

2018

ANNUAL REPORT



IHL's 30 Year of Success



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1. Financial Highlight

		2018	2017	2016
Result of Operation				
Sales and Service Revenue	Million Baht	2,390	2,130	1,943
Gross Profit	Million Baht	516	475	393
Selling and Administrative Expense	Million Baht	161	151	139
EBITDA	Million Baht	545	513	408
Profit for the year	Million Baht	293	289	191
Financial Position				
Total Assets	Million Baht	3,394	3,048	2,740
Total Liabilities	Million Baht	1,764	1,580	1,466
Shareholders' Equity	Million Baht	1,630	1,468	1,274
Financial Ratio				
Gross Profit Margin	%	21.59	22.31	20.20
EBITDA Margin	%	22.81	24.10	21.00
Net Profit Margin	%	12.25	13.59	9.84
ROA	%	9.09	10.00	7.07
ROE	%	18.90	21.11	15.90
Debt to Equity Ratio	Times	1.08	1.08	1.15
Net Debt to EBITDA	Times	3.24	3.08	3.59
Debt Service Coverage Ratio	Times	2.26	2.45	1.95
Interest Service Coverage Ratio	Times	16.17	15.88	11.32
Shares or Information about Common Shares				
Number of Outstanding Shares	Million Shares	553.5	509.1	490.0
Book Value	Baht/share	3.01	2.95	2.99
Basic Earnings per share	Baht/share	0.54	0.58	0.39
Diluted Earnings per share	Baht/share	0.51	0.52	0.38
Dividend per share ⁽¹⁾	Baht/share	0.50	0.50	0.34
Dividend Payout Ratio on profit for the year	%	92.59	86.21	85.94
Market Price (at Year End)	Baht/share	7.75	10.10	6.05

Remark : ⁽¹⁾ The Board of Directors resolved to propose the annual general meeting of shareholders on April 24, 2019 to approve the dividend distribution for the year 2018 at Baht 0.50 per share.

2. General Information of the Company

Company's name	: Interhides Public Company Limited
Initials	: IHL
Company's Registration Number	: 0107548000595
Nature of Business	: Producing and distributing leather covering for car seats and other related products
Registered Capital	: 594,998,274 ordinary shares at par value of Baht 1
Paid-up Capital	: 553,519,920 ordinary shares at par value of Baht 1
Headquarter	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
1st Factory	: 192 M. 6 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
2nd Factory	: 678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
3rd - 4th Factory	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
5th Factory	: 555 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
6th Factory	: 1111 M. 6 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
7th Factory	: 775 Bangpu Industrial Estate, Moo 2, Soi 4, Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
8th Factory	: 183 M. 6 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
9th Factory	: 1111/2 M. 6 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
10th Factory	: 1111/3 M. 6 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company Secretary	
Telephone	: (662) 028-9728-37
Fax	: (662) 028-9738-39
E-mail	: Companysecretary@Interhides.com
Investor Relations	
Telephone	: (662) 028-9728-37
Fax	: (662) 028-9738-39
E-mail	: Companysecretary@Interhides.com

Information of the subsidiary company

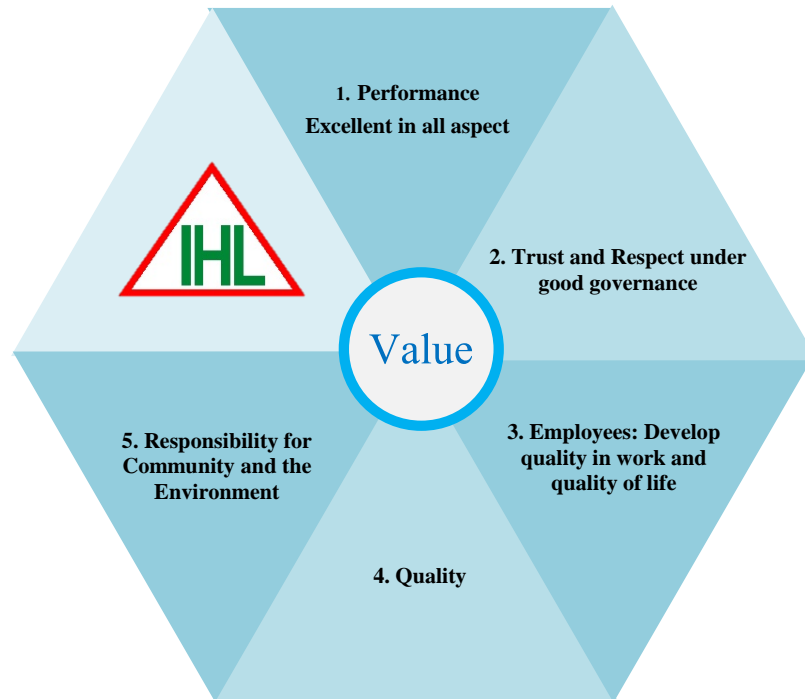
Company's name in Thai	: บริษัท อินเตอร์ซีท คัฟเวอร์ จำกัด (ISC)
Company's name in English	: Interseat Cover Company Limited (ISC)
Nature of Business	: Producing and distributing trim covering for car seats, steering wheel and gear knob
Location	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company's Registration Number	: 0115554009416
Telephone	: (662) 028-9728-37
Fax	: (662) 028-9738-39
Registered Capital	: 200,000 ordinary shares at par value of Baht 100
Paid-up Capital	: 200,000 ordinary shares at par value of Baht 100
No. of Held Shares	: 199,998 shares
Tax privileges	: Exemption corporate tax for 8 years by the Board of Investment (BOI)

Company's name in Thai	: บริษัท อินเตอร์ กรีน จำกัด (IG)
Company's name in English	: Inter Green Company Limited (IG)
Nature of Business	: Protein Hydrolysate
Location	: 1111/2 Soi Foknung Km. 34 Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Company's Registration Number	: 0115559014850
Telephone	: (662) 028-9728-37
Fax	: (662) 028-9738-39
Register Capital	: 500,000 ordinary shares at par value of Baht 100
Paid-up Capital	: 500,000 ordinary shares at par value of Baht 100
No. of Held Shares	: 499,997 shares
Tax privileges	: -

Vision

"To become the industry leader in Southeast Asia that moves the company with internal standards. Fast response to our customer, with advancement in innovative technology that is environmentally friendly".

Value



Mission

Customers	Shareholders	Organization	Employee	Community
Develop and propose product with excellence service and fast response. To compete with our competitors in the industry	Provide with great value of investment for all shareholders continously under good governance	Improve organization structure and manage to provide highest quality and efficiency in all aspect for continous growth	Develop human resource to be profesional to response to any customer's need	Improve community through programs and activity that has benefits to all community
Customers	Shareholders	Organization	Employee	Community

3. Vision, Mission, Value and Policy

1. Value

The Company prioritises its value. While there are change in the world economic and the world market. With strong company's vision, the Company can maintain its strong decision making and trust regularly. The Company vision is the root basis to change and improve our human resource. The Company values are as the following:

1.1 Performance Excellent – The Company focus on performing with confidence to reach positive result. With research and development, and various improvement to reach a higher standard for the market. With strong belief that we can do better than yesterday and tomorrow will be better. With great effort to enhance the Company to great excellence.

1.2 Trust and Respect – From generations we operate with honesty, trust, and empathy. With a strong policy for “friendly” style of business. From proper business performance, and clear information sharing. The Company put priority for good governance, respect for rules and regulation, credibility of financial statement report from internal and external auditing, which include good work ethic for our employees. The Company is proud on our honesty and justice in our operation, which aid our goal in complying with all rules and regulation.

1.3 Employees – The Company priorities to a friendly environment for every employees. With basis that high quality employee will lead to company's success. Hence the Company put forth the effort to locate quality employee for the Company. With great employee benefits, proper salary and top of the line training for development. The Company also promote better work place quality with proper hygiene and work place safety which benefits the company and the community as a whole.

1.4 Quality – Company commits to produce and serve our customer with high customer satisfaction and highest benefits for our customer. With belief that our customer will understand our asking price for the higher quality product. The Company understand the importance in quality control for every production process. Starting from raw material selection, production control, final product, and the response time to our customer to maintain our quality and standard, and finally on time delivery for our customer.

1.5 Responsibility for society – The Company understand the important for community and the environment. The Company is directly involve in improving the community and the environment, and is a participant of the 3R program with the government to reduce and develop recycle material to be utilize back in the process.

2. **Vision** – To become the industry leader in Southeast Asia that moves the Company with international standards. Fast response to our customer, with advancement in innovative technology that is environmentally friendly.
3. **Mission** – Our duties of the Company that fits with our values.
 - 3.1 Customers: Increase customer satisfaction for continuous business growth
 - 3.2 Employees : Build teams with the proper skillsets to response to all of our customer’s need
 - 3.3 Shareholders: Generate profit and increase investment value for all shareholders under good governance business
 - 3.4 Organization: Develop the ability to compete with our competitors. With proper costing via continuous improvement in process development and human development.
 - 3.5 Society and Communities: Involve in community outreach and all communities who are involve with the Company
4. **Policies:**
 - 4.1 Have effiencie that benefits to the Company
 - 4.2 Justice and good governance to all stakeholders
 - 4.3 Transparent and Verifyable
 - 4.4 Act according to laws and regulation of all countries the Company is involved with

Ethics in the business of the Company

Interhides Public Co., Ltd. has ethics in business. All employees must behave as representatives of company as detailed below:

1. Fairness and Non-Discriminator

The Company treats its stakeholders with fairness whether buyer, seller, competitor, shareholder, employee, and so on, without discriminate against any one. Due to differences in race, religion, nationality, sex, age or education.

2. Keeping Honesty

The Company does not give money or goods to any person, to induce the wrong action, and do not support the wrong actions. It is not desirable for employees to receive money or items from the stakholders of the Company, such as the seller or customers, etc

3. Political neutrality

The Company is neutral; do not act in favor of any political party or any person with political power, to seek special benefits

4. Environmental Protection

The Company encourages employees to conduct environmental conservation activities under the policy “On-time delivery of quality product with our advanced technology performance”.

Message from Chairman

Automotive Industry is an important key driver for Thai Economy. Over the years, this industry has passed many economic turning points including Tsunami Disaster in Japan and Great Flooding in Thailand in 2011. As a result, production of car dropped by 350,000 units and target for 2.0 million units postponed.

Since 2017, there was signs of significant recovery in many business sectors especially in automotive industry, which had been the result from various measures to stimulate the economy and investment by Thai Government, the growth in tourism industry and an increase in confidence and purchasing power of consumers. Likewise, in 2018 Thai Government had a policy to drive 5 projects in the Eastern Economic Corridor (EEC) to stipulate investment in 10 target industries, invested in Rail Transport and set target of BOI project up to Baht 7.2 Billion. These measures affected investment in both private sector and various industries.

In 2019, the automotive industry is still the rising star. Last year, requests for Hybrid and Plug-in Hybrid car investment arose to BOI. Also, many positive factors such as Government Investment and Election, helps to boost consumer confidence and purchasing power.

In addition, as the globalization, business sectors would have the adaptability from any change, focus on the R&D, monitor new technologies to drive competitiveness and focus on energy saving with friendly environment and Clean Technology.

IHL remains committed for continuously development to reach for the best quality in products and services, accountability and trusted from our valued customers. Also, IHL will apply the digital technology to improve the efficiency and our business model to increase competitiveness and response to various challenges in global economy together with to focus on the good corporate governance.

The 10th factory is one of our pride in which the IHL applies the Industrial Automation System in production line to reduce human error and unnecessary labor costs. Moreover, IHL enhances our employee's capability by various training courses both inside and outside for better productivity.

Gold Rated certificate from Leather Working Group (LWG) which the Company received since 2016 and Global Winner and Innovation Awards from World Leather Magazine in March 2018, would guarantee for our commitment to improve the quality of products and services by innovation and environmental saving along with sustainability of our business.

Continuing in developing our products and service for a long time, IHL has been recognized by the customers around the world. So IHL has an opportunity to expand in existing automotive industry and to explore the new business from the tanning and re-tanning services.

From now on, income of the Group is mainly from automotive industry and services which are likely to grow continuously. Furthermore, our newly business, Protein Hydrolysate, the eco-friendly business which transforms the industrial waste to Protein used in various industries such

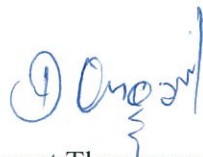
as tanning, food industry, feed mill and cosmetics etc. The new business would be another source of income for the Group.

For Protein business, IHL has continuously researched and developed products together with many universities and research institutes. Biostimulants would be our success and new business in near future. Biostimulants differ completely from Fertilizers and Plant Growth Regulator: PGR/Hormone. Biostimulants would help to increase planting productivity and quality such as plant nutrient use, decomposition of organic matter in soil etc. This year, IHL would explore the market and expect the commercial commencement in 2020 onwards.

IHL commits to doing sustainable business with innovation and environmental saving. IHL would be responsible for society and environment.

IHL commits to doing business with zero waste concept including transforming industrial waste to commercial benefits such as cow oil and lard in soap industry, lubricants, machine oil etc., and transforming Chromium for re-use in production line. Furthermore, waste materials in production process would be re-produce into factory equipment. IHL is confident in doing business with friendly environment that would make the better world.

Finally, IHL would like to express sincere gratitude to our value customers, shareholders, employees, financial institutes and suppliers, who have always strongly supported us in our efforts to build warm family that cares about the environment.



(Mr. Ongart Thumrongsakunvong)

Chairman

5. Nature of Business

Company Profile

The Company was found by Mr. Ongart Thunrongsakunvong, and Ms. Chutima Busayapoka with initial investment of 0.2 Million Baht in 1988 as OC Tannery Limited Partnership for tanning at Samutprakarn province. At the beginning stage, the Company imported raw hides for tanning, steaming and dressing of leather drying for furniture.

In 1992, OC Tannery Limited Partnership expanded into tanning and coloring services and distribution and transformed to OC Tannery Company Limited with capital of 5.0 Million Baht. The Management has foreseen the great opportunity in tanning business and add the new production line. The new company was found as Inter-Hide Leather Company Limited to support the production line and growth. OC Tannery Limited Partnership was liquidated in 2004.

Significant Changes and Progression

Year.	Change/Progression
1992	<ul style="list-style-type: none">- Found as Inter-Hide Leather Company Limited by Mr.Ongart Thumrongsakunvong and Ms.Chutima Busayapoka for tanning industry with registered capital 5.0 Million Baht.- Imported raw hides for tanning, steaming, and dressing of leather drying for furniture industry.
1993	<ul style="list-style-type: none">- Increased registered capital to 20.0 Million Baht with 20,000 shares at par value of 1,000 Baht- Established Head Office at 678 Moo 2 Bangpoomai Muang Samutprakarn 10280 (IHL2)
1994	<ul style="list-style-type: none">- Changed the par value from 1,000 Baht per share with 20,000 shares to 10 Baht per share with 2,000,000 shares of Baht 10 per share.- Increased registered capital to 90 Million Baht with 9,000,000 shares at par value of 10 Baht per share
1997	<ul style="list-style-type: none">- Established 1st Factory at No.1111 M. 6 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL6)- Established 2nd Factory at No.999 M. 2 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL4)

Year.	Change/ Progression
1998	<ul style="list-style-type: none"> - Changed the production line from furniture to a comprehensive manufacturing for automotive - The Company is a manufacturer of leather and leather parts for automotive. (2nd Tier Original Equipment Manufacturer)
2004	<ul style="list-style-type: none"> - Increased registered capital to 120 Million Baht with 12,000,000 shares at par value of 10 Baht per share in July - Increased registered capital to 160 Million Baht with 16,000,000 shares at par value of 10 baht per share in December - Established 3rd Factory at No.55/5 M. 2 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL5)
2005	<ul style="list-style-type: none"> - Increased registered capital to 190 Million Baht with 19,000,000 shares at par value of 10 Baht per share in April - Increased registered capital to 225 Million Baht with 22,500,000 shares at par value of 10 Baht per share in June - Transformed into a public company and renamed as Interhides Public Company Limited with the registered capital of 300 Million Baht with 60,000,000 shares at par value of 5 Baht per share in August - Listed in SET in December with major shareholders, Mr. Ongart Thumrongsakunwong's group or 47.15% and Sumitomo group or 20.00%.
2007	<ul style="list-style-type: none"> - Change in par value from 5 Baht per share with 60,000,000 shares to 1 Baht per share with 300,000,000 shares
2009	<ul style="list-style-type: none"> - Established 4th Factory at No.192 M. 6 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL1)
2010	<ul style="list-style-type: none"> - Mr.Ongart Thumrongsakunvong bought back 60,000,000 shares from Sumitomo Group so that Mr. Ongart Thumrongsakunvong group held at 59.35 % of paid up capital. - Established 5th Factory at No.775 M. 2 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL7)

Year.	Change/Progress
2011	- Established Inter Seat Cover Company Limited as its subsidiary with initial registered capital 20 Million Baht to operate as a manufacturing and distributor leather trim cover, leather for steering wheel and gear knob.
2012	- Increased registered capital to 350 Million Baht with 350,000,000 shares at par value of 1 Baht per share
2013	<ul style="list-style-type: none"> - Decreased registered capital to 349,999,230 Million Baht with 349,999,230 shares at par value of 1 Baht per share - Increased registered capital to 419,999,076 Million Baht with 419,999,076 shares at par value of 1 Baht per share for dividend stock payment
2015	<ul style="list-style-type: none"> - Established 6th Factory at No.183 M. 2 Sukhumvit Rd. Bangpoomai Muang Samutprakarn 10280 (IHL8) - Innovated Protein Producing from waste in the tanning process to be used as chemical in the production - Started construction for 10th Factory
2016	<ul style="list-style-type: none"> - Decreased registered capital to 419,998,782 Million Baht with 419,998,782 shares at par value of 1 Baht per share - Increased registered capital to 594,998,274 Million Baht with 594,998,274 shares at par value of 1 Baht per share for stock dividend payment - Established Inter Green Company Limited as its subsidiary with initial registered capital of 50.0 Million Baht for Protein Producing from scrap leather with industrial process
2018	- Started 1 st production line of Factory # 10

Details of subsidiaries

- INTER SEAT COVER COMPANY LIMITED: ISC

Inter Seat Cover Company Limited was established on June 20, 2011, located at 999 Moo 2 Soi T.J.C. Sukhumvit Rd., Bangpoomai, Muang, Samutprakarn. Interhides Public Company Limited held 99.99% shares to support the efficiency of management. Current registered capital is 20 Million Baht.

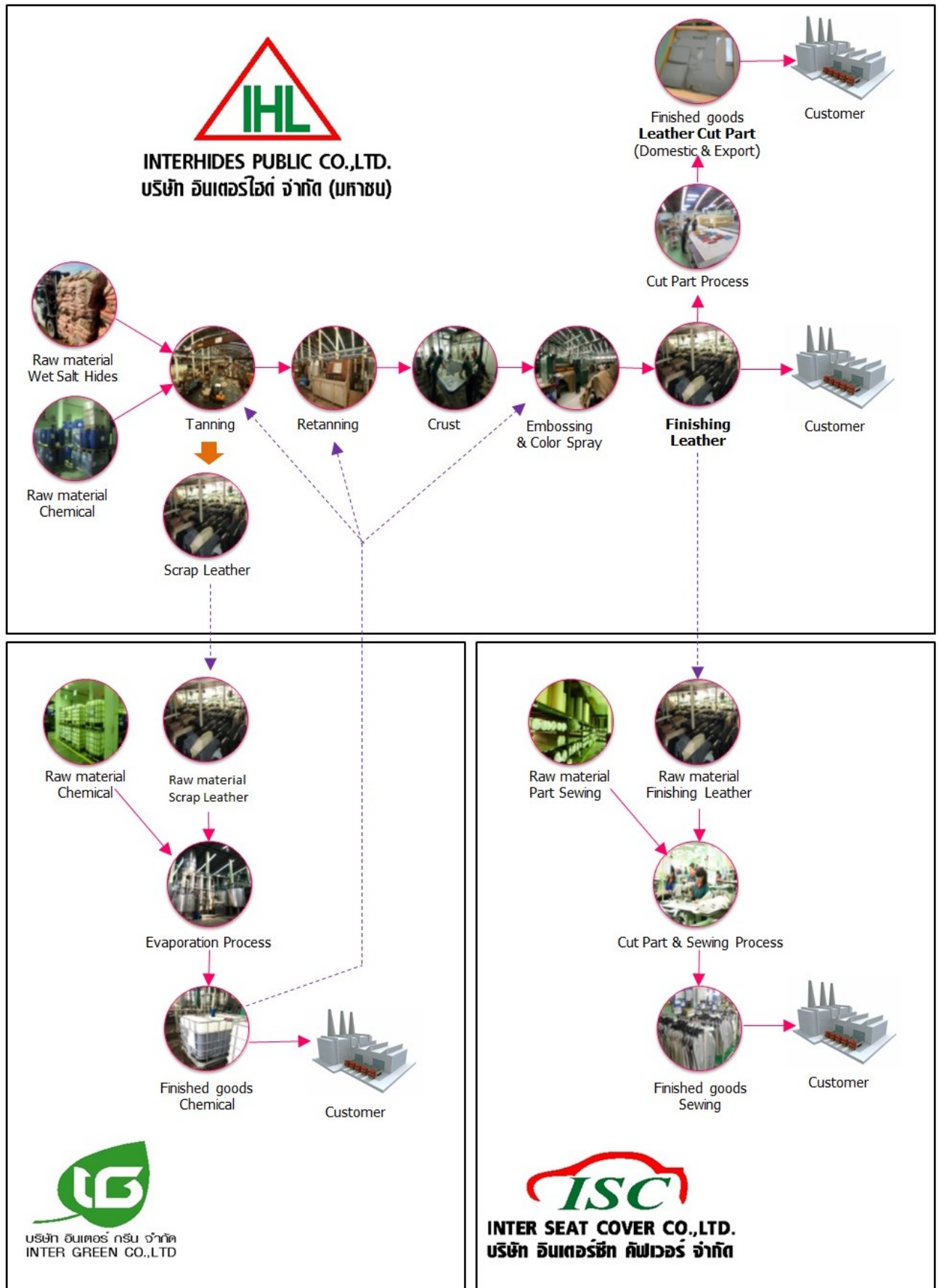
ISC is a manufacturing and distributor leather trim cover and leather for steering wheel and gear knob. ISC has been promoted by the Board of Investment for 8 years tax exemption.

- INTER GREEN COMPANY LIMITED: IG

Inter Green Company Limited was established on July 15, 2016, located at 1111/2 Moo 6 Tambon Bangpoomai, Muang, Samutprakarn to produce Protein from the scrap leather with industrial process. Interhides Public Company Limited held 99.97% shares which registered capital of 50 Million Baht.

IG has invested in research and development for these projects and be the 1st manufacturer in Southeast Asia. Protein hydrolysate can be used in various industries such as chemical industry, cosmetic and pharmaceutical industries, etc.

Linkage of Business



products with the advanced technology. Also, the new innovative business of the Company is Protein Hydrolysate.

The main production lines can be defined as follow:--



Products and Services

1. Finished Leather

Finished Leather is the raw hides which passed the processes of tanning, re-tanning, coloring and embossing. The finished leather is soft, smooth, uniform, colorful and thick as needed, and ready to process further of cutting, sewing and become a component parts for assembling to be car seats, steering wheel, gear knob, shoes, furniture. Including Finished Leather providing to other industry, such as spray color services by receiving raw material to process in accordance with customer requirements.



Figure 1: Finished Leather

2. Cut Part

This is adding value to Finished Leather, by cutting into cut pieces in accordance with customer or car seat makers designed pattern or drawing and producing to meet customer requirements. For this cut parts product mostly provided as the assembly leather of car trim cover, steering wheel, gear knob, door trim and etc.

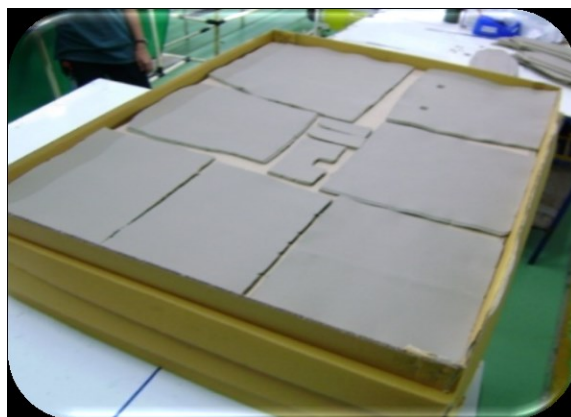


Figure 2: Cut Part

3. Leather Trim Cover

This is adding value of Cut Parts by sewing and assembling the cut parts into the leather trim cover in accordance with customers and/or car seat makers specified pattern and focusing to satisfy the quality and characteristics requirements.



Figure 3: Leather Trim Cover

4. Steering Wheel & Gear Knob

Leather Steering Wheel and Gear Knob will make the car more luxurious. The Company has capability to provide the particularly leather for Steering Wheel and Gear Knob and also has ability for sewing the leather into Steering Wheel and Gear Knob. Main of this business is as an outsource supplier of Steering Wheel makers and Gear Knob makers.



Figure 4: Steering Wheel & Gear Knob

5. Tanning Service

The Company has high skill with long experience in manufacturing of the Wet Blue Leather by advanced technology of machines and equipments . Thus, the Company also provide services of Tanning, retanning and/or finishing leather under customer specification and requirements.



Figure 5: Tanning Service

6. Safety Shoes

This Safety Shoes is a value added product manufactured from the leather scrap of cutting and sewing process which satisfied in term of quality, durability and high safety in compliance with Thai Industrial Standard: TIS 523-2444. This is one of the Eco Friendly product that make very few industrial waste effecting to minimize the global warming affects.



Figure 6: Safety Shoes

7. Protein Product

The Company recognizes that the chrome-tanned leather waste disposal is the big issue for Tannery Industry. Thus, the company had started the research and development project of how to utilize most of leather waste came-out from leather manufacturing process to enable to reuse or recycle those waste. Eventually, Chrome leather waste is used by extracting into Protein Product, which enable to utilize as a chemical substitution.



Figure 7: Protein Product

8. Other Product

Other waste such as lime split from Tanning process and scrap leather from cutting process also be utilized as raw material providing to Dog Chew manufacturers.



Figure 8: Other Product

The Company have been awarded of IATF16949:2016 by Certified Body of TUV Rheinland Group, Germany. This is the worldwide recognized International Standard of Quality Management System for the Automotive Industry. This proves that the Company have sufficient management system abilities to provide customer required products and services.

Furthermore, the international organization of Leather Working Group (LWG) has awarded the “Silver Rated” Certificate in 2014 and the “Gold Rated” Certificate since 2016 until now. All awards present the excellent of sustainable environment management and in which also provide the environmental and friendly products that comply with LWG’s criteria. Recently, in March 2018, the Company also has been granted the award “Innovation of the Year” for Protein product.

Nature of the Company’s business is the make to order business providing to both domestic and export sales. The Company can produce products and provide services in accordance with customer requirements, in term of features, qualifications, or any specific characteristics such as easy cleaning Leather (Cleaning Leather), Leather tanning without Chrome (Chrome free leather). The Company also has capability to meet all specified requirements by co-ordinating in product development with customer to satisfy all kind of Automotive products, Furniture products and others.

For Automotive Industry, in general, Car Maker and other Service customer will select the leather supplier by comparing the submitted price quotation, ability to meet the required standards of product quality and production capacity to ensure the supplier’s capability of continuously product provision of customer order throughout the Model life of those products.

After being selected by the customer, the Company will start developing its products alongside with car maker and First Tier Original Equipment Manufacturer (1st Tier OEM) until the time that car would be available in market and throughout the period that the car is produced and sold. The Company will receive the order, production forecast, other information and work close collaboration with the manufacturers of car seat and car parts manufacturers (1st Tier OEM). The Company is an indirect manufacturer of materials and parts for cars (Second Tier Original Equipment Manufacturer or 2nd Tier OEM).

Typically, car makers will use the same model in many countries. Once the Company was selected in any model, the Company would be able to export to every country in South East Asia that launched that model.

Revenue Proportion

Revenue (Unit : Million Baht)	Operated by	% of Shareholder	2018		2017		% Change
			Revenue	%	Revenue	%	
Cut Part	IHL	100%	551	23%	571	27%	(3.4%)
Finished Leather	IHL	100%	138	6%	219	10%	(36.9%)
Crust Leather and Wet Blue	IHL	100%	305	13%	363	17%	(15.9%)
Services	IHL	100%	840	35%	601	28%	39.7%
Other Products	IHL	100%	48	2%	128	6%	(62.5%)
Trim Cover	ISC	100%	491	21%	207	10%	136.8%
Steering Wheel and Gear Knob	ISC	100%	(3)	0%	30	1%	(110.0%)
Fabric for Car Seat	ISC	100%	4	0%	3	0%	27.3%
Other Products	ISC	100%	4	0%	5	0%	(17.9%)
Protein	IG	100%	12	1%	3	0%	270.0%
Total			2,390	100%	2,130	100%	12.2%

Capacity

Currently the Company runs only 1 shift a day. Each shift has 8 working hours. The capacity for Factory 1-10 are as follow:

Production Line	Wet Blue (Pcs)	Crust (Pcs)	Finishing (Pcs)	Cut part for seat	Seat Trim Cover	Cut Part Steering Wheel	Steering Wheel Trim Cover
Total Capacity	1,897,500	531,962	767,700	10,440,000	99,900	212,400	87,300
Current Capacity	1,691,488	402,319	646,930	14,286,471	83,956	25,397	350
Utilization Rate	89.1%	75.6%	84.3%	136.8%	84.0%	12.0%	0.4%

Production Line PIG SKIN	Wet Blue (Pcs)	Crust (Pcs)	SKIVE (Pcs)
Total Capacity	6,750,000	1,229,400	1,645,920
Current Capacity	4,907,611	329,246	1,799,333
Utilization Rate	72.7%	26.8%	109.3%

The Company has no policy to shut down the production line, however, the Company emphasized on schedule maintenance in order to be ready to use machine. Furthermore, the Company has never faced the mechanical problem to stop the production for a long time.

Production Policy

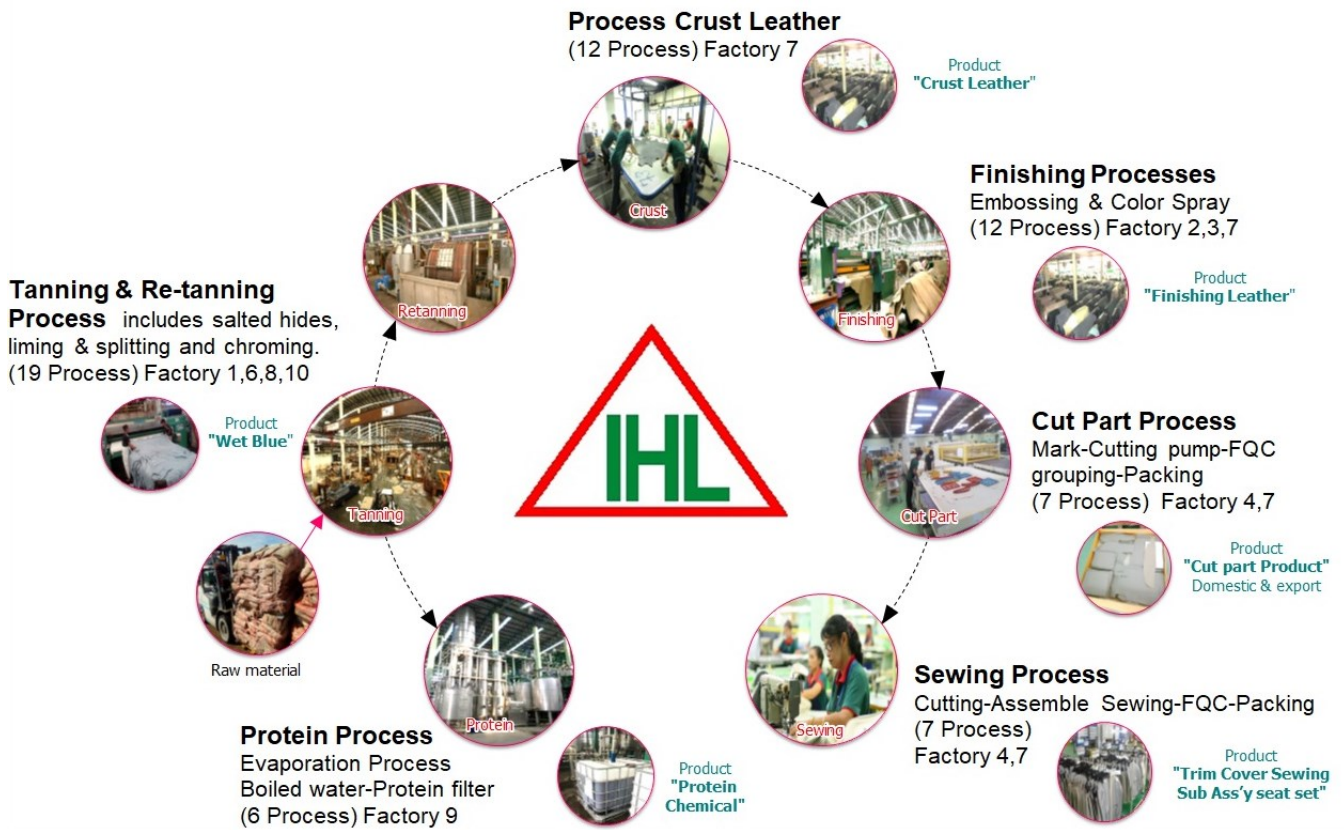
The Company committed to providing high quality products to customers, so we are meticulous in every process since starting from selecting quality raw materials. The Company also focuses on developing and maintaining the quality of products to meet customer's standards. Each production process is controlled, inspected and tested by qualified staff and specialized in various fields to obtain quality products to meet the customers' need and minimize the losses that may occur at every stage of production.

In every production process, the Company focuses on environmental friendliness and community including the policy to delivery on time. In 2018, the Company has been certified by the World Leather Industry Standard under the name Leather Working Group, which confirms the success and commitment of the Company to develop production and service to customers with regard to environment and community continuously.

Production Process

Main production process can be divided into 5 steps as follows:

1. Tanning
2. Retanning
3. Spraying – Embossing
4. Cutting
5. Trimming



Target Customers

1. Automotive Industry

1. Domestic Customers

As the Company is selected by Car Maker for any model, car seat and auto parts manufacturers (1st Tier OEM) would be the Company's client. Car seat and auto parts manufactures can use the Company's product for domestic sales and for export the whole car or components. In other words, car seat and auto parts manufacturers are direct customer and Car Maker is the Company's indirect customer.

2. Foreign customers

All products would be sold directly to car seat and auto parts (1st Tier OEM) such as Japan, Philippines, Indonesia, Malaysia, Vietnam, Pakistan, India etc.

2. Other Industry

The Company provides the made-to-order products or semi-product to customer in both Non-Automotive sector and Service Sector in long run business only.

1. Non-Automotive Customer

Firstly, the Company has started the business with Furniture Manufacturer and Dog Chew Manufacturer. Afterward, the Company diversified to other market such as safety shoes, handbags and luxury seats in movie theatre etc.

2. Service Providing Customers

The Company provides tanning, re-tanning and finished leather to customers according to special orders such as Wet blue Chrome tanned leather, Crust leather and also provides the specific purpose for producing into many kinds of leather finished goods such as leathers for making shoes, bags, and other products.

Proportion of Revenue

Revenue (Million Baht)	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Domestic	1,047	44%	1,042	49%	1,372	71%
Export	1,343	56%	1,088	51%	571	29%
Total	2,390	100%	2,130	100%	1,943	100%

Target customers

For Automotive Industry, the Company has a policy to penetrate the Asia Pacific market, especially the OEM market in that country. The Company will offer products and prices to customers and has to improve the products in terms of quality and style to meet the requirements. The Company also get the opportunity to expand the market due to the popularity of genuine leather as a car seat cover. In addition, the Company is prompt for the standard of product quality and production capacity.

At the same time, the Company still maintains its existing customers both domestic and export sales. For overseas, the Company can export directly to distributors, the seat manufacturers and auto parts manufacturers exclude car manufacturer company's products that export in term of finished car.

For other industry which consists of the Non-Automotive and Service Customer, the Company strongly emphasizes to deal only with the long run business customers.

Product Policy

With over 30 years of experiences in leather industry and more than 20 years of experiences in the leather of Automotive Industry, the Company has full capability in manufacturing from upstream processes(tanning) to downstream processes (leather sewing) which make the Company's products are consistently produced with high efficiency and high quality and certainly meet the customer requirements not only color, grain, characteristics etc. but also on time delivery to the customers. Furthermore, the Company always focus to continuously research and development for new products aiming to realize the new and innovative environment friendly products such as Chrome free leather, heat resistant leather and split leather products to enhance the choosing alternatives to customers.

Pricing Policy

For price determination, the Company will set the cost-plus margin which will take into account depends on the volume of orders, business relationship with customer, industry competition. For the Automotive Industry, the Company also considers to the midrate price which is determined by the policy of the car manufacturer which the Company will offer the price to car manufacturer to compete with another indirect genuine leather manufacturers (the 2nd Tier OEM).

At present, there are 3-4 manufacturers in Thailand

Distribution Policy and its Sales Channels

The Company, under the responsibility of Marketing and Sales function, distributes products to both of domestic and overseas customers. For Automotive customers, the Company distributes products to direct car seat and car parts manufacturers (the 1st Tier OEM).

Competitive Strategy

1. Product Strategy

The Company has focused on continuously developing new differentiate products to provide various choices to customer by considering to create the minimized pollution environment friendly products such as Chrome Free Leather, Split Leather , Heat resistant leather etc. and the Company has established the Company's Quality Policy which focusing on the Product Quality comes first.

As one of the recognized companies in Global Leather Industry, the Company has obtained IATF16949 International Standard from TUV Rheinland certify body and has been awarded the “GOLD RATED” rank among global leather industry from LWG (Leather Working Group) as a high advantage of competitive company.

The Company is able to produce the Made to Order products by the Company’s experts team working professionally with the customers and the car manufacturers and/or auto parts for the cutting leather and trim cover.

2. Service Strategy

Customer satisfaction is a reflection of the Company’s performance in many dimensions, also in terms of products quality, delivery and services. Therefore, one of the Company’s main objectives is maximization of customer satisfaction. Especially, the delivery of products, the Company always aware that the production line of customer must not be stopped. Thus, the Company not only has prepared the production capacity to enable to respond to the increasing demand whenever customers needed, but also has stilled in Company’s employees for conscious of the “SERVICE MIND“ all the time.

3. Price Strategy

From current economy situation, the Company have to offer price to customers and the car manufactures before being selected. The proposed price always be focused on the reasonable price instead of the lower price war to win over the competitors. The Company has continuously developed its production processes to achieve a balance of quality and price which products always meet the customer specified standards aiming to maintain the Company profit in defined proper level.

4. Market Strategy

The most important factor for product realization is that the Company always keeps in mind, is not only the customer needs and or customer requirements, but also focusing to meet the end users’ expectation. The Company has a function of Research and Development which has ability to respond to end users’ needs and expectation as much as possible to enable to propose in many alternatives by closed co-working with the customers and/or the car makers, car-seat makers and auto parts makers

5. Strategies to build and maintain relationships with customers.

The Company focuses on building relationships with customers via continually satisfying the products and services, with fast, efficient and correct response. It also has a complete and effective follow-up to be benefit both parties, customers and the Company, as a Win-Win Strategy for the long-term relationship.

6. Human Development and Technology Development Strategy.

The Company adheres to the policy of Human Development along with technology based on the personnel work performance, competency, initiative and operational capability, by implementing OJT training and educating to promote the awareness of world class level technologies to the Company’s employees aiming to realize the optimization of quality and efficiency in production processes.

Research and Development

Genuine leather is different from other materials. It is natural soft touch and worth the durability, long service life. Even today there are many synthetic leather materials that are very close to genuine leather, but it is not possible to have the same characteristics as genuine leather. The leather is still popular continuously. The Company continuously focusing to achieve to research and develop the environment friendly leather to supply to the customers especially currently the Company has been developing the Heat Resistant leather which has superior property for using in hot weather countries.

Especially in Automotive Industry, leather product has to be satisfied the various test criteria specified in Automotive global Standard and/or Automotive individual test requirements which time by time changes from improvement continuously. To catch up the improvement changes of Automotive Test Standard, the Company puts the highest priority to Research and Development Function by targeting to be the Number-One leather manufacture in Asia Region for Automotive Industry. The Company has invested in Testing machines and equipment and also in enhancing the maximum of research and development efficiency and effectiveness by providing the training and education to level up the necessary skills to the qualified operators. This implementation in Research and Development function is also be a good model to be deployed to improve in production processes, products quality and cost improvement as well as to enable to research and develop new products to meet the needs of customers.

By the Company management policy, On time Delivery of Quality Products with our development and advanced technology, the Company keeps on improving both machineries and products to maximize the customer satisfaction by introducing the Automotive International Quality Management Standard as a minimum requirement in products development. The Company's products Research and Development is as details written below:---

1. Research and Development of leather Scrap from the production process to meet the international standard.

In year 2016, the Company has established it subsidiary company called "Inter Green Company Limited" (hereafter called IG). IG is a manufacturer of Protein Hydrolysate products made of residual leather from the production process and can be recycled in the production process in the form of chemical. Protein Hydrolysate is the first step that the Company has completed. For the next step, the Research and development of Protein Hydrolysate is aiming to achieve the applicable international standards in order to be widely accepted in other industries especially the continuous development for use in the agricultural industry etc.

2. Research and Development of unused waste material from the production process to develop to be collagen peptide.

The Company still has the idea of adding value to the raw materials left over from the production process instead of just disposal those waste materials as usually practice. The Company has studied and found that those raw material can be extracted into pure collagen. It has been submitted to the standard certified Institute for quality control with the guideline to extend that results to use in the food industry and also in many various industries in the future.

Procurement of raw materials

Main raw materials used in the tanning industry can be divided into 2 main categories, raw hides and chemicals. The Company would consider the quality, price and punctuality of delivery and the Company has brought the needs of customers into the decision to buy raw materials. Both domestic and international orders are available.

Value and proportion of raw material orders 2016 – 2018

Raw Material (Million Baht)	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Hides	434	40	635	58	581	69
Chemicals	646	60	461	42	256	31
Total	1,080	100	1,095	100	837	100

Value and proportion of raw material purchase from domestic and oversea 2016 - 2018

Raw Material (Million Baht)	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Domestic	278	26	284	26	233	28
Import	802	74	811	74	604	72
รวม	1,080	100	1,095	100	837	100

Raw Hides

The company will supply raw hides according to customer's requirements. Either cow or buffalo via conversion process fermented salt or pickled salt. The company can be sourced directly from domestic and oversea suppliers which be slaughterhouse or a factory that produces salted leather from buying raw leather and then fermenting salt or pickling salt. Mostly the Company will import from the oversea because the condition of the skin and the number of cattle in Thailand is reduced and not enough to meet demand. This is due to the use of technology. The countries that the company imports are: Germany, Central America, Brazil, Vietnam, Malaysia. For the lead time for supply the raw hides are: domestic about 7 days and oversea about 30 - 75 days.

Chemical

The leather process is not just cleaning the leather. But it is a process of changing raw leather that can decay into a stable leather, incorruptible, weather and heat resistance. Therefore, chemical will involve into many process. That is why the raw materials of chemicals are secondary importance followed by raw hides. The Company supplies chemicals for process from both domestic and oversea manufacturers, from oversea such as Singapore, France, Germany and Central Asia. For the lead time for supply the chemical are: domestic about 15 – 30 days and oversea about 30 - 45 days. The Company has a policy to collect stock of chemical for 90 days.

6. Industry and Competition

Automotive industry

In 2019, Global Automotive Market would be produced and sold more than 100 million units, 2.5% higher than previous year, mainly due to the consumption and investment of the private sector. Furthermore, the lower interest rate would support the new passenger car registration, which would be accounted around 74% of the total and Commercial Cars, about 26% of the total.

In overall, the sales forecast of small car in 2018 - 2019 will grow up to 2.0%. South Africa has the highest growth rate at 6.2%, especially in the MERCOSUR group (Brazil, Argentina, Uruguay, Paraguay, Chile, Peru and Colombia) with a 7.4% growth rate. Following by Asia at 3.4% (only in the ASEAN region growth rate is 5.5%) and China at 2.1%.

Global Light-Vehicle Sales Forecast by Region

Units in Millions

	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>(FORECAST)</u>	<u>2019</u> <u>(FORECAST)</u>	<u>% Change</u> <u>2017-18</u>	<u>% Change</u> <u>2018-19</u>
China	26.88	27.35	27.99	28.59	2.3%	2.1%
North America/NAFTA	21.01	20.70	20.18	20.00	-2.5%	-0.9%
Europe	19.75	20.53	21.25	21.80	3.5%	2.6%
(EU)	(16.59)	(17.19)	(17.59)	(18.05)	2.3%	2.6%
Rest of Asia	14.30	14.84	15.33	15.86	3.3%	3.4%
(ASEAN)	(3.16)	(3.12)	(3.27)	(3.44)	4.7%	5.5%
South America	3.57	4.04	4.56	4.84	12.9%	6.2%
(MERCOSUR)	(2.74)	(3.12)	(3.54)	(3.80)	13.5%	7.4%
Rest of World	6.16	5.98	6.11	6.29	2.1%	2.9%
TOTAL	91.67	93.45	95.43	97.38	2.1%	2.0%

Rest of World includes Africa, Central America, Middle East and Oceania/Central Pacific

Source: Wards Intelligence

Positive factors that promote the production capacity of more than 100 million vehicles during the year 2019, consisting of Demand; which consumers still have continuous purchasing power, Fuel Factor; which provides alternative options for consumers, Product Development Factors, various car manufacturers have developed the look of the car to be modern, luxurious, especially in the Sport Utility Vehicles (SUV) model. However, there are still negative factors. For example, Government Policy to Promotion of New Cars, Tax, Second

Hand Car Industry, Environmental Policy, Investment in Electric Vehicles. Growth in Car Production continues to grow at 1.3% in 2019. The highest growth at North America / NAFTA at 2.3%, followed by South America at 1.8%, In Asia and China, the same growth rate is 1.1%. China is still a market that is more competitive and may face more production than consumers' needs, which may hinder growth and the needs of various carmakers.

In the next 2-3 years, the situation about international trade will affect the automotive industry both directly and indirectly, such as the United States trade countermeasures has increased more and more intense.

Global Light-Vehicle Production by Region

Units in Millions

	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>(FORECAST)</u>	<u>2019</u> <u>(FORECAST)</u>	<u>% Change</u> <u>2017-18</u>	<u>% Change</u> <u>2018-19</u>
China	26.88	27.54	27.90	28.21	1.3%	1.1%
Rest of Asia	22.21	22.69	23.93	24.19	5.5%	1.1%
(ASEAN)	(4.17)	(4.18)	(4.41)	(4.45)	5.7%	0.8%
Europe	21.57	22.40	22.97	23.11	2.5%	0.6%
(EU)	(18.70)	(19.06)	(19.45)	(19.57)	2.0%	0.6%
North America/NAFTA	17.73	16.99	17.12	17.51	0.8%	2.3%
South America	2.74	3.26	3.22	3.28	-1.0%	1.8%
(MERCOSUR)	(2.57)	(3.08)	(3.05)	(3.10)	-1.2%	1.9%
Rest of World	2.47	2.51	3.13	3.27	24.5%	4.5%
TOTAL	93.60	95.39	98.27	99.57	3.0%	1.3%

Rest of World includes Africa, Middle East and Australia

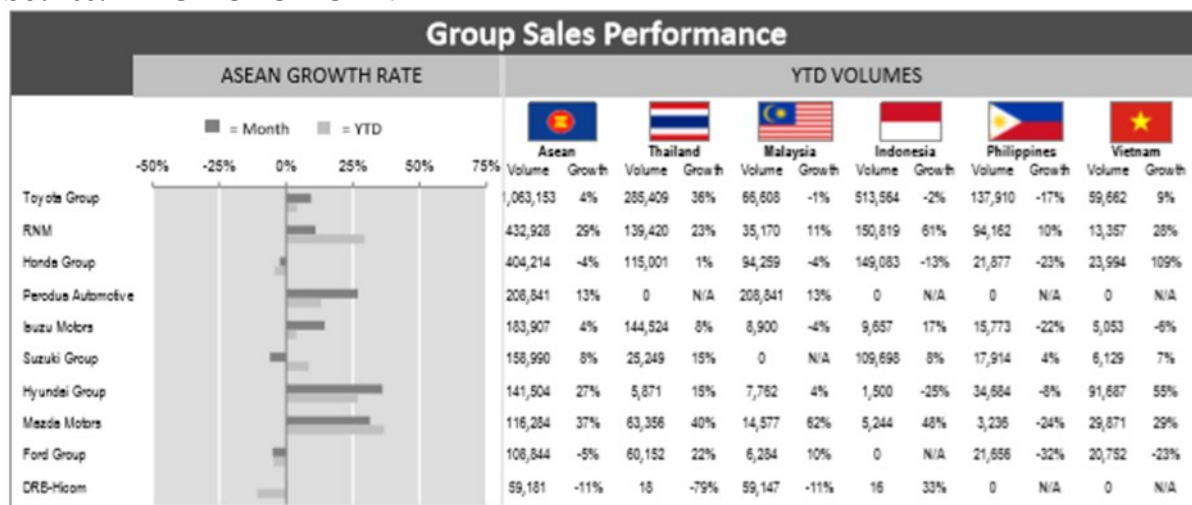
Source: Wards Intelligence/AutoForecast Solutions

ASEAN Automotive Industry

The ASEAN countries are different countries, both in politics and government. ethnicity, demography, geography and economy, at the end of 2015, will become the ASEAN Economic Community (AEC) and soon will be transformed into the ASEAN Free Trade Area (AFTA). With continued economic growth and infrastructure development, the growth of the automobile market in ASEAN will continue to grow. With the expectation that Thailand will have the highest growth while Indonesia will remain the largest market in the ASEAN region.

SALE– Light Vehicle ASEAN Country (December 2018)

Source: LMC AUTOMOTIVE



Car sales in the ASEAN region have increased, with small cars with 7.4% in the first 11 months of 2018. The country with the highest growth rate is Thailand, while Indonesia has a growth rate of 6.9%. Which is due to the support investment policy, commodity prices and infrastructure spending in the long term. Philippines the expansion of small engine cars is reduced due to the increasing of Excise Tax enforcement.

Production – Motor Vehicle ASEAN Country

Country	Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD Nov
Indonesia	2018	116,653	100,798	112,679	119,157	114,699	70,001	130,294	118,848	112,473	131,853	115,068		1,242,523
	2017	98,694	106,441	111,344	101,923	105,816	73,332	95,590	110,315	100,009	113,678	112,950		1,130,092
	Y-O-Y	18.2%	-5.3%	1.2%	16.9%	8.4%	-4.5%	36.3%	7.7%	12.5%	16.0%	1.9%		9.9%
Malaysia	2018	68,002	38,416	49,796	41,839	43,529	39,365	55,164	47,387	37,000	51,769	50,304		522,571
	2017	45,532	43,127	49,356	37,650	47,474	32,179	43,952	43,688	38,213	40,464	42,358		463,993
	Y-O-Y	49.3%	-10.9%	0.9%	11.1%	-8.3%	22.3%	25.5%	8.5%	-3.2%	27.9%	18.8%		12.6%
Myanmar	2018	610	777	665	618	962	1,031	1,000	1,263	1,068	1,427	1,422		10,863
	2017	114	167	348	200	344	416	478	559	638	588	788		4,640
	Y-O-Y	435.1%	365.3%	91.1%	209.0%	185.5%	147.8%	109.2%	125.9%	67.4%	142.7%	80.5%		134.1%
Philippines	2018	7,512	7,095	9,111	7,367	5,660	4,237	6,020	8,782	6,004	8,464	4,696		74,948
	2017	10,966	11,685	13,543	11,198	13,699	12,503	13,761	13,382	12,430	10,249	9,599		133,015
	Y-O-Y	-31.5%	-39.3%	-32.7%	-34.2%	-58.7%	-66.1%	-56.3%	-34.4%	-51.7%	-17.4%	-51.1%		-43.7%
Thailand	2018	166,196	178,237	195,257	134,779	193,130	188,970	183,119	181,237	183,191	197,203	197,020		1,998,339
	2017	152,261	154,496	178,798	120,473	169,495	175,443	159,091	177,415	190,272	163,487	190,385		1,831,616
	Y-O-Y	9.2%	15.4%	9.2%	11.9%	13.9%	7.7%	15.1%	2.2%	-3.7%	20.6%	3.5%		9.1%
Vietnam	2018	20,541	11,191	18,051	16,194	17,732	17,750	16,353	14,842	15,663	17,413	18,321		184,051
	2017	13,446	14,356	19,460	17,917	17,988	16,739	16,155	15,291	14,657	16,051	16,778		178,838
	Y-O-Y	52.8%	-22.0%	-7.2%	-9.6%	-1.4%	6.0%	1.2%	-2.9%	6.9%	8.5%	9.2%		2.9%
TOTAL	2018	379,514	336,514	385,559	319,954	375,732	321,354	391,960	372,359	355,399	408,129	386,831		4,033,295
	2017	321,013	330,272	372,849	289,361	354,816	310,612	329,027	360,650	356,219	344,517	372,858		3,742,194
	Y-O-Y	18.2%	1.9%	3.4%	10.6%	5.9%	3.5%	19.1%	3.2%	-0.2%	18.5%	3.7%		7.8%

Source: ASEAN Automotive Federation

Thai Automotive Industry

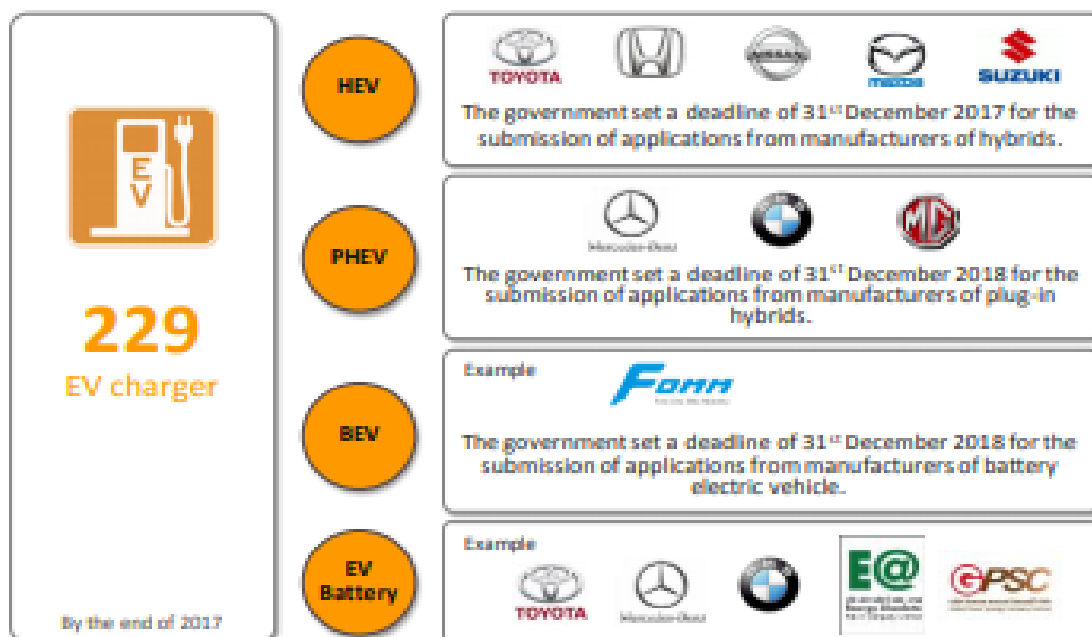
The automotive industry has become the main industry of Thailand and received support from many governments from the past to the present. Thai government has issued various policies in order to attract various carmakers to invest, Investment Privileges, Import Tax Reduction, and policy to support for car assembly in the country, to promote Thailand as the automobile industry center in the ASEAN region.

Car Sales in 2019 – 2020 in Thailand will remain consistent with the economic conditions and the expansion of Thailand. Although the demand for car consumption has been pulled over 5 years ago, in the First Car Project, but when the time of holding, the car was changed to a newer, more modern and cheaper model.

In 2020, the export of motor vehicles of Thailand remains at a moderate level. Due to government support policy, investment from car makers, AFTA free trade policy, The shutdown of car production in Australia. However, exports to Vietnam And the Middle East countries are still not very high. Because of the strict import policy of each country.

For Electric Vehicle is still a big project of the Thai government that has continuously supported, in term of investment, Expansion of electric charging stations, Technician education, Maintenance. Because Thai government, carmakers and investors saw that electrically driven cars would be a new option and able to meet needs, design, environmental protection to consumers. However, this project will not happen soon. Because the price for Electric Vehicle is still more expensive than cars that use oil. And together with the electric charging station, it still does not cover all areas. And to promote the delivery of electrically driven cars will affect the export of cars that are currently exported. Therefore, there must be a period of time for the development of electrically driven cars.

Progress Investment on Electric Vehicle and Equipment



Source: BOI, Ministry of Energy and collected by Krungsri Research

Car makers continue to focus on the production of passenger cars and 1-ton pickup trucks. Because it is still a car that still has the ability to export to foreign countries and is expected to still have more purchasing power as the better economy condition. Therefore, the car makers have launched more new models. Likewise, a truck is accepted by investment expansion both in the public and private sectors. Including neighboring countries that have increased infrastructure systems.

From the situation mentioned above. All are still a positive factor for the company. That can still develop and expand business opportunities. However, the company continues to focus on Electric Vehicle support future changes.

Source:

1. <https://www.chicagofed.org/>
2. <https://www.just-auto.com>
3. <https://www.asean-autofed.com>

7. Securities and Shareholders

7.1 Registered and Paid up Capital

(1) As of December 31, 2018, the Company had registered capital of Baht 594,998,274, of which Baht 553,519,920 was paid up, divided into 553,519,920 ordinary shares with a par value of Baht 1 each.

(2) Other types of shares

-None-

7.2 Warrants

Details of warrants that can be exercised to buy the Company's ordinary shares as of December 31, 2018 are as follow:

Name :	Warrants to Purchase the Newly Issued Ordinary Shares of Interhides PCL. NO.1 (IHL-W1)
Type of Warrant :	In named certificated and transferable
Issued Date :	October 12, 2016
Allocated to :	Existing shareholders whose names were on the September 27, 2016 registered book closing date at the ratio of 4 existing share for 1 warrant
Offer Price :	Baht -0-
Exercise Ratio :	1 warrant = 1 common share
Exercise Price :	Baht 3.50
Condition :	The right can be exercised on the last working day of March and September throughout the term of the warrants. The last Exercise Date is October 11, 2019. In the event that the last Exercise Date is a holiday which is determined by SET, the last Exercise Date shall be the last working day prior to such holiday.
Maturity :	3 years
Issued Unit :	104,999,374 units
Number of Underlying Ordinary Share :	104,999,374 shares
Outstanding Unit : (as of December 31, 2018)	41,477,567 units
Outstanding number of Underlying Ordinary Share: (as of December 31, 2018)	41,477,567 shares

7.3 Shareholders

The top ten shareholders as of December 31, 2018 are as follows:

As of December 31, 2018					
List				Number of shares	% per share
1. Mr.Ongart Thumrongsakunvong Group					
Mr.	Ongart	Thumrongsakunvong	137,097,414	24.77%	
Ms.	Chutima	Busayapoka	112,406,015	20.31%	
Ms.	Wanvisa	Thumrongsakunvong	26,833,333	4.85%	
Mr.	Wasin	Thumrongsakunvong	25,333,333	4.58%	
Mr.	Warit	Thumrongsakunvong	25,133,333	4.54%	
Total shares Mr.Ongart Thumrongsakunvong group			326,803,428	59.04%	
2	Modernform Group Public Co., Ltd.		27,090,500	4.89%	
3	Aberdeen Small Cap Fund		17,496,800	3.16%	
4	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH		8,208,800	1.48%	
5	Mr.	Dusit Wongsuttiroj	5,800,000	1.05%	
6	Phillip Life Assurance Public Co., Ltd. By Phillip Securities (Thailand) Public Co., Ltd.		4,925,600	0.89%	
7	Thai NVDR Co., Ltd.		4,758,710	0.86%	
8	Muang Thai Life Assurance Public Co., Ltd.		4,688,300	0.85%	
9	Mr.	Pornchai Sricharoenlamsam	3,680,000	0.66%	
10	Mr.	Taveepakaratt Watanyusiripanya	3,660,000	0.66%	
	People and other shareholders		146,407,782	26.45%	
Total shares			553,519,920	100.00%	

A group of major shareholders to influence policy making, management or operation of the company.

-Mr. Ongart Thumrongsakunvong has sent three representatives to be Mr. Ongart Thumrongsakunvong, Miss Chutima Busayapoka and Mr. Wasin Thumrongsakunvong.

7.4 Dividend Payment Policy

The Company has a policy to pay dividends to its shareholders every year at the rate of not lower than 40 % of the net profit. Considering factors for the dividend payment are such as: the Company's operating results and financial position, liquidity, expansion plan and other management-related factors. Any dividend payment is also subjected to the approval(s) of the Company's Board of Directors and/or Shareholders' Meeting.

As for the dividend payment policies of its subsidiaries, the subsidiaries pay the dividend from their net profits, taking considered factors as such their operating results, financial positions, liquidity, expansion plans and other management-related factors.

Details of Dividend Distribution in the past 5 years are as follow:

Year	Interim Dividend (Baht/share)	Final Dividend (Baht/share)	Annual Dividend (Baht/share)	Dividend Payout Ration on net profit (%)
2014	0.20	0.25	0.45	97.83%
2015	0.15	0.10	0.25	52.08%
2016 ⁽¹⁾	0.19	0.15	0.34	85.94%
2017	0.18	0.32	0.50	86.21%
2018 ⁽²⁾	0.18	0.30	0.50	92.59%

Remark :

⁽¹⁾ According to the resolution of the Extraordinary General Meeting of Shareholders No.1/2016 on September 19, 2016 to approve dividend payment as below:

1) To pay dividend by ordinary shares at the ratio of 6 existing shares to 1 stock dividend or equivalent to dividend payment at Baht 0.16666667 per share

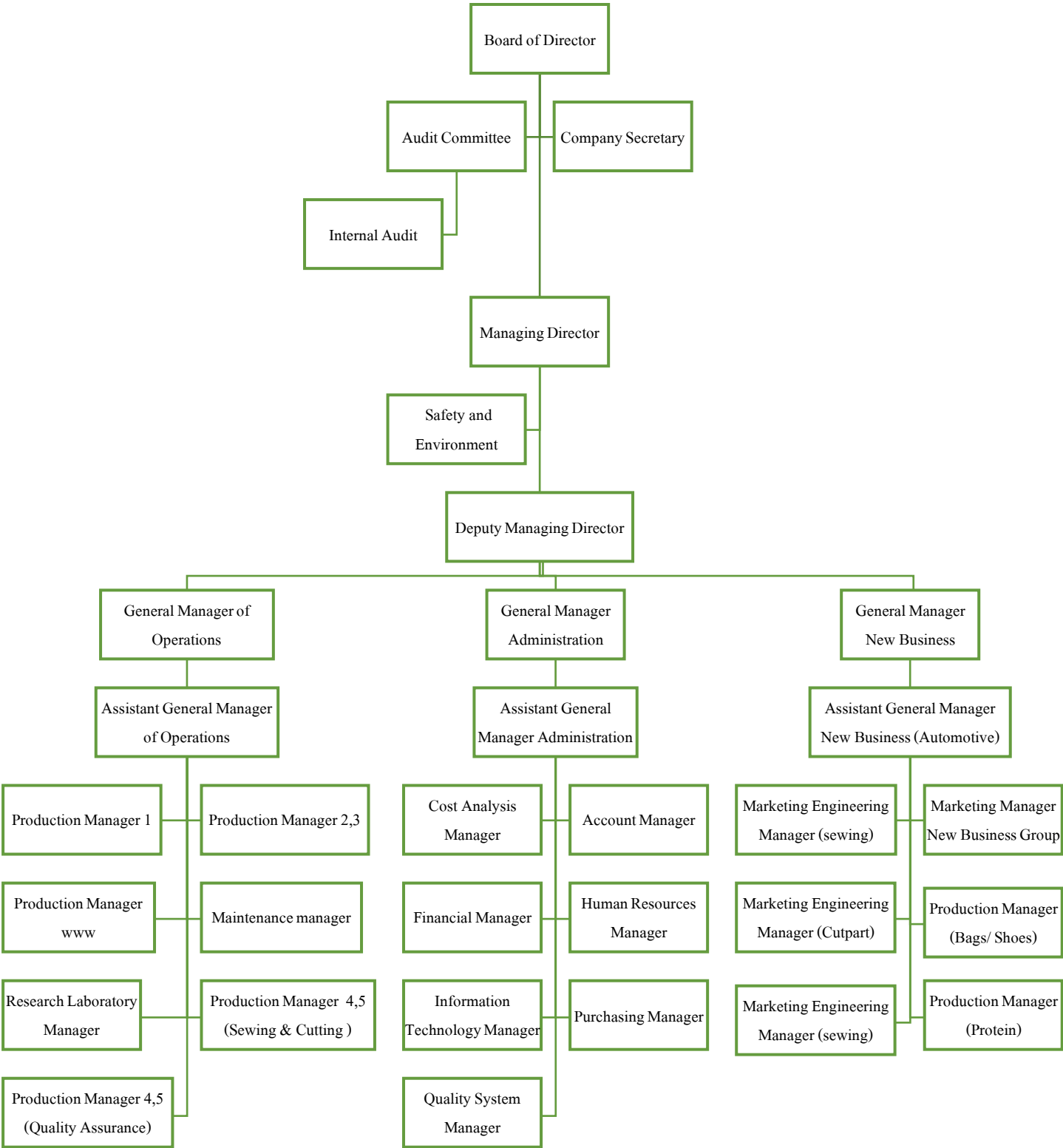
2) To pay dividend by cash of Baht 0.01851852 per share

Total dividend payment is Baht 0.18518519 per share

⁽²⁾ The Board of Directors resolved to propose the annual general meeting of shareholders on April 24, 2019 to approve the dividend distribution for the year 2018 at Baht 0.50 per share.

8. Management Structure

8.1 Organization Structure



Composition of the Board of Directors

The Board of Directors comprises respected, knowledgeable and competent persons who are responsible for drawing up corporate policy and collaborating with the top executives in making both short-term and long-term operating plans, financial policy, risk management policy and organizational overview. The Board of Directors plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

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

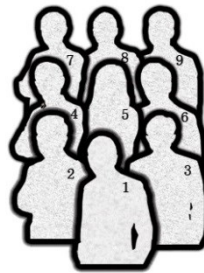
The Sub-committees

Name	Board of Directors	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr.Ongart Thumrongsakunvong	Chairman	Chairman	-	-	-
Ms.Chutima Busayapoka	Director	Director	-	-	-
Mr.Somchart Limpanuphap	Director	-	Chairman	Director	Director
Mr.Chor.Nun Petpaisit	Director	-	Director	Chairman	-
Mr.Somyot Akapaiboon	Director	-	Director	-	Chairman
Mr.Ouychai Matitanaviroon	Director	-	-	Director	Director
Mr.Thaksa Busayapoka	Director	-	-	-	-
Mr.Niti Nerngchamnong	Director	-	-	-	-
Mr.Wasin Thumrongsakunvong	Director	-	-	-	-

Among the Board of Directors, two have been appointed as authorized directors, namely, Mr. Ongart Thanrongsakunvong and Ms. Chutima Busayapoka. Both of authorized directors are authorized to sign jointly on behalf of the Company.

The Board of Directors is comprised of 6 non-executive directors and 3 executive directors. The executive directors are Mr. Ongart Thamrongsakunvong, Ms. Chutima Busayapoka and Mr. Wasin Thunrongsakunvong.

The three independent directors are Mr. Somchart Limpanuphap, Mr. Chor. Nun Petpaisit and Mr. Somyot Akapaiboon, constituting a third of total Board of Directors. In addition, the independent directors meet all requirements specified in the Company's list of qualifications of an independent director and are qualified in accordance with the rules and regulations of the Securities and Exchange Commission.



8.2 The Board of Directors

As of December 31, 2018, The Board of Directors comprises 9 members as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman
2. Mr.Somchart Limpanuphap	Independent Director
3. Mr.Chor.Nun Petpaisit	Independent Director
4. Mr.Somyot Akapaiboon	Independent Director
5. Ms.Chutima Busayapoka	Director
6. Mr.Thaksa Busayapoka	Director
7. Mr.Ouychai Matitanaviroon	Director
8. Mr.Niti Nerngchamnon	Director
9. Mr.Wasin Thumrongsakunvong	Director

Roles, Duties and Responsibilities of the Board of Directors

In order for the Company to gain strength where good corporate governance is concerned and to ensure utmost efficiency of and benefit to the Company, the Board of Directors is responsible for proactive roles and duties, as well as the determination of direction and supervision as follows:

1. Discharge their duties and supervise the operation of the Company to ensure strict compliance with laws, objectives, articles of association, and resolutions of the Annual General Meeting while adhering to the "Code of Best Practice for Directors of Listed Company" principles as issued by the Stock Exchange of Thailand.
2. Dedicate time to and recognize the significance of the vision, mission, direction, and strategies of the Company by jointly and openly sharing opinions, as well as seeking information benefit to the determination of the direction which the Company should take.
3. Review and approve key strategies and policies, as well as the financial objectives and operational plans of the Company. Regularly supervise and monitor the management to encourage compliance with the established operational plans in accordance with the direction and the strategies of the organization in order to ensure that the management is capable of efficiently delivering results from the established vision, mission, direction, and strategies.
4. Establish a corporate governance and business code of conduct policy which provides for preferred practices of Directors, the Management and all Employees including Contract Staff. This policy should focus on the awareness of responsibility to one's duties. Complete understanding and strict observance of this policy must be required alongside the Company's articles of association in order to ensure fairness to all stakeholders.
5. There are responsibility to act with sufficient capacity and performance.
6. Implement a credible accounting system, financial reporting and audit. Provide for a procedure with which the suitability of internal control and audit systems can be efficiently evaluated.
7. Review possible major risks and establish a comprehensive risk management guideline. Ensure that the Executives have the efficient risk management systems or procedures, seek potential business opportunities arising from such risks and implement sufficient and efficient internal controls.
8. Manage and resolve potential Conflicts of Interests and Related Transactions by reviewing significant transactions in order to ensure utmost benefit to the shareholders and stakeholders.
9. Arrange for appropriate channels of communication with each group of shareholders. Supervise disclosure of information in order to ensure correctness, coherence, transparency and credibility of the highest standards.
10. Regularly evaluate one's own performance and discharge of duties, as well as those of the Managing Director.
11. Arrange for an appropriate system or mechanism for the determination of compensation for the Executives of the Company which corresponds with their performance in order to create short-term and long-term motivation.
12. Lead and be the role model of a performing and ethical individual in accordance with the Company's corporate governance policy.
13. Provide for a suitable, transparent and fair nomination system for individuals to assume all executive positions.
14. Notify the Company of the connected transactions of oneself and affiliated entities in the management of the Company or a Subsidiary.

15. All Directors are required to attend every Board of Directors meeting and Annual General Meeting. In the event where they are otherwise engaged, Directors must report that to the Chairman of the Board of Directors.
16. Directors must value the conduct of business which is responsible to the society and environment, and which contributes to the sustainability of Thailand. This is first done by improving the quality of life of people in communities surrounding our own plants in order that communities and plants may co-exist in the most sustainable manner possible.
17. To support the company's Anti-corruption procedures for sustainable growth.

8.3 The Executive Directors

As of December 31, 2018, there are 2 Executive Directors as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Chairman
2. Miss.Chutima Busayapoka	Member

Roles, Duties and Responsibilities of the Director

1. To set up business plan, targets, strategies, operations plans, annual budget and administrative powers to propose to the Board of Directors for approval.
2. To oversee business performance operation according to the policies of the Company, targets, business strategy, and budget as approved by the Board of Directors in an efficient manner and corresponding to the condition of the business as well as provide consultant and recommendation, to management.
3. To consider and approve capital expenditure or financial transaction with financial institutions for open account, borrowing or seeking credit facilities, mortgage, loan guarantees and other activities, including any trading/ registered land transactions in the normal course of business under the defined Company's budget.
4. To establish an organization structure and efficient management and administration, covering recruitment, training, hiring and termination of employees, who are executives or senior management. The Executive Committee may authorize Managing Director or Deputy Managing Director to act on behalf of the Company in signing the employment agreement.
5. To supervise, control and approve matters relating to the operations of the Company. The Executive Committee may appoint or authorize one or more persons to take any action on behalf of the Executive and Strategy Committee as it may deem appropriate and may terminate, change or amend such authority.
6. To scrutinize all pieces of work presented to the Board of Directors, with the exception of ones under responsibilities and/or authority of other Sub-Committees who scrutinize their pieces of work and directly present them to the Board of Directors
7. To carry out other duties as assigned by the Board of Directors.

However, in the granting of powers, duties and responsibilities, the Executive Director shall not be granted or sub-grant power to a grantee that causes the Executive Director or the grantee to approve transactions in which the Executive Director or the grantee, or any person who may have any conflict of interest (as defined in the notification of the SEC), may have a vested interest, or any other conflict of interest with the Company or its subsidiaries. Approval of such transaction is required to be presented to the Board of Directors Meeting and/or the Shareholders. Meeting as the case may be, for approval, as required by the Articles of Association of the Company or the subsidiaries or the relevant

laws, except where the approval of such transactions is consistent with normal business practice and has a clearly defined scope.

8.4 Audit Committee

As of December 31, 2018, the Audit Committee consists of 3 members as follows:

Name	Position
1. Mr.Somchart Limpanuphap	Chairman
2. Mr. Chor.Nun Petpaisit	Member
3. Mr. Somyot Akapaiboon	Member

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

Duties and responsibilities of the Audit Committee

1. To review financial reports to ensure their accuracy and adequacy.
2. To review the internal control system and audit functions to ensure their appropriateness and effectiveness and review the sufficient independence of the internal audit, and provide opinions for the appointment, transfer, and promotion of heads of the internal audit or other offices with responsibilities for internal audit activities.
3. To review the Company's operations and activities to ensure their compliance with the Securities and Exchange Act, SET regulations and other applicable laws to the Company's business.
4. To consider and propose for the persons with independence of performing the duties of external auditors for the Company, purpose the remunerations, and arrange the meeting with external auditors at least once a year without the presence of the Company's management.
5. To review the connected transaction or transactions with potential conflict of interest to be in compliance with laws and requirements of the Stock Exchange of Thailand in order to ensure that such transactions are reasonable and provide the best benefits for the Company.
6. To prepare and disclose the audit committee reports in the annual reports which must be signed by the Chairman of the Audit Committee. The report should consist of:
 - a) Opinions about the process of conducting and disclosing information in the Company's financial report as well as its accuracy, completeness and reliability.
 - b) Opinions about the sufficiency of the Company's internal control system.
 - c) Opinions about the compliance with laws on securities and exchange, requirements of the Stock Exchange of Thailand and any other laws relating to the Company's business.
 - d) Opinions about the appropriateness of external auditors.
 - e) Opinions about transactions with potential conflict of interest.

- f) Number of meetings to be convened by the Audit Committee and meeting attendance of each Audit Committee member.
 - g) Opinions or general findings obtained by performing its duties in accordance with the Audit Committee Charter.
 - h) Opinions about other matters that should be inform to general shareholders and investors under the scope of duties and responsibilities assigned by the Board of Directors.
7. In performing the duties, if the Audit Committee finds or suspects that there is a transactions with conflict of interest, a fraud case, an irregularity, or deficiency of a significant magnitude in the internal audit system or any violation of laws and regulations related to Securities or the Stock Exchange or any laws related to the business of the Company which may significantly affect the financial position and the performance of the Company, the Audit Committee is required to submit a report to the Board of Directors for improvement or correction within a timeframe considered appropriate by the Audit Committee.
 8. To perform any acts as assigned by the Board of Directors of the Company together with and approval and under the scope of duties and responsibilities of the Audit Committee.

8.5 The Remuneration Committee

As of December 31, 2018, there are 3 members as follows:

Name	Position
1. Mr. Chor.Nun Petpaisit	Chairman
2. Mr.Somchart Limpanuphap	Member
3. Mr.Ouychai Matitanaviroon	Member

Duties and responsibilities of the Remuneration Committee

1. To determine guidelines and methods for paying remuneration and propose fair and reasonable remuneration of Directors and Sub-Committees to the Board of Directors and Shareholder Meeting for approval.
2. To propose the approach for evaluation and remuneration of Managing Director and Deputy Managing Director to IHL's Board for approval.
3. To acknowledge and recommend the re-structuring of the Company and its departments, including appraisalment and remuneration of Managing Director and Deputy Managing Director.
4. To possess direct responsibility to the Board through their specific areas. The Board is ultimately responsible for IHL business matters to all its stakeholders.
5. To report the outcome of the Remuneration Committee operation in the annual report
6. To perform other Board-assigned tasks.

8.6 The Nomination Committee

As of December 31, 2018, there are 3 members as follows:

Name	Position
1. Mr. Somyot Akapaiboon	Chairman
2. Mr.Somchart Limpanuphap	Member
3. Mr.Ouychai Matitanaviroon	Member

Duties and responsibilities of the Nomination Committee

1. Determine the procedures and regulations on selection of Directors or Managing Director to ensure the transparency.
2. Select persons who deserve to be nominated as the new Directors or Managing Director.
3. Propose qualified person(s) to be elected in specific committee to the Board of Director for approval.
4. Responsible directly to the Board of Director via roles and responsibilities for all stakeholders.
5. Perform other duties as assigned by the Board of Directors.

According to the Good Corporate Governance, the Company has granted the shareholders to propose the qualified candidate(s) to be the Director(s) within January 30, 2018 and the Nomination Committee will initially review and propose to the Board of Directors and the Shareholders Meeting for approval. Qualifications for the Director are as below:

- (1) Comply with Public Limited Company Act, B.E. 2535 and Securities Law and Stock exchange and good corporate governance
- (2) Capable, knowledge, ability and independence with duty of care and duty of loyalty. Able to dedicate to the company's with honesty. A healthy body and mental integrity and be creative in the conference. A straightforward person and working with ethics and morality as well as a acceptable person by society.
- (3) Be specialize in one of the way either in business field, accounting and finance, strategic management, good corporate governance or law and regulations.

The Nomination committee vivid consider and qualified candidates and proposet to the Board of Director and the shareholder meeting for approved.

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

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

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

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

8.7 Attendance of each committee member in 2018

Name	Board of Directors	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting	Number of Attendance/Total Meeting
Mr.Ongart Thumrongsakunvong	6/6	-	-	-	1/1
Ms.Chutima Busayapoka	6/6	-	-	-	1/1
Mr.Somchart Limpanuphap	6/6	4/4	1/1	1/1	1/1
Mr.Chor.Nun Petpaisit	6/6	4/4	1/1	-	1/1
Mr.Somyot Akapaiboon	5/6	3/4	-	1/1	1/1
Mr.Ouychai Matitanaviroon	4/6	-	1/1	1/1	1/1
Mr.Thaksa Busayapoka	6/6	-	-	-	1/1
Mr.Niti Nerngchamnong	5/6	-	-	-	1/1
Mr.Wasin Thumrongsakunvong	4/6	-	-	-	1/1

8.8 Definition of Independent Director

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

1. Hold share not more than 1% of paid up capital of the Company, Affiliates Company, joint company, associated company, including the shares held by the related person.
2. Being independent either directly or indirectly of both financial and management of the Company or joint company or major shareholders of the Company, and having no benefit or interest in such manner within 2 years before being appointed as the Independent Director, unless the Board of Director has carefully considered and see that such participation in having benefit or interest will not affect the duty performing and the independence in giving an opinion.
3. Being independent from the executives and major shareholders of the Company. Must not be the Director who has been appointed as the representative to maintain the interest of the Director of the Company, major shareholders, or shareholders who are related to the major shareholders of the Company.

4. Must not participate in management and must not be employee, staff or consultant who receives regular salary in the Company, Affiliate Company, joint company, company or major shareholder of the Company.
5. Must not be related person or relatives of the executive or major shareholders of the Company.
6. Capable to perform his duty and express opinion or report result of duty performing independently as assigned by the Board of Directors, and not under the control of the Executive or major shareholders of the Company, including related person or close relatives of such person.
7. No other character that causes the inability to give opinion to operation of the Company independently.

8.9 The Management Team

As of December 31, 2018, there are 6 members as follows:

Name	Position
1. Mr.Ongart Thumrongsakunvong	Managing Director
2. Ms.Chutima Busayapoka	Deputy Managing Director (Operation)
3.Ms.Wanvisa Thumrongsakunvong	General Manager
4.Mr.Wasin Thumrongsakunvong	General Manager Marketing / Quality Assurance / Production
5.Mr.Hironori Ide	Assistant General Manager - Marketing
6.Ms. Pimara Mekseriwattana	Assistant General Manager - Accounting and Finance

8.10 Company Secretary

Roles and Responsibilities of Company Secretary

In compliance with the Securities and Exchange Commission act (No.4) 2008 Section 89/15 and 89/16, The Board of Directors has appointed MissWanvisa Thumrongsakunvong to performing as corporate secretary; which has the following roles and responsibilities:

1. Arranging meetings for the Board of Directors, Management Committee and AGM as well as coordinate to ensure that all resolutions have been implemented and complied with the Company's Articles of Association.
2. Ensuring the compliance of the Company and the Board of Directors with the relevant laws, rules & regulations, resolutions of both the Board and AGM's meetings including corporate governance practices.
3. Providing support for Directors and Executives to attend training courses in their relevant areas.
4. Arranging Director's training/briefing for newly appointed Directors.
5. Informing Directors and Executives of any changes in regulations related to them.
6. Evaluating the performance of the Board of Directors.
7. Preparing and keeping important documents of the Company.

8.11 Directors and Management Remuneration

8.11.1 Monetary Remuneration

In 2018, Company paid remuneration total of Baht 20.52 million. The remuneration is paid to the Board of Directors and the Management as follows:

8.11.1.1 Directors' remuneration

The Company has clearly defined the director remuneration policy and suitable with the responsibility. There are Nomination Committee and the Remuneration Committee are considered and proposed to the Board of Directors for consideration in various aspects. Include consideration of size, business expansion, profit's growth of the company. The compensation of the company is same level of industry. Directors' remuneration will pay on a monthly basis.

In 2018, The company paid a monetary remuneration to directors. Total amount 3.48 million baht was

- Remuneration for the Board of Director: 2.88 million baht
- Remuneration for the Audit Committee: 0.6 million baht

	Name		Board of Director (Baht)	Audit Committee (Baht)	Total (Baht)
1	Mr.Ongart	Thumrongsakunvong	405,000	-	405,000
2	Ms.Chutima	Busayapoka	300,000	-	300,000
3	Mr.Somchart	Limpanuphap	300,000	240,000	540,000
4	Mr.Chor.Nun	Petpaisit	300,000	180,000	480,000
5	Mr.Somyot	Akapaiboon	300,000	180,000	480,000
6	Mr.Ouychai	Matitanaviroon	300,000	-	300,000
7	Mr.Thaksa	Busayapoka	300,000	-	300,000
8	Mr.Niti	Nerngchamnong	300,000	-	300,000
9	Mr.Wasin	Thumrongsakunvong	300,000	-	300,000
	Total		2,880,000	600,000	3,480,000

8.11.1.2 Management benefit expenses

The Company has the criteria to pay management remuneration in line with the operating results of company, knowledge, ability and performance of each person. It will take into account the principle of fairness and adequate and appropriate remuneration to retain the qualified management. Also, it motivates them to work with quality and good standards. Appropriate to duties and responsibilities assigned. Management compensation consists of salaries, bonuses and other.

In 2018, The company paid management remuneration. The total amount 17.77 million baht.

8.11.2 Non-monetary remuneration

Company has set up a provident fund. Employees send money as voluntary contributions and company contribution at the same rate is 2 percent of the salary. For this registered fund, managed by a licensed fund manager. Comply with the requirements of the Provident Fund Act, 1999.

In 2018, company contributed to the provident fund for 5 management members. The total amount 0.22 million baht.

Other benefits provided to employees consist of Health insurance and group insurance, Annual health check according to the test plan divided by employee's age range. Assist in the funeral of the employee's family, uniform, annual holidays and gala.

8.12 Changes in Securities Holding of Directors and Executives

No.	Name	Ordinary shares of Interhides Public Company Limited		
		as of January 1, 2018	as of December 31, 2018	Increase / (decrease) During the accounting period
1	Mr.Ongart Thumrongsakunvong	123,345,482.00	137,097,414.00	13,751,932.00
2	Ms.Chutima Busayapoka	107,804,954.00	112,406,015.00	4,601,061.00
3	Mr.Somchart Limpanuphap	650,000.00	650,000.00	-
4	Mr.Niti Nerngchamnon	116,666.00	116,666.00	-
5	Mr.Thaksa Busayapoka	1,834,000.00	2,227,000.00	393,000.00
6	Mr.Wasin Thumrongsakunvong	23,633,333.00	25,133,333.00	1,500,000.00
7	Mr.Somyot Akapaiboon	-	-	-
8	Mr.Ouychai Matitanaviroon	-	-	-
9	Mr.Chor.Nun Petpaisit	-	-	-
10	Ms.Wanvisa Thumrongsakunvong	24,333,333.00	26,833,333.00	2,500,000.00
11	Mr.Hironori Ide	-	-	-
12	Ms.Pimara Mekseriwattana	-	-	-

Remarks

1. Interhides PCL.'s registered capital Baht 594,998,274, and paid up Baht 553,519,020 (553,519,020 shares)
2. The Notication of Capital Market Supervisory Board No. TorChor. 23/2551, "Executive" means a manager or a person holding a management position who is equivalent to the manager. This includes persons holding managerial positions in the accounting or finance field at managerial level or higher.
3. The rules of the SEC, Company's shares held by directors and executives, include shares held by spouses and minor children.

8.13 Personnel

The Company emphasize the value of employees and is considered to be a great asset to the existence and growth of the organization. The Company has a policy to continually develop knowledge and promote employees' potential by encouraging management and employees to develop knowledge, skills, potentials needed to work in present and future, trained and seminars, by both within the organization and external institutions that specialize in specific fields. All employees are encouraged to learn new things in order to adapt to different situations. It will promote and support the ability of organizations and to cope with the rapidly changing environment.

Beside this, managers at all levels play an important role in creating learning opportunities and supporting employees by being coaches and mentors to work together to succeed in responsible and growing together.

At the end of 2018, there are employed 1,271 people who work for company and subsidiaries. In 2018 The company paid employees a total 107.70 million baht. The remuneration was salary, overtime, dignity, bonus, social security fund. provident fund and other benefits

Beside this, the subsidiary company, Inter Seat Cover Co., Ltd., paid compensation to employees in the same manner as the company total 13.93 million baht.

Employee	Interhides Public Company Limited	Inter Seat Cover Company Limited
Worker	996	54
Staff	275	-
Total	1,271	54
Salary (million baht)	107.70	13.93

9. Corporate Governance

Interhides Public Co., Ltd., appreciate that the operating principle of good corporate governance and business ethics, transparency and accountability that is fundamentally important factors to achieve the mission of the Company as “Focus on good governance and adherence to corporate social responsibility”. Enhanced performance to be transparent, and make the confidence to shareholders and stakeholders, as well as the increased competitiveness of the Company. The Company has published corporate governance’s policy and practices through the company’s website: www.interhides.com

The Company’s objective is to promote to be a powerful organization in the tanning business with corporate governance and good management. Our focus is to maximize the benefit to shareholders and stakeholders. The Company has the moral, the transparent and verifiable. The Company set up the good governance’s policy, which The Executive Committee and Employees adhere to following as detail below:

1. Treat all stakeholders equally, with fairness.
2. Responsibility for our decisions and actions, able to clarify and explain about the decisions.
3. There are responsibility to act with sufficient capacity and performance.
4. There are vision to creating value add to the organization in the long term.
5. Ethics in business is the management structure, the relationship between the Board, management and shareholders equally and fairly.
6. Transparency in the operation can be monitored and transparent disclosure to those involved.

The Company recognizes its responsibility in the tanning business, which need to rely on natural resources and environment very well, to prevent and reduce the impact that may occur. Besides these, The Company instill the concept and practice to human resources to focusing on themes of good corporate governance, which activates a critical foundation for stable and sustainable growth of the organization.

9.1 Compliance with the principles of corporate governance.

9.1.1 Rights of Shareholders

The Board of Directors are focusing on the protecting the rights of shareholders by without any action which would violate or infringe the rights of shareholders. And The company has set up a policy and public through the company’s media, support and facilitate the shareholders to exercise the right issues. Even the fundamental right under the law, and the right to receive the important information, the right to proposal to the annual general meeting of shareholders (AGM), nominate individuals who deserve to be elected as company’s committee and submit question in advance of the AGM. As well as the right to attend and vote at the AGM. Also requiring the improvement and development of such exercise for the benefit of its shareholders regularly.

(1). Require the Annual General Meeting of Shareholders within four months after the end of the financial year. If there is an urgent need to consider at a special session that may impact or relate to the interest of shareholders, which must be approved by shareholders. Board of Directors can call an extraordinary meeting of shareholders.

(2). Publish the Notice of Meeting, Agenda of the Annual General Meeting of Shareholders, Opinion of the committee, Proxy all Type consist of type A, type B and type C (For foreign shareholders who appointed custodian in Thailand Only) as prescribed by the Ministry of Commerce including information for consideration of the agenda via the company's website at least 30 days in advance of the shareholders' meeting prior to sending the meeting invitation to the shareholders. Along with details of the agenda and necessary information for the Board's consideration, the last minutes of the meeting, the annual report, proxy and specify the method of proxy and other related meeting documents and delivery to shareholders at least 21 days prior to the meeting date. To provide shareholders with sufficient, accurate, complete information, the Company announce in both Thai and English newspapers for 3 consecutive days prior to the meeting date at least 3 days in order to notify the meeting of shareholders in advance for the shareholders to prepare to attend the meeting.

(3). Facilitate to the shareholders at the meeting by equally. BY arranging reception staff and providing sufficient information and registration to attend the meeting. The company will be open for shareholders to receive the registration 1 hour before the meeting time. Company using BARCODE system to register for the convenience and speed of registration.

(4). Given the opportunity for shareholders to propose agenda items and nominate qualified persons to be elected director of the company. Also available for 30 days prior to the meeting.

(5). Submit the invitation letter about the Annual General Meeting of Shareholders, by specifying date, time and place of the meeting. Together with details of the agenda, objective and Board's opinion and the last minutes of the meeting, the annual report, proxy and specify the method of proxy and other related meeting documents and delivery to shareholders at least 21 days prior to the meeting date. To provide shareholders with sufficient, accurate, complete information. And announced in both Thai and English newspapers for 3 consecutive days prior to the meeting date at least 3 days in order to notify the meeting of shareholders in advance for the shareholders to prepare to attend the meeting.

(6). After the meeting, company reveal resolution of the Annual General Meeting of Shareholders and the results of the next business day of the Annual General Meeting were disclosed. By sending a letter to Stock Exchange of Thailand (SET) via the Electronic Listed Company Information Disclosure (ELCID) of the SET and disclose it on the company's website.

(7). Company has identified the directors' interests in the invitation letter. And in the shareholders meeting, if any member has any interest or involvement in any agenda. The

chairman of the meeting will inform the participants of the meeting prior to the consideration of the agenda and abstain on that agenda.

(8). The company an opportunity for shareholders to submit questions to the information on each item, or any other company. Days prior to the AGM via E-mail. : Companysecretary@Interhides.com or the address of the company. If the shareholders want more information. You can contact the company's secretary through the follows :

678 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe Muang Samutprakarn 10280
Tel (662)028-9728-37
Fax (662)028-9738-39
E-mail: Companysecretary@Interhides.com

9.1.2 Equitable Treatment of Shareholders

Shareholders to ensure with the company that there is equal treatment for all shareholders. Board of Directors has established a policy to supervise the company for equal treatment and protection of shareholders' rights in ensured in such matters as equal rights both major and minor shareholders in the shareholders' meeting, define equitable disclosure guidelines and also prevent conflicts of interest or use of internal information to benefit themselves by wrongly and good relationships with shareholders.

The Company will arrange the shareholders' meeting according to the agenda and The Company has a policy not to add an agenda without prior notice to the shareholders. The meeting time is sufficiently allocated. It also provides an equal opportunity for shareholders to comment and question in the meeting.

9.1.3 Role of Stakeholders

Company's operations involves a wide range of stakeholders, from shareholders, customers, partners, competitors, government, employees, community, society and the environment which each group has difference need. Therefore, company has set a policy of responsibility for dealing with stakeholders in accordance with the needs of each group as follows:

Treatment of Shareholders: Company is committed to acting as a representative of the shareholders in conducting business transparently, reliable accounting and financial system. To maximize shareholder satisfaction, taking the company's long term growth and continuously return the appropriate level. By all member of Board of Directors and all employees work with honesty, and decide on any action with sincerity and fair to both large and small shareholders, and for the benefit of the most relevant group. Do not do anything in a manner that may cause conflict of interest to the company. Do not seek self-interest and do not disclose confidential information to outsiders.

Treatment of Shareholders: Company has policy as “On-time delivery of quality product with our advanced technology performance.” Commitment to customer satisfaction and confidence. People will get good quality products and services with the reasonable price. Continuous raise standards and maintain relationships, provide communication channels for customers to complain about quality of products. No unfair commercial terms are imposed on customers. Follow the agreement, terms, or conditions as transparently and equally to customers. Keep the confidential information is the importance policy and do not use that information for their own benefit and / or other stakeholders.

Treatment of Partners: Company consider equality and honesty in running a business and maintain benefit with partners. By strictly adhering to the laws and regulations that define them. There is a code of conduct for business, not asking, receiving or paying any interest as dishonest in trade with partners. Company strictly follow the partners’ conditions. In case of the condition cannot be fulfilled, must notify the partners in advance, to find the solutions. By using the principle of reasonableness and keep the partners’ confidential as serious. Including do not bring the partner information for own benefit and those involved.

Treatment of Competitors: Company treats competitors in accordance with international principles, under the framework of the law and fair competition rules. Company will operate under a fair competition framework without damaging the reputation of its competitors by alleged misconduct and attacked by unreasonable opponents.

Treatment of Creditors: Company will strictly comply with the terms and conditions of the creditors. Company will report the financial status to creditors with honesty, accuracy and timeliness as regularly. In case of the contract cannot be fulfilled must notify the creditors in advance, to find the solutions and prevent damage.

Treatment of Employee: Commit to develop the organization as learning organization, strengthen culture and working atmosphere, promote teamwork, fair returns, and security and maintain a working environment, pay attention to the development, convey knowledge and employee capabilities. Listen to any feedback and suggestions from all levels of employees as equally and equitably. Define and further cultivate corporate culture. Recognizing that all employees are an important and valuable part of our success, process and growth of the company. Manage human resources consistently and support business strategies / goals and system and process of human resources management are comparable to leading business. It is clear, transparent and fair in the same direction. By developing human resources as a corporate, commander and all employees.

- The organization will select and create talented people who have professional working behavior and develop their knowledge and ability to perform their duties continuously.
- The supervisor is responsible for planning, monitoring, and evaluating, providing feedback and support the development of employees equitably.
- Employees have the same opportunity to develop their skills and abilities.

The Company also provides fair compensation to employees, by career advancement, reward and motivation. It depends on the quality, achievement, attitude and employee potential. Encourage employees to have a quality of working life. Good safety and hygiene, keeping environment safe for life and property of employees.

Treatment of Community, Social and Environment: Company is responsible for the community, society and environment, both in terms of safety, quality of life and conservation of natural resources. Promote energy efficiency, beware of the quality of community and social life. By researching the process of waste disposal and reuse of industrial waste, to reduce industrial waste. Cultivate a sense of social responsibility and environmental responsibility. Among employees at all levels continuously and seriously.

The importance of quality, security, safety, occupational health, the environment, and business continuity: Company work with continuous standards, define and review policies for quality, security, safety, health, environment and business continuity. By all employees must work with quality, security, safety, health, environment and business continuity, to maximize efficiency, effectiveness and ultimate value to the physical, the property and the environment. Company will operate in every possible way to control and prevent losses in various ways. Due to accident, fire, injury or illness from work. Loss or damage to property security breach poor performance and the mistakes that occurred. As well as maintaining a safe working environment for employees, contributor and employees of the contractor, it is the responsibility of the management and employees to report the accident or incidence by following the steps. Ready to implement the emergency control and prevention plan. Ready for public relations and communication to build awareness among employees and raise awareness about quality, safety, health and the environment. It is a way of daily life of employees.

The Company has set a policy of Safety, Bio-environment and Energy Conservation, to be consistent with the motto of the company “On-time delivery of quality product with our advanced technology performance” as detailed shown below:

- (1) Strictly comply with the requirements of the law on safety, hygiene, environment and energy conservation. Include standard and other requirements. Strictly related Follow up and review the operation to develop and improve continuously
- (2) To promote the promotion of safety activities; participation in environmental protection. Including energy conservation to stimulate the consciousness of employees such as training, promotion, public relations. The environmental policy will be implemented and distributed to all employees at all levels.
- (3) Safety in work place, participation in environmental protection and energy conservation. It is the first responsibility of every employee.
- (4) All employees must cooperate in various projects. They have the right to make suggestions on how to improve their working conditions. Safety, health, environment and energy conservation.

- (5) To promote safe working conditions. Improve environmental management and energy conservation. Including the production process of the company, which continuously.
- (6) To deal with responsibility with protect workers and communities from emergencies. To ensure that you are prepared to handle the situation effectively. Include control over activities that affect the environment of the community, such as waste water treatment, waste management

All management levels must be a good example. To train and motivate employees to work in a sustainable, safe and environmentally responsible manner.

Contact stakeholder

The company an opportunity to all stakeholders. Participate in feedback through the following channels. Suggestions will be collected. To report to the senior management and the Board of Directors, respectively.

Company secretary	Tel (662)028-9728-37
	E-mail : Companysecretary@Interhides.com
Investor Relations	Tel (662)028-9728-37
	E-mail : Companysecretary@Interhides.com

In order to provide information through the above channels, company has arranged the following

- (1) Employees or stakeholders can offer feedback through designated channels. By the relevant information with confidential and will be disclosed as necessary. Company has policy to protect complainant or the source. Complaints can have requested company to provide appropriate protection. Company cover protection measures by complainants, do not wait, if is likely to be damaged or unsafe
- (2) Company investigated complaints, basic facts with the process will be conducted in a rigorous manner in order to know the facts within 30 days. The progress of the report will be reported to the notifier if the information is provided.
- (3) If the offense is found to have actually occurred. Company will set up the committee to judge and consider penalties and report on corruption and complaints to the Audit Committee and the Board of Directors.

9.1.4 Disclosure and Transparency

Disclosure of important information related to the company, both financial and non-financial information be fully operational, transparent, timely, and accessible through easy-to-access channels. Equality, reliable, Straightforward. It is sufficient for the investor's decision and does not conflict with the disclosure requirements of the regulatory authorities. In addition, important information also includes: Report of the Board of Directors and Subcommittees, Corporate Governance Policy and Compliance with policies.

To ensure that important information is relevant to the company to be fully disclosed, transparent, timeliness. The Board of Directors has set the guidelines as follows:

- Disclosure of corporate governance policy, business ethics and policies through various channels such as annual reports, company website.
- To disclose the company's financial and general information to shareholders and investors in an accurate, complete, timeliness, transparent manner and without conflict of the disclosure requirements of regulatory authorities. Include a report of the Board of Directors' responsibility for the financial report along with the auditor's report in the annual report.
- To disclose the roles and duties of the Board of Directors and Subcommittees. Number of meeting and number of times that each director attended the meeting in the past year and the opinions of the board of directors. This includes continuing professional training and development of the Board of Directors in the annual report.
- To disclosure of remuneration policies for directors and executives that reflect the obligations and the responsibilities of each person, including the form or nature of the compensation in the annual report. Include the remuneration that each director will be the director of the subsidiary company also.
- To disclosure of direct and indirect shareholding of the company's directors and executive is their own and indirect shareholding, such as shareholding of the spouse in the annual report.
- Directors and executives are required to report their interests in accordance with the rules and procedures prescribed by the Board of Directors.
- To disclose information through the company website, both Thai and English keep up with current events. In addition to the information disseminated to the criteria and through the channels of The Securities and Exchange Commission or The Stock Exchange of Thailand.

9.1.5 Boards Responsibilities

The Board has the duty and responsibility to perform its duties in accordance with the requirements of law, objectives, regulations, rules and regulations in force. Including resolutions of the shareholders meeting. Include consideration and approval to set policies and direction of management, financial goals and budgets, as well as monitoring the operation to meet the policies set effectively for the maximum benefit of shareholders under the ethical standards with good faith and caution.

9.2 Strategic Planning Policies and directions in business

The Board of Directors is responsible for approving important matters related to the Company's operations. The vision, mission, strategy, financial goals, budget, and plans are reviewed at least once a year.

9.3 Control System and Internal Audit

The Company attaches great importance to the internal control system appropriate to company's business. At the management level and efficient operation, therefore, the organization has been restructured to meet the business goals. The duties, responsibilities, and obligations written statements are clearly. There are systems to control of company's assets to benefit. There is separation of duties of followers control and evaluator, to balance and check each other properly. Beside this, there are internal controls related to the financial system. The Company has provided the financial reporting system to the responsible management.

The Company has provided audits to ensure that key operations and financial activities of company have been implemented in accordance with the established and effective guidelines. To review compliance with the law and company's regulations (Compliance Control) to make the internal audit department independent, and able to check and balance. The Board of Directors is required to report directly to the Audit Committee. They also received the evaluation from the Audit Committee.

9.4 Prevention of Conflict of Benefit

The Board of Directors and Audit Committee play an important role in overseeing and resolving potential conflicts of benefit between stakeholders. The Company has set guidelines for transactions that may cause conflict of benefit, for the benefit of company and shareholders. Stakeholders are not involved in decision making. Including the implementation process, and no involvement in the disclosure of transactions that may have conflict of benefit.

9.5 Regulatory compliance

The Board of Directors attaches great importance to compliance with the company's business practices. Has assigned Audit Committee to review company's performance to comply with the securities, Exchange Act Terms, conditions of the SEC, policies, rules, regulations and other laws that related to the company. Compliance Risk Management is also appropriate.

9.6 Audit Fee

For the fiscal year 2018, the Company and its subsidiaries paid for audit fees amounted to 2.24 Million Baht to EY Office Limited. In this regards, EY Office Limited and its auditors do not have any relationships or interests involving the Company, management, or major shareholders, including their related persons.

9.6.1 Audit Fee for the year 2018

Unit : Million Baht

Audit Fee	2018	2017	2016
Interhides PCL.			
Annual audit and Quarter review	1,300,000	1,199,000	1,138,000
Review Annual Report	150,000	150,000	-
Total	1,450,000	1,349,000	1,138,000
Interseat Cover Co.,Ltd.			
Annual audit and Quarter review	486,000	486,000	350,000
Review Annual Report	-	-	-
Total	486,000	486,000	350,000
Inter Green Co.,Ltd.			
Annual audit and Quarter review	308,000	308,000	196,000
Review Annual Report	-	-	-
Total	308,000	308,000	196,000
Grand Total	2,244,000	2,143,000	1,684,000

9.6.2 Non-audit Fee

In 2018, the Company and its subsidiaries paid a non-audit fee, which was for reviewing compliance with the conditions of the BOI Promotion Certificate amounting to 0.20 Million Baht. The details are as follow:

Unit : Million Baht

Company's Name	2018	2017	2016
Interhides PCL.	100,000	100,000	80,000
Interseat Cover Co.,Ltd.	100,000	80,000	50,000
Inter Green Co.,Ltd.	-	-	-
Grand Total	200,000	180,000	130,000

Each year, the Company invites audit companies to make offers for their services for price comparisons. The Company hires independent auditors with acceptable qualifications as its auditors. They must be approved by the Securities and Exchange Commission and be rotated every 5 years in line with the SEC's regulations.

10. Insider Information Controls

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

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

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, the Directors in an executive position, who are full-time employees of the Company (or its subsidiary) and Senior Management, are not allowed to trade / transfer in the Company's shares during the period of 2 weeks before and 2 days after public the Financial Statement. The Management personnel are also strongly encouraged to follow this policy and during the year 2018, all members of Management have fully complied with this policy and no non-compliance cases have been observed.

Penal Provision

Furthermore, the Company has issued the penal provision for those seeking personal benefits by using insides information. The penalty deemed as appropriate includes verbal warning, warning, probation and dismissal.

11. Internal Control and Risk Management

The objective of risk management is to avoid of risk that may jeopardize the existence or hinder the continuity of business operations of the company. At the same time, risk management can improve the effective of production and make the long-term value added for the organization and sustainability.

The Board of Directors and the Management realize that internal control system is an important mechanism for reducing business risk and improve efficiency by allocating resources appropriately and achieving the goal set.

The Board of Directors has assigned the Audit Committee to responsible for the suitable and efficient internal control system, ensure that the company complies with all applicable laws and regulations with no conflict of interest, connected transaction and close monitoring for overall operation, protect the use of the Company's asset in the wrong way or fraud. The Company has provided a check and balance mechanism. An independent internal audit department is responsible for monitoring and evaluating performance and the adequacy of the internal control system, risk management system, the corporate governance system for all the operations by using COSO (The Committee of Sponsoring Organizations of the Tread Way Commission) and the framework of Enterprise Risk Management. The Management of the Company would consider the report, give direction to improve all issues to minimize risk, set the compliance department to monitor the government laws, announcement and ruling related to the business operation, publish with the employees and manage for properly business operation.

The Board of Directors has acknowledged the report of the Audit Committee that reviewed and acknowledged the performance of the Internal Audit Department for improving the efficiency of the internal control system. The Audit Committee and the Board of Directors would evaluate the efficiency and adequacy of the internal control by the internal control elements at the end of the year.

Relevant parties in the risk management



As shown in the minute of the Board of Directors Meeting No. 2/2562 held on February 26, 2019, the Board of Directors has concluded the opinion on the adequacy and appropriateness of the Company's internal control system that the Company and its subsidiaries had an appropriate and effective internal control system with no significant fault and no conflict of interest and appropriate connected transactions.

1. Internal Environment

The Board of Directors has designed the organization structure which can be adjusted as appropriate, revise the policy and regulation regularly, and communicate in writing to the employees to acknowledge the organization's policies and goals thoroughly in order to understand the same business direction. This will lead the effective employees' performance and enhance their knowledge, skill and competency.

In addition, the Company prioritize for the ethics and quality of the employee by emphasize on personal accountability and provide for the positive attitude for the internal control. Both employees and management realize the benefits of internal control and continuous improvement. The Company has set the code of conduct for stakeholders for ensuring that the executive and employees will perform appropriately, honestly, transparently, fair with no conflict of interest and using internal information for personal benefit.

2. Objective Setting

The Company has clearly defined objectives and business goals that can be implemented and measurable. It is defined as a strategy, business plan, authority, line of command, reporting and procedures for each level of the organization in writing to comply with the corporate strategy and core value. Employees participated in defining the objectives of their processes to ensure that the objectives are comply with the main goals of the organization. The objectives are periodically reviewed to ensure that these objectives comply with the the Company's goal.

3. Event Identification

The Company has identified regularly for all level of risks, events, or other risk factor that may harm for the organization's and operating level objectives both internal and external factors by indicating the opportunities and treats in order to find the appropriate procedures.

4. Risk Assessment

The Company recognizes the importance of risk assessment as a tool to anticipate harmful signals for organization. Therefore, the Company schedules the risk assessment annually to reflect the real risk of the operation by the right control mechanism. The risk assessment in each of these activities has been presented to top management and the Board for periodic review.

5. Risk Response

The Company focuses on internal control in accordance with the COSO-ERM guideline on the risk component in its entirety including risk identification, risk assessment and response emphasizing on both internal and external risk factors from activity level to enterprise level. The

internal audit department applies the risk analysis approach to assess the adequacy of the internal control system and to drive self-control of every units to minimize the all disadvantages and create more efficiency in standard of work.

6. Control Activities

The Company has set up control activities in all its functions and at every level. The policy and procedures are written in writing to ensure all employees have the same direction such as finance, procurement, sales and asset control. Duty for controller and approval was separate clearly for checking and balance. Authorized limit was set. Work plan is well organized to comply with organization's policies and objectives within the provided timeframe. The Internal Audit Department responses for monitoring and follow up independently to enhance efficiency and effectiveness of internal control.

7. Information and Communication

The Company has sufficient, reliable and timely internal and external communication and information systems to support decision making by shareholders, investors, stakeholders, directors and management which based on accuracy and current information. Reports or information includes financial information and reports, general information, as well as important information that impact the decision-making process was published via news from the Company, annual report and annual registration statement (56-1) on the Company's website and the Stock Exchange of Thailand. Also, the Company emphasizes on the control of the information system to facilitate the operation and management and data access control for consistent, timely and be benefit for management and effective decision making. The Company also provides back up system, security system and emergency plan for completeness of information management.

8. Monitoring

The Board of Director regularly monitors the performance of each unit by quarterly management meeting to compare the actual performance with the company's goal and plans for each unit, to evaluate the efficiency and the effectiveness and to solve all problem on time. The Company has adopted the KPI to evaluate performance of management and staffs throughout the organization in all dimensions and to support goal achievement. KPI can indicate clearly performance measurement for supporting the company's vision, mission and business strategy.

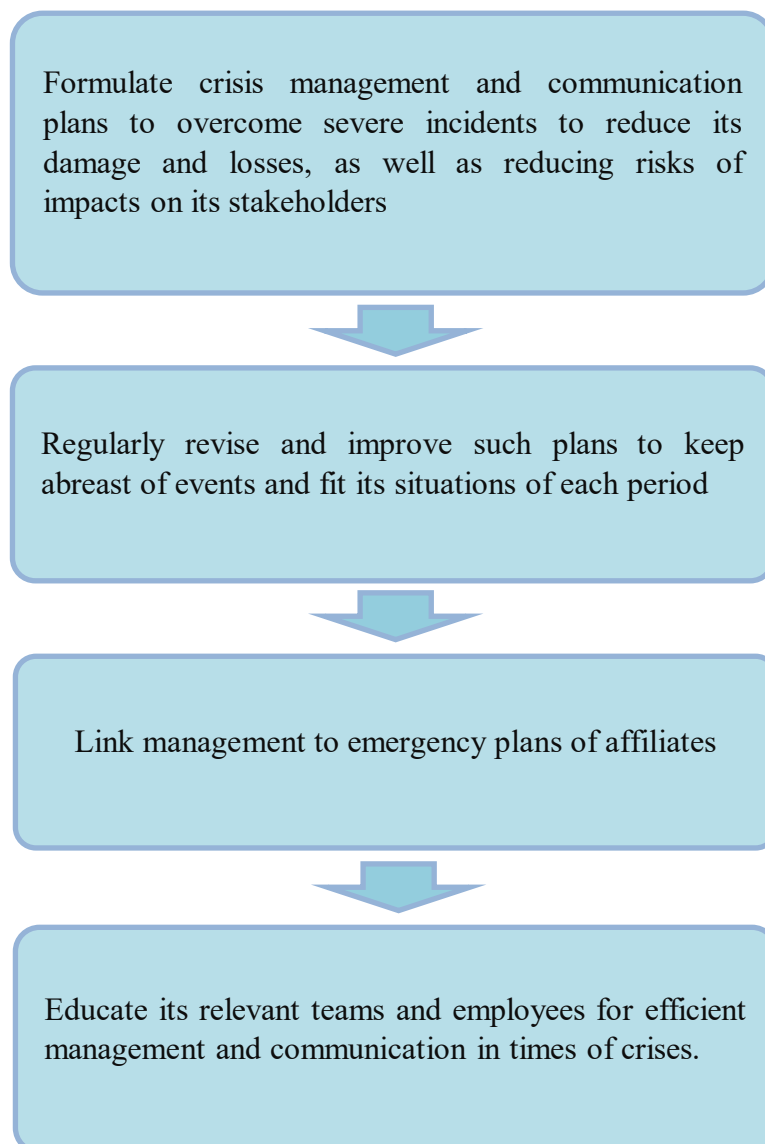
In addition, the company's internal audit department can monitor, review and evaluate independently with closely monitoring. Annual audit plan was scheduled regularly and the report was sent to the Audit Committee to improve, suggest and reduce risk that may affect the operation, reputation and financial position of the company. These policies would support confidence in good corporate governance, clearly and transparent internal control and benefit to shareholders.

9. Whistle Blowing System

The Company has set up a Whistle Blowing System for employees and stakeholders for report clues that do not conform to the corporate governance, code of conduct, laws and regulations. Employees or stakeholders can feedback clues, frauds or abnormality via the company's website or the company secretary's email.

The Company has set up a clearly procedure after receiving all complaints starting with secret gathering facts, investigate committee and send the report to the Audit Committee and the Board of Director to consider and approve the penalties and report the action.

In addition, the Company has a perspective on crisis management as an important mechanism in managing the impact of unexpected events to suppress, mitigate and minimize both direct and indirect loss effected to the economy, society, community and environment for sustainable growth. The Company has identified the crisis management guidelines in the company's code of conduct as follows:



Appointment of Chief Internal Auditor

The Audit Committee agreed to selected the company's employee to be an internal auditor. The Chairman of the Audit Committee emphasizes is the independent with no conflict of internal auditor. The Audit Committee appointed Mr.Poobaize Benjasirivorakul as a Chief Supervisor of the company (CAE) according to the Audit Committee's Meeting No. 1/2556 held on February 23, 2013. Mr.Poobaize Benjasirivorakul has a good understanding in the company's activities and operations, a good skill in this field so he is appropriated to perform such duties.

The consideration and approval of the appointment, withdraw, removal of the head of the internal auditor must be approved by the Audit Committee.

Risk factors

1. Risk from competition

Tanning and Car Seat business are highly competitive from both domestic and foreign players in term of pricing and quality. If the Company cannot maintain a competitive advantage, it would affect significantly to the business growth and performance of the company.

However, the past performance of the Company has been proved by growing continuously both sales revenues and net profit. This would imply that the Company has the potential to compete effectively and consistently. The Company's competitive advantage such as:

- Large production base in tanning with completed lines and high quality and standard of products and services as proven by getting Gold Rated certificated by LWG and IATF certificate in 2016
- Strong financial position to support both short-term and long-term expansion.
- The Company's executives have the knowledge, ability and experience in both production and marketing.

2. Risk from fluctuation of raw material cost

Cost of hides is the major cost of the company, accounted around 60% of the total cost. The fluctuate in hides price is the problem that the Company faces. Even the price increased, the Company cannot raise the selling price accordingly to compensate cost due to the highly competition or economic slowdown leading to the lower purchasing power. These may cause the significant negative performance.

Price of hides or raw salted would be fluctuate by demand and supply especially the quantity of hides

That may be affected by various uncontrollable factors such as seasonal consumption, weather, natural disaster, diseases etc.

In order to minimize this risk, the Company has several measures as follow:

- (1) Forecast demand of raw materials from customer's production schedule to plan the purchasing order in right quantity and within the specified period.
- (2) Forecast demand increases the bargaining power for the price with suppliers due to large volume per order and timely delivery schedule.
- (3) The Company enters the sales contracts in advance with reliable suppliers or distributors. Term of contracts are mutually agreed by both parties such as 3 months advance and specifies price, quantity and the delivery time in sales contract clearly.
- (4) The Company purchase for hides and chemicals in advance as necessary and manage all raw material in good condition for production.
- (5) Regular price comparisons are made to reflect changes in raw material prices that would have a material impact on the company's costs.

Based on the above measures, the Company can minimize the risk of price volatility and control cost level for the operation.

3. Risk of Staff shortage

Due to continuously expansion, all staffs were valued factor to drive the business. The Company expands new production line every year. Also, the Company uses new technology to improve the quality of product. Therefore, the Company recruits new staffs to support the expansion. If the Company cannot recruit enough the staff to support expansion, this might be affected significantly to the Company's business

However, the Company values and try to resolve this issue to improve long term service of employee. The Company also value for Interhides 's Culture which is caring for all employees by providing the chance for talented people, good benefit and welfare, taking care as IHL family.

For this reason, candidates join with the Company continuously. All staffs would be trained the organizational culture to achieve the standard of the Company.

4. Risk from labor cost

Tanning process requires a huge amount of skilled staff especially line production staff to meet the customer satisfaction, so labor costs are concerned as important factor beside to raw material cost.

If the minimum wage increases and the Company cannot adjust the selling price to compensate the increasing staff cost or partial compensation due to the highly competition or economic slowdown or other factors, these will be negative impact to the performance of the company.

In order to minimize this risk, the Company has implemented various measures to monitor the optimum level of wage cost as follow:

- (1) Regularly determine optimum staffs in each production line with the concept to maintain the quality of products and services to serve customer satisfaction.
- (2) Monitor productivity of each production line to comply with performance evaluation standard by using KPI.
- (3) Apply the technology to every department to improve the quality of work.
- (4) Regularly training especially staff in production line to improve the efficiency of all staffs and maintain the quality of work.

These measures are taken seriously and continuously, together with the increase in selling prices, if deemed necessary and possible, enabling the Company to control the employee expenses in the past period to the appropriate level. It can also reduce losses from excess employees and poor performance.

5. Risk from Foreign Exchange Rate

Fluctuation on Foreign Exchange Rate especially US Dollar directly and indirectly affects to the Company's revenue and cost. To minimize this impact, the Company follows up all information that may cause the volatility such as international monetary policy, interest rate, the central bank policy and stimulus measure from USA. Also, the Company matches revenue and expense in foreign currency (Natural Hedge) and use the financial instruments such forward contract to hedge foreign exchange rate exposure when appropriate.

12. Connected Transactions

The Board of Directors emphasizes the need for careful review and consideration before granting approval for connected transactions, related transactions or transactions that may cause conflict of interest. The IHL Code of Conduct has set forth a policy regarding such transactions as follows:

12.1 Connected Transactions between the Company and its Subsidiaries

The Company and subsidiaries are bound to conduct transactions with one another in such ways as providing service, trading raw material and products, or providing financial support, technical assistance, human resources, etc. In doing business or performing duties related to such matters, all employees and parties concerned are required to comply with the law, the rules and regulations of government agencies, as well as the rules and operational authority of IHL.

12.2 Transactions with Outside Entities

For undertaking transactions with outside entities or other companies, the Company shall proceed by implementing fair methods and complying with the procedures as prescribed by law and the government agencies' rules and regulations, and IHL policy. In addition, the Company is required to have an approval strictly in line with the operational authority of IHL, and act in accordance with the terms and conditions as agreed upon with honesty, transparency and accountability. The Company shall also avoid making transactions that may cause trouble or damage to IHL or outside parties.

12.3 Necessity and justification of the transactions

The related-party transactions were necessary and justified, and were conducted in the best interest of the Company. The Audit Committee was of the opinion that they were in line with common business practices and consistent with what was offered to other customers, and that the Company paid and were compensated at fair market prices.

12.4 Measures or procedures of approving related-party transactions

The Company has designated the Stakeholder Engagement Policy and practice guidelines towards stakeholders by specifying that the Company conduct itself according to the framework of trading and competing honestly, consider a proper and fair purchase price taking into account the appropriateness in term of price, quality and service obtained. The Company shall also be able to give reasonable explanation upon examination.

The Company has specified guidelines and procedures on how to consider the granting of approval for connected transactions, related transactions or transactions with potential conflict of interest, to ensure that the Company's best interest and in accordance with the rules and

regulations as prescribed by law. The directors and management shall disclose to the Company in advance whether they hold any tasks involving potential conflict of interest. The Company, in turn, shall consider the appropriateness of any transaction, and in case where such transactions need approval in accordance with the regulations and procedures prescribed by law, the management shall propose such matters to the Board of Directors or at the Shareholders' Meeting, depending on each case. The Board of Directors or those authorized by it may not approve any transaction with its members or parties with potential conflicts of interests with the Company or its subsidiaries. In addition, the persons or person having possible conflict of interest shall not be able to participate in the approval of transactions. It must also be in compliance with laws on securities and the stock exchange, regulations, notification, orders and requirements of the Stock Exchange of Thailand and the requirements pursuant to disclosure of related-party transactions and the acquisitions and disposals of assets.

12.5 Policy or trend of related-party transactions

The Company has a policy to continue making existing related-party transactions in the future. It also plans to keep the terms consistent with normal trade practices and the prices comparable with those offered by other suppliers. In any case, the Company will have the Audit Committee, its auditors or independent experts scrutinize all related-party transactions and give opinions on appropriate prices and justification of the transactions.

Once the Company or its subsidiaries make related-party transactions with parties with potential conflict of interest or stakeholders in the future, it will seek the opinions of the Audit Committee on the necessity and appropriateness of the transactions.

In case that the Audit Committee has no expertise to consider that issue, the Company will seek the opinions of independent experts or its auditors. The opinions will subsequently be used in making related decisions by the Board of Directors or shareholders, whichever the case. In any case, the Company will also include such transactions in the notes to the audited financial statements and the annual report.

12.6 Connected Transactions

The Company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies concerning the Connected Transactions, as well as the laws, regulations, notifications or orders relating to the execution of related transactions.

Individual / Juristic Person	Relationship (as of Dec. 31, 2017)	Nature of Transaction	Value (Thousand Baht)		Transfer Pricing Policy	Opinion of Directors
			2018	2017		
Interseat Cover Co.,Ltd. (ISC)	- IHL is a majority shareholder of ISC (99.99% of all sold shares) - Mr. Ongart Thumrongsakunvon g and Ms. Chutima Busayapoka serve on the Boards of Directors of both companies	- Goods Purchase - Rental Fee, Management Fee, Service Charge - Trade Account Payable - Dividend Receivable	951 42,415 218,456 117,999	340 36,271 189,574 108,999	Cost plus margin Contract price Cost plus margin As declared	- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders. - The dividends were in proportion to the Company's holding
Inter Green Co.,Ltd. (IG)	- IHL is a majority shareholder of ISC (99.99% of all sold shares) - Mr. Ongart Thumrongsakunvon g and Ms. Chutima Busayapoka serve on the Boards of Directors of both companies	- Goods Purchase - Rental Fee, Management Fee, Service Charge - Trade Account Payable	8,624 15,469	15,568 13,236 -	Cost plus margin Contract Price Cost plus margin	- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders.
Schumans Electronics Co.,Ltd.	Mr. Ongart Thumrongsakunvon g, IHL's major shareholder, director and executive holds 10% shareholding	- Goods Purchase	-	-	Cost plus margin	- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders.
Modernform Group PCL. (Modern)	Modern and Mr.Thaksa Busayapoka, the Chief Executive Director of Modern were the shareholders of the Company with 4.77%shareholding. Mr.Thaksa Busayapoka is also IHL's director.	- Goods Purchase - Trade Account Payable	- 10,792	180 15,127	Cost plus margin Cost plus margin	- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders.
W Trio Co.,Ltd. (Formerly named as Automotive Accessories Co., Ltd.)	Mr. Ongart Thumrongsakunvon g's group holds 100%	- Goods Purchase	357	56	Cost plus margin	- According to the evaluation by the Audit Committee and executives, the terms and prices were normal business practices and comparable to similar transactions with outsiders.

13. Report on the Board of Directors' Financial Responsibilities

The Board of Directors is responsible for the consolidated financial statement of Interhides Public Company Limited and its subsidiaries, as well as the financial information in the Annual Report.

These financial statements were prepared based on Thai Financial Reporting Standard. The appropriate accounting policy was adopted and adhered to consistently. Discretion was applied cautiously and reasonable projections were made. Adequate disclosures of significant information were also made in the Notes to the Financial statement for the benefits of shareholders and investors. The Board of Directors has supported the auditor with all necessary information and documents in order to audit and express his opinion in accordance with auditing standards. Independent auditor has reviewed and audited the financial statements and expressed an unqualified opinion in the auditor's report as shown in this Annual Report.

The Board of Directors, with the duties of overseeing and improving good governance and morality, has set up and maintained an appropriate and effective risk management system and internal control system so it can be reasonably confident the Company's accounting information is accurate, comprehensive and adequate to maintain assets and prevent corruption or significant irregularities.

The Board of Directors also set up the Audit Committee comprising 3 independent directors to supervise and review the quality of financial reporting, and to assess internal control and internal audit. The Audit Committee also considers disclosing connected transactions. Its opinions on these matters are expressed in the Audit Committee report in this Annual Report.

The Board of Directors is of the opinion that the internal control system of the Company is adequate and appropriate, which should inspire reasonable confidence that the consolidated financial statement of the Company and its subsidiaries and that the separate financial statement of the Company for the year ending December 31, 2018 presents fair view in accordance with Thai Financial Reporting Standards.

Your sincerely,



(Mr. Ongart Thumrongsakunvong)
President / Chairman of the Executive Board

14. The Audit Committee's Report

Dear Shareholders of Interhides Public Company Limited,

Currently, Audit Committee of Interhides Public Company Limited consists of independent directors, there are 3 persons consist of Mr. Somchart Limpanuphap as Chairman, Mr. Char.Nun Petpaisit and Mr. Somyot Akapaiboon as Committee Members. All members possess adequate qualifications for their posts as required by Audit Committee Charter and in accordance with the Stock Exchange of Thailand's Best Practice Guidelines. Secretary of Audit Committee is Mr. Poobaize Benjasiriworakul.

Audit Committee has performed its duties and responsibilities as assigned by Board of Directors in supervising and overseeing company's state of affairs in order to show precisely and ensure that management and executive directors, who are accountable to shareholders of company, execute their duties with honesty and responsibility, and in accordance with the policy of company accurately and completely, and by reaching a level of standard practice. Audit Committee conducted a total of 4 meetings in 2018 and appropriately discussed and shared opinions with senior management, external auditors, and internal auditors on related matters. These can be summarized as follows:

1. Reviewed quarterly and annual financial statements of company for 2018, which had already been reviewed and audited by external auditor, before submitting them to the Board of Directors for approval. Audit Committee inquired into accuracy and completeness of financial statements of external auditor and management, and the adequacy of financial disclosure. In addition, Audit Committee considered and acknowledged management letter and audit approach for external auditor's 2018 financial statement. Audit Committee had the conclusion that internal control of the financial reporting process was adequate to ensure that such financial statements represented company's financial status and operating results accurately, that they were in accordance with legally defined accounting principles, and that they were adequately and promptly disclosed for the benefit of investors and users of such statements when making investment decisions.
2. Reviewed connected transactions executed by company with related parties who were considered as having a conflict of interest, and reviewed the sufficiency of disclosure of these transactions in accordance with requirements of the Stock Exchange of Thailand. Audit Committee had conclusion that aforementioned transactions were conducted by management fairly and priced with a view to giving the utmost benefit to company at an arm's length basis, and that they were accurately and adequately disclosed.
3. Reviewed, from a total of four meetings, compliance with Securities and Exchange Laws, Regulations of the Stock Exchange of Thailand, and other relevant Laws including Securities and Exchange Acts, Regulations of the Securities and Exchange Commission, Rules, Revenue Code, Labor Law, and Business Commitments. Audit Committee had conclusion that company had complied with all applicable regulatory requirements.

4. Reviewed Internal Control System in its evaluation of adequacy and effectiveness of company in achieving its goals. Audit Committee reviewed Internal Audit Report for 2018, according to the approved Internal Audit Action Plan, of major business processes such as inventory control process, production management system or collection management. There were no major weaknesses or significant errors in internal control. In addition, Audit Committee evaluated company's Internal Control System, which consisted of management control, financial control and compliance control based on guidelines of the Office of the Securities and Exchange Commission. Audit Committee had conclusion that the Internal Control System was adequate and functioning effectively with regards to the internal environment, risk assessment, control activities, information and communication systems, and monitoring system.
5. Reviewed Risk Management System to evaluate its adequacy and effectiveness. Audit Committee considered risk management policy, Risk Management Manual, risk identification, and risk response including the progress of the Risk Management Plan as proposed by Top Management on a yearly basis. Audit Committee had conclusion that Risk Management System was adequate and functioning effectively with clear objectives, complete risk identification, appropriate risk assessment and risk response.
6. To consider, select, nominate, and propose the remuneration of the auditor for the year 2019 for submission to the Board of Directors for approval from the shareholders' meeting for the year 2019. Audit Committee considered independence, performance and services of auditors. The auditor has provided useful comments and recommendations on the preparation of financial reports and internal controls. The proposal should be submitted to the Board of Directors for approval.
7. To propose activity reports of Audit Committee to Board of Directors for every meeting of Audit Committee in order to be in conformity with good conduct of Audit Committee.
8. To consider annual audit plan and reexamine report of inspecting result as well as evaluating the internal control in order to assure that internal control is efficient enough to meet the acceptable risk and suitability for changing business environment.
9. Anti-Corruption Policy, Audit Committee defined this policy in operation guidelines, without support, and avoid under table paying to the government officer and private sectors. The management control staff members to supervise strictly observed.

In 2018, Audit Committee conducted as total of 4 meeting, the summary of attendance are as following:

Name of Audit Committee	Position	Number of Attendance/Total Meeting
Mr. Somchart Limpanuphap	Chairman	4/4
Mr. Char.Nun Petpaisit	Committee Members	4/4
Mr. Somyot Akapaiboon	Committee Members	3/4

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

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



Mr. Somchart Limpanuphap
Chairman of the Audit Committee



Mr. Chor.Nun Petpaisit
Audit Committee member



Mr. Somyot Akapaiboon
Audit Committee member

15. Analysis of Operating Results and Financial Status

IHL's Consolidated Performance Overview

In 2018, Consolidated Revenue was 2,404.82 Million Baht, increased from 2,166.81 Million Baht in 2017 or an increase of 10.98% y-o-y. Gross Profit Margin was 516.04 Million Baht, an increase of 8.63%.

Consolidated EBITDA was 545.13 Million Baht, gained 6.20% y-o-y or increased by 31.85 Million Baht, mainly from higher gross profit in this year. Net Profit for the year grew 1.17% y-o-y to 292.76 Million Baht.

Profit and Loss

The Company and its subsidiaries recorded Revenues from Sales and Services of 2,390.18 Million Baht, representing an increase of 260.42 Million Baht or 12.23 % y-o-y, driven by higher growth in revenue from Trim Cover and revenue from Services which improved by 136.85% and 39.73% y-o-y respectively.

Revenue (Unit : Million Baht)	Operated by	% of Shareholder	2018		2017		% Change
			Revenue	%	Revenue	%	
Cut Part	IHL	100%	551	23%	571	27%	(3.4%)
Finished Leather	IHL	100%	138	6%	219	10%	(36.9%)
Crust Leather and Wet Blue	IHL	100%	305	13%	363	17%	(15.9%)
Services	IHL	100%	840	35%	601	28%	39.7%
Other Products	IHL	100%	48	2%	128	6%	(62.5%)
Trim Cover	ISC	100%	491	21%	207	10%	136.8%
Steering Wheel and Gear Knob	ISC	100%	(3)	0%	30	1%	(110.0%)
Fabric for Car Seat	ISC	100%	4	0%	3	0%	27.3%
Other Products	ISC	100%	4	0%	5	0%	(17.9%)
Protein	IG	100%	12	1%	3	0%	270.0%
Total			2,390	100%	2,130	100%	12.2%

Revenue (Unit : Million Baht)	2018		2017		% Change
	Revenue	%	Revenue	%	
Automotive Industry	1,213	51	1,082	51	12
Non-Automotive Industry	1,165	49	1,045	49	11
Other	12	1	3	0	300
Total	2,390	100	2,130	100	12

In 2018, Revenue from Automotive Industry increased from 1,082 Million Baht to 1,213 Million Baht or improved by 12% y-o-y. Revenue from Non-Automotive Industry improved 11% or extremely increased from 1,045 Million Baht to 1,165 Million Baht. Proportion of Auto and Non-Auto Revenue in 2018 is 51:49.

Gain on exchange registered at 10.23 Million Baht, decreased 13.54 Million Baht resulting in Baht fluctuation since the beginning of the year.

Cost of Sales and Services was recorded at 1,874.14 Million Baht or 78.41% of Revenue from Sales and Services. Gross profit slightly decreased from 22.31% of Revenue from Sales and Services y-o-y in 2017 to 21.59% in 2018.

Compared with 2017, Selling and Administrative Expenses increased 6.39% or 9.66 Million Baht, recorded at 160.83 Million Baht in 2018. Selling and Administrative Expenses as a percentage of Revenue from Sales and Services was quite stable with slightly improved from 7.10% in 2017 to 6.73% in 2018.

EBITDA rose from 513.29 Million Baht in 2017 to 545.13 Million Baht in 2018, an increase of 6.20% y-o-y. But EBITDA margin decreased from 24.10% to 22.81%.

Financial Cost increased from 32.32 Million Baht to 33.71 Million Baht, mainly due to the short-term loan from financial institution increased and company invested in machine.

For the period of FY 2018, Net Profit registered at 292.76 Million Baht or 12.25% of Revenue from Sales and Services, higher than Net Profit in 2017 by 3.38 Million Baht or 1.17% increase.

Financial Position

Total assets recorded at 3,393.64 Million Baht, with an increase of 345.50 Million Baht compared with the previous year. The efficiency in cash management caused Cash and Cash Equivalents and Investment in open-ended fund increased from 16.44 Million Baht to 22.26 Million Baht.

Property, Plant and Equipment in this period increased from 2,009.50 Million Baht to 2,333.52 Million Baht from gradual recognition in construction of new building and machine improvement as planned for increasing the efficiency in production and service of the Company.

Intangible Assets rose from 12.66 Million Baht to 18.03 Million Baht, from new ERP software.

Short-term loan from financial institute increased from 501.90 Million Baht in 2017 to 684.72 Baht in 2018 and Trust Receipt increased from 182.17 Million Baht to 298.66 Million Baht.

Long-term Loan – net of current portion fell from 258.59 Million Baht to 213.50 Million Baht, mainly due to the scheduled repayment. Furthermore, the Company drew down Long-term Loan 140.0 Million in this period.

In 2018, the Company received subscription for the additional ordinary shares arising from the exercise of the Warrant (IHL-W1) in the total amount of 155.50 Million Baht. In addition, net profit improved continuously. Hence, Net Worth was recorded at 1,629.25 Million Baht or increased by 161.74 Million Baht.

Liquidity

At the end of 2018, the Company had cash and cash equivalents amounted 5.06 Million Baht, increased by 0.32 Million Baht from year 2017. This mainly due to policy to balance cash in hand and lower interest cost. Cash flows provided by operating activities amounted to 333.86 Million Baht. Meanwhile, cash flows used in investing activities amounted to 485.47 Million Baht and cash flows used in financing activities was 151.94 Million Baht, mainly from CAPEX and investment, repayment Long-term Loan and dividend payment.

According to liquidity ratio, the Company registered cash ratio of 0.24 time, dropped from 0.43 in 2017. While Cash Cycle improved from 120.75 days in 2017 to 104.19 days in 2018, benefiting from the efficiency in inventory turnover dropped from 152.90 days to 131.66 days.

Interest Service Coverage Ratio improved from 15.88 times in 2017 to 16.31 times in 2018. Debt Service Coverage Ratio decreased from 2.45 times in 2017 to 2.28 times in 2018.

The cash flows and liquidity ratios ensured that IHL possessed adequate liquidity for business operation, ability of making payment, compliance with the loan conditions, as well as obtaining additional source of funds. Overdraft lines and revolving credit lines as disclosed in note to the financial statements also represent IHL 's sufficiency of fund.

Financial Ratio

In 2018, Gross Profit Margin and Net Profit Margin registered at 21.59% and 12.25% respectively compared with 22.31% and 13.59% in the last year.

Return on Assets slightly decreased from 10.00% to 9.55.

At the end of 2018, Debt to Equity ratio was 1.08 times same as the previous year.

Interhides Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of Interhides Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Interhides Public Company Limited and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Interhides Public Company Limited for the same period.

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

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

The key audit matters and the audit procedures performed in response to each matter are described below.

Revenue from sales of leather products and services

Revenues from sales and services are significant to the Group's financial statements and directly impact on the Group's operating results. Moreover, the Group has both domestic and overseas sales transactions under various terms and conditions. I therefore focused on the Group's recognition of revenues from sales and services, especially the timing of revenue recognition.

I assessed and tested the Group's internal controls related to revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. On a sampling basis, I checked documents supporting sales and service transactions occurring during the year and near the period end. I reviewed credit notes issued by the Group to customers after the end of the reporting period and performed analytical review of the sales and services accounts.

Inventories

The inventory account is significant to the Group's financial statements, accounting for approximately 19% of total assets as of 2018. Moreover, the Group has a large number and many types of inventory items and the prices of the main raw materials fluctuate in accordance with global market prices. Therefore, there is a risk with respect to the amount of costs of inventories.

I assessed and tested the Group's internal controls related to the inventory cycle, the physical count and inventory costing procedures, by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed key controls. I observed the physical count of the inventory of the Group. In addition, I performed analytical review of the unit costs of the major inventories of each product group and checked the supporting documents for main raw material purchases occurring near the end of the period to consider any irregularities in inventory costing.

Allowance for diminution in inventory value

The basis for determining allowance for diminution in inventory value, as disclosed in Note 9 to financial statements, relies on significant management judgment and estimates made based on the experience of the management, especially with respect to determination of allowance for obsolete or slow-moving inventory, which requires analysis of the product life cycle, the competitive environment and the economic and industry situation. There is thus a risk with respect to the amount of the allowance for diminution in value of inventories.

I assessed the methods and assumptions applied by the management in determining such allowance by gaining an understanding of the criteria used in determining the allowance, and reviewing the consistency of the application of these criteria and the rationale for the specific recognition. I also performed an analytical review of the inventory holding period and inventory movements to identify groups of inventory with indications of slow movement, performed analytical review to compare the net realisable value with the unit costs of inventories.

Other Information

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 cast 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 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 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.

I am responsible for the audit resulting in this independent auditor's report.

Watoo Kayankannavee
Certified Public Accountant (Thailand) No. 5423

EY Office Limited
Bangkok: 26 February 2019

Interhides Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2018

(Unit: Baht)

	<u>Note</u>	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets					
Current assets					
Cash and cash equivalents	7	5,055,880	4,736,584	4,498,525	2,905,771
Current investment - investment unit in open-ended fund		17,199,835	11,700,613	-	-
Trade and other receivables	8	307,704,540	233,291,372	310,568,299	211,957,157
Inventories	9	632,663,186	719,408,533	566,485,381	672,288,265
Other current assets		<u>67,553,267</u>	<u>26,092,288</u>	<u>64,033,093</u>	<u>23,233,434</u>
Total current assets		<u>1,030,176,708</u>	<u>995,229,390</u>	<u>945,585,298</u>	<u>910,384,627</u>
Non-current assets					
Investments in subsidiaries	10	-	-	69,999,560	69,999,560
Property, plant and equipment	11	2,333,524,113	2,009,502,300	2,279,610,776	1,951,833,573
Intangible assets	12	18,027,447	12,658,894	17,879,445	12,478,182
Advance payments for purchase of machinery		-	20,176,000	-	20,176,000
Deferred tax assets	22	10,984,623	9,533,233	9,465,625	8,146,997
Other non-current assets		<u>926,942</u>	<u>1,038,963</u>	<u>920,573</u>	<u>1,033,773</u>
Total non-current assets		<u>2,363,463,125</u>	<u>2,052,909,390</u>	<u>2,377,875,979</u>	<u>2,063,668,085</u>
Total assets		<u>3,393,639,833</u>	<u>3,048,138,780</u>	<u>3,323,461,277</u>	<u>2,974,052,712</u>

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

Interhides Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	13	684,718,547	501,900,000	684,700,000	501,900,000
Trust receipts	13	298,661,792	182,166,689	298,661,792	182,166,689
Trade and other payables	14	300,694,716	405,598,715	261,116,941	397,580,377
Current portion of liabilities under finance lease					
agreements	15	2,257,482	2,195,481	2,257,482	2,195,481
Current portion of long-term loans	16	205,320,000	175,164,000	205,320,000	175,164,000
Income tax payable		25,377,991	24,598,498	25,009,755	24,598,498
Other current liabilities		10,911,347	6,792,765	10,343,279	6,299,300
Total current liabilities		1,527,941,875	1,298,416,148	1,487,409,249	1,289,904,345
Non-current liabilities					
Liabilities under finance lease agreements, net					
of current portion	15	4,146,249	6,448,620	4,146,249	6,448,620
Long-term loans, net of current portion	16	213,499,000	258,590,000	213,499,000	258,590,000
Provision for long-term employee benefits	17	18,400,742	16,772,453	16,308,186	14,925,057
Total non-current liabilities		236,045,991	281,811,073	233,953,435	279,963,677
Total liabilities		1,763,987,866	1,580,227,221	1,721,362,684	1,569,868,022

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

Interhides Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2018

(Unit: Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Shareholders' equity					
Share capital	18				
Registered					
594,998,274 ordinary shares of Baht 1 each		<u>594,998,274</u>	<u>594,998,274</u>	<u>594,998,274</u>	<u>594,998,274</u>
Issued and fully paid					
553,519,920 ordinary shares of Baht 1 each					
(2017: 509,090,371 ordinary shares of Baht 1 each)		553,519,920	509,090,371	553,519,920	509,090,371
Share premium	18	370,388,628	259,314,755	370,388,628	259,314,755
Retained earnings					
Appropriated					
Statutory reserve - the Company	20	69,000,000	69,000,000	69,000,000	69,000,000
Statutory reserve - the subsidiary		2,000,000	2,000,000	-	-
Unappropriated		<u>634,743,419</u>	<u>628,506,433</u>	<u>609,190,045</u>	<u>566,779,564</u>
Total shareholders' equity		<u>1,629,651,967</u>	<u>1,467,911,559</u>	<u>1,602,098,593</u>	<u>1,404,184,690</u>
Total liabilities and shareholders' equity		<u>3,393,639,833</u>	<u>3,048,138,780</u>	<u>3,323,461,277</u>	<u>2,974,052,712</u>
		-	-	-	-

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

.....
Directors
.....

Interhides Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
Profit or loss:					
Revenues					
Sales and services revenue	23	2,390,179,285	2,129,754,768	2,130,949,675	1,899,828,856
Other income					
Gains on exchange		10,229,989	23,767,135	10,213,075	23,756,563
Dividend income from a subsidiary company	6, 10	-	-	117,998,820	108,998,910
Others		4,411,873	13,289,574	42,135,669	49,303,852
Total revenues		<u>2,404,821,147</u>	<u>2,166,811,477</u>	<u>2,301,297,239</u>	<u>2,081,888,181</u>
Expenses					
Cost of sales and services		1,874,140,553	1,654,706,988	1,741,085,731	1,537,547,937
Selling and distribution expenses		29,721,189	35,614,155	25,687,809	31,675,068
Administrative expenses		131,112,174	115,554,796	128,864,215	113,075,300
Total expenses		<u>2,034,973,916</u>	<u>1,805,875,939</u>	<u>1,895,637,755</u>	<u>1,682,298,305</u>
Profit before finance costs and income tax expenses		369,847,231	360,935,538	405,659,484	399,589,876
Finance costs		(33,707,158)	(32,317,428)	(33,685,284)	(32,291,816)
Profit before income tax expenses		336,140,073	328,618,110	371,974,200	367,298,060
Income tax expenses	22	(43,378,397)	(39,239,301)	(43,039,029)	(39,246,355)
Profit for the year		<u>292,761,676</u>	<u>289,378,809</u>	<u>328,935,171</u>	<u>328,051,705</u>
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain		-	1,843,803	-	1,348,467
Less: Income tax effect		-	(246,239)	-	(244,577)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		-	1,597,564	-	1,103,890
Other comprehensive income for the year		<u>-</u>	<u>1,597,564</u>	<u>-</u>	<u>1,103,890</u>
Total comprehensive income for the year		<u>292,761,676</u>	<u>290,976,373</u>	<u>328,935,171</u>	<u>329,155,595</u>
Earnings per share					
Basic earnings per share	24	<u>0.54</u>	<u>0.58</u>	<u>0.61</u>	<u>0.66</u>
Diluted earnings per share		<u>0.51</u>	<u>0.52</u>	<u>0.57</u>	<u>0.59</u>

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

Interhides Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements					
	Issued and paid-up share capital	Share premium	Retained earnings			Total
			Appropriated		Unappropriated	
			Statutory reserve - the Company	Statutory reserve - the subsidiary		
Balance as at 1 January 2017	489,998,113	211,584,110	52,000,000	2,000,000	518,084,568	1,273,666,791
Unappropriated retained earnings transferred to statutory reserve	-	-	17,000,000	-	(17,000,000)	-
Exercised warrants	19,092,258	47,730,645	-	-	-	66,822,903
Dividend paid (Note 27)	-	-	-	-	(163,554,508)	(163,554,508)
Profit for the year	-	-	-	-	289,378,809	289,378,809
Other comprehensive income for the year	-	-	-	-	1,597,564	1,597,564
Total comprehensive income for the year	-	-	-	-	290,976,373	290,976,373
Balance as at 31 December 2017	509,090,371	259,314,755	69,000,000	2,000,000	628,506,433	1,467,911,559
	-	-	-	-	-	-
Balance as at 1 January 2018	509,090,371	259,314,755	69,000,000	2,000,000	628,506,433	1,467,911,559
Exercised warrants (Note 18)	44,429,549	111,073,873	-	-	-	155,503,422
Dividend paid (Note 27)	-	-	-	-	(286,524,690)	(286,524,690)
Total comprehensive income for the year	-	-	-	-	292,761,676	292,761,676
Balance as at 31 December 2018	553,519,920	370,388,628	69,000,000	2,000,000	634,743,419	1,629,651,967
	-	-	-	-	-	-

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

Interhides Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2018

(Unit: Baht)

Separate financial statements

	Issued and		Retained earnings		Total
	paid-up share capital	Share premium	Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2017	489,998,113	211,584,110	52,000,000	418,178,477	1,171,760,700
Unappropriated retained earnings transferred to statutory reserve	-	-	17,000,000	(17,000,000)	-
Exercised warrants	19,092,258	47,730,645	-	-	66,822,903
Dividend paid (Note 27)	-	-	-	(163,554,508)	(163,554,508)
Profit for the year	-	-	-	328,051,705	328,051,705
Other comprehensive income for the year	-	-	-	1,103,890	1,103,890
Total comprehensive income for the year	-	-	-	329,155,595	329,155,595
Balance as at 31 December 2017	509,090,371	259,314,755	69,000,000	566,779,564	1,404,184,690
	-	-	-	-	-
Balance as at 1 January 2018	509,090,371	259,314,755	69,000,000	566,779,564	1,404,184,690
Exercised warrants (Note 18)	44,429,549	111,073,873	-	-	155,503,422
Dividend paid (Note 27)	-	-	-	(286,524,690)	(286,524,690)
Total comprehensive income for the year	-	-	-	328,935,171	328,935,171
Balance as at 31 December 2018	553,519,920	370,388,628	69,000,000	609,190,045	1,602,098,593
	-	-	-	-	-

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

Interhides Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities				
Profit before tax	336,140,073	328,618,110	371,974,200	367,298,060
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	180,001,903	152,351,429	171,699,834	144,054,250
Reversal of allowance for doubtful accounts	(18,021)	(50,058)	(18,021)	(50,058)
Reduce of inventory cost to net realisable value	6,469,535	12,167,038	5,337,133	11,848,596
Gains on sales of current investment	(50,002)	(91,775)	-	-
Loss on sales and written-off of machinery and equipment	597,426	1,226,719	597,426	1,226,719
Provision for long-term employee benefits	2,264,109	2,570,694	2,018,949	2,453,227
Reversal of provision for contingent loss	-	(7,961,546)	-	(7,961,546)
Unrealised gains on exchange	(799,124)	(6,024,151)	(797,695)	(6,014,685)
Dividend income	-	-	(117,998,820)	(108,998,910)
Change in fair value of forward exchange contracts	981,299	(476,272)	981,299	(476,272)
Interest expenses	32,206,988	30,978,541	32,199,592	30,977,534
Profit from operating activities before changes in operating assets and liabilities	557,794,186	513,308,729	465,993,897	434,356,915
Operating assets (increase) decrease				
Current investment - trading securities	-5,449,220	19,878,840	-	-
Trade and other receivables	-77,237,580	-26,468,201	(101,435,554)	(11,867,363)
Inventories	80,516,146	-64,858,696	100,706,085	(79,820,158)
Other current assets	-42,680,930	-14,545,378	(42,021,292)	(15,875,761)
Other non-current assets	112,021	-434,995	113,200	(53,000)
Operating liabilities increase (decrease)				
Trade and other payables	-106,724,370	154,485,303	(137,352,599)	167,483,346
Cash paid for long-term employee benefits	-635,820	-1,082,272	-635,820	-1,028,272
Other current liabilities	3,872,478	(65,854)	3,797,875	20,205
Cash flows from operating activities	409,566,911	580,217,476	289,165,792	493,215,912
Cash paid for interest expenses	-31,656,055	-32,656,353	(31,648,659)	(32,655,346)
Cash paid for income tax	-44,051,976	-37,913,350	(43,946,400)	(37,873,400)
Net cash flows from operating activities	333,858,880	509,647,773	213,570,733	422,687,166

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

Interhides Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2018

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash flows from investing activities				
Cash paid for investment in a subsidiary	-	-	-	(10,000,000)
Dividend received	-	-	117,998,820	108,998,910
Acquisition of property, plant and equipment	(476,248,329)	(400,925,772)	(472,666,997)	(394,216,174)
Cash paid for capitalised interest of property, plant and equipment	(3,318,483)	(3,459,210)	(3,318,483)	(3,459,210)
Cash paid for purchase of intangible assets	(6,219,000)	(8,758,900)	(6,219,000)	(8,758,900)
Cash received from disposals of property, plant and equipment	320,047	1,852,322	320,047	1,852,322
Net cash flows used in investing activities	(485,465,765)	(411,291,560)	(363,885,613)	(305,583,052)
Cash flows from financing activities				
Increase in bank overdrafts and short-term loans				
from financial institutions	182,818,547	65,900,000	182,800,000	65,900,000
Increase (decrease) in trust receipts	117,355,432	(36,257,474)	117,355,432	(36,257,474)
Payment of liabilities under finance lease agreements	(2,168,613)	(2,545,375)	(2,168,613)	(2,545,375)
Cash received from long-term loans	240,000,000	183,000,000	240,000,000	183,000,000
Repayment of long-term loans	(254,935,000)	(263,378,444)	(254,935,000)	(263,378,444)
Dividend paid	(286,635,552)	(163,510,122)	(286,635,552)	(163,510,122)
Cash received from exercised warrants	155,503,422	66,822,903	155,503,422	66,822,903
Net cash flows from (used in) financing activities	151,938,236	(149,968,512)	151,919,689	(149,968,512)
Net increase (decrease) in cash and cash equivalents	331,351	(51,612,299)	1,604,809	(32,864,398)
Effect of exchange rate for cash and cash equivalents	(12,055)	87,820	(12,055)	87,820
Cash and cash equivalents at beginning of year	4,736,584	56,261,063	2,905,771	35,682,349
Cash and cash equivalents at end of year	5,055,880	4,736,584	4,498,525	2,905,771
	-	-	-	-
Supplemental cash flows information				
Non-cash item				
Increase in accounts payable - purchase of machinery	4,347,930	26,211,345	3,415,293	26,056,522
Increase (decrease) in advance payments for purchase of raw materials	240,334	(240,334)	240,334	(240,334)
Increase (decrease) in advance payments for purchase of machinery	(20,176,000)	20,176,000	(20,176,000)	20,176,000

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

Interhides Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2018

1. General information

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

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

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

Company	Nature of business	Country of incorporation	Percentage of shareholding	
			2018	2017
			Percent	Percent
Inter Seat Cover Company Limited	Manufacturing and trading of leather coverings for car seats	Thailand	100	100
Inter Green Company Limited	Manufacture and distribution of hydrolyzed protein from leather scrap by industrial process	Thailand	100	100

- b) The Company is deemed to have control over investees or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investees, and it has the ability to direct the activities that affect the amount of its returns.
 - c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.
 - d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
 - e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements present investments in the subsidiaries under the cost method.

3. New financial reporting standards

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

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

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

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

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

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

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

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

Rendering of services

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

Dividends income

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

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

4.4 Inventories

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

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

4.5 Investments

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

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

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

4.6 Property, plant and equipment / Depreciation

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

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

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

Depreciation is included in determining income.

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

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

4.7 Borrowing costs

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

4.8 Intangible assets

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

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

Intangible assets with finite lives of the Company are computer software with useful live of 4 - 10 years. No amortisation is provided for computer software under installation.

4.9 Related party transactions

Related parties comprise individuals or enterprises 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 or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.10 Long-term lease

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

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

4.11 Foreign currencies

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

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

Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

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

An impairment loss is recognised in profit or loss.

4.13 Employee benefits

Short-term employee benefits

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

Post-employment benefits and other long-term employee benefits

Defined contribution plans

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

Defined benefit plans and other long-term employee benefits

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

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

Actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

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

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

4.14 Provisions

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

4.15 Income Tax

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

Current tax

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

Deferred tax

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

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

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

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

4.16 Derivatives

Forward exchange contracts

Forward exchange contracts are presented in the financial statements at fair value. Unrealised gain or loss from the forward contracts is recorded in profit or loss.

Interest rate swap contracts

The Company recognised, the net amount of interest to be received from or paid to the counterparty under an interest rate swap contracts as income/expense in profit or loss on accrual basis.

The interest rate swap contracts are presented in the financial statements at fair value. Unrealised gain or loss on interest rate swap contract is recorded in profit or loss.

4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries 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 in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises 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 categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an 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 subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and

disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follow:

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.

Fair value of financial instruments

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

Reduce of inventory cost to net realisable value

The determination of allowances for diminution in the value of inventory, requires management to make judgements and estimates. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business less the estimated costs to complete the sales; and provision for obsolete, slow-moving and deteriorated inventories that is estimated based upon aging profile of inventories, market competition and prevailing economic condition.

Property plant and equipment/Depreciation

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

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

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

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various

assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

6. Related party transactions

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

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2018	2017	2018	2017	
<u>Transactions with subsidiary companies</u>					
<i>(Eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	218	190	Cost plus margin
Management income	-	-	17	16	Contract price
Rental and service income	-	-	21	21	Contract price
Services income	-	-	20	16	Agreed price
Purchase of goods	-	-	10	16	Cost plus margin
Services expense	-	-	1	1	Agreed price
Dividend income	-	-	118	109	As declared
<u>Transactions with related companies</u>					
Sales of goods	11	15	11	15	Cost plus margin

As at 31 December 2018 and 2017, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary companies	-	-	57,894	5,692
Related company (related by common director)	1,551	1,081	1,551	1,082
Total trade and other receivables - related parties	<u>1,551</u>	<u>1,081</u>	<u>59,445</u>	<u>6,774</u>
<u>Trade and other payables - related parties</u>				
(Note 14)				
Subsidiary companies	-	-	672	8,912
Related companies (related by common director)	-	74	-	74
Total trade and other payables - related parties	<u>-</u>	<u>74</u>	<u>672</u>	<u>8,986</u>

Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2018	2017
Short-term employee benefits	20,137	20,837
Post-employment benefits	364	416
Other long-term benefits	20	18
Total	<u>20,521</u>	<u>21,271</u>

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cash	22	19	15	7
Bank deposits	5,034	4,718	4,484	2,899
Total	<u>5,056</u>	<u>4,737</u>	<u>4,499</u>	<u>2,906</u>

As at 31 December 2018, bank deposits in saving accounts carried interests between 0.04% - 0.375% per annum (2017: 0.025% - 0.375% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2018	2017	2018	2017
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	-	-	26,940	-
Past due				
Up to 1 month	1,551	313	21,452	822
1 - 2 months	-	768	-	768
Total trade accounts receivable - related parties	<u>1,551</u>	<u>1,081</u>	<u>48,392</u>	<u>1,590</u>
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	177,597	169,585	124,683	144,250
Past due				
Up to 1 month	72,608	59,411	70,669	57,728
1 - 2 months	55,203	3,094	55,203	3,094
2 - 3 months	200	34	200	34
3 - 6 months	148	16	-	-
6 - 12 months	-	4	-	4
Over 12 months	8,350	8,352	8,334	8,352
Total	<u>314,106</u>	<u>240,496</u>	<u>259,089</u>	<u>213,462</u>
Less: Allowance for doubtful accounts	<u>(8,350)</u>	<u>(8,359)</u>	<u>(8,334)</u>	<u>(8,352)</u>
Total trade accounts receivable - unrelated parties, net	<u>305,756</u>	<u>232,137</u>	<u>250,755</u>	<u>205,110</u>
Total trade accounts receivable, net	<u>307,307</u>	<u>233,218</u>	<u>299,147</u>	<u>206,700</u>
<u>Other receivables</u>				
Other receivable - related parties	-	-	11,053	5,184
Other receivable	434	109	404	109
Total	<u>434</u>	<u>109</u>	<u>11,457</u>	<u>5,293</u>
Less: Allowance for doubtful accounts	<u>(36)</u>	<u>(36)</u>	<u>(36)</u>	<u>(36)</u>
Total other receivables, net	<u>398</u>	<u>73</u>	<u>11,421</u>	<u>5,257</u>
Total trade and other receivables, net	<u><u>307,705</u></u>	<u><u>233,291</u></u>	<u><u>310,568</u></u>	<u><u>211,957</u></u>

9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	176,641	170,300	(17,836)	(16,634)	158,805	153,666
Work in process	287,414	348,955	(12,775)	(7,503)	274,639	341,452
Raw materials	145,740	150,276	(8,511)	(8,516)	137,229	141,760
Supplies	12,795	7,111	-	-	12,795	7,111
Raw materials in transit	49,195	75,420	-	-	49,195	75,420
Total	671,785	752,062	(39,122)	(32,653)	632,663	719,409

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	152,249	152,238	(14,672)	(13,418)	137,577	138,820
Work in process	264,436	331,682	(12,565)	(7,230)	251,871	324,452
Raw materials	119,384	132,074	(4,337)	(5,589)	115,047	126,485
Supplies	12,795	7,111	-	-	12,795	7,111
Raw materials in transit	49,195	75,420	-	-	49,195	75,420
Total	598,059	698,525	(31,574)	(26,237)	566,485	672,288

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 12.9 million (2017: Baht 17.9 million) (The Company only: Baht 10.2 million and 2017: Baht 15.4 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company and its subsidiaries reversed the write-down of cost of inventories by Baht 6.5 million (2017: Baht 5.7 million) (The Company only: Baht 4.9 million and 2017: Baht 3.6 million), and reduced the amount of inventories recognised as expenses during the year.

10. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company	Paid-up share capital		Percentage of shareholding		Cost		(Unit: Thousand Baht) Dividend received during the year	
	2018	2017	2018	2016	2018	2017	2018	2017
			percent	percent				
Inter Seat Cover Company Limited	20,000	20,000	100	100	20,000	20,000	117,999	108,999
Inter Green Company Limited	50,000	50,000	100	100	50,000	50,000	-	-
					<u>70,000</u>	<u>70,000</u>	<u>117,999</u>	<u>108,999</u>

11. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements									
	Land	Land improvement	Buildings and building improvement	Condominium	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	Machinery in transit	Total
Cost:										
As at 1 January 2017	677,223	37,226	765,382	3,432	1,239,530	38,188	26,890	256,313	-	3,044,184
Additions	-	-	3,408	4,294	14,350	2,894	2,798	346,143	33,074	406,961
Disposals/written-off	-	-	-	-	(7,022)	(429)	(1,510)	-	-	(8,961)
Transfers	-	-	257,805	-	144,592	2,607	2,135	(407,139)	-	-
Capitalised interest	-	-	-	-	-	-	-	3,459	-	3,459
As at 31 December 2017	677,223	37,226	1,026,595	7,726	1,391,450	43,260	30,313	198,776	33,074	3,445,643
Additions	9,152	9,028	25	1,718	13,119	2,870	5,068	442,897	16,895	500,772
Disposals/written-off	-	-	-	-	(1,419)	(755)	(2,352)	(194)	-	(4,720)
Transfers	-	-	122,751	-	324,097	810	166	(414,750)	(33,074)	-
Capitalised interest	-	-	-	-	-	-	-	3,257	-	3,257
As at 31 December 2018	686,375	46,254	1,149,371	9,444	1,727,247	46,185	33,195	229,986	16,895	3,944,952
Accumulated depreciation:										
As at 1 January 2017	-	-	438,026	26	799,583	32,158	20,801	-	-	1,290,594
Depreciation for the year	-	-	40,176	322	105,638	3,257	2,036	-	-	151,429
Depreciation on disposals/written-off	-	-	-	-	(5,117)	(311)	(454)	-	-	(5,882)
As at 31 December 2017	-	-	478,202	348	900,104	35,104	22,383	-	-	1,436,141
Depreciation for the year	-	-	54,247	437	118,592	3,000	2,814	-	-	179,090
Depreciation on disposals/written-off	-	-	-	-	(749)	(726)	(2,328)	-	-	(3,803)
As at 31 December 2018	-	-	532,449	785	1,017,947	37,378	22,869	-	-	1,611,428
Net book value:										
As at 31 December 2017	677,223	37,226	548,393	7,378	491,346	8,156	7,930	198,776	33,074	2,009,502
As at 31 December 2018	686,375	46,254	616,922	8,659	709,300	8,807	10,326	229,986	16,895	2,333,524
Depreciation for the year:										
2017 (Baht 145 million included in manufacturing cost, and the balance in administrative expenses)										151,429
2018 (Baht 172 million included in manufacturing cost, and the balance in administrative expenses)										179,090

(Unit: Thousand Baht)

	Separate financial statements									
	Land	Land improvement	Buildings and building improvement	Condominium	Machinery and equipment	Furniture, fixture and office equipment	Motor vehicles	Assets under installation and construction	Machinery in transit	Total
Cost:										
As at 1 January 2017	672,435	37,226	761,879	3,432	1,167,233	37,386	26,890	230,979	-	2,937,460
Additions	-	-	-	4,294	12,263	2,890	2,798	344,778	33,074	400,097
Disposals/written-off	-	-	-	-	(7,021)	(429)	(1,510)	-	-	(8,960)
Transfers	-	-	256,012	-	144,592	2,607	2,135	(405,346)	-	-
Capitalised interest	-	-	-	-	-	-	-	3,459	-	3,459
As at 31 December 2017	672,435	37,226	1,017,891	7,726	1,317,067	42,454	30,313	173,870	33,074	3,332,056
Additions	9,152	9,029	25	1,718	11,249	2,866	5,068	440,977	16,175	496,259
Disposals/written-off	-	-	-	-	(1,419)	(755)	(2,352)	(194)	-	(4,720)
Transfers	-	-	122,751	-	320,838	810	166	(411,491)	(33,074)	-
Capitalised interest	-	-	-	-	-	-	-	3,257	-	3,257
As at 31 December 2018	681,587	46,255	1,140,667	9,444	1,647,735	45,375	33,195	206,419	16,175	3,826,852
Accumulated depreciation:										
As at 1 January 2017	-	-	437,755	26	752,431	31,926	20,801	-	-	1,242,939
Depreciation for the year	-	-	38,148	322	99,536	3,124	2,036	-	-	143,166
Depreciation on disposals/written-off	-	-	-	-	(5,117)	(311)	(454)	-	-	(5,882)
As at 31 December 2017	-	-	475,903	348	846,850	34,739	22,383	-	-	1,380,223
Depreciation for the year	-	-	52,289	437	112,399	2,882	2,814	-	-	170,821
Depreciation on disposals/written-off	-	-	-	-	(749)	(726)	(2,328)	-	-	(3,803)
As at 31 December 2018	-	-	528,192	785	958,500	36,895	22,869	-	-	1,547,241
Net book value:										
As at 31 December 2017	672,435	37,226	541,988	7,378	470,217	7,715	7,930	173,870	33,074	1,951,833
As at 31 December 2018	681,587	46,255	612,475	8,659	689,235	8,480	10,326	206,419	16,175	2,279,611
Depreciation for the year:										
2017 (Baht 137 million included in manufacturing cost, and the balance in administrative expenses)										143,166
2018 (Baht 164 million included in manufacturing cost, and the balance in administrative expenses)										170,821

As at 31 December 2018, the Company had an outstanding balance of a building and building improvements under construction amounting to Baht 130 million (2017: Baht 44 million). Construction of the building has been financed with loans from several financial institutions. Borrowing costs amounting to Baht 3.3 million were capitalised during the year ended 31 December 2018 (2017: Baht 3.5 million). The weighted average rate of 2.14% - 2.67% (2017: 2.47% - 4.00%) has been used to determine the amount of borrowing costs eligible for capitalisation.

As at 31 December 2018, the Company had machinery and motor vehicles with net book values of Baht 5 million (2017: Baht 7 million) which were acquired under finance lease agreements.

As at 31 December 2018, certain items of plant and equipment were fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 758 million (2017: Baht 705 million).

The Company has pledged its property, plant and equipment amounting to approximately Baht 784 million (2017: Baht 704 million) as collateral against credit facilities which the Company and its subsidiary received from financial institutions.

12. Intangible assets

Intangible asset of the Company and its subsidiaries are details as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	Computer software	Computer under installation	Total	Computer software	Computer under installation	Total
As at 31 December 2018:						
Cost	11,451	15,341	26,792	11,124	15,341	26,465
Less: Accumulated amortisation	(8,765)	-	(8,765)	(8,585)	-	(8,585)
Net book value	<u>2,686</u>	<u>15,341</u>	<u>18,027</u>	<u>2,539</u>	<u>15,341</u>	<u>17,880</u>
As at 31 December 2017:						
Cost	11,393	9,119	20,512	11,066	9,119	20,185
Less: Accumulated amortisation	(7,853)	-	(7,853)	(7,707)	-	(7,707)
Net book value	<u>3,540</u>	<u>9,119</u>	<u>12,659</u>	<u>3,359</u>	<u>9,119</u>	<u>12,478</u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements						Separate financial statements					
	Computer software		Computer software under installation		Total		Computer software		Computer software under installation		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net book value at beginning of year	3,540	3,004	9,119	1,819	12,659	4,823	3,359	2,790	9,119	1,819	12,478	4,609
Acquisition of computer software	59	1,459	6,222	7,300	6,281	8,754	59	1,459	6,222	7,300	6,281	8,759
Amortisation	(93)	(923)	-	-	(913)	(923)	(879)	(890)	-	-	(879)	(890)
Net book value at end of year	2,686	3,540	15,341	9,119	18,027	12,659	2,539	3,359	15,341	9,119	17,880	12,478

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

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017	2018	2017
Bank overdrafts	7.12	-	19	-	-	-
Promissory notes	2.35 - 2.73	2.49 - 2.62	684,700	501,900	684,700	501,900
Total bank overdrafts and short-term loans from financial institutions			684,719	501,900	684,700	501,900
Trust receipts	0.50 - 2.12	0.60 - 2.40	298,662	182,167	298,662	182,167

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

14. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Trade accounts payable - related parties	-	60	672	8,972
Trade accounts payable	207,084	326,431	172,134	312,886
Other payable - related party	-	14	-	14
Other payable	37,118	27,049	34,068	25,160
Accounts payable - purchase of machinery	39,967	35,619	38,880	35,465
Accrued expenses	16,526	16,426	15,363	15,083
Total trade and other payables	<u>300,695</u>	<u>405,599</u>	<u>261,117</u>	<u>397,580</u>

15. Liabilities under finance lease agreements

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2018	2017
Liabilities under finance lease agreements	6,725	9,236
Less: Deferred interest expenses	(321)	(592)
Total	6,404	8,644
Less: Portion due within one year	(2,258)	(2,195)
Liabilities under finance lease agreements - net of current portion	<u>4,146</u>	<u>6,449</u>

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

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

(Unit: Thousand Baht)

	As at 31 December 2018		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	2,446	4,279	6,725
Deferred interest expenses	(188)	(133)	(321)
Present value of future minimum lease payments	<u>2,258</u>	<u>4,146</u>	<u>6,404</u>

(Unit: Thousand Baht)

	As at 31 December 2017		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	2,463	6,773	9,236
Deferred interest expenses	(268)	(324)	(592)
Present value of future minimum lease payments	<u>2,195</u>	<u>6,449</u>	<u>8,644</u>

16. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated/ Separate financial statements	
			2018	2017
1	THBFIX1M+1.88 for first 3 years and MLR - 2 for years 4 to 5	Monthly installments as from June 2016	83,620	143,620
2	MLR - 2.25 for first 3 years and MLR - 2 for years 4 to 5	Monthly installments as from July 2016	52,569	94,569
3	MLR - 2.50 for the period 1 to 36 and MLR - 2.25 for the period 37 to 52	Monthly installments as from December 2017	74,910	98,070
4	3.65% per annum	Monthly installments as from November 2017	-	97,495
5	MLR - 3.00 for the period 1 to 36	Monthly installments as from July 2018	124,400	-
6	THBFIX6M+1.58% for the period 1 to 36	Monthly installments as from September 2018	83,320	-
Total			418,819	433,754
Less: Current portion			(205,320)	(175,164)
Long-term loans, net of current portion			<u>213,499</u>	<u>258,590</u>

Movement of the long-term loan account during the year ended 31 December 2018 are summarised below:

	(Unit: Thousand Baht) Consolidated /Separate financial statements
Balance as at 1 January 2018	433,574
Add: Additional borrowings	240,000
Less: Repayment	(254,935)
Balance as at 31 December 2018	<u>418,819</u>

Certain loans are secured by the mortgage of certain land with structures of the Company and the remaining loans are not collateralised.

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

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which are compensation payable to employee after they retire and other long-term employee benefits as detailed below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Post-employment benefits	13,492	12,253	12,165	11,088
Other long-term employee benefits	4,909	4,519	4,143	3,837
Total	<u>18,401</u>	<u>16,772</u>	<u>16,308</u>	<u>14,925</u>

17.1 Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Provision for long-term employee benefits				
at beginning of year	12,253	13,366	11,088	11,859
Included in profit or loss:				
Current service cost	1,201	1,082	1,070	956
Interest cost	312	335	280	308
Included in other comprehensive income:				
Actuarial loss (gain)				
Demographic assumptions changes	-	(736)	-	(522)
Financial assumptions changes	-	112	-	60
Experience adjustments	-	(1,220)	-	(887)
Benefits paid during the year	(273)	(686)	(273)	(686)
Provision for long-term employee benefits at end of year	13,493	12,253	12,165	11,088

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Cost of sales	1,106	1,037	944	884
Selling and administrative expenses	407	380	406	380
Total expenses recognised in profit or loss	1,513	1,417	1,350	1,264

The Company and its subsidiaries expect to pay Baht 1.7 million of long-term employee benefits during the next year (Separate financial statements: Baht 1.5 million) (2017: Baht 3.7 million, separate financial statements: Baht 3.7 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit of the Company and its subsidiaries are 12 years and 9 years, respectively (2017: 12 years and 9 years, respectively).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.7 and 3.1	2.7 and 3.1	3.1	3.1
Salary increase rate (depending on employee type)	3.4 - 4.5	3.4 - 4.5	3.4 - 4.5	3.4 - 4.5

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation are summarised below:

(Unit: Thousand Baht)

	As at 31 December 2018			
	Consolidated financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(310)	(603)	329	677
Salary increase rate	420	862	(399)	(777)

(Unit: Thousand Baht)

	As at 31 December 2018			
	Separate financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(273)	(530)	289	596
Salary increase rate	368	756	(349)	(680)

(Unit: Thousand Baht)

	As at 31 December 2017			
	Consolidated financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(313)	(610)	330	679
Salary increase rate	384	786	(367)	(719)

(Unit: Thousand Baht)

	As at 31 December 2017			
	Separate financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(275)	(536)	290	597
Salary increase rate	339	693	(324)	(634)

17.2 Provision for other long-term employee benefits, namely long service awards was as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Provision for long-term employee benefits				
at beginning of year	4,519	3,762	3,837	2,990
Included in profit or loss:				
Current service cost	667	682	596	645
Interest cost	86	92	73	77
Actuarial loss (gain)				
Demographic assumptions changes	-	(46)	-	(28)
Financial assumptions changes	-	68	-	55
Experience adjustments	-	357	-	440
Benefits paid during the year	(363)	(396)	(363)	(342)
Provision for long-term employee benefits				
at end of year	<u>4,909</u>	<u>4,519</u>	<u>4,143</u>	<u>3,837</u>

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 1.9 million (The Company only: Baht 1.7 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

18. Share capital / Share premium

As at 31 December 2018, the Company's issued and fully paid share capital has increased from Baht 509,090,371 (509,090,371 ordinary shares with a par value of Baht 1 each) to Baht 553,519,920 (553,519,920 ordinary shares with a par value of Baht 1 each) as a result of the exercises of the warrants (IHL-W1) to ordinary shares amounting to Baht 44,429,549 (44,429,549 ordinary shares with a value of Baht 1 each), resulting in an increase in total share premium to Baht 370,388,628.

The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 3 April 2018 and 2 October 2018.

19. Warrants

The Extraordinary General Meeting of the Company's Shareholders held on 19 September 2016 passed a resolution to approve the issue of the warrants (IHL-W1) to the Company's existing shareholders on a pro rata basis to their respective shareholdings (Rights Offering), without charge, at an allocation ratio of 1 warrant for every 4 existing ordinary shares. The term of the IHL-W1 warrants is 3 years from the issue date, the exercise ratio is 1 warrant for 1 ordinary share and the exercise price is Baht 3.50 per share, with exercise dates every six months. (The first exercise is on 31 March 2017).

The balances of warrants (IHL-W1) are detailed as follows:

	<u>2018</u>	<u>2017</u>
Balance as at beginning of year	85,907,116	104,999,374
Exercise warrants	<u>(44,429,549)</u>	<u>(19,092,258)</u>
Balance as at end of year	<u>41,477,567</u>	<u>85,907,116</u>

20. Statutory reserve

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

21. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salaries and wages and other employee benefits	289,599	234,450	270,541	220,583
Depreciation	179,090	151,429	170,821	143,166
Amortisation expenses	913	923	879	890
Utility expenses	79,473	66,734	79,084	66,380
Rental expenses from operating lease agreements	10,058	8,416	9,748	8,416
Raw materials and consumables used	1,176,815	1,120,516	1,070,130	1,047,930
Changes in inventories of finished goods and work in process	(55,200)	24,357	(67,235)	15,015
Changes in the reduction of inventory cost to net realisable value	6,469	12,167	5,337	11,849

22. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Current income tax:				
Current income tax charge	44,830	41,862	44,358	41,862
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,452)	(2,623)	(1,319)	(2,616)
Income tax expense reported in the statement of comprehensive income	43,378	39,239	43,039	39,246

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Deferred tax on actuarial gain	-	246	-	245

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Accounting profit before tax	336,140	328,618	371,974	367,298
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by				
income tax rate	67,228	65,724	74,395	73,460
Unrecognised tax losses as deferred tax assets	2,142	1,720	-	-
Utilisation of previously unrecognised tax losses	-	(4,346)	-	(4,346)
Effects of:				
Dividend income allowed to excluded in tax calculation	-	-	(23,600)	(21,800)
Promotional privileges	(22,773)	(21,579)	(5,241)	(6,135)
Non-deductible expenses	453	861	432	966
Additional expense deductions allowed	(3,672)	(3,122)	(2,947)	(2,888)
Others	-	(19)	-	(11)
Total	(25,992)	(23,859)	(31,356)	(29,868)
Income tax expenses reported in the statement of comprehensive income	43,378	39,239	43,039	39,246

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)			
	Statements of financial position			
	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Deferred tax assets				
Allowance for diminution in value of inventories	7,825	6,530	6,315	5,247
Provision for long-term employee benefits	3,160	3,003	3,151	2,900
Total	10,985	9,533	9,466	8,147

As at 31 December 2018, the Group have unused tax losses totaling Baht 23 million (2017: Baht 12 million), on which deferred tax assets have not been recognised as the management believe future taxable profits may not be sufficient to allow utilisation of the unused tax losses.

The unused tax losses will expire by 2021 to 2023 (2017: year 2021 and 2022).

23. Promotional privileges

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

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

The Company and its subsidiaries's operating revenues for the years ended 31 December 2018 and 2017, divided between promoted and non-promoted operation, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2018	2017	2018	2017	2018	2017
Sales and services income						
Domestic	496,765	442,548	550,758	600,306	1,047,523	1,042,854
Export	43,790	11,963	1,298,866	1,074,938	1,342,656	1,086,901
Total sales and services income	<u>540,555</u>	<u>454,511</u>	<u>1,849,624</u>	<u>1,675,244</u>	<u>2,390,179</u>	<u>2,129,755</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2018	2017	2018	2017	2018	2017
Sales and services income						
Domestic	152,061	164,968	636,233	647,960	788,294	812,928
Export	43,790	11,963	1,298,866	1,074,938	1,342,656	1,086,901
Total sales and services income	<u>195,851</u>	<u>176,931</u>	<u>1,935,099</u>	<u>1,722,898</u>	<u>2,130,950</u>	<u>1,899,829</u>

24. Earnings per share

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

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares.

The following table sets forth the computation of basic and diluted earnings per share for year 2018 and 2017:

Consolidated financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
2018	2017	2018	2017	2018	2017	
(Thousand Baht)	(Thousand Baht)	Thousand shares)	Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit for the year	292,762	289,379	541,097	497,764	0.54	0.58
Effect of dilutive potential ordinary shares						
Warrants (IHL-W1)	-	-	35,564	61,643		
Diluted earnings per share						
Profit attributable to equity of the Company holders assuming the conversion of warrants to ordinary shares	292,762	289,379	576,661	559,407	0.51	0.52
Separate financial statements						
Profit for the year		Weighted average number of ordinary shares		Earnings per share		
2018	2017	2018	2017	2018	2017	
(Thousand Baht)	(Thousand Baht)	Thousand shares)	Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit for the year	328,935	328,052	541,097	497,764	0.61	0.66
Effect of dilutive potential ordinary shares						
Warrants (IHL-W1)	-	-	35,564	61,643		
Diluted earnings per share						
Profit attributable to equity of the Company holders assuming the conversion of warrants to ordinary shares	328,935	328,052	576,661	559,407	0.57	0.59

25. Segment information

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

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

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

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

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

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

The following table presents revenue and profit information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2018 and 2017.

(Unit: Million Baht)

	For the year ended 31 December									
	Manufacturing and distribution of leather and other products		Services		Manufacturing and distribution of protein		Adjustments and eliminations		Consolidated	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues from external customers	1,535	1,540	852	587	3	3	-	-	2,390	2,130
Inter-segment revenues	-	-	1	1	9	16	(10)	(17)	-	-
Total revenue	<u>1,535</u>	<u>1,540</u>	<u>853</u>	<u>588</u>	<u>12</u>	<u>19</u>	<u>(10)</u>	<u>(17)</u>	<u>2,390</u>	<u>2,130</u>
Segment operating gross profit (loss)	349	312	161	154	(6)	(3)	12	12	516	475
Unallocated income (expenses):										
Gain on exchange									10	24
Other income									4	13
Selling and distribution expenses									(29)	(36)
Administrative expenses									(131)	(116)
Finance cost									(34)	(32)
Profit before income tax									<u>336</u>	<u>328</u>
Income tax									<u>(43)</u>	<u>(39)</u>
Profit for the year									<u><u>293</u></u>	<u><u>289</u></u>

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

Geographic information

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

(Unit: Million Baht)

	<u>2018</u>	<u>2017</u>
Revenue from external customers		
Thailand	1,091	1,043
England	46	49
China	369	319
India	2	1
Indonesia	77	48
Malaysia	20	1
Philippines	51	44
Japan	273	379
Hong Kong	461	246
Total	<u><u>2,390</u></u>	<u><u>2,130</u></u>

Major customers

For the year 2018, the Company and its subsidiaries have revenue from 3 major customers in amount of Baht 1,100 million, consisting of one major customer in amount of Baht 270 million, arising from sales by the manufacturing and distribution of leather and other products segment and two major customers in amount of Baht 830 million, arising from services segment (2017: Baht 1,165 million, consisting of two major customers in amount of Baht 600 million, arising from sales by the manufacturing and distribution of leather and other products segment and two major customer in amount of Baht 565 million, arising from services segment).

26. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by CIMB-Principal Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to Baht 0.7 million. (2017: Baht 0.6 million)

27. Dividend

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividend for 2016	Annual General Meeting of the shareholders on 24 April 2017	74,343	0.15
Interim dividend for 2017	Extraordinary General Meeting of the shareholders on 10 August 2017	89,212	0.18
Total for 2017		<u>163,555</u>	
Final dividend for 2017	Annual General Meeting of the shareholders on 24 April 2018	176,323	0.32
Interim dividend for 2018	Board of Director's meeting of the Company held on 14 August 2018	110,202	0.20
Total for 2018		<u>286,525</u>	

28. Commitments and contingent liabilities

28.1 Operating lease and service commitments

The Company has entered into several lease agreements in respect of the lease of equipment and motor vehicle and service agreements. The terms of the agreements are generally 1 - 4 years. These agreements are non-cancellable.

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

	(Unit: Million Baht)	
	As at 31 December	
	2018	2017
Payable:		
In up to 1 year	16	6
In over 1 and up to 4 years	12	1

28.2 Capital commitments

As at 31 December 2018, the Company had capital commitment of approximately Baht 13.8 million, Euro 0.1 million and CNY 0.2 million (2017: Baht 8 million, Euro 1 million and USD 0.1 million) relating to construction of factory building and purchase of machinery.

28.3 Purchase of raw material commitments

As at 31 December 2018, the Company had commitments of approximately USD 0.7 million and Euro 0.1 million (2017: USD 2.9 million and Euro 0.2 million) relating to purchase of raw materials.

28.4 Bank guarantees

As at 31 December 2018, there were outstanding bank guarantees of Baht 20 million (2017: Baht 16 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 4 million (2017: Baht 4 million) to guarantee payments due to government agencies, Baht 11 million (2017: Baht 11 million) to guarantee electricity use, Baht 1 million to guarantee natural gas use and Baht 4 million (2017: Baht 1 million) to guarantee for purchase of inventory.

29. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were measured at fair value or disclosed fair value using different levels of inputs as follows:

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2018	2017
	Level 2	Level 2
Assets measured at fair value		
Current investment		
Investment in unit trust in open-ended fund - debt instrument	17,120	11,701
Derivatives		
Forward exchange contracts	-	320
Liabilities measured at fair value		
Derivatives		
Interest rate swap contract	1,189	943
Forward exchange contracts	661	-

	(Unit: Thousand Baht)	
	Separate financial statements	
	2018	2017
	Level 2	Level 2
Assets measured at fair value		
Derivatives		
Forward exchange contracts	-	320
Liabilities measured at fair value		
Derivatives		
Interest rate swap contract	1,189	943
Forward exchange contracts	661	-

The method and assumptions used in estimating the fair value of financial instruments are as follows:

- a) The fair value of investment in unit trust in open-ended fund has been determined by using the net asset value as published by asset management company.
- b) The fair value of derivatives has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves.

During the current year, there were no transfers within the fair value hierarchy.

30. Financial instruments

30.1 Financial risk management

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

Credit risk

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

Interest rate risk

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

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

(Unit: Million Baht)

Consolidated financial statements							
As at 31 December 2018							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	1	4	5	0.04 - 0.375
Current investment	-	-	-	-	17	17	-
Trade and other receivables	-	-	-	-	308	308	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term							
loans from financial institutions	685	-	-	-	-	685	2.35 - 7.12
Trust receipts	299	-	-	-	-	299	0.50 - 2.12
Trade and other payables	-	-	-	-	301	301	-
Liabilities under finance lease							
agreements	2	4	-	-	-	6	2.15
Long-term loans	47	78	-	294	-	419	3.75 - 4.25

(Unit: Million Baht)

Consolidated financial statements

As at 31 December 2017

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	1	4	5	0.025 - 0.375
Current investment	-	-	-	-	12	12	-
Trade and other receivables	-	-	-	-	233	233	-
<u>Financial liabilities</u>							
Short-term loans from financial institutions							
	502	-	-	-	-	502	2.49 - 2.62
Trust receipts	182	-	-	-	-	182	0.60 - 2.40
Trade and other payables	-	-	-	-	406	406	-
Liabilities under finance lease agreements							
	2	7	-	-	-	9	2.15
Long-term loans	50	48	-	336	-	434	3.65 - 4.35

(Unit: Million Baht)

Separate financial statements

As at 31 December 2018

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	1	4	5	0.04 - 0.05
Trade and other receivables	-	-	-	-	311	311	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term loans from financial institutions							
	685	-	-	-	-	685	2.35 - 7.12
Trust receipts	299	-	-	-	-	299	0.50 - 2.12
Trade and other payables	-	-	-	-	261	261	-
Liabilities under finance lease agreements							
	2	4	-	-	-	6	2.15
Long-term loans	47	78	-	294	-	419	3.75 - 4.25

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2017							
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	Within 1 year	1 - 5 years	Over 5 years				
<u>Financial assets</u>							
Cash and cash equivalents	-	-	-	1	2	3	0.025 - 0.10
Trade and other receivables	-	-	-	-	212	212	-
<u>Financial liabilities</u>							
Short-term loans from financial institutions							
	502	-	-	-	-	502	2.49 - 2.62
Trust receipts	182	-	-	-	-	182	0.60 - 2.40
Trade and other payables	-	-	-	-	398	398	-
Liabilities under finance lease agreements							
	2	7	-	-	-	9	2.15
Long-term loans	50	48	-	336	-	434	3.65 - 4.35

As at 31 December 2018, the Company has an outstanding balance of interest rate swap agreement with a local bank of Baht 124 million (2017: Baht 144 million), to swap a floating interest rate on the loan to a fixed interest rate of 4.05 percent per annum. The notional amount of the contract will gradually come due until August 2021 in accordance with the related long-term loan repayment schedule.

Foreign currency risk

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

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

Foreign currency	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	6	5	4	8	32.45	32.68
Euro	-	-	1	3	37.13	39.03
Chinese Yuan	-	-	4	-	4.72	-

Foreign exchange contracts outstanding are summarised below.

31 December 2018					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	5	5	32.17 - 33.01	32.36 - 33.03	25 January - 3 July 2019
Euro	2	-	37.53 - 38.37	-	4 January - 2 July 2019

31 December 2017					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
	(Million)	(Million)	(Baht per 1 foreign currency unit)		
US dollar	1	2	32.42 - 33.91	32.45 - 32.65	19 January - 5 July 2018
Euro	1	-	38.73 - 39.28	-	22 May - 15 June 2018

30.2 Fair value of financial instruments

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

31. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Group's debt-to-equity ratio was 1.08:1 (2017: 1.08:1) and the Company's was 1.07:1 (2017: 1.12:1).

32. Events after the reporting period

On 26 February 2019, the Company's Board of Directors meeting passed a resolution to propose the payment of annual dividend at the rate of Baht 0.50 per share. The Company has been paid the interim dividend at the rate of Baht 0.20 per share in September 2018. Therefore, the remaining dividend will be paid to shareholders is Baht 0.30 per share, which will be paid in May 2019 and will be proposed for approval at the 2019 Annual General meeting of the shareholders.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2019.

17. Reference

Share Registrar Thailand Securities Depository Co., Ltd. (TSD)
Location 93 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand.
Telephone (662) 009 - 9000
Fax (662) 009 - 9991
E-mail SETContactCenter@Set.or.th
Website www.set.or.th/tsd

Auditor EY Office Limited
Mrs.Chonlaros Suntiasvaraporn
Certified Public Accountant No.4523 And / or
Miss Watoo Kayankannavee
Certified Public Accountant No 5423 And / or
Miss Siraporn Ouaanunkun
Certified Public Accountant No 3844
Location 33rd Floor, Lake Ratchada Building
193/136 - 137 New Ratchadapisek Road
Telephone (662) 264-9090
Fax (662) 264-0789-90

18. Investor Information

Initials	IHL (Listed on the Stock Exchange of Thailand.)		
Company's Registration Number	0107548000595		
Nature of Business	Producing and distributing leather covering for car seats and other related products		
Website	www.interhides.com		
Year of establishment	2005		
First day of trading In the stock market	December 22,2005		
Headquarter	678 Soi T.J.C. Sukhumvit Rd. Bangpoomai, Muang, Samutprakarn 10280		
Telephone	(662) 028-9728-37		
Fax	(662) 028-9738-39		
Register Capital	Baht 594,998,274		
Paid-up Capital	Baht 553,519,920		
Par value	par value of Baht 1		
Preferred stock	-		
Accounting period	January 1 - December 31		
Shareholders	At present, the major shareholders is Mr. Ongart Thumrongsakunvong and Ms.Chutima Busayapoka's group.		
Company secretary		Investor Relations	
Telephone	(662) 028-9728-37	Telephone	(662) 028-9728-37
Fax	(662) 028-9738-39	Fax	(662) 028-9738-39
E-mail	Companysecretary@Interhides.com	E-mail	Companysecretary@Interhides.com