall be in accordance with the provision set forth in section 89/28 of Securities and Exchange Act stipulating that a shareholder or shareholders who hold voting shares with the right to vote of not less than five percent of the total number of voting rights may submit a written proposal in order to request the Board of Directors to include such proposal as an agenda of the Shareholders' Meeting. A proposal shall include an objective and details as well as any useful information. In the nomination of a director, a shareholder is required to provide the nominated person's qualification as well as other useful information including such person's consent. Such person shall be fully qualified in accordance with Public Company Limited Act, Securities and Exchange Act and all relevant regulations of the Office of Securities and Exchange, Capital Market Supervisory Board, Stock Exchange of Thailand and the Company's Objectives as well as possesses the qualification set forth by the Company e.g. equipped with knowledges and experiences that support the Company's business operation, and be able to carry out duties of directors with fidelity, morality, ethic as well as be able to consistently join the Board of Directors' Meetings etc.

In a submission of an agenda or a nomination of the Company's director, a shareholder is required to provide the relevant information to the Company in advance as the time period set by the Company so that the Board of Directors is able to review and include such proposal to be the agenda of the Shareholders' Meeting as well as to disseminate the invitation and relevant documents to other shareholders before a meeting.

The Company, however, reserves its right to exclude the following proposals in the agenda of the meeting e.g. a proposal related to the ordinary business operation but the fact given by the shareholders does not indicate reasonable ground to suspect the irregularity of such matter, a proposal beyond the company's power to produce proposed result; a proposal the nature of which is normally obliged by law to include into an agenda and the Company has always complied with such law; a proposal not giving any benefit to the operation of the Company; a proposal the nature of which violates law, notification, regulations of any government / regulatory bodies, or against the Company's Objective, Articles of Association, a resolution of the Shareholders' Meeting or Corporate Governance Code, a proposal of which shareholder gives incomplete information or incorrect information or the Company is unable to contact such shareholder to acquire additional information, a proposal submitted to the Shareholders' Meeting for consideration within the previous twelve months and received the supporting votes of less than ten percent of the total number of the voting rights and the fact pertaining in the resubmission has not significantly changed from that of the previous Shareholders' Meeting or the Company has already performed such proposal or it is the same proposal proposed etc. This also includes the case where shareholders have not complied with relevant regulations. The Company shall notify such exclusions to its shareholders through news channel of Stock Exchange of Thailand and the Company's website

A proposal, that will be included in the agenda of the Annual General Meeting of Shareholders and/or list of person to be nominated to be the Company's director, the independent directors shall consider and present to the Board of Directors for consideration and conclusion of whether to be included in the agenda of the meeting. The opinion of the Board of Directors shall be ultimatum.

In the meeting, the Company provides fair opportunity for shareholders. Before the meeting commences, the Chairman of the meeting shall describe the exercise of voting right, the voting right required for resolution in each agenda and shall provide the session for shareholders to express their opinions and suggestions and to ask questions on each agenda with the proper amount of time. The Chairman shall conduct the meeting in accordance with agenda of meeting consecutively. The Company shall not deprive a shareholder of any right in examining the information required to be disclosed in accordance with relevant regulations and any right to attend in the shareholder's meeting e.g. the Company has a policy of not adding any agenda in the meeting without prior notification to shareholders, for example.

The Company has strictly regulated the use of inside information in order to prevent the unlawful use of such information for oneself or for third person (Abusive self-dealing) as well as to encourage the fairness to all stakeholders. For such purpose, the Company has established in writing an order which is a guideline in keeping of inside information and a guideline in prevention of Abusive Self-Dealing including setting that all directors, managements and employees shall not trade the Company's securities and/or enter into any transactions by using any confidential information and/or inside information of the Company and or of the associated companies which will cause any damages whether directly or indirectly to the Company. Moreover, all directors, managements and employees who are working for the Company and receiving inside information shall not use such information before public disclosure and all persons relating to any inside information shall be restricted in trading of the Company's securities through their self, spouses, minor children, either direct and indirect (e.g. using Nominee through private funds) within period of 1 month before the disclosure of Quarterly Financial Statements and Yearly Financial Statements.

The Company sets the disciplinary penalty for the person who violates abovementioned regulation and order or commits any disclosure causing damages to the Company according to the circumstance of a case e.g. through a verbal warning, a warning letter, a probation as well as a termination of employment etc.

The Company provides information to directors and management regarding their duties to report any changes on holding of the Company's securities and the penalty provision set forth in Securities and Exchange Act B.E. 2535 and the regulation of Stock Exchange of Thailand. In case that directors or management trade the Company's securities, they are obliged to report to the Office of Securities and Exchange Commission of such change of themselves, their spouses and their minor children in accordance with section 59 of Securities and Exchange Act B.E. 2535 within 3 working days for further public disclosure. This includes the obligation to provide the changes in securities and derivatives holding report (Form 59-2) to the Company Secretary for further report to the Board of Directors every time that there is a report of such change to the Office of Securities and Exchange Commission.

Moreover, the Company adheres to a principle to treat every shareholder equally and set the guideline to manage any conflicts of interest with transparency and accountability. Especially, in the case where the Company has committed any related transactions with director or executive who has conflict of interest or involves in the process of making decision regarding such transactions, it is necessary to obtain the approval from Audit Committee and the Board of Directors. Any director being in conflict of interest in any issue shall be unable to vote for such issue and in case that such related transaction is required for disclosure or an approval

from shareholders according to the regulation of Stock Exchange of Thailand, the Company shall disclose details and rationale of such transaction for shareholders' acknowledgement prior to the execution of such transaction. The disclosure shall address shareholders (1) Name and relationship of the related person (2) pricing policy (3) total value of such transaction (4) the opinion of the Board of Directors and other significant and related information of such transaction.

Section 3 The Role of Stakeholders

The Company has placed emphasis on the rights of all stakeholders, whether they are internal stakeholders e.g. shareholders, management and employees or external stakeholders e.g. creditors, customers, business partners, competitors, public sector, society and communities, etc. The Company is fully aware that supports and comments from all groups of stakeholders will benefit the Company's operations and business development. Therefore, the Company shall comply with relevant laws and regulations to ensure that the rights of the abovementioned stakeholders are well managed.

In addition, the Company's business operations consider the rights of all stakeholders in accordance with the following guidelines:

Shareholders: The Company is committed to equitable treatment of shareholders, protects the interests of shareholders and avoids committing any actions resulting in violation or depriving any rights of shareholders as well as respects the rights of shareholders to be acknowledged of the Company's disclosed information regarding an evaluation of management and the accuracy and reliability of information of the Company's financial performance in order to create growth and business value for the long term benefit of shareholders.

Customers: The Company adheres to treat customers with honesty and fairness. The Company is committed to satisfying and assuring customers by paying attention to customers' needs, serving quality and safe products that meet standard with reasonable price and terms and conditions agreed between the Company and customers. The Company consistently develops and upgrades the standard of products and services to new higher level, while maintaining good relationship with customers, as well as avoids using customers' data for the benefit of the Company and related parties.

Suppliers and creditors: The Company is aware of equality, fairness, and honesty in business operation, protecting interests of suppliers and creditors; conducting business with ethics by not requesting, accepting or paying benefits in dishonest manner. The Company has an authority handbook for approval of purchasing transactions with varied amount of value to increase business flexibility. The Company strictly complies with terms and conditions in agreements between the Company and other parties including creditors.

Competitors: The Company commits itself to fair trade competition, aware of business ethics and relevant laws regarding trade competition and adheres to the rules of fair competition. The Company shall not enter into any agreements with competitors or anyone leading to limitation of trade competition. The Company shall not destroy the reputation of competitors by accusing or defaming the competitors with no ground or act in any way that is unfair to the competition.

Public sector: The Company places emphasis on transparent business activities with government officials / agencies to avoid any acts that may incite improper actions of those parties, which lead to the violation of good corporate governance principles.

Community, Society and Environment: The Company has established a policy to support and provide proper assistances to society and communities nearby. The Company shall provide good cooperations to comply with international standard or agreements, including supervision of production process to prevent negative impacts on environment. The Company shall cooperate in reducing waste from both production processes and general usages, conserving natural resources, as well as using resources, equipment and raw materials with the most efficiency and effectiveness.

Disclosure of compliance with the policy and the report of corporate social responsibility.

The Company has disclosed business activities and innovations which support sustainable development of the Company, together with the report of social responsibility in Corporate Social Responsibility section.

Guidelines on non-infringement of intellectual property or copyright

As the Company owns various types of intellectual property due to the nature of business operations, the Company is aware of creativity of works from thinking and intelligence and considers as proprietary assets which should be protected from illegal uses. Therefore, the Company has established a policy to strictly comply with all intellectual property laws, regarding trademarks, copyrights or patents. The Company shall check and ask for permission before using of any work or information possibly owned by third parties to prevent the infringement of intellectual property and at the same time, the Company has provided employees trainings in accordance with intellectual property and the penalty resulting from intellectual property infringement. The Company also supports and encourages employees to use their knowledges in researching, developing and innovating without violation of the intellectual property of others.

Stakeholder Contact Channels: The Company provides an opportunity for the interested party to contact, share his/her opinions, make complaints and report unlawful actions as well as provide comments through various channels as follows:

Employee

- The Company has established a policy to allow employees to make any complaints, in both verbal and writing as deemed appropriate, directly through direct supervisors.
- The Company provides complaint & suggestion boxes at the office and factory which shall be supervised by the Human Resources Department. The boxes will be opened once a month to screen the subjects and present to management for further consideration. In the case of a letter to the CEO, such letter with sealed will be delivered directly to the CEO.

General Public

- Notify through Investor Relations via 02-3194949 ext. 312

E-mail: ir@sappe.com

- Notify through Company Secretary via 02-3194949 ext. 9709, 2503

E-mail: sutatip.ch@sappe.com, sakares.su@sappe.com , pimolmas.ch@sappe.com

All suggestions will be collected, screened and reported to the top management of the Company for further solutions

Section 4 Disclosure and Transparency

The Board of Directors places the emphasis on disclosure of information that affects the decisions of investors and stakeholders including financial and general information reports in accordance with the regulations of the Office of the Securities and Exchange Commission and Stock Exchange of Thailand as well as other essential information affecting the price of the Company's securities, to be accurate, complete, timely, reliable and transparent. The Company's information has been distributed to shareholders, investors and public through various media channels such as Stock Exchange of Thailand's channel, the Company's website as well as Annual Registration Statement (Form 56-1) and Annual Report

The Company has established a guideline for good corporate governance regarding a report of the Company's securities holding that **a director or executive who trade the Company's securities must report such trading information of themselves, their spouses and their minor children, according to Section 59 of Securities and Exchange Act B.E. 2535, to the Company Secretary at least 1 day before the trading day and submit the changes in securities and derivatives holding report (Form 59-2) within 3 business days after trading to the Office of the Securities and Exchange Commission for further public disclosure.**

The Board of Directors is responsible for the Company's financial statements and information in the Annual Report including the preparation of management discussion and analysis (MD&A). The financial statements shall be prepared in accordance with generally accepted accounting standards in Thailand by using appropriate

accounting policies and consistently practice including complete and adequate disclosure in the financial statements. In this regard, Audit Committee will review the quality of financial reports and internal control systems including sufficient disclosure of material information in the notes of financial statements and report to the Board of Directors for acknowledgement.

The Board of Directors will oversee the disclosure of auditor's remuneration and other fees for other services provided including the disclosure of remuneration of directors and top-level management in order to reflect the duties and responsibilities of each person.

For the work of investor relations, the Company has an investor relations department responsible for disclosing financial information of the Company that is essential and important to shareholders, investors and securities analysts and related regulatory bodies, via reporting to The Stock Exchange of Thailand, the Office of Securities and Exchange Commission and the Company's website on the **"Investor Relations"** topic so that the interested person is able to easily study. Moreover, there are various activities to disseminate and clarify as well as provide investors the opportunity to ask questions transparently. The top-level management shall participate in the clarification as well. The participation of top-level management in the investor relations activities in 2019 can be summarized as follows:

- Two analyst meetings, whereas the 1st meeting, 15 people participated, and the 2nd meeting, has 12 people participated, including one activity named "SET Opportunity Day" organized by The Stock Exchange of Thailand (not including the addressing of the year 2018 financial operation's result and each quarterly result of the year 2019 for publication via newspapers and online media)
- One press conference by inviting media to meet the Company's top-level management to share business plan and to reveal the theme of THAIFEX World of Food Asia 2019 exhibitoin with 7 persons from 16 media participated and broadcasted on 2 television stations, 3 programs, 7 newspapers and 7 websites. A press release to promote cooperation in development of innovative products for global market and to present a booth for THAIFEX World of Food Asia 2019 exhibitoin in the theme of 'Sappe - Home of Innovators', which was broadcasted via 1 television station, 8 newspapers, 22 websites, and shown on 7 analysis reports of securities companies.
- Three Investor Roadshows organized by leading financial institutions, both domestic and international. In 2019, the Company was the only Thai company in the region invited to participate in the Investor Roadshow activities organized by Singapore's leading financial institution to meet 24 foreign investors from more than 20 funds.

- In addition, the Company paid 19 visits to 10 local individual / institutional investors and 9 foreign institutional investors. In case that top-level management were unable to attend the meeting, the Investor Relations team will be assigned to provide information to the investors.

Section 5 Responsibilities of the Company's Board of Directors

1. Structure of the Board of Directors

The Board of Directors consists of individuals who possess knowledges, skills, competencies and experiences that can provide benefit to the Company; whereas, they are important players in formulation of policy and organizational overview, business operation plan, and oversight, inspection, evaluation of the Company's operations to align with the plan as well as conducting the business to be in accordance with laws, regulations and resolutions of the Shareholders' Meeting with integrity and ethics. This includes overseeing the management to meet the set goals and guidelines to maximize the benefits of the Company and shareholders.

The structure of the Company's Board of Directors consists of independent directors not less than one-third of the directors leading to the balance of voting in consideration of various matters and there is an Audit Committee which includes at least 3 independent directors.

As of 31 December 2019, the Company's Board of Directors consists of ten members with 6 non-executive directors, five of which are independent directors, three of which are also members of Audit Committee. There are four members in charge of executive positions, including (1) Chairman of Executive Committee (2) President (3) Chief Executive Officer and (4) Chief Operating Officer; whereas, the structure of the Company's Board of Directors consists of independent directors more than one-third of the total directors providing balance of votes in consideration of various matters and reviewing the performance of management team for the best interest of the Company. The number of independent directors of the Company is in accordance with the regulations set by the Office of the Securities and Exchange Commission which stipulates that it is obliged to have independent directors at least one-third of total directors.

According to the Company's Articles of Association, it is necessary that, in every Annual General Meeting, at least one-third of directors must retire by rotation. If the number of directors cannot be divided into three parts, then, the number of directors retiring in the first year shall be closest to one-third of directors. For the second year after the Company's registration, the selection of directors retiring shall be conducted by drawing lots. For the subsequent years, the directors holding the positions for the longest shall retire. However, the retiring directors may be nominated to retake a position.

In addition, the Company's Board of Directors has appointed Sub-Committees consisting of Audit Committee and Executive Committee in order to perform specific duties and propose matters to the Board of Directors for consideration or acknowledgment, such committees have rights and duties as specified in the authority of each sub-committee.

The Board of Directors has a policy that the Chairman of the Board of Directors and Chief Executive Officer must not be the same person for the clarity of responsibility regarding policy making, supervising and routine management.

The Company clearly separates the roles, duties and responsibilities between the Board of Directors and management team to balance the power. The Board of Directors is responsible for policy making and supervision of the work of management team in policy level, while the management team manages the company's operations in various functions to be in accordance with the specified policy.

In addition, the Board of Directors has appointed the Company Secretary to carry out duties and responsibilities under the Securities and Exchange Act.

Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors is responsible for consideration and approval of material issues regarding the Company's operations such as vision and mission, strategy, risk, work plan and budget, as well as supervises management team to proceed in accordance with the specified policy and plan in efficient and effective manner

In year 2019, the Board of Directors considered, reviewed and approved the company's vision, mission, strategy, goals, and business direction as well as monitored and implemented the Company's strategy. In every quarterly meeting, the Board of Directors follows up the management team on the report of the Company's operations and financial performance as well as various work plans to meet the set goals.

Authority of the Board of Directors consists of:

- Approval of appointment of directors to replace the resigned directors and appointment of a Sub-Committee
- Approval of hiring, appointment, transfer, evaluation, punishment and termination of the Company's President, Chairman of Executive Committee and Chief Executive Officer
- Approval of compensation and other benefits of the President, Chairman of Executive Committee and Chief Executive Officer
- Approval of establishment of an organization, acquisition, merger, dissolution
- Approval of annual budget and quarterly financial statements
- Approval of interim dividend payment

- Approval of issuance of work regulations
- Approval of investment in new projects, buying / selling of non-financial investments, entering into credit agreements and obligations, and entertainment expenses / donations in the amount exceeding the authority of Executive Committee

Separation of Duties between Policy Establishment and Routine Management

The Board of Directors has clearly delegated authorities, duties and responsibilities to determine corporate governance policy and daily management policy.

The Chairman of the Board of Directors and the Chairman of Executive Committee are elected by the Board of Directors which are not the same persons. The Chairman of the Board of Directors plays an important role in making decisions on a corporate policy as a result of the Board of Directors' Meeting that has considered and determined business goals with management, conducting the meeting in an efficient and effective way by encouraging participation of all directors and independent expression of individual opinions, as well as being the chairman of the Shareholders' Meeting of the Company. The Chairman of the Board shall not involve in daily management but shall regularly support and advise on the business operation through the Chairman of Executive Committee, who is responsible for the Company's management under the authority assigned by the Board of Directors.

Corporate Governance Policy

The corporate governance policy has been established under the approval and regular review of the Board of Directors. The policy shall be communicated to ensure mutual understanding and to encourage everyone in the organization to follow with.

Business Ethics

The Board of Directors adheres to righteous and fair business practices. The Company has announced the implementation of ethics and codes of conduct in writing, so that all directors, management and staff have to comply with; support in complying with ethics; not neglect or ignore when witness a violation of ethics in order to show the intention of conducting business with transparency, morality, responsibility to the stakeholders and with consideration to society and the environment. The Company has prescribed guidelines on ethics in various aspects e.g. the treatment to each other, giving or receiving of gifts, conflict of interest, the Company's business transaction, transactions with the state enterprises, environment, health and safety, procurement of marketing communications, trade competition, international business operations, treatment of data and assets, political actions, and the prevention of money laundering.

In this regard, the Company has announced and informed all directors, management and employees to acknowledge and adhere strictly with such ethics including the implementation of the said guidelines.

Conflict of Interest

The Board of Directors has established a policy regarding conflicts of interest prohibiting directors, management, and employees, and those involved with such persons, from seeking personal interests in conflict with the Company's interests and they should avoid any actions that cause conflicts of interest. Moreover, persons involved or connected with the considered transactions are required to inform the Company about the relationship or connection in the said transactions and shall not participate in considering, deciding, and possessing authority to approve such transactions.

Audit Committee shall present to the Board of Directors the related transactions and transactions whose natures hold conflicts of interest which has been considered carefully and that the Company has strictly complied with the regulations of the Office of the Securities and Exchange Commission, Capital Market Supervisory Board and Stock Exchange of Thailand regarding the execution of such transactions, setting of price and conditions with whom the Company may have conflicts of interest to be the same as if executing with a third party. All transactions shall be disclosed in the Company's financial statements, Annual Report and Annual Registration Statement (Form 56-1).

The Company has prepared the report of conflict of interest of directors, management and related persons in order to use as basic information for overseeing such conflict of interest which requires directors and management to prepare the said report annually and when there is any change. The Company Secretary shall have duty in collecting and copying the said report to the Chairman of the Board of Directors and the Chairman of Audit Committee for inspection and control.

In supervision of the use of inside information, the Company has determined that the Board of Directors and the Company's executives are responsible for reporting the holdings of the Company's securities which belongs to themselves, their spouses, their minor children to the Securities and Exchange Commission within 30 days from the date of appointment as a director or executive of the Company as well as when there is any change in the holding of the securities. They are required to inform the Company and report any changes of securities holding to the Office of the Securities and Exchange Commission within 3 business days from the date of purchase, sale, transfer or acceptance of transfer in order to comply with Section 59 of Securities and Exchange Act B.E. 2535. Directors, management, or business units that have access to inside information are prohibited from disclosing inside

information to external parties or non-related persons as well as trading the Company's securities for the period of 1 month before the financial statements are publicized which is set to prevent the misuse of inside information.

Internal Control System

The Company's Board of Directors recognizes the significance of effective supervision and effective internal control, both at the management level and at operation level. Internal control system is an important mechanism to build confidence in management in terms of business risks mitigation, efficient business operation by allocating resources properly to achieve the goal, assets protection from leaks, loss or fraudulent misconduct, accurate and reliable financial reports, personnel's compliance of relevant laws and regulations, and protection of shareholders' investment. Therefore, the Company has clearly determined obligations, authority of employees and management in various matters in writing. There is a control on utilization of the Company's assets for the highest benefits, and separation of duty between business operators and supervisors with separate results evaluation for checks and balances.

The Board of Directors has assigned Audit Committee to be responsible for reviewing the proper and efficiency of the internal control system, including establishing and reviewing control systems regarding operation, financial reporting, compliances of regulations and policies, risk management, as well as giving priority on early warning sign and unusual incident.

In this regard, the Company hired a third party, P&L Corporation Co., Ltd., to be responsible for quarterly internal audits and control system for the year 2019 in order to ensure that the Company has sufficient and proper internal control systems. To make the said internal auditor be independent and be able to fully check and balance, the internal auditor will report the audit results directly to Audit Committee.

The Company regularly monitors and evaluates the results. The adequacy of the internal control system will be assessed at least once a year to ensure that the implemented system can be operated efficiently.

In 2019, the Company received the Corporate Governance Report of Thai Listed Companies (CGR) assessment from the Thai Institute of Directors (IOD), with an average score of 82%, equivalent to 4 stars which was significant improvement from previous year at 3 stars. This is shown as the determination to be a good corporate governance company. In addition, the Company has already submitted documents to apply for certification in Private Sector Collective Action Coalition Against Corruption (CAC).

Report of the Board of Directors

The Board of Directors is responsible for the company's financial statements and in doing so, the Board of Directors assigns Audit Committee to review financial reports and oversee the quality and accuracy of financial reports in accordance with generally accepted accounting standards as well as disclose the Company's significant information transparently and sufficiently by having the accounting department and / or the auditor to meet each other and to present financial reports to the Board of Directors in every quarter of the year. The Board of Directors is responsible for the financial statements of the Company including financial information (Report of the Company's Board of Directors' Responsibility for Financial Reports) and the Management Discussion and Analysis (MD&A) that appears in the annual report. The said financial statements were prepared in accordance with generally accepted accounting standards and audited by KPMG Phoomchai Audit Co., Ltd., the Company's auditor. Disclosure of important information, both financial and non-financial is performed on basis of completeness and consistency of facts.

The Meeting of the Board of Directors

The Company has regularly held a meeting of the Board of Directors in every 3 months and may hold special meetings as necessary, with clear meeting agenda in advance together with follow-up agenda regarding business operations. In order to hold the meeting of the Board of Directors, the Chairman or the assigned person shall send a meeting notice to the directors not less than 7 days prior to the meeting date, except in case of urgent and necessary to protect the rights or benefits of the Company, the meeting invitation may be informed by other methods and the meeting date may be earlier. Company Secretary is appointed to prepare the minutes of meeting and send the said minutes to the directors as well as systematically store such approved minutes and keep it ready for future verification by the Board of Directors and related parties.

At the meeting, the Chairman shall be entitled to determine the meeting's agenda and to consider the matters to be included in a meeting's agenda by providing opportunity to each director to propose any matter for consideration to be included in the meeting's agenda.

In consideration of any matter, the Chairman of the Board of Directors who acts as the chairman of the meeting, shall allow directors to freely express opinions. In some agenda, top-level management might attend the meeting to provide details and useful information as well as to acknowledge the policy directly for effective implementation. In the resolution of the Board of Directors' meeting, the majority votes, in which one director has one vote; while directors vesting conflict of interests shall not attend the meeting and/or not exercise his/her voting rights on that matter. If the votes are equal, the chairman of the meeting will have an additional vote as the casting vote.

In addition, the Chairman plays an important role in making decisions on a corporate policy as a result of the Company's Board of Directors' meetings that has considered and has determined business goals with management including giving advice on business operations through the Chief Executive Officer on a regular basis without intrusive in the routine work which is the responsibility of executive. The Chairman acts as a leader of the Board of Directors in monitoring the performances of the Board of Directors, sub-committees and individual director to achieve the objectives in accordance with the business plan.

The Chairman is also the leader to conduct the meeting in an efficient and effective way, according to the meeting agenda, the Company's Articles of Association and relevant laws, to summarize the resolutions of the meeting and actions required as well as to support and be a role model to act in compliance with good corporate governance and business ethics.

Director has right to examine meeting documents and other significant supporting documents. If independent directors or Audit Committee have any questions, other directors and management shall respond such queries as rapidly and completely as possible.

In the event the directors disagree with the resolution of the meeting, such directors can request the Company Secretary to record the objections in the minutes of the meeting or submit an objection letter to the Chairman.

At each of the Board of Directors' Meeting, the Company Secretary shall also participate in the meeting to record minutes of meeting and submit to the Chairman for consideration and signing to certify the accuracy and propose such minutes to the Board of Directors in the next meeting for approval.

The Company Secretary shall also be responsible for keeping of any text or document regarding the meetings for

convenience of referencing and searching. Normally, the Company's directors will attend every meeting by himself / herself except for necessary reasons which will be informed in advance. In addition, the Board of Directors has a policy that non-executive directors, without participation of management team, are able to meet among themselves as necessary to discuss any issues regarding business management that is of interest and inform the Chairman the meeting results.

Remuneration

The Company has a policy to compensate directors and management at proper level by adhering to the principles of justice for both the Company and the individual, considering the Company's operating performance and the consistency with the same business / industry. Incentives can be created for work motivation and maintenance of good standards, suitable for the duties and responsibilities of

individual director and executive. Remuneration for the directors, including independent directors and Audit Committee members, shall be approved by the Shareholders' Meeting of the Company

For the remuneration of the Chief Executive Officer ("CEO"), the Board of Directors will review and approve the criteria of CEO's performance evaluation and of annual remuneration, as well as consider and approve the payment of annual remuneration in order to compensate for the work contributed to the Company and such contributions meet criteria set by the Board of Directors. The evaluation criteria are based on the key performance indicators, both financial and non-financial indicators e.g. the improvement of corporate governance to cover all aspects and align with the Thai Institute of Director' standards, the increase of employee engagement score to encourage sense of ownership in the organization and grow the Company sustainably in the long-term.

The Company carefully considers the payment of remuneration to the executives at proper and competitive rate, comparing with the same business / industry, to retain qualified executives. The remuneration is considered regarding assignment of duties and responsibilities as well.

Development of Directors and Management

The Board of Directors has a policy to promote and facilitate training and education for directors and management who have involved in the corporate governance system for continuous operational improvements. In the case of changes of director or new directors, the management will provide those directors documents and information regarding business operations and guidelines, which is beneficial to the performance of such directors. The Company Secretary shall regularly report to the Board of Directors, Sub-Committee and management regarding any changes in laws and regulations.

In addition, the Company encourages the directors to attend training courses or seminars to increase knowledges. In the year 2019, the directors attended training courses as follows:

● **Mr. Natee Onin, the Chairman of the Board of Directors:** Director Certification Program (DCP) Course No. 269/2019 (Year 2019)

2. Sub-Committee

The Board of Directors has appointed committees with expertises in various fields in order to help study and scrutinize work in the scope responsible by sub-committee and clearly established qualifications, terms of office and the scope of duties and responsibilities of the sub-committees in the charter. The members of Audit Committee shall consist of all independent directors. Sub-committee will report its meeting results to the Board of Directors meeting regularly for acknowledgment. At present, the Company has two sub-committees consisting of (1) Audit Committee and (2) Executive Committee

3. Nomination of Directors and Management

• Board of Directors

As the Company does not have a Nomination and Remuneration Committee, to select suitable people for directors or management position, the Company has a selection process by having major shareholders and / or representatives of each group of major shareholders, the experts in relevant fields, directors, independent directors, and management of the Company to jointly propose a list of persons who possess qualifications, skills and experiences required for the business operations with criteria as follows:

- 1) A director must have knowledges and experiences beneficial to the business. Integrity and ethics in conducting business with sufficient time to devote his/her ability and knowledge for the Company.
- 2) A director shall not possess characteristics prohibited by Public Limited Companies Act and the regulations of The Securities and Stock Exchange, including any characteristics indicating a lack of appropriateness to be entrusted with management of a public-owned business as specified by Securities and Exchange Commission.
- 3) A director is forbidden to conduct a business with the same nature and in competition with the Company's business or becomes a partnership, director in other juristic persons of the same nature and in competition with the Company's business, whether for his/her own benefit or for other persons' benefits unless he/she notifies to the Shareholders' Meeting before a resolution regarding his/her appointment is obtained.
- 4) A director shall inform the Company without delay if there is any direct or indirect conflicts of interest arising from entering into contracts by the Company, or there is any increase or decrease in his/her holding of shares, debentures of the Company or its affiliates.

The selection and appointment of directors shall be in accordance with the procedures specified in the Company's Articles of Association and the appointment of directors must be obtained an approval from the Shareholders' Meeting. The resolution of the Shareholders' Meeting shall require the majority votes of the shareholders who attend the meeting and have the right to vote.

- 1) The Shareholders' Meeting shall elect the Company's Board of Directors, comprising of at least five directors to be responsible for the entire business management with authorities to carry out duties within the scope of laws, Company's objectives and Articles of Association, and resolution of General Meeting of Shareholders, as well as authorities to perform any actions specified in the Memorandum of Association or related to the said. The directors may or may not be the shareholders of the Company.

2) Not less than half of the total number of directors shall reside in the Kingdom of Thailand and all of them shall possess qualifications with no characteristics forbidden by law.

3) The Shareholders' Meeting shall elect the directors in accordance with the following rules and procedures.

(1) Each shareholder has a vote equal to one share per one vote.

(2) The shareholders may exercise right to select only one person or many persons to be director(s) but not greater than the total number of directors being elected at that time

(3) In the event the shareholders exercise right to select more than one person to be director, voting right for each selected person is equal to the number of votes possessed by the shareholders. In this regard, allocation of votes in favor for a specific person is not allowed.

(4) The persons obtaining the highest votes in descending order shall be elected as directors but total number of directors shall not exceed the total number of directors required at that time, otherwise the Chairman of the meeting shall cast the vote to determine the total number.

4) At every Annual General Meeting of Shareholders, one-third of total directors shall retire by rotation. If the number of directors cannot be divided into three parts, the number of directors retiring in the first year shall be closest to one-third of directors. For the second year after the Company's registration, the selection of directors retiring shall be conducted by drawing lots. For the subsequent years, the directors holding the positions for the longest shall retire. However, the retiring directors may be re-elected.

5) Any director who resigns from the position shall submit a resignation letter to the Company. The resignation shall be in effect on the date when the resignation letter is delivered to the Company. The director resigning under paragraph one may also notify his/her resignation to the registrar.

6) In the case that position of director is vacant for other reasons than an expiration of service term, the Board of Directors shall select a qualified person whose characteristics are not forbidden by law for a replacement and such person shall perform his/her duty in the next meeting. Unless the remaining service term of replaced director is less than two months, the elected person shall hold the position only for the remaining service term of such director.

The resolution of the Board of Directors' Meeting under paragraph one shall consist of votes not less than three-fourth of the remaining number of directors.

7) In the case that position of the director becomes vacant resulting to the total number of remaining directors becomes less than the quorum, the remaining directors shall call a Shareholders' Meeting

for an election of directors to fill the vacant positions within one month from the date the number of remaining directors becomes less than the quorum. The person who is appointed as a new director shall be in the position for the remaining service term of the replaced director.

8) The Shareholders' Meeting may pass a resolution to dismiss any director prior to expiration of their service terms by a vote of not less than three-fourth of the total number of shareholders and proxies (if any) who attend the meeting, with total number of shares not less than half of the total voting shares held by shareholders and proxies (if any).

• Independent Director

The Company has defined the composition of the Board of Directors to include independent directors at least one-third of the total number of directors.

The Board of Directors or the Shareholders' Meeting (as the case may be) shall appoint independent directors to join the Board of Directors. The Company has policy to appoint independent directors at least one-third of the total number of directors, or at least three independent directors.

The criteria for selecting and nominating independent directors are based on those for the nomination of directors. An independent director shall have the required qualifications and no prohibited characteristics, pursuant to the Public Limited Companies Act, and the Securities and Exchange Act, as well as other relevant notifications, stipulations and/or regulations. The independent director shall have capabilities, specialized expertise, work experience and other required qualifications. Nominations of qualified candidates shall be submitted to the Shareholders' Meeting for election and appointment as directors. In case of any independent director vacating office before retiring by rotation, the Board of Directors may appoint a new independent director with the required qualifications as a replacement. The replacing independent director shall hold office only for the remaining term of office of the independent director whom he has replaced.

Qualifications of an independent director shall be as follows:

1. Holding not more than 1% of the total shares with voting rights of the Company, or its principal company, subsidiary company, associated company, major shareholder, or controlling person of the Company, which shall be inclusive of the shares held by any related person thereof;

2. Neither being nor having been an executive director, an employee, a staff member, an adviser who receives a regular salary, or a controlling person of the Company, or its subsidiary company, associated company, subsidiary company at the same level, major shareholder or controlling person of the Company unless the

foregoing status has ended for no less than 2 years before the independent director assumes the post of Audit Committee member;

3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of a child, of an executive, major shareholder, controlling person or person to be nominated as an executive or a controlling person of the Company or its subsidiary company;

4. Neither holding nor having held a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person in a manner which may interfere with his/her independent judgment; and neither being nor having been a substantial shareholder or a controlling person of any person having a business relationship with the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;

5. Neither being nor having been an auditor of the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of an audit firm which employs auditors of the Company, principal company, subsidiary company, associated company, major shareholder or controlling person unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as an Audit Committee member;

6. Neither being nor having been any professional service provider including legal advisor or financial advisor who receives an annual service fee exceeding Baht 2 million from the Company, or its principal company, subsidiary company, associated company, major shareholder or controlling person; and not being a substantial shareholder, controlling person or partner of the professional service provider, unless the foregoing relationship has ended for no less than 2 years before the independent director is appointed as Audit Committee member;

7. Not being a director who has been appointed as a representative of a director of the Company, major shareholder, or shareholder related to the major shareholder of the Company;

8. Not undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, is competitive with the business of the Company or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an adviser who receives a regular salary, or a shareholder holding more than 1% of the total shares with voting

rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary company;

9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.

The independent directors will inspect and certify their independences at least once a year, which will be announced with a report of directors' profiles at year end in the Annual Registration Statement (Form 56-1) and the Annual Report.

Business Relationships or Professional Services of Independent Directors in the Past Accounting Period

-None-

• Audit Committee

The Board of Directors or the Shareholders' Meeting (as the case may be) shall appoint at least three members to perform as the Company's Audit Committee. Each member must be an independent director and not a director assigned by the Board of Directors to make decisions regarding business operations of the company, parent company, subsidiary company, associated company, same-level subsidiary company, majority shareholder or the controlling person of the Company, as well as not a director of the parent company, subsidiary company, or same-level subsidiary company that is a listed company. Audit Committee shall perform its duties as specified in Stock Exchange of Thailand Notification regarding the Audit Committee's qualifications and scope of responsibilities.

In this regard, at least one Audit Committee member shall possess sufficient knowledges and experiences to review the accuracy and reliability of financial statements.

• Executive Committee

The Board of Directors shall appoint Executive Committee whose members shall be selected from the directors, management, or senior employees who are capable of managing the matters regarding normal business operations, establishing the Company's policies, business plans, budgets, administrative structures, as well as examining and monitoring the Company's operations to be in accordance with the policies established by the Board of Directors.

• Management

The Company has established a policy to recruit management by selecting people with knowledges, skill set and experiences relevant to the business. The selection shall be in accordance with the regulations of Human Resources management and be approved by the Board of Directors or by the person assigned by the Board of Directors.

The selection of top-level management positions will be considered by individual knowledges, skill set and experiences relevant to the business. The appointment of an internal audit and control supervisor / executive shall primarily pass a consideration from the Audit Committee.

4. Performance Evaluation of the Board of Directors, Audit Committee, Executive Committee and Top-level Management

4.1 Evaluation of the Board of Directors' Performance

As the Company has defined in the charter of the Board of Directors that the Board of Directors shall evaluate its performance on an annual basis which is an evaluation of the entire board. The Company will distribute a self-assessment form to each director to review performance as a director and to indicate challenges in the previous year. The score and opinions of the directors will be a reflection tool for the Company's management team to improve and increase the efficiency of the Board of Directors' Meetings. It is also used to improve the performance of the Board of Directors to be the most effective.

Assessment of the Board of Directors' performance in the year 2019 has been divided into 2 categories, 1) Entire board assessment and 2) Individual self-assessment, with details as follows:

4.1.1 Entire board assessment: there are 4 categories of assessment, (1) The structure and qualifications of the Board of Directors (2) The roles and responsibilities of the Board of Directors (3) The meetings of the Board of Directors and (4) The performance of the Board of Directors. The Board of Directors shall first consider and approve the said evaluation form. The result of the assessment shall be presented to the Board of Directors for acknowledgement and shall be disclosed in annual report. The recommendations from the performance appraisal will be used further to improve efficiency of work.

Regarding the 2019 assessment form, the weight of each category is divided into 6 levels as follows:

- 5 means: Most agree or Proceed that matter excellently
- 4 means: Strongly agree or Proceed that matter well
- 3 means: Moderately agree or Proceed that matter moderately
- 2 means: Less agree or Proceed that matter less
- 1 means: Least agree or Proceed that matter the least
- 0 means: No or No action proceeded

The evaluation results for each category are as follows:

1. The structure and qualifications of the Board of Directors: Average score of 4.42 points
2. The roles and responsibilities of the Board of Directors: Average score of 4.31 points.

3. The meetings of the Board of Directors: Average score of 4.41 points
4. The performance of the Board of Directors: Average score of 4.58

The overall average score of 4 categories was 4.43 points.

4.1.2 Individual self-assessment: there are 3 categories of assessment, (1) The structure and qualifications of the Board of Directors (2) The meeting of the Board of Directors and (3) The roles, duties and responsibilities of the Board of Directors. The result of the assessment shall be presented to the Board of Directors for acknowledgement and shall be disclosed in annual report. The recommendations from the performance appraisal will be used further to improve efficiency of work.

Regarding the 2019 assessment form, the weight of each category is divided into 6 levels as follows:

- 5 means: Most agree or Proceed that matter excellently
- 4 means: Strongly agree or Proceed that matter well
- 3 means: Moderately agree or Proceed that matter moderately
- 2 means: Less agree or Proceed that matter less
- 1 means: Least agree or Proceed that matter the least
- 0 means: No or No action proceeded

The evaluation results for each category are as follows:

1. The structure and qualifications of the Board of Directors: An average score of 4 points
 2. The meeting of the Board of Directors: An average score of 4 points
 3. The roles, duties and responsibilities of the Board of Directors: An average score of 4.20 points
- The overall average score of 3 categories was 4.07 points.

4.2 Evaluation of Audit Committee's Performance

As specified in Audit Committee charter that Audit Committee evaluation process should be formally established to ensure that the work of Audit Committee is efficient and achieves its objectives.

The Board of Directors has evaluated the performance of Audit Committee on an annual basis. In the year 2019, Audit Committee's performance was evaluated in 4 categories, (1) Qualifications and independence of Audit Committee (2) The duties and responsibilities of Audit Committee (3) The meetings of Audit Committee and (4) the receipt of information from the Company and the trainings. In addition, the Audit Committee will first consider and approve the said evaluation form. The result of the assessment shall be presented to Audit Committee and the Board of Directors meetings for acknowledgment and disclosed in the annual report. The recommendations from the performance appraisal will be used further to improve efficiency of work.

Regarding the 2019 assessment form, the weight of each category is divided into 6 levels as follows:

- 5 means: Most agree or Proceed that matter excellently
- 4 means: Strongly agree or Proceed that matter well
- 3 means: Moderately agree or Proceed that matter moderately
- 2 means: Less agree or Proceed that matter less
- 1 means: Least agree or Proceed that matter the least
- 0 means: No or No action proceeded

The evaluation results for each category are as follows:

1. Qualifications and independence of Audit Committee: An average score of 4.67 points
2. Duties and responsibilities of Audit Committee: An average score of 4.13 points
3. The meetings of Audit Committee: An average score of 4.67 points
4. Receiving information from the Company and trainings: An average score of 4.08

The overall average score of 4 categories was 4.39 points.

4.3 Evaluation of Executive Committee's performance

As the Board of Directors foresees that the Company should evaluate every sub-committee equally and stipulates that Executive Committee shall evaluate its performance on an annual basis by evaluating the performance of the entire board of executive committess with the objective to review individual performance as an executive director, indicate the challenges in the previous year as well as analyze whether business operations are in accordance with the guidelines provided by the Board of Directors. The score and opinions of the executive directors will be a reflection tool for the Company's management team to improve and increase the efficiency of meetings. It is also used to improve the performance of the Executive Committee to be the most effective.

In the year 2019, Executive Committee's performance was evaluated in 4 categories, (1) The structure and qualifications of Executive Committee (2) The roles and responsibilities of Executive Committee (3) The meetings of Executive Committee and (4) Performance of Executive Committee member. The meeting of Executive Committee will consider and approve the said evaluation form. The evaluation result will be presented to Executive committee and to the Company's Board of Directors meetings for acknowledgment and disclosed in the Annual Report. The recommendations from the performance appraisal will be used further to improve efficiency of work.

Assessment forms in the year 2019, the weight of each topic of the assessment is divided into 6 levels as follows:

- 5 means: Most agree or Proceed that matter excellently
- 4 means: Strongly agree or Proceed that matter well
- 3 means: Moderately agree or Proceed that matter moderately

- 2 means: Less agree or Proceed that matter less
- 1 means: Least agree or Proceed that matter the least
- 0 means: No or No action proceeded

The evaluation results for each category are as follows:

1. The structure and qualifications of Executive Committee: An average score of 4.40 points
2. The roles and responsibilities of the Executive Committee: An average score of 4.46 points
3. The meetings of Executive Committee: An average score of 4.50 points
4. Performance of Executive Committee member: An average score of 4.37 points

The overall average score of 4 categories was 4.43 points.

4.4 Evaluation of Top-level management's Performance

The Company's Board of Directors requires the performance evaluation of the Chairman of Executive Committee, the President and the Chief Executive Officer. The Board of Directors evaluates the performance of the Chairman of Executive Committee, the President and the Chief Executive Officer in accordance with the evaluation criteria. The performance evaluation form shall be approved by the Board of Directors in order to monitor whether the performances of the Chairman of Executive Committee, the President and the Chief Executive Officer are in accordance with the Company's short and long term goals. The evaluation helps to determine remuneration of the Chairman of Executive Committee, the President and the Chief Executive to be transparent and suitable for each individual performance and also strengthen the corporate governance of the Company. The recommendations from the performance appraisal will be used further to improve efficiency of work.

5. Supervision of Operations of Subsidiaries

For supervision of the subsidiaries' operations, the Company has closely monitored and followed up the subsidiary's operations so that the goals can be achieved as follows:

5.1 Supervision of Subsidiaries

● **Sappe Europe s.r.o.** : Due to the legal restrictions in Slovakia requiring that the directors who hold office be domiciled in Slovakia, therefore, causing the difficulty in practical way to appoint a representative from the Company to be a director in Sappe Europe s.r.o and not in accordance with the policy of controlling and overseeing subsidiaries and associates. Therefore, the Company's Board of Directors' Meeting has approved the board's charter indicating that material issues such as appointment of directors, capital increase, merger, liquidation, dividend payment, amendments the company regulations etc. are required the approval from the Shareholders' Meeting and established the Table of

Authority for the Sappe Europe s.r.o. in order that the Company can use as a measure for supervision.

- **Sappe Holding (Thailand) co., Ltd.:** The Company's Board of Directors has appointed Mr. Adisak Ruckariyaphong, Ms. Piyajit Ruckariyapong, and Mr. Arnupap Ruckariyapong as the directors of the company, so that the management of the whole group is in the same direction.

- **Sappe Trading (Hong Kong) Company Limited** and Sappe Hong Kong Company Limited: The Board of Directors of Sappe Holding (Thailand) Company Limited has appointed Mr. Adisak Ruckariyaphong, Ms. Piyajit Ruckariyapong and Mr. Arnupap Ruckariyapong as the directors of the company so that the management of the whole group is in the same direction.

- **Sappe Trading (Shanghai) Company Limited:** The Board of Directors of Sappe Hong Kong Company Limited has appointed Ms. Piyajit Ruckariyapong as a director of the company so that the management of the whole group is in the same direction.

- **All Coco Group Co., Ltd.:** The Company's Board of Directors has appointed Mr. Adisak Ruckariyaphong, Ms. Piyajit Ruckariyapong, and Mr. Arnupap Ruckariyapong as the directors so that the management of the whole group is in the same direction.

- **All Coco Group Co., Ltd. and K Best Farm Co., Ltd.:** The Company's top-level management has been assigned to oversee financial management and to follow up business operations to be in accordance with the plan.

5.2 Disclosure of financial status and operating results

The Company's subsidiaries are responsible for submitting quarterly and annual financial statements to the Company to propose to the Company's Board of Directors for approval before public disclosure. The Company's auditor performs the inspection of operation, documents or assets at the subsidiaries' offices and warehouses and can request subsidiaries for additional documents. The Shareholders' Meeting considers appointing the auditors and fixing annual remuneration of Sappe Europe s.r.o., Sappe Holding (Thailand) Company Limited and indirect subsidiaries.

5.3 Transactions with Related Parties

All related transactions between the Company and its subsidiaries shall be in accordance with the Securities and Exchange Act, announcement of the Capital Market Supervisory Board, announcement of Stock Exchange of Thailand and other relevant announcements. The Company reports value and details of connected transactions with its subsidiaries to the Board of Directors on a quarterly basis after passing the consideration of Audit Committee.

5.4 Acquisition or Disposition of Assets

In the event a subsidiary company buys or sells any assets, it is required an approval from the Company's management or the Board of Directors or the Shareholders' Meeting of such subsidiary (as the case may be). If the value of transaction is material, the Company shall comply with the regulations of Securities and Exchange, announcement of the Capital Market Supervisory Board, announcement of Stock Exchange of Thailand and other relevant announcements.

6. Supervision of the use of inside information

The Company conducts business under the principles of good corporate governance of Stock Exchange of Thailand and places emphasis on the supervision of the use of inside information to be in accordance with the principles of good corporate governance. By adhering to these principles and ensuring the confidence of investors to receive equitable, timely and reliable information, the Company has established a policy of confidentiality, data protection and the use of inside information that all personnel shall be informed and follow procedures of confidential information protection. To prevent the disclosure of information and to identify the type of confidential information, the confidential documents and information must be managed and protected with specific methods accessible by both data creators and users.

In addition, the Company places great emphasis on safeguard of customer and business information to be confidential. It is prohibited to disclose such confidential information to customers, employees and outsiders. In case that is necessary to disclose confidential information to the public, approval must be obtained from the Chairman of Executive Committee and Chief Executive Officer. This prohibition shall include trading, transfer or acceptance of transfer of the Company's securities by using confidential information and / or inside information and / or enter into any other juristic acts using confidential information / or inside information of the Company which causes damage to the Company either directly or indirectly.

The Company's directors, management and employees who receive inside information shall be prohibited from trading of the Company's securities in a specified period, which has been complied since the second quarter of year 2014 (or the first quarterly financial statement report since the Company was listed on the Stock Exchange of Thailand). The Company Secretary and the Human Resources Department shall notify those directors, management, and employees receiving inside information in advance to be aware of such prohibition period for trading of the Company's securities. This shall include the prohibition of trading of the company's securities by oneself, spouses, minor children, whether it is direct

or indirect trading (such as nominee or holding of securities through private funds) during the period when the Company is about to disclose significant information that may affect the Company's share price such as 1 month prior to the date of disclosure of financial statements or operating results until 1 day after the date that the Company has disclosed financial statements or operating results to Stock Exchange of Thailand to ensure that such information be disclosed to the public first. With this regard, the Company has established disciplinary penalty for those seeking benefits from the use or disclosure of the inside information causing damages to the Company, which may be penalized as required by law or by the Company through verbal warning, warning letter, probation, or termination of employment as the case may be.

Simultaneously, the Company has monitored and studied rules, regulations and relevant laws and informed the changes (if any) to its directors and management to strictly perform duties in accordance with changing rules, regulations and relevant laws.

7. Audit Fee and other services

7.1 Audit Fee

The Company and its subsidiaries paid audit fees for the year 2019 in the total amount of 3,671,500 baht, divided into the audit fees of the Company in the amount of 1,900,000 baht and of the subsidiaries in the amount of 1,771,500 baht.

7.2 Non-Audit Fee

- None -

“We Better People’s Lives Through Our Innovative Spirit”

We have always adhered to this promise with strong determination to improve the lives of people in all aspects. In 2019, we created good things for people around through various activities and supports from a new friend, “Danone”, and an old friend, “All Coco”, making our ideas brainstorming and new things creation easier. We have continuously promoted our organization to be innovative so as to deliver innovations with positive impact to the society.

Today success would never be gained without supports from employees, customers, communities, suppliers and shareholders. Therefore, we will never stop paying good opportunities forward through our belief ... **“Innovate to Grow, Innovate to Win”**

The following business operational guidelines were outlined in the agenda of Board of Directors’ Meeting which were monitored and followed up throughout the year:

Employees are the REAL players

For the past 2 years, Innovation Team (INNO TEAM) has been established with the main objective to build happiness and sense of pride to all employees who have become a significant part creating innovations for the Company’s growth. In addition **“The 4 Disciplines for Execution”** program implemented to increase employees’ happiness and effectiveness for 3 consecutive years, making the employees realize that everyone can be a **“SAPPE Innovator”** has also strengthened culture of innovation. Although it was a very challenging task, it was full of fun throughout the year.

In 2019, we engaged all employees in various innovation activities to recharge energy of innovator and to increase happiness index. Starting with **“Good Life ... Free Breakfast”** campaign by offering free breakfasts with nutrients and fresh coffee, **“Twist to Sappe Family**, happiness spreading campaign by giving employees opportunities to design happiness for their colleagues without any restrictions, **“Lunch & Learn”**, sharing of executives’ inspirations towards their favorite movies or books while having lunch together and many more activities designed to boost creativity in a **“Sappe Innovator”** style

Customer is the MAIN supporter for strong growth

As customers are the key factor inspiring us to be a Thai model organization delivering a superior choice of food and beverages that better people’s lives, in return to their trusts, in 2019, we decided to expand business scope by increasing % shareholding in **All Coco Group Company Limited from 40% to 51% and establishing a joint venture company, Danone Sappe Beverages Company Limited**, to offer varieties of new products for all groups of customers. Also, we kept constantly launching new products to the market, such as quality coconut-based products under **“All Coco”** brand, new fruit-flavored vitamin water under **“B’lue”** brand, an alternative water with **“Be More with B’lue”** concept, first organic soybean pudding in a pouch format under **“DeNosh”** brand, coming with deliciousness and fullness, and new series of product under **“Beauti Drink”** brand, **“Chia Up”** series, satisfying consumers who like tasty beverage with low calories.

Supplier is the TEAM... We move together with the same goal

As the suppliers are our teams and the team is to leave no one behind, in 2019, we continued to co-develop coconut jelly with the existing supplier and encouraged it to formally form a company to grow together as well as assisted in preparation of GMP and HACCP application to be ready by 2020.

Shareholders and Investors LEAD us to where we are

In the past, at present and in the future, shareholders and investors have always supported us to move forward steadily. With this support, in 2019, we were able to achieve performance target with the revenue from sales of goods of 3,299.48 million baht, 16.7% higher from the previous year. Total net profit was at 402.73 million baht with export to more than 90 countries worldwide.

Community is the FAMILY

Our determination to improve the quality of people’s lives has always remained strong. In 2019, we focused to improve youth’s life quality through various projects as follows:

Drinking water development projects for 3 different schools:

1. Pak Khlong Phra Ajarn school, Bang Sombun subdistrict, Ongkharak district, Nakhon Nayok province
2. Ban Lat Chang school, Bueng San subdistrict, Ongkharak district, Nakhon Nayok province
3. Wat Rat Satthatham school, Chumpol subdistrict, Ongkharak district, Nakhon Nayok province

We also improved a school's infrastructure by renovating roof and bathrooms for students at Wat Nites School in Lamlukka district, Pathumthani province

To encourage SAPPE people to learn to give, **"90 Days You Burn, We Give"** campaign has been continued for two consecutive years. The purpose of this project was to persuade all employees to exercise not only for their better physical health but also for mental health as every calorie eliminated would become money donated to improve drinking water quality for schools in communities nearby.

As we believe that happiness can be created by ourselves and can be spread to one another endlessly, we encouraged youths to learn with joy both inside and outside of classrooms by implementing a SAPPE's platform called **"The 4 disciplines of execution"** to create innovations and happiness. Starting with **"Leader in Me"** project at Ruamjitprasat school, Bung Khohai subdistrict, Lamlukka district, Pathumthani province, by providing training courses e.g. 7 habits, leadership development, and numerous skills to give youths courage to be innovation leaders and to grow up to be a quality person, which will be a powerful source to drive communities and societies, making the world a better place for living.

By collaboration with the Khlong 13 Aquaculture Research and Development Center, we conserved communities' water sources by releasing more than 200,000 local species of fish, e.g. carp, barb fish and stripped catfish, to the canals. This project is to balance the ecosystem and to promote community's ways of life to use and maintain water sources sustainably.

We donated clothes and belongings to Baan Nokkamin Foundation under **"Old Yours, New Mine"** campaign, an ongoing project for the 5 consecutive years.

We cooperated with the government sector through **"1 Local 1 Religious Place ... Pracharat Create Happiness"** campaign together with local administrative agencies and private sector nearby to renovate Nites Temple by implementing 5S principle for continuous development.

"Wan Whan Waan" is another project proven that we always support and care about our communities. Mr. Pramote Pradubyad, a project member successfully grew Aloe vera and received steady income from selling of Aloe Vera to support his family. Therefore, in 2019, he grew additional 3 Rais of Aloe Vera for more steady income in the future. His Aloe Vera farm can also be a model farm where he can share knowledge with other members. From this success, more people are interested in joining this project, becoming **"Wan Whan**

Waan" Project 2, increasing number of people who want to learn and grow with us.

The success of **"Wan Whan Waan"** has been extended to a new project, **"Knowledge to Communities"**, by promoting people to use the knowledge gained to develop Aloe Vera based products for their community, increasing the opportunity of future steady income.

We have operated business with standard and responsibility to society and environment by implementing an environmental management system complied with ISO 14001. We have publicized the system to be a guidance for environmental problem solutions, together with conducting environmental protection and pollution prevention measures.

Anti-Corruption Policy

The Company realizes and places an emphasis on corporate management according to ethics, morals and good corporate governance principles to make the operations transparent and traceable, to ensure that the Company has a policy to specify appropriate responsibilities, guidelines and operating regulations, to prevent corruption in all business activities of the Company, and to allow decisions and operations of the business that may be at risk of corruption to be considered and practiced prudently. In 2019, the Company therefore reviewed and updated the anti-corruption policy to be the clearer guideline for operations and developments of business into the organization of sustainability.

1. Definition

Corruption means all forms of bribery in order to present, commit, give, claim, accept assets or money, or persuade people, those with duties in government agencies, private sectors, business partners, etc., to do anything that is illegal or against good morals, including other inappropriate benefits. The corruption also includes using positions or information received from operations to act in a manner that will benefit one's own, companions, and other people for their actions or omissions which will bring about inappropriate benefits from business, except in the case that laws, regulations, announcements, regulations, customs and traditions or conservative trade allow to do.

2. Roles and Responsibilities

2.1 The Board of Directors supervises the establishment of clear anti-corruption policies and guidelines and the communication to all levels of the organization and to outsiders for putting into practice.

2.2 The Audit Committee is responsible for reviewing financial and accounting reports, internal control and audit systems, and risk management to be sufficient and appropriate for efficiency and effectiveness in accordance with relevant standards and reporting those results to the Board of Directors.

2.3 The Risk Management Working Group is responsible for conducting risk assessments related to corruption as well as establishing measures and guidelines to prevent risks from corruption including tracking and reporting to the Audit Committee and the Board of Directors.

2.4 The management is responsible for bringing the anti-corruption policy into practice and communicating to all relevant parties, promoting and supporting policies to raise awareness against anti-corruption, and reviewing the suitability of various systems and measures to be consistent with changes, regulations, and legal requirements of the business regularly.

2.5 Directors, executives, employees, and subsidiaries have to understand and comply with the anti-corruption policy.

3. Guidelines for Compliance with the Anti-Corruption Policy

The anti-corruption policy covers all activities that the Company operates. The directors, executives, employees, and subsidiaries have to comply with the anti-corruption policy and guidelines as follows:

3.1 No directors, executives, employees, and subsidiaries of the Company are allowed to request, proceed, or accept any forms of corruption, either directly or indirectly, from all departments involved.

3.2 Employees should not neglect or ignore when seeing actions that are considered a corruption in relation to the Company. They must notify the supervisor or the person in charge and cooperate in the investigation of various facts. If there are any doubts or questions, consult with the supervisor or a person in charge of following up compliance with the Company's code of ethics through various channels specified.

3.3 The Company will provide fairness and protection for employees who refuse or report a corruption related to the Company in accordance with the policy established.

3.4 Person who commits corruption are against the Company's code of ethics. She/he must be therefore considered for disciplinary action in accordance with the regulations set by the Company. In addition, she/he may be punished by law if his/her act is illegal.

3.5 The Company recognizes the importance of disseminating, educating and understanding other people performing duties related to the Company or possibly affecting it in matters of compliance with the anti-corruption policy. In this regard, the Company will

communicate and publicize both inside and outside the organization to strengthen and support knowledge, understanding, and cooperation to stop those wanting to commit corruption through various and appropriate channels, such as new employee orientation, intranet, posts on the Company's publicity signs, subsidiaries, website, annual report, circulars, etc.

3.6 The Company will establish a clear operational process. There will be a corruption risk assessment and a follow-up and review process on a regular basis to be in line with business changes and relevant laws.

3.7 The Company has set up a human resource management process reflecting the Company's commitment to anti-corruption measures since selection, training, performance evaluation, compensation and promotion.

3.8 Anyone who witnesses non-compliance with anti-corruption policy and measures have to report the issue urgently.

3.9 The Company is committed to creating and maintaining the organizational culture in which a corruption is unacceptable, whether it is a transaction with government and private sectors.

4. Channels for Reporting Clues and Protection

Personnel of the Company must not neglect or ignore any actions that may violate the anti-corruption policy. The Company provides the channels for complaints and protection measures in accordance with the protection policy for an employee who provides information regarding fraud.

5. Investigations and Penalties

When receiving clues, the person in charge will conduct the investigation or may assign a person or a department or a working group as a moderator to do it. If the investigation reveals that the information or evidence is reasonable to believe that the accused has committed a corruption, the Company will give the rights of the accused to be informed of the allegations and to prove himself or herself by seeking additional information or evidence showing that s/he is not involved in the alleged fraud. If the accused actually commits a corruption, she/he; whether directors, executives, or employees; who is considered to be violations of the Company's anti-corruption policy will have to be considered disciplinary punishment in accordance with the regulations set by the Company. And if such corruption is against the law, the offender may be subject to legal punishment. However, the disciplinary action according to the Company's regulations, decisions of individual, department or a working group that is responsible for inspecting is considered final.

The Company is committed to taking the anti-corruption seriously. Now, we had already announced our intention to participate in the said project since January 30, 2018 with the

self-assessment document regarding the anti-corruption measures (71 items of self-evaluation) which is currently being revised to comply with the recommendations of the Thai Institute of Directors. The process will be completed within the specified time.

In addition, the Company has established guidelines to control and prevent risks associated with a corruption to have proper control and management through various tools existing, such as the Company's operating manual defining roles and responsibilities of each party clearly and the budget usage schedule of each matter that must be approved by the department head. In addition, the Risk Management Working Group meeting also notes the matter in the Company's risk register, specifies a risk registration and guideline to especially prevent the risk of corruption, evaluates it every quarter, etc.

Being aware of the importance of the anti-corruption and ensuring that the policy will be implemented concretely, the Company arranges a training session about the anti-corruption policy for new employees annually to make employees aware of the Company's ideology of conducting business with integrity and understand the roles and practices to against a corruption. In 2019, the Company conducted a total of 12 training sessions, with a total of approximately 31 employees.

The Company has never had any disputes or cases associated with a corruption.

In addition, Sappe operates the business in accordance with the 8 principles of the Securities and Exchange Commission covering various matters as follows:

1. Fair Business Operation
2. Anti-Corruption
3. Respect for Human Rights
4. Fair Treatment to Labor
5. Responsibility to Consumers
6. Environmental Preservation
7. Community or Society Development
8. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders.

These can be summarized by activities/processes and by stakeholder groups below:

Stakeholders	Activities / Processes	8 Principles
Employees	Lunch & Learn	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor 4. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
	Free Breakfast for employees	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor
	Happy B Day	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor
	Twist to Sappe Family	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor
	5S in Sappe Style	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Anti-Corruption 3. Respect for Human Rights 4. Fair Treatment to Labor
	New Product Development (NPD)	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor

Stakeholders	Activities / Processes	8 Principles
Employees	90 Days You Burn, We Give	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Fair Treatment to Labor
Customers	Newly Released Products	<ol style="list-style-type: none"> 1. Responsibility to Consumers 2. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
Suppliers	Supporting a Company establishment for a Supplier Project	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Environmental Conservation 4. Community or Society Development 5. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
	Joint Development for Standard Certification Applications Project	<ol style="list-style-type: none"> 1. Responsibility to Consumers 2. Environmental Conservation 3. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
Shareholders - Investors	Good Dividends	<ol style="list-style-type: none"> 1. Respect for Human Rights 2. Responsibility to Consumers
Community and Society	Leader In Me	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Community or Society Development 4. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
	Wan Whan Waan	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Community or Society Development 3. Respect for Human Rights 4. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
	Drinking Water Development Project	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Community or Society Development 3. Respect for Human Rights 4. Responsibility to Consumers 5. Environmental Conservation
	Public Utility Promotion	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Community or Society Development 3. Respect for Human Rights 4. Responsibility to Consumers 5. Environmental Conservation

Stakeholders	Activities / Processes	8 Principles
	Old Yours, New Mine Year 5	CSR after process <ol style="list-style-type: none"> 1. Respect for Human Rights 2. Community or Society Development
	Water Resource Conservation in Communities	CSR after process <ol style="list-style-type: none"> 1. Respect for Human Rights 2. Community or Society Development
	Products Support to Communities on Various Occasions	CSR after process <ol style="list-style-type: none"> 1. Respect for Human Rights 2. Community or Society Development
	1 Local 1 Religious Place ... Pracharat Create Happiness	CSR after process <ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Environmental Conservation 4. Community or Society Development 5. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders
	Knowledge to Communities	<ol style="list-style-type: none"> 1. Fair Business Operation 2. Respect for Human Rights 3. Environmental Conservation 4. Community or Society Development 5. Innovation and innovation dissemination derived from responsible business operations to society, environment, and stakeholders

These deliveries are what we have been trying to achieve as promise, ***“We better people’s lives through our innovative spirit”***. We believe that a journey over a long distance is not going with the fastest speed but with the teams who encourage one another to think, support each other and harvest the journey’s experiences together, becoming the happiest story when the goal is reached.

The Company realizes the importance of good internal control because the inspection leads to efficient operation. The Company entrusts the Audit Committee with reviewing the operation to ensure that the Company is equipped with appropriate and efficient internal control and audit. Similarly, this includes the compliance with the securities and exchange act laws, the regulations of the Stock Exchange of Thailand in relation to the Company's operation.

As per the Company's Board of Directors meeting no. 1/2563 on 26 February 2020, with 3 audit committee's members in attendance, the Board's meeting assessed the adequacy of the Company's internal audit in 2019 in line with the guidelines prescribed by the Committee of Sponsoring Organizations of the Treadway Commission: COSO ("the Assessment") with the May edition 2013. The Audit Committee's opinions can be described below:

1. Control Environment

The Company deploys a good internal control environment that is suitable and enough by using the dissemination of ethics as an organizational culture. Below are a clear management structure and job assignments.

- The Company has prepared good corporate governance policy and Code of Conduct, and the guidelines in writing and circulate them to directors, management and employees.
- The roles and responsibilities of the Board of Directors are visibly sectioned off from those of the management. An organizational structure, the lines of command and the authority are devised in line with the evolving business landscape.
- Human resource management policies such as recruitment, training, remuneration, are stated in writing.

2. Risk Assessment

The Company values the importance of risk management and has, thus, appointed a Risk Management Working Group to establish the risk management policies and framework of the Company. It is tasked with reviewing key risks related to the Company's operation, such as management, finance, data security, law and regulations. It works to offer preventive measures and how to curb risk levels to an acceptable degree. The unit follows up, evaluates and continually overhauls the operational plans to cope with risks and are suitable for business landscapes.

3. Control Activities

In an attempt to ensure the Company's efficient operation, the Company determines appropriate preventive schemes and risk management. So, the Company implements significant control measures e.g. the control and supervision policies of subsidiaries and associates, an authority manual, the Charter of committees and leading management, etc., so that they serve as a framework for directors, management and employees.

Likewise, the Company has collected information on strategic shareholders, directors, management, including connected persons, in order to follow and review connected transactions or transactions that may cause conflicts of interest. The Company has installed technological control measures by overseeing the infrastructure of the technological system to ensure suitability and controlling the security of the technological systems in terms of data access, data transmission, importing data into the system, to name but a few. As for each certain level, there is a restriction of the rights to those assigned to involve the data.

4. Information & Communication

The Company offers efficient and effective information systems and communication channels, both internal and external, which can be listed as follows:

- Internal Communication The management and employees receive news via the e-mail. In addition, employees are allowed to publicize activities relating to the Company at visible areas at the Rama 9 offices and both factories. These aim to ensure that information and public relations activities can be completed through various channels, for the purpose of maximum communication success.
- External Communication The Company frequently provides all stakeholders with information. The information must be true, accurate, complete and sufficient on a timely manner through a range of channels that can be accessed thoroughly and equally. Examples are the Stock Exchange of Thailand's website and the Company's website. Some working units such as the Investor Relations Team are tasked with information communication to external stakeholders.
- The Company provides a special communication channel for employees to provide information about legal or behavioral guideline offences. They are stated in writing as the Guidelines for Receiving Complaints and Protection.

5. Monitoring Activities

The Company employs a compliance inspection regarding the internal control on a quarterly basis. This is performed by an internal audit team who is appointed by the Audit Committee. The results of which are directly reported to the Audit Committee.

In addition, an annual follow-up and appraisal of the internal control system are performed. The activity follows the internal control guidelines regulated by the Securities and Exchange Commission in a bid to ensure the adequacy and the appropriateness of the internal control system. An improvement must be executed after any fraud has been found.

The Audit Committee does not offer different or contradictory opinions against the Board of Directors.

The Report of the Audit Committee

The Audit Committee of Sappe Public Co., Ltd. ("Company") consists of 3 independent directors who are knowledgeable, capable, expertise and qualified as prescribed by the Charter of the Audit Committee. Mr. Padungdej Indralak is the chairman of the Audit Committee and Ms. Kannigar Triyangkulsri and Mr. Surath Pralongsilp are the Audit Committee members. All 3 Audit Committee members are not involved in the management, including not being executives, staffs, or employees in the Company, subsidiaries and other affiliated companies.

Throughout 2019, the Audit Committee performed duties in the scope of duties and responsibilities according to the Charter of the Audit Committee that the Board of Directors has given approval and perform duties in accordance with the scope of regulations and guidelines set by the Stock Exchange of Thailand including reviewing of the good corporate governance, reviewing of financial statements, reviewing of the accuracy and appropriateness of the disclosure of connected transactions between the Company and related parties and transactions that may have conflicts of interest, strict reviewing of the suitability of internal control systems and continuous development of internal control systems, and strict supervising of the internal audit department. The Audit Committee has also selected and proposed to the Board of Directors and to a meeting of shareholders to appoint the certified auditor of the Company, including consideration of compliance with professional requirements, performance, quality of the service and appropriateness of the remuneration of the auditors.

The Audit Committee was aware of the duties and responsibilities of overseeing the Company to operate in accordance with the policy of the Board of Directors with efficiency and transparency and to be able to be inspected in every step to ensure that the Company continuously developed the good corporate governance.

In 2019, the Audit Committee has independently and completely performed duties as assigned and has attended the meetings with the management, the auditors, and the internal auditors according to 5 relevant agenda which can be summarized as follows:

1. Comments about Accuracy, Completeness, and Reliability of the Company's Financial Reports

The Audit Committee reviewed the quarterly financial statements and the Company's financial statements for the year 2019 before proposing to the Board of Directors for consideration and approval of the Annual General Meeting of Shareholders for the year 2020 to ensure that the financial reports, connected transactions between the Company and related parties, and transactions that may lead to conflicts of interest, and disclosure of important information were

prepared correctly, completely and reliably. The Audit Committee also invited the auditors to attend the meeting on the agenda of reviewing the quarterly financial statements and the financial statements for the year 2019 in order to ask about important issues and to ensure that the said financial statements are consistent with the accounting standards and the financial reporting standards.

In addition, the Company allocated time for the Audit Committee to meet the auditors without the presence of the management team at least once a year to give an opportunity to discuss various issues according to the guidelines in line with the announcement of the Stock Exchange of Thailand.

2. Comments on the Appropriateness of the Auditors

The Audit Committee inspected independence, professional expertise, knowledge and experience, and performance and service quality that the auditors of KPMG Phoomchai Audit Ltd. After reviewing the appropriateness of the remuneration, the Audit Committee agreed that the auditors from KPMG Phoomchai Audit Ltd. performed duties, expressed opinions and provided useful suggestions in the preparation of financial reports and improvements on the internal control of the Company.

After evaluating the performance of the auditors in the past year, the Audit Committee forwarded the results to the Board of Directors meeting to propose to the Annual General Meeting of Shareholders for the year 2020 to consider the remuneration and appoint the auditors of KPMG Phoomchai Audit Ltd. to be the auditors of the Company for the year 2020 continually. The auditors were to be rotated every 5 years as specified by the Securities and Exchange Commission.

3. Supervision of the Internal Control Systems, Preparation of the Internal Control System Audit Plan, and Evaluation of the Sufficiency of the Company's Internal Control Systems

The Audit Committee ensures that the internal control systems of the Company are inspected and revised to ensure appropriateness and stability. The Committee appointed an independent external company to act as the internal control system auditor (Internal Auditor) and to consider the plan for the internal control systems of the Company for the year 2019. It reviewed the report of the internal auditor's audit performance on a quarterly basis and enforced the internal auditor to follow the progress on issues proposed for improvement. It aimed to ensure that the management department took appropriate actions within the specified time after the management department agreed with the proposals of the Audit Committee on the issues that the internal auditor detected from operations.

Moreover, the Audit Committee appointed P&L Corporation Company Limited as the internal auditor of the Company for 2020 and considered the plan for the internal control systems of 2020.

The Audit Committee and the Board of Directors evaluated the sufficiency of the internal control systems on an annual basis according to the international standards “The Committee of Sponsoring Organizations of the Treadway Commission: COSO” to ensure that the internal control evaluation is effective enough for the operations of the Company.

4. Compliance with Laws on Securities and Exchange, the Requirements of the Stock Exchange, or Laws Related to the Company's Business

After the Audit Committee reviewed the operations in accordance with laws on securities and exchange, requirements, announcements, regulations of the Securities and Exchange Commission and the Stock exchange of Thailand, and other laws related to the operations, they are of the opinion that the Company successfully complied with laws and relevant requirements, announcements and regulations.

5. Review of Transactions that may have Conflicts of Interest

The Audit Committee reviewed the transactions of the Company, including the transactions that may cause conflicts of interest in 2019, with subsidiaries or connected persons. It was intended to ensure that they were common operations which were performed for the maximum benefit of the Company. No transfer of benefits, nor any action against business ethics and Code of Conduct of the Company was founded. On the contrary, transactions were supervised to be consistent with laws, regulations, announcements and rules of the Securities and Exchange Commission and the Stock exchange of Thailand regarding the disclosure of information of transactions that may have conflicts of interest.

6. Review of the Good Corporate Governance of the Company

The Audit Committee promoted the Company's good corporate governance and oversaw the operations of the Company in accordance with the principles and guidelines for the good corporate governance of the Stock Exchange of Thailand. The Audit Committee strictly and fully complied with the said guidelines and determined the audit of the internal control systems of the Company to ensure that the Company complied with the supervision guidelines appropriately and consistently. This was to ensure the Company's acceptance and build confidence among shareholders and all interested parties.

7. Evaluation of the Performance of the Audit Committee

The Audit Committee evaluated the performance of the Audit Committee on an annual basis. In 2019, the appraisal of the performance of the Audit Committee covered 4 categories: (1) qualifications and independence of the Audit Committee (2) duties and responsibilities of the Audit Committee (3) the meeting of the Audit Committee and (4) receiving information from the company and a training. The Audit Committee has suggested important issues for the Company to improve its performance.

In conclusion, the Audit Committee performed the duties and responsibilities as outlined in the Charter of the Audit Committee approved by the Board of Directors by using sufficient knowledge, ability, carefulness, prudence, and independence for the equal benefit of all stakeholders. The Audit Committee is of the opinion that the financial reports of the Company are accurate, reliable, compliant with the generally accepted accounting standards. The Company has appropriate and effective internal control management, consistent operation in accordance with the good corporate governance system, and compliance with laws, regulations, and obligations relating to the Company's operations

On behalf of the Audit Committee,



(Mr. Padungdej Indralak)
Chairman of the Audit Committee

The Audit of the Internal Control System according to the Opinion of the Internal Auditor

The Company employed the internal auditor from the outsource, P&L Corporation Company Limited, to be the internal auditor for 2019, with quarterly reviews. The internal auditor inspected the internal control system according to the plan approved by the Audit Committee to evaluate the sufficiency and appropriateness of the internal control system of the Company and audited whether or not the Company fully complied with the internal control system.

At the meeting of the Audit Committee in 2019, the internal auditor from the external agency attended every meeting with the Audit Committee to report the results of the internal control system audit of the Company. The internal auditor summarized the audit results and issues found during the audit, along with providing recommendations and a report of the follow-up of the internal control system improvement of the previous quarter to the meeting. When these points were acknowledged at the meeting of the Audit Committee, the management was assigned to resolve various issues as suggested by the internal auditor completely.

In addition, according to the Charter of the Audit Committee of the Company, the Audit Committee has the duty to approve the appointment, transfer, and dismissal of the head of the Internal Audit department or any other departments responsible for internal auditing. The Audit Committee is of the opinion that the internal auditor of the Company are experts in internal control system auditing and has experiences in internal auditing for companies listed on the Stock Exchange of Thailand. The background of the internal auditor supervisor is shown in the attachment 3 in the annual registration statement (Form 56-1).

Summary of Accounting Observations and Recommendations based on the Opinions of the Auditor

At the Audit Committee meeting no. 1/2563 on February 21, 2020, KPMG Phoomchai Audit Ltd. (Auditor) who is the auditor of the Company attended the meeting with the Audit Committee to summarize accounting observations and suggestions. From the audited financial statement of the Company for the year ending on December 31, 2019, it was concluded that the Company prepared the financial statements that were duly and appropriately in accordance with the financial reporting standards.

Connected Transactions

1. The summary of the details of connected transactions between the Company and the persons who may have conflicts of interest yearly ending December 31, 2019

The Company executed transactions with persons and juristic persons that may have conflicts of interest. The relationships can be summarized as follows:

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
Persons / Juristic Person that may have a conflict of interest of Sappe Public Company Limited				
1. Sappe Europe s.r.o. ("Sappe Europe")	<ul style="list-style-type: none"> The Company is a major shareholder holding 60.00% of Sappe Europe's paid-up share capital 	<ul style="list-style-type: none"> Raw materials sold for the production Revenue from sales Accounts receivable 	5.96 1.39	<ul style="list-style-type: none"> Pricing is in accordance with market price, the same guideline as set for other non-related parties or organizations.
	<ul style="list-style-type: none"> € 0.24 million of short-term loan with interest rates of 4% per annum Short-term loans 	7.89 (7.89)		<ul style="list-style-type: none"> The short-term loans offered to Sappe Europe are financial support provided by the former shareholders. The Company, subsequently, made an agreement for purchasing debt from the former shareholders by assigning interest rates comparable to market rates.
	Deduct allowance for doubtful accounts			
	Net			
	- Interest income		0.32	
	- Accrued interest receivables		2.27	
	Deduct net allowance for doubtful accounts		(2.27)	
	Net			
Movements during the Year				
	Balance at the beginning of the year		8.69	
	- Loans		-	
	- Repayment		-	
	- Differences from changes in foreign exchange rates		(0.80)	
	- Allowance for doubtful accounts		(7.89)	
	Balance at the end of the year		-	
2. Sappe Holding (Thailand) Co., Ltd. ("Sappe Holding")	<ul style="list-style-type: none"> A wholly owned subsidiary of The Company 	<ul style="list-style-type: none"> Other Accounts receivable 	0.83	

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
3. Toyox Trading (Thailand) Co., Ltd. ("Toyox")	<ul style="list-style-type: none"> The Ruckariyapongs, the Company's major shareholder, holds 68.00% of Toyox's paid-up share capital Same authorize director, Mr. Adisak Ruckariyaphong 	<ul style="list-style-type: none"> Factory equipment purchased from Toyox to use in the Company's production process 	0.17	<ul style="list-style-type: none"> Purchase price is based on market price, the same guideline as set for other non-related parties or organizations
4. Hayashi Products Co., Ltd. ("Hayashi")	<ul style="list-style-type: none"> The Ruckariyapongs, the Company's major shareholder, holds 100.00% of Hayashi's paid-up share capital Same authorize directors, Mr. Adisak Ruckariyaphong and Mr. Anupap Ruckariyapong 	<ul style="list-style-type: none"> Rent out warehouse space of the Company's factory at Klong 13 at 10,000 Baht per month with warehouse management cost at 80 baht per a carton of product <ul style="list-style-type: none"> - Other income - Other Accounts receivable Factory equipment purchased from Hayashi to use in the Company's production process 	0.36 0.03 0.03	<ul style="list-style-type: none"> To utilize the Factory's space to the maximum and the rental fee is close to the market price Purchase price is based on market price, the same guideline as set for other non-related parties or organizations
5. 3T Engineering Co., Ltd. ("3T")	<ul style="list-style-type: none"> Authorized directors and major shareholders are Mr. Anupap Ruckariyapong, Mr. Adisak Ruckariyaphong, and Mr. Natee Onin, holding 80.00%, 10.00% and 10.00% of 3T's paid-up share capital, respectively 	<ul style="list-style-type: none"> Machinery and equipment purchased from 3T to use in the Company's production process Other accounts payable 	0.75 0.28	<ul style="list-style-type: none"> Purchase price is based on market price, the same guideline as set for other non-related parties or organizations
6. On Fifth Co., Ltd. ("On Fifth")	<ul style="list-style-type: none"> Mr. Anupap Ruckariyapong is an authorized director and a major shareholder, holding 30.00% of On Fifth's paid-up share capital 	<ul style="list-style-type: none"> Catering services 	0.11	<ul style="list-style-type: none"> Pricing is in accordance with market price, the same guideline as set for other non-related parties or organizations.

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
7. Mr. Anan Ruckariyapong	<ul style="list-style-type: none"> An authorized director and the President, holding 1.63% of the paid-up share capital (Percentage of shares as of 30 December 2019) 	<ul style="list-style-type: none"> Rental fee of Bangchan's land and factories with total area of 2 rai, 1 ngan, 88.20 square wahs. Lease contract started from 1 October 2016 to 30 September 2019. The 3rd year rental fee (October 2018 - September 2019) is 451,116 baht per month. The company has extended the contract for 3 years, starting from 1 October 2019 to 30 September 2022. The rental fee for the 1st year (October 2019 - September 2020) is 464,649 baht per month. Deposit of 3 months rental fee will be refunded when the contract ends. 	5.45	<ul style="list-style-type: none"> The lease of land and factories facilitates the operation and production. In this, instead of investing on the said land and buildings with large amount of fund, the Company's limited amount of capital is allocated to other necessary investments for the benefit of the Company. The lease rate of land with factory building is similar to that of the market prices.
8. Ruckariyapong Family, consisting of 6 persons as follows:			1.17	
<ul style="list-style-type: none"> Mr. Anan Ruckariyapong 	<ul style="list-style-type: none"> An authorized director, the President and a shareholder of 1.63% of the paid-up share capital (Percentage of shares as of 30 December 2019) 	<ul style="list-style-type: none"> Rental fee of land at Klong 13 with total area of 97 rai 3 ngan 49 square wahs. 20-year Lease contract started from 1 October 2013 to 30 September 2033. The 6th year rental fee (October 2018 - September 2019) is 168,924 baht per month and the 7th year rental fee (October 2019 - September 2020) is 172,303 baht per month Deposit of rental fee will be refunded when the contract ends. 	2.04	<ul style="list-style-type: none"> The lease of land and factories facilitates the operation and production. In this, instead of investing on the said land and buildings with large amount of fund, the Company's limited amount of capital is allocated to other necessary investments for the benefit of the Company. The lease rate of land with factory building is similar to that of the market prices.
<ul style="list-style-type: none"> Mr. Adisak Ruckariyaphong 	<ul style="list-style-type: none"> An authorized director, Chairman of Executive Committee and a shareholder of 17.16% of the paid-up share capital (Percentage of shares as of 30 December 2019) 			
<ul style="list-style-type: none"> Mr. Annupap Ruckariyapong 	<ul style="list-style-type: none"> An authorized director, Chief Operating Officer and a shareholder of 18.64% of the paid-up share capital (AG SINGAPORE BRANCH as a Custodian, 3.29%) (Percentage of shares as of 30 December 2019) 			
<ul style="list-style-type: none"> Miss Piyajit Ruckariyapong 	<ul style="list-style-type: none"> Director, Chief Executive Officer and a shareholder of 17.83% of the paid-up share capital (Percentage of shares as of 30 December 2019) 		1.06	

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
<ul style="list-style-type: none"> ● Mrs. Somnuek Isoonpisansiri ● Mr. Thanarat Ruckariyapong 	<ul style="list-style-type: none"> ● A shareholder of 1.53% of the paid-up share capital (Percentage of shares as of 30 December 2019) ● A shareholder of 18.18% of the paid-up share capital (Percentage of shares as of 30 December 2019) 			
9. Mr. Veeravooth Phuchanakit	<ul style="list-style-type: none"> ● The spouse (de facto) of Ms. Piyajit Ruckariyapong, an authorized director who is authorized by the Company and the Chief Executive Officer 	<ul style="list-style-type: none"> ● Management consulting fee 	1.20	<ul style="list-style-type: none"> ● Service fee is in accordance with market price, the same guideline as set for other non-related parties or organizations.
10. The Conte Co., Ltd. ("The Conte")	<ul style="list-style-type: none"> ● Ms. Nantiya Worapratheep, the spouse of Mr. Anak Lapsuksatit (Chief Financial Officer) is an authorized director and a major shareholder holding 99.80% of The Conte's paid-up capital shares 	<ul style="list-style-type: none"> ● Management consulting fee 	7.10	<ul style="list-style-type: none"> ● Service fee is in accordance with market price, the same guideline as set for other non-related parties or organizations.
11. Sappe Trading (Hong Kong) Co.,Ltd. ("Sappe Trading HK")	<ul style="list-style-type: none"> ● A wholly own subsidiary of Sappe Holding. ● The same authorized directors, Mr. Adisak Ruckariyaphong and Mr. Anupap Ruckariyapong 	<ul style="list-style-type: none"> ● Other Accounts receivable 	0.20	
12. Sappe Trading (Shanghai) Co., Ltd. ("Sappe Shanghai")	<ul style="list-style-type: none"> ● A wholly own subsidiary of Sappe Hong Kong Co., Ltd. ("Sappe HK"). ● The same authorized director, Ms. Piyajit Ruckariyapong 	<ul style="list-style-type: none"> ● Other Accounts receivable Deduct Allowance for doubtful accounts Net 	<div> <div>9.87</div> <div>(9.87)</div> <div>-</div> </div>	

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
13. All Coco Group Co., Ltd. ("All Coco Group")	<ul style="list-style-type: none"> • A subsidiary of Sappe Holding, holding 51.00% of All Coco Group's registered share capital • The same authorized directors, Mr. Adisak Ruckariyapong and Ms. Piyajit Ruckariyapong. 	<ul style="list-style-type: none"> • The company has monthly service and operating income and sales of spare part • Other accounts receivable • The company bought coconut-based products for sale <ul style="list-style-type: none"> - Products purchase - Trade accounts payable • Entertaining expense incurring from the purchase of coconut products • Machinery and equipment purchased from All Coco Group to use in the production process • Other accounts payable • 4.80 million baht of short-term loans with interest rates of 3.2% per annum. On 28 August 2019, ACG repaid the loan in the amount of 0.21 million baht. <ul style="list-style-type: none"> - Short-term loans - Interest income - Accrued interest receivables <p>Movements during the Year</p> <p>Balance at the beginning of the year</p> <ul style="list-style-type: none"> - Loans - Repayment - Balance at the end of the year 	<p>0.18</p> <p>1.49</p> <p>17.15</p> <p>2.51</p> <p>0.47</p> <p>0.53</p> <p>0.31</p> <p>4.59</p> <p>0.15</p> <p>0.45</p> <p>4.80</p> <p>-</p> <p>0.21</p> <p>4.59</p>	<ul style="list-style-type: none"> • The short-term loan is used as working capital of Coconut Factory group of companies, with interest rates comparable to the market rates.
14. All Coco Co., Ltd. ("All Coco")	<ul style="list-style-type: none"> • An indirect subsidiary of Sappe Holding and a wholly owned subsidiary of All Coco Group 	<ul style="list-style-type: none"> • 3.20 million Baht of short-term loans with interest rates of 3.2% per annum. On 30 August 2019, ACG repaid the loan in the amount of 0.14 million baht. <ul style="list-style-type: none"> - Short-term loans - Interest income - Accrued interest receivables <p>Movements during the Year</p> <p>Balance at the beginning of the year</p> <ul style="list-style-type: none"> - Loans - Repayment - Balance at the end of the year 	<p>3.06</p> <p>0.10</p> <p>0.29</p> <p>3.20</p> <p>-</p> <p>0.14</p> <p>3.06</p>	<ul style="list-style-type: none"> • The short-term loan is used as working capital of Coconut Factory group of companies, with interest rates comparable to the market rates.

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
15. Danone Sappe Beverages Co., Ltd. ("Danone")	<ul style="list-style-type: none"> • An associated company of Sappe Holding, holding 25.00% of the Danone's registered share capital 	<ul style="list-style-type: none"> • Sale of Finished Products <ul style="list-style-type: none"> - Revenue from sales - Accounts receivable • Transportation revenue • Revenue from monthly service and operation • Other accounts receivable • Purchase of finished products for sale <ul style="list-style-type: none"> - Purchase of products - Accounts payable 	<ul style="list-style-type: none"> 8.68 14.38 0.59 13.39 10.32 186.58 42.81 	<ul style="list-style-type: none"> • Pricing is in accordance with market price, the same guideline as set for other non-related parties or organizations.
Persons / Juristic Persons that may have a conflict of interest of Sappe Europe s.r.o – Subsidiary				
1. Mr. Milan Bucek	<ul style="list-style-type: none"> • A shareholder of Sappe Europe, holding 20.00% of the paid-up share capital. 	<ul style="list-style-type: none"> • Accrued dividends payment with an agreement to pay from Sappe Europe's profits in the amount of €109,076.03 	3.68	<ul style="list-style-type: none"> • Accrued dividends are in accordance with Sappe Europe's regulations which require the dividends of Mr. Milan Bucek to be paid in full amount. Subsequently, remaining parts of the profit are allocated as per the proportion of the payable investment.
2. Mr. Ing. Ivan Ježo	<ul style="list-style-type: none"> • A shareholder of Sappe Europe, holding 20.00% of the paid-up share capital. 	<ul style="list-style-type: none"> • € 0.02 million of short-term loan (no interest charged). <p>Movements during the Year</p> <ul style="list-style-type: none"> Balance at the beginning of the year - Differences from changes in foreign exchange rates Balance at the end of the year 	0.84 0.93 (0.09) <u>0.84</u>	<ul style="list-style-type: none"> • Short-term loan is used to support Sappe Europe's business operations.
3. Italmarket Slovakia, a.s. ("Italmarket")	<ul style="list-style-type: none"> • Same shareholder, Mr. Ing. Ivan Jezo, holding 20.00% of Sappe Europe's paid-up share capital and 17.17% of Italmarket's paid-up share capital 	<ul style="list-style-type: none"> • Sales of products to Italmarket. <ul style="list-style-type: none"> - Revenue from sales - Accounts receivable • Transportation cost from products distribution by Italmarket 	5.64 0.50 0.03	<ul style="list-style-type: none"> • Pricing is in accordance with market price, the same guideline as set for other non-related parties or organizations. • The price is similar to that of the market price

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
		<ul style="list-style-type: none"> • €0.08 million of short-term loan with interest rate of 2% per annum. - Short-term loans - Interest expense - Accrued interest payable 	<ul style="list-style-type: none"> • The short-term loan is used to support Sappe Europe's business operations with interest rates comparable to the market rates. 	
		Movements during the Year Balance at the beginning of the year - Differences from changes in foreign exchange rates Balance at the end of the year	2.70 0.06 0.52 2.97 (0.27) 2.70	
Persons / Juristic Persons that may have a conflict of interest of Sappe Holding (Thailand) Co., Ltd. – Subsidiary				
1. Sappe Trading (Shanghai) Co., Ltd. ("Sappe Shanghai")	<ul style="list-style-type: none"> • A wholly owned subsidiary of Sappe HK • Same authorized director, Ms. Piyajit Ruckariyapong 	<ul style="list-style-type: none"> • Sales promotion and marketing in China expenses and Commission - Other accounts receivable Deduct Allowance for doubtful accounts Net 	37.77 (37.77) -	<ul style="list-style-type: none"> • Pricing is in accordance with market price, the same guideline as set for other non-related parties or organizations.
Persons / Juristic Persons that may have a conflict of interest of All Coco Group Co., Ltd. – Indirect subsidiary				
1. Mrs. Waraporn Manasrungssee	<ul style="list-style-type: none"> • An authorized director and executive 	<ul style="list-style-type: none"> • 6.50 million baht of a short-term loan with interest rates of 3.2% per annum was repaid in the amount of 2.83 million baht on 28 August 2019 - Short-term loans - Interest expense - Accrued interest payable 	3.67 0.15 0.35 6.00 (2.33) 3.67	<ul style="list-style-type: none"> • Short-term loan is used as working capital for All Coco group of companies, with interest rates comparable to the market rates.
		Movements during the Year Balance at the beginning of the year - Repayment Balance at the end of the year	6.00 (2.33) 3.67	

Person / Juristic Person that may have conflict of interest	Relationship	Transaction Type	Value of Connected Transaction, 2019 (million baht)	Pricing Policy and / or Reasonableness of the Transactions
2. Mrs. Trakarnjit Suteesophon	<ul style="list-style-type: none"> An authorized director 	<ul style="list-style-type: none"> 6.50 million baht of a short-term loan with interest rates of 3.2% per annum was repaid in the amount of 2.83 million baht on 28 August 2019. - Short-term loans - Interest expense - Accrued interest payable 	<div> <div>3.67</div> <div>0.15</div> <div>0.35</div> </div>	<ul style="list-style-type: none"> Short-term loan is used as working capital for All Coco group of companies, with interest rates comparable to the market rates.
		<u>Movements during the Year</u> Balance at the beginning of the year - Repayment Balance at the end of the year	<div> <div>6.50</div> <div>(2.83)</div> <div>3.67</div> </div>	
		<ul style="list-style-type: none"> Rental of factory land 	0.33	

2. Necessity and Reasonableness of Connected Transaction

The Audit Committee has reviewed the connected transactions with the related parties or organizations for the fiscal year ending 31 December 2019 as detailed above and has been of the opinion that the said transactions were necessary and reasonable. For example, a trade of products, machinery and equipment are a normal business practice of the company. The transaction has general commercial conditions which is in accordance with the market price and can be compared with transactions made with other third parties not related to the company. Furthermore, the contract of land and buildings lease to be used as the company's production plants, their rental prices were based on the appraised value of the independent property appraiser. Therefore, the transactions were all reasonable and fair and did not cause the company to lose any benefits.

3. Measures or Procedures for Approving Connected Transactions

The Board of Directors has considered transactions that may have conflicts of interest or related transactions under ethical framework by screening them according to the policy and procedures for approving connected transactions which are in accordance with the law on Securities and Stock Exchange, regulations, announcements, orders, or requirements of the Securities and Exchange Commission, the Capital Market Supervisory Board, and the Stock Exchange of Thailand involving in the said matter. In addition, the Board of Directors has also considered the compliance with the requirements regarding the disclosure of connected transaction information of the company or subsidiaries in accordance with the accounting standards prescribed by the Institute of Certified Accountants and Auditors of Thailand. In this regard, any person who may have a conflict of interest or have an interest in the transactions cannot participate or vote for approving the said transactions.

In case that the law requires approval from the Board of Directors or at the shareholders' meeting of the company, the company will invite the Audit Committee to attend the meeting to consider and comment on the necessity of doing the transactions and the reasonability of such transactions.

Commercial Transactions with General Trade Conditions

For the transactions which are the commercial transactions with general commercial conditions occurring between the company or subsidiaries and a person who may have a conflict of interest or have an interest in the future, the company has specified frameworks of the said transactions which were considered and approved by the Audit Committee and were officially approved by the Board of Directors. When conducting the said transactions, the management of the company can approve the transaction conduction whereby the transactions must include a trade agreement in the same way that a reasonable person will do with general contracting parties in the same situation with the bargaining power without influence of a director, executive or related person (Arm's Length Basis). And the transactions must be a business transaction that the company or subsidiaries operate normally to do business or a business transaction in which companies in the same business as the company or subsidiaries tend to conduct to support their normal business. The business transaction must include a fair price and conditions, must not cause the transfer of benefits, and must include the following commercial conditions:

- 1) Price and conditions that the company or subsidiary receive or give to general public
- 2) Price and conditions that the connected persons give to the general public
- 3) Price and conditions that the company can show that other business operators also give those to the general public

In addition, in case of having any business transactions with Arm's Length Basis, the management of the company will a decision maker. After the management's approval, a summary report of the said connected transactions will be conducted to report to the meeting of the Board of Directors to acknowledge. In case that the Audit Committee and the Board of Directors find that some actions are taken in violation of the established policies, the Audit Committee and the Board of Directors will work together to find solutions.

Commercial Transactions with No General Trade Condition or Other Transactions

In case that the commercial transactions did not include general commercial conditions or the commercial transactions occur between the company or a subsidiaries and a person who may have a conflict of interest or have an interest in the future, the company must propose to the Audit Committee to consider and comment on the necessity and appropriateness of the transactions, including the appropriateness of the price and conditions in those transactions. There must be a comparison of the price in those and the price made with third parties or the market price before presenting to the Board of Directors and / or the shareholders' meeting for further approval. In case that the Audit Committee is not skilled in considering any related transactions, the company will have an independent expert or the company's auditors to give an opinion on them instead. Therefore, the opinion will be used in the decision of the Audit Committee, the Board of Directors and / or the shareholders' meeting. In this regard, any person who may have a conflict of interest or have an interest in the transactions cannot participate or vote for approving the said transactions.

Policy or Trend of Future Connected Transactions

The company anticipated that in the future, the connected transactions will be normal business transactions as usual, including taking the interests of the company and its subsidiaries into account and without additional special items and transfer of benefits to each other. For the pricing policies between related parties, pricing will be the normal price of the business as the price specified for other unrelated parties / businesses. The future financial assistance to subsidiaries will continue as necessary and appropriate, such as a trade of products or costs of mutual marketing. However, for any connected transactions that may occur in the future, the Board of Directors must comply with the securities and exchange laws, regulations, announcements, orders, or requirements of the Securities and Exchange Commission, the Capital Market Supervisory Board, and the Stock Exchange of Thailand. It also includes the compliance with the requirements regarding the disclosure of connected transaction information of the company or subsidiaries in accordance with the financial reporting standards specified by the Federation of Accounting Professions.

2019 Thailand Economic Conditions and 2020 Outlook

According to the Office of the National Economic and Social Development Board (NESDB), the Thai economy in the fourth quarter of 2019 expanded by 1.6%, the lowest in over five years. This was a slower growth from the previous year's rate of 2.6% and the market's expected rate of 1.9%. For the full year of 2019, Thai economy expanded by 2.4%, slower pace compared to the growth rate in 2018 of 4.2%. The economic situations can be described below.

For the full year, the total export value was 243 billion USD, decreased by 3.2%; the export revenue in baht terms reduced by 7.0%. However, a decrease in export value in December by 1.3% was lower than the previous month's rate of 7.4%, representing positive signals resulted by the first phase of US-China trade agreement and the more stable manufacturing sector of the leading countries. This might indicate the slight improvement in future demand.

Regarding total consumption in 2019, the private consumption rose by 4.5% and the government consumption expanded 1.4%. In the fourth quarter of 2019, private consumption grew by 4.1% continued from the previous quarter's growth at the rate of 4.3% with supporting factors from low interest and inflation rates, government policies, and increased expenses of Thai people living abroad. The growth of household expenditure in this quarter was in line with key indicators of expenditure, especially VAT on hotel and restaurant industry, volume index of oil sales, and household electricity consumption volume.

However, in the last quarter of 2019, the index of consumer confidence in overall economy was at the level of 56.8, lower than the previous quarter's rate of 60.8. The government consumption expenditure decreased by 0.9% compared to 1.7% expansion in the previous quarter. This was partially caused by delay in budget enactment which can be noticed from decrease of budget disbursement rate; the fourth quarter's total budget disbursement rate was 22.8%, lower than the rate of 29.8% in the same quarter of the previous year.

Regarding Thailand's other economic aspects, the total investment in 2019 rose by 2.2% with 0.2% expansion of public investment and 2.8% expansion of private investment. Total import value was 216 billion US dollar, decreased by 5.4% compared to 13.7% expansion in 2018. Decrease of import value resulted from decrease of domestic demand which was in line with 2018 average inflation rate of 0.7% and core inflation rate of 0.5%, respectively decreased from the previous year's rates of 1.1% and 0.7%.

Office of the National Economic and Social Development Board is expecting the Thai economy in 2020 to grow 1.5 – 2.5%, announced on 17 February 2019, due to the limitations caused by the outbreak of coronavirus disease 2019, increasing drought severity, and delay of budget enactment. However, Thailand's economy in the remaining period of this year is expected to expand with supporting factors from (1) slowly recovering global economy resulted from the less pressure from trade measures, the decreased risks from the United Kingdom's decision to leave the European Union without doing agreement, and the easing monetary policy, (2) satisfied expansion of domestic demand in household expenditure and private and public investments, (3) enforcement of government measures to help farmers, people with meager income, SMEs, and grassroots economy of tourism industry and private investment, and (4) low economic expansion in the last quarter of 2019.

However, Krungsri Research Center forecasted a slowdown in GDP growth in 2020 with the rate of 1.5%, decreased from the expected rate of 2.5%, due to lack of economic enforcement from government and tourism expenditures, worse-than-expected drought severity, and weak import. Meanwhile, Kasikorn Research Center predicted effect of the outbreak of coronavirus disease 2019 on Thailand's economic growth in 2020 and revised down the economic growth rate from 2.7% to 2.5%, considered together with the expected short-term stimulus measure to relief economic destruction from the coronavirus pandemic. Though growth rate of 0.5% was the lowest rate since the subprime crisis in 2009 and Thailand may encounter the risk of technical recession in the first half of the year due to negative growth rate compared to the previous quarter's rate, the situation occurred as a result of natural factor not structural factor which was cause of the destruction in 1997 thereby Thailand's economy might be able to rapidly recover after the outbreak end. Also, Thailand's economy tends to positively expand in the second half of this year.

Operating Results and Financial Position Discussion and Analysis

Operating Results and Financial Position Overview

The Company manufactures and distributes beverages in Thailand and foreign countries. International sales revenue ratio has constantly increased since 2016. However, in this year, it slightly decreased from the previous year's ratio of 66.5% to 58.3% resulted from increase of the sales of All Coco Group Co., Ltd., the subsidiary, which manufactures and distributes the aromatic coconut products, and the sales of the associated company, Danone Sappe Beverages Co., Ltd., which launched the new product (B'lue Fruit-flavored Vitamin Water) and gained most of its sales from domestic sales since the quarter 1/2019.

At present, the Company has 2 more subsidiaries including Sappe Europe s.r.o, which is registered in Slovakia to manufacture, distribute, and market Sappe Aloe Vera Drink in Europe, and Sappe Holdings (Thailand) Co., Ltd., which is registered in Thailand to provide administration services for affiliated companies.

The Company's total revenue in 2016 – 2019 were 2,792 million baht, 2,746 million baht, 2,885.9 million baht, and 3,386.9 million baht respectively. Most of total revenue was from revenue from sales of goods.

Revenue from sales of goods

Regional revenue from sales of goods of 2016 – 2019 can be analyzed below.

Revenue from sales of goods	2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Total	3,299.5	100.0	2,826.9	100.0	2,687.3	100.0	2,712.5	100.0
Domestic	1,376.0	41.7	945.9	33.5	981.4	36.5	958.3	35.3
International	1,923.5	58.3	1,881.0	66.5	1,705.9	63.5	1,754.2	64.7

From 2016 to 2019, the Company gained the revenue from sales of goods of 2,712.5 million baht, 2,687.3 million baht, 2,826.9 million baht, and 3,299.5 million baht respectively. The revenue from sales of goods for 2019 skyrocketed by 16.7% from the previous year.

Revenue from sales of goods for 2019 grew due to increase of the sales in Thailand, launching of new product of B'lue, and merging business of All Coco Group as a subsidiary.

Domestic sales revenue was remarkable due to addition of the new product, B'lue, added to the Company's product portfolio at the end of the quarter 1/2019. The Company rapidly expanded its selling channels, covered throughout the country. Also, feedback from consumers was at the satisfying level. All Coco products sales revenue increased with the penetration of new selling channel, namely **"Out of Home"**, which has constantly grown. For the sales revenue of products under the brand of Sappe, there were growths in the main products of Beauti Series (Sappe Beauti Drink and Sappe Beauti Jelly) and the new products in the healthier snack category such as Maxtive and Denosh brands.

International sales revenue slightly grew due to the pressure of Thai baht appreciation, which had occurred the whole year since January 2019, and the crisis in Middle east market. However, the Company still chose to operate business in the high-potential countries with high profit margin and focused on marketing and selling channels expansion in those countries in order to increase sales revenue ratio to diversify concentration risk of foreign market. Also, the Company launched the new products, such as B'lue, All Coco, and Sappe Beauti Drink, in the foreign market. International sales revenue for 2020 is expected to grow in accordance with the Company's fundamental since the Thai baht tends to constantly depreciate and a recovery sign of the Middle East market from the previous year's downturn.

The leading products with robust overseas sales were Mogu Mogu and Sappe Aloe Vera Drink, juice or fruit flavored drinks with Nata de coco or aloe vera bits. Due to the distinctive points of selected ingredients and perfect refreshing mixed juice, Mogu Mogu gained the highest revenue and constantly contributed to the growth of international sales revenue. Meanwhile, the domestic sales revenue gained from health and beauty drinks including Sappe Beauti Drink, Preaw's instant coffee powder, and the new product of B'lue. Moreover, there was additional revenue from sales of All Coco products.

Details of total revenue from sales of goods divided into categories are detailed below.

Category of Product	2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
1. Functional Drink	547.6	16.6	327.2	11.6	362.8	13.5	324.3	12
2. Juice Drink	2,265.0	68.6	2,035.5	72.0	1,917.8	71.4	1,967.1	72.5
3. Functional Powder	296.9	9.0	307.7	10.9	375.8	13.9	385.4	14.2
4. RTD & Others	31.5	1	35.6	1.2	30.9	1.2	35.7	1.3
5. Healthier Snack	158.4	4.8	120.9	4.3	-	-	-	-
Total	3,299.5	100.0	2,826.9	100.0	2,687.3	100.0	2,712.5	100.0

Other Incomes

From 2016 to 2019, other incomes of the Company were 39.8 million baht, 40.6 million baht, 51.5 million baht, and 69.9 million baht respectively. Other significant incomes were transportation income gained from additional fee when the customer asks for delivery service, income from sales of scrap, interest income, and etc. The details are shown below.

Other Income	Consolidated Financial Statements							
	2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Transportation Income	18.5	26.4	17.1	33.2	15.4	37.8	20.4	51.3
Interest Income	2.1	3.1	0.6	1.2	2.5	6.2	0.7	1.8
Income from Sales of Scrap	2.8	4.0	3.5	6.7	1.5	3.6	5.5	13.7
Other	46.4	66.5	30.3	58.9	21.2	52.4	13.2	33.2
Total Other Income	69.9	100.0	51.5	100.0	40.6	100.0	39.8	100.0

Cost of sales of goods and Gross Profit

From 2016 to 2019 the Company's gross profit rates were 4.38%, 39.1%, 36.3% and 36.8% respectively. The increase of gross profit rate in 2019 was caused by a decrease in cost of sales of goods in 2019 from 63.7% in the previous year to 63.2%.

Unit: Million Baht	Consolidated Financial Statements							
	2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales of goods	3,299.5	100.0	2,826.9	100.0	2,687.3	100.0	2,712.5	100.0
Cost of sales of goods	2,083.8	63.2	1,799.8	63.7	1,637.3	60.9	1,523.9	56.2
Gross Profit	1,215.7	36.8	1,027.1	36.3	1,050.0	39.1	1,188.6	43.8

The 2019 cost of sales of goods was low due to the decreased prices of raw materials and packaging materials and improved factory managements, such as reduction of production waste, reduction of plastic usage, and better production planning assisted by Danone Group. Although there were merging of B'lue and All Coco of which cost of sales of goods-to-income ratios were higher than the Company's current products, the ratio was still in the satisfying level at 63.2% of sales revenue, decreased by 0.5 pts. from 63.7% in the same period of the previous year.

If B'lue and All Coco were not included, the ratio of the current brands directly managed under Sappe would be 58.8%, decreased by 3.6 pts. year-over-year.

Selling and Administrative Expenses

In 2019, the Company's selling expense was 14.5% of total revenue, increased from 13.3% in the previous year. This was mainly resulted from increase of sales and marketing activities for the new products of B'lue and the merge of All Coco Group.

Administrative expense in 2019 was 290.7 million baht, increased from 265.5 million baht in the previous year by 9.5% since the Company acquired the All Coco Group and included into the consolidated financial statements. If analyzed, the ratio of administrative expenses to total revenue was 8.6%, increased by 0.6 pts. from 9.2% in the same period of the previous year since the Company was able to manage the increase of administrative expense to be lower than growth of total revenue.

Unit: Million Baht	Consolidated Financial Statements							
	2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Distribution Costs	490.1	14.5	383.5	13.3	363.5	13.2	506.3	18.1
Administrative Expenses	290.7	8.6	265.5	9.2	242.6	8.8	263.5	9.5
Total Selling & Administrative Expenses	780.8	23.1	649.0	22.5	606.1	22.0	769.8	27.6
Total Revenue	3,386.9	100.0	2,885.9	100.0	2,746.0	100.0	2,792.0	100.0

Finance Cost

In 2019, the Company's financial cost was 1.1 million baht, increased from the previous year of 0.9 million baht since the Company acquired the All Coco Group and included into the consolidated financial statements.

Corporate Income Tax

In 2019, the Company's corporate income tax expense was 100 million baht or 19.9% of earnings before income tax.

Share of Profit (Loss) from Investments in Associates

In 2019, the Company reported 18.3 million baht of loss from investments in associates of Danone Sappe Beverage Company Limited (calculated with shareholding proportion of 25%). The loss was from sales and marketing investments to build brand awareness according to the plan.

Net Profit

The 2019 Net profit was 402.7 million baht or 11.9% of total revenue increased from 351.4 million baht or 12.2% of total revenue year on year.

Financial Position Analysis

Assets

Total asset of the Company and its subsidiaries at the end of 2019 amounted to 3,389.9 million baht, divided into current assets of 1,943.9 million baht and non-current assets of 1,446.1 million baht, increased from the total assets for 2018 of 2,922.9 million baht by 16%. The main cause of this growth is increase of temporary investments and account receivables due to expansion of business.

Liabilities

Total liabilities of the Company and its subsidiaries at the end of 2019 amounted to 646.2 million baht, divided into current liabilities of 602.7 million baht and non-current liabilities of 43.5 million baht, increased from the total liabilities for 2018 of 499.4 million baht by 146.8 billion baht.

Shareholders' Equity

Shareholders' equity of the Company and its subsidiaries at the end of 2019 was 2,743.8 million baht, increase by 13.2% to 320.2 million baht compared to the shareholders' equity for 2018 of 2,423.5 million baht. The main cause of this growth was an increase in retained earnings of 1,312.5 million baht, calculated by adding net profit for 2018 of 402.7 million baht and subtracting dividend payment of 200.8 million baht.

Cash Flow

Summary of Cash Flow of Sappe Public Company Limited and Subsidiaries

	2019	2018	2017	2016
Net Cash flow from Operating Activities	605,655,849	433,473,242	712,113,596	671,157,532
Net Cash flow from Investing Activities	(387,579,109)	(216,882,071)	(765,491,877)	(276,781,230)
Net Cash flow from Financing Activities	(209,018,592)	(199,638,061)	(149,442,663)	(117,270,344)
Cash and Cash Equivalents on 1st January	172,637,193	155,684,171	358,505,286	84,782,572
Effects of Sales of Investments in Subsidiaries	-	-	-	(3,343,108)
Effects of Foreign Exchange Year- end Balance	(296)	(88)	(171)	(40,136)
Total Cash and Cash Equivalents on 31st December	181,695,045	172,637,193	155,684,171	358,505,286

The Company and its subsidiaries' net cash as of 31 December 2018 was 172.6 million baht. The net cash flow from operating activities was 605.6 million baht, mainly resulted from a growth in the 2019 net profit of 402.7 million baht.

Net cash flow spent from investing activities was 387.6 million baht. The main components of investment were temporary investment and long-term investment with the total amount of 250 million baht, investment in PPE of 92.9 million baht (including machinery maintenance and modification to support the production of Danone Sappe Beverages Co., Ltd.), and investment in associated company (Danone Sappe Beverages Co., Ltd.). Net cash flow spent from financing activities was 209 million baht with the main expense of dividend payment of 200.8 million baht. The Company and its subsidiaries' ending cash balance as of 31 December 2019 was 181.7 million baht.

Key Financial Ratios

Liquidity Ratio

At the end of 2019, the liquidity ratio of the Company and its subsidiaries was 3.23 times and the quick liquidity ratio was 2.77 times. In the other words, the amount of current assets was quite greater than the amount of current liabilities.

Debt to Equity Ratio

At the end of 2019, the debt to equity ratio of the Company and its subsidiaries was 0.24 time and the interest coverage ratio was 405.8 times. This represents strong financial structure and flexibility of future financing provided by financial institutes.

Return on Equity Ratio

Though the shareholders' equities grew due to increase of retained earnings, at the end of 2019, the return on equity ratio of the Company and its subsidiaries was 15.59%, increased from the 2018's ratio of 15.03%, caused by a rising net profit.

Summary of Factors Impacting on Future Operations

The external factors impacting on the Company's operation, are as follows:

- 1) Change of competition and business conditions in Thailand and overseas, impacting growth of highly competitive beverage market
- 2) The Thai baht against US dollar exchange rate
- 3) Potential increase in cost as some of raw material goods, such as sugar, PET resin, are commodities

(For more details of risk factors and risk mitigation measures, please see Risk Factors section)

The Company is aware of these external factors and uses them for analysis and strategic adjustments for Company's operation to cope with the changing situation

The investors can learn more details about the issuer company from Annual Registration Statement (Form 56-1) provided on www.sec.or.th or the Company's website, www.sappe.com

Report of the Board of Directors' Responsibilities to Financial Reporting

The Board of Directors is responsible for the financial statements of Sappe Public Company Limited ("Company") and its subsidiaries, which are prepared in accordance with financial reporting standards under the Accounting Act B.E. 2543, the Accounting Profession Act B.E. 2547, the interpretation and guidelines on accounting issued by the Federation of Accounting Professions, and the Securities and Exchange Act B.E. 2535. Regarding the preparation of financial reports, the Company has chosen and implemented under the appropriate accounting policies consistently, including sufficient disclosure of important information in the notes of financial statements and unconditional procurement of comments on the financial statements of the Company in the auditors' reports.

In addition, the Board of Directors is responsible for overseeing, establishing, and maintaining the internal control and risk management to ensure that accounting records are accurate, complete, timely and sufficient to maintain assets as well as preventing fraud or committing an offense against the Company. In this regard, the Board of Directors has appointed the Audit Committee consisting of independent directors overseeing financial statements and assessing the internal control and internal audit systems for efficiency and effectiveness. For this reason, The Board of Directors is of the opinion that, with the internal control and internal audit systems of the Company, the Company can build confidence that the Company's financial statements and financial reports are accurate in substantial.

On behalf of the Board of Directors,



Mr. Anan Ruckariyapong
(Director)



Mr. Arnupap Ruckariyapong
(Director)

Independent Auditor's Report

To the Shareholders of Sappe Public Company Limited

Opinion

I have audited the consolidated and separate financial statements of Sappe Public Company Limited and its subsidiaries (the “Group”) and of Sappe Public Company Limited (the “Company”), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and 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 consolidated and separate 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 our professional judgment, were of most significance in our audit of the consolidated and separate financial statement of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statement as a whole, and in forming our opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of inventories	
Refer to Notes 4 (g) and 11 to the consolidated and separate financial statements.	
The key audit matter	How the matter was addressed in the audit
As there is high competition in both local and overseas markets for health and functional drinks, new products are continuously launched to attract customers and fulfil their changing needs. Consequently, the products of the Group and the Company have short lives, their sales and selling prices are subject to the market situation, and long-outstanding inventories may result. The Group's and the Company's inventories are stated at the lower of cost and net realisable value which involves management's judgment. This is an area of focus in my audit.	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Inquiry of the management to obtain an understanding of the Group's and the Company's policy in relation to setting provision for inventories and reviewing the Group's and the Company's compliance with this policy; - Understanding and evaluating the design and effectiveness of internal controls relevant to inventory management and attending inventory counts and observing the condition of inventories; - Testing the accuracy of inventory aging by checking samples to relevant supporting documents; - Testing the valuation of inventories by comparing their costs against their expected net realisable values less relevant selling expenses, and checking samples of the related supporting documents; and - Considering the adequacy of disclosure in accordance with the financial reporting standard.
Accrued promotional expenses	
Refer to Notes 4 (p) and 18 to the consolidated and separate financial statements.	
The key audit matter	How the matter was addressed in the audit
There is high competition in both local and overseas markets for health and functional drinks. The Group offers customers several types of promotional offers to compete with its competitors. The Group has accrued promotional expenses for these offers based on statistical information, and management's judgment on the behaviour of both local and overseas customers, and the type of offer. This is an area of focus in my audit.	<p>My audit procedures included:</p> <ul style="list-style-type: none"> - Inquiry of the management to obtain an understanding of the Group's policy in relation to accruing promotional expenses and reviewing the Group's compliance with this policy; - Understanding and evaluating the design and effectiveness of internal controls relevant to the sales process and estimation of accrued promotional and marketing expenses; - Testing the calculation of accrued promotional expenses by checking to samples of related supporting documents; - Testing that accrued promotional expenses related to offers active as at year end and in the year by checking to samples of related supporting documents; and - Considering the adequacy of disclosure in accordance with the financial reporting standard.

Business acquisition	
Refer to Notes 4 (a), and 5 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>During 2019, the Group completed the acquisition of All Coco Group Co., Ltd, which provides producing and distributing coconut products, by additional acquiring 11% of the issued and paid-up capital for purchase consideration of Baht 42.35 million. The Group completed the purchase price allocation in July 2019. Following the completion of the acquisition, All Coco Group Co., Ltd. became an indirect subsidiary of the Company.</p> <p>The purchase price allocation is a judgmental exercise, requiring the Group to determine the fair value of assets acquired and liabilities assumed and consideration transferred with any resulting differences recognised as goodwill.</p> <p>Due to the materiality of the transactions and the significant judgment involved in determining the fair value of assets acquired and liabilities assumed, I considered the purchase price allocation for recognition of goodwill from indirect subsidiary is the key audit matter.</p>	<p>My audit procedures included</p> <ul style="list-style-type: none"> - Reading the share sales and purchase agreement to understand key terms and conditions; - Evaluating the assessment by the Group of the identification of all the assets acquired and liabilities assumed and consideration transferred; - Evaluating the assumptions and methodologies underpinning the valuations such as growth rate, discount rate and percentage of expenses per revenue with reference to external and internal sources and testing mathematical calculation; - Evaluating independence and qualification of the independent appraiser of the Group; - Involving KPMG specialist to evaluate key assumptions, identification of the intangible assets, valuation methodology and mathematical accuracy; - Use the work of expert engaged by KPMG in evaluating methodologies and key assumptions of the valuation; and - Considering the adequacy of the Group's disclosures in accordance with Thai Financial Reporting Standards.

Impairment of goodwill arising from business combination of a subsidiary	
Refer to Notes 4 (a), 4 (k), 5, 13 and 16 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>During 2019, the Group completed the acquisition of All Coco Group Co., Ltd. by acquiring 11% of the issued and paid-up capital, affecting to the percentage of holding interest of the Group increased from 40% to 51% with consideration transferred of Baht 42.35 million which resulted in recording goodwill of Baht 90.90 million. The Company's management considered that current economic is still uncertain which may affect to the indirect subsidiary of the Company that are manufacturing and distributing coconut products. The operating results of the indirect subsidiary may be significantly less than its plan. The Company's management determines recoverable amounts by utilizing the value in use model. As a result, the future cash flows may lower than the carrying amount of investments in indirect subsidiary and impairment of investment may be required.</p> <p>Due to the materiality of the transactions and the significant judgment of management involved in the impairment assessment of goodwill and investments considers whether the carrying amount of the assets exceeds the recoverable amount, the estimated future cash flows, growth rates and the discount rates. Consequently, I consider that this is a significant matter.</p>	<p>My audit procedures included :</p> <ul style="list-style-type: none"> - Inquiring of management to obtain an understanding of the process used for assessing the reasonableness of the expected recoverable amounts and preparing cash flow projection from management approved budget; - Assessing the reasonableness of the future cash flows by comparing historical operating result, current operating result and future plan of indirect subsidiary; - Considering the reasonableness of assumptions of revenue growth rate compare with the economic growth rate and the indirect subsidiary's business plan; - Evaluated the financial parameters applied to the discount rate; - Assessing the suitability of the discount rate applied to the future cash flows and benchmarked this against other companies in the industry; - Performing the sensitivity analysis of key assumption; and - Considering the adequacy of disclosure in accordance with the financial reporting standard.

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 consolidated and separate financial statements and my auditor's report thereon.

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

In connection with my audit of the consolidated and separate 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 consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I conclude that there is a material misstatement therein, 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 Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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



(Sureerat Thongarunsang)
Certified Public Accountant
Registration No. 4409

KPMG Phoomchai Audit Ltd.
Bangkok
26 February 2020

Statement of financial position

Sappe Public Company Limited and its Subsidiaries

Assets	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2019	2018	2019	2018
(in Baht)					
Current assets					
Cash and cash equivalents	7	181,695,045	172,637,193	124,386,959	159,558,463
Current investments	8	1,132,132,459	915,805,084	1,132,132,459	915,805,084
Trade accounts receivable	6, 9	352,869,006	248,959,379	334,594,602	244,365,478
Other receivables	6, 10	40,948,620	36,716,696	42,867,835	36,783,020
Short-term loans to related parties	6	-	8,000,000	7,650,000	8,000,000
Inventories	11	216,897,035	213,776,297	188,977,242	209,636,457
Other current assets		19,334,890	8,666,900	18,666,106	7,647,183
Total current assets		1,943,877,055	1,604,561,549	1,849,275,203	1,581,795,685
Non-current assets					
Investment in associates	5, 12	29,744,235	142,008,984	-	-
Investment in subsidiaries	5, 13	-	-	290,161,757	197,161,757
Other long-term investments	8	100,000,000	50,000,000	100,000,000	50,000,000
Property, plant and equipment	15	1,133,839,607	1,055,945,749	973,006,063	1,052,462,714
Goodwill	5, 16	90,898,858	-	-	-
Other intangible assets	17	56,062,414	52,302,487	46,517,849	52,302,487
Deferred tax assets	27	14,957,209	12,792,180	14,921,300	12,792,180
Other non-current assets	6	20,587,289	5,295,678	5,368,738	5,295,678
Total non-current assets		1,446,089,612	1,318,345,078	1,429,975,707	1,370,014,816
Total assets		3,389,966,667	2,922,906,627	3,279,250,910	2,951,810,501

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

Statement of financial position

Sappe Public Company Limited and its Subsidiaries

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2019	2018	2019	2018
(in Baht)					
Current liabilities					
Bank overdrafts		-	948,461	-	-
Trade accounts payable	6	182,074,937	176,338,714	179,783,574	175,257,298
Other payables	6, 18	366,347,708	272,991,327	345,159,472	269,184,605
Current portion of long-term loans					
from financial institution		103,321	-	-	-
Short-term loans from related parties	6	10,975,396	3,984,049	-	-
Current portion of finance lease liability		6,503,844	296,106	-	-
Current tax payable		36,699,650	27,903,612	36,596,193	27,903,612
Total current liabilities		602,704,856	482,462,269	561,539,239	472,345,515
Non-current liabilities					
Long-term loans from financial institution		29,089	-	-	-
Finance lease liability		12,448,218	419,795	-	-
Deferred tax liabilities	27	2,570,796	-	-	-
Non-current provisions for employee benefits	19	20,302,955	12,434,680	19,955,202	12,434,680
Other non-current liability	6	8,141,254	4,049,469	-	-
Total non-current liabilities		43,492,312	16,903,944	19,955,202	12,434,680
Total liabilities		646,197,168	499,366,213	581,494,441	484,780,195

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

Statement of financial position

Sappe Public Company Limited and its Subsidiaries

Liabilities and equity	Note	Consolidated		Separate	
		financial statements		financial statements	
		31 December		31 December	
		2019	2018	2019	2018
(in Baht)					
Equity					
Share capital	20, 21				
Authorised share capital		308,438,080	308,438,080	308,438,080	308,438,080
Issued and paid-up share capital		304,378,080	304,368,080	304,378,080	304,368,080
Share premium on ordinary shares	20	975,607,543	975,342,956	975,607,543	975,342,956
Warrants	21	20,931,117	9,069,233	20,931,117	9,069,233
Retained earnings					
Legal reserve	22	30,843,808	30,843,808	30,843,808	30,843,808
Unappropriated		1,312,461,984	1,109,704,196	1,365,995,921	1,147,406,229
Difference arising from common					
control transactions	22	(4,365,342)	(4,365,342)	-	-
Currency translation differences	22	7,337,251	3,423,910	-	-
Equity attributable to owners					
of the parent		2,647,194,441	2,428,386,841	2,697,756,469	2,467,030,306
Non-controlling interests	14	96,575,058	(4,846,427)	-	-
Total equity		2,743,769,499	2,423,540,414	2,697,756,469	2,467,030,306
Total liabilities and equity		3,389,966,667	2,922,906,627	3,279,250,910	2,951,810,501

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

Statement of income

Sappe Public Company Limited and its Subsidiaries

		Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Revenue					
Revenue from sale of goods	6, 23	3,299,477,568	2,826,862,011	3,051,476,235	2,799,065,879
Other income	6, 24	69,919,411	51,540,442	65,584,971	49,898,364
Gain from change in interest in associate	5	10,081,532	-	-	-
Net foreign exchange gain		7,377,995	7,481,278	12,271,697	10,805,344
Total revenue		3,386,856,506	2,885,883,731	3,129,332,903	2,859,769,587
Expenses					
Cost of sales of goods	26	2,083,847,334	1,799,820,078	1,888,396,711	1,776,185,776
Distribution costs	26	490,110,418	383,488,002	456,897,873	379,571,707
Administrative expenses	26	290,698,512	265,480,143	265,396,680	283,138,682
Finance costs	6	1,116,117	183,777	232	71
Total expenses		2,865,772,381	2,448,972,000	2,610,691,496	2,438,896,236
Share of profit (loss) of associates	5, 12, 23	(18,346,282)	82,195	-	-
Profit before income tax expense		502,737,843	436,993,926	518,641,407	420,873,351
Tax expense	27	100,011,274	85,626,704	99,746,827	85,609,314
Profit for the year		402,726,569	351,367,222	418,894,580	335,264,037
Profit (loss) attributable to:					
Owners of the parent		403,062,676	351,550,736	418,894,580	335,264,037
Non-controlling interests	14	(336,107)	(183,514)	-	-
Profit for the year		402,726,569	351,367,222	418,894,580	335,264,037
Earnings per share					
Basic earnings per share	28	1.32	1.16	1.38	1.10
Diluted earnings per share		1.32	1.16	1.38	1.10

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

Statement of comprehensive income

Sappe Public Company Limited and its Subsidiaries

		Consolidated financial statements		Separate financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Profit for the year		402,726,569	351,367,222	418,894,580	335,264,037
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		4,354,730	2,757,935	-	-
Items that will not be reclassified to profit or loss					
Gains on remeasurements of defined benefit plans	19, 27	525,218	-	525,218	-
Other comprehensive income for the year, net of tax		4,879,948	2,757,935	525,218	-
Total comprehensive income for the year		407,606,517	354,125,157	419,419,798	335,264,037
Total comprehensive income (expense) attributable to:					
Owners of the parent		407,501,235	354,064,578	419,419,798	335,264,037
Non-controlling interests	14	105,282	60,579	-	-
Total comprehensive income for the year		407,606,517	354,125,157	419,419,798	335,264,037

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

Statement of changes in equity

Sappe Public Company Limited and its Subsidiaries

Consolidated financial statements											
Note	Retained earnings				Other components of equity				Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Issued and paid-up share capital	Share premium on ordinary shares	Warrants	Legal reserve	Unappropriated	Difference arising from common control transactions	Translating foreign operations	Total other components of equity			
(in Baht)											
Year ended 31 December 2018											
Balance at 1 January 2018											
	303,079,938	956,749,013	1,925,914	30,462,000	968,549,008	(4,365,342)	910,068	(3,455,274)	2,257,310,599	(4,907,006)	2,252,403,593
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners of the parent											
20, 21	1,288,142	18,593,943	(6,839,648)	-	-	-	-	-	13,042,437	-	13,042,437
21	-	-	13,982,967	-	-	-	-	-	13,982,967	-	13,982,967
29	-	-	-	-	(210,013,740)	-	-	-	(210,013,740)	-	(210,013,740)
Total contributions by and distributions to owners of the parent											
	1,288,142	18,593,943	7,143,319	-	(210,013,740)	-	-	-	(182,988,336)	-	(182,988,336)
Total transactions with owners, recorded directly in equity											
	1,288,142	18,593,943	7,143,319	-	(210,013,740)	-	-	-	(182,988,336)	-	(182,988,336)
Comprehensive income for the year											
Profit	-	-	-	-	351,550,736	-	-	-	351,550,736	(183,514)	351,367,222
Other comprehensive income	-	-	-	-	-	-	2,513,842	2,513,842	2,513,842	244,093	2,757,935
Total comprehensive income for the year											
	-	-	-	-	351,550,736	-	2,513,842	2,513,842	354,064,578	60,579	354,125,157
Transfer to legal reserve											
22	-	-	-	381,808	(381,808)	-	-	-	-	-	-
Balance at 31 December 2018											
	304,368,080	975,342,956	9,069,233	30,843,808	1,109,704,196	(4,365,342)	3,423,910	(941,432)	2,428,386,841	(4,846,427)	2,423,540,414

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

Statement of changes in equity Sappe Public Company Limited and its Subsidiaries

		Consolidated financial statements							
		Retained earnings		Other components of equity					
				Difference arising from common control transactions	Translating foreign operations	Total other components of equity	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		Issued and paid-up share capital	Share premium on ordinary shares	Warrants	Legal reserve	Unappropriated			
		Note							
(in Baht)									
Year ended 31 December 2019									
Balance at 1 January 2019		304,368,080	975,342,956	9,069,233	30,843,808	1,109,704,196	(4,365,342)	3,423,910	(941,432) 2,428,386,841 (4,846,427) 2,423,540,414
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners of the parent									
20, 21	Shares options exercised	10,000	264,587	(68,987)	-	-	-	-	205,600 - 205,600
21	Share-based payment transactions	-	-	11,930,871	-	-	-	-	11,930,871 - 11,930,871
29	Dividends	-	-	-	-	(200,830,106)	-	-	(200,830,106) - (200,830,106)
Total contributions by and distributions to owners of the parent		10,000	264,587	11,861,884	-	(200,830,106)	-	-	(188,693,635) - (188,693,635)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests with a change in control									
5		-	-	-	-	-	-	-	101,316,203 101,316,203 101,316,203
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	-	101,316,203 101,316,203 101,316,203
Total transactions with owners, recorded directly in equity									
		10,000	264,587	11,861,884	-	(200,830,106)	-	-	(188,693,635) 101,316,203 (87,377,432)
Comprehensive income for the year									
Profit									
		-	-	-	-	403,062,676	-	-	403,062,676 (336,107) 402,726,569
Other comprehensive income									
		-	-	-	-	525,218	-	3,913,341	4,438,559 441,389 4,879,948
Total comprehensive income for the year		-	-	-	-	403,587,894	-	3,913,341	407,501,235 105,282 407,606,517
Balance at 31 December 2019		304,378,080	975,607,543	20,931,117	30,843,808	1,312,461,984	(4,365,342)	7,337,251	2,971,909 2,647,194,441 96,575,058 2,743,769,499

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

Statement of changes in equity

Sappe Public Company Limited and its Subsidiaries

	Note	Separate financial statements					Total equity
		Issued and paid-up share capital	Share premium on ordinary shares	Warrants	Legal reserve	Unappropriated	
(in Baht)							
Year ended 31 December 2018							
Balance at 1 January 2018		303,079,938	956,749,013	1,925,914	30,462,000	1,022,537,740	2,314,754,605
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares options exercised		20, 21	1,288,142	18,593,943	(6,839,648)	-	13,042,437
Share-based payment transactions		21	-	-	13,982,967	-	13,982,967
Dividends		29	-	-	-	(210,013,740)	(210,013,740)
Total contributions by and distributions to owners							(182,988,336)
Comprehensive income for the year							
Profit			-	-	-	335,264,037	335,264,037
Total comprehensive income for the year			-	-	-	335,264,037	335,264,037
Transfer to legal reserve		22	-	-	381,808	(381,808)	-
Balance at 31 December 2018			304,368,080	975,342,956	9,069,233	30,843,808	2,467,030,306

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

Statement of changes in equity

Sappe Public Company Limited and its Subsidiaries

	Note	Separate financial statements					Total equity
		Issued and paid-up share capital	Share premium on ordinary shares	Retained earnings			
				Warrants	Legal reserve	Unappropriated	
				(in Baht)			
Year ended 31 December 2019							
Balance at 1 January 2019		304,368,080	975,342,956	9,069,233	30,843,808	1,147,406,229	2,467,030,306
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Shares options exercised	20, 21	10,000	264,587	(68,987)	-	-	205,600
Share-based payment transactions	21	-	-	11,930,871	-	-	11,930,871
Dividends	29	-	-	-	-	(200,830,106)	(200,830,106)
Total contributions by and distributions to owners							
		10,000	264,587	11,861,884	-	(200,830,106)	(188,693,635)
Comprehensive income for the year							
Profit		-	-	-	-	418,894,580	418,894,580
Other comprehensive income		-	-	-	-	525,218	525,218
Total comprehensive income for the year							
		-	-	-	-	419,419,798	419,419,798
Balance at 31 December 2019							
		304,378,080	975,607,543	20,931,117	30,843,808	1,365,995,921	2,697,756,469

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

Statement of cash flows

Sappe Public Company Limited and its Subsidiaries

		Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
	Note	2019	2018	2019	2018
		(in Baht)			
Cash flows from operating activities					
Profit for the year		402,726,569	351,367,222	418,894,580	335,264,037
<i>Adjustments to reconcile profit to cash receipts (payments)</i>					
Tax expense	27	100,011,274	85,626,704	99,746,827	85,609,314
Depreciation	15, 26	183,732,483	153,621,778	161,923,153	152,597,743
Amortisation of intangible assets	17, 26	7,544,275	7,244,810	7,412,026	7,244,810
Finance costs		1,116,117	183,777	232	71
Bad and doubtful debts expenses (reversal)	6, 9, 10	1,169,795	1,428,276	(297,220)	22,082,540
Losses on inventories devaluation (reversal)	11	1,886,954	(1,300,136)	2,644,307	(1,300,136)
Unrealised loss (gain) on exchange rates		(424,619)	1,095,417	767,115	1,645,472
Unrealised gain from current investment revaluation	8	(11,242,203)	(8,658,112)	(11,242,203)	(8,658,112)
Gain on sale of current investments	8	(5,085,172)	(1,935,136)	(5,085,172)	(1,935,136)
Gain from changes in interest in associate	5	(10,081,532)	-	-	-
Gain on sale of plant and equipment		(47,435)	(2,287,236)	(944,389)	(2,287,236)
Share of loss (profit) of interest in associates	23	18,346,282	(82,195)	-	-
Non-current provisions for employee benefits		8,902,130	4,121,655	8,742,045	4,121,655
Share-based payment	21	11,930,871	13,982,967	11,930,871	13,982,967
Interest income	24	(2,237,386)	(642,853)	(2,590,929)	(996,703)
Dividend income		(1,371,604)	-	(1,371,604)	-
		706,876,799	603,766,938	690,529,639	607,371,286
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		(71,982,710)	(45,903,987)	(90,380,918)	(45,251,754)
Other receivables		2,434,285	3,932,105	(5,401,743)	5,862,238
Inventories		10,051,549	(36,287,687)	18,014,908	(35,303,324)
Other current assets		(10,411,218)	(1,826,293)	(11,018,923)	(1,447,573)
Other non-current assets		63,511	(897,333)	(73,060)	(897,333)
Trade accounts payable		(959,937)	7,780,583	4,519,668	7,914,373
Other payables		65,711,976	4,979,742	77,930,645	(1,782,136)
Foreign currency translation differences of subsidiaries		(1,270,932)	2,556,805	-	-
Net cash generated from operating		700,513,323	538,100,873	684,120,216	536,465,777
Provisions for employee benefits paid		(565,000)	(435,000)	(565,000)	(435,000)
Taxes paid		(94,292,474)	(104,192,631)	(93,314,671)	(104,175,241)
Net cash from operating activities		605,655,849	433,473,242	590,240,545	431,855,536

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

Statement of cash flows

Sappe Public Company Limited and its Subsidiaries

	Note	Consolidated		Separate	
		financial statements		financial statements	
		Year ended 31 December		Year ended 31 December	
		2019	2018	2019	2018
(in Baht)					
Cash flows from investing activities					
Payment on investments in subsidiaries	13	-	-	(93,000,000)	-
Acquisition of subsidiary, net of cash acquired	5	6,570,780	-	-	-
Acquisition of associate	12	(50,000,000)	-	-	-
Acquisition of current investments	8	(1,600,000,000)	(1,340,000,000)	(1,600,000,000)	(1,340,000,000)
Proceeds from sale of current investments	8	1,400,000,000	1,340,000,000	1,400,000,000	1,340,000,000
Acquisition of other long-term investments	8	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Acquisition of plant and equipment		(92,859,757)	(167,547,841)	(84,881,515)	(168,508,686)
Proceeds from sale of plant and equipment		980,255	3,535,514	944,393	3,535,514
Acquisition of intangible assets		(5,879,377)	(3,256,597)	(1,618,984)	(3,256,597)
Proceeds from repayment of loans to related party	6	-	-	350,000	-
Interest received		2,237,386	386,853	2,047,487	385,330
Dividends received		1,371,604	-	1,371,604	-
Net cash used in investing activities		(387,579,109)	(216,882,071)	(424,787,015)	(217,844,439)
Cash flows from financing activities					
Repayment of bank overdraft		(948,461)	(99,469)	-	-
Proceeds from exercise of share options		205,600	13,042,437	205,600	13,042,437
Repayment of long-term loans		(88,091)	-	-	-
Payment by a lessee for reduction of the outstanding liability relating to a finance lease		(5,628,541)	(244,944)	-	-
Dividend paid to owners of the Company	29	(200,830,106)	(210,013,740)	(200,830,106)	(210,013,740)
Interest paid		(1,728,993)	(2,322,345)	(232)	(71)
Net cash used in financing activities		(209,018,592)	(199,638,061)	(200,624,738)	(196,971,374)
Net increase (decrease) in cash and cash equivalents, before effect of exchange rates		9,058,148	16,953,110	(35,171,208)	17,039,723
Effect of exchange rate changes on cash and cash equivalents		(296)	(88)	(296)	(88)
Net increase (decrease) in cash and cash equivalents		9,057,852	16,953,022	(35,171,504)	17,039,635
Cash and cash equivalents at 1 January		172,637,193	155,684,171	159,558,463	142,518,828
Cash and cash equivalents at 31 December	7	181,695,045	172,637,193	124,386,959	159,558,463
Non-cash transactions					
Outstanding payables for purchases of plant and equipment		5,718,375	6,704,778	4,289,769	6,704,778
Outstanding payables for purchases of intangible assets		95,238	86,834	95,238	86,834
Vehicle acquired by way of finance leases		381,416	715,901	-	-

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

Nores to the financial statements

Sappe Public Company Limited and its Subsidiaries

For the year ended 31 December 2019

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 26 February 2020.

1 General information

Sappe Public Company Limited, the “Company”, is incorporated in Thailand and was listed on the Stock Exchange of Thailand. The Company’s registered head office and branches as follows:

Head Office: 9/3 Serithai Road, Kannayao, Kannayao District, Bangkok.

Branch 1: 71 Ramkhamhaeng Road, Huamark, Bangkok District, Bangkok

Branch 2: 8 Moo 7, Puech-udom, Lamlukka District, Pathumthani

The principal activities of the Company are manufacturing and distributing health drinking and food product. Details of subsidiaries and associates as at 31 December 2019 and 2018 were as following;

Name of company	Nature of business	Country of incorporation /Nationality	Ownership interest (%)	
			2019	2018
Direct subsidiaries				
Sappe Europe s.r.o.	Distributing health drinking product	Slovakia	60	60
Sappe Holding (Thailand) Co., Ltd.	Group management service	Thailand	100	100
Indirect subsidiaries				
Sappe Trading (HongKong) Company Limited	Import, export and distribution of goods	Hong Kong	100	100
Sappe Hong Kong Company Limited	Group management service	Hong Kong	100	100
Sappe Trading (Shanghai) Co., Ltd.	Distributing health drinking product	People's Republic of China	100	100
All Coco Group Co., Ltd.	Producing and distributing coconut products	Thailand	51	40 (*)
with subsidiaries as follows :				
- All Coco Co., Ltd.	Distributing coconut products	Thailand	51	40 (*)
- K Best Farm Co., Ltd.	Providing and distributing domestic fresh coconut	Thailand	51	40 (*)
Indirect associates				
Danone Sappe Beverages Co., Ltd.	Distributing health drinking product	Thailand	25	-

(*) are indirect associates in 2018 (see Note 5).

2 Basis of preparation of the financial statements

(a) Statement of compliance

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

New and revised TFRS are effective for annual accounting period beginning on or after 1 January 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Group's accounting policies. There is no material impact on the Group's financial statements. The Group has initial applied TFRS 15 *Revenue from Contracts with Customers* ("TFRS 15") which replaces TAS 18 *Revenue* ("TAS 18"), TAS 11 *Construction Contracts* ("TAS 11") and related interpretations. The details of accounting policies are disclosed in note 4(r).

In addition, the Group has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Group's operations are disclosed in note 34.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Debt securities held for trading	Fair value
Share-based payment	Fair value
Defined benefit liability	Present value of the defined benefit obligation

(c) Functional and presentation currency

The financial statements are prepared in Thai Baht, which is the Company's functional currency.

(d) Use of judgements and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 3 / 4(r) and 23	Revenue recognition is recognised over time or at a point in time;
Note 14	Equity-accounted investees: whether the Group has significant influence over an investee

(ii) Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 5	Acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis;
Note 9	Measurement of allowance for doubtful debts of trade accounts receivable;
Note 12	Measurement of goodwill arising from acquisition of investment in associates;
Note 16	Impairment test of goodwill: key assumptions underlying recoverable amounts;
Note 19	Measurement of defined benefit obligations: key actuarial assumptions;
Note 21	Measurement of share-based payments; and
Note 27	Recognition of deferred tax asset: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

3 Changes in accounting policies

From 1 January 2019, the Group has adopted TFRS 15 using the cumulative effect method, taking into account the effect of initially applying this standard only to contracts that were not completed before 1 January 2019 as an adjustment to the retained earnings at 1 January 2019. Therefore, the Group has not restated the information presented for 2018, as previously reported under TAS 18 and related interpretations. The disclosure requirements of TFRS 15 have not generally been applied to comparative information.

Under TFRS 15, the Group recognises revenue when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and after deduction of any trade discounts and volume rebates. Judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. Under TAS 18, the Group recognised revenue from sale of goods when the significant risks and rewards of ownership of the goods were transferred to the buyer, and recognised revenue from rendering of services by reference to the stage of completion of the transaction at the end of the reporting period. No revenue was recognised if there was continuing management involvement with the goods or there were significant uncertainties regarding recovery of the consideration due.

(a) Payment to a customer

The Group makes payments to its retailers for product placement (“slotting fees”), promotion events or advertising. Under TAS 18, the Group recognised such amounts as distribution costs. Under TFRS 15, it is required that the Group will consider whether the Group receives distinct goods or services from the customer. If so, then the Group recognises such payments as an expense when the distinct goods or services are consumed. In contrast, if not, such payments are recognised as a reduction of revenue. If the payment exceeds the fair value of the goods or services received, then the excess is recognised as a reduction of revenue. As a result, this results in decreases in revenue and distribution costs.

(b) Commission fees payable

Under TAS 18, the Group recognised commission paid as distribution costs when incurred. Under TFRS 15, the Group capitalises these commission fees as costs of obtaining a contract (contract cost assets) when they are incremental and – if they are expected to be recovered. The Group amortises them on a basis that is consistent with the pattern of revenue recognition for the related contract. If the expected amortisation period is one year or less, then the commission fees are expensed when incurred. This change results in a decrease in distribution costs, recognition of contract cost assets and an increase in deferred tax liabilities.

TFRS 15 did not have any material impact on the Group's accounting policies with respect to other revenue streams (see Notes 23).

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Basis of consolidation*

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

Business combinations

The Group applies the acquisition method for all business combinations when control is transferred to the Group, as describe in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchase is recognised in profit or loss immediately.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Any contingent consideration is measured at fair value at the date of acquisition, and remeasured at fair value at each reporting date. Subsequent changes in the fair value are recognised in profit or loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, other professional and consulting fees are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisitions from entities under common control

Business combination under common control are accounted for using a method similar to the pooling of interest method. Under that method the acquirer recognizes assets and liabilities of the acquired businesses at their carrying amounts in the consolidated financial statements of the ultimate parent company at the moment of the transaction. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognized as surplus or discount from business combinations under common control in shareholder's equity. The surplus or discount will be transferred to retained earnings upon divestment of the businesses acquired.

The results from operations of the acquired businesses will be included in the consolidated financial statements of the acquirer from the beginning of the comparative period or the moment the businesses came under common control, whichever date is later, until control ceases.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of subsidiaries are changed where necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Non-controlling interests

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Thai Baht at the foreign exchange rates ruling at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rate ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity until disposal of the investment, except to extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

(c) *Derivative*

Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

(d) *Hedging*

Hedge of future foreign currency transactions

Gains and losses from forward exchange contracts used to hedge anticipated future currency transactions are deferred until the forecasted transaction occurs. Where the hedged item is a recognised asset or liability, it is translated at the contracted forward rates.

Foreign currency assets and liabilities hedged by forward exchange contracts are translated to Thai Baht at the contracted forward exchange rates.

(e) *Cash and cash equivalents*

Cash and cash equivalents in the statements of cash flows comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

(f) *Trade and other accounts receivable*

A receivable is recognised when the Group has an unconditional right to receive consideration. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

A receivable is stated at invoice value less allowance for doubtful accounts which is determined based on an analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

(g) *Inventories*

Inventories are measured at the lower of cost and net realisable value. Cost is calculated as follows:

Finished goods	- at standard cost which approximates current production cost, at weighted average cost.
Work in progress	- at standard cost which includes raw materials, variable labour and manufacturing overhead costs and
Raw materials, spare parts, factory supplies and others	- at weighted average cost

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity and is calculated using standard cost adjusted to approximate weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(h) Investments

Investments in associates and subsidiaries

Investments in subsidiaries in the separate financial statements of the Company are accounted for using the cost method. Investments in associates in the consolidated financial statements are accounted for using the equity method.

Investments in other debt securities

Debt securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

The fair value of financial instruments classified as debt securities held for trading is determined as net assets value at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(i) Property, plant and equipment

Recognition and measurement

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss.

Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

Land improvement	5-10	years
Buildings and building improvement	5-20	years
Machinery and equipment	3-15	years
Furniture, fixtures and office equipment	3-20	years
Vehicles	5-8	years

No depreciation is provided on freehold land, land reclamation recoded as part of land improvement and assets under construction.

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

(j) *Intangible assets*

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4(a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investee, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licences	3-10 years
Trademarks and copyrights	Agreement life

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

(k) *Impairment*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) *Interest-bearing liabilities*

Interest-bearing liabilities are recognised initially at fair value less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(m) *Trade and other accounts payable*

Trade and other accounts payable are stated at cost.

(n) *Employee benefits*

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Group determines the interest expense on the net defined benefit liability for the period applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) *Share-based payments*

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(p) *Provision*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) *Measurement of fair values*

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3*: inputs for the asset or liability that are based on unobservable input.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(r) Revenue

Accounting policies for revenue recognition in 2019

Revenue is recognised when a customer obtains control of the goods or services in an amount that reflects the consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

Sale of goods

Revenue from sales of goods is recognised when a customer obtains control of the goods, generally on delivery of the goods to the customers. For contracts that permit the customers to return the goods, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore the amount of revenue recognised is adjusted for estimated returns, which are estimated based on the historical data.

Accounting policies for revenue recognition in 2018

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates.

Sale of goods

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

(s) Investment income

Investment income comprises dividend and interest income from investments and bank deposits. Dividend income is recognised in profit or loss on the date the Group's right to receive payments is established. Interest income is recognised in profit or loss as it accrues.

(t) Finance costs

Interest expenses and similar costs are charged to profit or loss for the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

(u) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(v) *Income tax*

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current tax and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) *Earnings per share*

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and warrants granted to employees.

(x) *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Group; a person or entity that are under common control or under the same significant influence as the Group; or the Group has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(y) *Segment reporting*

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and liabilities segment.

5 *Acquisition of subsidiary*

In 2016, the Group invested in 40% of the issued and paid-up capital of All Coco Group Co., Ltd. which producing and distributing coconut products. All Coco Group Co., Ltd. thereby became an associate of the Group. Later, on 1 February 2019, the Group had control over All Coco Group Co., Ltd., by acquiring 11% of the shares and voting interest, which the consideration consisted of a cash payment of Baht 42.35 million, affecting to the percentage of holding interest of the Group increased from 40% to 51% and managements of Sappe Public Company Limited had been appointed as All Coco Group's board of directors.

Taking control of All Coco Group Co., Ltd. will enable the Group presence in the coconut drink business since All Coco Group Co., Ltd. has a strong foothold in the aromatic coconut market, especially a strong network of fresh coconut suppliers, which could guarantee a supply of high-quality fresh coconuts. The acquisition is expected to provide the Group with an increase in growth opportunities in the soft-drink business in Thailand and worldwide.

During the period from the acquisition date to 31 December 2019, All Coco Group Co., Ltd. contributed revenue of Baht 248.32 million and loss of Baht 0.80 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have increased by Baht 31.71 million and consolidated profit for the year ended 31 December 2019 would have increased by Baht 4.77 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Identifiable assets acquired and liabilities assumed

	Note	Fair value (in thousand Baht)
Cash and cash equivalents		48,921
Trade accounts receivable		32,746
Other receivables		6,321
Inventories		15,059
Other current assets		257
Property, plant and equipment	15	171,659
Intangible assets	17	5,416
Other non-current assets		15,355
Trade accounts payable		(6,690)
Other payables		(29,652)
Short-term loans		(21,000)
Tax payable		(1,212)
Long-term loans from financial institutions		(220)
Finance lease liabilities		(23,865)
Deferred tax liabilities	27	(2,140)
Non-current provisions for employee benefit	19	(188)
Other non-current liabilities		(4,000)
Total identifiable net assets		206,767
Less: Non-controlling interests (49%)		101,316
Total identifiable net assets received		105,451
Less: Fair value of previously-held interests before business combination		154,000
Less: Purchase consideration transferred		42,350
Goodwill arising from the acquisition		90,899
Net cash acquired with the subsidiary		48,921
Cash paid		42,350
Net cash inflows		6,571

Goodwill

The remeasurement to fair value of the Group's existing 40 percent interest in the acquiree resulted in a gain of Baht 10.08 million (Baht 154.00 million less Baht 143.92 million carrying value of equity-accounted investee at acquisition date), which has been recognised in gain from changes in interest in associate in the statement of comprehensive income.

Goodwill is attributable mainly to the skills and technical talent of All Coco Group Co., Ltd.'s work force and cooperation for business of coconut products, which is health drinks as Group's products. None of the goodwill recognised is expected to be deductible for income tax purposes.

6 Related parties

Relationships with subsidiaries and associates are described in notes 1, 12 and 13. Other related parties that the Group had significant transactions with during the year were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Toyox Trading (Thailand) Co., Ltd.	Thailand	Common shareholder
Hayashi Products Co., Ltd.	Thailand	Common shareholder
3T Engineering Co., Ltd.	Thailand	Common shareholder
On Fifth Co., Ltd.	Thailand	Common shareholder
Italmarket Slovakia, a.s.	Slovakia	Held by the shareholders in a subsidiary
Bangkok Bestbuy Group Co., Ltd.	Thailand	One of family member of the company's director is a director.
Group of Persons Ruckariyapong	Thailand	Held by key management personnel
Key management personnel	Thailand	Personnel who have authority and responsibility for planning, ordering and controlling for all direct and indirect activities including directors of the Group. (regardless of management role)

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods	Market price or contractually agreed rate
Purchase of goods	At agreed rate
Other income	At agreed rate
Purchase of machinery and equipment	Market price or contractually agreed rate
Rental and other expenses	At agreed rate
Distribution costs and administrative expenses	At agreed rate
Key management personnel compensation	Approved by directors
Consulting fee	Contractually agreed rate
Interest income	Contractually agreed rate
Interest expense	Contractually agreed rate

Significant transactions for the years ended 31 December with related parties were as follows:

<i>Year ended 31 December</i>	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sales of goods	-	-	5,962	11,076
Purchase of goods	-	-	17,152	-
Purchase of machinery and equipment	-	-	532	-
Other income	-	-	180	-
Interest income	-	-	575	355
Distribution costs and administrative expenses	-	-	468	-
Associates				
Sales of goods	8,681	-	8,681	-
Purchase of goods	186,582	-	186,582	-
Other income	13,980	8,375	13,980	8,375
Interest income	-	256	-	256
Distribution costs and administrative expenses	-	134	-	134
Other related parties				
Sales of goods	5,648	6,962	4	-
Purchases of machinery and equipment	779	12,428	779	12,428
Other income	365	379	365	379
Rental and other expenses	7,996	7,605	7,666	7,605
Consultant fee	1,200	1,200	1,200	1,200
Distribution costs and administrative expenses	141	227	112	198
Interest expense	357	61	-	-
Key management personnel				
Short-term employee benefit and others	56,988	49,392	56,988	49,392
Long-term employee benefit	2,180	2,069	2,180	2,069
Share-based payments	3,056	4,245	3,056	4,245

Intercompany sales to and purchase from associates described above excluded co-packing and distribution with an indirect associate of Baht 147.41 million for the year ended 31 December 2019.

Balances as at 31 December with related parties were as follows:

Trade accounts receivable	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiary				
Sappe Europe s.r.o.	-	-	1,392	1,116
Associate				
Danone Sappe Beverages Co., Ltd.	14,385	-	14,385	-
Other related party				
On Fifth Co., Ltd.	1	-	1	-
Italmarket Slovakia, a.s.	499	-	-	-
Total	14,885	-	15,778	1,116

Other receivables	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sappe Europe s.r.o.	-	-	2,274	2,156
Sappe Trading (Shanghai) Co., Ltd.	-	-	9,874	9,716
Sappe Holding (Thailand) Co., Ltd.	-	-	833	88
Sappe Trading (Hong kong) Company Limited	-	-	204	104
All Coco Group Co., Ltd.	-	-	1,938	-
All Coco Co., Ltd.	-	-	290	-
Associates				
All Coco Group Co., Ltd.	-	4,189	-	4,189
All Coco Co., Ltd.	-	201	-	201
Danone Sappe Beverages Co., Ltd.	10,323	-	10,323	-
Other related parties				
Hayashi Products Co., Ltd.	34	28	34	28
Director	-	7	-	-
	<u>10,357</u>	<u>4,425</u>	<u>25,770</u>	<u>16,482</u>
Less allowance for doubtful accounts	-	-	(12,148)	(11,872)
Net	10,357	4,425	13,622	4,610
Bad and doubtful debts expense for the year	-	-	276	11,872

Giving consideration of the current operation at two overseas subsidiaries, the company has provided allowance for doubtful accounts totalling Baht 12.15 million during the year ended 31 December 2019 (2018: Baht 11.87 million).

<i>Movement of loans to</i>	Interest rate	Consolidated financial statements			
	At 31 December (% per annum)	At 1 January	Increase	Decrease	At 31 December
2019					
Associates					
All Coco Group Co., Ltd.	-	4,800	-	4,800	-
All Coco Co., Ltd.	-	3,200	-	3,200	-
Total		8,000			-

2018					
Associates					
All Coco Group Co., Ltd.	3.2	4,800	-	-	4,800
All Coco Co., Ltd.	3.2	3,200	-	-	3,200
Total		8,000			8,000

	Interest rate	Separate financial statements				
<i>Movement of loans to</i>	At 31 December (% per annum)	At 1 January	Increase	Decrease (in thousand Baht)	Foreign currency difference	At 31 December
2019						
Subsidiaries						
Sappe Europe s.r.o.	4	8,692	-	-	(800)	7,892
All Coco Group Co., Ltd.	3.2	-	4,800	210	-	4,590
All Coco Co., Ltd.	3.2	-	3,200	140	-	3,060
Associates						
All Coco Group Co., Ltd.	-	4,800	-	4,800	-	-
All Coco Co., Ltd.	-	3,200	-	3,200	-	-
Total		16,692				15,542
<i>Less allowance for doubtful accounts</i>		<i>(8,692)</i>				<i>(7,892)</i>
Net		8,000				7,650

2018						
Subsidiaries						
Sappe Europe s.r.o.	4	9,141	-	-	(449)	8,692
Associates						
All Coco Group						
Co., Ltd.	3.2	4,800	-	-	-	4,800
All Coco Co., Ltd.	3.2	3,200	-	-	-	3,200
Total		17,141				16,692
Less allowance for doubtful accounts		-				(8,692)
Net		17,141				8,000

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			

Bad and doubtful debt expenses for the
year (reversal)

-	-	(800)	8,692
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	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			

Other non-current assets

Other related parties

Directors	1,167	1,167	1,167	1,167
Group of Persons Ruckariyapong	1,063	1,063	1,063	1,063
Total	2,230	2,230	2,230	2,230

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			

Trade accounts payable

Subsidiary

All Coco Group Co., Ltd.	-	-	2,509	-
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Associate

Danone Sappe Beverages Co., Ltd.	42,806	-	42,806	-
Total	42,806	-	45,315	-

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			

Other payable

Subsidiary

All Coco Group Co., Ltd.	-	-	314	-
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Associate

All Coco Group Co., Ltd.	-	30	-	30
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Other related parties

Italmarket Slovakia, a.s.	520	1,269	-	-
Toyox Trading (Thailand) Co., Ltd.	3	94	3	94
3T Engineering Co., Ltd	281	2,568	281	2,568
Bangkok Bestbuy Group Co., Ltd	-	75	-	75
Director	349	-	-	-
Key management personnel	349	-	-	-
Total	1,502	4,036	598	2,767

<i>Movement of loans from</i>	Interest rate		Consolidated financial statements			
	At 31 December (% per annum)	At 1 January	Increase	Decrease (in thousand Baht)	Foreign currency difference	At 31 December
2019						
Other related parties						
Italmarket						
Slovakia, a.s.	2	2,970	-	-	(271)	2,699
Director	0 - 3.2	928	6,500	(2,825)	(85)	4,518
Key management personnel	3.2	-	6,500	(2,825)	-	3,675
Other related parties	-	86	-	-	(3)	83
Total		3,984				10,975
2018						
Other related parties						
Italmarket						
Slovakia, a.s.	2	3,122	-	-	(152)	2,970
Director	-	976	-	-	(48)	928
Other related parties	-	87	-	-	(1)	86
Total		4,185				3,984

As at 31 December 2019 and 2018, the Group has short-term loans from related parties amounting to Euro 105,000.

<i>Other non-current liability</i>	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Other related party				
Director	3,679	4,049	-	-

The memorandum of association of a subsidiary states that the subsidiary has to pay dividends from net profit of Euro 109,076.03 to a shareholder. The first gainer is a shareholder and then the rest of the profit will be allocated according to the proportion of the investment held. As of 31 December 2019, the management considered to recognise a provision following the regulations of the subsidiary of Baht 3.68 million (2018: Baht 4.05 million) under “Other non-current liabilities” in the consolidated financial statements.

Significant agreements with related parties

(a) Land lease agreement

The Company has a land lease agreement with related parties under which the parties agree that the Company has the right to lease the land for 20 years ended year 2033 and the Company is committed to pay an initial deposit and the monthly land lease. Each year the parties will add 3.33% of the latest monthly land lease. The term of this agreement is continued unless either party gives written notice at least 90 days prior to the effective date of termination. On 19 May 2014, the Company entered into an amendment memorandum to revise the above rate of land lease from 3.33% per year to 2% per year. However, after three years of this agreement, the Company has the option to purchase this land from the lessor at the average of the appraised values as determined by independent appraisers.

The Group has a land lease agreement with a related party under which the party agree that the Group has the right to lease the land for 30 years ended year 2046 and the Group is committed to pay the monthly land lease. Every 5 years the party will add 10% of the latest monthly land lease. The term of this agreement is continued unless either party gives written notice at least 90 days prior to the effective date of termination.

(b) Land and building lease agreement

The Company has a land and building lease agreement with a related party under which the parties agree that the Company has the right to lease the land and building for 3 years ended year 2022. In consideration thereof, the Company is committed to pay an initial deposit and the monthly land and building lease. Each year the parties will add 3% of the latest monthly land and building lease. The term of this agreement is continued until either party gives written notice at least 30 days prior to the effective date of termination.

(c) Co-packing agreement

The Company has a co-packing agreement with Danone Sappe Beverage Co., Ltd., an indirect associate, to produce health drinking product. The Company is responsible for procuring raw material and packaging and producing in accordance with the formula and the manufactured products specifications, any other prior written specification or instructions. This agreement shall be effective from 27 February 2019, and shall remain in full force and effect as long as the Group is a shareholder of Danone Sappe Beverage Co., Ltd. The parties are committed to pay service fee at the rate as stipulated in the agreement.

(d) Distribution agreement

The Company has a distribution agreement with Danone Sappe Beverage Co., Ltd., an indirect associate, to distribute health drinking product. The term of this agreement shall be for an initial period of 5 years from 27 February 2019. The term of this agreement shall be renewed automatically and extended for successive further periods of 2 years each, unless either gives written notice no later than 6 months before the expiry date. The parties are committed to pay service fee at the rate as stipulated in the agreement.

7 Cash and cash equivalents

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Cash on hand	52	379	-	-
Cash at banks - current accounts	78,618	49,253	33,488	49,253
Cash at banks - savings accounts	103,025	123,005	90,899	110,305
Cash and cash equivalents in the statement of financial position	181,695	172,637	124,387	159,558
Cash and cash equivalents in the statement of cash flows	181,695	172,637	124,387	159,558

8 Other investments

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(in thousand Baht)			
<i>Current investments</i>				
Debt securities held for trading	<u>1,132,132</u>	<u>915,805</u>	<u>1,132,132</u>	<u>915,805</u>
	<u>1,132,132</u>	<u>915,805</u>	<u>1,132,132</u>	<u>915,805</u>
<i>Other long-term investments</i>				
Long-term deposits at financial institutions	<u>100,000</u>	<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
	<u>100,000</u>	<u>50,000</u>	<u>100,000</u>	<u>50,000</u>
Total	<u>1,232,132</u>	<u>965,805</u>	<u>1,232,132</u>	<u>965,805</u>

Dividend income and interest income for the year ended 31 December 2019 amounting to Baht 1.37 million and Baht 1.62 million, respectively.

	At 1 January	Consolidated financial statements			At 31 December
		Purchase	Disposal	Fair value adjustment	
	(in thousand Baht)				
2019					
<i>Current investments</i>					
Debt securities held for trading	<u>915,805</u>	1,600,000	(1,400,000)	16,327	<u>1,132,132</u>
<i>Other long-term investments</i>					
Long-term deposits at financial institutions	<u>50,000</u>	50,000	-	-	<u>100,000</u>
2018					
<i>Current investments</i>					
Debt securities held for trading	<u>905,212</u>	1,340,000	(1,340,000)	10,593	<u>915,805</u>
<i>Other long-term investments</i>					
Long-term deposits at financial institutions	<u>-</u>	50,000	-	-	<u>50,000</u>

	At 1 January	Separate financial statements			At 31 December
		Purchase	Disposal (in thousand Baht)	Fair value adjustment	
2019					
Current investments					
Debt securities held for trading	<u>915,805</u>	1,600,000	(1,400,000)	16,327	<u>1,132,132</u>
Other long-term investments					
Long-term deposits at financial institutions	<u>50,000</u>	50,000	-	-	<u>100,000</u>
2018					
Current investments					
Debt securities held for trading	<u>905,212</u>	1,340,000	(1,340,000)	10,593	<u>915,805</u>
Other long-term investments					
Long-term deposits at financial institutions	<u>-</u>	50,000	-	-	<u>50,000</u>

9 Trade accounts receivable

	Consolidated financial statements		Separate financial statements	
	2019	2018 (in thousand Baht)	2019	2018
Within credit terms	204,705	159,449	194,295	159,843
Overdue:				
Less than 3 months	138,823	89,430	131,225	84,442
3-6 months	9,341	80	9,075	80
6-12 months	233	-	227	-
Over than 12 months	1,123	2	-	-
	<u>354,225</u>	<u>248,961</u>	<u>334,822</u>	<u>244,365</u>
Less allowance for doubtful accounts	(1,356)	(2)	(227)	-
Net	<u>352,869</u>	<u>248,959</u>	<u>334,595</u>	<u>244,365</u>

The normal credit term granted by the Group ranges from 30 days to 60 days.

10 Other receivables

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
			<i>(in thousand Baht)</i>		
Other receivables - related parties	6	3,829	4,425	19,242	16,482
Other unbilled receivables - related party	6	6,528	-	6,528	-
Prepaid expenses		19,920	27,542	18,429	26,804
Value added taxes refundable		5,595	1,229	5,460	1,228
Others		6,612	5,056	6,891	5,676
		42,484	38,252	56,550	50,190
Less allowance for doubtful accounts		(1,535)	(1,535)	(13,682)	(13,407)
Net		40,949	36,717	42,868	36,783
Bad and doubtful debts expense for the year		-	1,535	275	13,407

11 Inventories

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
		<i>(in thousand Baht)</i>		
Finished goods	62,744	91,579	48,807	88,192
Trading goods	6,917	767	6,273	767
Work in progress	17,625	8,093	13,758	8,093
Raw materials	36,820	41,532	36,288	41,532
Package and packing material	71,143	46,386	66,695	46,386
Spare parts, factory supplies and others	26,557	22,941	22,543	22,941
Goods in transit	1,458	5,430	210	4,677
Total	223,264	216,728	194,574	212,588
Less Allowance for decline in value	(1,621)	(1,363)	(1,621)	(1,363)
Allowance for slow moving	(4,746)	(1,589)	(3,976)	(1,589)
Net	216,897	213,776	188,977	209,636
Inventories recognised in 'cost of sales of goods':				
- Cost	2,081,203	1,801,120	1,885,753	1,777,486
- Write-down to net realisable value	258	1,029	258	1,029
- (Reversal of) write-down	2,386	(2,329)	2,386	(2,329)
Net	2,083,847	1,799,820	1,888,397	1,776,186

12 Investment in associates

		Consolidated financial statements							Dividend income	
Type of business	Ownership interest 2019 2018 (%)	Paid-up capital		Cost		Equity		2019	2018	
		2019	2018	2019	2018	2019	2018			
(in thousand Baht)										
<i>Indirect associates</i>										
All Coco Group Co., Ltd.	Producing and distributing coconut products	-	40	-	168,000	-	143,855	-	-	
Danone Sappe Beverages Co., Ltd.	Distributing health drinking product	25	-	200,000	-	50,000	-	29,744	-	
Total				50,000		50,000	143,855	29,744	142,009	

All indirect associates were incorporated in Thailand.

None of the Group's associates are publicly listed and consequently do not have published price quotations.

Acquisitions

In February 2019, Sappe Holding (Thailand) Co., Ltd., a subsidiary made a new investment in 100 percent of the issued and paid up capital of Danone Sappe Beverages Co., Ltd., incorporated in Thailand, for a consideration of Baht 1 million. On 28 February 2019, Danone Sappe Beverages Co., Ltd. registered its share capital from Baht 1 million to Baht 100 million by issuing share capital to Baht 99 million (990,000 shares at Baht 100 per share). Sappe Holding (Thailand) Co., Ltd. has paid-up share capital amounting to Baht 24 million, totalling to Baht 25 million, 25 percent of issued and paid-up share capital. Danone Sappe Beverages Co., Ltd. registered the increase of share capital with the Ministry of Commerce on 28 February 2019. In this connection, Sappe Holding (Thailand) Co., Ltd. has an option to purchase additional shares in the maximum portion of 24 percent within three years after the payment date of the first tranche shares.

In July 2019, Danone Sappe Beverages Co., Ltd. registered its share capital from Baht 100 million to Baht 200 million by issuing share capital to Baht 100 million (1,000,000 shares at Baht 100 per share). Sappe Holding (Thailand) Co., Ltd., a subsidiary has paid-up share capital amounting to Baht 25 million. The percentage of holding interest of the Group remains unchanged. Danone Sappe Beverages Co., Ltd. registered the increase of share capital with the Ministry of Commerce on 31 July 2019.

Reclassification to subsidiary

In February 2019, the Group made an additional investment in 11 percent of the issued and paid up capital of All Coco Group Co., Ltd., increasing the Group's interest to 51 percent. All Coco Group Co., Ltd. thereby ceased to be an associated company and became a subsidiary. Details of the acquisition are given in note 5.

The Group has an option to purchase additional shares in the maximum portion of 9% of All Coco Group Co., Ltd.'s registered shares within 4 years after the effective date of the first sales and purchase of shares agreement, at the fair value

In this connection, the Company recognised gain on remeasurement of previously held-equity investment in All Coco Group Co., Ltd. of Baht 10.08 million in the statement of comprehensive income during the year ended 31 December 2019.

Associates

The following table summarises the financial information of the associates as included in their own financial statements, adjusted for fair value adjustment at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these companies.

	Group of All Coco Group Co., Ltd. From 1 January 2019 to 31 January 2019	2018 <i>(in thousand Baht)</i>	Danone Sappe Beverages Co., Ltd. 2019	2018
Revenue	31,715	348,090	186,600	-
Profit (loss) from continuing operations	4,774	205	(78,974)	-
Total comprehensive income (100%)	4,774	205	(78,974)	-
Total comprehensive income of the Group's interest	1,909	82	(19,744)	-
Elimination of unrealised profit on downstream sales and upstream purchase	-	-	(512)	-
Group's share of total comprehensive income	1,909	82	(20,256)	-
Current assets	-	93,848	169,675	-
Non-current assets	-	179,952	192	-
Current liabilities	-	(57,571)	(48,842)	-
Non-current liabilities	-	(22,799)	-	-
Net assets (100%)	-	193,430	121,025	-
Group's share of net assets	-	77,372	30,256	-
Elimination of unrealised profit on downstream sales and upstream purchase	-	-	(512)	-
Transaction costs	-	3,855	-	-
Goodwill	-	60,782	-	-
Carrying amount of interest in associates	-	142,009	29,744	-

13 Investments in subsidiaries

	Ownership interest	Paid-up capital	Separate financial statements						Dividend income		
			2019	2018	Cost		Impairment		At cost - net		For the year
					2019	2018	2019	2018	2019	2018	
	(%)						(in thousand Baht)				
Direct subsidiaries											
Sappe Europe s.r.o.	60	EUR 6,639	162	162	-	-	162	162	-	-	-
Sappe Holding (Thailand) Co., Ltd.	100	Baht 290 million	290,000	197,000	-	-	290,000	197,000	-	-	-
Total			290,162	197,162	-	-	290,162	197,162	-	-	-
Indirect subsidiaries											
Sappe Trading (Hong Kong) Company Limited	100	HKD 100,000	454	454	(454)	(454)	-	-	-	-	-
Sappe Hong Kong Company Limited	100	HKD 3,000,000	13,980	13,980	(13,980)	(13,980)	-	-	-	-	-
Sappe Trading (Shanghai) Co., Ltd.	100	CNY 2,000,000	10,173	10,173	(10,173)	(10,173)	-	-	-	-	-
		Baht 168									
All Coco Group Co., Ltd.	51	- million	196,350	-	-	-	196,350	-	-	-	-
Total			220,957	24,607	(24,607)	(24,607)	196,350	-	-	-	-

Giving consideration of the current operation at overseas subsidiaries, the Group has provided allowance for impairment loss totaling Baht 24.61 million during the year ended 31 December 2019 (2018: Baht 24.61 million).

In February 2019, Sappe Holding (Thailand) Co., Ltd., which is the subsidiary increase its registered share capital from Baht 197 million to Baht 290 million (29,000,000 shares, at the price of Baht 10 per share) by issue authorised share capital of Sappe Holding (Thailand) Co., Ltd. by Baht 93 million (9,300,000 shares, at the price of Baht 10 per share). The Company made a share payment for Baht 68 million. Sappe Holding (Thailand) Co., Ltd. registered the increase of share capital with the Ministry of Commerce on 8 February 2019.

In July 2019, the Company made an additional paid-up share for Baht 25 million. Sappe Holding (Thailand) Co., Ltd. were fully paid-up on 22 July 2019.

Details of the increase of investment in subsidiaries from business acquisition during the year ended 31 December 2019 are disclosed in note 5.

14 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest, before any intra-group elimination:

	31 December 2019			
	All Coco Group Co., Ltd.	Other individually immaterial subsidiaries (in thousand Baht)	Intra- group elimination	Total
Non-controlling interest percentage	49	40		
Current assets	89,280	9,700		
Non-current assets	183,543	2,245		
Current liabilities	(47,100)	(19,037)		
Non-current liabilities	(19,760)	(3,777)		
Net assets	<u>205,963</u>	<u>(10,869)</u>		
Carrying amount of non-controlling interest	<u>100,922</u>	<u>(4,347)</u>	-	96,575
Revenue	248,316	28,775		
Profit (loss)	(803)	144		
Other comprehensive income	-	1,103		
Total comprehensive income	<u>(803)</u>	<u>1,247</u>		
Profit (loss) allocated to non-controlling interest	<u>(393)</u>	<u>57</u>	-	(336)
Other comprehensive income allocated to non-controlling interest	<u>-</u>	<u>441</u>	-	441

	31 December 2018		
	Individually immaterial subsidiaries	Intra- group elimination <i>(in thousand Baht)</i>	Total
Non-controlling interest percentage	40		
Current assets	11,630		
Non-current assets	3,431		
Current liabilities	(22,708)		
Non-current liabilities	(4,469)		
Net assets	(12,116)		
Carrying amount of non-controlling interest	(4,846)	-	(4,846)
Revenue	40,868		
Loss	(459)		
Other comprehensive income	610		
Total comprehensive income	151		
Other comprehensive loss allocated to non-controlling interest	(184)	-	(184)
Other comprehensive income allocated to non-controlling interest	244	-	244

15 Property, plant and equipment

	Note	Consolidated financial statements					
		Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Asset under construction and installation	Total
		Land and land improvement					
<i>Cost</i>							
At 1 January 2018		131,288	373,922	986,044	91,329	53,767	1,705,877
Additions		-	303	13,198	4,352	3,230	141,817
Transfer		100	13,997	101,594	1,011	7,318	(124,020)
Disposals		-	(430)	(9,225)	(527)	(8,342)	-
Effect of movements in exchange rates		-	-	(372)	(118)	(91)	(18,524)
At 31 December 2018 and 1 January 2019		131,388	387,792	1,091,239	96,047	55,882	1,849,672
Additions		32	267	14,629	2,804	1,910	71,549
Acquisition through business combination							
Transfer	5	4,850	61,220	99,793	3,593	2,089	114
Disposals		3,333	14,887	70,737	2,762	1,574	(93,293)
Effect of movements in exchange rates		-	-	(1,348)	(278)	(3,069)	-
At 31 December 2019		139,603	464,166	1,274,298	104,808	58,223	(4,695)
							(1,035)
							2,106,792
<i>Depreciation and impairment losses</i>							
At 1 January 2018		13,622	118,259	428,158	54,976	41,305	657,754
Depreciation charge for the year		5,144	24,756	108,196	11,118	4,408	153,622
Disposals		-	(294)	(8,152)	(488)	(8,342)	(17,276)
Effect of movements in exchange rates		-	-	(330)	(13)	(31)	(374)
At 31 December 2018 and 1 January 2019		18,766	142,721	527,872	65,593	37,340	793,726
Depreciation charge for the year		4,361	29,582	129,860	12,690	7,239	183,732
Transfer		544	5,419	(5,008)	(161)	(794)	-
Disposals		-	-	(223)	(470)	(3,070)	(3,763)
Effect of movements in exchange rates		-	-	(653)	(3)	(87)	(743)
At 31 December 2019		23,671	177,722	651,848	77,649	40,628	972,952

Net book value

At 31 December 2018

Owned assets

Assets under finance leases

At 31 December 2019

Owned assets

Assets under finance leases

Consolidated financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Asset under construction and installation	Total
	112,622	245,071	563,367	30,454	17,576	85,890	1,054,980
	-	-	-	-	966	-	966
	112,622	245,071	563,367	30,454	18,542	85,890	1,055,946
	115,932	286,444	619,271	27,159	17,123	64,260	1,130,189
	-	-	3,179	-	472	-	3,651
	115,932	286,444	622,450	27,159	17,595	64,260	1,133,840

Separate financial statements

	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment (in thousand Baht)	Vehicles	Asset under construction and installation	Total
Cost							
At 1 January 2018	131,288	373,921	976,214	91,129	51,893	69,528	1,693,973
Additions	-	304	13,198	4,352	3,230	141,816	162,900
Transfer	100	13,997	101,594	1,011	7,318	(124,020)	-
Disposals	-	(430)	(9,225)	(527)	(8,342)	-	(18,524)
At 31 December 2018 and 1 January 2019	131,388	387,792	1,081,781	95,965	54,099	87,324	1,838,349
Additions	-	122	12,309	1,747	1,910	66,379	82,467
Transfer	-	1,304	85,556	2,130	2,596	(91,586)	-
Disposals	-	-	(194)	-	(3,069)	-	(3,263)
At 31 December 2019	131,388	389,218	1,179,452	99,842	55,536	62,117	1,917,553
Depreciation and impairment losses							
At 1 January 2018	13,622	118,259	421,390	54,945	40,914	1,434	650,564
Depreciation for the year	5,144	24,756	107,642	11,105	3,951	-	152,598
Disposals	-	(294)	(8,152)	(488)	(8,342)	-	(17,276)
At 31 December 2018 and 1 January 2019	18,766	142,721	520,880	65,562	36,523	1,434	785,886
Depreciation for the year	4,246	24,545	117,062	10,103	5,967	-	161,923
Disposals	-	-	(193)	-	(3,069)	-	(3,262)
At 31 December 2019	23,012	167,266	637,749	75,665	39,421	1,434	944,547
Net book value							
At 31 December 2018	112,622	245,071	560,901	30,403	17,576	85,890	1,052,463
At 31 December 2019	108,376	221,952	541,703	24,177	16,115	60,683	973,006

The gross amount of the Group and Company's fully depreciated land improvement, plant and equipment that was still in use as at 31 December 2019 amounted to Baht 223.89 million and Baht 218.23 million, respectively (2018: Baht 175.41 million and Baht 175.41 million).

Asset under construction and installation as at 31 December 2019 were machinery, etc. (2018: Machinery).

16 Goodwill

	Note	Consolidated financial statements	
		2019	2018
		(in million Baht)	
Cost			
At 1 January		-	-
Acquired through business combinations	5	90,899	-
At 31 December		90,899	-
Net book value			
At 31 December		90,899	-

During the year 2019, a subsidiary completed acquisition of 11% equity share in All Coco Group Co., Ltd. (See note 5) resulting in recognition of goodwill.

Impairment testing for CGU containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGU (operating division) as follows.

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	Consolidated financial statements
	2019
	(%)
Discount rate	9.54
Terminal value growth rate	0.00
Budgeted EBITDA growth rate (average of next five years)	9.20

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 50% at a market interest rate of 13.78%.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in Thailand in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years.
- Estimated cash flows related to a restructuring that is expected to be carried out in 2020 were reflected in the budgeted EBITDA.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately Baht 580.90 million. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Consolidated financial statements
	2019
	(%)
Discount rate	5.2
Budgeted EBITDA growth rate	79

17 Other intangible assets

Consolidated financial statements				
		Trademarks and Copyrights	Product design	
	<i>Note</i>	Software licences	(in thousand Baht)	Total
Cost				
At 1 January 2018		29,428	49,456	80,444
Additions		1,097	2,152	3,249
Effect of movements in exchange rates		(47)	-	(47)
At 31 December 2018 and 1 January 2019		30,478	51,608	83,646
Acquisition through business combination	5	4,269	1,147	5,416
Additions		3,985	1,567	5,888
Effect of movements in exchange rates		(85)	-	(85)
At 31 December 2019		38,647	54,322	94,865

Consolidated financial statements

	Software licences	Trademarks and Copyrights (in thousand Baht)	Product design	Total
Amortisation				
At 1 January 2018	18,885	5,166	95	24,146
Amortisation for the year	3,229	3,916	100	7,245
Effect of movements in exchange rates	(47)	-	-	(47)
At 31 December 2018 and 1 January 2019	22,067	9,082	195	31,344
Amortisation for the year	3,121	4,323	100	7,544
Effect of movements in exchange rates	(85)	-	-	(85)
At 31 December 2019	25,103	13,405	295	38,803
Net book value				
At 31 December 2018	8,411	42,526	1,365	52,302
At 31 December 2019	13,544	40,917	1,601	56,062

Separate financial statements

	Software licences	Trademarks and Copyrights (in thousand Baht)	Product design	Total
Cost				
At 1 January 2018	28,452	49,456	1,560	79,468
Additions	1,097	2,152	-	3,249
At 31 December 2018 and 1 January 2019	29,549	51,608	1,560	82,717
Additions	60	1,568	-	1,628
At 31 December 2019	29,609	53,176	1,560	84,345
Amortisation				
At 1 January 2018	17,909	5,166	95	23,170
Amortisation for the year	3,229	3,916	100	7,245
At 31 December 2018 and 1 January 2019	21,138	9,082	195	30,415
Amortisation for the year	3,015	4,297	100	7,412
At 31 December 2019	24,153	13,379	295	37,827
Net book value				
At 31 December 2018	8,411	42,526	1,365	52,302
At 31 December 2019	5,456	39,797	1,265	46,518

18 Other payables

		Consolidated financial statements		Separate financial statements	
	Note	2019	2018	2019	2018
			(in thousand Baht)		
Other payables - related parties	6	804	4,036	598	2,767
Accrued interest expense - related parties	6	698	-	-	-
Accrued promotional expense		144,738	118,402	144,738	118,402
Accrued expenses		111,732	76,447	102,301	76,083
Other payables - other parties		79,781	53,378	73,950	53,378
Advance received		17,802	8,468	15,150	8,468
Others		10,793	12,260	8,422	10,087
Total		366,348	272,991	345,159	269,185

19 Non-current provisions for employee benefits

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
		(in thousand Baht)		
Statement of financial position				
Non-current provisions for:				
Post-employment benefits	18,326	10,119	17,978	10,119
Other long-term employee benefits	1,977	2,316	1,977	2,316
Total	20,303	12,435	19,955	12,435
Year ended 31 December				
Statement of comprehensive income:				
Recognised in profit or loss:				
Post-employment benefits	8,084	3,267	7,924	3,267
Other long-term employee benefits	817	855	817	855
Total	8,901	4,122	8,741	4,122
Recognised in other comprehensive income:				
Actuarial gain recognised in the year	(656)	-	(656)	-
Cumulative actuarial gain recognised	3,558	3,558	3,558	3,558
Total	2,902	3,558	2,902	3,558

Defined benefit plan

The Group and the Company operate a defined benefit pension plan based on the requirement of Thai Labour Protection Act B.E.2541 (1998) to provide requirement benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk and interest rate risk.

Present value of the defined benefit obligations	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2019	2018 (in thousand Baht)	2019	2018
At 1 January		12,435	8,748	12,435	8,748
Include in profit or loss:	25				
Current service cost		5,862	3,714	5,717	3,714
Past service cost		2,675	-	2,665	-
Interest on obligation		364	408	359	408
		<u>8,901</u>	<u>4,122</u>	<u>8,741</u>	<u>4,122</u>
Included in other comprehensive income					
Actuarial gain					
- Demographic assumptions		9	-	9	-
- Financial assumptions		1,551	-	1,551	-
- Experience adjustment		(2,216)	-	(2,216)	-
		<u>(656)</u>	<u>-</u>	<u>(656)</u>	<u>-</u>
Other					
Benefit paid		(565)	(435)	(565)	(435)
Acquisition through business combination		188	-	-	-
		<u>(377)</u>	<u>(435)</u>	<u>(565)</u>	<u>(435)</u>
At 31 December		<u>20,303</u>	<u>12,435</u>	<u>19,955</u>	<u>12,435</u>

On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee, who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Group has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as well as past service cost recognised increased

Other long-term employee benefit

Other long-term employee benefit was based on the length of service of employees and actuarial assumptions as basis to calculate the obligations.

Principal actuarial assumptions	Consolidated financial statements		Separate financial statements	
	2019	2018 (%)	2019	2018
Discount rate	2.49 - 2.93	2.38	2.49	2.38
Future salary growth	5	5	5	5
Employee turnover	0 - 40	0 - 50	0 - 40	0 - 50

Assumptions regarding future mortality have been based on published statistics and mortality tables.

As at 31 December 2019, the weighted-average duration of the defined benefit obligation was 23.85 - 30.28 years (2018: 21.85 years)

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 to the defined benefit obligation At 31 December	Consolidated financial statements			
	1% increase in assumption 2019	2018	1% decrease in assumption 2019	2018
	<i>(in thousand Baht)</i>			
Discount rate	(2,542)	(963)	3,018	1,097
Future salary growth	2,832	1,163	(2,434)	(1,041)
Employee turnover	(2,819)	(1,124)	1,424	818
Future mortality	139	58	(138)	(58)

Effect to the defined benefit obligation At 31 December	Separate financial statements			
	1% increase in assumption 2019	2018	1% decrease in assumption 2019	2018
	<i>(in thousand Baht)</i>			
Discount rate	(2,502)	(963)	2,971	1,097
Future salary growth	2,784	1,163	(2,392)	(1,041)
Employee turnover	(2,774)	(1,124)	1,405	818
Future mortality	137	58	(136)	(58)

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.

20 Share capital

	Par value per share (in Baht)	2019		2018	
		Number	Baht	Number	Baht
		<i>(thousand shares / thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	1	308,438	308,438	304,620	304,620
Reduction of shares	1	-	-	(252)	(252)
Increase of new shares	1	-	-	4,070	4,070
At 31 December					
- ordinary shares	1	<u>308,438</u>	<u>308,438</u>	<u>308,438</u>	<u>308,438</u>
Issued and paid-up					
At 1 January					
- ordinary shares	1	304,368	304,368	303,080	303,080
Shares options exercised (Note 21)	1	10	10	1,288	1,288
At 31 December					
- ordinary shares	1	<u>304,378</u>	<u>304,378</u>	<u>304,368</u>	<u>304,368</u>

In the Annual General Meeting of Shareholders, held on 26 April, 2018, the shareholders approved the followings;

- 1) Decrease the registered capital of the Company from 304,620,000 shares with a par value of Baht 1 per share to 304,368,080 shares with a par value of Baht 1 per share for cancelling the reserve of 251,920 shares for the exercise of warrant rights to purchase the Company's ordinary shares with a par value of Baht 1 per share. The Company registered the decrease with the Ministry of Commerce on 25 May 2018.
- 2) Increase of the registered capital from the registered capital 304,368,080 shares with a par value of Baht 1 per share to 308,438,080 shares with a par value of Baht 1 per share by issuing 4,070,000 new ordinary shares with a par value of Baht 1 per share, equivalent to Baht 4,070,000. The Company registered the increase with the Ministry of Commerce on 31 May 2018.

Share premium

Section 51 of the Public Companies Act B.E. 2535 requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

21 Warrants

1) The issuance of warrants no.1 ("Warrant" or "SAPPE-WA")

On 30 December 2017, warrants were exercised by the Company's management and employees. The Company received cash for paid-up capital in amount of Baht 13.04 million. On 11 January 2018, share capital comprising 1,288,142 shares at par value Baht 1 per share have been registered with the Ministry of Commerce and paid-up share capital has thereby increased from Baht 303,079,938 to Baht 304,368,080. In order that, the warrants to purchase the Company's ordinary shares No.1 (SAPPE-WA) which were issued and offered to management and employees of the Company expired in June 2018. The management and employees have exercised their warrants in proportion to the number of shares they have been granted.

2) The issuance of warrants no. 2 ("Warrant" or "SAPPE-WA2")

At the annual general shareholders' meeting of the Company held on 26 April 2018, the shareholders passed resolutions to approve the issuance of 4,070,000 units of warrants with a term of 4 years ("Warrant" or "SAPPE-WA2") to qualifying management and employees of the Company. The warrants will be granted on the last working day of June and December of each year. The first exercise date is 12 months after issuing the warrants and the holders must have complied with all terms of the exercising right.

The warrants have been allocated to the management (including directors) and employees of the Company. The exercise ratio is 1 warrant per 1 new ordinary share, and the exercise price is Baht 20.56 per share (unless the adjustment of the exercising right). The terms of the exercise and the fair value of the share options has the detail as follow:

Description	Details
Type of warrants	Warrants to purchase ordinary shares of Sappe Public Company Limited issued to the management (including the executive directors) and employees of the Company at the second time (SAPPE-WA2), specification of the holder's name and non-transferable unless the transfer of inheritance or transfer to heirs or representatives by law.
Issue and sell quantities	4,070,000 units
Terms of warrants	4 years from the issuance date of warrant
Exercise ratio	1 warrant to 1 ordinary share unless there is a change in exercise ratio under the change conditions.
Exercise price	Baht 20.56 per share
Exercise period and proportion	The holders of SAPPE-WA2 can exercise the warrants to purchase ordinary shares of the Company after holding it for the specified period. The first exercise date is 12 months after issuing the warrants. The details are as follows:

The period of holding the warrants (month) after issuance	The right that can be exercised as a percentage of the warrants received
12	20%
18	30%
24	40%
30	55%
36	70%
42	100%

Fair value of warrants Baht 6.9 - 8.3

The purchasing condition requires that the employees must have employee status or have a termination on each date of exercising the right.

The fair value of the warrant is measured using a Black-Scholes Model with the following financial assumptions:

Grant date share price (Baht)	26.00
Exercise price warrant (Baht)	20.56
Historical volatility in 3 years and 3 months at the allotment date (per semi-annual)	35.00%
Historical dividend yield	2.60%
Risk free interest rate at the allotment date	1.18 – 1.85%

Expenses for share-based payment transactions in the consolidated and separate financial statements for the year ended 31 December 2019 were Baht 11.93 million (2018: Baht 13.98 million).

Movements during the years ended 31 December of warrants were as follows:

	Consolidated / Separate financial statements			
	2019		2018	
	Average exercise price per share (Baht)	Option shares (in thousand shares)	Average exercise price per share (Baht)	Option shares (in thousand shares)
At 1 January	7.72	4,070	1.82	1,288
Issuance of warrants	-	-	7.72	4,070
Exercise	6.90	(10)	9.12	(1,288)
At 31 December	7.72	4,060	7.72	4,070

22 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other components of equity

Currency translation differences

The currency translation differences account within equity relates to foreign currency differences arising from the translation of the financial statements of foreign operations to Thai Baht.

Defined benefit plan actuarial gains (losses)

The defined benefit plan actuarial gains (losses) account within equity comprises experience adjustments which are the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Differences arising from common control transactions

The differences arising from common control transactions within equity represents the excess of the book values of certain entities or businesses under common control over their cost as of the date of their acquisition. The reserve is non-distributable and will be retained until the respective subsidiaries are sold or otherwise disposed of.

Movements in reserves

Movements in reserves are shown in the statements of changes in equity.

23 Segment information and disaggregation of revenue

Management determined that the Group has 2 reportable segments, as described below, which are the strategic divisions for different products and are managed separately because they require different technology. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Segment 1	Health drinking products
Segment 2	Coconut products

Each segment's performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Consolidated financial statements

<i>Year ended 31 December</i>	Health drinking products		Coconut products		Other segments		Total		Eliminate		Net	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>(in thousand Baht)</i>												
Information about reportable segments												
External revenues	3,045,514	2,787,990	226,754	-	27,210	38,872	3,299,478	2,826,862	-	-	3,299,478	2,826,862
Inter-segment revenue	5,962	11,076	17,621	-	-	-	23,583	11,076	(23,583)	(11,076)	-	-
Total revenue	3,051,476	2,799,066	244,375	-	27,210	38,872	3,323,061	2,837,938	(23,583)	(11,076)	3,299,478	2,826,862
Disaggregation of revenue												
Primary geographical markets												
Thailand	1,155,450	945,873	238,201	-	-	-	1,393,651	945,873	(17,621)	-	1,376,030	945,873
Indonesia and Philippines	776,118	757,831	-	-	-	-	776,118	757,831	-	-	776,118	757,831
Korea	318,769	273,595	1,530	-	-	-	320,299	273,595	-	-	320,299	273,595
Others	801,139	821,767	4,644	-	27,210	38,872	832,993	860,639	(5,962)	(11,076)	827,031	849,563
Total revenue	3,051,476	2,799,066	244,375	-	27,210	38,872	3,323,061	2,837,938	(23,583)	(11,076)	3,299,478	2,826,862
Major products												
Drinks	2,615,380	2,376,736	207,942	-	27,210	38,872	2,850,532	2,415,608	(23,583)	(11,076)	2,826,949	2,404,532
Others	436,096	422,330	36,433	-	-	-	472,529	422,330	-	-	472,529	422,330
Total revenue	3,051,476	2,799,066	244,375	-	27,210	38,872	3,323,061	2,837,938	(23,583)	(11,076)	3,299,478	2,826,862
Timing of revenue recognition												
At a point in time	3,051,476	2,799,066	244,375	-	27,210	38,872	3,323,061	2,837,938	(23,583)	(11,076)	3,299,478	2,826,862
Share of profit (loss) of investments in associates												
Share of profit (loss) of investments in associates	(18,346)	82	-	-	-	-	(18,346)	82	-	-	(18,346)	82
Segment profit (loss) before income tax												
Segment profit (loss) before income tax	518,641	420,873	(565)	-	(14,831)	(4,462)	503,245	416,411	(507)	20,583	502,738	436,994
Interest income												
Interest income	2,591	997	-	-	-	-	2,591	997	(575)	(355)	2,016	642
Depreciation and amortisation												
Depreciation and amortisation	169,335	159,843	21,027	-	914	1,024	191,276	160,867	-	-	191,276	160,867

Consolidated financial statements												
	Health drinking products		Coconut products		Other segments		Total		Eliminate		Net	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Year ended 31 December												
							(in thousand Baht)					
Tax expense	99,747	85,609	238	-	26	18	100,011	85,627	-	-	100,011	85,627
Segment assets	3,279,251	2,951,811	272,823	-	146,718	173,118	3,698,792	3,124,929	(308,825)	(202,022)	3,389,967	2,922,907
Segment liabilities	581,494	484,780	66,860	-	36,565	40,013	684,919	524,793	(38,722)	(25,427)	646,197	499,366

	Separate financial statements	
	Reportable segments	
<i>Year ended 31 December</i>	2019	2018
	<i>(in thousand Baht)</i>	
Disaggregation of revenue		
Primary geographical markets		
Thailand	1,155,450	945,873
Indonesia and Philippines	776,118	757,831
Korea	318,769	273,595
Others	801,139	821,767
Total revenue	3,051,476	2,799,066
Major products		
Drinks	2,615,380	2,376,736
Others	436,096	422,330
Total revenue	3,051,476	2,799,066
Timing of revenue recognition		
At a point in time	3,051,476	2,799,066

Geographical segments

In presenting information on the geographical revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

Geographical information	Consolidated financial statements			
	Revenues		Non-current assets	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Thailand	1,376,030	945,873	1,443,812	1,314,862
Indonesia and Philippines	776,118	757,831	-	-
Korea	320,299	273,595	-	-
Others	827,031	849,563	2,278	3,483
Total	3,299,478	2,826,862	1,446,090	1,318,345

Major customer

Revenues from 2 major customers of the Group's represent approximately Baht 776 million (2018: 2 customers approximately Baht 758 million) of the Group's total revenues.

24 Other income

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Income from logistic	18,452	17,116	18,109	17,080
Gain from current investment revaluation	11,242	8,658	11,242	8,658
Gain on sale of current investments	6,457	1,935	6,457	1,935
Income from sales of scrap	2,768	3,449	2,737	3,396
Interest income	2,237	642	2,591	997
Others	28,763	19,740	24,449	17,832
Total	69,919	51,540	65,585	49,898

25 Employee benefit expenses

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2019	2018	2019	2018
		(in thousand Baht)			
Management					
Wages and salaries		40,103	36,731	40,103	36,731
Contribution to provident fund		800	689	800	689
Defined benefit plans and other					
long-term employee benefit	19	1,380	1,380	1,380	1,380
Share-based payment	21	3,056	4,245	3,056	4,245
Others		16,885	12,661	16,885	12,661
Total		62,224	55,706	62,224	55,706
Other employee					
Wages and salaries		241,268	246,427	198,676	246,427
Contribution to provident fund		4,112	4,167	3,955	4,167
Defined benefit plans and other					
long-term employee benefit	19	7,521	2,742	7,361	2,742
Share-based payment	21	8,875	9,738	8,875	9,738
Others		106,733	81,072	96,494	77,582
Total		368,509	344,146	315,361	340,656

Defined contribution plans

The defined contribution plans comprise provident funds established by the Group for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by 3% of their basic salaries and by the Company at rate 3% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Managers.

26 Expenses by nature

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
<i>(in thousand Baht)</i>				
Changes in inventories of finished goods and work in progress	20,669	(13,271)	28,215	(12,304)
Raw materials and consumables used	1,428,412	1,254,881	1,287,848	1,231,291
Employee benefit expenses	430,733	399,852	377,585	396,362
Sale promotion expenses	271,142	214,508	265,762	214,344
Depreciation and amortisation expenses	191,273	160,867	169,335	159,843
Wages	129,457	94,057	129,457	94,057
Transportation expenses	113,388	101,024	107,866	100,910
Utilities expenses	86,179	66,493	70,865	66,454
Others	193,403	170,377	173,758	187,939
Total cost of sales of goods, distribution costs and administrative expenses	2,864,656	2,448,788	2,610,691	2,438,896

27 Income tax

<i>Income tax recognised in profit or loss</i>	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Current tax expense				
Current year	102,239	88,954	102,370	88,936
Adjustment for prior year	(363)	65	(363)	65
	101,876	89,019	102,007	89,001
Deferred tax expense				
Movement in temporary differences	(1,865)	(3,392)	(2,260)	(3,392)
	(1,865)	(3,392)	(2,260)	(3,392)
Total income tax expense	100,011	85,627	99,747	85,609

Consolidated financial statements						
	Before tax	2019 Tax (expense) benefit	Net of tax <i>(in million Baht)</i>	Before tax	2018 Tax (expense) benefit	Net of tax
<i>Income tax</i>						
<i>Recognised in other comprehensive income</i>						
Defined benefit plan actuarial losses	(656)	131	(525)	-	-	-
Total	(656)	131	(525)	-	-	-

Separate financial statements						
	Before tax	2019 Tax (expense) benefit	Net of tax	Before tax	2018 Tax (expense) benefit	Net of tax
<i>Income tax</i>						
			(in million Baht)			
<i>Recognised in other comprehensive income</i>						
Defined benefit plan actuarial losses	(656)	131	(525)	-	-	-
Total	(656)	131	(525)	-	-	-

Reconciliation of effectively tax rate

	Consolidated financial statements			
	Rate	2019	Rate	2018
	(%)	(in thousand Baht)	(%)	(in thousand Baht)
Profit before income tax		502,738		436,994
Income tax using the Thai corporation tax rate	20	100,548	20	87,399
Effect of different tax rates in foreign jurisdictions		2,653		(3,361)
Income not subject to tax		1,652		(16)
Additional expenses deductible		(4,677)		(3,134)
Expenses not deductible for tax purposes		4,178		4,194
Recognition of previously unrecognised deferred tax		(3,980)		480
Under provided in prior years		(363)		65
Total	20	100,011	20	85,627

Reconciliation of effectively tax rate

	Separate financial statements			
	Rate	2019	Rate	2018
	(%)	(in thousand Baht)	(%)	(in thousand Baht)
Profit before income tax		518,641		420,873
Income tax using the Thai corporation tax rate	20	103,728	20	84,175
Additional expenses deductible		(3,263)		(3,120)
Expenses not deductible for tax purposes		3,625		4,009
Recognition of previously unrecognised deferred tax		(3,980)		480
Under provided in prior years		(363)		65
Total	19	99,747	20	85,609

Deferred tax

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
		(in thousand Baht)		
Deferred tax assets	15,884	14,768	15,435	14,768
Deferred tax liabilities	(3,498)	(1,976)	(514)	(1,976)
Net	12,386	12,792	14,921	12,792

	Consolidated financial statements (Charged) / Credited to				
	At 1 January	Profit or loss	Other comprehensive income (in thousand Baht)	Acquired in business combination	At 31 December
<i>Deferred tax</i>					
<i>2019</i>					
<i>Deferred tax assets</i>					
Trade accounts receivable	-	271	-	-	271
Other receivables	2,681	55	-	-	2,736
Short-term loans to related parties	1,738	(160)	-	-	1,578
Inventories	590	675	-	-	1,265
Property, plant and equipment	5,379	(933)	-	-	4,446
Provisions for employee benefit	2,487	1,704	(131)	-	4,060
Other payables	1,893	(365)	-	-	1,528
Total	14,768	1,247	(131)	-	15,884
<i>Deferred tax liabilities</i>					
Current investment	(1,732)	1732	-	-	-
Property, plant and equipment	-	232	-	(2,140)	(1,908)
Finance lease liabilities	-	(1,076)	-	-	(1,076)
Forward contracts	(244)	(270)	-	-	(514)
Total	(1,976)	618	-	(2,140)	(3,498)
Net	12,792	1,865	(131)	(2,140)	12,386

	Consolidated financial statements (Charged) / Credited to			
	At 1 January	Profit or loss	Other comprehensive income	At 31 December
<i>Deferred tax</i>				
<i>2018</i>				
<i>Deferred tax assets</i>				
Trade accounts receivable	3	(3)	-	-
Other receivables	-	2,681	-	2,681
Short-term loans to related parties	-	1,738	-	1,738
Inventories	850	(260)	-	590
Property, plant and equipment	6,025	(646)	-	5,379
Provisions for employee benefit	1,750	737	-	2,487
Other payables	1,237	656	-	1,893
Total	9,865	4,903	-	14,768
<i>Deferred tax liabilities</i>				
Current investment	-	(1,732)	-	(1,732)
Forward contracts	(465)	221	-	(244)
Total	(465)	(1,511)	-	(1,976)
Net	9,400	3,392	-	12,792

<i>Deferred tax</i>	At 1 January	Separate financial statements (Charged) / credited to		At 31 December
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
2019				
<i>Deferred tax assets</i>				
Trade accounts receivable	-	46	-	46
Other receivables	2,681	55	-	2,736
Short-term loans to related parties	1,738	(160)	-	1,578
Inventories	590	528	-	1,118
Property, plant and equipment	5,379	(933)	-	4,446
Provisions for employee benefit	2,487	1,635	(131)	3,991
Other payables	1,893	(373)	-	1,520
Total	14,768	798	(131)	15,435
<i>Deferred tax liabilities</i>				
Current investment	(1,732)	1,732	-	-
Forward contracts	(244)	(270)	-	(514)
Total	(1,976)	1,462	-	(514)
Net	12,792	2,260	(131)	14,921
2018				
<i>Deferred tax assets</i>				
Trade accounts receivable	3	(3)	-	-
Other receivables	-	2,681	-	2,681
Short-term loans to related parties	-	1,738	-	1,738
Inventories	850	(260)	-	590
Property, plant and equipment	6,025	(646)	-	5,379
Provisions for employee benefit	1,750	737	-	2,487
Other payables	1,237	656	-	1,893
Total	9,865	4,903	-	14,768
<i>Deferred tax liabilities</i>				
Current investment	-	(1,732)	-	(1,732)
Forward contracts	(465)	221	-	(244)
Total	(465)	(1,511)	-	(1,976)
Net	9,400	3,392	-	12,792

The Company has not recognised deferred tax liabilities arising from temporary differences on currency translation difference of the subsidiaries' financial statements because the Company does not intend to dispose of investments in the subsidiaries in the foreseeable future.

The Group's subsidiary, Sappe Holding (Thailand) Co., Ltd and Sappe Hong Kong Co., Ltd. has not recognised deferred tax assets arising from temporary differences on investment in subsidiaries totalling Baht 2.9 million and Baht 2.0 million, respectively (2018: Baht 2.9 million and Baht 2.0 million) because the Company have cumulative tax losses.

28 Earnings per share

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	<i>(In thousand Baht/thousand shares)</i>			
Profit attributable to ordinary shareholders for the year ended 31 December				
Profit for the year attributable to ordinary shareholders of the Company (basic)	<u>403,063</u>	<u>351,551</u>	<u>418,895</u>	<u>335,264</u>
Profit (loss) attributable to ordinary shareholders of the Company (diluted)	<u>403,063</u>	<u>351,551</u>	<u>418,895</u>	<u>335,264</u>
<i>Ordinary shares outstanding</i>				
Number of ordinary shares outstanding at 1 January	304,368	303,080	304,368	303,080
Effect of issuing shares options exercised	<u>5</u>	<u>1,253</u>	<u>5</u>	<u>1,253</u>
Weighted average number of ordinary shares outstanding (basic) at 31 December	<u>304,373</u>	<u>304,333</u>	<u>304,373</u>	<u>304,333</u>
Weighted average number of ordinary shares outstanding (diluted) at 31 December	<u>304,373</u>	<u>304,333</u>	<u>304,373</u>	<u>304,333</u>
Earnings per share (basic) (in Baht)	<u>1.32</u>	<u>1.16</u>	<u>1.38</u>	<u>1.10</u>
Earnings per share (dilute) (in Baht)	<u>1.32</u>	<u>1.16</u>	<u>1.38</u>	<u>1.10</u>

At 31 December 2018 and 2019, the effect was excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

29 Dividend

The dividends paid by the Group to the shareholders are as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in thousand Baht)
2019				
Annual dividend	18 April 2019	May 2019	<u>0.66</u>	<u>200,830</u>
2018				
Annual dividend	26 April 2018	May 2018	<u>0.69</u>	<u>210,014</u>

30 Financial instruments

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not hold or issue derivatives for speculative or trading purposes.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as result from operating activities divided by total shareholder's equity, excluding non-controlling interests and also monitors the level of dividends to ordinary shareholders.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows because loan interest rates are mainly floated. The Group is primarily exposed to interest rate risk from its borrowings.

			Consolidated financial statements		
			Maturity period		
At 31 December	Note	Effective Interest Rate	Within 1 year (in thousand Baht)	After 1 year but within 5 year	Total
2019					
Financial Liabilities					
Loans payable - Related parties	6	Market rate	<u>10,975</u>	<u>-</u>	<u>10,975</u>
2018					
Financial Assets					
Loans receivable - Related parties	6	3.2	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Financial Liabilities					
Loans payable - Related parties	6	Market rate	<u>3,984</u>	<u>-</u>	<u>3,984</u>
			Separate financial statements		
			Maturity period		
At 31 December	Note	Effective Interest Rate	Within 1 year (in thousand Baht)	After 1 year but within 5 year	Total
2019					
Financial Assets					
Loans receivable - Related parties	6	3.2	<u>7,650</u>	<u>-</u>	<u>7,650</u>
2018					
Financial Assets					
Loans receivable - Related parties	6	3.2	<u>8,000</u>	<u>-</u>	<u>8,000</u>

Foreign currency risk

The Group is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. The Group primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated sales, denominated in foreign currencies, for the subsequent period.

At 31 December, the Group and the Company were exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies:

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2019	2018	2019	2018
		(in thousand Baht)			
United States Dollars					
Cash and cash equivalents	7	22	26	2	2
Trade accounts receivable	9	44,846	28,476	44,846	28,476
Trade accounts payable		-	(2,701)	-	(2,701)
Other payables	18	(4,179)	(23,663)	(3,944)	(23,619)
Gross balance sheet exposure		40,689	2,138	40,904	2,158
Currency forwards sales		(44,846)	(28,476)	(44,846)	(28,476)
Net exposure		(4,157)	(26,338)	(3,942)	(26,318)

Surplus currency forwards sales is for hedging the currency risk on the estimated forecast sales.

		Consolidated		Separate	
		financial statements		financial statements	
	Note	2019	2018	2019	2018
		(in thousand Baht)			
Euro					
Cash and cash equivalents	7	1,378	381	1	2
Trade accounts receivable	9	14,185	5,711	9,776	1,117
Other receivables	10	68	382	-	-
Trade accounts payable		653	1,081	-	-
Other payables	18	(8,911)	(7,947)	(6,043)	(3,514)
Short-term loans	6	(3,625)	(3,984)	-	-
Net exposure		3,748	(4,376)	3,734	(2,395)
Hong Kong Dollars					
Cash and cash equivalents	7	11,083	11,911	-	-
Other payables	18	(85)	(46)	-	-
Net exposure		10,998	11,865	-	-
Ren Min Bi					
Cash and cash equivalents	7	579	668	-	-
Other receivables	10	2,163	499	-	-
Other payables	18	(177)	(1,333)	-	(1,428)
Net exposure		2,565	(166)	-	(1,428)

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. However, due to the large number of parties comprising the Group's customer base, Management does not anticipate material losses from its debt collection.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair Value Level 2 (in thousand Baht)	Carrying amount	Fair Value Level 2
31 December 2019				
<i>Financial assets measured at fair value</i>				
Debt securities held for trading	1,132,132	1,132,132	1,132,132	1,132,132
<i>Financial assets not measured at fair value</i>				
Foreign currency forward contract	2,514	1,250	2,514	1,250
31 December 2018				
<i>Financial assets measured at fair value</i>				
Debt securities held for trading	915,805	915,805	915,805	915,805
<i>Financial assets not measured at fair value</i>				
Foreign currency forward contract	1,737	1,059	1,737	1,059

Fair values of financial assets and liabilities

The fair values of the current portion of financial assets and liabilities are taken to approximate the carrying values due to the relatively short-term maturity of these financial instruments.

The fair values of finance lease liabilities approximate their carrying amounts as the market rate is close to the contract rate.

The Group has considered the level 2 fair value of debt securities held for trading based on net asset value as at the measurement date according to the fund's information released to the public as at 31 December 2019 and 2018.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Fair values reflect the credit risk of the instrument.

31 Commitments with non-related parties

	Consolidated financial statements		Separate Financial statements	
	2019	2018	2019	2018
	(in thousand Baht)			
Capital commitments				
<i>Contracted but not provided for</i>				
Machinery, equipment and other constructions	12,719	77,846	8,039	77,846
Software	163	-	-	-
Total	12,882	77,846	8,039	77,846
Future minimum lease payments under non-cancellable operating leases				
Within 1 year	15,979	17,797	10,314	16,586
1 - 5 years	1,819	10,788	472	10,176
Total	17,798	28,585	10,786	26,762
Other commitments				
Unused letters of credit for machinery	-	2,249	-	2,249
Bank guarantees	10,616	10,616	10,616	10,616
Total	10,616	12,865	10,616	12,865

Foreign currency sale forward contracts

As at 31 December 2019, the Company had outstanding foreign currency sale forward contracts of USD 7.13 million due in 2020 (2018: USD 3.71 million, due in 2019).

32 Contingent liabilities

As at 31 December 2019, the Company has been sued by a former oversea distributor in the amount of CNY 3.15 million (Baht 13.61 million). The Company have won in the federal court. Presently, the case is under the appeal of the distributor. However, the Company has set aside provision of Baht 0.86 million (2018: Baht 0.93 million) for liability that may arise as a result of this case, based on the opinion of their management and legal department.

33 Event after the reporting period

At the Board of Directors' meeting of the Company held on 26 February 2020, the Board of Directors agreed to propose a dividend payment of Baht 0.83 per share, totalling Baht 252.63 million. The Board of Directors will propose this matter to the Annual General Meeting of Shareholders for further approval.

34 Thai Financial Reporting Standards (TFRS) not yet adopted

New and revised TFRS, which are relevant to the Group's operations, expected to have material impact on the consolidated and separate financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020, are as follows:

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

** TFRS - Financial instruments standards*

(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS – Financial instruments are as follows:

(i) Classification – Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105. The classification under TFRS 9 will be based on the cash flow characteristics of the financial asset and the business model in which they are managed.

Under TFRS 9, derivatives will be measured at FVTPL. It shall replace current accounting policies of the Group on recognition when the derivatives were exercised.

The Group expects to initially adopt these TFRS by adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Group will not apply the requirements of these TFRS to comparative information.

The preliminary impact assessment of initially applying TFRS - Financial instruments on the financial statements is as follows:

	Consolidated financial statements 2020	Separate financial statements 2020
<i>Statement of financial position</i>		
<i>At 1 January</i>		
	(in thousand Baht)	
Increase (decrease) in trade account receivables	294	(30)
Increase (decrease) in other receivables	(1,049)	1,610
Increase in derivative liabilities	(1,264)	(1,264)
Decrease in deferred tax assets	(381)	(316)
Decrease in deferred tax liabilities	253	253
(Increase) decrease in retained earnings	2,147	(253)
Increase in non-controlling interests	(127)	-

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Group recognises payments made under operating leases in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Group will recognise right-of-use assets and lease liabilities for its operating leases. As a result, the nature of expenses related to those leases will be changed because the Group will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

The Group plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings at 1 January 2020, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply TFRS 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with TAS 17 and TFRIC 4.

The preliminary impact assessment of initially applying TFRS 16 on the financial statements is as follows:

	Consolidated financial statements 2020	Separate financial statements 2020
<i>Statement of financial position</i>		
<i>At 1 January</i>		
	(in thousand Baht)	
Increase in right-of-use assets	85,723	75,170
Increase in lease liabilities	(91,131)	(79,675)
Increase in deferred tax liabilities	(1,082)	(901)
Decrease in retained earnings	6,490	5,405
Decrease non-controlling interests	532	-

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