



บริษัท ธนปิริยะ จำกัด (มหาชน)  
Thanapiriya Public Company Limited



# ANNUAL | 2018 REPORT

[www.thanapiriya.co.th](http://www.thanapiriya.co.th)



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## Significant Financial Information

|                                                     | 2018    | 2017    | 2016    |
|-----------------------------------------------------|---------|---------|---------|
| <b>Consolidated Income Statement</b>                |         |         |         |
| (Million Baht)                                      |         |         |         |
| Revenues from sales and services                    | 1,769.2 | 1,597.7 | 1,448.2 |
| Costs of sales and services                         | 1,524.3 | 1,384.9 | 1,263.9 |
| Gross profit                                        | 244.9   | 212.8   | 184.3   |
| Net profit for the years                            | 65.1    | 61.3    | 55.7    |
| <b>Consolidated Statement of Financial Position</b> |         |         |         |
| (Million Baht)                                      |         |         |         |
| Total Assets                                        | 839.2   | 820.3   | 713.0   |
| Total Liabilities                                   | 190.7   | 213.0   | 142.7   |
| Total Shareholder's equity                          | 648.5   | 607.3   | 570.3   |
| <b>Consolidated Statement of Cash Flows</b>         |         |         |         |
| (Million Baht)                                      |         |         |         |
| Net Cash from Operating Activities                  | 110.2   | 72.7    | 44.6    |
| Net Cash from (used in) Investing Activities        | (53.3)  | (73.6)  | 19.6    |
| Net Cash from (used in) Financing Activities        | (62.0)  | 26.0    | (37.1)  |
| <b>Financial Ratio</b>                              |         |         |         |
| Gross Profit Margin (%)                             | 13.8    | 13.3    | 12.7    |
| Net Profit Margin (%)                               | 3.7     | 3.8     | 3.8     |
| Return on Equity (%)                                | 10.4    | 10.4    | 9.9     |
| Return on Assets (%)                                | 9.3     | 9.4     | 9.8     |
| Debt to Equity ratio (Time)                         | 0.3     | 0.4     | 0.3     |
| Earnings per Share (Baht)                           | 0.08    | 0.08    | 0.07    |
| Dividend per Share (Baht)                           | 0.035   | 0.030   | 0.030   |



## Message from the Chairman

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In 2018, it is another year that the Company still has a challenge to grow under market competition and the impact of economic conditions. However, Thanapiriya still able to drive the growth of the Company continuously. The Company has proven that traditional retail stores that are constantly adapting able to access to customer behavior and creating a unique service atmosphere of Thanapiriya will always win the consumers' heart. In addition, the Company also has expanded branches to expand more services to consumers. At present, the Company has 24 branches in Chiang Rai and Phayao. The Company adheres to the principles of business management under good governance principles which the Board of Directors, executives and all employees have consistently observed. In addition, in 2018 The Company is certified as a member of the Thailand's Private Sector Collective Action Coalition Against Corruption which reinforces the organization being managed under the principles of good governance and supervise the business to stable business operation.

In the year 2018, The Company opened 5 new branches in Chiang Rai as our planned. However, the identity of the store and the service are at the heart of "Thanapiriya Stores". Central management continues to be our standard. As a result, the Company's total revenue in 2018 was 1,780 million baht with the growth rate of 10.7 percent. The success of the Company is attributed to the Company's employees and the management focused on sustainable returns to the stakeholders. The Company focuses on organizational development by developing personnel quality to drive the Company development at all times.

On behalf of the Board of Directors, we would like to express our sincere gratitude to our customers, business partners, shareholders, related organizations as well as business alliances for the support. In addition, special thanks to our management team and all staff for contributing dedicatedly to the success of the Company. We commit to operate our business ethically, honestly, transparently with good corporate governance for sustainable growth in the future of "Thanapiriya".



Dr. Pisanu Kantipong  
Chairman of the Board of Directors



Mr. Thawatchai Phutthipiriya  
Chairman of Executive Committee

# Policy and Overview of Business Engagement

## 1. Vision, Objective and Target of Business Operation

### Overview and Objective of Business Operation

Thanapiriya Public Company Limited (“Company” or “Thanapiriya”) engages in the retail and wholesale business of consumer products excluding fresh foods under the name of “Thanapiriya”. The revenue from sales is derived from two portions consisting of revenue from sales via branch and revenue from sales via head office. At present, total branches of the Company have been 24 branches, being classified into supermarket for 23 branches, wholesale center for 1 branch. There are 22 branches in Chiang Rai Province and 2 branches in Phayao Province. The Company focuses on appropriate integrated services between worthwhile price in the way of modern trade and convenience in the way of convenience store. The various products of Thanapiriya for sales both in retail and wholesale consist of over than 15,000 items. The products sold by at Thanapiriya Store can be classified into five main categories as follows.

- 1) Household Products such as detergent, fabric softener, dishwashing liquid, floor cleaner, plate, bowl, fork, joss stick and candle, electric lamp, dry battery, air-conditioned scented spray, etc.
- 2) Personal Care Products such as shampoo, hair conditioner, soap, shower gel, toothpaste, powder, roll-on, cologne, sanitary napkin, tissue, hair dressing product, etc.
- 3) Drinks and Dried Foods such as tea, coffee, milk, drinking water, snack, sauce, vegetable oil, sugar, canned food, canned fruit, instant noodle, and fruit juice, etc.

- 4) Cosmetics and Supplements such as moisturizer, foundation cream, lipstick, conventional household medicine, dietary supplement and vitamin, etc.
- 5) Baby Care Products such as milk bottle, milk powder, baby food, diaper, supersorber, toy, baby bathing and care product, and maternal product, etc.

### Vision

The vision of the Company’s business operation is to be the leader of retail business in form of supermarket in Chiang Rai and neighboring province, using long experiences from business operation, development of quality management system and emphasis on training and continuous development of employee skill and knowledge with creation of “Wisdom Organization” or body of knowledge.

### Mission

In stepping toward retail business leadership in form of supermarket, the Company gives precedence to standard personnel development and improvement of work system as well as reinforcement of organizational culture so that the employees shall be aware of and proud of being membership of Thanapiriya. In addition, the Company aims at development of international standard management system, managerial flexibility, and being the local store that understands the consumers under “real cheap price, pleasant shopping and proximity to your house” concept.

### Target of Business Operation

The Company's target is to be Thai race community store that aims at continuous good service in order to support the consumer demand and aims at effective management, good internal control and maximum effective human resource management as crucial mechanism of sustainable

business growth. However, the Company's target is to continuously expand branches in Chiang Rai and neighboring provinces in order to enhance the Company's customer base for more area coverage.

## 2. Background of Significant Change and Development

The Company's business was commenced in 1965 from vending stand grocery in Chiang Rai municipality under the name of "Ngow Thong Chai" which was founded by Phutthipiriya Family. Later in 1991, it was developed into modern minimart under the name of "Piriya Mart". Later in 2000, the Company registered to change its name to be "Thanapiriya Limited Partnership" and used the establishment name of "Thanapiriya". Its head office is located Rop Wiang Sub-district, Mueang District, Chiang Rai Province.

Subsequently, the Company has continuously grown. It therefore has built warehouse in 1997 for delivery of products to various districts in Chiang Rai Province. With vision of the executive in foresight of the retail business opportunity that is likely to generate more profit and liquidity than the wholesale business of the Company, it therefore has opened the second branch in 2007. Since then, branches have been continuously opened particularly in Mueang District and other district in

Chiang Rai Province. Later in 2012, the Company registered to change to be "Thanapiriya Limited Company" and in 2013, increased registered and paid-up capital to be 50 million Baht. Later in 2014, the Company increased registered capital to be 145 million Baht and purchased 100% of ordinary shares of Thanaphoom Property 2013 Company Limited for group restructuring.

On April 20, 2015, the Extraordinary Meeting of Shareholders resolved to transform the Company into public limited company in order to be listed in Market for Alternative Investment (MAI) under resolution of approval on increase in registered capital to be 200 million Baht and allocation of ordinary shares for capital increase for 50 million Baht in initial public offering.

On September 5, 2017, the Company relocated head office from Vieng Sub-District, Mueang District Chiang Rai Province to the new office at 329 Moo 8 Ban du Sub-District, Mueang District, Chiang Rai Province.

**Significant Change and Development of the Company**

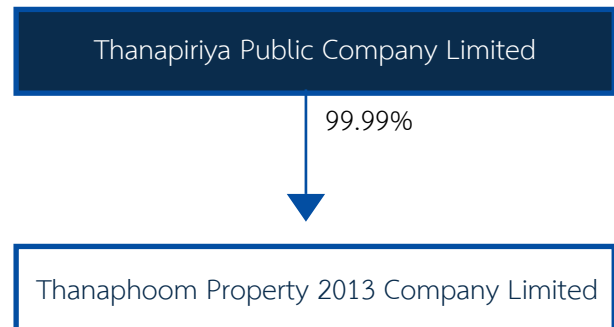
| Year | Significant Development                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2014 | <ul style="list-style-type: none"> <li>• Opened 3 branches in Chiang Rai Province.</li> <li>• On December 18, 2014, the Annual Extraordinary Meeting of Shareholders No. 1/2014 resolved to approve the increase in the primary registered capital from 50 million Baht to be registered capital for 145 million Baht for proportional offer for sales to the existing shareholders. The Company has registered capital increase with Department of Business Development, Ministry of Commerce, on December 22, 2014.</li> <li>• On December 3, 2014, the Board of Directors' Meeting No. 10/2014 resolved to purchase 100% of ordinary shares of Thanaphoom Property 2013 Company Limited for group restructuring.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 2015 | <ul style="list-style-type: none"> <li>• On April 20, 2015, the Extraordinary Meeting of Shareholders No. 1/2015 resolved the following approval.               <ul style="list-style-type: none"> <li>◦ To transform the limited company into public limited company, and register for transformation into Thanapiriya Public Limited Company on April 22, 2015.</li> <li>◦ To change ordinary share values of the Company from primary par value at 100 Baht per share to be par value of 0.25 Baht per share.</li> <li>◦ To increase in registered capital from 145 million Baht to be 200 million Baht.</li> <li>◦ Allocated 5 million Baht of ordinary shares for capital increase, classified into 20 million ordinary shares at par value of 0.25 Baht per share in offering for sales to the Company's employees and patronizer of the Company. On April 28, 2015, the Company increased paid-up capital for 5 million, resulting in paid-up capital for 150 million Baht.</li> <li>◦ Allocated 50 million Baht of ordinary shares for capital increase, classified into 200 million ordinary shares at par value of 0.25 Baht per share in initial public offering.</li> </ul> </li> <li>• On November 18, 2015 was the first day trade of the Company's securities in MAI under the abbreviated security name of "TNP".</li> <li>• Opened 2 branches in Chiang Rai Province.</li> </ul> |
| 2016 | <ul style="list-style-type: none"> <li>• Opened 3 branches in Chiang Rai Province.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 2015 | <ul style="list-style-type: none"> <li>• Opened 3 branches in Chiang Rai Province and 2 branches in Phayao Province.</li> <li>• Opened new distribution center at Ban du Sub-District Muang District, Chiang Rai Province, in June 2017.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 2018 | <ul style="list-style-type: none"> <li>• Opened 5 branches in Chiang Rai Province.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



### 3. Overview of Business Engagement of the Company and its Subsidiary

Retail and wholesale business of consumer products excluding fresh foods is engaged under the name of “Thanapiriya”. The revenue from sales is derived from two portions consisting of revenue from sales via branch and revenue from sales via head office. At present, total branches of the Company have been 24 branches, being classified into supermarket for 23 branches and wholesale center for 1 branch. There are located in Chiang rai province and Phayao province. The Company has currently invested in a subsidiary, Thanaphoom Property 2013 Company Limited, which engages in real estate procurement and development business for use in opening branch and Distribution Center of Thanapiriya.

#### **Structure of the Company and its Subsidiary as at 31 December 2018**



## Nature of Business Operation

The Company runs retail and wholesale business of consumer products, excluding fresh foods under the business name “Thanapiriya”. The main revenue is from sales of products via branches and head office. At present, total branches of the Company are 24 branches, being classified into supermarket for 23 branches and 1 branch of wholesale center; 22 branches are located in Chiang Rai Province and 2 branches in Phayao Province. The style of our super markets is the perfect combination where we provide variety of products at lower prices like the Modern Trade but convenient like the convenience stores. Thanapiriya aims to be the Thai nationality community stores which distribute the quality products and render warm services that take the customers’ demand into account.

The Company well perceives the way of life of local people that they prefer to buy fresh foods like meat vegetables and fruits from the fresh market. However, they prefer to buy consumer products from modern supermarkets which provide variety of products, attractive product display and convenience to select for purchase and easy to search for demanded products. The Company has used more than 27 years of its experience in accompanying with customer demand to develop the style of Thanapiriya Super Store to shelve and display more than 15,000 types of distributed product categories and aim to offer quality services and appropriate store layout for customer convenience in product shopping. In addition, the store location is easy for travel, resulting in customer’s time saving and travelling convenience. The retail and wholesale distribution for variety of consumer products is executed in all branches for increase in the customer’s alternative.

### • Revenue Structure

The proportion of revenue structure based on each type of business operation in 2016 to 2018 is as follows:

| Revenue Structure                             | 2016           |              | 2017           |              | 2018           |              |
|-----------------------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                                               | Million Bath   | %            | Million Bath   | %            | Million Bath   | %            |
| Revenue from Branches and Services            | 1,193.2        | 82.4         | 1,378.5        | 86.3         | 1,566.7        | 88.6         |
| Revenue from Wholesale at Head Office         | 255.0          | 17.6         | 219.2          | 13.7         | 202.5          | 11.4         |
| <b>Total Revenues from Sales and Services</b> | <b>1,448.2</b> | <b>100.0</b> | <b>1,597.7</b> | <b>100.0</b> | <b>1,769.2</b> | <b>100.0</b> |

The major revenues of the Company are derived from revenue from sales of products as below details.

#### 1) Revenue from Sales via Branches

The Company runs both retail and wholesale business via branches which invests and manages by the Company. Presently, the Company has 24 branches in Chiang Rai and Phayao Provinces comprising of 23 supermarkets, the target customers are people at all ages and genders that reside and travel in the area of the Supermarkets. Another one branch is wholesale centre which the target of customer group is the retailers who located in Chiang Rai and nearby provinces.

#### 2) Revenue from Sales via Wholesale at Head Office

The Company runs wholesale business by wholesaling at Head Office as Call Center for delivery of Product in Chiang Rai and nearby provinces. The target of customer group is the retailers who located in Chiang Rai and nearby province.

## 1. Nature of Services

### 1.1 Nature of Products for Retail and Wholesale Business

The Company allocates more than 15,000 types in order to meet the customer demand. The shelved and displayed commodities are those of basic group of household products for personal use, beverage, grocery, mother & child products, cosmetics, supplement foods, and etc.

Thanapiriya distributes products demanded by consumers and distributed in retail as a pack, a box and a carton, for customer's selection as demanded. The commodities are classified into 5 categories as follows:

#### Product Categories

1. **Household Products** such as detergent, fabric softener, dish washing liquid, floor cleaning liquid, plates, bowls, spoons, forks, candles, incense sticks, light bulbs, batteries, car wash and cleaning products.
2. **Personal Care Product** such as shampoo, conditioner, soap, liquid soap, toothpaste, power, deodorant, cologne, sanitary napkin, tissue papers and hair styling products.
3. **Drinks and Dried Food Product** such as tea, coffee, milk, drinking water, snacks, sauces, vegetable oils, sugar, canned fruits, canned foods, instant noodles and juices.
4. **Cosmetics and Supplements** such as moisturizer, foundation cream, lipstick, first aid medication set, supplement foods and vitamins.
5. **Baby Care Products** such as nursing bottle, powered milk, baby food, diaper, liquid absorbing pad, toys, baby bathing and caring products and maternal products.

Branches are significant channels where Thanapiriya can reach the customers directly. Thanapiriya gives priority to excellent services which impress customers from the very first step that they enter the store until their leaving. When entering Thanapiriya Store, there will be welcoming staffs who greet customers and providing shopping baskets. There are also staffs at the product shelves that provide service and suggestions on different promotions. Moreover, the Company also concerns on adequate number of checkouts for non-long queuing up by the customers and arrange staff that renders conveying services to deliver products to the customer cars for facilitation.

Beside good services, the atmosphere inside the stores is regarded to be essential. Thanapiriya concerns on cleanliness of the store both in front of the store and inside the store. Outside the stores, there are banners of various promotions, interior store decoration in modern style. The selection of product sorting device to be appropriate with theme and size of the store, light adjustment in the store for adequate luminance for the customer's clear view on products and price tags, products display in categories and regular check on product quantity on shelf for increase in customer convenience and prevention of shortage of products on shelf, attractive decoration and display on shelf and stacking show in categories according to festivals and turning on audio and visual media which encourage customers to shop joyfully.

## 1.2 Distribution Channels

The Company distributes all products via two channels as follows:

### 1) Thanapiriya Branch

The Company distributes products via its own branches as the main channel. The locations are located nearby a community zone and adjacent to the residences of target customer group and

adjacent to main road. This is convenient for both regular and irregular customers in travelling to the store. Presently, the Company has 24 branches comprising of 23 supermarkets and 1 wholesale center.

The details about Thanapiriya's branches as of 31 December 2018 are as followings:

| Branch                     | Address                                                                                 | Opening Year | Usage Area (Sq.M) | Opening Hours |
|----------------------------|-----------------------------------------------------------------------------------------|--------------|-------------------|---------------|
| 1. Clock Tower Branch      | 414/1-2 Buppaprakan Road, Wiang Sub-district, Muang District, Chiang Rai Province 57000 | 1991         | 220               | 7:00 – 21:00  |
| 2. Den Ha Branch           | 318/3 Moo.16, Wiang Sub-district, Muang District, Chiang Rai Province 57000             | 2007         | 750               | 8:00 – 20:30  |
| 3. Sri Sine Mool Branch    | 139/6 Moo 9, Wiang Sub-district, Muang District, Chiang Rai Province 57000              | 2009         | 400               | 8:00 – 20:00  |
| 4. Baan Du Branch          | 142 Moo 4 Bann Du Sub-district, Muang District, Chiang Rai Province 57100               | 2011         | 700               | 8:00 – 21:00  |
| 5. Den Ha Wholesale Center | 510/14 Moo 16, Rob Wiang Sub-district, Muang District, Chiang Rai Province 57000        | 2012         | 900               | 8:00 – 19:00  |
| 6. Mae Sai Branch          | 888 Moo.9, Wiang Pang Kham Sub-district, Mae Sai District, Chiang Rai Province 57220    | 2013         | 330               | 8:00 – 20:00  |
| 7. Pa Gor Branch           | 308/2 Moo 13, Rob Wiang Sub-district, Muang District, Chiang Rai Province 57000         | 2013         | 400               | 8:00 – 21:00  |

| Branch                    | Address                                                                           | Opening Year   | Usage Area (Sq.M) | Opening Hours |
|---------------------------|-----------------------------------------------------------------------------------|----------------|-------------------|---------------|
| 8. Huay Krai Branch       | 302 Moo2, Mae Rai Sub-district, Mae Chan District, Chiang Rai Province 57110      | 2014           | 500               | 8:00 – 20:00  |
| 9. Wiang Pa Pao Branch    | 340 Moo2, Mae Rai Sub-district, Wiang Par Pao District, Chiang Rai Province 57170 | 2014           | 350               | 8:00 – 20:00  |
| 10. Mae Chan Branch       | 500 Moo4, Mae Chan Sub-district, Mae Chan District, Chiang Rai Province 57110     | 2014           | 400               | 8:00 – 20:00  |
| 11. Parn Branch           | 2347 Moo 1, Parn Sub-district, Parn District, Chiang Rai Province 57120           | April 2015     | 550               | 8:00 – 20:00  |
| 12. Mae Fah Luang Branch  | 690 Moo 1, Tah Sood Sub-district, Muang District, Chiang Rai Province 57000       | August 2015    | 356               | 8:00 – 21:30  |
| 13. Toeng Branch          | 294/3 Moo 1, Wiang Sub-district, Thoeng District, Chiang Rai Province 57160       | March 2016     | 282               | 8:00 – 20:00  |
| 14. Mae Kah Jarn Branch   | 90 Moo 1, Mae Chedi Sub-district, Thoeng District, Chiang Rai Province 57260      | June 2016      | 300               | 8:00 – 20:00  |
| 15. Baan Mai Branch       | 531/1-3 Moo 4, Rim Kok Sub-district, Muang District, Chiang Rai 57100             | October 2016   | 264               | 8:00 – 20:00  |
| 16. Chiang Saen Branch    | 503 Moo 3, Wiang Sub-district, Chiang Saen District, Chiang Rai Province          | April 2017     | 375               | 8:00 – 20:00  |
| 17. Tha Wang Thong Branch | 555 Moo 5, Tha Wang Thong Sub-district, Muang District, Phayao Province           | July 2017      | 300               | 8:00 – 20:00  |
| 18. Wiang Chai Branch     | 194 Moo 1, Wiang Sub-district, Wiang Chai District, Chiang Rai Province           | September 2017 | 270               | 8:00 – 20:00  |



| Branch                     | Address                                                                          | Opening Year  | Usage Area (Sq.M) | Opening Hours |
|----------------------------|----------------------------------------------------------------------------------|---------------|-------------------|---------------|
| 19. Chiang Kham Branch     | 521 Moo 4, Yuan Sub-district, Chiang Kham District, Phayao Province              | December 2017 | 300               | 8:00 – 20:00  |
| 20. Mhuang Daeng Branch    | 253 Moo 1, Mae Sai Sub-district, Mae Sai District, Chiang Rai Province           | June 2018     | 300               | 8:00 – 20:00  |
| 21. Phraya Meng Rai Branch | 499 Moo 10, Meng Rai Sub-district, Phraya Meng Rai District, Chiang Rai Province | July 2018     | 300               | 8:00 – 20:00  |
| 22. Kwae Wai Branch        | 188/25 Moo 22, Rob Wiang Sub-district, Muang District, Chiang Rai Province       | August 2018   | 300               | 8:00 – 20:00  |
| 23. Pratu Lorh Branch      | 185 Moo 21, Pah Aor Don Chai Sub-district, Muang District, Chiang Rai Province   | October 2018  | 300               | 8:00 – 20:00  |
| 24. Chiang Khong Branch    | 485 Moo 10, Wiang Sub-district, Chiang Khong District, Chiang Rai Province       | December 2018 | 450               | 8:00 – 20:00  |

## 2) Wholesale at Head Office

Thanapiriya accepts purchase order via calls to the wholesale customers of Head Office and wholesale customers in other districts for broader coverage of wholesale customer group. This channel is available for wholesale customers or customer who purchases in big volume. Most of these customers have been purchasing from Thanapiriya for long time and they usually purchase

the same types of products. Many of them own shops which are distant from the city area, so it is not convenient for them to commute to the stores to purchase by themselves. Customers can make telephone call directly to Thanapiriya Head Office and every branch of Thanapiriya Supermarkets to place purchase.

## 2. Marketing and Competition

### 2.1 Condition and Trend of Chiang Rai Province's Economy

At present, Chiang Rai is a city of economy, trade and tourism. Chiang Rai Province is improved in transportation routes from Chiang Rai to neighboring countries by land, sea and air. Chiang Rai Province is at the farthest north of Thailand. Its border is connected to the Lao P.D.R. and Myanmar. In term of service business, Chiang Rai Province is well known on tourism. There are both Thai and foreign tourist who have visited Chiang Rai Province to enjoy Lanna art & culture where they can experience local food and the simple lifestyle. In addition, Chiang Rai has had leading facilities and services in various areas whether in transportation, hotel, store, and restaurant and souvenir shop, causing Chiang Rai become the significant Tourist Destination of the North. In the border trade with high volume of revolving money, it has been anticipated to be the significant businesses playing key roles toward Chiang Rai's economy due to location in strategic position where is adjacent to the neighboring countries which are People's Democratic Republic of Laos and Republic of the Union of Myanmar and not far from the People's Republic of China. Total distance along borderline is longer than 310 km. whereas there are three customhouses consisting of Mae Sai Customhouse, Chiang Saen Customhouse and Chiang Khong Customhouse.

Moreover, according to the consequence from the Quadrangle Economic Development Project, transportation and public utility system have been developed to connect with Thailand, People's Democratic Republic of Laos, Republic of the Union of Myanmar, and the People's Republic of China, together by car, train, sea and air to support trade,

investment and tourism such as Chiang Saen Port 2 Construction Project, Railway Construction Project for Denchai-Chiang Rai-Chiang Khong Route and Construction Project for the fourth Thai-Lao friendship Bridge (Chiang Khong-Huai Sai). Thus, Chiang Rai has become important gateway in connection with high potential neighboring countries. In addition, step into AEC has been the supporting factor of border trade of Chiang Rai particularly with the Group of CLMV Countries (Kingdom of Cambodia, People's Democratic Republic of Laos, Republic of the Union of Myanmar, and the Socialist Republic of Vietnam), likely resulting in continuous economic growth of Chiang Rai in the future.

Regarding the tendency of Chiang Rai economic in 2019; the Treasury Office of Chiang Rai Province anticipated for expansion in the rate of 3.1 % with a forecast range of 2.6-3.6% which was importantly supported by the service sector, agriculture, border trade and private consumption. The supply side in the province is expected to expand according to the service sector, which anticipated to be expanded for 6.0%, with a forecast range of 5.5 - 6.5 %. From the fact that the public and private sectors have given importance to tourism promotion activities and have been developed the tourist attractions as a way of community tourism, cultural tourism and focus on health together with the expansion of low-cost airlines both domestic and international airlines which will result in the number of tourists and passengers through airports are likely to increase. For supply side in the agricultural sector is forecasted to expand by 4.9 % with a forecast range of 4.4 - 5.4 % due to sufficient amount of water that appropriate to the cultivation which will result

in an increasing of agricultural output. The industry sector is expected to expand 1.8% with a forecast range of 1.2 – 2.1% from the amount of the industry sector's electrical usage and the registered capital of the industry which is expected to increase.

The demand in the province is expected to expand. From the border trade value expected to grow at a rate of 5.5% with a forecast range of 5.0 - 6.0% from various trade benefits, affected to the increasing of Border trade. Private consumption expected to expand by 5.3 % with a forecast range of 4.8 - 5.8 % from various policies of the government which continued from the previous year in improving the quality of life and stimulating the foundations of the economy, such as the Pracharat government project, Thai Popular Sustainable Project including the implementation of measures to help low-income people through state welfare cards which will help to support of more spending of people. Private investment sector is expected to expand by 3.4 % with a forecast range of 2.9 - 3.9 % as the cabinet approved the Denchai-Chiang Rai-Chiang Khong Railway Project on July 31, 2018, which will start the construction in 2019. This expected to attract the entrepreneurs to invest more in the province. The Government spending is expected to grow at a rate of 2.4% with a forecast range of 1.9 - 2.9% as the government approved the budget framework of the expenditure for the fiscal year 2019 in total amount of 3 trillion baht and the preparation of Government sections in procurement to support measures of expedite disbursement, including The Budget Procedure Act, BE 2561 (2018), which does not allow the money to be reserved for overlapping years. This expected to result in increased spending. Economic stability side, the economic stability within Chiang Rai province, generally the inflation in 2019 is expected to be at 1.3% per year, with a forecast range of 0.8 - 1.8 %, increasing from the previous year following

the cost trend from the crude oil in the volatile world market. For employed people, it is expected to decline by -0.9 %, with a forecast range of -0.9 to -1.0%, expected that in the year 2019 the employed amount will be at 624,501 people.

#### The Support Factors of Chiang Rai Province's Economic in 2018 and 2019

- The favorable weather conditions with sufficient water resulting in more agricultural products.
- The public and private sectors give priority to promoting and stimulating tourism in the province such as introduces new tourist attractions and offers tourist packages that will attract tourists to stay overnight in Chiang Rai, driving Chiang Rai to MICE City, the development of a tourist attraction to accommodate tourists' needs, such as promoting local way of life tourism, cultural tourism and health.
- Government measures or policies that stimulate the economy, such as measures to increase efficiency Budget expenditures for fiscal year 2018, policies for low income people through The state welfare card, as well as 4 additional measures to help low-income people through the state welfare card for examples; the measure to alleviate the burden of electricity and water bills, the measure to support expenses at the end of the year, the measure to support the travelling expenses for medical treatment and other related expenses about health for 65 years old age and older and the measurement to support in renting a house for 60 years and older which

there are 306,354 people in Chiang Rai Province who state welfare card applicants and more for those who are registered in the disabled group, the elderly, bed-sick patients and some people who are unable to register in 2017 for 40,978 people, which will help to reduce expenses for the people and support more spending in the province. The budget allocation for each village at the amount 200,000 baht, according to the Pracharat State Project and the Thai Popular Sustainable Projectb including the measure to help SMEs to be able to access capital sources etc. All these measures are affecting the economic expansion of Chiang Rai Province as well.

- The development of Mae Fah Luang Airport, Chiang Rai to support the expansion of passenger, airlines numbers and increased flight volume by preparing to expand the runway, passenger terminal aircraft, parking lot, in addition the construction of expanding warehouse building, maintenance plant and the route aviation both inbound and outbound which support tourists to travel more conveniently is affected to the economic growth expansion.
- Denchai-Chiang Rai-Chiang Khong Railway Project is clearer from the cabinet approval of the Denchai-Chiang Rai-Chiang Khong Railway Project on 31 July 2018 with a total distance of 323 kilometers which will start construction in 2019. It is expected that more entrepreneurs will invest in the province.

- The event of Moo Pa (Wild Boar) Academy which were trapped in the Tham Luang-Khun Nam Nang Non is causing the development of Tham Luang to be a major tourist attraction which is an incentive for more tourists to visit Chiang Rai Province.

#### Economic Risk Factors in 2018 and 2019 in Chiang Rai Province

- Risks from natural disasters due to weather uncertainty can cause natural disasters and affect agricultural output.
- Higher oil prices, affecting the cost of living of the people causing the purchasing power to decrease.
- Production costs for agricultural products are in higher price while some agricultural products still remain at a low level, this will affect agricultural income and result in lower purchasing power.

#### 2.2 Retail and Wholesale Industry

In 2019, modern retail business is expected to expand at 3.6-3.8 percent (% yoy), which still can grow slightly from 2018. Most of the growth will be in Bangkok and major cities of tourism, while branches in provinces the growth of purchasing power is relatively weak especially in provinces where the main income comes from the agricultural sector, together with the 2018 rainy season before the season. As a result, the production and price of agricultural products are not in line with the target. In 2019, the business is expected to continue to grow well due to the stimulus of spending measures from the government. In addition, the entrepreneurs are still investing on a new branch, improve the old branch

and increase rental space, which will help the revenue of entrepreneurs to grow continuously. For the year 2019, it is expected that the number of convenience stores and supermarkets will increase by approximately 10 percent and 7 percent, respectively while the tendency of the expansion of large retail stores such as hypermarkets has started to slow down. Due to limitations in the laws of urban planning and large areas that are increasingly rare coupled with modern consumer behavior that requires fast convenience and the family is smaller Resulting in a small branch having a chance to make sales more than a large branch. (Source: Information from the Company and general information published publicly)

### 2.3 Competition Condition in Chiang Rai and Phayao Province

The competition condition of retail consumer products stores is quite strong especially in Bangkok, Bangkok metropolitan and major cities. The related entrepreneurs can be grouped as the followings:

**Traditional Trade** is the small stores that sell consumer products which are necessary for them located in the community, using not quite high investment money to do business. There are self-management within family, it's uncomplicated business in the form of trading without modern technology and management. As modern trade retail stores enter the market, the shopping behavior of consumers has changed as they want more convenience and modern atmosphere where numerous and various products are available at cheaper prices. Thus, the Traditional Trade stores are unable to adapt themselves to the management and changing behavior of consumers, so they have to close down. As a result, the number of Traditional Trade stores has decreased quickly. These Traditional Trade stores are deemed to be the alliance ventures of the Company.

**Convenient Stores** have played more important role in the daily living of people as they can reach people in the community quickly. Although Thanapiriya carries some similar products as the convenient stores do, but Thanapiriya does the different positioning in the way that we do not sell Ready to Eat products. In contrast, we have more variety of products available at cheaper prices and bigger sizes which are appropriate for household usage. Mainly, customers buy beverage, ready to eat foods and products for personal use at the convenient stores but they buy products for household usage at Thanapiriya. This is because we have more products available for their selection at the cheaper prices on some items. In addition, as there are convenient stores nearby Thanapiriya stores, this promotes the business trading and circulation of customers in the area.

**Modern Trade Mostly, Stores** are established by foreign companies that have considerable investment. They are important competitors of Thanapiriya. There are different characteristics of Modern Trade such as the smaller super Hyper Market, Supermarket, big Hypermarket, and large wholesale center. Presently, the entrepreneurs of Modern Trade aim to open smaller retail stores in the provinces that have high potential growth.

### 2.4 Characteristics of Customers and Target Customers

The target customers of Thanapiriya includes the general customers covering all genders, all ages, all professions whereas their residences or daily life are near to stores; irregular customers that travel at the store area; and customer group which is retail store entrepreneurs for consumer product distribution in Chiang Rai and nearby provinces as well as the government agencies and business customers in various professions.

## 2.5 Competition Strategies

The Company's competitive strategies for business drive are as follows.

### 1) The strategy for understanding customer's way of living

From our experience in doing retail business in Chiang Rai for more than 27 years, Thanapiriya understands the demand of local people very well. The main principle to create an excellent service is knowing and understanding in the needs of customers. In addition, the products selection and services which suitable for people in the area is also important. Thus, an excellent service is a distinctive point of Thanapiriya.

### 2) Effective Inventory Management Strategy

Over than 15,000 items of the Company's products for shopping by customers are distributed both in retail and wholesale so that customers can select products as demanded. However, due to distinguished product consumption behavior of customer in each area, the Company therefore has prepared database by analysis on sales volume, inventory turnover and return on investment. That information has been applied for selection of appropriate products for consumers in each area to maintain turnover and profitability.

### 3) Strategies in Creating Advantages in Competition

In order to increase the competency to compete with the foreign owners of Modern Trade and convenient stores, the Company has set the strategy by

analyzing the strength and weakness of our competitors. Thus, Thanapiriya implements the outstanding characteristics of Modern Trade and convenient Stores harmoniously by selling various consumption products as well as products for household usage and we also offer promotions. Our branch stores are located in different communities where people find it easy to commute to and from with convenience parking lots.

### 4) Strategy for Increasing Branches

Increasing of branches is the key factor for reaching the target customers and expanding the customer base in order to generate more income and acquire the high-performance location earlier than the competitors. The Company has made the business plan for studying the increasing of branches seriously. We choose only the locations on major roads within communities of Chiang Rai and nearby provinces whereas the Company knows well about the areas or border areas that have potential for consumers to come and shop for products. In addition, we study the area for population density, purchasing power of population, competition level of the similar business and behaviors of consumers in the area. In addition, we create the Feasibility Study by calculating the payback period and Internal Rate of Return (IRR) which must not be lower than the required benchmark.

### 5) Strategy in Creating Brand Awareness

The Company realizes that it is important to make our brand well-know and win the consumers' heart. Therefore, we study the information on target customers and their demand in order to increase the communication channel and the message to be conveyed appropriately.

The Company intends to convey the message for creating Thanapiriya brand to be in the customers' mind that "Cheap, right for customers and located nearby". The Company makes publicizing consistently by emphasizing on reaching the target customers via various media such as radio, printed matters, social network such as Facebook, Line and the Company website :

[www.thanapiriya.co.th](http://www.thanapiriya.co.th) whenever we wish to publicize information and promotion.

### 6) Marketing Strategy

In order to increase competition competency, the Company checks product prices regularly. The Company compare prices and promotions with other stores to reassure that Thanapiriya sells products at lower prices and fair to customers as well as being able to compete with the competitors as a result from establishing good relationship with the suppliers that allows the Company to order a big lot of products and save more on logistics since the stores are located in the area where it is easy to commute to and from. Thus, the Company can manage the cost effectively and being able to compete with other stores.

In addition, the Company has the membership system which returns benefits to the customers in the form of discount. Each member will have various perks such as discount for buying various products, receiving gifts when purchasing value meets the target, drawing lots, and accumulation points in order to exchange with annual coupons. Presently, Thanapiriya has more than 100,000 members.

### 7) Personnel Development and Retention Strategy

Human resource is an important factor of retail and wholesale business. Therefore, the Company emphasizes on becoming the knowledge organization and promoting the organization culture by cultivation staffs to be competent and virtuous. The Company created the curriculum and handbook for training staffs in each position. The Company organizes training regularly and enhances the necessary skill and capability to staffs such as the excellent selling and service and the professional management.



### 3. Sourcing of Products and Services

The Company orders products directly from suppliers whereas most of them are producers. We emphasize on products that meet customer demands, variety and standard quality. Presently, the Company sources products from more than 400 suppliers, totaling 15,000 types. All of them are

sourced from domestic suppliers. The Company also realizes in the importance of establishing good relationship with suppliers. So far, we have worked with them well including that sale promotion activities, advertising, publicizing and etc.

### 4. Distribution Center Management

At present, the Company has a main distribution center located in Ban Du District, Chiang Rai province with an approximately area 10,000 square meters. The Distribution Center serves to distribute products to various branches and customers group of the Company. The Company's warehouse management consists of 3 main components which consist of

- 1) receiving goods from suppliers, there will be sufficient resources to receive the goods and create a plan to receive products that are consistent with the order process of the Company.
- 2) Storage of products, the Company realized to the quality of the products and the efficiency of the storage of products by analyzing the rotation rate of the product or reporting a summary of lost or damaged product information to be used as a performance indicator

- 3) product distribution, the Company distributes products to branches or customers by the Company's own freight car. There is a product distribution plan to support the sale of products with the main goal being to have enough products for sale at the branch and have the most effective cost freight.

## Risk Factor

The risk factors described below are relevant to the Company's current information and identifiable forecasts. These risk factors include some significant matters which may affect the Company's operation negatively. However, the following statements are not considered as the total risk factors of the Company as there could be other matters which are not yet identified. Moreover, there could also be some risk factors that the Company deems unimportant now while they could turn into significant risk factors shall affect the Company's operation in the future.

### 1. Risks from Business Operations

#### 1.1 Risk from Severe Competition

Regarding to Chiang Rai and Phayao Province being ones of the continuous growing economic provinces both in tourism and servicing business together with the expansion of urbanization, competition in retail business becomes more severe due to the higher number of modern trade stores which are considered the Company's competitor. These modern trade stores expanded their business in various areas in the type of superstore, hypermarket and small supermarket. They also offer a variety of interesting sales promotion to attract more customers to their stores. If the Company is not able to adjust the completion strategy or change the customer's behaviors, the Company may face unfavorable sales volume at Thanapiriya Stores which may significantly affect the Company's revenue and performance.

Nevertheless, the Company well considers about the product quality as well as service which enables Thanapiriya Stores to be different from the competitors and prompts the Company to be competitive with other retailers. Moreover,

the Company's analysis of main competitors assists in adjusting the business strategies to be fast and flexible in handling such severe industry competition. This results Thanapiriya to be Thai supermarket which services customers in Chiang Rai Province and neighboring provinces for more than 27 years.

With such long experiences and versatility in organizing sales promotion to compete with other modern trade stores, the Company well understands the customer's needs and is capable to select more than 15,000 product categories for both retail and wholesale transactions. Furthermore, Thanapiriya provides membership system in which the company is able to utilize such database in promoting to the right target group of customers. In addition, the Company also organized the market survey by studying modern trade stores and other retail stores, supplier's needs, customer's behaviors, various advertisement as well as customer's needs and comments from all branches of supermarket stores.

In addition, the Company also prepares sales database of each product category to analyze the demand in each category and in each branch. This database enables the Company's executives in adjusting the marketing strategies promptly, so the Company is confident that the Company's executives' vision as well as Thanapiriya's experienced team shall be able to maintain good performance and act as a strong competitor with other retailers in Chiang Rai and neighboring provinces.

### 1.2 Risks from Inventory Management

Inventory Management is considered one of the significant factors for both retail and wholesale business. Inefficient inventory management could cause the Company in higher costs and expenditures. These certain risks are such as excessive amount of inventory, lost inventory, damage inventory, expired inventory and are considered Thanapiriya's costs. In that event, the Company must take every effort to manage the inventory effectively. However, should the Company carry insufficient amount of products for distribution, this could cause the Company in losing the business opportunity or their customers to the competitors as well. The Company has set necessary policies and procedures in purchasing process to assist in managing the inventory effectively. Prior to each purchasing order, Purchasing Department shall inspect if the remaining amount of inventory is according to the Company's policy and follow such procedures strictly. Purchasing Officer shall also apply the specified purchasing calculation so that such purchasing order is sufficient for distribution to all supermarket stores as well as other neighboring provinces. They also have to carefully plan how to distribute the low turnover products.

In addition, the Inventory Officer at the Head Office shall store the products as per first in first out system (FIFO) as this system ensures that the product storage and distribution shall be performed as per FIFO as well as clearly separates the damage or expiring products and keeps them at a warehouse. For the inventory management in each supermarket store, the Company sets procedures for Inventory Officer to place the products as per FIFO and regularly inspect the expiry date of products. Products which are about to expire shall be sent back to the Head Office's warehouse and further returned to the supplier. Moreover, the Company also applies the information technology system

in managing the inventory both at the distribution center and each supermarket stores. By consideration from the previous database and regular database update, this allocation system shall specify the maximum and minimum amount of inventory required for each product category in each supermarket store. From the procedures mentioned above, the Company is confident that the inventory management is sufficiently in place. Furthermore, the Company has set precaution measures for lost product such as CCTV installation at the warehouse and supermarket stores as well as Audit Department's audit in counting the amount of products at the warehouse and supermarket stores. These systems ensure that the relevant staff follows the specified policies and procedures to lose as less products as possible.

### 1.3 Risk from Distribution Center Disruption

At present, the Company has 2 distribution centers with an area 10,000 square meters and 2,000 square meters located in Ban Doo and Rob Wiang Sub-district, Muang District, Chiang Rai Province. Suppliers shall deliver all products to this distribution center before delivering to each Thanapiriya's supermarket store. Distribution center is essential to supermarket business as its main task is to distribute the correct amount and category of products as per the specified period of time. Should the distribution center face any disruptions resulted from accident, natural disaster, information technology system failure or other unexpected causes, the Company may not be able to store the products from suppliers as well as distribute the products to the supermarket stores. As a result, the Company's risk in facing insufficient amount of products for sales or failure in product distribution to neighboring provinces may significantly affect the Company's performance.

Nevertheless, the Company's information technology system assists in specifying the amount of each product category in the warehouse and supermarket stores at approximately 7-30 days and 3-30 days respectively. So the Company rests assured that all supermarket stores shall carry sufficient amount of products for sales and distribution to neighboring provinces in case the distribution center faces obstacles. In addition, the Company provides precaution measures to handle such risks such as emergency operation plan, cooperation with main suppliers and Business Continuity Plan (BCP) to relocate the inventory in the crisis situation. Thus, the fire protection equipment is regularly inspected as well as compensation insurance policies are arranged.

#### **1.4 Risk from Information Technology System Disruption**

The company is reliant upon information technology system for sales management at supermarket stores, inventory management, purchasing, product distribution, finance and accounting as well as data storing and processing to develop the capability in competition. Should the information technology system face obstacles, it may affect the Company's operation such as failure in the product filling system at the Head Office may cause the distribution disruption in the next day as well as impact the purchasing, finance and accounting, etc. Thanapiriya may have to temporarily close the business until the system is completely fixed. Such risk could lead to the negative impact of the Company's operation and performance as well.

However, the Company recognizes the importance of information technology system and organizes a standardized and generally accepted data backup protection system by preparing a separate server which is kept outside

the Head Office. The data backup is scheduled to be performed daily with regular testing. Should the information technology system go wrong, the Company is able to fix the system within 1-3 hours.

Thus, the information technology system of each supermarket store has its own individual operation, but all databases shall be joined with the Head Office's database. Disruption at any supermarket store shall not affect other supermarket store's database. For payment system, each supermarket store has its own power reserve so if the electricity is off, POS can still submit the sales volume report to the Head Office. In addition, the Company prepared the emergency operation plan and organized regular training to staff in order to lessen the above mentioned risks. In the year 2017, there was no interruption in the information technology systems that affected to the Company's operations.

#### **1.5 Risk from Branch Expansion**

The Company has set a goal in continuous business growth and branch expansion is one of the business strategies which shall enable Thanapiriya to reach the targeted customers and cover the potential area before other retailers. This shall also assist the Company in expanding the customer base to reach the targeted revenue growth. At present, industry completion is extremely high with continuous growth of new retailers; therefore, the Company shall face the risk should the new supermarket store be unable to gain favorable return rate or lower investment returns than expected. Continuous operation loss of the new supermarket store may cause the store to be shutdown which shall result in the demolition expenditure, asset transfer expenditure; staff dismissal/staff transfer expenditure, etc. Moreover, branch expansion in adjacent area may affect the unfavorable sales volume and operation of the existing supermarket

store in which such affect may impact the overall performance of the Company as well.

However, the Company has set strict procedures in opening new branches of Thanapiriya Supermarket Store to decrease such branch expansion risk. Such procedures include the location selection in the prime area in which the Company is proficient about, population study, customer's behaviors, feasibility study, payback period and internal rate of return (IRR) which shall not be less than the criteria stated in the feasibility study. Payback Period should fall between 3-4 years depending on the size of the supermarket store with IRR not less than 20 percent. Furthermore, the Company also considers the sales volume and density of customers in the adjacent branch to be certain that the new branch opening shall not affect the sales volume of the existing branch but at the same time, increase the alternative options to the customers as well as add the distribution channel of Thanapiriya to cover as much as area as possible.

#### **1.6 Risk from Not Being Able to Lease Desired Business Locations or Extend the Lease Agreement**

As of now, the Company has altogether 15 lands and building lease agreements with the third parties. These agreements are divided into 6 long-term lease agreements with leasing period of 10-20 years and 1 short-term lease agreement with leasing period of 3 years and the Company has the right to renew the lease agreements upon advice. Should the Company be unable to extend the lease agreement, such supermarket store may have to be shutdown which may cause the crucial revenue loss together with the relevant expenditures such as demolition expenditure, asset transfer expenditure, etc. This risk may also cause significant impact to the overall performance of the Company.

However, the Company and the lesser have followed all terms and conditions and have never encountered any disputes at all. Besides, most of the lease agreements are long-term agreements and the Company has the right to renew the lease agreements prior to other lessees. Currently, the Company only has 1 short-term lease agreement with the third party. Such lease agreement stated that the Company has the right to renew to lease agreement for 4 more periods and each period shall cover 3 years.

Therefore, the Company expects to be successfully extended the lease agreement in the future while trusts that this risk shall not occur. In addition, the Company is confident in leasing the desired locations for branch expansion in the future because the Company has set out the plans for branch expansion in advance while strictly follows the stated procedures. Moreover, Thanapiriya supermarket Stores do not require unique specifications or huge piece of land or building which could be considered business obstacle.

#### **1.7 Risk from Shortage of Branch Operational Staff**

The Company has planned to continuously expand new branches to service as much customers as possible; therefore, branch operational staff is considered one of the crucial components in driving the retail business. Each supermarket store requires 10-20 staff for Sales, Cashier and Inventory so if the staff employment could not be performed in time, the branch expansion plan could be delayed while service quality could also be under the Company's specified standard. This risk may then impact the business growth and the Company's overall performance in the future as well.

In Realizing the importance of recruiting and developing staff for branch expansion, the Company's executives shall advise the plan on new

branch expansion to all department heads as well as jointly plan with Human Resources Department in selecting qualified staff for the new supermarket stores especially the position of Supermarket Store Manager. This manager shall be trained in various departments such as Sales, Cashier and Inventory to see the overall business picture as well as understand each position for the sake of effective management.

All new branch staff are also required to be trained both theoretically and practically in accordance with the specified courses so that the staff clearly understand the organizational culture and are capable to perform their tasks up to the Company's standard. Moreover, the Company organizes necessary capability training for staff on a regular basis and sets policies for fair treatment in order for the staff to feel delighted and warm as in the same family. The Company also performs regular salary and benefit survey to be competitive in the market while focuses on being the Wisdom Organization with training center for staff's career advancement. Thus, the Company trusts that qualified staff shall be recruited and developed to well support the branch expansion in the future.

### 1.8 Risk from Natural Disasters

Earthquake in Chiang Rai Province in May 2014 was considered the most severe earthquakes during the past 40 years. Although there were many aftershocks after the main earthquake, the Company's supermarket stores did not face any damages despite the fact that all stores are located in Chiang Rai Province.

Most of Thanapiriya Supermarket Stores are commercial buildings with 1-3 floors and these stores are not adjacent to the fault line. However, the Company realizes the risk from such natural disaster including flood and fire which may cause severe affect to the business operation as well as

staff's safety in the future. Consequently, the Company has prepared the precaution plans such as attentive and careful inspection of new branch construction, new distribution center construction, new information technology center, compensation insurance coverage acquisition, emergency operational plans, staff training to cope with the natural disasters and communication to all relevant parties. This is to ensure all shareholders, staff, business partners as well as customers that the Company is well prepared when the natural disasters occur.

### 1.9 Risk from Fraud/Corruption

Fraud precaution plans as well as staff's honesty are considered essential in business operation therefore that the Company depends on staff to be in charge of the Company's assets in all supermarket stores.

Therefore, the Company has set the following procedures to prevent from the risk from fraud/corruption:

- Fostering the honesty culture to all staff in the organization by arranging the ethics handbook, business morality policies and anti-corruption guidelines.
- Arranging of concisely internal audit process, duty and responsibility segregation, financial limit specification of authorized executives and cross audit among the executives.
- Random checking the operation in supermarket store.

#### **1.10 Risk from Store which is located near the border line of Republic of the Union of Myanmar and People's Democratic Republic of Laos**

There are four Thanapiriya's supermarket stores which are located near the border line. In the case of dispute or turmoil between the boundaries, the borders may be closed temporarily in which Myanmar or Lao people shall be unable to purchase products from Supermarket Store. Consequently, the closing of borders shall adversely affect the economy in the border boundary, customer's purchasing power as well as Supermarket Store's sales volume. Nevertheless, the Company has evaluated database and found out that few Myanmar and Lao customers shall slightly affect the Company's performance as most of the customers are Thai people. Moreover, the Company's products are consumer products which are essential to people's daily life, thus, less impact is expected.

#### **1.11 Risk from Legal and Governmental Policies**

The Company transparently operates its retailing business by strictly complying with the relevant laws, regulations and policies from the government since the start of the business. These laws and regulations include Retail Act, Consumer Protection Act, Price Control Act, Food and Drug Act, Labor Act as well as each local's municipal regulations. Should the changes in the government or government sector's laws and regulations favor the Company's competitors or increase the number of stakeholders, such changes may significantly impact the Company's strategy, goal and business plan which shall result in the undermined performance.

However, the Company is well prepared to cope with these changes by paying attention to updated news as well as planning for problems

which may arise. The Company's adjustability in organization adaptation and risk management method ensures the Company to promptly deal with the situation as well as control the impact to an acceptable level.

#### **1.12 Risk from Organizing City Planning**

According to the announcement of Ministry of Interior on 13 March 2015 about the retail construction ban of more than 300 square meters within the boundary of 1 kilometer from the historic site, the Company is required to reduce the utility space to not more than 300 square meters although most of Thanapiriya Supermarket Store's current utility space is more than 300 square meters. This utility space excludes the space for product storage, office space and other spaces. Therefore, utility space reduction shall result in less area for product placement which could lead to less investment returns and impact the Company's performance as well.

However, with vast experience in organizing the product placement in limited space, the Company is confident in coping with such changes by managing the product placement area to the maximum benefit while using the filling system in analyzing the quantity and category of products in each supermarket store as well. From the above stated reasons, the Company is certain that the supermarket store's sales area shall be efficiently managed.



## 2. Risks from Operational Management

### 2.1 Risk from Depending on Specific Executives

The Company is established by Mr. Thawatchai Phutthiphiriya and Mrs. Amorn Phutthiphiriya, who play significant role in successfully managing Thanapiriya Supermarket Stores to be well acknowledged in Chiang Rai Province and neighboring provinces. From their vast vision, the Company possesses strong financial situation and continuous great performance but at the same time, the Company is facing the risk from depending on both of them. Without Mr. Thawatchai Phutthiphiriya and Mrs. Amorn Phutthiphiriya, the Company's management and performance could be impacted.

At present, the Company's structure decentralizes operational management and defines the scope of duty and responsibility of executives in each department in accordance with their capability and experience. Each executive is free to express their comments and participate in the business plans as well as other business estimation. These practices are relevant with the Company's operation strategies while preventing the power domination at the same time. The Company also clearly specifies the scope of authority in the Company's organization and authority chart. This authority decentralization enables the Company to depend less on the above mentioned executives.

### 2.2 Risk from Shareholders with more than 50% Shareholding

As of now, the Phutthiphiriya family is the major shareholder of the Company with 578,562,700 shares or equivalent to 72.32 percent. In any of the meeting's resolution, the Phutthiphiriya family may hold the majority vote, as a result, other shareholders may encounter the risk in collecting votes to balance and audit the issues raised by the major shareholder group. Nevertheless, the Company's management structure has transparently specified the scope of authority, duty and responsibility of the Board of Directors, audit committee, Executive Committee and Nomination and Remuneration Committee.

Moreover, directors, major shareholders, management executives and person with conflict of interest are required to report the connected transaction. Person with conflict of interest shall not be allowed to vote in agenda which needs an approval. Hence, audit Committee is independent to consider and make a decision transparently as well as ensure the shareholders' confidence that the Company's management structure is well balance with efficient operational management.

# General Information and Other Significant Information

## General Information

### Information of the Company

Security Issuing Company : Thanapiriya Public Company Limited (“Company” or “Thanapiriya Pcl.”)  
 Company Registration : 0107558000172  
 Type of Business : Retail and Wholesale Business of Consumer Products  
 Registered Capital : 200,000,000 Baht consisting of ordinary shares for 800,000,000 shares at par value of 0.25 Baht per share

### Juristic Person Held for Shares by the Company

: Details according to Topic Policy and Overview of Business Engagement, of the Company and its Subsidiary

Location of Head Office : No. 329 Village No.8 Ban Du Sub-district, Mueang Chiang Rai District, Chiang Rai Province 57100

Telephone : 0-5377-6144

Facsimile : 0-5377-6144

Investor Relations : 0-5377-6144

E-mail : investor@thanapiriya.co.th

### Reference Person

Securities Registrar : Thailand Securities Depository Company Limited  
 No. 93 Ratchadaphisek Road, Din Daeng Sub-district, Din Daeng District, Bangkok 10400

Telephone : 0-2009-9000

Facsimile : 0-2009-9991

Auditor : Mr. Vichai Rujitanon, the Certified Public Accountant Registration No.4054; or Mr. Athipong Athipongsakul, the Certified Public Accountant Registration No. 3500; or Mr. Sathien Wongsanan, the Certified Public Accountant Registration No. 3495 ANS Audit Company Limited  
 No. 100/72,100/2, 16th Floor, Vongvanij B Building, Rama IX Road, Huai Khwang Sub-district, Huai Khwang District, Bangkok 10320  
 Telephone : 0-2645-0109  
 Facsimile : 0-2168-1212

Should Investors require addition information, they can be obtained from Disclosure report concerning additional information (Form 56-1) in which the Company has published details in [www.sec.or.th](http://www.sec.or.th) or the Company’s website: [www.thanapiriya.co.th](http://www.thanapiriya.co.th)

**Other Significant Information** - None -

## Information of Securities and Shareholders

As at 31 December 2018, the Company's paid-up registered capital has been 200,000,000 Baht, classified into 800,000,000 ordinary shares at par value of 0.25 Baht per share.

### Structure of Shareholders

As at 2 January 2019, the details for the name list of the major shareholders of top ten companies have been as follows.

| Name List of Shareholders                  | Number of Shares   | Shareholding Proportion (%) |
|--------------------------------------------|--------------------|-----------------------------|
| <b>1. Phutthipiriya Group</b>              |                    |                             |
| 1.1 Mr.Thawatchai Phutthipiriya            | 245,000,000        | 30.63                       |
| 1.2 Mrs.Amorn Phutthipiriya                | 245,800,100        | 30.73                       |
| 1.3 Mr.Thanaphoom Phutthipiriya            | 30,440,000         | 3.81                        |
| 1.4 Master Thanapat Phutthipiriya          | 30,000,000         | 3.75                        |
| 1.5 Mr.Thanapong Phutthipiriya             | 27,022,600         | 3.38                        |
| 1.6 Mr.Santi Phutthipiriya                 | 300,000            | 0.04                        |
| <b>Total of Phutthipiriya Group</b>        | <b>578,562,700</b> | <b>72.32</b>                |
| <b>2. Mr. Peerapol Taksintaweessup</b>     | <b>16,725,100</b>  | <b>2.09</b>                 |
| <b>3. Vijitsaengrat Group</b>              |                    |                             |
| 3.1 Mr.Somchai Vijitsaengrat               | 10,000,000         | 1.25                        |
| 3.2 Miss Wannaluk Vijitsaengrat            | 101,200            | 0.01                        |
| <b>Total of Vijitsaengrat Group</b>        | <b>10,101,200</b>  | <b>1.26</b>                 |
| <b>4. Miss Suveena Chatmaneeruek</b>       | <b>9,124,300</b>   | <b>1.14</b>                 |
| <b>5 Mr.Measun Piya-arreetham</b>          | <b>7,861,000</b>   | <b>0.98</b>                 |
| <b>6 Mr.Benjamin Panu Nay Group</b>        |                    |                             |
| 6.1 Mr.Benjamin Panu Nay                   | 3,700,000          | 0.4                         |
| 6.2 Miss Jessica Chalisa Ney               | 3,089,000          | 0.39                        |
| <b>Total of Mr.Benjamin Panu Nay Group</b> | <b>6,789,000</b>   | <b>0.85</b>                 |

| Name List of Shareholders                  | Number of Shares   | Shareholding Proportion (%) |
|--------------------------------------------|--------------------|-----------------------------|
| <b>7. Mr.Verapong Tam</b>                  |                    |                             |
| 7.1 Mr.Verapong Tam                        | 4,307,000          | 0.54                        |
| 7.2 Mr.Kittivit Tam                        | 1,033,300          | 0.13                        |
| <b>Total of Mr.Verapong Tam Group</b>      | <b>5,340,300</b>   | <b>0.67</b>                 |
| <b>8. Sirikraiwatthanawong Group</b>       |                    |                             |
| 8.1 Mr.Suwitchaya Sirikraiwatthanawong     | 3,346,700          | 0.42                        |
| 8.2 Mr.Chanon Sirikraiwatthanawong         | 1,384,000          | 0.17                        |
| 8.3 Miss Narin Sirikraiwatthanawong        | 553,300            | 0.07                        |
| 8.4 Miss Narin Sirikraiwatthanawong        | 30,300             | 0.00                        |
| <b>Total of Sirikraiwatthanawong Group</b> | <b>5,314,300</b>   | <b>0.66</b>                 |
| <b>9. Kittiwongsa Group</b>                |                    |                             |
| 9.1 Mr.Vichai Kittiwongsa                  | 4,360,000          | 0.55                        |
| 9.2 Mr.Chokchai Kittiwongsa                | 400,000            | 0.05                        |
| 9.3 Mr.Thiengchai Kittiwongsa              | 11,400             | 0.00                        |
| <b>Total of Kittiwongsa Group</b>          | <b>4,771,400</b>   | <b>0.60</b>                 |
| <b>10. Suksohlert Group</b>                |                    |                             |
| 10.1 Mr.Vichusak Suksohlert                | 4,001,000          | 0.50                        |
| 10.2 Miss Sanhachuta Suksohlert            | 230,000            | 0.03                        |
| 10.3 Mr.Somsak Suksohlert                  | 200,000            | 0.03                        |
| 10.4 Miss Pavana Suksohlert                | 159,300            | 0.02                        |
| <b>Total of Suksohlert Group</b>           | <b>4,590,300</b>   | <b>0.57</b>                 |
| <b>Other Shareholders</b>                  | <b>150,820,400</b> | <b>18.85</b>                |
| <b>Total</b>                               | <b>800,000,000</b> | <b>100.00</b>               |

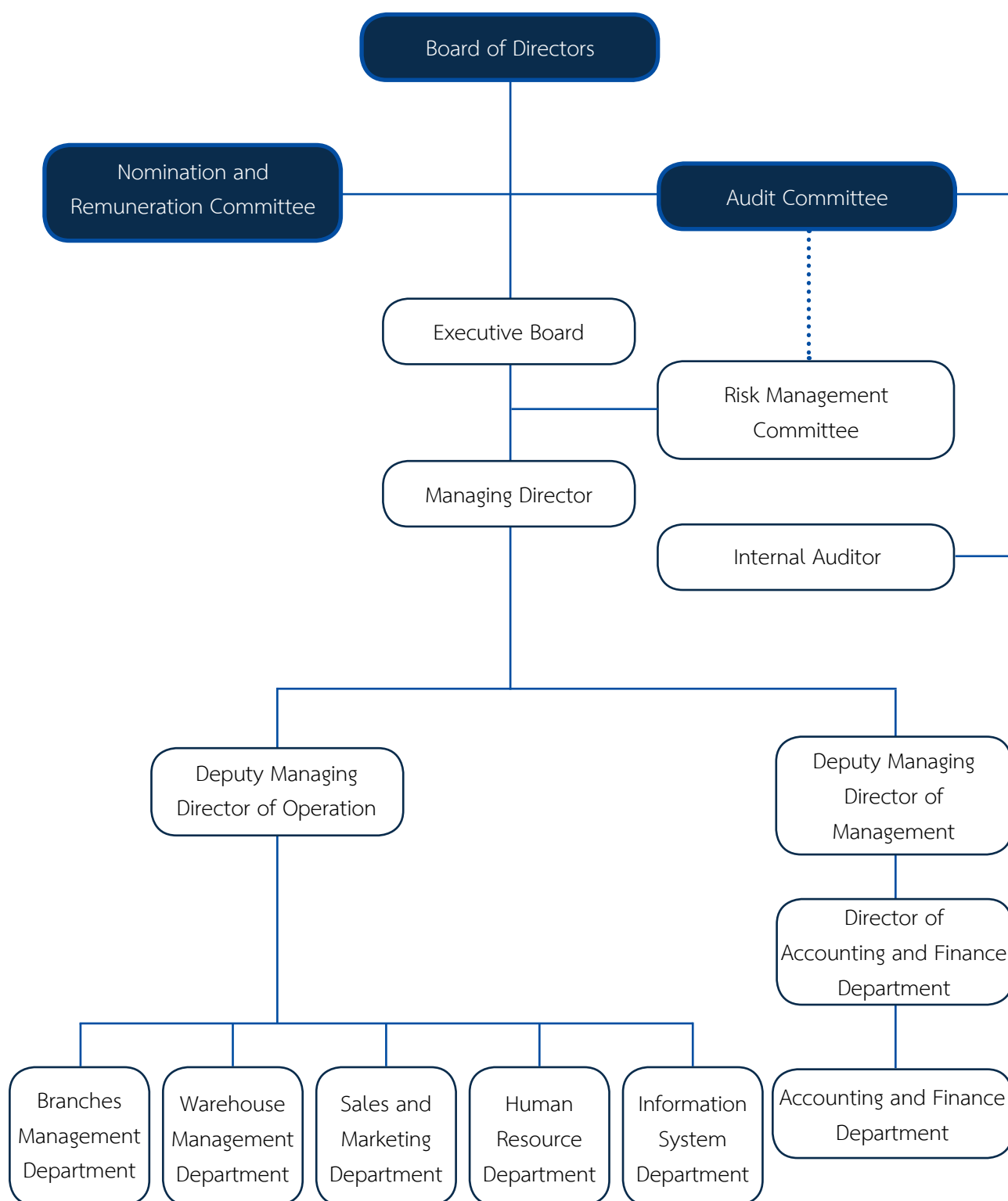
## Dividend Policy

The Company's dividend payment policy for its shareholders is not below 40% of net profit balance of the separate financial statements after deduction of corporate income tax and legal reserves. However, the Company shall consider dividend payment under factor concern for maximum benefit of the shareholders. The said dividend payout ratio may be changed depending on the financial position, liquidity and investment plan in each period of time, including management-related factors, necessity, and other appropriateness in the future as deemed as proper or appropriate

by the Board of Directors. The resolution of the Board of Directors for approval on dividend payment shall be proposed to request for approval from the Shareholders' Meeting unless the event of interim dividend payment, the Board of Directors has power to approve for execution upon deemed that the Company has reasonable profit for payment of dividend without impact on the Company's operation, and then report the Shareholders' Meeting for acknowledgement in the following meeting.

# Management Structure

## 1. Management Structure



## 2. Board of Directors

As at 31 December 2018, the Board of Directors consists of seven committee members as follows.

| Name List                      | Position                                                                        |
|--------------------------------|---------------------------------------------------------------------------------|
| 1. Pitsanu Khantipong, MD      | Chairman of the Board/ Independent Director/<br>Chairman of the Audit Committee |
| 2. Dr. Watthana Yuenyong       | Independent Director / Audit Committee Member                                   |
| 3. Dr. Chalermchai Khamseen    | Independent Director / Audit Committee Member                                   |
| 4. Mr. Tawatchai Phutthipiriya | Director                                                                        |
| 5. Mrs. Amorn Phutthipiriya    | Director                                                                        |
| 6. Mrs. Jularat Ngamlardlee    | Director                                                                        |
| 7. Miss Bussakorn Thadthapong  | Director                                                                        |

### Authorized Binding Signatory Director on Behalf of the Company

Mr. Tawatchai Phutthipiriya, Mrs. Amorn Phutthipiriya, Mrs. Jularat Ngamlardlee, and Miss Bussakorn Thadthapong, two of them shall affix their signatures and the Company's seal.

### The Board of Directors' Meeting

| Name List                      | Number of Meeting Attendances / Total Meetings |
|--------------------------------|------------------------------------------------|
|                                | 2018                                           |
| 1. Pitsanu Khantipong, MD      | 6/6                                            |
| 2. Dr. Watthana Yuenyong       | 6/6                                            |
| 3. Dr. Chalermchai Khamseen    | 6/6                                            |
| 4. Mr. Tawatchai Phutthipiriya | 6/6                                            |
| 5. Mrs. Amorn Phutthipiriya    | 6/6                                            |
| 6. Mrs. Jularat Ngamlardlee    | 6/6                                            |
| 7. Miss Bussakorn Thadthapong  | 6/6                                            |



### 3. Audit Committee

The Audit Committee consists of three committee members as follows.

| Name List                   | Position                        |
|-----------------------------|---------------------------------|
| 1. Pitsanu Khantipong, MD   | Chairman of the Audit Committee |
| 2. Dr. Watthana Yuenyong    | Audit Committee Member          |
| 3. Dr. Chalermchai Khamsaen | Audit Committee Member          |

: Dr. Watthana Yuenyong is the audit committee member who is knowledgeable and experienced in accounting or finance.

#### The Audit Committee's Meeting

| Name List                   | Number of Meeting Attendances / Total Meetings |
|-----------------------------|------------------------------------------------|
|                             | 2018                                           |
| 1. Pitsanu Khantipong, MD   | 5/5                                            |
| 2. Dr. Watthana Yuenyong    | 5/5                                            |
| 3. Dr. Chalermchai Khamsaen | 5/5                                            |

The Audit Committee's Meeting No. 1/2015 on 26 January 2015 approved the appointment of Miss Valdee Sibunrueang as the Secretary of the Audit Committee.

## 4. Nomination and Remuneration Committee

Nomination and Remuneration Committee consists of three committee members as follows.

| Name List                   | Position                                              |
|-----------------------------|-------------------------------------------------------|
| 1. Dr. Watthana Yuenyong    | Chairman of the Nomination and Remuneration Committee |
| 2. Dr. Chalermchai Khamsaen | Nomination and Remuneration Committee Member          |
| 3. Mrs. Jularat Ngamlerdlee | Nomination and Remuneration Committee Member          |

### Nomination and Remuneration Committee's Meeting

| Name List                   | Number of Meeting Attendances / Total Meetings |
|-----------------------------|------------------------------------------------|
|                             | 2018                                           |
| 1. Dr. Watthana Yuenyong    | 2/2                                            |
| 2. Dr. Chalermchai Khamsaen | 2/2                                            |
| 3. Mrs. Jularat Ngamlerdlee | 2/2                                            |

## 5. Risk Management Committee

Risk Management Committee consists of six committee members as follows.

| Name List                      | Position                                                                        |
|--------------------------------|---------------------------------------------------------------------------------|
| 1. Mr. Tawatchai Phutthipiriya | Chairman of the Risk Management Committee                                       |
| 2. Mrs. Amorn Phutthipiriya    | Risk Management Committee Member                                                |
| 3. Mr. Pittaya Jitmase         | Risk Management Committee Member                                                |
| 4. Miss Chanya Charoensuk      | Risk Management Committee Member                                                |
| 5. Mr. Thanit Yoddee           | Risk Management Committee Member                                                |
| 6. Mrs. Duangjai Yuinth        | Risk Management Committee Member and Secretary of the Risk Management Committee |

The Risk Management Committee's Meeting

| Name List                      | Number of Meeting Attendances / Total Meetings |
|--------------------------------|------------------------------------------------|
|                                | 2018                                           |
| 1. Mr. Tawatchai Phutthipiriya | 4/4                                            |
| 2. Mrs. Amorn Phutthipiriya    | 4/4                                            |
| 3. Mr. Pittaya Jitmase         | 4/4                                            |
| 4. Miss Chanya Charoensuk      | 4/4                                            |
| 5. Mr. Thanit Yoddee           | 4/4                                            |
| 6. Mrs. Duangjai Yuint         | 4/4                                            |

## 6. Executive Board

Executive Board consists of five members as follows.

| Name List                      | Position                |
|--------------------------------|-------------------------|
| 1. Mr. Tawatchai Phutthipiriya | Chief Executive Officer |
| 2. Mrs. Amorn Phutthipiriya    | Executive Director      |
| 3. Mr. Pittaya Jitmase         | Executive Director      |
| 4. Mrs. Rungrapa Piboonsri     | Executive Director      |
| 5. Mrs. Bongkot Chanthajit     | Executive Director      |

Meeting of Executive Board

| Name List                      | Number of Meeting Attendances / Total Meetings |
|--------------------------------|------------------------------------------------|
|                                | 2018                                           |
| 1. Mr. Tawatchai Phutthipiriya | 7/7                                            |
| 2. Mrs. Amorn Phutthipiriya    | 7/7                                            |
| 3. Mr. Pittaya Jitmase         | 7/7                                            |
| 4. Mrs. Rungrapa Piboonsri     | 7/7                                            |
| 5. Mrs. Bongkot Chanthajit     | 7/7                                            |

## 7. Company Secretary

The Board of Director's Meeting No. 1/2015 on 26 January 2015 approved the appointment of Mr. Pittaya Jitmase as the Company Secretary according to the requirement of Securities and Exchange Act B.E. 2535 (1992) (including amendment). Mr. Pittaya Jitmase attended the training of Continuous Development for Company Secretary Program (CSP) of Thai Institute of Directors (IOD), Class CSP 68/2015.

### Scope of Authority for the Company Secretary

The Board of Directors' Meeting No. 1/2015 on 26 January 2015 resolved the determination of the scope of the authority for the Company Secretary as follows.

1. Prepare and store the following documents.

(a) Director Registration

(b) Appointment Letter for the Board of Director's Meeting, Minutes of the Board of Directors' Meeting, and Annual Report of the Company

(c) Appointment Letter for the Shareholders' Meeting and Minutes of the Shareholders' Meeting

2. Retain the Stakeholding Report which is reported by the director or executive.
3. Prepare the Copy of the Stakeholding Report according to Section 89/14 for the Chairman of the Board of the Directors and Chairman of the Audit Committee within seven working days from the received date of the said Report by the Company. The Company shall prepare storage system of the documents or evidences related to information presentation, and supervise the proper and complete storage for accountability within not less than ten (10) years from the preparation date of the said documents or information.
4. Execute any other acts according to the requirement in the announcement of Capital Market Supervisory Board.

## 8. Executive

Total executives of the Company are seven persons under below name list and position.

| Name List                      | Position                                                                |
|--------------------------------|-------------------------------------------------------------------------|
| 1. Mr. Tawatchai Phutthipiriya | Managing Director/<br>Acting for Deputy Managing Director of Management |
| 2. Mrs. Amorn Phutthipiriya    | Deputy Managing Director of Operation                                   |
| 3. Mr. Pittaya Jitmase         | Director of Accounting and Finance Division                             |
| 4. Mrs. Duangjai Yuint         | Accounting and Finance Division Manager                                 |
| 5. Miss Chanya Charoensuk      | Supply Chain Division Manager                                           |
| 6. Mr. Thanit Yoddee           | Sales and Marketing Division Manager                                    |

## 9. Remuneration of Director and Executive

The Company clearly and transparently determines remuneration for the director to be consistent with his or her role, duty and responsibility in governing the Company's works under appropriateness consideration through the concern on maximum benefit toward the Company and its shareholders in below details.

### 9.1 Director's Remuneration

Monetary Remuneration

Remuneration Rate for the Board of Directors

Annual General Meeting of Shareholders for 2018 on Wednesday 11 April 2018 considered determination of remuneration for the Board of Directors, Audit Committee, Executive Board, and Nomination and Remuneration Committee under below details.

| Name List                                             | Committee Meeting Allowance |
|-------------------------------------------------------|-----------------------------|
|                                                       | (Baht/Time)                 |
| Chairman of the Board of Directors                    | 20,000                      |
| Director                                              | 15,000                      |
| Chairman of the Audit Committee                       | 15,000                      |
| Audit Committee Member                                | 10,000                      |
| Chairman of the Nomination and Remuneration Committee | 15,000                      |
| Nomination and Remuneration Committee Member          | 10,000                      |

Remark : 1) The committee member who is the executive or earns remuneration in form of salary shall not receive meeting allowance for individual meeting attendance.  
 2) The Company shall consider special remuneration or bonus from overall operation not exceeding 2.5 million Baht of total financial limit.

Table of the Committee Member's Remuneration between 1 January 2018 – 31 December 2018

| Name List                      | Remuneration (Baht/Time) |                        |                                       |                      | Total          |
|--------------------------------|--------------------------|------------------------|---------------------------------------|----------------------|----------------|
|                                | Director                 | Audit Committee Member | Nomination and Remuneration Committee | Special Remuneration |                |
| 1. Pitsanu Khantipong, MD      | 120,000                  | 75,000                 | -                                     | 70,000               | 265,000        |
| 2. Dr. Watthana Yuenyong       | 90,000                   | 50,000                 | 30,000                                | 65,000               | 235,000        |
| 3. Dr. Chalermchai Khamsaen    | 90,000                   | 50,000                 | 20,000                                | 60,000               | 220,000        |
| 4. Mr. Tawatchai Phutthipiriya | -                        | -                      | -                                     | -                    | -              |
| 5. Mrs. Amorn Phutthipiriya    | -                        | -                      | -                                     | -                    | -              |
| 6. Mrs. Jularat Ngamlerdlee    | 90,000                   | -                      | 20,000                                | 40,000               | 150,000        |
| 7. Miss Bussakorn Thadthapong  | 90,000                   | -                      | -                                     | 30,000               | 120,000        |
| <b>Total</b>                   | <b>480,000</b>           | <b>175,000</b>         | <b>70,000</b>                         | <b>265,000</b>       | <b>990,000</b> |

**Remark:** 1) The committee member who is executive or earns remuneration in form of salary shall not receive meeting allowance for individual meeting attendance.

#### Other Remunerations and Non-monetary Remuneration

- None -

#### 9.2 Executive's Remuneration

The Company has given the remuneration for the executive in form of salary, bonus, contribution of social security fund, and other remunerations such as position allowance, active payment, vehicle expense, etc. under below details.

| Detail                                  | 2017                | 2018                |
|-----------------------------------------|---------------------|---------------------|
|                                         | Remuneration (Baht) | Remuneration (Baht) |
| Number of Executive                     | 6                   | 6                   |
| Salary, Bonus and Other Remunerations   | 10,174,880          | 9,170,700           |
| Provident fund and Social security fund | 286,020             | 283,270             |
| Non -Monetary Remuneration              | None                | None                |
| <b>Total</b>                            | <b>10,460,900</b>   | <b>9,453,970</b>    |

### 9.3 Reporting of Shareholdings by directors and executives

The Company requires Directors and Executives to report change in shareholding pursuant to Section 59 of the Securities and Exchange Act BE 2535 within 3 business days from the date of purchase, sale or transfer to the office of Securities and Exchange Commission.

The shareholding of the Company's directors including spouse and management as at 31 December 2017, are detailed below.

| Name List                      | Number of Shares<br>On 31 December<br>2017 <sup>1)</sup> | Number of Shares<br>On 31 December<br>2018 <sup>1)</sup> | Decrease<br>(Decrease) |
|--------------------------------|----------------------------------------------------------|----------------------------------------------------------|------------------------|
| 1. Pitsanu Khantipong, MD      | 500,000                                                  | 500,000                                                  | -                      |
| 2. Dr. Watthana Yuenyong       | -                                                        | -                                                        | -                      |
| 3. Dr. Chalermchai Khamseen    | -                                                        | -                                                        | -                      |
| 4. Mrs. Jularat Ngamlerdlee    | -                                                        | -                                                        | -                      |
| 5. Miss Bussakorn Thadthapong  | -                                                        | -                                                        | -                      |
| 6. Mr. Tawatchai Phutthipiriya | 520,800,000                                              | 520,800,100                                              | 100                    |
| 7. Mrs. Amorn Phutthipiriya    | 520,800,000                                              | 520,800,100                                              | 100                    |
| 8. Mr. Pitthaya Jitmase        | -                                                        | -                                                        | -                      |
| 9. Mrs. Duangjai Yuinth        | 183,100                                                  | 183,100                                                  | -                      |
| 10. Miss Chanya Charoensuk     | 134,800                                                  | 134,800                                                  | -                      |
| 11. Mr. Thanit Yoddee          | 187,000                                                  | 187,000                                                  | -                      |

Remark : 1) Include Securities held by a spouse and/or children under the legal age of directors or executive

## 10. Personnel

### 10.1 Number of Personnel

As of 31 December 2018, the Company consists of 636 employees (excluding 6 management executives) which are divided into 468 full time employees and 168 daily employees.

Table showing number of employees

| Department                           | Number of Employees as of<br>31 December 2017 |            | Number of Employees as of<br>31 December 2018 |            |
|--------------------------------------|-----------------------------------------------|------------|-----------------------------------------------|------------|
|                                      | Full Time                                     | Daily      | Full Time                                     | Daily      |
| 1. Finance and Accounting Department | 20                                            | -          | 23                                            | 4          |
| 2. Warehouse Department              | 49                                            | 67         | 41                                            | 70         |
| 3. Delivery Department               | 26                                            | 14         | 36                                            | 11         |
| 4. Sales and Marketing Department    | 9                                             | -          | 13                                            | -          |
| 5. Human Resources Department        | 20                                            | -          | 14                                            | -          |
| 6. Information Technology Department | -                                             | -          | 5                                             | -          |
| 7. Purchasing Department             | 12                                            | -          | 10                                            | 3          |
| 8. Internal Audit Department         | 3                                             | -          | 4                                             | 1          |
| 9. Employees in supermarket stores   | 266                                           | 56         | 322                                           | 79         |
| <b>Total</b>                         | <b>405</b>                                    | <b>137</b> | <b>468</b>                                    | <b>168</b> |

### 10.2 Significant Change in Number of Employees in the past 3 years

- None -

### 10.3 Significant Labor Dispute in the past 3 years

- None -



#### 10.4 Employee Compensation

The Company compensates all employees (excluding 6 management executives) in various forms which consist of salary, bonus, Provident Fund contribution and Social Security contribution. Details are as follows:

Table showing Employees Compensation

| Employee Compensation                 | For the year 2017 |                     | For the year 2018 |                     |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|
|                                       | Number (Person)   | Compensation (Baht) | Number (Person)   | Compensation (Baht) |
| Salary, Bonus and Other Remunerations | 542               | 67,537,191          | 636               | 83,733,720          |
| Other rewards                         | 542               | 1,932,924           | 636               | 661,526             |
| Social security fund                  | 542               | 2,902,462           | 636               | 3,313,027           |
| <b>Total</b>                          | <b>542</b>        | <b>72,372,577</b>   | <b>636</b>        | <b>87,708,273</b>   |

#### 10.5 Policy in Human Resources Development

The Company has set policies in human resources development in order to develop skills and knowledge of its employees which shall result in higher potential competition as well as sustainable growth. The Company perceives the importance of continuous development in human resources, therefore, the Company concentrates in developing and maximizing the employees' capabilities with various knowledge guidelines and training courses. Together with the promising and proactive working environment, the Company also

emphasizes on the employees' self-skill training and self-capability development. These practices shall strengthen the Company's performance as well as support the expansion in the future. In addition, the Company arranges a training room as well as training courses and employee manuals for each division so as to support the employees' development programs. Moreover, employees are encouraged to attend in various training courses with other institutions.

# Details of Directors Executive officers and Company secretary

## Directors

### Pitsanu Khantipong, MD

65 years old

#### Position

- Chairman of the Board Chairman of the Audit Committee and Independent Director

#### Education

- Bachelor of Medicine, Faculty of Medicine, Chiang Mai University
- Bachelor of Science in Medical Science, Chiang Mai University

#### Training

- Director Accreditation Program (DAP) Course, Class 112/2014, Thai Institute of Directors (IOD))
- SASIN In-Depth Hospital Management Program, Kellogg School of Management, Northwestern University, Chicago, USA
- SASIN In-Depth Hospital Management Program 5, KAIST College of Business, South Korea , CHA Medical Center and Asan Medical Center in Seoul
- SASIN In-Depth Hospital Management Program 4, INSEAD, Fontainebleau, France
- Certificate of Family Practice Know-How in Obstetrics and Gynecology, Rajavithi Hospital, Department of Medical Services

#### Board Member/ Management in Listed Company

- None -



#### Position in Other Company/Organization/ Institution

- 2014 – Present Chairman of Development Committee, Nan Hospital
- 2013 –Present Vice Chairman of The Royal Thai College of Obstetricians and Gynaecologists

#### 5 Years Past Experiences

- 2014-2015 Subcommittee Advisory Board of Public Health Minister, Ministry of Public Health
- 2012 -2014 Director, Nan Hospital

#### (%) shareholding

- Held personally – None -
- Held by spouse or minor children 0.06

#### Family Relationship among director and Executives

- None-

#### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Dr. Watthana Yuenyong

56 years old

### Position

- Independent Director, Audit Committee and Member Chairman of the Nomination and Remuneration Committee

### Education

- Doctor of Accountancy, Mahasarakham University
- Master of Managerial Accountancy, Chulalongkorn University
- Bachelor of Business Administration and Accountancy, Ramkhamhaeng University

### Training

- Director Accreditation Program (DAP) Course, Class 117/2015, Thai Institute of Directors (IOD)

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- 2013 – Present Vice Rector, Chiang Rai Rajabhat University



### 5 Years Past Experiences

- None -

### (%) shareholding

Held personally – None -

Held by spouse or minor children – None -

### Family Relationship among director and Executives

- None -

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Dr. Chalermchai Khamsaen

54 years old

### Position

- Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member

### Education

- Doctor of Regional Development Strategy, Chiang Rai Rajabhat University
- Master of Business Administration, Chiang Mai University
- Bachelor of Marketing, Payap University

### Training

- Independent Director Audit Committee Member Nomination and Remuneration Committee Member

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- 1993 – Present Lecturer of Faculty of Management Sciences, Chiang Rai Rajabhat University



### 5 Years Past Experiences

- None -

### (%) shareholding

Held personally – None -

Held by spouse or minor children – None -

### Family Relationship among director and Executives

- None -

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Mr. Tawatchai Phutthipiriya

54 years old

### Position

- Director, Chief Executive Officer, Chairman of the Risk Management Committee and Managing Director

### Education

- Bachelor of Biotechnology, Kasetsart University

### Training

- Director Accreditation Program (DAP) Course, Class 111/2014, Thai Institute of Directors (IOD)

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- Director, Thanaphoom Property 2013 Co., Ltd

### 5 Years Past Experiences

- None -



### (%) shareholding

Held personally 30.63

Held by spouse or minor children 34.48

### Family Relationship among director and Executives

- Husband of Mrs. Amorn Phutthipiriya

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Mrs. Amorn Phutthipiriya

53 years old

### Position

- Director, Executive Director, Risk Management Committee Member and Deputy Managing Director of Operation

### Education

- Bachelor of Pharmacy, Mahidol University

### Training

- Director Accreditation Program(DAP) Course, Class 111/2014, ThaiInstitute of Directors (IOD)
- Chief Executive Course, Capital Market Academy (CMA, Class 21)

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- Director, Thanaphoom Property 2013 Co., Ltd

### 5 Years Past Experiences

- None -



### (%) shareholding

Held personally 30.73

Held by spouse or minor children 34.38

### Family Relationship among director and Executives

- Wife of Mr.Tawatchai Phutthipiriya

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Mrs. Jularat Ngamlertlee

59 years old

### Position

- Director and Nomination and Remuneration Committee Member

### Education

- Bachelor of Business Economics, University of the Thai Chamber of Commerce

### Training

- Director Accreditation Program (DAP) Course, Class SEC/2015, Thai Institute of Directors (IOD)

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- Business Owner Poj Electric Appliance Store (Retail Business)

### 5 Years Past Experiences

- None -



### (%) shareholding

Held personally - None -

Held by spouse or minor children - None -

### Family Relationship among director and Executives

- Elder Sister of Mrs. Amorn Phutthipiriya

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Miss Bussakorn Thadthapong

49 years old

### Position

- Director

### Education

- Bachelor of Business Administration,  
Pibulsongkram Rajabhat University

### Training

- Director Accreditation Program (DAP) Course,  
Class SEC/2015, Thai Institute of Directors (IOD)

### Board Member/ Management in Listed Company

- None -

### Position in Other Company/Organization/ Institution

- Business Owner Bussakorn Agriculture Store  
(Retail Business)

### 5 Years Past Experiences

- None -

### (%) shareholding

- Held personally - None -
- Held by spouse or minor children - None -



### Family Relationship among director and Executives

- Younger Sister of Mrs. Amorn Phutthipiriya

### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings



## Executive members and Company secretary



### Mr. Tawatchai Phutthipiriya

54 years old

#### Position

- Director, Chief Executive Officer, Chairman of the Risk Management Committee and Managing Director

#### Education

- Bachelor of Biotechnology, Kasetsart University

#### 5 Years Past Experiences

- None -

#### (%) shareholding

Held personally 30.63

Held by spouse or minor children 34.48

#### Family Relationship among director and Executives

- Husband of Mrs. Amorn Phutthipiriya

#### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings



### Mrs. Amorn Phutthipiriya

53 years old

#### Position

- Director, Executive Director, Risk Management Committee Member and Deputy Managing Director of Operation

#### Education

- Bachelor of Pharmacy, Mahidol University

#### 5 Years Past Experiences

- None -

#### (%) shareholding

Held personally 30.73

Held by spouse or minor children 34.38

#### Family Relationship among director and Executives

- Wife of Mr. Tawatchai Phutthipiriya

#### Attendance at the Board of Directors' Meeting during 2018:

- 6 times out of 6 Meetings

## Mr. Pittaya Jitmase

39 years old

### Position

- Executive Director, Risk Management Committee Member, Director of Accounting and Finance Division and Company Secretary

### Education

- Master of Business Administration, Accounting Major, Ramkhamhaeng University
- Bachelor of Business Administration, Accounting Major, Ramkhamhaeng University
- Certified Public Accountant (CPA)

### Training

- Continuous Development for Company Secretary Program (CSP), Thai Institute of Directors (IOD), Class CSP 68/2015

### 5 Years Past Experiences

- 2013 – 2014 Risk Management Committee Member of Thiensurat PLC. (Distribution of Household Goods Business)
- 2011 – 2014 Accounting and Finance Division Manager of Thiensurat PLC. (Distribution of Household Goods Business)



### (%) shareholding

Held personally - None -

Held by spouse or minor children - None -

### Family Relationship among director and Executives



### Mrs. Duangjai Yuinth

44 years old

#### Position

- Risk Management Committee Member, Secretary of Risk Management Committee and Accounting and Finance Division Manager,

#### Education

- High Vocational Certificate of Accountancy

#### 5 Years Past Experiences

- None -

#### (%) shareholding

Held personally 0.2

Held by spouse or minor children - None -

#### Family Relationship among director and Executives

- None -



### Miss Chanya Charoensuk

36 years old

#### Position

- Risk Management Committee Member  
Warehouse Division Manager

#### Education

- Bachelor of General Management  
Chiang Rai Rajabhat University

#### 5 Years Past Experiences

- None -

#### (%) shareholding

Held personally 0.2

Held by spouse or minor children - None -

#### Family Relationship among director and Executives

- None -



**Mr. Thanit Yosdee**

34 years old

**Position**

- Risk Management Committee Member and Sales and Marketing Division Manager

**Education**

- Bachelor of Agronomy  
Chiang Rai Rajabhat University

**5 Years Past Experiences**

- None -

**(%) shareholding**

- Held personally 0.02
- Held by spouse or minor children – None-

**Family Relationship among director and Executives**

- None -



**Mrs. Runnapa Piboonsri**

37 years old

**Position**

- Executive Director and Head of Finance Department

**Education**

- Bachelor of Business Administration  
Chiang Rai Rajabhat University

**5 Years Past Experiences**

- None -

**(%) shareholding**

- Held personally 0.01
- Held by spouse or minor children – None-

**Family Relationship among director and Executives**

- None -



### Miss Bongkot Chanthajit

42 years old

#### Position

- Executive Director Head of Personnel Development Division

#### Education

- Bachelor of Banking and Finance, Payap University

#### 5 Years Past Experiences

- None -

#### (%) shareholding

Held personally 0.02

Held by spouse or minor children – None-

#### Family Relationship among director and Executives

- None -

## Report of the Nomination and Remuneration Committee

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The Nomination and Remuneration Committee comprised of three members. The Nomination and Remuneration Committee has performed duties as assigned by the Board and in accordance with the charter of the Nomination and Compensation Committee. The key responsibilities of the Nomination and Remuneration Committee include the nomination of qualified candidates as members of the Board and Board Committees and propose of remuneration of the Chairman of the Board to the Boards. In the year 2018, the Nomination and Remuneration Committee has held 2 meetings and all members attend to the meeting every time.

The Nomination and Remuneration Committee has clearly formulated applicable policies, criteria and procedures in accordance with the charters and regulatory requirements to provide appropriate operating frameworks for the Company as approved by the Board as follows:

- The nomination of qualified candidates as members of the Board and Board Committees will be based on qualifications, knowledge, abilities, skills, experiences, expertise, leadership, vision and attitudes. Considerations are also given to the size, structure and composition of the Board to promote the compliance with good corporate governance principles and effective management which are appropriate to the evolving business environment and regulatory changes.
- The determination of remuneration offered to directors and the Chief Executive Officer is based on the scope of responsibilities, duties and performance of the incumbents together with the operating results, business conditions and factors which may affect the Company's businesses and the economic conditions.

As of 31 December 2018, the Board is comprised of 7 members, of which 3 are independent directors. The Nomination and Remuneration Committee has requested the directors conduct self-evaluation to review their performance in the prior year. Details of the remunerations offered to directors and executives are shown under the remuneration of directors and executives section of the annual report. The Nomination and Remuneration Committee views that the remunerations are appropriate in view of with the scope of responsibilities of the directors



Dr. Wattana Yueanyong  
Chairman of Nomination and Remuneration Committee

## Report of the Audit Committee

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The Audit Committee of Thanapiriya Public Company Limited consists of Pisanu Kantipong, MD, as the Chairman of the Audit Committee, Dr. Wathana Yeunyong, and Dr. Chalermchai Khamsaen, as the audit committee members. The scope of duties and responsibilities according to the significant Charter of the Audit Committee is to oversee the Company's financial reports according to Generally Accepted Accounting Principles and Standards, review the Company's operation according to the Principle of Good Corporate Governance, effective internal control system, compliance with the relevant requirements and laws, as well as oversee in the event of contingent conflict of interests among the connected parties. In 2018, the Audit Committee held total of 5 meetings under below essential issues.

1. The Audit Committee mutually considered and reviewed quarterly financial statements and annual financial statements for 2018 together with the management and the auditor to ensure that the Company's financial reports were properly and fairly prepared according to Generally Accepted Accounting Standards and disclosed adequate, complete and reliable information, as well as gave observation and acknowledged problem solving guideline for the Company's benefit. The Audit Committee deemed that the Company's annual financial report for 2018 has been fairly proper in the materiality according to Financial Report Standard.
2. To evaluate internal control system according to the determined guideline by Office of the Securities and Exchange Commission that covers organizational control, risk management, control on operation, information system and data communication, as well as monitoring system. The Audit Committee deemed that the Company has had adequate and efficient internal control.
3. To review the compliance with Securities and Exchange Law, or the requirement of Stock Exchange of Thailand and laws relevant to the Company's business operation, as part of the internal audit of the Company. In the year of 2018, the essential issues of non-compliance with the said law and requirement were unfound.
4. To govern internal audit work for independent operation by hiring I VL Auditing Company Limited which is the internal audit service providing company from outside to be the Company's internal auditor. The Audit Committee shall consider annual internal audit plan and internal audit result report, continuously monitor internal audit result with the management, and give advice the internal auditor to ensure that the determined internal plan is effectively and efficiently complied. The significant indicator of fraudulent act or fault of internal control was not detected in annual internal audit for 2018.

5. Attended a specific meeting with the external auditor without the management present to ensure the auditor's independence in their work. From the consideration of the qualifications of the auditors, the quality of audit work, the audit team, their expertise and independence in their work, the Audit Committee deemed it appropriate to propose to the Board of Directors to request approval from the general shareholders' meeting to appoint ANS Audit Company Limited as the Company's auditor for the year 2019 for the auditor had conducted the audit well throughout.
6. To consider disclosing the information of inter-transactions and connected transactions of the Company and the person that may have conflict of interests. The Audit Committee deemed that the information of inter-transactions and connected transactions of the Company have been accurately, completely and adequately disclosed according to business condition and criteria prescribed by Stock Exchange of Thailand.
7. Reviewed compliance with the handbook on anti-corruption measures under the Private Sector Collective Action Coalition against Corruption project on internal control, preparation of financial reports and other processes related to the anti-corruption measures the Company has prepared and provided an assessment of the risks associated with corruption within the Company, including a review of the compliance with the anti-corruption policy. On 21 August 2018, the Company's certification under the Thailand's Private Sector Collective Action Coalition against Corruption. The Audit Committee is of the opinion that the Company has fully and sufficiently implemented measures rigorously and carefully.

The Audit Committee has performed its duties with carefulness, independence and straightforward opinion expression without limitation of information acquisition and emphasis on good corporate governance according to the principle of the Stock Exchange of Thailand for transparency and ethics to cause confidence to shareholders and all relevant parties.

On behalf of the Audit Committee



(Pisanu Kantipong, MD)  
Chairman of the Audit Committee



# Corporate Governance

## 1. Corporate Governance Policy

The Company gives precedence to good corporate governance according to the principle prescribed by Stock Exchange of Thailand (“Stock Exchange”) due to the indication of international standard operation, reinforcement of transparency and effective management, and confidence creation for the shareholders, investors and all parties of stakeholders, leading to stability and progress as the instrument for value addition and reinforcement of sustainable growth. The Company has formulated the practical rule according to Guideline of the Principles of Good Corporate Governance for Listed Companies for 2012 given by Stock Exchange of Thailand as guideline. It covers the principle of five sections of corporate governance as follows.

1. Rights of Shareholders
2. Equitable Shareholder Treatment
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board

With regards to the Corporate Governance Code (CG Code) 2017 for listed companies as issued by the Office of the Securities Exchange Commission (SEC), the Board of Directors acknowledged and considered its contents; then adopted and applied specified requirements that were suited for the Company’s business operations, and then made a summary of those requirements that were not applicable for the Company together with the related reasons and the alternative measures established by the Company; whereby all associated details have been documented and incorporated in the related Board Meeting minutes.

### Section 1 Rights of Shareholders

The Company’s policy is to equitably treat all shareholders according to criteria prescribed by laws and relevant agencies. The process of the shareholders’ meeting shall be openly, transparently and fairly carried out whereas all shareholders have right and equality as follows.

#### Rights of Shareholders

1. Right to own by controlling the Company to approve the appointment of the Board of Directors to perform the duties on behalf of the Company.
2. Right to trade or transfer shares
3. Right to attend the Shareholders’ Meeting and vote, as well as express the opinion and mutually consider making decision on significant changes.
4. Right to authorize other person to attend the meeting and vote in lieu of the shareholder.
5. Right to appoint and remove the directors.
6. Right to vote for election, appointment and determination of the auditor’s remuneration.
7. Right to regularly and timely acknowledge the information, overall operation, and management policy.
8. Right to equally gain profit sharing.
9. Right to acknowledge information of the connected transaction performing.

### **The Shareholders' Meeting**

1. Determination of Appointment Date, Time and Place for the Shareholders' Meeting

The Board of Directors shall determine the Shareholders' Meeting in date, time and place that the shareholders can conveniently attend the Meeting.

2. Meeting Appointment Notice

The Company shall deliver Meeting Appointment Notice, Meeting Agenda, opinion of the Board Directors of Thanapiriya Public Company Limited, as well as complete and adequate documents and information as decision making support in each meeting agenda for prior-acknowledgement of the Shareholders' Meeting before meeting date so as to be properly and completely line with the criteria prescribed by laws and relevant agencies.

3. Pre-Meeting Proposal of Additional Agenda

All shareholders are able to propose additional agenda in advance before meeting by sending written agenda and details to the Company before meeting date for at least three (3) days so that the Board of Directors shall consider whether it will be added to be an agenda in the meeting.

4. Meeting Attendance and Registration

All shareholders have right to attend the meeting and vote or authorize other person to attend the meeting and vote in lieu of them. The Company opens for prior-registration by the shareholders before meeting time and systemizes to facilitate the shareholders so that all of them can completely and rapidly register.

5. Inquiry, Opinion Expression, Resolution and Taking Minutes of Meeting

The Board of Directors gives the opportunity to every shareholder for equitable right in auditing the Company's operation in the Shareholders' Meeting every time. The shareholder can fully and independently inquire, express opinion and suggest on consideration and resolution on every issue. In voting, one share is equitably counted as one vote for every shareholder. The Company shall take minutes of meeting and inquiry, suggestion, resolution of the meeting and votes in agreement, disagreement or voting abstention in each agenda in writing so that the shareholders and related parties can verify. In addition, the minutes of meeting shall be publicized in the Company's website after completion of the meeting.

6. Meeting Attendance of the Board of Directors

The Board of Directors considerably gives precedence to attendance of the Shareholders' Meeting. It deems as duty that every director shall attend every Meeting of Shareholder Meeting and completely propose the information to the shareholders, listen to opinion and suggestion of the shareholder, give the shareholder the opportunity to inquire and answer the said inquiry with accurate information.

## **Section 2 Equitable Shareholder Treatment**

The Company determines the equitable and fair treatment guideline for all shareholders whether the executive shareholder and non-executive shareholder of the Company, major shareholder or minor shareholder as well as foreign shareholder. Therefore, the Company has determined the good practical guideline as follows.

### **1. Information Provision before Shareholders' Meeting**

- 1) The Company shall deliver meeting appointment notice, meeting agenda, opinion of the Board of Directors, and complete and adequate documents and information as decision making support in each meeting agenda for prior-acknowledgement by the shareholders according to Public Limited Companies Act. After registration of the Company into listed company in Stock Exchange, the Company shall deliver appointment letter of the shareholders' meeting to the shareholders in advance in the period defined by the Office of the Securities and Exchange Commission ("SEC") or Stock Exchange for prior-study by the shareholders before meeting. In addition, the shareholders shall acquire news information via electronic media of the Stock Exchange, the Company's website and release of news in newspaper according to Public Limited Companies Act.<sup>55</sup>
- 2) The Company shall notify the shareholders for acknowledgement on the regulation used in the meeting, resolution voting procedure, and voting right according to each type of share.

### **2. Protection of the Minor Shareholder's Right**

- 1) The Company shall clearly determine the criteria for the minor shareholder to propose additional meeting agenda in advance before the date of the Shareholders' Meeting in order to indicate fairness and transparency in consideration whether the agenda proposed by the minor shareholder can be added.
- 2) The Chairman of the Meeting shall not add the meeting agenda which are not informed in advance without necessity particularly the important agenda which require studying time by the shareholder prior to decision making.
- 3) The Company shall determine the method for the minor shareholder to nominate the person to hold the director office, such as nominate via Nomination and Remuneration Committee prior to the date of the Shareholders' Meeting and supporting information for qualification consideration and consent of the nominated person.

### **3. Protection on Use of Inside Information**

The Company has determined the guideline of storage and protection for use of inside information in writing and notified the said guideline to everyone in the organization for observance. It should determine that every director and executive shall have duty to regularly report the security holding according to laws and deliver the said report to the Board of Directors, as well as disclose in Annual Report.

#### 4. Stake Holding of the Director

- 1) The director is determined to report his or her stake holding at least prior to consideration on the said agenda, and record it in the minutes of the Board of Directors' Meeting.
- 2) The director with significant stake holding in the nature that may cause the said director unable to independently give the opinion shall refrain from participation in the meeting to consider the said agenda.

#### Section 3 Role of Stakeholders

The Company realizes and perceives the importance of governance on the internal stakeholders of the Company such as shareholders and employees, and external stakeholders such as customers, business partners, creditors, competitors and other agencies as well as related nearby community. The stakeholders shall be taken care by the Company according to the right entitled by law or by agreement entered with the Company. The Company shall not perform any act which violates the right of those stakeholders. The Company has formulated the treatment policy and guideline for all groups of stakeholders as follows.

##### 1. Executive Practice

The executive means the employee who has subordinates. Apart from the executive's practice of every clause of code of conduct on behalf of being an employee of the Company, the executive shall have good practical guideline to reinforce good executive being. On behalf of the employee's superior, the executive shall be the leader and model of good conduct for general employees as well. Therefore, the practical guideline for executive has been determined as follows.

- 1) Shareholder Treatment by the Executive  
The executive shall perform his or her duty with honesty, carefulness, prudence and care with broad vision, non-exploitation for oneself and friends from the organizational information which is remained not publicly disclosed. The executive shall not disclose the secret organizational information to the outsider, and not perform any act which is the nature that may cause conflict of interests.
- 2) Employee Treatment by the Executive  
The executive shall fairly treat the employee, impartially manage, support the creation of progress potential, and increase work efficiency of the employees, as well as promote the employee to understand about code of conduct which should be practiced by the employees, arrange proper welfare to the employees, and truthfully treat the employees, reasonably listen to opinion and suggestion.
- 3) Customer Treatment by the Executive  
The executive shall strictly treat the customer according to business ethics practice defined by the Company.
- 4) Business Partner Treatment by the Executive  
The executive shall fairly treat business partner without clam or demand for any unjust benefit from business partner. If any clause of condition is failed in compliance, the executive shall notify the business partner for prior-acknowledgement to mutually find corrective guideline.

#### 5) Creditor Treatment by the Executive

The executive shall adhere to and comply with the trade agreement and condition with honesty to build mutual confidence and trust. In the event that the creditor which is the financial institution, the Company has complied with the condition of loan contract or credit contract all the time to build confidence to the financial institution by strictly complying with the conditions specified in the contract and agreement. However, the condition observed and adhered as regulation for creditor treatment is as follows.

- Equitably and fairly comply with the agreement entered with every business partner and creditor based on receiving fair return by both parties.
- Omit to demand, receive and not to give any dishonest trade benefit.
- In the event of borrowing, the Company shall not use money derived from borrowing in the way which is in conflict with the borrowing objective/condition.

#### 6) Business Competitor Treatment by the Executive

The executive shall treat business competitor under the framework for rule of good competition and non-search of secret information of the business competitor with dishonest method.

#### 7) Social and Environmental Treatment by the Executive

The executive shall practice or control the compliance with the relevant laws and rules and regulations, and shall be responsible for society and provide collaboration, assistance and support, and volunteer to do the useful activities for community and society.

#### Company Contact Channel of the Stakeholder

The Board of Directors emphasizes on participation of the stakeholders in reinforcement of the Company's overall operation to build the sustainable stability for the Company. The channel is arranged for stakeholders, shareholders, investors and employees to enable to deliver useful opinion, complaint or suggestion. The Company opens the channel for the external stakeholders to contact the Board of Directors or the chief executive by addressing the letter by post to the following.

- Chairman of the Board of Directors; or
- Chairman of the Audit Committee; or
- Managing Director

at below address.

Thanapiriya Public Limited Company  
329 Moo.8, Bandu Sub-district, Mueang District,  
Chiang Rai Province 57100; or  
E-mail Address: director@thanapiriya.co.th

The aforesaid person shall gather information to propose the director for consideration. The Company's policy for protection of the opinion or suggestion sender is to keep the information of the opinion or suggestion sender as secret.

### Intellectual Property Policy

The Board of Directors of Thanapiriya Public Company Limited has clear policy not to perform any act which is the infringement of the intellectual property whether in copyright, patent or trademark. The Company has clear action guideline such as copyright and determines the policy for application of information technology system of the Company and its subsidiary by auditing the application of software program systems in working of the employees to prevent the application of software that infringes copyright or irrelevant to working, etc.

### Human Right Policy

The Board of Directors of Thanapiriya Public Company Limited has clear human right policy whereas it is determined in written code of business conduct for fair treatment to all employees of the Company, its subsidiary and business partner companies without discrimination due to race, religion, nationality, gender, age, educational background, equitable right granting to the disable person, and non-violation against right and individual liberty both directly and indirectly. However, the employees of the Company and its subsidiary shall treat one other and treat other persons with mutual respect and honor and also behave themselves to be proper for jobs according to rules and regulations of the Company, and good tradition without impact on the Company's image.

## 2. Employee Practice

For reinforcement of good and effective working, the employee should have the following practical guideline.

- 1) The employee should work with honest, effort and diligence, and improve more work efficiency for self and the Company's benefit.

- 2) The employee should strictly behave and comply with work rules and regulations of the Company.
- 3) The employee should respect and listen to the superior who rightfully commands according to policy and rules and regulations of the Company.
- 4) The employee should be mutually united and generous to mutually assist without cause of conflict, leading to damage to other person and the Company.
- 5) The employee should mutually respect the right and honor, and avoid disclosure or criticism of other person's information or story both in the matter related to working and personal matter in the way that will cause damage to the employee and the Company.
- 6) The employee should avoid receiving any gift that may make him or her discomfort in future function. If it is unavoidable, the said employee should notify his or her superior for immediate acknowledgement.
- 7) The employee should not use position or job benefit to exploit self or his or her friend's benefit, or do business to compete with the Company.
- 8) The employee should treat his or her employee and business partner with honesty and equality.
- 9) The employee should strictly keep the secret of the customer, business partner and organization.
- 10) The employee should report the superior for acknowledgment of the issue without delay when the acknowledged issue may affect the Company's operation or reputation.

- 11) The employee should maintain the privileges and assets of the Company to be in good condition for full and saving utilization without waste, loss, damage or decay prior to reasonable time.

### Penalty

In the event that the management and employees behave on their own in the way that causes conflict of interests with the Company, the Company's organization structure and work rules and regulations shall be considered. Each work section shall primarily consider and summarize and forward the issue to the top superior and relevant line accordingly to make decision and further specify punishment as appropriate. If the occurred conflict of interests is severe and causes huge damage, and it may not be in diagnosis of the original affiliation, the issue shall be raised to the Company's management for consideration on finding summary and imposing the punishment accordingly.

### Penalty Provision

- 1) Verbal Warning
- 2) Written Warning
- 3) Wage Reduction
- 4) Job Suspension
- 5) Dismissal without compensation payment under Labor Protection Law.
- 6) Legal Proceedings

## Section 4 Disclosure and Transparency

The Company determines that the duty of the Board of Directors is to disclose complete, adequate, reliable, and timely information data both being financial information and other information for equal acquisition of information by the Company's shareholders, and to carefully,

obviously, concisely, understandably and transparently prepare. Both positive and negative information shall be regularly disclosed under carefulness of non-confusion on fact.

The Board of Directors aims for supervision on strict compliance with laws, regulations and rules related to disclosure and transparency, publication of data in the Company's website both in Thai and English language via the publicity channels of mass media and publicity media of the Stock Exchange of Thailand, for thorough acknowledgment of the shareholders and other related persons on the Company's data. It shall also update and revise those data to be consistent with the guideline promulgated for enforcement by the Stock Exchange of Thailand and Office of the Securities and Exchange Commission.

The Company shall arrange Investor Relations officer to perform the duty in communication with the investors or shareholders as well as institutional investor and minor shareholder, and regularly hold the meeting for analysis on overall operation and publicize the organizational data both of financial data and general data to the shareholders and security analyst. The Company shall rate reliability and the relevant government agencies via various channels such as reporting to Stock Exchange of Thailand, Office of the Securities and Exchange Commission, and the Company's website. The Company shall also emphasize on regular disclosure of the data both in Thai and English language for the shareholder's regular acknowledgement of news information via the channel of the Company's website. The data appeared on website whether being vision, mission, financial statements, public relations news, annual report, structure of the Company and executive, shareholding and major shareholder structure, shall be always updated.



In addition, the Company also gives precedence to financial report to indicate actual financial status and turnover of the Company based on the accurate, complete and adequate accounting data according to Generally Accepted Accounting Principles. The Company shall disclose the data about each director and roles and duties of the Board of Directors and sub-committees of the Company in Annual Report of the Company (Form 56-2), and Annual Registration Statement (Form 56-1), and shall disclose remuneration of the director and chief executive in Annual Report of the Company (and Annual Registration Statement).

## **Section 5 Responsibilities of the Board**

### **1. Element of the Board of Directors**

The Board of Directors shall consist of the following element.

1. According to the Company's Articles of Association, the Board of Directors shall consist of at least five members and not less than half of number of total directors shall have domiciles in the kingdom of Thailand. The directors shall be qualified as prescribed by laws, and may be the Company's shareholders or may not.
2. The Board of Directors consists of the executive director, non-executive director and independent director. There shall be at least one-third of independent directors and not less than three persons. The qualification of the independent director is in line with what is prescribed by the Stock Exchange of Thailand.
3. The Board of Directors shall select one director from non-executive director as the Chairman of the Board.

4. The Board of Directors shall select one person to perform the duty as the Secretary of the Board of Directors. The Secretary of the Board of Directors may be the director or may not.
5. The Board of Directors shall select one person to perform the duty as the Company Secretary.

### **2. Roles, Duties and Responsibilities of the Board**

The scope of duties and responsibilities of the Board of Directors is as follows.

1. Function according to laws, objectives and articles of association of the Company, as well as resolution of the Shareholders' Meeting.
2. Consider the approval on appointment of the qualified person without prohibited characteristic as prescribed in Public Limited Companies Act B.E. 2535 (1992), and Securities and Exchange Law as well as announcements, regulations and/or rules related to the director position in the event that the director position is vacant due to other reason apart from retirement by rotation.
3. Consider the appointment of the Executive Board by selecting from the Company's director and define the scope of authorities and responsibilities of the executive director.
4. Consider the appointment of the independent director and audit committee member under consideration from qualification and prohibited characteristic of the independent director and audit committee member according to



- Securities and Exchange Law as well as announcement, regulations and/or rules related to the Stock Exchange, or propose to the Shareholders' Meeting for consideration on the appointment to be the independent director and audit committee member of the Company accordingly.
5. Consider determination and revision of the name of the authorized director in binding the Company.
  6. Appoint any other person to operate the Company's business under control of the Board or may authorize the said person to have power and/or within the time deemed as appropriate by the Board. The Board is able to cancel, revoke, alter or revise that power
  7. Consider the approval on performing the acquisition or disposal transaction of the Company's asset unless in the event that the said transaction must be approved by the Shareholders' Meeting. In considering the said approval, it shall be according to the relevant announcements, regulations and/or rules of the Stock Exchange.
  8. Consider the approval on performing the connected transactions unless in the event that the said transaction must be approved from the Shareholders' Meeting. In considering the said approval, it shall be according to the relevant announcements, regulations and/or rules of the Stock Exchange.
  9. Consider the approval on interim dividend payment to the shareholders when it is deemed that the Company is reasonably profitable to do so, and report such dividend payment to the Shareholders' Meeting for acknowledgement in the following Shareholders' Meeting.
  10. Have duty to define vision, policy and direction of the Company's operation, business strategy and annual budget; and control the Management to effectively and efficiently implement according to the formulated policy for maximum economic value addition to shareholders and sustainable growth.
  11. Regularly responsible for shareholders, operate by maintaining the shareholders' benefit, and properly and completely disclose the standard and transparent material information to shareholders.
  12. Assess the performance and determine remuneration of the director and chief executive.
  13. Govern the Management to have appropriate and effective risk management system.
  14. Consider and make decision on the material issues such as business policy and plan, large scale investment project, managerial power, acquisition or disposal of asset and any other transaction prescribed by law.
  15. Determine power and approval level of transaction performing and execution related to the Company's works for the team or person as appropriate according to the relevant legal provisions, and prepare into Operating Power Manual and review at least once a year.
  16. Arrange the reliable accounting system, and financial and accounting audit reporting, and supervise to have internal control appropriateness assessment process.
  17. Give consent in proposing the appointment of the auditor and consider annual audit fee to propose to the shareholders for consideration and approval on the appointment.

18. Report the Board's responsibilities in preparing financial report for presentation together with the Auditor's Report in Annual Report, covering the important issues according to the policy of good practice for the directors of the listed companies of the Stock Exchange of Thailand.
19. Govern the function of sub-committees as prescribed by the Charter.
20. The Board shall perform self-assessment and overall performance assessment.

### 3. The Board of Directors' Meeting

The Company has formulated the Criteria of the Board of Directors' Meeting as follows.

1. The Board of Directors shall hold the meeting for acknowledgement of the Company's operating result at least every three (3) months. In the meeting, the directors shall freely express their opinions and exercise their discretion and should attend the meeting every time. Apart from force majeure, they shall notify the Secretary of the Board of Directors in advance. The Company shall report number of meeting attendances of the directors in Annual Report. In each time of the Board of Directors' Meeting, the Secretary of the Board shall deliver Meeting Invitation Letter to every director for prior-acknowledgement of every director on meeting date, time and place at least seven (7) days in advance; and

gather the meeting documentation from the directors and the management for delivery to the Board in advance. The said documents shall provide adequate information for decision making and exercise of independent discretion of the Board. The Secretary of the Board shall record the issues in the meeting to complete the preparation as the minutes of meeting that shall consist of the complete essence within 15 days from the completion of meeting date in order to propose for signing by the Chairman of the Board of the Directors. The good storage system shall be prepared to be convenient for effective search and confidentiality.

2. The director with stake in any issue is entitled to vote to resolve the said issue.
3. In voting in the Board of Directors' Meeting, the opinion of the majority shall be mainly considered. In the event of equal votes, the Chairman of the Meeting shall vote an additional vote as casting vote. However, the opinion of other directors who do not resolve for agreement shall be specified in the minutes of the meeting. In the Board of Directors' Meeting No. 6/2018 on 22 December 2018, time table of Annual Meeting of the Board of Directors for 2019 has been scheduled in advance. The defined meeting agenda shall be always notified to the Board of Directors for acknowledgement.

#### 4. Remuneration

The Board of Directors has resolved to appoint the Nomination and Remuneration Committee to perform the duties in selection of qualified person to hold the director and chief executive positions and consider the payment form and criteria for the remuneration of the director and chief executive as follows.

1. Consider the payment criteria for remuneration of the director and chief executive to be appropriate under review on the appropriateness of the currently applied criteria in comparison with the available information of remuneration payment of other companies in the same industry of the Company; and determine the appropriate criteria for creation of the achievement as expected to be fair as compensation of the person who helps the Company's work to be successful
2. Review the payment form for every type of remuneration such as fixed remuneration, overall operation-based remuneration and meeting allowance, under consideration on practical guideline currently applied by the same industry, turnover and business size of the Company and responsibility, knowledge, competency and experience of the director and chief executive required by the Company.
3. Consider the criteria for assessment of the performance of the managing director, line executive director, and chief executive as entrusted by the Board of Directors.
4. Determine annual remuneration of the director, managing director, line executive director and chief executive according to

the payment criteria already considered and proposed to the Board of Directors for approval on the remuneration of the managing director, line executive director and chief executive. In part of the director, the Board of Directors shall propose for resolution of the Shareholders' Meeting.

5. Consider the appropriateness and give consent in the event of new security offering for sale to the director and employee adhering to the principle of fairness to shareholder and creation of motivation to the director and employee for function in long-term value addition for shareholder and ability to actually retain quality personnel.

#### 5. Development of Director and Executive

For increase in working efficiency of various sets of committees, the Company supports the Board of Directors and chief executives to always participate in seminar in the course useful for function, and meet and exchange the opinion with the Board of Directors and chief executives of the organizations whether it is the course arranged by the work unit that supervises the training of the Company's employees and the course arranged by the government supervisory authority or independent organization such as director course of Thai Institute of Directors at Office of the Securities and Exchange Commission. The director of the listed company shall determine to be trained for at least one course such as Directors Certification Program (DCP), Directors Accreditation Program (DAP), and Audit Committee Program (ACP), so as to apply knowledge and experience for the Company's development accordingly.

## 2. Sub - Committees

The structure of the Board/Committee of the Company consists of the Board of Directors and total of three sets of sub-committees such as Audit Committee, Nomination and Remuneration Committee, Executive Board and Risk Management Committee. The Board of Directors' Meeting No. 1/2015 on 26 January 2015 resolved to define the scope of duties as follows.

### 2.1 Audit Committee

#### Scope of Authorities of the Audit Committee

The scope of authorities and responsibilities of the Audit Committee is as follows.

1. Review the financial report to ensure that it is accurate and reliable, and disclose adequate information by coordinating with the external auditor and executive who is responsible for preparation of both quarterly and annually financial reports.
2. Review the Company to have appropriate and efficient internal control system and internal audit system, and consider independency of the internal audit unit as well as give consent in consideration the appointment, removal and dismissal of the Head of Internal Audit Unit or any other unit which is responsible for internal audit and may suggest to review or audit any transaction deemed as necessary and important, and suggest about the significant and necessary improvement of internal control system to propose to the Board of Directors under mutual review with the external auditor and the Manager of Internal Work System Audit Department.
3. Review the compliance with Securities and Exchange Law or requirement of the Stock Exchange, other policies, rules and regulations and laws related to the Company's business operation.
4. Consider the election and propose the appointment of the independent person to perform the auditor's duty, as well as consider the proposal of remuneration of the Company's auditor to the Board of Directors. The Audit Committee shall attend the meeting with the auditor without meeting attendance by the Management at least once a year.
5. Review internal audit plan of the Company according to the generally accepted method and standard.
6. Consider connected transaction or transaction that may have conflict of interests according to laws and requirements of the Stock Exchange, as well as proper and complete disclosure of the Company's information in the said issue in order to ensure that the said transaction is reasonable and maximally useful for the Company.
7. Review the Company to have appropriate and effective risk management system.
8. Report the performance of the Audit Committee to the Board of Directors for acknowledgement at least once four times a year.
9. Prepare the Audit Committee's Report by disclosing in Annual Report of the Company. The said report shall be affixed by the Chairman of the Audit Committee and shall at least contain the following information.

- (1) Opinion on accuracy, completeness and reliability of the Company's financial report
  - (2) Opinion on adequacy of the Company's internal control system
  - (3) Opinion on compliance with Securities and Exchange Law, requirement of the Stock Exchange, or laws related to the Company's business.
  - (4) Opinion on the appropriateness of the auditor.
  - (5) Opinion on the connected transaction or transaction that may have conflict of interests.
  - (6) Number of the Audit Committee Meetings and Meeting Attendances of each committee member.
  - (7) Overall opinion or observation acquired by the Audit Committee from function according to Charter.
  - (8) Other transaction which is deemed that the shareholder and general investor should acknowledge under the scope of duties and responsibilities entrusted by the Board of Directors.
10. Mutually give opinion on considering appointment, removal and assessment of the performance of Internal Audit Unit's officers.
  11. In function based on the scope of duties, the Audit Committee shall have power to invite the Management and executives or the Company's related staffs to attend the meeting or deliver documents deemed to be related or necessary.
  12. Have power to hire consultant or outsider according to the Company's rule to advise or give counsel in the necessary event.
  13. The Audit Committee shall assess the performance by self-assessment and report assessment results as well as problem and obstacle in function that may cause function not attain the objective of establishment of the Audit Committee for acknowledgement of the Board of Directors every year.
  14. Consider review and update of the Charter of the Audit Committee at least once a year.
  15. Review the anti-corruption process of the company
  16. Review and comment on the Company's annual anti-corruption report.
  17. Perform other tasks as entrusted by the Board of Directors within the scope of duties and responsibilities of the Audit Committee.

## 2.2 Nomination and Remuneration Committee

### Scope of Authorities of the Nomination and Remuneration Committee

The scope of authorizes and responsibilities of the Nomination and Remuneration Committee is as follows.

#### • Nomination

1. Determine the nomination method for qualified person to hold the director office to be proper for the corporate nature and business operation under determination of qualification and knowledge and skill in each area required

to be available.

2. Nominate the director when the term is reached and required for nomination of the director to the Board of Directors for consideration. The nomination may be considered from the existing director to further hold the office or the nomination may be opened from the shareholder or outsource of the external company to help in nomination or consideration on the person from professional director directory, or nomination of the qualified person by each director, etc.
  3. Consider name list of the nominated and elected persons who are qualified in consistency with the determined criteria and qualification.
  4. Verify whether the nominated person is qualified according to laws and requirements of the relevant agencies.
  5. Approach the qualified person in consistency with the determined criteria and qualification to ensure that such person is glad to assume the office of the Company's director if he or she is appointed by the shareholder.
  6. Nominate the name for the Board's consideration and filling the name in the Shareholders' Meeting Appointment Letter for consider and appointment by the Shareholders' Meeting.
  7. Consider nominate the Chief Executive Officer and Managing Director as entrusted by the Board of Directors.
- Determination of Remuneration
1. Consider the payment criteria for remuneration of the director, Chief Executive Officer, and Managing Director for appropriateness under review on the appropriateness of the currently applied

criteria in comparison with the remuneration payment information of other companies in the same industry of the Company; and determine the appropriate criteria for creation of achievement as expected for fairness and return to the person who helps in working for the Company's success.

2. Review the payment form for every type of remuneration such as fixed remuneration, overall operation-based remuneration and meeting allowance under concern on practical guideline currently applied by the same industry, turnover and business size of the Company and responsibility, knowledge, competency and experience of the director, Chief Executive Officer, and Managing Director required by the Company.
3. Consider the performance assessment criteria for the Chief Executive Officer and Managing Director as entrusted by the Board of Directors.
4. Determine annual remuneration of the director, Chief Executive Officer and Managing Director according to the payment criteria considered and proposed to the Board of Directors for approval on remuneration of the Chief Executive Officer and Managing Director. In part of director, the Board of Directors shall propose for approval of the Shareholders' Meeting.
5. Consider the appropriateness and give consent in the event of new security offering for sale to the directors and staffs, adhering to the principle of fairness to shareholder and creation of motivation to director and staff to function for long-term value addition to shareholders and ability to actually retain the quality personnel.

## 2.3 Executive Board

### Scope of Authorities of the Executive Board

The scope of authorizes and responsibilities of the Executive Board is as follows.

1. The Executive Board shall be appointed from the Board of Directors, and consist of the executive directors and executive staffs for not less than five persons in total as the Executive Board.
2. Perform the duties in controlling the Company's management according to the policy formulated by the Board of Directors and report the overall operation to the Board of Directors. In carrying out the Executive Board's Meeting, the members for not less half of the executive directors shall attend the meeting. There shall be majority votes from the Executive Board's Meeting in resolution and the said counted votes shall be at least half of total votes of the Executive Board.
3. Properly consider the determination of power and approval level of each person to be appropriate and separate duty that may support corruption out, as well as determination of procedure and method of transaction performing with the major shareholder, executive director or related person of the said person to prevent transfer of benefit and propose to the Board of Directors for approval on the principle, and control the observance of the approved principle and requirement.
4. Consider annual budget and procedure of budget spending to propose to the Board of Directors, and control and supervise spending based on budget approved by the Board of Directors.
5. Consider improvement of the Company's business operation plan to be appropriate for the Company's benefit.
6. Consider approval on investment and determination of investment budget according to the power in Operating Power Manual.
7. Consider entering the contracts that bind the Company according to power in Operating Power Manual.
8. Take responsibility for having the adequate important information of the Company for use as support in decision making of the Board of Directors and shareholder, and prepare reliable financial report according to good and transparent standard.
9. Consider profit and loss of the Company and propose to pay annual dividend to the Board of Directors.
10. Consider new business operation or business winding up and propose to the Board of Directors.
11. Govern to determine the procedure for the operator to report abnormal circumstance or legal offence to the Executive Board without delay. In the event that such circumstance has material impact, the Board of Directors shall be reported for acknowledgement to consider the correction within appropriate period.
12. Perform any acts to support the aforesaid operation or according to the opinion of the Board of Directors or as authorized by the Board of Directors.
13. The execution of any issue which is proposed to the Executive Board's Meeting and resolved and/or approved by the Executive Board's Meeting shall be reported to the Board of Directors for acknowledgement in the following Board of Directors' Meeting.



14. The executive director is unable to approve the transaction that he or she or the person who may have conflict of interests has stake or may have conflict of interests in other nature with the Company or its subsidiary.

## 2.4 Risk Management Committee

### Scope of Authorities of the Risk Management Committee

The scope of authorities and responsibilities of the Risk Management Committee is as follows.

1. Determine risk management policy and structure to propose to the Executive Board to be consistent and according to the risk management guideline of the Stock Exchange of Thailand and the Institute of Internal Auditors of Thailand.
2. Set strategy to be consistent with risk management policy so that each type of risk can be assessed, monitored and controlled to be in acceptable level under participation of work units in risk management and control.
3. Assess corporate level risks and define method of risk management to be in acceptable level, and supervise and control risk management according to the determined method.
4. Review risk management policy and improve it to be adequately effective and efficient for risk control.
5. Have power to call the related person to clarify or appoint and determine roles for every level of the operator to have duty in managing risk as appropriate and report to Risk Management Committee so that risk management can attain the objective.
6. Regularly report risk management result to the Executive Board and the Audit Committee in order to propose to the Board of Directors every quarter.

7. Prepare Risk Management Manual.
8. Specify various areas of risks and analyze and assess the contingent risk and trend that affects the Company.
9. Prepare work plan for risk prevention and abatement.
10. Assess and prepare risk management report.
11. Systemize integrated risk management system by linking with information system.
12. Perform other works as deemed as appropriate by the Board of Directors.

## 2.5 Managing Director

### Scope of Authorities of the Managing Director

The scope of authorities and responsibilities of the Managing Director is as follows.

1. Control business operation, plan operating strategy and daily manage the Company.
2. Make decision in the important issue of the Company, define mission, objective, guideline and policy of the Company as well as line management control.
3. Be the powerful person in command, contact, order and affix the signature in the juristic act, contract, order document and any notice as defined in Operating Power Manual.
4. Have power to employ, appoint and remove the person as deemed as proper, as well as define scope of appropriate authorities and return, and have power to discharge and dismiss as appropriate for every level of staffs as defined in Operating Power Manual.
5. Have power to determine trade condition for the Company's benefit.
6. Consider investing in new business or business winding up, and propose to the Executive Board and/or the Board of Directors.
7. Approve and appoint the consultants in various areas as necessary for operation.
8. Perform any acts as entrusted by the Executive Board and/or the Board of Directors.



The delegation of duties and responsibilities of the said managing director shall not have the nature of authorization or sub-authorization that makes the managing director and/or the authorized person from the managing director can approve the transaction that he or she or the person with conflict of interest (as defined in the Announcement of the

Securities and Exchange Commission or Announcement of Capital Market Supervisory Board) may have stake or may gain benefit in any nature or may have any other conflict of interests with the Company or its subsidiary except it is the approval of the transaction according to normal business and condition of normal business.

### 3. Nomination and Appointment of Director and Chief Executive

#### 3.1 Nomination of Independent Director

In selection of the person who assumes the independent director office, the Nomination and Remuneration Committee shall mutually consider and determine the criteria and policy for consideration on nomination of the person who assumes the independent director office by considering from the qualification pursuant to Public Limited Companies Act B.E. 2535 (1992), Securities and Exchange Law, Announcement of the Securities and Exchange Commission, Announcement of the Capital Market Supervisory Board, as well as other relevant announcements, regulations, and/or rules and regulations. However, the Company's policy is to appoint the independent directors for at least one-third (1/3) of total number of directors and not less than 3 persons.

##### Qualification of Independent Director

The Board of Directors determines the qualification of the independent director according to the requirement of the Stock Exchange of Thailand as follows.

1. Hold shares for not more than one (1) percent of total number of shares with voting rights of the Company, holding company, subsidiary, associated company, major shareholder, or regulator of the Company. The shareholding of the related person of the said independent director shall be also counted.
2. Never or ever been the director who participates in the management, employee, staff, consultant who earns fixed salary, or the regulator of the Company, holding company, subsidiary, associated company, subsidiary in the same sequence, major shareholder or of the regulator of the Company, unless it is free from such nature for not less than two (2) years prior to appointment to assume the independent director office. However, such prohibited nature excludes the event that the independent director has ever been the government officer or consultant of the administrative agency which is the major shareholder or regulator of the Company.

3. Not be the person having relationship by blood or by legal registration in the nature of being parent, spouse, brother and sister and child as well as spouse of the child of the executive, major shareholder, regulator, or person who is nominated to be the executive or regulator of the Company or its subsidiary.
4. Never or ever had the business relationship with the Company, holding company, subsidiary, associated company, major shareholder, or regulator of the company in the nature that may obstruct the exercise of his or her independent discretion; and also never or ever been the significant shareholder or regulator of the person having business relationship with the Company, holding company, subsidiary, associated company, major shareholder, or regulator of the Company, unless such nature is free for not less than two (2) years prior to appointment to assume the independent director office.
5. Never or ever been the auditor of the Company, holding company, subsidiary, associated company, major shareholder or regulator of the Company; and not be the significant shareholder, regulator or partner of the audit firm where the auditor of the Company, holding company, subsidiary, associated company, major shareholder or regulator of the Company, is the member, unless the said auditor is free from such nature for not less than two (2) years prior to appointment to assume the independent director office.
6. Never or ever been any provider of professional service, legal consulting or financial consulting service, who is paid for service charge exceeding two million Baht per year from the Company, holding company, subsidiary, associated company, major shareholder or regulator of the Company; and not be the significant shareholder, regulator or shareholder of the said professional service provider, unless the said service provider is free from such nature for not less than two (2) years prior to appointed date to assume the independent director office.
7. Not be the appointed director as the representative of the Company's director, shareholder, major shareholder or shareholder who is the related person of the major shareholder.
8. Not engage in the business that has the same condition and significantly compete with the business of the Company or its subsidiary; or not be the director who participates in management, employee, staff, consultant who earns fixed salary or holds shares of other company for more than one (1) percent of total shares with voting rights that engages in the same condition of the business as the significant competition with the business of the Company or its subsidiary.
9. Not possess any other characteristic that causes inability to express independent opinion about the Company's operation.

### 3.2 Nomination of the Board of Directors

In selection of the person who will assume the Company's director position, the Nomination and Remuneration Committee shall mutually determine criteria and policy for consideration on nomination of the Company's director to propose to the Board and/or the Shareholders' Meeting. However, the person who is appointed to hold the director position shall have complete qualification according to Public Limited Companies Act B.E. 2535 (1992), Securities and Exchange Law, Announcement of the Securities and Exchange Commission, Announcement of the Capital Market Supervisory Board, as well as the relevant announcements, regulations and/or other rules and regulations. The Company's Articles of Association determines that the Board of Directors shall consist of at least five members and the directors for not less half of total number of directors shall have their domiciles in the Kingdom. The Shareholders' Meeting shall elect the directors under below criteria.

1. A shareholder shall have one vote per one share.
2. In election of the director, voting method may be used to elect an individual director per time or several directors per time as deemed as appropriate by the Shareholders' Meeting. However, in each time of resolution, the shareholders shall vote with all votes available in Clause 1 whereas more or less votes are unable to be shared to anyone. Thus, the shareholder is unable to share his or her votes in election of the director to anyone more or less pursuant to Section 70 paragraph one of Public Limited Companies Act (NON-CUMULATIVE VOTING only).

The persons who earn highest votes in order shall be elected as the directors equaling to the number of directors that should have or should be elected in that time. In the event that the elected person in the following order has equal vote more than number of directors that should have or should be elected in that time so that the Chairman of the Meeting shall perform vote casting.

3. The office term for the directors of the Company with duty in managing the Company's business operations shall be according to the Company's Articles of Association. It is to say that in every Annual General Meeting of Shareholders, one-third (1/3) directors of the current number of directors shall vacate from the office. If the number of directors is unable to be divided into three portions, they shall vacate in the number nearest to one-third (1/3) portion. The retired director may be selected to resume the office again. The Committee in specific issue, such as the Audit Committee and Nomination and Remuneration Committee, shall have the office term for three (3) years per term. One (1) year herein means the period of time between the date of the General Meeting of the Shareholders in the appointed year until the date of the General Meeting of the Shareholders in the following year. The director who is retired by rotation is able to be nominated and appointed to resume the office.

4. Apart from retirement by rotation, the director shall vacate his or her office upon:

- (a) Death;
- (b) Resignation;
- (c) Disqualification or possession of the prohibited characteristic according to Public Limited Companies Law or Securities and Exchange Law;
- (d) Resolution of the Shareholders' Meeting for resignation prior to retirement by rotation with votes for not less than one-third ( $\frac{3}{4}$ ) of number of shareholders who attend the meeting with voting rights. Total shares are counted to be not less than half of the number of shares held by the shareholders who attend the meeting with voting rights.
- (E) Order of the Court for retirement

5. Any director who resigns from the office shall submit resignation form to the Company. The said resignation shall be effective from resignation date to the Company. The resigned director in the content of the first paragraph may also notify his or her resignation to the registrar for acknowledgement.

6. In the event that the director position is vacant due to other reason apart from retirement by rotation, the Board shall select the qualified person without prohibited characteristic according to Public Limited Companies Law or Securities and Exchange Law, to assume as the director in replacement

in the following Board of Director's Meeting except the remaining term of the replaced director is less than two (2) months. The person who assumes as the director in replacement of the said director shall be in the director office for just equaling to the remaining term of the replaced director. The resolution of the Board of Directors according to the content in the first paragraph shall consist of votes for not less than one-fourth ( $\frac{3}{4}$ ) of the remaining number of directors.

7. The Board of Director shall give consent for the director of the Company who will assume the director position in other company.

#### **Self-Assessment of the Directors and the Sub-Committee Members**

The Company gives precedence to performance assessment of the Board of Directors, and Sub-Committees under the objective of utilization of the assessment result in the functional improvement of the Board of Director and the Sub-Committees in various areas. In the meeting, the directors and the sub-committee members shall assess the performance of the Board/ Sub-Committee in the previous year. The performance of the Board of Directors and the Sub-Committees for 2018 was assessed on 22 December 2018 using assessment form according to the sample issued by Capital Market Governance Development Division, Stock Exchange of Thailand, under below procedure and detail.

### Self-Assessment of the Board of Directors

- 1) The Company Secretary hands out assessment form to the Board using self-assessment form of the group of the committee and the individual Board (abbreviated form).
- 2) The Board shall perform self-assessment in received assessment form which is divided into the following topics.
  - The structure and qualification of the Board in the following issues shall be appropriate for effective working of the Board.
  - The Board of Directors' Meeting executes the following issues for the Board's effective function in the meeting.
  - The consideration, review and compliance with the following issues are emphasized in sufficient time spending in roles, duties and responsibilities of the sub-committee.
  - Other issues
- 3) The Company Secretary gathers and summarizes assessment result.

### Self-Assessment of the Sub-Committee

- 1) The Company Secretary hands out assessment form to the sub-committee using self-assessment form of the group of the committee and the individual sub-committee.

- 2) The Audit Committee, the Nomination and Remuneration Committee, and the Risk Management Committee perform self-assessment in the received assessment form which is divided into the following topics.
  - Structure and qualification of the committee members in the following issues shall be appropriate for effective working of the committee members.
  - The Sub-Committee's Meeting shall be carried out in the following issues for effective function of the committee members in the meeting.
  - The consideration, review and compliance with the following issues are emphasized in sufficient time spending in roles, duties and responsibilities of the sub-committee.
- 3) Company Secretary gathers and summarizes assessment result.

## 4. Governance on the Sub-Committee's Operation

The Company has formulated the management structure of its subsidiary so that it can control and supervise the management and take responsibility of the operation of its subsidiary as if it is a work unit of the Company. In addition, it also monitors the management of its subsidiary to retain the benefit of the Company's investment fund under below details.

1. The Company delivers the person with knowledge and competency in the field or profession related to its subsidiary to assume the director or executive position in the proportion of the Company's shareholding in its subsidiary. The delivery of the said person to assume the director or executive position of its subsidiary shall be resolved for consent from the Board of Directors' Meeting. Moreover, the Company has clearly determined the scope of duties and responsibilities of the person whom is delivered by the Company to assume the director or executive position in its subsidiary.
2. The Company has clearly determined the framework of discretion power of the person whom is delivered to assume the director or executive position in its subsidiary. In voting of the said person in the Board of Directors' Meeting of its subsidiary in important issue, it shall be firstly given consent by the Board of Directors' Meeting.
3. The Company monitors and supervises its subsidiary to completely and properly disclose the information related to the financial position and overall operation, related transaction performing, and acquisition or disposal of the significant asset.
4. The Company monitors and supervises the director and executive of its subsidiary to practice according to duties and responsibilities prescribed by law.
5. The Company's mechanism for governance on performing the following transactions shall be firstly resolved from the Board of Directors' Meeting or the Shareholders' Meeting.
  - a) Performing transactions between its subsidiary and the connected person
  - b) Acquisition or disposal of the asset
  - c) Performing any other transaction of its subsidiary

## 5. Supervision on Use of Inside Information

The Company has formulated the policy for prevention on use of the inside information and governance of the director, executive and employee (including spouse and underage child) whom the following data of the Company are informed.

1. Educate the knowledge to the director, executive and holder of executive position in accounting or finance line who is in the level of division manager and over or equivalent, about the duties in preparing and submitting the report of security holding by oneself, spouse and underage child to the Office of the Securities and Exchange Commission pursuant to Section 59 and penalty pursuant to Section 275 of Securities and Exchange Act B.E. 2535 (1992).
2. Define the director, executive as well as holder of executive person, in accounting or finance line who is in the level of division manager and over or equivalent; always prepare and submit the report of security holding by oneself, spouse, and underage child through the Company Secretary prior to submission to the Office of the Securities and Exchange Commission, within thirty (30) days from the appointed date for holding the director and executive position; or report the change in security holding within three (3) working days from the date of purchase, sale, transfer or transfer acceptance for the said securities.
3. Determine that the director, executive and the holder of the executive position in accounting or finance line who is in the level of division manager and over or equivalent, and the relevant operator whom the inside

information which is essential and affects the change of the security price is informed, shall suspend the trading of the Company's securities in the period of time before publicity of financial statements or publicity of financial position and status of the Company until the Company has already publicly disclosed those information. The Company will notify in writing the director and executive as well as the holder of executive level position in accounting or finance line which is the level of the manager and over or equivalent to suspend trading of the Company's securities at least thirty (30) days in advance prior to public disclosure of data and they should wait for at least twenty-four (24) hour after public disclosure of data. They are also prohibited not to disclose the material data to other person.

4. Define disciplinary penalty if violating to use inside information for exploitation of self-benefit. The disciplinary penalty is started from written warning, wage reduction, temporary job suspension without wage receiving or dismissal. The intent of act and gravity of the offence shall be considered in punishment.

## 6. Auditor's Remuneration

The Company paid auditing remuneration for financial statements for the accounting year period of 2016– 2018 to ANS Audit Company Limited as follows.

| Detail of Auditing Remuneration | 2016      | 2017      | 2018      |
|---------------------------------|-----------|-----------|-----------|
| Remuneration (Baht)             | 1,365,000 | 1,445,000 | 1,555,000 |

Remark : Audit fee of the Company and its subsidiary

**Other service charge :**

- none -



# Anti-Corruption Policy

Thanapiriya Public Company Limited rely great importance on good corporate governance. The Company trusted that good corporate governance and the management of its framework are transparent and accountable. Therefore, it is consent to define the Anti-corruption policy which prohibit the Company's personnel from conducting or accepting or providing support in all forms of corruption along with the appropriate operational requirements to prevent corruption in all business activities that may have a risk of corruption to be used as a guideline for business operations.

## Anti-Corruption Guideline

Anti-corruption policy of the Company which has been determined and announced with details as shown on the company website <http://www.thanapiriya.co.th> on Investor Relations topic and Sub-topics of Good Corporate Governance which can be summarized as follows.

1. Anti-corruption policy is applied to all employees of the Company includes directors, executives and employees and agents, representatives, contractors and intermediaries or stakeholders who work on behalf of the Company and covers the business processes of the Company which are in the corruption risk.
2. The Board of Director is responsible for defining and approving of Anti-corruption policy and takes care of the system that supports effective anti-corruption. The Audit Committee is responsible for overseeing and monitoring the internal control system including guidelines to ensure that the policy is enforced effectively. The Company executives are responsible to assessing the risk of fraud in their department to review the risk mitigation measures and ensure that there is sufficient internal control system.
3. The Company is defined that all directors, executives and employees must be complied with the anti-corruption policy strictly whether directly or indirectly.
4. The Company has provided a risk assessment for corruption with risk assessment, prioritize and determine the appropriate measurement of the risks that was assessed included monitoring the progress of the measures that was implemented.
5. The Company has prepared practice implementation which has sufficient details to conduct, in accordance with the policy that can prevent the occurrence of corruption in the business.
6. The Company has established an independent internal audit section in order to evaluate the internal control system, risk management system, corporate governance process and other important activities or work systems of the Company.
7. Every director, executive and employee shall not ignore or neglect upon detection of act within the scope of corruption related to the Company. They shall notify their superior or the person in charge for acknowledgement and collaborate in investigation of facts.

8. The Company shall be fair and protect its employee who rejects the corruption or notifies clue of corruption related to the Company without punishment or adverse impact toward the employee who rejects corruption even though the said act may cause the Company lose the business opportunity.

## Channels of complaint and clues

Channels of complaints and clues, complaints or comments or any suggestions which the Company has defined are as follows

- o Chairman of the Board / Chairman of the Audit Committee / Secretary of the Board of Directors

Thanapiriya Public Company Limited  
No. 329 Moo 8, Ban Du Sub district,  
Muang Chiang Rai, Chiang Rai  
Province 57100

- o Through the website of the Company <http://www.thanapiriya.co.th> topic of Investor Relations and sub-topics of good corporate governance
- o Employee can notify through supervisors who they are trusted at all levels or Human Resources Manager

## Social Responsibility

The Company operates its business under awareness of responsibilities on society, environment and stakeholders from shareholder, customer, business partner, contractual party, employee and community. It also aims for development of stable and sustainable business growth. The Company has determined Corporate

Social Responsibility (CSR) Policy, Anti-Corruption Policy, and Anti-corruption Guidance for participation by all of the management and employees in practice and responsibility according to the said policies to achieve business operation guideline with morals and principle of good corporate governance under guidance that covers the following topics.

### Social Responsibility Policy

- 1) Engage the business with honesty and operate business with social responsibility in law and code of conduct, and aim for benefaction toward person, group of community, society and environment.
- 2) Fairly treat customers on the issue of products and services without discrimination.
- 3) Engage the business under standard operation system and good control by fully using knowledge and competency with carefulness and adequate information and evidence which is referable, and strictly observance according to relevant legal provisions and requirements.
- 4) Not to disclose the customer's information perceived by oneself due to business operation as the information which should be retained without disclosure unless it is the disclosure by legal duty.
- 5) Give the customer the opportunity to complain about incompleteness of product and service.
- 6) Disclose proper and complete news and information of product and service.
- 7) Fairly comply with agreements and conditions entered with the customer. If the agreement or condition is failed to comply, the customer shall be notified for acknowledgement to mutually find the solution.

## Operation

The Company shall perform according to the policy of the business operation overview with social responsibility as follows.

### 1) Policy-Based Operation

The Company aims at cultivating the employees to understand the corporate target and work with awareness on social responsibility. The Company shall communicate Corporate Social Responsibility Policy for understanding of every employee through personnel training and development plan of the Company so that every employee can properly observe in the same direction and also promote the employee to attend the training for enhancement of work skill and participate in activities for social and environmental benefit regularly.

### 2) Social and Environmental Benefit Activity (After Process)

The business operation together with participation in social and environmental care is a part of the Company's sustainable development target under awareness of benefit utilization for social return and requirement of cultivation for everyone in

the organization to give precedence on the membership of the society. For this reason, the Company therefore has regularly organized project and activity for development of the community surrounding the organization every year. The details for the sample of the past utilization of social and environmental benefits have been as follows.

- The Company donated money for education to the educational establishment in total amount of 82,355 Baht.
- The Company donated money for public benefit and charity in total amount of 175,238 Baht.

### 3) Social Responsibility Impact from Business Operation

The Company has never been audited or accused from any agency for the negative social and environmental impact from the Company's business operation, or non-compliance with the social responsibility policy prescribed by the Company.

# Internal Control and Risk Management

## 1. Opinion of the Board of Directors toward The Company's Internal Control

The Company realizes on the significance of the proper and effective internal control system management that will contribute to the transparent operation and prevention on use of the Company's inside information which has not yet been publicly disclosed in wrong way. The Audit Committee of the Company shall perform its duty is to review internal control system and internal audit system, and may suggest the review or audit of any transactions which are deemed as necessary or important, and also audit the operation of Divisions by coordinating with the auditor and the executive about review of the financial report for adequate and reliable information disclosure.

In the Board of Directors' Meeting No. 1/2019 on 21 February 2019, all of three audit committee members attended the Meeting. The Board of the Directors evaluated the internal control system by interview and inquiry of the information from the management and the related persons according to Evaluation Form for Internal Control System Adequacy of the Securities and Exchange Commission in all of five areas as follows.

### 1. Organizational Environment

The Company promotes and supports a good internal control environment by defining the corporate governance policy and business ethics in writing includes the communication with employees at all levels to acknowledge and strictly comply also inform about the penalties if there is a violation and manage the organization structure to be aligned with the business plan and is always adjusted to be suitable for work operation.

The Board of Directors consist of the independent directors who are knowledgeable, profundity and independent from the management which are responsible for supervising the proper internal control. There is an Independent Internal Audit Section which is directly to the audit committee who take action to inspect and review the work operation, support for a good internal control environment. In addition, the Company rely great importance on development of personnel potential continuously, arranging for the development of knowledge training, skills and abilities to suit the assigned tasks.

### 2. Risk Assessment

The Company pays attention and arranges risk management throughout the organization. The Board of Directors has assigned the Risk Management Committee to be responsible for determining the risk management policy. To be concerned to chances and potential consequences both internal and external factors including the risk of fraud and clearly define the risk management measures includes the communication with employees to acknowledge and comply to the policies and guidelines set forth. The Risk Management Committee reports the implementation of the risk management policy to the Audit Committee on a quarterly basis.

### **3. Control of the Management's Operation**

The Company has clear and appropriate internal control activities with a policy for operating in each section which includes information technology policies and controls. In addition, the Company has prepared an authority manual to be used to determine the authority to approve transactions related to the business process of the Company. The above policy has been enforced with directors, executives and employees of the Company by communicating policies and practices to all related parties and workers. Moreover, the Company regularly evaluates the performance regarding to the operational policy by the Internal Audit Department to assess whether the policy has been implemented and including the appropriateness of various policies to the changing environment.

### **4. Information and Data Communication System**

The Company rely importance on information and communication systems so that relevant parties have sufficient information in making decisions timely by arranging sufficient quality data for work operations both internal and external data. The Company emphasizes on each meeting of the Board of Directors; all directors must receive sufficient information for making decision and send information to the directors in advance before the meeting date. The various meeting information and company information has been completely recorded and stored in a safe place which can be traced back.

The Company gives importance to the data communication in order to support the internal control system of the Company and communicate the important information to external parties and receiving information or complaints both from the

agency within the Company itself or from the outsider through the investor relations officer or the various complaints notification systems which the Company has been defined.

### **5. Reporting and Monitoring System**

The Company regularly monitors and evaluates internal control systems in order to ensure that there is adequate and complete control and to support the effective business operations of the Company. The Company has provided a standard internal audit process to check the implementation of the policy operation, the manual and various rules related to the Company. Such internal audit has reported to the Audit Committee on a quarterly basis and in the event of a major defect in the control of the Company or important matters affecting operations must report such matters to the Board of Directors and follow up on corrective actions regularly.

The Board of Directors is of the opinion that the Company has an appropriate and adequate internal control system for the Company's business. The five internal control systems are effective to prevent transactions with major shareholders, directors, executives or related persons of such persons.

In addition, the Company has provided sufficient personnel to operate according to the internal control system of the Company to monitor and control the operations of the Company's Group in order to protect the its assets from the misuse of directors or executives Or without power including transactions with persons who has conflicts and related persons. In addition, in order to achieve good checks and balances.

The Company hired IVL Audit Company Limited to review and provide additional suggestions for more complete internal control system. The internal auditor will prepare the internal control assessment report and present to the Audit

Committee meeting on a quarterly basis. So that the Company can improved and develop the quality of the internal control system of the Company which leads to good corporate governance for the Company in long term.

## 2. Opinion of the Audit Committee toward the Company's Internal Control System

In consideration on evaluation form for the Company's Internal Control System Adequacy, all of three audit committee members of the Company attended the Meeting. The Audit Committee had comment indifferent from the opinion of the Board of Directors at all.

## 3. Details of Head of Internal Audit

The Company uses the outsource service, IVL Audit Company Limited ("IVL") as the internal service providing company since 17th December, 2013 and IVL has entrusted Miss Valdee Siboonrueang as the Head of Internal Audit.

The Internal auditor of the Company has assigned to work as internal audit of the Company which the audit committee has considered and approved the internal audit's plan that proposed by the internal auditor. In this regard, the consideration and approval of the appointment, removal and transfer of the head of internal audit of the Company must be approved by the audit committee. The qualifications of the head of internal audit are as follows:

Name - Surname : Miss Valdee Siboonrueang  
 Position : Audit Partner, IVL Audit Company Limited ("IVL")  
 Educational : Bachelor's Degree, Faculty of Commerce and Accountancy, Chulalongkorn University

Qualification : Certified Public Accountant (CPA), Registration No. 3829  
 Training History : Director Accreditation Program (DAP) Course, Class 32/2005  
 Audit Committee Program (ACP) Course, Class 4/2005

Work Experience : - 1994 – Present Managing Partner, IVL Auditing Company Limited (Accounting Audit Service – Internal Audit)  
 - 1990 – 1994 Accounting and Finance Division Manager, Mandom Corporation (Thailand) Company Limited (Manufacture and Distributor of Cosmetics)  
 - 1986 – 1990 Audit Senior, Deloitte Touche Tohmatsu Jaiyos Company Limited (Accounting Audit Service)

## Related Transactions

### 1. Person that may have conflict of interests and Nature of Relationship

The Company and its subsidiary performed related transactions with person/juristic person that may have conflict of interests in the year of 2018 and 2017 as follows.

| Person /<br>Juristic Person that may have conflict of interests                                                                 | Nature of Relationship                        |
|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Mr. Tawatchai Phutthipiriya (“Mr. Tawatchai”)                                                                                   | Director and Major Shareholder of the Company |
| Mrs. Amorn Phutthipiriya (“Mrs. Amorn”)                                                                                         | Director and Major Shareholder of the Company |
| Thanaphoom Land 2013 Company Limited<br>(“Thanaphoom”)<br>Which engages in real estate procurement and<br>development business. | Subsidiary of the Company                     |

### 2. Details of Related Transactions

2.1 Details of the related transactions that the Company and its subsidiary entered to perform the transactions with person/juristic person that may have conflict of interests in the year of 2018 and 2017 have been as follows.

| Person/Juristic<br>Person that might<br>have conflict of<br>interests | Nature of<br>Transactions                                                                   | Transaction Value<br>(Million Baht) |      | Necessity and Reasonability<br>of the Transaction                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                       |                                                                                             | 2018                                | 2017 |                                                                                                                                                                                                                                                                                                                    |
| 1.Mr. Tawatchai<br>Phutthipiriya                                      | The Company has<br>leased land and<br>building for the<br>location of Clock<br>Tower Branch | 0.90                                | 0.90 | <ul style="list-style-type: none"> <li>Lease transaction of land and building for the location of Clock Tower Branch is 82,500 Baht per month. The said lease fee excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC.</li> </ul> |



| Person/Juristic Person that might have conflict of interests | Nature of Transactions                                                                     | Transaction Value (Million Baht) |      | Necessity and Reasonability of the Transaction                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                              |                                                                                            | 2018                             | 2017 |                                                                                                                                                                                                                                                                                                                                                                                                               |
| 2. Mrs. Amorn Phutthipiriya                                  | The Company has leased land for the location of Wholesale Center of Den Ha Wholesale       | 0.44                             | 0.40 | <ul style="list-style-type: none"> <li>Lease transaction of land for the location of Wholesale Center of Den Ha Wholesale is 36,300 Baht per month. The said lease excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC.</li> </ul>                                                                                           |
|                                                              | The Company has leased land for the location of Wholesale Center of Den Ha Wholesale       | 0.06                             | 0.06 | <ul style="list-style-type: none"> <li>Lease transaction of land for the location of Wholesale Center of Den Ha Wholesale is 5,500 Baht per month. The said lease excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC.</li> </ul>                                                                                            |
|                                                              | The Company has leased land and building for the location of Rop Wiang Distribution Center | 0.25                             | 0.51 | <ul style="list-style-type: none"> <li>Lease transaction of land and building for location of Rop Wiang Distribution Center is 64,000 Baht per month which has reduced the rental area the remaining rental fee is 20,680 baht per month. The said lease fee excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC.</li> </ul> |

| Person/Juristic<br>Person that might<br>have conflict of<br>interests | Nature of<br>Transactions                                        | Transaction Value<br>(Million Baht) |      | Necessity and Reasonability<br>of the Transaction                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                       |                                                                  | 2018                                | 2017 |                                                                                                                                                                                                                                                                                                                                                 |
|                                                                       | The Company has leased land for the location of Warehouse 2.     | -                                   | 0.12 | <ul style="list-style-type: none"> <li>Lease transaction of land for location of Warehouse 2 is 14,000 Baht per month. The said lease fee excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC. The company terminated this lease agreement in 2017.</li> </ul> |
|                                                                       | The Company has leased land for the location of Warehouse 3.     | -                                   | 0.23 | <ul style="list-style-type: none"> <li>Lease transaction of land for location of Warehouse 3 is 18,800 Baht per month. The said lease fee excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC. The company terminated this lease agreement in 2017.</li> </ul> |
|                                                                       | The Company has leased land where is the location of Warehouse 4 | -                                   | 0.12 | <ul style="list-style-type: none"> <li>Lease transaction of land for location of Warehouse 4 is 10,000 Baht. The said lease fee excludes water bill and electricity bill. The reference lease fee has been determined by independent appraiser upon consent from SEC. The company terminated this lease agreement in 2017.</li> </ul>           |

2.2 Transactions of guarantee and mortgage between the Company and the person that may have conflict of interests as at 31 December 2018 could be summarized as follows.

| Nature of Related Transactions                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Detail of Credit Line | Loan Limit (Million Baht) | Necessity and Reasonability of the Transaction                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Group of the Companies has had credit lines with two financial institutions for use in business operation under collateral consisting of land and structure under the ownership of the director and major shareholder, such as Mr. Tawatchai and Mrs. Amorn. The said guarantee has been in line with the condition prescribed by the financial institution whereas the full line of the financial institution has been guaranteed. Return has not been charged from all of the said guarantees at all. | Overdraft Limit       | 20.00                     | Guarantee of the credit line with financial institution that has supported credit for use in business operation of the Company according to the condition of the financial institution. |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Loan Contract         | <u>30.00</u>              |                                                                                                                                                                                         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Total</b>          | <b>50.00</b>              |                                                                                                                                                                                         |

### 3. Necessity and Reasonability of the Related Transactions

The Audit Committee's Meeting No. 1/2562 on 21 February 2019 considered the information of related transactions of the Company in the year of 2018 and 2017 accompanied with inquiry of information from the Management of the Company, as well as review of the information as specified in Notes to Financial Statements of the Company's auditor, and deemed that the Company's related transactions in the accounting year ended 31 December 2018 and 2017 were the reasonable

transactions according to the general trade condition or according to the appropriate and fair condition in the same nature as the reasonable man should act with the general contractual party in the same situation with the trade bargaining power without influence of the status of the other contractual party as the person who may have conflict of interests (Arm's Length Basis) and without benefit transfer between the Company and the person or juristic person that may have conflict of interests.

### 4. Policy and Procedure of the Related Transaction Performing Approval

The Board of Director's Meeting considered and approved the policy and procedure of the related transaction performing of the Company and the person or juristic person that may have conflict

of interests for transparent transaction performing and benefit maintenance of the Company. The following could be summarized as follows.

#### **4.1 Performing transaction which is the trade agreement with general trade condition**

In performing normal business transactions and normal business supporting transactions such as lease of land and building, and public utility service acceptance, the general trade condition and fair price are comparable with performing the transaction between the Company and the general person or performing the transaction between the person that may have conflict of interests and the general person, or performing the transaction in the same nature as the nature of other entrepreneur in the business, the Management of the Company can usually execute under the principle considered and approved by the Board of Directors. The report of transaction performing report shall be prepared to quarterly propose in the Audit Committee's Meeting. The Company shall comply with Securities and Exchange Law and regulation, announcement, order or requirement of the Stock Exchange of Thailand, and also comply with the requirement of disclosure for the connected transaction performing information.

#### **4.2 Performing transaction which is the trade agreement and is not the general trade condition**

In performing transaction which is the trade transaction and is not the general trade condition, the Company determines that the Audit Committee shall consider and comment about the necessity in participating in performing transaction and price appropriateness of the said transaction before proposing to the Board of Directors and/or the Shareholders' Meeting as the case may be for further consideration and approval. In the event that the Audit Committee is not expert in considering the contingent related transaction, the Company shall assign the independent appraiser, independent specialist or the Company's auditor to comment

about performing the said related transaction so that the Audit Committee can use it as decision making support, and to give opinion to the Board of Directors and/or the shareholders as the case may be for approval on the said transaction before entering to perform the transaction. However, the Company shall disclose related transactions in Notes to Financial Statements which are audited by the Company's auditor, Annual Registration Statement (Form 56-1), and Annual Report of the Company (Form 56-2) according to the Criteria and Law of Securities and Exchange. The consideration and approval on the said related transaction performing shall be complied with Securities and Exchange Law, regulation, announcement, order or requirement of the Stock Exchange of Thailand. The person who may have conflict of interests or gain and loss in performing related transaction has no right to vote for resolution in performing the said related transaction.

#### **4.3 Trend of Future Related Transaction Performing**

The Company has expected that related transactions will occur again in the future. These transactions have been audited and approved by the Board of Directors and/or the Audit Committee and/or the Shareholders' Meeting under below transactions.

Lease of land, and land and building from the group of major shareholders have been the normal business transactions with necessity and reasonability. Every increase in lease fee shall not exceed 10% of the existing lease fee rate according to the previous contract. However, the increase in lease fee shall not exceed the comparable market price at that time. The details of the said transactions have been as follows.

Clock Tower Branch

Lease of Land and Building Lessor

Mr. Tawatchai Phutthipiriya

Lessee: The Company

Lease Fee Rate: 82,500 Baht per Month

Lease Period: Three (3) years from 1 Jan 2018 to 31 Dec 2020

The Company reserves its right to renew Lease for another four times and three (3) years per time.

Wholesale CenterDen Ha Wholesale

Lease of Land

Lessor : Mrs. Amorn Phutthipiriya

Lessee : The Company

Lease 1 :

Lease Fee Rate: 36,300 Baht per Month

Lease Period: Three (3) years from 1 Jan 2018 to 31 Dec 2020

The Company reserves its right to renew Lease for another four times and three (3) years per time.

Lease 2 :

Lease Fee Rate: 5,500 Baht per Month

Lease Period: Three (3) years from 1 Nov 2016 to 31 Oct 2019

Warehouse 3

Lease of Land

Lessor : Mrs. Amorn Phutthipiriya

Lessee : The Company

Lease Fee Rate: 20,680 Baht per Month

Lease Period: Three (3) years from 1 Jan 2018 to 31 Dec 2020

The Company reserves its right to renew Lease for another four times and three (3) years per time.

## Report on the Board of Directors' Responsibility towards the Financial Statements

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The Board of Directors is responsible for the Company and its subsidiaries' consolidated financial statements as well as financial information system which were presented in the Company's Annual Report. The financial statements were prepared in accordance with generally accepted accounting standards, using appropriate and consistent accounting policy, careful consideration, most appropriate estimation with sufficient significant information disclosed in the notes to the financial statements. Thus, the Company's financial statements were audited with unqualified opinions by the authorized external auditors.

The Board of Directors consecutively recognizes and promotes the importance of Good Corporate Governance as well as the Board of Directors' structure development in order to be able to operate the Company's business efficiently and transparently. The Board of Directors, therefore, appointed the Audit Committee which comprises of three independent directors to be responsible for the quality of financial reports, internal audit and internal control system. The Audit Committee's opinion is stated in the Audit Committee Report which is included in the Company's Annual Report.

As a result, the Board of Directors believes that the Company's internal control system is appropriate and adequate so as to ensure the reliability of the Company's financial statements as of 31 December 2018.



(Dr. Pisanu Kantipong)  
Chairman of the Company



(Mr. Thawatchai Phutthipiriya)  
Managing Director

# Analysis and Explanation of the Management

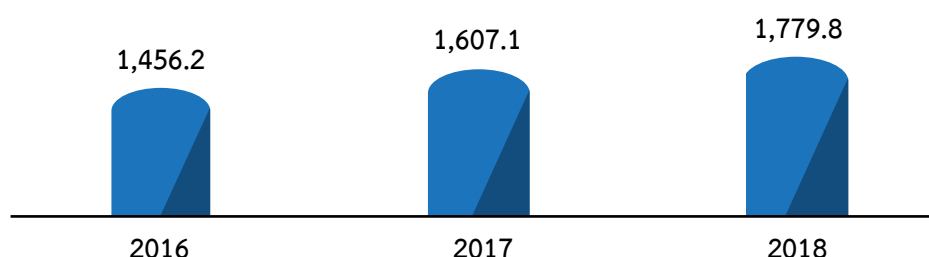
## Explanation and Analysis of the Financial Position and Overall Operation

The financial position and overall operation appeared in consolidated financial statements of the Company are derived from retail and wholesale business engagement for consumer products excluding fresh foods under the name of “Thanapiriya”. The revenues from sales are from two parts consisting of revenue from sales via branch and revenue from wholesale of Head Office.

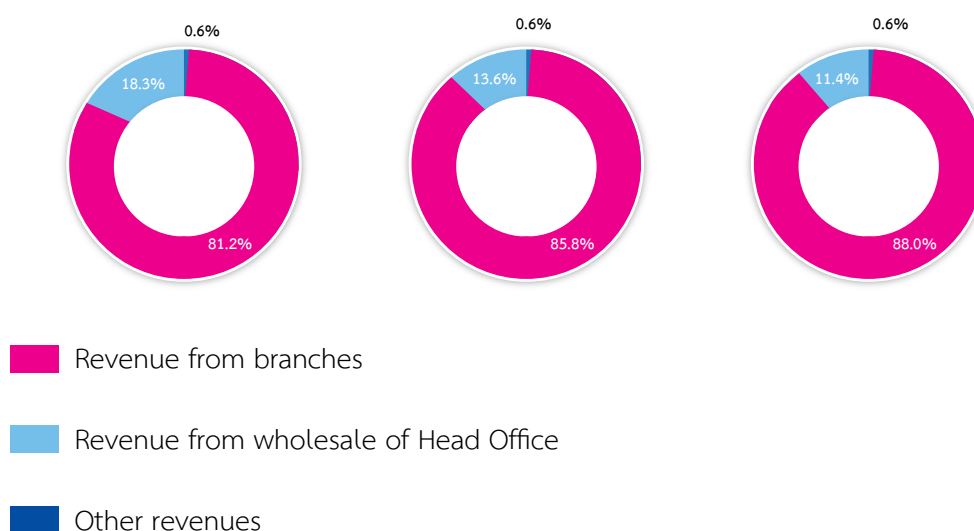
At present, total branches of the Company have been 24 branches, classifying into supermarket for 23 branches and wholesales center for 1 branch; 22 branches are located in Chiang Rai Province and 2 branches in Phayao Province. Revenue from services is from rental service for product display area and entrance fee.

## Overview of Operation

### Total Revenue



### Revenue Structure



|                                 | 2016         |             | 2017         |             | 2018         |             |
|---------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
|                                 | Million Baht | %           | Million Baht | %           | Million Baht | %           |
| Revenue from Sales and Services | 1,448.2      | 100.00      | 1,597.7      | 100.0       | 1,769.2      | 100.0       |
| Cost of Sales and Services      | 1,263.9      | 87.3        | 1,384.9      | 86.7        | 1,524.3      | 86.2        |
| <b>Gross profit</b>             | <b>184.3</b> | <b>12.7</b> | <b>212.8</b> | <b>13.3</b> | <b>244.9</b> | <b>13.8</b> |

| Branch opening during the year         | 2016 | 2017 | 2018 |
|----------------------------------------|------|------|------|
| Number of Branches in beginning period | 12   | 15   | 19   |
| Branches opening                       | 3    | 4    | 5    |
| Number of Branches in ending period    | 15   | 19   | 24   |

#### Revenue from Sales and Services

The Company has had continuous growing revenues. which considering from consolidated financial statements for 2016-2018, total revenues of the Company increased from 1,456.2 million baht to be 1,607.1 million baht and 1,779.8 million baht, respectively, The the main cause of increasing the revenue is from the opening of new branches continuously. By resulting in more accessible to target customers.

Proportion of revenue from the branches for 2016-2018, has expanded in revenue from sales through the company's branches. The proportion of sales through branches compared with total revenue from 81.2%, 85.8% and 88.0%, resulting in higher gross profit from the branches is higher than selling from wholesale of Head Office, In addition, the expansion of branches is the main operation plan of the company.

#### Cost of Sales and Services

Main element of cost of sales is cost of goods purchased for distribution in branches and wholesale from Head Office. In 2016-2018, the Company's cost of sales was 1,263.9 million baht, 1,384.9 million baht and 1,524.3 million baht or proportion of cost of sales to revenues from sales for 87.3%, 86.7% and 86.2% respectively. The continuous decrease in proportion of cost of sales to revenues from sales was from change in structure of revenue from branches and revenue from wholesale of Head Office in the past three years period. In the others word, from additional branch opening in the period of 2016-2018 resulted in expansion on the proportion of revenue from branches and higher average selling price of the product than selling price of wholesale of Head Office. The additional increase in branch expansion caused increase in total sales volume, resulting in increase in sales support fee received by the Company from its suppliers. Due to such reason, it resulted in decrease in the proportion of cost of sales to revenues from sales.



### **Gross Profit and Gross Profit Margin**

In 2016-2018, the Company's gross profit was 184.3 million baht, 212.8 million baht and 244.9 million baht, or gross profit margin for 12.7%, 13.3% and 13.8% respectively. Gross profit margin increased all the time due to growth of revenue from branches and change in structure of revenue from sales, resulted in improved gross profit consecutively.

### **Selling and Administrative Expenses**

The Company's selling and administrative expenses in 2016-2018 were 124.9 million baht, 150.3 million baht and 178.7 million baht or proportion for 8.5%, 9.3% and 10.0% of total revenues. The increase of expenses was identified as further selling expenses from expanded branches including employment expense from additional employees, depreciation and facility expenses. Also, increase of administrative expense was caused by additional operating expenses of head quarter to support branch operations, including additional employment in storing and shipping progress as well as depreciation of new distribution center.

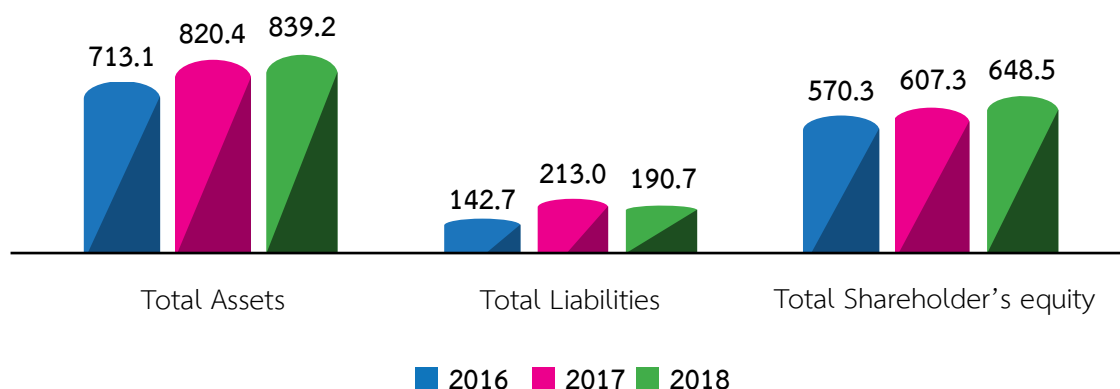
### **Income Tax Expense**

The Company had income tax expenses for the years 2016 - 2018 for 12.2 million baht, 10.6 million baht and 11.6 million baht respectively. The income tax expenses for the year 2017 will be lower than in 2016 even the Company had more profit, due to the company has been use the right of tax incentives under the measures to promote fixed-asset investment in the year 2016 and 2017, The tax deduction will continue to be tax deductible for the next year, depending on the useful life of each asset, which lasts from 5 to 20 years. The income tax expense for the year 2018 increased from the year 2017 due to the increase of the Company's profit.

### **Net Profit**

The Company's net profit for the period of year 2016-2018 was 55.7 million baht, 61.3 million baht, and 65.1 million baht, representing a net profit margin of 3.8%, 3.8% and 3.7%, respectively. For the year 2017 and 2018, the net profit increased from the previous year for 5.6 million baht and 3.85 million baht, respectively.

### **Analysis of Financial Position**



**Total Assets**

As at 31 December 2016, 2017 and 2018 total assets of the Company were 713.1 million baht, 820.4 million baht and 839.2 million baht respectively. As at 31 December 2018, main assets of the Company included property, plant and equipment for 447.1 million baht or 56.9% of total assets as the items of assets which have been located at Head Office, Distribution Center and location of the Company's branch; inventory for 247.6 million baht or 29.5% of total assets which have been stored at Distribution Center and branches; cash and cash equivalents for 62.7 million baht or 7.5% of total assets and account receivables and other receivables for 37.0 million baht whereas most of them were account receivables from wholesale of Head Office and receivables for service charge collected from business partner.

**Total Liabilities**

As at 31 December 2016, 2017 and 2018, total liabilities of the Company were 142.7 million baht, 213.0 million baht and 190.7 million baht respectively, as at 31 December 2018 the significant liabilities comprising of 12.0 million baht from short-term loan from financial institution and 170.0 million baht from accounts and other payable, for 6.3% and 89.2% of liabilities, respectively.

**Shareholders' Equity**

As at 31 December 2017, total shareholders' equity of the Company was 607.3 million baht, increasing from previous year for 37.0 million baht increased from the total profit of the year for 61.0 million baht and the dividend payment during the year for 24.0 million baht.

As at 31 December 2018, the total shareholders' equity of the Company was 648.5 million baht, increasing from the previous year for 41.2 million baht increased from the total profit of the year for 65.1 million baht and the dividend payment during the year for 24.0 million baht.

**Independent Auditor's Report**

To the Shareholders and the Board of Directors of Thanapiriya Public Company Limited

**Opinion**

I have audited the consolidated and separate financial statements of Thanapiriya Public Company Limited and its subsidiary, and of Thanapiriya Public Company Limited respectively, which comprise the consolidated and separate statements of financial position as at December 31, 2018, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial position of the Thanapiriya Public Company Limited and its subsidiary, and of Thanapiriya Public Company Limited, respectively, as at December 31, 2018, 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 Financial Statements section of my report. I am independent of the Group in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Key Audit Matters**

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

***Allowance for losses on inventories******Risk***

As discussed in Note 9 to the Financial Statement, as at December 31, 2018, the Company has inventories in the amount of Baht 247.63 million. These inventories are stored at 27 branches and 1 distribution center. There is a risk that inventory quantities will be misstated. The Company established a provision for losses at 1% of the outstanding inventories at the distribution center and 3% of the outstanding inventories at the branches in comparison with practices the same industry and historical data of the Company.

***Auditor's Response***

1. I considered the reasonableness of the assumptions used to calculate the provision for loss of inventories by Management by referencing the rate as applied in the same industry.
2. I verified the actual loss from lost inventory by assessing the physical stock-take system and observed the stock-take at 1 distribution center and 4 branches and ensuring the adjustment on inventory loss from the physical count from the results of the stock-take.
3. I compared the loss incurred during the year on lost inventory with the amount recorded based on the Company's provisioning policy.

**Other Information**

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The Annual Report for the year is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

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

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

In preparing the financial statements, management is responsible for assessing the Group'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 or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the 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 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 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 cause significant doubt on the Group's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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.



(Vichai Ruchitanont)

Certified Public Accountant

Registration Number 4054

ANS Audit Co., Ltd.

Bangkok, February 21, 2019

# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

|                                     | Notes | Unit: Baht                        |                       |                               |                       |
|-------------------------------------|-------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|                                     |       | Consolidated financial statements |                       | Separate financial statements |                       |
|                                     |       | 2018                              | 2017                  | 2018                          | 2017                  |
| <b>Assets</b>                       |       |                                   |                       |                               |                       |
| <b>Current assets</b>               |       |                                   |                       |                               |                       |
| Cash and cash equivalents           | 6     | 62,683,457.33                     | 67,808,222.39         | 59,115,109.00                 | 65,537,745.32         |
| Temporary investment - net          | 7     | -                                 | 325,712.35            | -                             | 325,712.35            |
| Trade and other current receivables | 5, 8  | 36,960,352.83                     | 41,706,266.38         | 37,210,306.63                 | 41,956,053.68         |
| Inventories - net                   | 9     | 247,632,625.60                    | 238,990,737.34        | 247,632,625.60                | 238,990,737.34        |
| <b>Total current assets</b>         |       | <b>347,276,435.76</b>             | <b>348,830,938.46</b> | <b>343,958,041.23</b>         | <b>346,810,248.69</b> |
| <b>Non-current assets</b>           |       |                                   |                       |                               |                       |
| Long-term loan to third party       | 10    | 684,000.00                        | 684,000.00            | 684,000.00                    | 684,000.00            |
| Investments in subsidiary           | 11    | -                                 | -                     | 60,000,000.00                 | 60,000,000.00         |
| Leasehold rights - net              | 12    | 7,799,724.96                      | 8,640,880.67          | 7,799,724.96                  | 8,640,880.67          |
| Property, plant and equipment - net | 13    | 477,135,847.23                    | 456,145,679.80        | 417,225,724.75                | 395,979,828.08        |
| Intangible assets - net             | 14    | 2,664,467.93                      | 2,641,015.31          | 2,664,467.93                  | 2,641,015.31          |
| Deferred tax assets - net           | 15    | 2,054,438.56                      | 1,933,340.15          | 2,054,438.56                  | 1,933,340.15          |
| Other non-current assets            |       | 1,550,966.64                      | 1,479,021.00          | 1,546,021.00                  | 1,468,021.00          |
| <b>Total non-current assets</b>     |       | <b>491,889,445.32</b>             | <b>471,523,936.93</b> | <b>491,974,377.20</b>         | <b>471,347,085.21</b> |
| <b>Total assets</b>                 |       | <b>839,165,881.08</b>             | <b>820,354,875.39</b> | <b>835,932,418.43</b>         | <b>818,157,333.90</b> |

# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

|                                                   |    | Unit: Baht                        |                       |                               |                       |
|---------------------------------------------------|----|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|                                                   |    | Consolidated financial statements |                       | Separate financial statements |                       |
| Notes                                             |    | 2018                              | 2017                  | 2018                          | 2017                  |
| <b>Liabilities and shareholders' equity</b>       |    |                                   |                       |                               |                       |
| <b>Current liabilities</b>                        |    |                                   |                       |                               |                       |
| Bank overdrafts and short-term loans              |    |                                   |                       |                               |                       |
| from financial institutions                       | 16 | 12,000,000.00                     | 50,000,000.00         | 12,000,000.00                 | 50,000,000.00         |
| Trade and other current payables                  | 17 | 169,978,871.16                    | 156,127,216.23        | 169,921,490.46                | 156,009,186.01        |
| Accrued income tax                                |    | 5,246,876.05                      | 3,733,787.14          | 5,149,524.38                  | 3,638,531.73          |
| <b>Total current liabilities</b>                  |    | <b>187,225,747.21</b>             | <b>209,861,003.37</b> | <b>187,071,014.84</b>         | <b>209,647,717.74</b> |
| <b>Non-current liabilities</b>                    |    |                                   |                       |                               |                       |
| Non-current provisions for employee benefits      | 18 | 3,447,266.04                      | 3,144,292.92          | 3,447,266.04                  | 3,144,292.92          |
| <b>Total non-current liabilities</b>              |    | <b>3,447,266.04</b>               | <b>3,144,292.92</b>   | <b>3,447,266.04</b>           | <b>3,144,292.92</b>   |
| <b>Total liabilities</b>                          |    | <b>190,673,013.25</b>             | <b>213,005,296.29</b> | <b>190,518,280.88</b>         | <b>212,792,010.66</b> |
| <b>Shareholders' Equity</b>                       |    |                                   |                       |                               |                       |
| Share capital                                     |    |                                   |                       |                               |                       |
| Authorized share capital                          |    |                                   |                       |                               |                       |
| 800,000,000 ordinary shares, at Baht 0.25 each    |    | 200,000,000.00                    | 200,000,000.00        | 200,000,000.00                | 200,000,000.00        |
| Issued and fully paid-up                          |    |                                   |                       |                               |                       |
| 800,000,000 ordinary shares, at Baht 0.25 each    |    | 200,000,000.00                    | 200,000,000.00        | 200,000,000.00                | 200,000,000.00        |
| Premium on common shares                          |    | 297,640,733.80                    | 297,640,733.80        | 297,640,733.80                | 297,640,733.80        |
| Retained earnings                                 |    |                                   |                       |                               |                       |
| Appropriated                                      |    |                                   |                       |                               |                       |
| Legal reserve                                     | 19 | 19,179,078.89                     | 15,976,608.71         | 19,179,078.89                 | 15,976,608.71         |
| Unappropriated                                    |    | 131,673,055.14                    | 93,731,647.21         | 128,594,324.86                | 91,747,391.35         |
| Other components of shareholders' equity          |    | -                                 | 589.38                | -                             | 589.38                |
| <b>Total shareholders' equity of the Company</b>  |    | <b>648,492,867.83</b>             | <b>607,349,579.10</b> | <b>645,414,137.55</b>         | <b>605,365,323.24</b> |
| Non-controlling interests                         |    | -                                 | -                     | -                             | -                     |
| <b>Total shareholders' equity</b>                 |    | <b>648,492,867.83</b>             | <b>607,349,579.10</b> | <b>645,414,137.55</b>         | <b>605,365,323.24</b> |
| <b>Total liabilities and shareholders' equity</b> |    | <b>839,165,881.08</b>             | <b>820,354,875.39</b> | <b>835,932,418.43</b>         | <b>818,157,333.90</b> |



# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED DECEMBER 31, 2018

|                                                                                       |          | Unit: Baht                        |                    |                               |                    |
|---------------------------------------------------------------------------------------|----------|-----------------------------------|--------------------|-------------------------------|--------------------|
|                                                                                       | Notes    | Consolidated financial statements |                    | Separate financial statements |                    |
|                                                                                       |          | 2018                              | 2017               | 2018                          | 2017               |
|                                                                                       | 3, 5, 22 |                                   |                    |                               |                    |
| <b>Revenues from sales and services</b>                                               |          | 1,769,172,439.25                  | 1,597,705,251.05   | 1,769,172,439.25              | 1,597,705,251.05   |
| Costs of sales and services                                                           |          | (1,524,317,520.38)                | (1,384,939,178.88) | (1,524,317,520.38)            | (1,384,939,178.88) |
| <b>Gross profit</b>                                                                   |          | 244,854,918.87                    | 212,766,072.17     | 244,854,918.87                | 212,766,072.17     |
| Other income                                                                          | 7        | 10,579,434.83                     | 9,361,192.19       | 10,567,847.56                 | 9,355,005.73       |
| <b>Profit before expenses</b>                                                         |          | 255,434,353.70                    | 222,127,264.36     | 255,422,766.43                | 222,121,077.90     |
| <b>Expenses</b>                                                                       |          |                                   |                    |                               |                    |
| Selling expenses                                                                      |          | (103,804,058.65)                  | (86,072,128.92)    | (105,484,170.41)              | (87,716,299.68)    |
| Administrative expenses                                                               |          | (74,887,545.90)                   | (64,186,670.24)    | (74,563,939.90)               | (63,876,117.74)    |
| <b>Total expenses</b>                                                                 |          | (178,691,604.55)                  | (150,258,799.16)   | (180,048,110.31)              | (151,592,417.42)   |
| <b>Profit before finance costs and income tax expenses</b>                            |          | 76,742,749.15                     | 71,868,465.20      | 75,374,656.12                 | 70,528,660.48      |
| Finance costs                                                                         |          | (34,101.07)                       | (18,082.19)        | (34,101.07)                   | (18,082.19)        |
| <b>Profit before income tax expenses</b>                                              |          | 76,708,648.08                     | 71,850,383.01      | 75,340,555.05                 | 70,510,578.29      |
| Income tax expenses                                                                   | 15       | (11,564,769.97)                   | (10,555,439.92)    | (11,291,151.36)               | (10,287,439.38)    |
| <b>Profit for the years</b>                                                           |          | 65,143,878.11                     | 61,294,943.09      | 64,049,403.69                 | 60,223,138.91      |
| <b>Other comprehensive income</b>                                                     |          |                                   |                    |                               |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>                  |          |                                   |                    |                               |                    |
| Profit on revaluation of available-for-sale investment - net from tax                 |          | -                                 | 589.39             | -                             | 589.39             |
| Reversal for gain on changes in value of available-for-sale investment - net from tax |          | (589.38)                          | (278,254.62)       | (589.38)                      | (278,254.62)       |
| <b>Total comprehensive income for the years</b>                                       |          | 65,143,288.73                     | 61,017,277.86      | 64,048,814.31                 | 59,945,473.68      |
| <b>Profit attributable to</b>                                                         |          |                                   |                    |                               |                    |
| Equity holders of the Company                                                         |          | 65,143,878.11                     | 61,294,943.09      | 64,049,403.69                 | 60,223,138.91      |
| Non-controlling interests                                                             |          | -                                 | -                  | -                             | -                  |
|                                                                                       |          | 65,143,878.11                     | 61,294,943.09      | 64,049,403.69                 | 60,223,138.91      |
| <b>Total comprehensive income attributable to</b>                                     |          |                                   |                    |                               |                    |
| Equity holders of the Company                                                         |          | 65,143,288.73                     | 61,017,277.86      | 64,048,814.31                 | 59,945,473.68      |
| Non-controlling interests                                                             |          | -                                 | -                  | -                             | -                  |
|                                                                                       |          | 65,143,288.73                     | 61,017,277.86      | 64,048,814.31                 | 59,945,473.68      |
| <b>Basic earnings per share (Baht)</b>                                                |          | 0.08                              | 0.08               | 0.08                          | 0.08               |
| Weighted average number of issued and fully paid-up common shares (shares)            |          | 800,000,000                       | 800,000,000        | 800,000,000                   | 800,000,000        |

**THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

| Unit: Baht                                     |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|------------------------------------------------|----------------------------------|----------------------------|---------------|------------------------------------------|--|-------------------------------------------------------------|-----------------|------------------------------------------------------------------|-----------------|
| Consolidated financial statements              |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|                                                |                                  | Retained earnings          |               | Other components of shareholders' equity |  |                                                             |                 |                                                                  |                 |
|                                                |                                  | Appropriated Legal Reserve |               | Unappropriated                           |  | Gain (Loss) on revaluation of available-for-sale investment |                 | Total shareholders' equity attributable to owners of the Company |                 |
|                                                |                                  |                            |               |                                          |  |                                                             |                 | Equity attributable to non-controlling Interest                  |                 |
| Notes                                          | Issued and paid-up Share capital | Premiums on common shares  |               |                                          |  |                                                             |                 |                                                                  | Total           |
| <b>Balance as at January 1, 2017</b>           |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
| 19                                             | -                                | -                          | 12,965,451.76 | 59,447,861.07                            |  | 278,254.61                                                  | 570,332,301.24  | -                                                                | 570,332,301.24  |
| 20                                             | -                                | -                          | 3,011,156.95  | (3,011,156.95)                           |  | -                                                           | -               | -                                                                | -               |
|                                                | -                                | -                          | -             | (24,000,000.00)                          |  | -                                                           | (24,000,000.00) | -                                                                | (24,000,000.00) |
| Total comprehensive income (loss) for the year |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|                                                | -                                | -                          | -             | 61,294,943.09                            |  | (277,665.23)                                                | 61,017,277.86   | -                                                                | 61,017,277.86   |
| <b>Balance as at December 31, 2017</b>         |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|                                                | 200,000,000.00                   | 297,640,733.80             | 15,976,608.71 | 93,731,647.21                            |  | 589.38                                                      | 607,349,579.10  | -                                                                | 607,349,579.10  |
| 19                                             | -                                | -                          | 3,202,470.18  | (3,202,470.18)                           |  | -                                                           | -               | -                                                                | -               |
| 20                                             | -                                | -                          | -             | (24,000,000.00)                          |  | -                                                           | (24,000,000.00) | -                                                                | (24,000,000.00) |
| Total comprehensive income (loss) for the year |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|                                                | -                                | -                          | -             | 65,143,878.11                            |  | (589.38)                                                    | 65,143,288.73   | -                                                                | 65,143,288.73   |
| <b>Balance as at December 31, 2018</b>         |                                  |                            |               |                                          |  |                                                             |                 |                                                                  |                 |
|                                                | 200,000,000.00                   | 297,640,733.80             | 19,179,078.89 | 131,673,055.14                           |  | -                                                           | 648,492,867.83  | -                                                                | 648,492,867.83  |

**THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                |       | Unit: Baht                          |                              |                               |                 |                                             |                                                                      |
|------------------------------------------------|-------|-------------------------------------|------------------------------|-------------------------------|-----------------|---------------------------------------------|----------------------------------------------------------------------|
|                                                |       | Separate financial statements       |                              |                               |                 |                                             |                                                                      |
|                                                | Notes | Issued and paid-up<br>Share capital | Premiums<br>on common shares | Appropriated<br>legal reserve | Unappropriated  | Other components<br>of shareholders' equity |                                                                      |
|                                                |       |                                     |                              |                               |                 | Retained earnings                           | Gain (Loss) on<br>revaluation of<br>available-for-sale<br>investment |
| <b>Balance as at January 1, 2017</b>           |       | 200,000,000.00                      | 297,640,733.80               | 12,965,451.76                 | 58,535,409.39   | 278,254.61                                  | 569,419,849.56                                                       |
| Legal reserve                                  | 19    | -                                   | -                            | 3,011,156.95                  | (3,011,156.95)  | -                                           | -                                                                    |
| Dividend paid                                  | 20    | -                                   | -                            | -                             | (24,000,000.00) | -                                           | (24,000,000.00)                                                      |
| Total comprehensive income (loss) for the year |       | -                                   | -                            | -                             | 60,223,138.91   | (277,665.23)                                | 59,945,473.68                                                        |
| <b>Balance as at December 31, 2017</b>         |       | 200,000,000.00                      | 297,640,733.80               | 15,976,608.71                 | 91,747,391.35   | 589.38                                      | 605,365,323.24                                                       |
| Legal reserve                                  | 19    | -                                   | -                            | 3,202,470.18                  | (3,202,470.18)  | -                                           | -                                                                    |
| Dividend paid                                  | 20    | -                                   | -                            | -                             | (24,000,000.00) | -                                           | (24,000,000.00)                                                      |
| Total comprehensive income (loss) for the year |       | -                                   | -                            | -                             | 64,049,403.69   | (589.38)                                    | 64,048,814.31                                                        |
| <b>Balance as at December 31, 2018</b>         |       | 200,000,000.00                      | 297,640,733.80               | 19,179,078.89                 | 128,594,324.86  | -                                           | 645,414,137.55                                                       |

# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

|                                                                                                      | Unit: Baht                        |                      |                               |                      |
|------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                                                                      | Consolidated financial statements |                      | Separate financial statements |                      |
|                                                                                                      | 2018                              | 2017                 | 2018                          | 2017                 |
| <b>Cash Flows from Operating Activities:</b>                                                         |                                   |                      |                               |                      |
| Profit before income tax                                                                             | 76,708,648.08                     | 71,850,383.01        | 75,340,555.05                 | 70,510,578.29        |
| Adjustments to reconcile profit before income tax to cash provided by (used in) operating activities |                                   |                      |                               |                      |
| Depreciation and amortization                                                                        | 34,196,589.82                     | 26,598,825.86        | 33,940,860.58                 | 26,343,096.62        |
| (Reversal) Allowance for losses on inventories                                                       | 307,604.58                        | (1,478,571.61)       | 307,604.58                    | (1,478,571.61)       |
| Gain on disposal of temporary investment                                                             | (23,333.56)                       | (827,308.93)         | (23,333.56)                   | (827,308.93)         |
| (Gain) Loss on disposal of fixed assets                                                              | (27,193.04)                       | 92,544.02            | (27,193.04)                   | 92,544.02            |
| Non-current provisions for employee benefits                                                         | 302,973.12                        | 284,234.00           | 302,973.12                    | 284,234.00           |
| Interest expenses                                                                                    | 34,101.07                         | 18,082.19            | 34,101.07                     | 18,082.19            |
| Profit from operating activities before changes in operating assets and liabilities                  | 111,499,390.07                    | 96,538,188.54        | 109,875,567.80                | 94,942,654.58        |
| Operating assets (increased) decreased                                                               |                                   |                      |                               |                      |
| Trade and other current receivables                                                                  | 4,745,913.55                      | (2,624,802.11)       | 4,745,747.05                  | (2,627,930.94)       |
| Inventories                                                                                          | (8,949,492.84)                    | (32,728,935.07)      | (8,949,492.84)                | (32,728,935.07)      |
| Operating liabilities increased                                                                      |                                   |                      |                               |                      |
| Trade and other current payables                                                                     | 13,078,769.07                     | 23,214,327.25        | 13,139,418.59                 | 23,127,483.75        |
| Cash received from operating activities                                                              | 120,374,579.85                    | 84,398,778.61        | 118,811,240.60                | 82,713,272.32        |
| Interest paid                                                                                        | (47,662.71)                       | (4,520.55)           | (47,662.71)                   | (4,520.55)           |
| Income tax paid                                                                                      | (10,172,632.11)                   | (11,715,159.35)      | (9,901,109.76)                | (11,454,139.11)      |
| <b>Net cash from operating activities</b>                                                            | <b>110,154,285.03</b>             | <b>72,679,098.71</b> | <b>108,862,468.13</b>         | <b>71,254,612.66</b> |

# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

|                                                                | Unit: Baht                        |                        |                               |                        |
|----------------------------------------------------------------|-----------------------------------|------------------------|-------------------------------|------------------------|
|                                                                | Consolidated financial statements |                        | Separate financial statements |                        |
|                                                                | 2018                              | 2017                   | 2018                          | 2017                   |
| <b>Cash Flows from Investing Activities:</b>                   |                                   |                        |                               |                        |
| Cash received from sale of temporary investments               | 52,518,309.17                     | 137,393,406.96         | 52,518,309.17                 | 137,393,406.96         |
| Cash paid for acquisition of temporary investments             | (52,170,000.00)                   | (54,300,000.00)        | (52,170,000.00)               | (54,300,000.00)        |
| Cash paid for long-term loans to third party                   | -                                 | (684,000.00)           | -                             | (684,000.00)           |
| Cash received from disposal of fixed assets                    | 287,429.95                        | 138,112.63             | 287,429.95                    | 138,112.63             |
| Cash paid for acquisition of fixed assets                      | (53,392,421.57)                   | (154,752,981.54)       | (53,392,421.57)               | (154,752,981.54)       |
| Cash paid for acquisition of intangible assets                 | (450,422.00)                      | (716,750.00)           | (450,422.00)                  | (716,750.00)           |
| Other non-current assets increased                             | (71,945.64)                       | (722,700.00)           | (78,000.00)                   | (722,700.00)           |
| <b>Net cash used in investing activities</b>                   | <b>(53,279,050.09)</b>            | <b>(73,644,911.95)</b> | <b>(53,285,104.45)</b>        | <b>(73,644,911.95)</b> |
| <b>Cash Flows from Financing Activities:</b>                   |                                   |                        |                               |                        |
| Increase (Decrease) in short-term loans                        |                                   |                        |                               |                        |
| from financial institutions                                    | (38,000,000.00)                   | 50,000,000.00          | (38,000,000.00)               | 50,000,000.00          |
| Dividend paid                                                  | (24,000,000.00)                   | (24,000,000.00)        | (24,000,000.00)               | (24,000,000.00)        |
| <b>Net cash from (used in) financing activities</b>            | <b>(62,000,000.00)</b>            | <b>26,000,000.00</b>   | <b>(62,000,000.00)</b>        | <b>26,000,000.00</b>   |
| <b>Net cash and cash equivalents increased (decreased)</b>     | <b>(5,124,765.06)</b>             | <b>25,034,186.76</b>   | <b>(6,422,636.32)</b>         | <b>23,609,700.71</b>   |
| <b>Cash and cash equivalents at the beginning of the years</b> | <b>67,808,222.39</b>              | <b>42,774,035.63</b>   | <b>65,537,745.32</b>          | <b>41,928,044.61</b>   |
| <b>Cash and cash equivalents at the end of the years</b>       | <b>62,683,457.33</b>              | <b>67,808,222.39</b>   | <b>59,115,109.00</b>          | <b>65,537,745.32</b>   |

### Supplemental Disclosures of Cash Flows Information

#### Non-cash transaction

|                                                        |            |                |            |                |
|--------------------------------------------------------|------------|----------------|------------|----------------|
| Increase (Decrease) of payables for purchase of assets | 786,447.50 | (1,874,458.02) | 786,447.50 | (1,874,458.02) |
| Assets increased from deposit for acquisitions         |            |                |            |                |
| and constructions of building                          | -          | 4,000,000.00   | -          | 4,000,000.00   |

# THANAPIRIYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

#### 1. GENERAL INFORMATION

Thanapiriya Public Company Limited (the "Company") was incorporated in Thailand under the Thanapiriya Limited Partnership on May 23, 2000. The Company registered its conversion to a limited company on December 21, 2012 and then became a public company limited on April 22, 2015. The Company is operates retail and wholesale superstores. The Company has its registered office at 661, Moo 24, Rob Wiang Sub-district, Muang Chiangrai District, Chiangrai, Thailand. On September 5, 2017, the Company relocated its registered office to 329, Moo 8, Ban Du Sub-district, Muang Chiangrai District, Chiangrai, Thailand. The Company owns 27 branches and 1 distribution centers.

#### 2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP") and applicable rules and regulations of the Securities and Exchange Commission.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated October 11, 2016, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in Thai language and are expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant in the Thai language, an English translation of the Thai version of the financial statements is provided.

The accompanying financial statements are prepared on the historical cost basis, except as disclosed in respective accounting policies.

The preparation of the financial statements in conformity with Thai Financial Reporting Standard requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

**Basis of consolidated financial statement preparation**

- A) The consolidated financial statements included the financial statements of Thanapiriya Public Company Limited and its subsidiary (that together referred to as the “Group”).

The details of the subsidiary are as follows:

| Subsidiary                         | Business Type                      | % Equity interest<br>owned by the Company |
|------------------------------------|------------------------------------|-------------------------------------------|
| Thanaphoom Property 2013 Co., Ltd. | Rent and Buy – Sell on Real Estate | 99.99                                     |

- B) The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- C) The financial statements of the subsidiary are prepared using the same significant accounting policies as the Company.
- D) The balances between the Company and its subsidiary, and significant intercompany transactions have been eliminated in the consolidated financial statements.

**New financial reporting standards****(a) Financial reporting standards that became effective in the current year**

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

**(b) Financial reporting standards that will become effective for fiscal years beginning on or after January 1, 2019**

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

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

**TFRS 15 Revenue from Contracts with Customers**

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

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

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

The management of the Company and its subsidiary has made an assessment of the potential impact of adopting and initially applying TFRS 15 on the consolidated and separate financial statements and there will be no material impact on the consolidated and separate financial statements in the period of initial application.

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

During the year 2018, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

|        |                                    |
|--------|------------------------------------|
| TFRS 7 | Financial Instruments: Disclosures |
| TFRS 9 | Financial Instruments              |

Accounting standard:

|        |                                     |
|--------|-------------------------------------|
| TAS 32 | Financial Instruments: Presentation |
|--------|-------------------------------------|

Financial Reporting Standard Interpretations:

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



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

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Recognition of revenues and expenses**

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. The Company will not recognize revenue if there is continuing control or management involvement with the goods sold or there are significant uncertainties regarding the measurement a recovery of the consideration due and associated costs, or the probable return of goods.

Service income is recognized as services are provided.

Dividend income is recognized when the Company has the right to receive dividend.

Interest income is recognized on the accrual basis based on the effective interest rate.

Other incomes and expenses are recognized on the accrual basis.

#### **Cash and cash equivalents**

Cash and cash equivalents presented in the statements of cash flows, comprise of cash in hand, deposits at financial institutions with a maturity period not over 3 months and no withdrawal restrictions.

#### **Temporary investments**

Temporary investments represent investments in Open-Ended Fund, which are classified in the statements of financial position as investments in available-for-sale. These are stated at fair value calculated by using the net asset value of the fund as of the reporting date. Gain or loss on valuation is realized in other comprehensive income.

The Company calculated cost of the disposed securities during the year by the weighted average method.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or that paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiary apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except where there is no active market for an identical asset or liability or when a quoted market price is not available, the Company and its subsidiary measure fair value using valuation techniques appropriate in the circumstances and maximizes the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

- Level 1     Use of quoted market prices in an observable active market for such assets or liabilities.
- Level 2     Use of other observable inputs for such assets or liabilities, whether directly or indirectly.
- Level 3     Use of unobservable inputs such as estimates of future cash flows.

At the end of each reporting period, the Company and its subsidiary determine whether transfers that have occurred between the levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period are measured at fair value on a recurring basis.

**Trade and other current receivables**

Trade and other current receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average cost method. Costs of purchase comprise purchase price and costs directly attributable to the purchase of goods, such as duty taxes and transportation costs, less discounts and incentive from the supplier. Net realizable value is the estimated selling price in the ordinary course of business less the necessary expenses to product the finished goods and sale expenses. An allowance for losses is made for old, obsolete and lost inventories.

**Investments in subsidiary**

Investments in subsidiary in the separate financial statements of the Company are accounted for using the cost method net of allowance for impairment loss (if any).

**Leasehold rights**

Leasehold rights are stated at cost less accumulated amortization.

Leasehold rights are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

**Property, plant and equipment - net**

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

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

|                                                 | Useful lives (Years)               |
|-------------------------------------------------|------------------------------------|
| Building and improvements                       | 5 - 40                             |
| Leasehold improvements                          | Over the period of lease agreement |
| Tools, Furniture, fixtures and office equipment | 5 - 20                             |
| Vehicles                                        | 5 - 10                             |

**Intangible asset**

Intangible asset represents costs of computer software development. The amortization is calculated by the straight-line basis over their estimated useful lives of 10 years.

**Long-term leases**

The leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases, and include assets under service contracts used by the Company only carrying an obligation to pay if canceled before their expiration. Finance leases are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The amount to be paid is allocated between the liability and finance expenses to generate the fixed interest rate calculated on outstanding liability considering each contract separately. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of assets which do not substantially transfer all the risks and rewards of ownership are classified as operating leases (Net consideration received from the lessor). Operating leases are recognized in profit and loss on a straight line basis over the lease term.

Expenses incurred on the cancellation of the operating lease before expiration, such as fines paid to the lessor, are recorded as expenses in the period in which the cancellation is made.

**Impairment of assets**

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

An impairment loss is recognized in the statement of profit or loss.

In the assessment of asset impairment, if there is any indication that previously recognized impairment losses may no longer exist or may have decreased, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

**Employee benefits***Short-term employee benefits*

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

*Post-employment benefits – defined contribution plan*Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

The employee benefit obligation for severance payment under labor law is recognized as a charge to results of operations over the employee's service period. It is calculated by estimating the amount of future benefit earned by employees in return for service provided to the Company in the current and future periods, with such benefit being discounted to determine the present value. The reference point for setting the discount rate is the yield rate of government bonds as at the reporting date. The calculation is performed by actuarial technique using the Projected Unit Credit Method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in the other comprehensive income and actuarial gains and losses arising from other long-term employee benefits are recognised immediately in the profit or loss.

**Provisions**

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

**Income tax**

Income tax expenses comprise current tax and deferred tax.

*Current tax*

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

*Deferred tax*

The Group recognises deferred income tax on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

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

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

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

**Related party transactions**

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

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

**Basic earnings per share**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the years.

**Financial information by segment**

Segment performance reported to the Chairman of the board of directors of the Group (decision makers with highest authority over the operation) represents transactions directly from the operating segment, including the appropriate allocation items. Most unallocated items comprise corporate assets (property of head office), headquarter costs, and income tax expenses.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

**Leases**

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

**Allowance for doubtful accounts**

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

**Impairment of investment in subsidiary**

The Company treats investment in its subsidiary as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

**Property, plant and equipment and depreciation**

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

In addition, the management is required to review property, plant and equipment for impairment on a periodic basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgment regarding forecast of future revenues and expenses relating to the assets subject to the review.

**Deferred tax assets**

Deferred tax assets are recognized in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate future profits.

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

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

**5. TRANSACTIONS WITH RELATED PARTIES**

The following presents relationships with enterprises and individuals that control or are controlled by the Company, whether directly or indirectly, or have common directors or shareholders with the Company.

| Related party                      | Nature of relationships                            | % Equity interest<br>owned by the Company |
|------------------------------------|----------------------------------------------------|-------------------------------------------|
| Thanaphoom Property 2013 Co., Ltd. | Subsidiary by shareholding and common<br>directors | 99.99                                     |

The Company has related party transactions, both directly and indirectly in common stock and/or common directors. The effects of these transactions are reflected in the financial statements on the basis determined by the Company and those related parties. The Company had significant transactions for the year ended December 31, as follows:

|                                   | Unit: Baht                        |              |                               |              |
|-----------------------------------|-----------------------------------|--------------|-------------------------------|--------------|
|                                   | Consolidated financial statements |              | Separate financial statements |              |
|                                   | 2018                              | 2017         | 2018                          | 2017         |
| <b>Subsidiary</b>                 |                                   |              |                               |              |
| Rental and service expenses       | -                                 | -            | 1,935,900.00                  | 1,899,900.00 |
| Utilities expenses                | -                                 | -            | 65,041.61                     | 145,186.70   |
| <b>Directors and shareholders</b> |                                   |              |                               |              |
| Rental and service expenses       | 2,059,140.00                      | 2,305,600.00 | 2,059,140.00                  | 2,305,600.00 |

The Company has transactions with related parties by using as mutually agreed which are closed to market price.

**Management compensation - for key management personnel**

Management compensation - for key management personnel for the year ended December 31, is as follows:

|                                      | Unit: Baht                                     |                      |
|--------------------------------------|------------------------------------------------|----------------------|
|                                      | Consolidated and Separate financial statements |                      |
|                                      | 2018                                           | 2017                 |
| Short-term benefits                  | 10,443,970.00                                  | 11,094,520.00        |
| Post-employment benefits             | 267,703.30                                     | 251,380.02           |
| <b>Total management compensation</b> | <b>10,711,673.30</b>                           | <b>11,345,900.02</b> |

Significant balances with related parties at December 31, can be summarized as follows:

|                   | Unit: Baht                        |      |                               |            |
|-------------------|-----------------------------------|------|-------------------------------|------------|
|                   | Consolidated financial statements |      | Separate financial statements |            |
|                   | 2018                              | 2017 | 2018                          | 2017       |
| <b>Subsidiary</b> |                                   |      |                               |            |
| Prepaid rental    | -                                 | -    | 250,000.00                    | 250,000.00 |
| Accrued expenses  | -                                 | -    | 6,484.05                      | 5,785.26   |

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31, consisted of:

|                                        | Unit: Baht                        |                      |                               |                      |
|----------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                        | Consolidated financial statements |                      | Separate financial statements |                      |
|                                        | 2018                              | 2017                 | 2018                          | 2017                 |
| Cash on hand                           | 6,498,630.50                      | 4,760,089.00         | 6,497,986.00                  | 4,759,450.50         |
| Cash at banks - current accounts       | 215,598.08                        | 34,655,976.90        | 214,168.08                    | 34,653,876.90        |
| Cash at banks - savings accounts       | 55,151,371.75                     | 26,717,836.49        | 51,585,097.92                 | 24,450,097.92        |
| Cheque due                             | 817,857.00                        | 1,674,320.00         | 817,857.00                    | 1,674,320.00         |
| <b>Total cash and cash equivalents</b> | <b>62,683,457.33</b>              | <b>67,808,222.39</b> | <b>59,115,109.00</b>          | <b>65,537,745.32</b> |



## 7. TEMPORARY INVESTMENTS - NET

Temporary investment as at December 31, consisted of:

|                                               | Unit: Baht                                     |          |                   |                   |
|-----------------------------------------------|------------------------------------------------|----------|-------------------|-------------------|
|                                               | Consolidated and Separate financial statements |          |                   |                   |
|                                               | 2018                                           |          | 2017              |                   |
|                                               | Fair value                                     |          | Fair value        |                   |
|                                               | Cost price                                     | Level 2  | Cost price        | Level 2           |
| Open-end Fund-Debt securities - at cost       | -                                              | -        | 324,975.61        | 324,975.61        |
| Add unrealized gain on investment revaluation | -                                              | -        | -                 | 736.74            |
| <b>Total temporary investment - net</b>       | <b>-</b>                                       | <b>-</b> | <b>324,975.61</b> | <b>325,712.35</b> |

During the year ended December 31, 2018 and 2017, the Company sold the investment with a gain of Baht 0.02 million and Baht 0.83 million, respectively, which is shown as “other income” in the statement of profit or loss for the years ended December 31, 2018 and 2017.

## 8. TRADE AND OTHER CURRENT RECEIVABLES

Trade and other current receivables as at December 31, consisted of:

|                                                  | Unit: Baht                        |                      |                               |                      |
|--------------------------------------------------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                                  | Consolidated financial statements |                      | Separate financial statements |                      |
|                                                  | 2018                              | 2017                 | 2018                          | 2017                 |
| <b>Trade receivables</b>                         | 22,769,627.31                     | 24,800,221.37        | 22,769,627.31                 | 24,800,221.37        |
| <b>Other current receivables</b>                 |                                   |                      |                               |                      |
| Loans to employees                               | 335,777.00                        | 504,954.00           | 335,777.00                    | 504,954.00           |
| Deposit for goods                                | 6,597,401.99                      | 7,159,356.34         | 6,597,401.99                  | 7,159,356.34         |
| Prepaid insurance premiums                       | 600,831.75                        | 549,319.44           | 600,831.75                    | 549,319.44           |
| Prepaid rental                                   | 1,966,292.92                      | 63,157.89            | 2,216,292.92                  | 313,157.89           |
| Consumables material                             | 3,450,299.97                      | 2,524,000.78         | 3,450,299.97                  | 2,524,000.78         |
| Revenue Department receivable                    | 503,587.63                        | 5,691,865.45         | 503,587.63                    | 5,691,865.45         |
| Other                                            | 736,534.26                        | 413,391.11           | 736,488.06                    | 413,178.41           |
| <b>Total other current receivables</b>           | <b>14,190,725.52</b>              | <b>16,906,045.01</b> | <b>14,440,679.32</b>          | <b>17,155,832.31</b> |
| <b>Total trade and other current receivables</b> | <b>36,960,352.83</b>              | <b>41,706,266.38</b> | <b>37,210,306.63</b>          | <b>41,956,053.68</b> |

The Company has trade receivables classified by age analysis as follows:

|                                | Unit: Baht                                     |                      |
|--------------------------------|------------------------------------------------|----------------------|
|                                | Consolidated and Separate financial statements |                      |
|                                | 2018                                           | 2017                 |
| Current                        | 18,086,684.99                                  | 19,273,930.97        |
| Over due                       |                                                |                      |
| Not over 3 months              | 4,380,966.12                                   | 4,282,431.20         |
| Over 3 - 6 months              | 296,626.20                                     | 1,200,790.00         |
| Over 6 - 12 months             | 5,350.00                                       | 43,069.20            |
| <b>Total trade receivables</b> | <b>22,769,627.31</b>                           | <b>24,800,221.37</b> |

## 9. INVENTORIES - NET

Inventories as at December 31, consisted of:

|                                                 | Unit: Baht                                     |                       |
|-------------------------------------------------|------------------------------------------------|-----------------------|
|                                                 | Consolidated and Separate financial statements |                       |
|                                                 | 2018                                           | 2017                  |
| Finished goods                                  | 252,702,933.18                                 | 243,753,440.34        |
| <u>Less</u> Allowance for losses on inventories | (5,070,307.58)                                 | (4,762,703.00)        |
| <b>Total inventories - net</b>                  | <b>247,632,625.60</b>                          | <b>238,990,737.34</b> |

## 10. LONG-TERM LOAN TO THIRD PARTY

On September 27, 2017, the Company agreed to purchase three plots of land under a Sales Agreement with redemption rights. The redemption value is Baht 0.98 million within 4 years. The difference between the cash paid and the redemption value of the land under the agreement is amortized as loan interest at an annual rate of 9.02%. Currently, the Company is granted the right to lease such land for one of its branch.

## 11. INVESTMENTS IN THE SUBSIDIARY

Investments in the subsidiary as at December 31, 2018 and 2017, consisted of:

|                                    | Unit: Million Baht |               |                 |              |
|------------------------------------|--------------------|---------------|-----------------|--------------|
|                                    | Registered         |               |                 |              |
|                                    | % of holding       | share capital | Paid – up share | Cost method  |
| Thanaphoom Property 2013 Co., Ltd. | 99.99              | 90.00         | 60.00           | 60.00        |
| <b>Total</b>                       |                    |               |                 | <b>60.00</b> |

**12. LEASEHOLD RIGHTS - NET**

Leasehold rights as at December 31, 2018, consisted of:

|                                      | Unit: Baht                                     |                          |          |                     |
|--------------------------------------|------------------------------------------------|--------------------------|----------|---------------------|
|                                      | Consolidated and Separate financial statements |                          |          |                     |
|                                      | As at                                          | Movement during the year |          | As at               |
|                                      | January 1, 2018                                | Increase                 | Decrease | December 31, 2018   |
| <b>Leasehold rights</b>              |                                                |                          |          |                     |
| Cost                                 | 13,460,262.28                                  | -                        | -        | 13,460,262.28       |
| <u>Less</u> Accumulated amortization | 4,819,381.61                                   | 841,155.71               | -        | 5,660,537.32        |
| <b>Net book value</b>                | <u>8,640,880.67</u>                            |                          |          | <u>7,799,724.96</u> |

**13. PROPERTY, PLANT AND EQUIPMENT - NET**

Property, plant and equipment at December 31, 2018, consisted of:

|                                 | Unit: Baht                        |                           |                        |                                          |               |                  |                |
|---------------------------------|-----------------------------------|---------------------------|------------------------|------------------------------------------|---------------|------------------|----------------|
|                                 | Consolidated financial statements |                           |                        |                                          |               |                  |                |
|                                 | Land and improvements             | Building and improvements | Leasehold improvements | Furniture, fixtures and office equipment | Vehicles      | Work in progress | Total          |
| <b>Cost</b>                     |                                   |                           |                        |                                          |               |                  |                |
| As at January 1, 2018           | 113,459,925.07                    | 211,486,998.34            | 32,756,516.90          | 147,521,025.83                           | 42,666,074.28 | 4,008,127.78     | 551,898,668.20 |
| Purchasing                      | -                                 | 1,858,353.04              | -                      | 23,689,539.61                            | 1,582,073.83  | 27,048,902.59    | 54,178,869.07  |
| Transferred in/out              | -                                 | 28,130,339.73             | -                      | 1,190,382.23                             | -             | (29,320,721.96)  | -              |
| Disposal                        | -                                 | -                         | -                      | (872,673.94)                             | (775,700.93)  | -                | (1,648,374.87) |
| As at December 31, 2018         | 113,459,925.07                    | 241,475,691.11            | 32,756,516.90          | 171,528,273.73                           | 43,472,447.18 | 1,736,308.41     | 604,429,162.40 |
| <b>Accumulated depreciation</b> |                                   |                           |                        |                                          |               |                  |                |
| As at January 1, 2018           | -                                 | 11,517,431.12             | 8,567,515.97           | 54,890,420.33                            | 20,777,620.98 | -                | 95,752,988.40  |
| Depreciation                    | -                                 | 7,054,705.34              | 2,130,216.78           | 20,316,843.11                            | 3,426,699.50  | -                | 32,928,464.73  |
| Disposal                        | -                                 | -                         | -                      | (754,794.08)                             | (633,343.88)  | -                | (1,388,137.96) |
| As at December 31, 2018         | -                                 | 18,572,136.46             | 10,697,732.75          | 74,452,469.36                            | 23,570,976.60 | -                | 127,293,315.17 |
| <b>Net book value</b>           |                                   |                           |                        |                                          |               |                  |                |
| As at December 31, 2017         | 113,459,925.07                    | 199,969,567.22            | 24,189,000.93          | 92,630,605.50                            | 21,888,453.30 | 4,008,127.78     | 456,145,679.80 |
| As at December 31, 2018         | 113,459,925.07                    | 222,903,554.65            | 22,058,784.15          | 97,075,804.37                            | 19,901,470.58 | 1,736,308.41     | 477,135,847.23 |

Unit: Baht

| Separate financial statements |                       |                           |                        |                                          |               |                  |                |
|-------------------------------|-----------------------|---------------------------|------------------------|------------------------------------------|---------------|------------------|----------------|
|                               | Tools,                |                           |                        |                                          |               |                  |                |
|                               | Land and improvements | Building and improvements | Leasehold improvements | Furniture, fixtures and office equipment | Vehicles      | Work in progress | Total          |
| Cost                          |                       |                           |                        |                                          |               |                  |                |
| As at January 1, 2018         | 60,153,173.07         | 203,442,198.34            | 32,756,516.90          | 147,521,025.83                           | 42,666,074.28 | 4,008,127.78     | 490,547,116.20 |
| Purchasing                    | -                     | 1,858,353.04              | -                      | 23,689,539.61                            | 1,582,073.83  | 27,048,902.59    | 54,178,869.07  |
| Transferred in/out            | -                     | 28,130,339.73             | -                      | 1,190,382.23                             | -             | (29,320,721.96)  | -              |
| Disposal                      | -                     | -                         | -                      | (872,673.94)                             | (775,700.93)  | -                | (1,648,374.87) |
| As at December 31, 2018       | 60,153,173.07         | 233,430,891.11            | 32,756,516.90          | 171,528,273.73                           | 43,472,447.18 | 1,736,308.41     | 543,077,610.40 |
| Accumulated depreciation      |                       |                           |                        |                                          |               |                  |                |
| As at January 1, 2018         | -                     | 10,331,730.84             | 8,567,515.97           | 54,890,420.33                            | 20,777,620.98 | -                | 94,567,288.12  |
| Depreciation                  | -                     | 6,798,976.10              | 2,130,216.78           | 20,316,843.11                            | 3,426,699.50  | -                | 32,672,735.49  |
| Disposal                      | -                     | -                         | -                      | (754,794.08)                             | (633,343.88)  | -                | (1,388,137.96) |
| As at December 31, 2018       | -                     | 17,130,706.94             | 10,697,732.75          | 74,452,469.36                            | 23,570,976.60 | -                | 125,851,885.65 |
| Net book value                |                       |                           |                        |                                          |               |                  |                |
| As at December 31, 2017       | 60,153,173.07         | 193,110,467.50            | 24,189,000.93          | 92,630,605.50                            | 21,888,453.30 | 4,008,127.78     | 395,979,828.08 |
| As at December 31, 2018       | 60,153,173.07         | 216,300,184.17            | 22,058,784.15          | 97,075,804.37                            | 19,901,470.58 | 1,736,308.41     | 417,225,724.75 |

Depreciations for the years ended December 31, 2018 and 2017 in the consolidated financial statements of Baht 32.93 million and Baht 25.33 million, respectively, and depreciations in the separate financial statements of Baht 32.67 million and Baht 25.07 million, respectively, are included in the statements of profit or loss.

As at December 31, 2018 and 2017, the Group's equipment and vehicles, which have been fully depreciated but are still in use, amounted to Baht 38.73 million and Baht 26.43 million, respectively.

Parts of the Group's land and buildings have been mortgaged as collateral for bank overdrafts, short-term loans, promissory notes, and long-term loans. (Note 16).

#### 14. INTANGIBLE ASSETS – NET

Intangible assets as at December 31, 2018, consisted of:

|                                      | Unit: Baht                                     |                          |          |                   |
|--------------------------------------|------------------------------------------------|--------------------------|----------|-------------------|
|                                      | Consolidated and Separate financial statements |                          |          |                   |
|                                      | As at                                          | Movement during the year |          | As at             |
|                                      | January 1, 2018                                | Increase                 | Decrease | December 31, 2018 |
| <b>Computer software</b>             |                                                |                          |          |                   |
| Cost                                 | 5,462,287.14                                   | 450,422.00               | -        | 5,912,709.14      |
| <u>Less</u> Accumulated amortization | 2,821,271.83                                   | 426,969.38               | -        | 3,248,241.21      |
| <b>Net book value</b>                | 2,641,015.31                                   |                          |          | 2,664,467.93      |

Amortization for the years ended December 31, 2018 and 2017 amounted to Baht 0.43 million are included in the related consolidated and separate statements of profit or loss.

**15. DEFERRED TAX ASSETS - NET**

Deferred tax assets and liabilities as at December 31, 2018, consisted of:

|                                                                    | Unit: Baht                                     |                   |                               |                            |
|--------------------------------------------------------------------|------------------------------------------------|-------------------|-------------------------------|----------------------------|
|                                                                    | Consolidated and Separate financial statements |                   |                               |                            |
|                                                                    | Movement increase (decrease)                   |                   |                               | As at<br>December 31, 2018 |
|                                                                    | As at<br>January 1, 2018                       | Profit or<br>loss | Other comprehensive<br>income |                            |
| <b>Deferred tax assets</b>                                         |                                                |                   |                               |                            |
| Allowance for losses on inventories                                | 952,540.60                                     | 61,520.92         | -                             | 1,014,061.52               |
| Rental expenses                                                    | 469,081.01                                     | 167,875.57        | -                             | 636,956.58                 |
| Provisions for liabilities                                         | 83,233.07                                      | 21,332.45         | -                             | 104,565.52                 |
| Provision for long-term employee benefits                          | 628,858.58                                     | 60,594.63         | -                             | 689,453.21                 |
| <b>Total deferred tax assets</b>                                   | <b>2,133,713.26</b>                            | <b>311,323.57</b> | <b>-</b>                      | <b>2,445,036.83</b>        |
| <b>Deferred tax liabilities</b>                                    |                                                |                   |                               |                            |
| Depreciation                                                       | 200,225.76                                     | 190,372.51        | -                             | 390,598.27                 |
| Unrealized gains on valuation of<br>available-for-sale investments | 147.35                                         | -                 | (147.35)                      | -                          |
| <b>Total deferred tax liabilities</b>                              | <b>200,373.11</b>                              | <b>190,372.51</b> | <b>(147.35)</b>               | <b>390,598.27</b>          |
| <b>Deferred tax assets - net</b>                                   | <b>1,933,340.15</b>                            | <b>120,951.06</b> | <b>147.35</b>                 | <b>2,054,438.56</b>        |

Tax expenses for the years ended December 31, were as follows:

|                                         | Unit: Baht                        |                |                               |                |
|-----------------------------------------|-----------------------------------|----------------|-------------------------------|----------------|
|                                         | Consolidated financial statements |                | Separate financial statements |                |
|                                         | 2018                              | 2017           | 2018                          | 2017           |
| Profit before income tax                | 76,708,648.08                     | 71,850,383.01  | 75,340,555.05                 | 70,510,578.29  |
| Income tax rate                         | 20%                               | 20%            | 20%                           | 20%            |
| Current income tax expenses as tax rate | 15,341,729.62                     | 14,370,076.60  | 15,068,111.01                 | 14,102,115.66  |
| Non-deductible expenses                 |                                   |                |                               |                |
| by the Revenue Code                     | 803.48                            | 23,772.27      | 803.48                        | 23,732.67      |
| Expenses deductible at a greater amount | (3,777,763.13)                    | (3,838,408.95) | (3,777,763.13)                | (3,838,408.95) |
| Income tax expenses                     | 11,564,769.97                     | 10,555,439.92  | 11,291,151.36                 | 10,287,439.38  |
| The effective tax rate                  | 15.08%                            | 14.69%         | 14.99%                        | 14.59%         |

The Company used income tax rate of 20% for the calculation of corporate income tax for the years ended December 31, 2018 and 2017.

## 16. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Short-term loans from financial institutions as at December 31, consisted of:

|                                                           | Unit: Baht                                     |                      |
|-----------------------------------------------------------|------------------------------------------------|----------------------|
|                                                           | Consolidated and Separate financial statements |                      |
|                                                           | 2018                                           | 2017                 |
| Promissory note                                           | 12,000,000.00                                  | 50,000,000.00        |
| <b>Total Short-term loans from financial institutions</b> | <b>12,000,000.00</b>                           | <b>50,000,000.00</b> |

On December 28, 2018, the Company issued promissory note amount of Baht 12 million to a local financial institution. The promissory note will be due and payable on demand and bears interest at the MLR - 3.475 per annum.

On December 28, 2017, the Company issued promissory note amount of Baht 50 million to a local financial institution. The promissory note has a term of 90 days and bears interest at the MLR - 3.475 per annum. Promissory note were paid in January 2018.

As at December 31, 2018 and 2017, the Group and the Company have credit facilities from financial institutions in the form of bank overdrafts, short-term loans, promissory notes and long-term loans amounted to Baht 250 million and Baht 220 million, respectively. The interest rate are calculated at the MLR rate minus the rate specified in the contract to MOR plus the rate specified in the contract. These loan facilities are secured by mortgages on land and building of the Group and its Directors.



**17. TRADE AND OTHER CURRENT PAYABLES**

Trade and other current payables as at December 31, consisted of:

|                                               | Unit: Baht                        |                       |                               |                       |
|-----------------------------------------------|-----------------------------------|-----------------------|-------------------------------|-----------------------|
|                                               | Consolidated financial statements |                       | Separate financial statements |                       |
|                                               | 2018                              | 2017                  | 2018                          | 2017                  |
| <b>Trade payables</b>                         | 151,738,218.85                    | 141,197,546.21        | 151,738,218.85                | 141,197,546.21        |
| <b>Other current payables</b>                 |                                   |                       |                               |                       |
| Accrued bonus                                 | 4,985,116.36                      | 3,311,208.59          | 4,985,116.36                  | 3,311,208.59          |
| Withholding tax payables                      | 93,554.59                         | 145,343.28            | 93,189.84                     | 145,343.28            |
| Accrued rental expenses                       | 2,890,124.20                      | 2,111,821.85          | 2,890,124.20                  | 2,111,821.85          |
| Payable for purchase of the assets            | 2,361,119.40                      | 1,574,671.90          | 2,361,119.40                  | 1,574,671.90          |
| Guarantee received from employees             | 1,842,150.00                      | 1,612,600.00          | 1,842,150.00                  | 1,612,600.00          |
| Accrued expenses                              | 4,411,496.52                      | 4,603,991.18          | 4,357,980.57                  | 4,489,776.44          |
| Retention                                     | 670,910.32                        | 483,108.32            | 670,910.32                    | 483,108.32            |
| Other                                         | 986,180.92                        | 1,086,924.90          | 982,680.92                    | 1,083,109.42          |
| <b>Total other current payables</b>           | <b>18,240,652.31</b>              | <b>14,929,670.02</b>  | <b>18,183,271.61</b>          | <b>14,811,639.80</b>  |
| <b>Total trade and current other payables</b> | <b>169,978,871.16</b>             | <b>156,127,216.23</b> | <b>169,921,490.46</b>         | <b>156,009,186.01</b> |

**18. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS**

Movement of the present value of non-current provisions for employee benefits for the years ended December 31, is as follows:

|                                                                            | Unit: Baht                                     |                     |
|----------------------------------------------------------------------------|------------------------------------------------|---------------------|
|                                                                            | Consolidated and Separate financial statements |                     |
|                                                                            | 2018                                           | 2017                |
| <b>Non-current provisions for employee benefits beginning of the years</b> | 3,144,292.92                                   | 2,860,058.92        |
| Included in profit or loss:                                                |                                                |                     |
| Current service costs                                                      | 184,256.12                                     | 177,170.00          |
| Cost of interest                                                           | 118,717.00                                     | 107,064.00          |
| <b>Non-current provisions for employee benefits ending of the years</b>    | <b>3,447,266.04</b>                            | <b>3,144,292.92</b> |

Long-term employee benefit expenses in the statements of profit or loss for years ended December 31, consisted of:

|                                         | Unit: Baht                                     |                   |
|-----------------------------------------|------------------------------------------------|-------------------|
|                                         | Consolidated and Separate financial statements |                   |
|                                         | 2018                                           | 2017              |
| Current service cost                    | 184,256.12                                     | 177,170.00        |
| Cost of interest                        | 118,717.00                                     | 107,064.00        |
| <b>Total employee benefits expenses</b> | <b>302,973.12</b>                              | <b>284,234.00</b> |

Long-term employee benefit expenses for years ended December 31, as shown in the statements of profit or loss are as follows:

|                                         | Unit: Baht                                     |                   |
|-----------------------------------------|------------------------------------------------|-------------------|
|                                         | Consolidated and Separate financial statements |                   |
|                                         | 2018                                           | 2017              |
| Selling expenses                        | 7,826.04                                       | 7,272.00          |
| Administrative expenses                 | 295,147.08                                     | 276,962.00        |
| <b>Total employee benefits expenses</b> | <b>302,973.12</b>                              | <b>284,234.00</b> |

Principal actuarial assumptions at the valuation date are as follow:

|                                     | (Percentage (%)/annum)                         |
|-------------------------------------|------------------------------------------------|
|                                     | Consolidated and Separate financial statements |
| Discount rate                       |                                                |
| Monthly salary staff                | 4.00                                           |
| Daily salary staff                  | 4.13                                           |
| Future monthly salary increase rate | 5.00                                           |
| Future daily salary increase rate   | 5.00                                           |
| Mortality rate                      | 100% of Thai Mortality Ordinary Tables of 2008 |

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, are summarized below:

|                      | Unit: Baht                                     |               |               |               |
|----------------------|------------------------------------------------|---------------|---------------|---------------|
|                      | Consolidated and Separate financial statements |               |               |               |
|                      | 2018                                           |               | 2017          |               |
|                      | Increase 0.5%                                  | Decrease 0.5% | Increase 0.5% | Decrease 0.5% |
| Discount rate        | (50,787.96)                                    | 52,606.14     | (59,722.82)   | 61,846.38     |
| Salary increase rate | 100,418.57                                     | (97,314.96)   | 90,112.29     | (87,417.18)   |
| Turnover rate        | (118,256.98)                                   | 123,020.09    | (106,141.77)  | 110,263.51    |

As at December 31, the maturity analysis of cash flows of benefit payments was as follows:

|                           | Unit: Baht                                     |              |
|---------------------------|------------------------------------------------|--------------|
|                           | Consolidated and Separate financial statements |              |
|                           | 2018                                           | 2017         |
| Within 1 year             | 520,945.00                                     | 494,168.00   |
| Over 1 and up to 5 years  | 4,639,584.00                                   | 4,239,426.00 |
| Over 5 and up to 10 years | 114,475.00                                     | 102,929.00   |
| Over 10 years             | 391,329.00                                     | 287,866.00   |

On December 13, 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and the Group is in the process of evaluating the impact to the financial statements when the law is effective.

#### 19. LEGAL RESERVE

Pursuant to the Public Limited Company Act B.E. 2535, the Company must set aside a reserve fund constituting no less than 5% of the annual net profits until the reserve equals no less than 10% of the registered capital. This legal reserve is not available for dividend distribution.

#### 20. DIVIDEND

On August 4, 2018, the meeting of the Board of Directors No4/2018 has resolved to pay an interim dividend from operating performance for the period from January 1, 2018 to June 30, 2018 for 800 million shares at the rate of Baht 0.015 per share, amounting Baht 12 million. Dividends were paid to shareholders in September 2018.

On April 11, 2018, the Annual General Meeting of Shareholders for the year 2018 has resolved to pay a dividend from its operating result for the year ended December 31, 2017 for 800 million shares at the rate of Baht 0.03 per share, amounting Baht 24 million. The Company has already paid an interim dividend in August 2017 at the rate of Baht 0.015 per share, amounting Baht 12 million. The remaining dividend was paid at the rate of Baht 0.015 per share, totaling Baht 12 million in May 2018.

On August 1, 2017, the meeting of the Board of Directors No3/2017 has resolved to pay an interim dividend from operating performance for the period from January 1, 2017 to June 30, 2017 for 800 million shares at the rate of Baht 0.015 per share, amounting Baht 12 million. Dividends were paid to shareholders in August 2017.

On April 25, 2017, the Annual General Meeting of Shareholders for the year 2017 has resolved to pay a dividend from its operating result for the year ended December 31, 2016 for 800 million shares at the rate of Baht 0.03 per share, amounting Baht 24 million. The Company has already paid an interim dividend in September 2016 at the rate of Baht 0.015 per share, amounting Baht 12 million. The remaining dividend was paid at the rate of Baht 0.015 per share, amounting Baht 12 million in May 2017.

## 21. EMPLOYEES PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1998). Employees contribute to the fund on a monthly basis at the rate of 3%, while the Company contributes to the fund on a monthly basis at the referred rate. The Company will issue payment to employees upon termination in accordance with the fund rules. The contributions started from May 15, 2015. For year ended December 31, 2018 and 2017, the Company contributed a total of Baht 591,852 and Baht 482,135 to the fund, respectively.

## 22. OPERATING SEGMENTS

The Group is engaged in the domestic wholesale and retail of consumer goods, a single business segment, and operates in the same geographic area. Therefore, revenue, profits and assets reflected in the financial statements are related to the business and geographic segments as discussed.

## 23. SIGNIFICANT EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, consisted of:-

|                                             | Unit: Million Baht                |          |                               |          |
|---------------------------------------------|-----------------------------------|----------|-------------------------------|----------|
|                                             | Consolidated financial statements |          | Separate financial statements |          |
|                                             | 2018                              | 2017     | 2018                          | 2017     |
| Changes in finished goods increase          | (8.95)                            | (32.73)  | (8.95)                        | (32.73)  |
| Purchase of finished goods                  | 1,532.96                          | 1,419.15 | 1,532.96                      | 1,419.15 |
| (Reversal) Allowance for loss inventory     | 0.31                              | (1.48)   | 0.31                          | (1.48)   |
| Raw materials and consumable materials used | 9.40                              | 8.10     | 9.40                          | 8.10     |
| Depreciation and amortization               | 34.20                             | 26.60    | 33.94                         | 26.34    |
| Employee benefit expenses                   | 99.13                             | 83.72    | 98.97                         | 83.59    |
| Rental expenses                             | 5.45                              | 4.80     | 7.38                          | 6.70     |
| Utilities expenses                          | 11.55                             | 9.08     | 11.61                         | 9.22     |
| Advertising and promotion expenses          | 1.07                              | 1.05     | 1.07                          | 1.05     |
| Vehicles and travel expenses                | 6.06                              | 4.57     | 6.06                          | 4.57     |

## 24. 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 derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

### Capital management

The objectives of The Group's capital management are to safeguard The Group's ability to continue as a going concern in order to provide returns to The Group's shareholders and benefits to other stakeholders. The management sets strategies to support The Group's operations for more efficiency, and better performance and stronger financial status, including dividend and capital management policies to maintain the optimal capital structure and cost of capital.

### Interest rate risk

The Group is exposed to significant interest rate risks relate primarily to bank deposits and short-term investments. Most of the interest rates that fluctuate based on market rates or a fixed rate with a maturity date after the date of the statement of financial position does not exceed one year. As the Company has a policy to deposit or invest in highly liquid instruments with a maturity not exceeding one year, the Group's interest rate risk is low.

Significant financial assets and liabilities classified by type of interest rate are as follows.

| Unit: Million Baht                                        |       |         |                     |                  |        |
|-----------------------------------------------------------|-------|---------|---------------------|------------------|--------|
| Consolidated financial statements as at December 31, 2018 |       |         |                     |                  |        |
| Description                                               | Notes | Inflate | Fixed interest rate | No interest rate | Total  |
| <u>Financial asset</u>                                    |       |         |                     |                  |        |
| Cash and cash equivalents                                 | 6     | 55.15   | -                   | 7.53             | 62.68  |
| Trade and other current receivables                       | 8     | -       | -                   | 36.96            | 36.96  |
| Long-term loans to third party                            | 10    | -       | 0.68                | -                | 0.68   |
| <u>Financial liabilities</u>                              |       |         |                     |                  |        |
| Short-term loans from financial institutions              | 16    | 12.00   | -                   | -                | 12.00  |
| Trade and other current payables                          | 17    | -       | -                   | 169.98           | 169.98 |

Unit: Million Baht

Consolidated financial statements as at December 31, 2017

| Description                         | Notes | Inflate | Fixed interest | No interest | Total  |
|-------------------------------------|-------|---------|----------------|-------------|--------|
|                                     |       |         | rate           | rate        |        |
| <u>Financial asset</u>              |       |         |                |             |        |
| Cash and cash equivalents           | 6     | 26.72   | -              | 41.09       | 67.81  |
| Temporary investment - net          | 7     | 0.33    | -              | -           | 0.33   |
| Trade and other current receivables | 8     | -       | -              | 41.71       | 41.71  |
| Long-term loans to third party      | 10    | -       | 0.68           | -           | 0.68   |
| <u>Financial liabilities</u>        |       |         |                |             |        |
| Short-term loans from financial     |       |         |                |             |        |
| institutions                        | 16    | 50.00   | -              | -           | 50.00  |
| Trade and other current payables    | 17    | -       | -              | 156.13      | 156.13 |

**Credit risk**

The Group is exposed to credit risks related primarily to accounts receivable and other receivables, loans and notes receivable. As management has a credit policy and appropriate credit controls in place, it does not anticipate significant losses from the credit. In addition, The Group has no significant concentrations of credit because the Company's a large number of customers and a diverse customer base. The maximum exposure to credit risk is represented by the carrying amount of accounts receivable and other receivables, loans and notes receivable in the statement of financial position.

**The risk of liquidity**

The Group monitors its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by management to finance the Group and to mitigate the effects of fluctuations in cash flows.

**Determination of fair values**

The Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group estimates the fair value of financial instruments; cash and cash equivalents, trade accounts receivable and payable, other accounts receivable and payable, and short-term borrowings, equal to their amounts carried in the statement of financial position because of the short-term maturity of those financial instruments.

## 25. COMMITMENTS

25.1 As at December 31, the Company has obligations related to the lease of office space, including service charges under several agreements with related parties and other persons. The agreements are for periods of between of 1 - 20 years. Remaining rental and service charges under existing agreements are to be paid in the future are as follows.

|                                           | Unit: Million Baht                |       |                               |       |
|-------------------------------------------|-----------------------------------|-------|-------------------------------|-------|
|                                           | Consolidated financial statements |       | Separate financial statements |       |
|                                           | 2018                              | 2017  | 2018                          | 2017  |
| Due within 1 year                         | 4.79                              | 4.54  | 5.77                          | 5.94  |
| Due over 1 year but not exceeding 5 years | 20.81                             | 19.66 | 22.70                         | 21.44 |
| Due over 5 year                           | 48.65                             | 47.42 | 50.99                         | 50.09 |
| Total                                     | 74.25                             | 71.62 | 79.46                         | 77.47 |

25.2 As at December 31, 2018 and 2017, the Group has a contractual obligation under construction agreements and agreement for the purchase of buildings in the amount of Baht 4.61 million and Baht 5.43 million, respectively.

## 26. EVENT AFTER THE REPORTING PERIOD

On February 21, 2019, the meeting of the Board of Directors No.1/2019 has resolved to pay a dividend from its operating result for the year ended December 31, 2018 for 800 million shares at the rate of Baht 0.035 per share, amounting Baht 28 million. After deducting the interim dividends paid to shareholders in September 2018 at the rate of Baht 0.015 per share, amounting Baht 12 million, the remaining dividends will be paid at the rate of Baht 0.020 per share, amounting Baht 16 million. The dividend payments must be approved at the Annual General Meeting of the Company's shareholders.

## 27. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's board of directors on February 21, 2019.







## **Thanapiriya Public Company Limited**

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