

2019

ANNUAL REPORT



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1. Financial Highlight

		2019	2018	2017
Result of Operation				
Sales and Service Revenue	Million Baht	1,553	2,390	2,130
Gross Profit	Million Baht	356	516	475
Selling and Administrative Expense	Million Baht	182	161	151
EBITDA	Million Baht	413	545	513
Profit for the year	Million Baht	142	293	289
Financial Position				
Total Assets	Million Baht	3,771	3,394	3,048
Total Liabilities	Million Baht	2,127	1,764	1,580
Shareholders' Equity	Million Baht	1,644	1,630	1,468
Financial Ratio				
Gross Profit Margin	%	22.92	21.59	22.31
EBITDA Margin	%	26.59	22.81	24.10
Net Profit Margin	%	9.13	12.25	13.59
ROA	%	3.96	9.09	10.00
ROE	%	8.66	18.90	21.11
Debt to Equity Ratio	Times	1.29	1.08	1.08
Net Debt to EBITDA	Times	5.15	3.24	3.08
Debt Service Coverage Ratio	Times	1.17	2.26	2.45
Interest Service Coverage Ratio	Times	8.47	16.17	15.88
Shares or Information about Common Shares				
Number of Outstanding Shares	Million Shares	592.8	553.5	509.1
Book Value	Baht/share	2.85	3.01	2.95
Basic Earnings per share	Baht/share	0.25	0.54	0.58
Diluted Earnings per share	Baht/share	0.24	0.51	0.52
Dividend per share ⁽¹⁾	Baht/share	0.25	0.50	0.50
Dividend Payout Ratio on profit for the year	%	100.00	92.59	86.21
Market Price (at Year End)	Baht/share	3.68	7.75	10.10

Remark : ⁽¹⁾ The Board of Directors resolved to propose the annual general meeting of shareholders on April 20, 2020 to approve the dividend distribution for the year 2019 at Baht 0.25 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	: 592,805,637 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

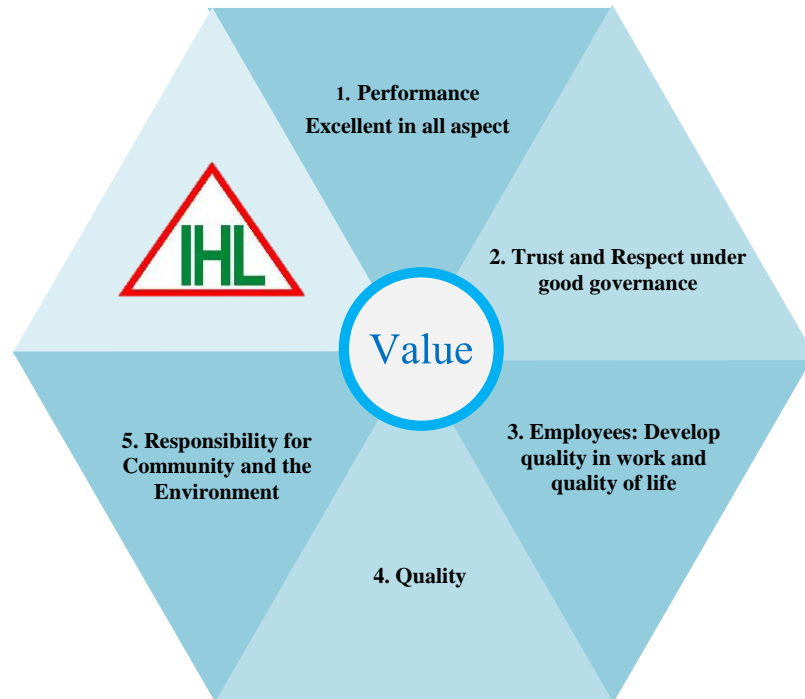
Company's name in Thai	: บริษัท อินเตอร์ซีท คัฟเวอร์ จำกัด (ISC)
Company's name in English	: Interseat Cover Company Limited (ISC)
Nature of Business	: Producing and distributing trim covering for car seats, steering wheel and gear knob
Location	: 999 Soi T.J.C. Sukhumvit Rd. Tambon Bangpoomai Amphoe 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 regulary. 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

In the past year the Thai economy, as well as the global economy, has faced crisis from many aspects, whether it is a trade war between the USA and China, or the growth of alternative material. However, the company has been constantly developing new product, and has been continuously developing and increasing the productivity of the company to increase profitability. The company has noticed the importance of reducing risk of the business. Which result in developing new product to enter new emerging market. Thus, the company has hoped that the proportion of leather shoes will gradually increase and becomes another core income of the company in the near future.

In the year 2562, the company began entering the footwear industry, by focusing on chrome free leather, which one of the strengths of the company, since the company has the capability to produce leather from start to finish. The available product that meet the customer's needs. Many brands wish to use materials that come from environmentally friendly processes by our company, LWG Gold standard and the winner of Tannery of the year 2018 award, thus ensuring that our customers trust in the company. The company expects that this year will be the starting point for producing leather for shoes for many brands of customers.

The automotive industry still is the main revenue of the company. Even if the vehicle was produced in the last year was reduced from the year before, but the order for leather seat has not seen the same effect. However, the company expects that this year the automobile industry remains poised due to the economic conditions of this year making the spending of customers to be more cautious.

The company continues to develop products and services that can respond to customers' needs continuously. Innovative technology has been introduced to increase productivity and reduce costs at the same time, as well as focus on the company's business in strict compliance with the corporate social and environmental responsibilities in the past year. The company has begun to use solar energy system and automatic production system, which can help reduce production cost and carbon footprint.

Our commitment to continuous product development. The company has received a good response from current and new customers. Impact on creating opportunities for business expansion

The group's main revenue is from the automotive and service industry, where footwear is new business the company which to become relevant in the near future.

Protein business, which is produced from industrial by-product, which is considered as industrial waste. That can be utilized in various industries. Both tanning and agricultural industries, etc. In the protein business the company has released “Grow Plus” products for plants which target the agriculture market. This product is an innovation for Thai agriculture industry.

The company strives and develops in the way we manufacture products on all products that will not cause industrial waste. Since most of the tanning industry produces many hazardous wastes, it is important to become an environmental leader for the tanning industry, having continuously invest in the reduction of industrial waste.

In the name of the company, we thank you our customers, shareholders, employees, financial institutions and manufacturers of raw materials and products that contribute to the sustainable business growth and create a warm family that is always environmentally conscious.

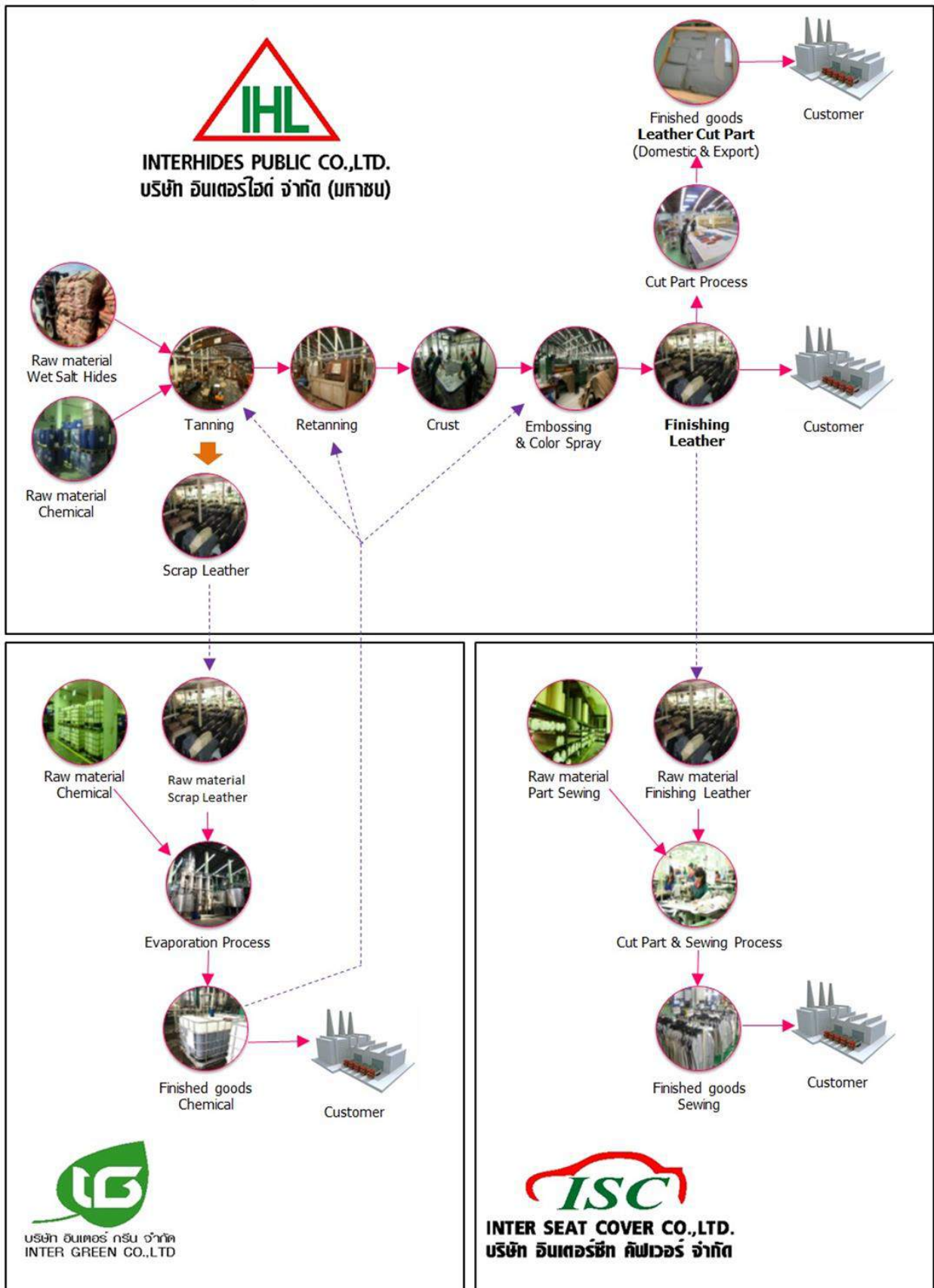


(Mr. Ongart Thumrongsakunvong)

Chairman

5. Structure of business

Business Connection



The Interhides Public Company Limited group is managed business in the production and distribution and leather for car seats, trim cover, gear knob and steering wheel, cut parts, furniture, safety shoe using cow leather, buffalo leather and pig leather through tanning, dyeing, cutting or sewing into products using modern machines and new product of IHL such as Protein.

The main production lines of the company can be summarized as follows



Non-Auto

1. Tanning Service

The company has been doing tanning business for more than 70 years, therefore has experience and expertise including the modern machines for the production of wet blue leather by imported raw materials from customers to produce according to requirements.



Picture 1: Tanning Service

2. Wet Blue

The company see the opportunity to expand the business of selling wet blue leather to China. Because the Chinese government has an environment policy, therefore reducing the tannery in China and India must import wet blue leather because need a lot.



Picture 2: Wet Blue

3. Leather

The leather is raw leather that has been tanned dyed coloring and compressed. It will look soft, smooth, colorful and the leather has the thickness as needed ready to be using for sewing for car seats, steering wheel, gear knob, shoe and furniture including spray painting service. In which the company import material form customer and produce according to requirements.



Picture 3: Leather

4. Cut Parts

Adding value to the leather products by cutting the leather into cut parts according to the pattern or drawing that the customer require. Most of them are assembly parts for trim cover, steering wheel, gear knob and door panel.



Picture 4: Cut Parts

5. Trim Cover

Trim Cover is a develop of the product by cutting the cut parts and sewing and forming to trim cover. The company design form as the customer require. The company attention to details, quality and pattern that the customer required.



Picture 5: Trim Cover

6. Steering Wheel & Gear Knob

Steering Wheel & Gear Knob is a device that uses leather as component. The company has the ability to produce leather for steering wheel and gear knob. Including the ability to sewing and produce steering wheel and gear knob. Mostly, they're producing by another manufacturing operator.



Picture 6: Steering Wheel & Gear Knob

7. Lining Leather

The Company's lining leather is free chromium and metal. Therefore, good for the environment and the wearer, can produce many colors as customer require with modern technology and attention to details.



Picture 7: Lining Leather

8. Safety Shoe

Safety Shoes increase the value of leather left over from the sewing process of produce. By bringing to develop a safety shoes and the feature of trim cover make the safety shoe durable, strong, beautiful and reduce waste and develop into new product with a beautiful and modern style and consider safety as Thai Industrial Standard no. 523-2554



Picture 8: Safety Shoe

9. Protein Product

The company see the problem of using scrap leather that have chromium as the main component. Which is an important issue of many tannery. The company has research and develop by using scraps leather from production extract into proteins for instead of using chemicals and reduce waste.



Picture 9: Protein Product

The company is certified to international standards IATF 16949:2016 from TUV Rheinland Group, Germany. As an organization that manage the business of manufacturing and selling leather products. Under the management of quality systems that are correct, in accordance with the requirements in the automotive industry quality management system in accordance with international standards IATF 16949:2016. Therefore, the company has sufficient potential to truly meet the needs of customers. The standard is considered the most modern and best standard for the automotive industry.

Other than Institutions in the international tanning leather industry group or Leather Working Group (LWG) Presented the Silver Rated certificate in 2014 and presented the Gold Rated certificate in 2016 - present. It is a symbol of excellence in sustainable environmental management that promotes environmentally friendly products. Meet the requirements of the rating criteria. And in March 2018, the company received the Innovative Entrepreneur of the Year Award (The Award of Innovation of the Year 2018) for business of the protein too.

The structure of company's business is contract manufacturing and made to order from customer. The company can produce to customer require about quality, feature or specialized products such as Anti-Stain Leather and Chrome Free Leather. Accepted, the company can accept production of all forms and all needs by developing products together with customers related to the automotive industry, furniture and others.

For automotive industry, the car maker as well as customers in other industries will determine which company will produce genuine leather for the product or use with cars in model life. The company must offer competitive prices with other operators. Including quality

assurance in order to meet the standards of customers and car makers. The production capacity must be able to support the volume of orders and the duration of each product or model life.

After being chosen by the car maker or the customer, the company will start the business development alongside the car maker and seat maker and first tier original equipment manufacturer or 1st Tier OEM until the time the car is sold in the market. And the market, the period of time that such cars are produced and sold the company will receive an order. Production estimate and various information this is a close collaboration with First Tier original equipment manufacturer or 1st Tier OEM. The company therefore has the status of being a Second Tier Original Equipment manufacturer or 2nd Tier OEM.

Normally, car makers combine car production from many countries during the bidding period, so if the company is chosen to be the manufacturer of genuine leather for cars. The company will be able to export genuine leather products for that car model to seat maker in foreign country

The Customer and target group

1. Automotive Industry

1.1 Domestic Customer

The company was selected directly from the car maker that the company is able to produce leather for car seats and deliver the products to the car seat maker and cut parts for car or 1st Tier OEM, which is considered the main customer in the country. Customers can use the products of the company for sell in the country as well as being able to export internationally as component knock-down. So, the company has a main customer car seat maker and cut parts maker and has indirect customer are car makers.

1.2 International Customer

Products exported to international will be sold directly to car seat maker and cut parts of car maker or 1st Tier OEM only such as Japan, Philippines, Indonesia, Malaysia, Vietnam, Pakistan, India, Egypt, etc.

2. Other Industry

Target customers in other industry groups include non-automotive and customers that the company offers service or made to order according to customer require. However, the company focuses on doing business with customers in other industries that are long term business only.

2.1 Non-Automotive Customer

The company started this business in the first time by offer leather products to other customer such as furniture maker, dog chew maker, etc. However, it expanded its business in many products such as scraps leather from production into safety shoe, bag as well as leather products for special chair used in the cinema.

2.2 Service Providing Customer

The company provides tanning, dyeing and leather production service for clients according to special order.

Value and proportion of Domestic sales to foreign sales

Revenue (Million Baht)	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Domestic	1,117	72%	1,091	46%	1,372	71%
Export	436	28%	1,299	54%	571	29%
Total	1,553	100%	2,390	100%	1,943	100%

Product Policy

With more than 30 years of experience in the leather industry, including more than 20 years of the car seat leather industry. The company confidence in the complete production process (Tanning) to final process (Sewing) with the potential to control production quality, so customer can be confident that they will get the quality products according to their needs in terms of colors, special features and designs. Including, the company confident to research and development of product. Especially, Environmentally safe products as Chrome Free Leather and new innovation as split Leather for response to customer demand.

Price Policy

The company is complete leather manufacturer including there are modern machine that can control production cost well for the cost plus margin, the order quantity will be considered, business relationships with customer and industry competition. And for the car industry, the company considers the middle price that determines the policy of the automobile manufacturers. The company will indirectly offer price to automobile manufacturers to complete with genuine leather manufacturer for cars (2nd Tier OEM) and current there are 3-4 manufacturers in Thailand.

Distribution and sales channels policy

The company has a marketing department responsible for Domestic marketing and International marketing. In the car industry, the company selling product for customer who are manufacturers of cat seat and cut parts for cars (1st Tier OEM). Including found new customer both at domestic and foreign.

Competitive Strategy

1. Production Strategy

The company has researched and developed new products to make a difference and be a choice for customer. The company focus develop product for environment friendly and reduce pollution as Chrome Free Leather, Split Leather, Cool Leather, Anti-Stain Leather, etc. and still attach importance to product quality by set as company policy.

The company has been certificated IATF16949 from TUV Rheinland which accepted in the automotive industry and gold rate certificated in Leather working group (LWG) be accepted in the international leather industry.

The company can produce according to made to order and a team works professionally with car maker and car seat maker both in the section cut parts and trim cover. The company currently has a production capacity of 86.6 million square foot per year.

2. Service Strategy

Customer satisfaction is a reflection of the company's work in product quality, product delivery and service. So, creating maximum satisfaction for customers is therefore the main goal of the company. Especially product delivery the company think that the customer's production line can't stop production if already planned. Therefore, the company has prepared production to support the increasing demand of customers. Including, the company cultivate employees to be aware of service mind all the time.

3. Price Strategy

From economy in the current and structure of business, the company must offer prices to car makes. Before, being recruited the company therefore has continuous production development. To achieve a balance between quality and price the products still meet the standard that the customers require and able to maintain profit within the specified criteria.

4. Marketing Strategy

The company gives important to customers and car users. The company has been a research and development team for new products to meet the needs of users and is an alternative for customers by working with car makers and car seats maker and car parts.

5. Maintaining relationships with customers Strategy

The company attention to created relationships with customers. By creating satisfaction in products and services with fast response as well as follow-up from customers to benefit both parties (Win-Win Strategy) in the long term.

6. Human resource development and technology Strategy

The company abide to the human resource development strategy with technology. So, abide to the performance of personal, creative thinking and work ability and support on the job training with a technology is a standard for learning and development to ensure quality production.

Research and Development

The genuine leather has different qualities from other materials. Both soft and natural touch, value for money long. Although there are currently synthetic leather materials but don't compare to the genuine leather making genuine leather continuously popular. The company remain committed to research and development leather for the environment friendly product. The company developing leather able to endure heat for making various products that are used in countries with hot weather as well.

In the leather industry, product must pass the standards of car maker and test to Global Standard. A car maker will improve standard all time. So, research and development are the factor that the company places a high priority on. The company has plan to be one of the manufacturers of the genuine leather cut parts for the automotive trim industry in Asia. The company focus research and development in all time and there is investment in machine, test tool and support employee to training for to make research and development effective. Which will be a prototype for applying in production to have quality and save cost. Including, research and development new product for customers require.

The company has improve machine policy to modern and improve products for satisfied of customer by bring standard and provision of the a car maker is the standard to develop products refer to company's policy *"High development, High technology, On time delivery, Best quality of product"* The company has research and development as follow :

1. Research and development scrap leather from production for international standard

The company opened a subsidiary company is "Intergreen Co.,Ltd." in 2016, which is a manufacturer Protein Hydrolysate product from scrap leather and can reuse in the production to chemical. Including, Protein Hydrolysate is the first product that the company has already implement. The next, research and development from Protein Hydrolysate to standard for to be accepted in the other industry. Especially, developed for use in the agriculture industry.

2. Research and development raw materials use in production for develop to Collagen Dipeptide

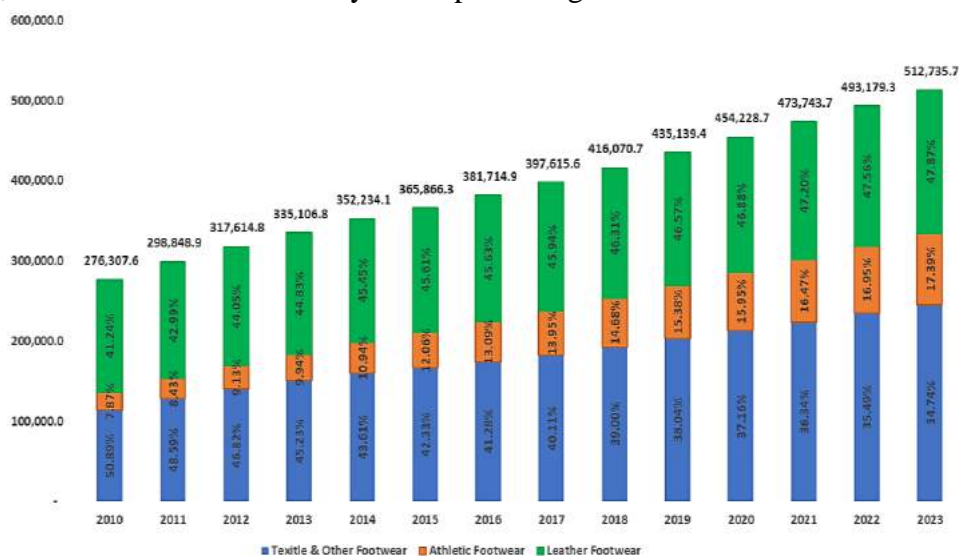
The company has idea value added raw materials use in production which raw material will be destroyed without profit. The company has learned and researched that can use raw material in production extract to Collagen Dipeptide and test with standard institution for control quality use in the food industry and other industry in the future.

6. Industrial conditions and competitive conditions (Industrial competition)

The Leather Industry is fierce competition and is clearly divided in products. Seller in the market will compete by considering the price, quality and product different and product group by focusing on respond to the needs of various customers in order to increase market share by one factor that makes this market is increased spending to personal good in fashion. Customer want to design style, unique colors, beautiful and modern leather goods. At present, customers are able buy product online. Especially, smart phone which encourages customers to buy more and easily.

Leather can be processed into products. There are various styles such as shoes, car seat, clothing, bags, fashion accessories and furniture, which can be produce many types and decorated with various techniques, which increases the demand for leather good using chemical for Tanning and disposal of those chemical is inappropriate, therefore affected the ecosystem. Therefore, government in many countries as have issued law for control and solve the problem of the use of those chemicals. As a result, the use of leather without harmful chemicals will increase in the near future.

The characteristics of leather are especially suitable for shoes product that can be easily cut can molded into shoes. Flexible, strong, durable, lightweight, which accounts for 52% of world trade in leather goods. Shoes market in 2019 is valued at 435,139.4 million US dollars, and the largest market share is textile & other footwear with value at 202.6661.0 million USD, with the growth rate of the foot plant industry is around 4.2% (2019-2023), which is considered an industry that is interesting both in terms of value and growth (refer to *figure 1*) and China is the world's number one manufacture of shoes in 2018, with the production of shoes around 13.5 billion pairs, followed by India with the production at 2.5 billion pairs, Vietnam with the production at 1.3 billion pairs and Indonesia with the production number 1.2 billion pairs, the 4 main countries in the production of shoes for the Asia-Pacific region (APCA) show that demand for shoes continues, which shoes are popular and considered to have a share of the most marketed shoes are leather-based, with the world's largest shoe manufacturers, such as Puma, Adidas AG, Nike Inc, Shoe Fabrik focusing on innovation, and the more involved they are in protecting the environment.



Source: www.statista.com , September 2019

Interhides Public Company Limited has invented and developed leather shoes that meet needs of the company. These are products are chromium free, metal free leather for shoes, especially for FG Smooth Leather, FG Nubuck Leather, FG Tumble Leather and FG Lining. All types of leather are chromium-free leather and metal, which is environment and people because, chromium-free leather does not cause irritation and is free from substances that cause skin cancer, as well as does not emit pollution in the production process and reduces the disposal of waste in production.

Reference:

<https://brandongaille.com/>

<https://www.businesswire.com/>

Industry conditions and competition ASEAN automotive industry

ASEAN countries are different countries in terms of politics, governance, ethnicity, population, geography and economy, which these countries have combined into ASEAN and Free trade (AFTA). The economic growth and continuous infrastructure development of ASEAN countries should make the growth of the automotive market in ASEAN has been steadily growing, and in the first 11 months of 2019, car sales in the ASEAN region have decreased by 19%. Previously, full year sales forecasts are expected in 2019 at 3.33 mm. However, in the second quarter of 2019, a new model of car was launched, with the expectation that the car market will increase production and sales in the ASEAN region will increase up 339 million baht per year in 2020 (0-29%).

However, risk factors of the economic war between the US and China and tensions in Iraq may be affect to exports, including natural disaster in Jakarta, volcanic eruption in the Philippines and drought in Thailand may be have affect to consumer spending, including the baht strengthening, affecting to exports in Thailand, Indonesia and Malaysia.

SALE- Light Vehicle ASEAN Country (December 2019)



Reference: LMC AUTOMOTIVE

SALE Motor vehicle ASEAN country

Country	Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD Dec
Indonesia	2019	106,291	95,104	113,803	104,643	103,342	89,213	119,558	119,708	120,958	122,968	112,965	98,295	1,286,848
	2018	116,653	100,799	112,679	119,157	114,699	70,001	130,294	118,848	112,473	131,853	117,797	98,461	1,343,714
	Y-O-Y	-8.9%	-5.6%	1.0%	-12.2%	-9.9%	-1.1%	-8.2%	0.7%	7.5%	-6.7%	-4.1%	-0.2%	-4.2%
Malaysia	2019	54,503	40,249	49,631	52,086	51,482	37,077	48,912	47,000	45,101	55,775	46,517	43,299	571,632
	2018	68,002	38,416	49,796	41,839	43,529	39,365	55,164	47,387	37,000	51,789	50,304	42,400	564,971
	Y-O-Y	-19.9%	4.8%	-0.3%	24.5%	18.3%	-5.8%	-11.3%	-0.8%	21.9%	7.7%	-7.5%	2.1%	1.2%
Myanmar	2019	1,401	1,298	1,043	885	1,501	1,492	1,135	1,381	1,453	1,276	1,227	1,404	15,496
	2018	610	777	665	618	982	1,031	1,000	1,263	1,068	1,427	1,422	1,429	12,292
	Y-O-Y	129.7%	67.1%	56.8%	43.2%	52.9%	44.7%	13.5%	9.3%	36.0%	-10.6%	-13.7%	-1.7%	26.1%
Philippines	2019	6,128	5,831	6,888	5,975	7,662	8,142	9,454	8,306	9,536	10,289	9,653	7,230	95,094
	2018	7,512	7,095	9,111	7,367	5,660	4,237	6,020	8,782	6,004	8,475	5,391	4,109	79,763
	Y-O-Y	-18.4%	-17.8%	-24.4%	-18.9%	35.4%	82.2%	57.0%	-5.4%	58.8%	21.4%	79.1%	76.0%	19.2%
Thailand	2019	179,595	183,071	198,821	150,242	181,338	172,878	170,847	166,361	169,474	152,787	154,088	134,208	2,013,710
	2018	166,196	178,237	195,257	134,779	193,130	188,970	183,119	181,237	183,191	197,203	197,020	169,355	2,167,694
	Y-O-Y	8.1%	2.7%	1.8%	11.5%	-6.1%	-8.5%	-6.7%	-8.2%	-7.5%	-22.5%	-21.8%	-20.8%	-7.1%
Vietnam	2019	20,241	9,169	16,938	16,252	17,205	12,501	14,004	10,849	11,913	15,110	16,457	15,564	176,203
	2018	20,541	11,191	18,051	16,194	17,732	17,750	16,353	14,842	15,663	17,413	18,443	16,263	200,436
	Y-O-Y	-1.5%	-18.1%	-6.2%	0.4%	-3.0%	-29.6%	-14.4%	-26.9%	-23.9%	-13.2%	-10.8%	-4.3%	-12.1%
TOTAL	2019	368,159	334,722	387,124	330,083	362,530	301,303	363,910	353,605	358,435	358,205	340,907	300,000	4,158,983
	2018	379,514	336,515	385,559	319,954	375,732	321,354	391,950	372,359	355,399	408,140	390,377	332,017	4,368,870
	Y-O-Y	-3.0%	-0.5%	0.4%	3.2%	-3.5%	-6.2%	-7.2%	-5.0%	0.9%	-12.2%	-12.7%	-9.6%	-4.8%

Reference: ASEAN Automotive Federation

Thai automotive industry

The automotive industry is considered to be the main industry of Thailand and has received support from the government in every period. The government has issued measures in a variety to attract various carmakers to invest, including investment privileges, import tax deduction and support the domestic car assembly for Thailand to be the automobile industry center in ASEAN.

The car sales of Thailand in 2020 - 2021 remained stable conform to economy. Although the first car project had been used 5-6 years ago, but when the holding period is as stipulated by the government. The most consumers have changed behaviors to modern new car and cheaper price.

In 2020, Thailand's automotive exports are still at a medium level as the government support, investment of carmaker, Free trade policy AFTA, and the closing car production in Australia. However, the export to Vietnam in the past year (2019), Thailand export cars 83,000 units to Vietnam, growing by 46% and estimated that in 2020 it will increase to a hundred thousand cars. Vietnam has a population of over 96 million, but the car ownership rate is still low compared to a thousand people. There are only 23 cars in use, while our cars hold a lot higher than 3-4 people per 1 car. Therefore, it is estimated that sales of cars in Vietnam of 30,000 cars per year may rise to 1 million per year in 2030.

The government has a policy to promote investment in the production of electric cars, batteries and hybrid cars. By aiming to have 1.2 million registered electric cars by the 2036, and estimates that in the first phase, the electric cars market in Thailand will grow gradually most of the market is still Hybrid Electric Vehicle (HEV) and Plug-in Hybrid Electric Vehicle (PHEV). Battery Electric Vehicle (BEV) market will remain the niche market until the price drops to an attractive level It is expected that the volume of electric vehicles using BEV in Thailand will increase proportion within 5-7 years. The ministry of Thailand has approved the tax on cars to reduce toxic dust, reduce the electric car tax to 0% for cars manufactured in 2020-2065 from 2% discount, hoping to good health for the people form amount of dust. The pick-up truck that use the Euro 5 standard can used B20 tax reduction to engine type.

Electrical driven car will be a new option and able to the need of consumer in term of appearance and environment protection, expected to stimulate the auto mobile industry to develop emission standards for diesel to be effective in reduce PM to the Euro 5 standards even faster and will reduce the average value of cars that emit PM dust down 5 times to 100 g. per car, per in one year and resulting in 76 million grams per year and reduce the heath effect of people and reduce medical expenses of government.

However, this project probably not happen soon as the selling price is higher than petrol cars and EV charger station not covered in all area. Moreover, this support will affect the current export cars.

Automotive manufacturers applying for BOI package to produce EV cars				
HEV	 TOYOTA	 HONDA	 NISSAN	 mazda
PHEV	 Mercedes-Benz	 BMW	 上汽集团 SAIC MOTOR	 MITSUBISHI (tentative)
BEV	 FOMM First One Mile Mobility	 MITSUBISHI (tentative)	 NISSAN	 TOYOTA (under study)
			 BMW	 MG

This in case, we are developing and expanding economy opportunities and give important to electric car for change in the future.

Reference:

- ASEAN Automotive Federation
- LMC AUTOMOTIVE
- JUST AUTO, Prachachart Business
- Department of Land Transport

7. Securities and Shareholders

7.1 Registered and Paid up Capital

(1) As of December 31, 2019, the Company had registered capital of Baht 594,998,274, of which Baht 592,805,637 was paid up, divided into 592,805,637 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, 2019 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 3.454
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, 2019)	2,331,062 units
Outstanding number of Underlying Ordinary Share: (as of December 31, 2019)	2,192,637 shares

7.3 Shareholders

The top ten shareholders as of December 31, 2019 are as follows:

As of December 31, 2019				
List			Number of shares	% per share
1. Mr.Ongart Thumrongsakunvong Group				
Mr.	Ongart	Thumrongsakunvong	153,806,831	25.95%
Ms.	Chutima	Busayapoka	122,406,015	20.65%
Ms.	Wanvisa	Thumrongsakunvong	28,833,333	4.78%
Mr.	Wasin	Thumrongsakunvong	28,333,333	4.78%
Mr.	Warit	Thumrongsakunvong	28,333,333	4.78%
Total shares Mr.Ongart Thumrongsakunvong group			361,212,845	60.93%
2	Modernform Group Public Co., Ltd.		28,230,500	4.76%
3	Aberdeen Small Cap Fund		17,496,800	2.95%
4	Mr.	Chaiyaporn Wongsanganan	12,200,000	2.06%
5	BNP PARIBAS SECURITIES SERVICES, LONDON BRANCH		9,788,800	1.65%
6	Thai NVDR Co., Ltd.		8,425,075	1.42%
7	Aek-Chai Provident Fund, registered		4,157,700	0.70%
8	Mr.	Kitti Busayapaka	3,732,400	0.63%
9	Mr.	Taveepakaratt Watanyusiripanya	3,186,000	0.54%
10	Bangkok Life Assurance PLC by Aberdeen Standard Asset Management (Thailand) Limited		3,061,000	0.62%
	People and other shareholders		141,314,517	23.84%
Total shares			592,805,637	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:

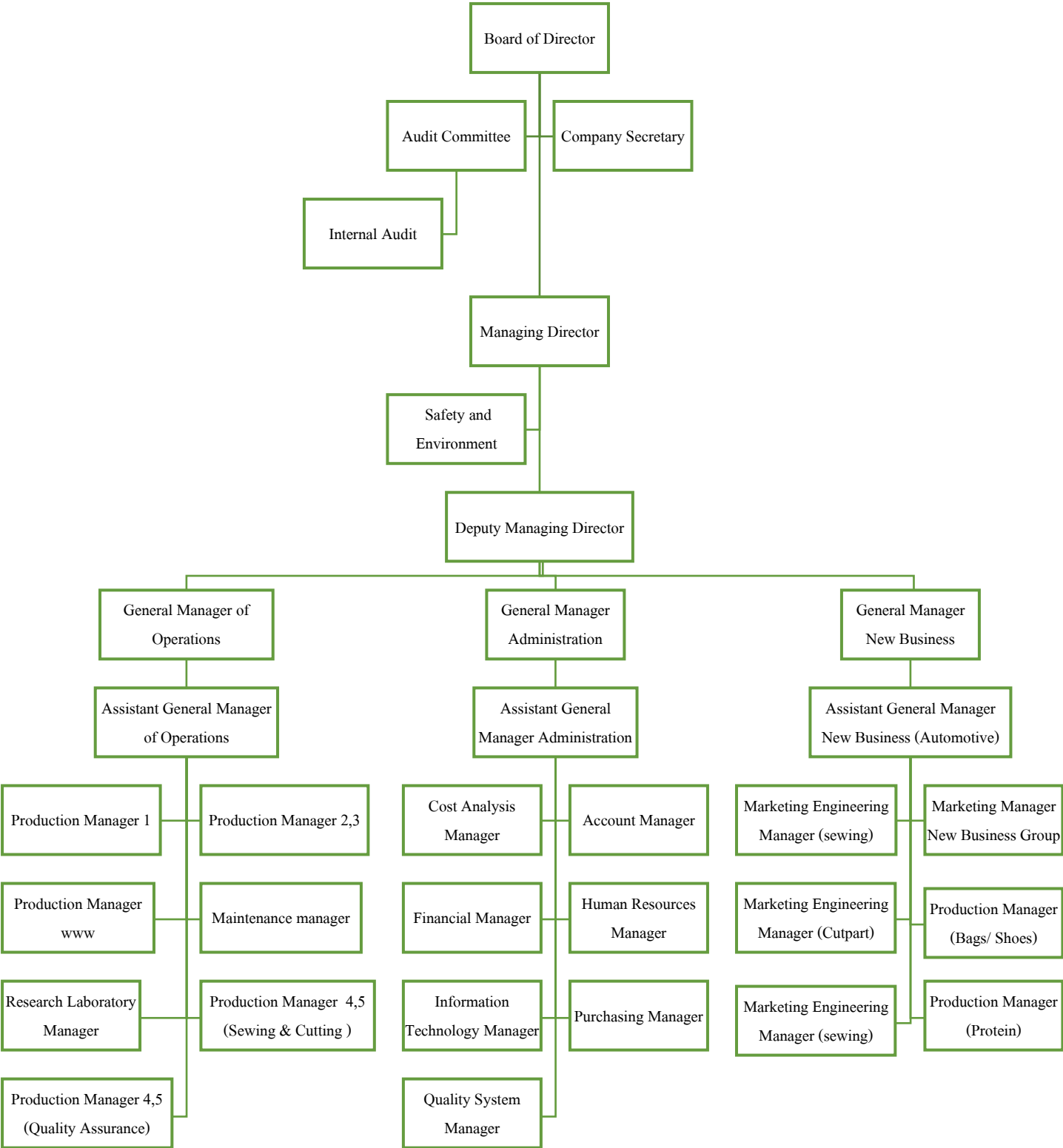
Year	Interim Dividend (Baht/share)	Final Dividend (Baht/share)	Annual Dividend (Baht/share)	Dividend Payout Ration on net profit (%)
2015	0.15	0.10	0.25	52.08%
2016	0.19	0.15	0.34	85.94%
2017	0.18	0.32	0.50	86.21%
2018	0.20	0.30	0.50	92.59%
2019 ⁽¹⁾	0.15	0.10	0.25	100.00%

Remark :

(1) The Board of Directors resolved to propose the annual general meeting of shareholders on April 20, 2020 to approve the dividend distribution for the year 2019 at Baht 0.25 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	-	-	-	-

*Mr.Ouychai Matitanaviroon Resigned from being a director on 1 November 2019

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 Thumrongsakunvong, Ms. Chutima Busayapoka and Mr. Wasin Thumrongsakunvong.

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, 2019, 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 Nerngchamnonng	Director
9. Mr.Wasin Thumrongsakunvong	Director

* Mr.Ouychai Matitanaviroon Resigned from being a director on 1 November 2019

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, 2019, 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, 2019, 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, 2019, there are 3 members as follows:

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

* Mr.Ouychai Matitanaviroon Resigned from being a director on 1 November 2019

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 appraisal 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, 2019, there are 3 members as follows:

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

*Mr.Ouychai Matitanaviroon Resigned from being a director on 1 November 2019

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 18, 2019 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	5/5	-	-	-	1/1
Ms.Chutima Busayapoka	5/5	-	-	-	1/1
Mr.Somchart Limpanuphap	5/5	4/4	1/1	1/1	1/1
Mr.Chor.Nun Petpaisit	5/5	4/4	1/1	-	1/1
Mr.Somyot Akapaiboon	5/5	4/4	-	1/1	1/1
Mr.Ouychai Matitanaviroon	1/5	-	1/1	1/1	0/1
Mr.Thaksa Busayapoka	5/5	-	-	-	1/1
Mr.Niti Nerngchamnong	4/5	-	-	-	1/1
Mr.Wasin Thumrongsakunvong	5/5	-	-	-	-

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, 2019, 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.Warit Thumrongsakunvong	Assistant General Manager - Marketing
6. Mr.Hironori Ide	Assistant General Manager - Marketing
7. Mrs. Malintip Lavichant	Chief Finance Officer

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 2019, Company paid remuneration total of Baht 24.45 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 2019, The company paid a monetary remuneration to directors. Total amount 3.43 million baht was

- Remuneration for the Board of Director: 1.93 million baht
- Remuneration for the Audit Committee: 1.5 million baht

	Name		Board of Director (Baht)	Audit Committee (Baht)	Total (Baht)
1	Mr.Ongart	Thumrongsakunvong	480,000	-	480,000
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	250,000	-	250,000
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		2,830,000	600,000	3,430,000

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 2019, The company paid management remuneration. The total amount 21.02 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 2019, company contributed to the provident fund for 6 management members. The total amount 0.24 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, 2019	as of December 31, 2019	Increase / (decrease) During the accounting period
1	Mr.Ongart Thumrongsakunvong	137,097,414.00	153,806,831.00	16,709,417.00
2	Ms.Chutima Busayapoka	112,406,015.00	122,406,015.00	10,000,000.00
3	Mr.Somchart Limpanuphap	650,000.00	850,000.00	200,000.00
4	Mr.Niti Nerngchamnong	116,666.00	116,666.00	-
5	Mr.Thaksa Busayapoka	2,227,000.00	2,227,000.00	-
6	Mr.Wasin Thumrongsakunvong	25,133,333.00	28,333,333.00	3,200,000.00
7	Mr.Somyot Akapaiboon	-	-	-
8	Mr.Ouychai Matitanaviroon	-	-	-
9	Mr.Chor.Nun Petpaisit	-	-	-
10	Ms.Wanvisa Thumrongsakunvong	26,833,333.00	28,333,333.00	1,500,000.00
11	Mr.Warit Thumrongsakunvong	26,833,333.00	28,333,333.00	1,500,000.00
12	Mr.Hironori Ide	-	-	-
13	Mrs.Malintip Lavichant	-	-	-

Remarks

1. Interhides PCL's registered capital Baht 594,998,274, and paid up Baht 592,805,637 (592,805,637 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 2019, there are employed 1,045 people who work for company and subsidiaries. In 2019 The company paid employees a total 249.36 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 7.55 million baht.

Employee	Interhides Public Company Limited	Inter Seat Cover Company Limited
Worker	761	46
Staff	284	-
Total	1,045	46
Salary (million baht)	249.36	7.55

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 2019, 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 2019

Unit : Million Baht

Audit Fee	2019	2018	2017
Interhides PCL.			
Annual audit and Quarter review	1,300,000	1,300,000	1,199,000
Review Annual Report	150,000	150,000	150,000
Total	1,450,000	1,450,000	1,349,000
Interseat Cover Co.,Ltd.			
Annual audit and Quarter review	486,000	486,000	486,000
Review Annual Report	-	-	-
Total	486,000	486,000	486,000
Inter Green Co.,Ltd.			
Annual audit and Quarter review	308,000	308,000	308,000
Review Annual Report	-	-	-
Total	308,000	308,000	308,000
Grand Total	2,244,000	2,244,000	2,143,000

9.6.2 Non-audit Fee

In 2019, 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	2019	2018	2017
Interhides PCL.	100,000	100,000	100,000
Interseat Cover Co.,Ltd.	100,000	100,000	80,000
Inter Green Co.,Ltd.	-	-	-
Grand Total	200,000	200,000	180,000

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 2019, 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

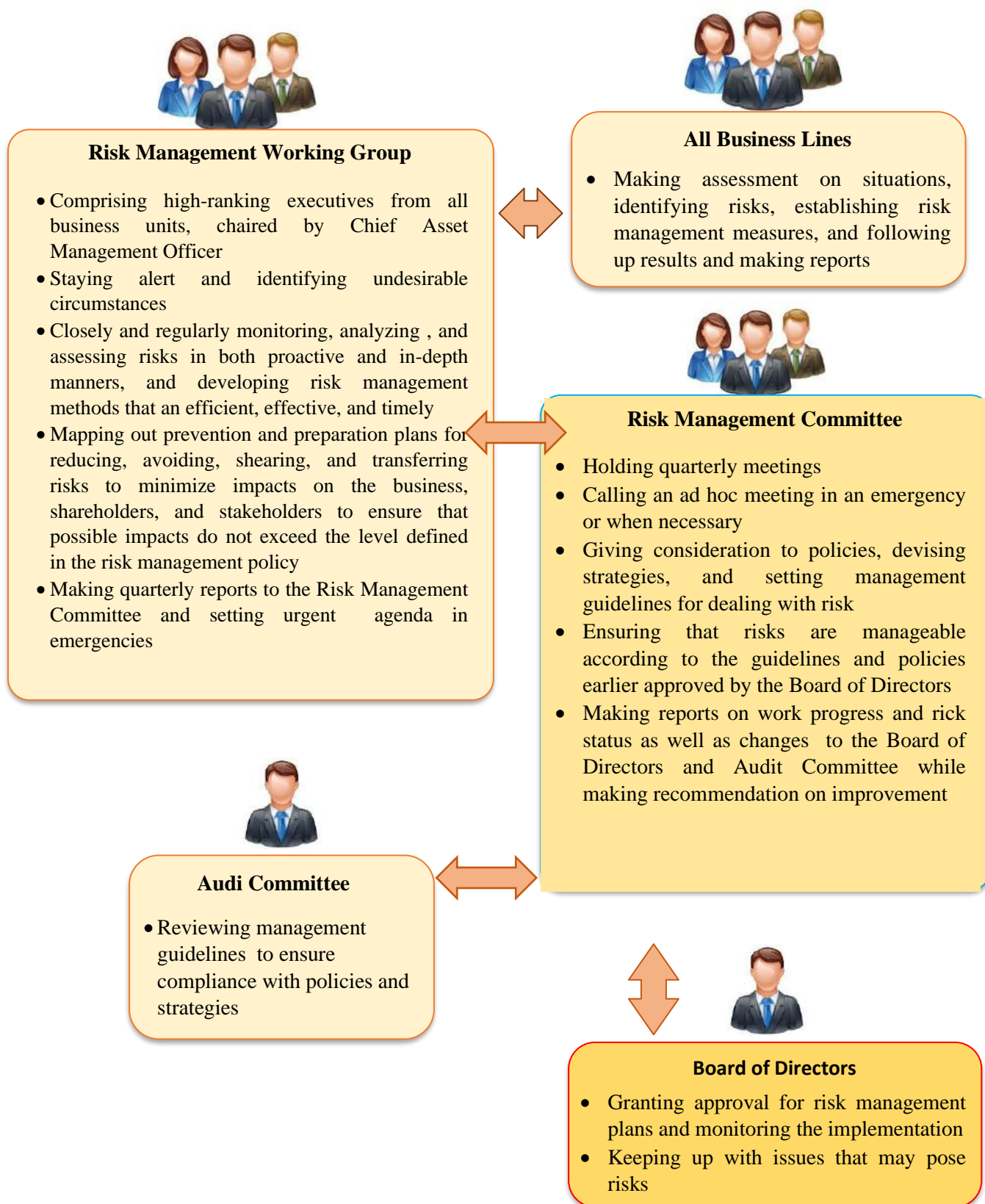
The objective of risk management is to avoid of risk that may jeopardize the existence or hinder the continuity of business operations of the company. At the same time, risk management can improve the effective of production and make the long-term value added for the organization and sustainability.

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. 1/2562 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.

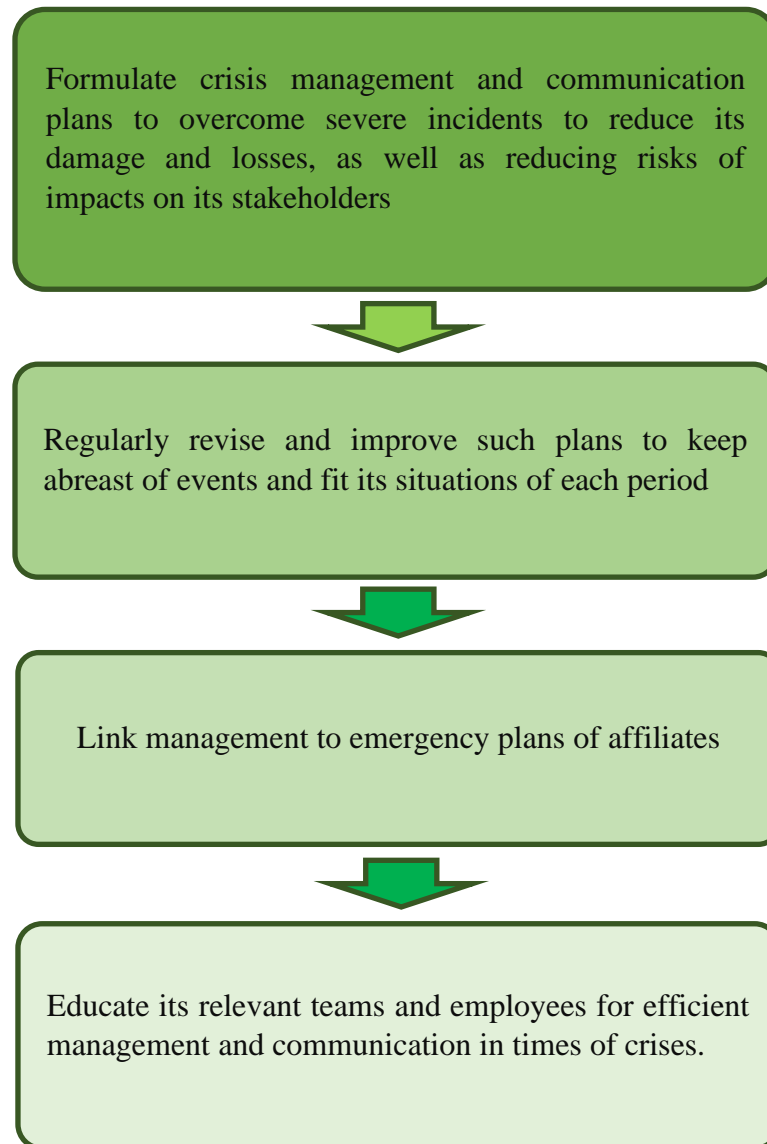
In addition, the company's internal audit department can monitor, review and evaluate independently with closely monitoring. Annual audit plan was scheduled regularly and the report was sent to the Audit Committee to improve, suggest and reduce risk that may affect the operation, reputation and financial 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 compensates 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
			2019	2018		
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	621 58,162 199,672 110,199	782 41,186 218,456 117,999	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	18,654 16,596 -	8,624 13,492 -	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	39 12,964	- 10,792	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 - Equipment	481 9	- -	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, 2019 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 2019 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 2019, 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 2019, 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 2020 for submission to the Board of Directors for approval from the shareholders' meeting for the year 2020. 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 2019, 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	4/4

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 2019, Consolidated Revenue was 1,571.01 Million Baht, decreased from 2,404.82 Million Baht in 2018 or decrease of 34.67% y-o-y. Gross Profit Margin was 355.91 Million Baht, decrease of 31.03% y-o-y.

Consolidated EBITDA was 412.89 Million Baht, decreased 24.26% y-o-y or decreased by 132.24 Million Baht. Net Profit for the year decreased 51.58% y-o-y to 141.75 Million Baht.

Profit and Loss

The Company and its subsidiaries recorded Revenues from Sales and Services of 1,552.61 Million Baht, representing a decrease of 837.57 Million Baht or 35.04 % y-o-y, driven by dropping in revenue from Finished Leather and revenue from Services which dropped by 88.4% and 74.3% y-o-y respectively.

Revenue (Million Baht)	Operated by	% of Shareholder	2019		2018		% Change
			Revenue	%	Revenue	%	
Cut Part	IHL	100%	550	35%	551	23%	(0.2%)
Finished Leather	IHL	100%	16	1%	138	6%	(88.4%)
Crust Leather and Wet Blue	IHL	100%	118	8%	305	13%	(61.3%)
Service	IHL	100%	216	14%	840	35%	(74.3%)
Other Product	IHL	100%	24	2%	48	2%	(50.0%)
Trim Cover	ISC	100%	600	39%	488	20%	23.0%
Fabric for Car Seat	ISC	100%	1	0%	4	0%	(77.5%)
Other Product	ISC	100%	4	0%	4	0%	0.0%
Protein	IHL	100%	23	1%	12	1%	91.7%
Total			1,552	100%	2,390	100%	

Revenue (Unit : Million Baht)	2018		2017		% Change
	Revenue	%	Revenue	%	
Automotive Industry	1,153	74%	1,213	51%	(4.9%)
Non-Automotive Industry	376	25%	1,165	48%	(67.7%)
Other	23	1%	12	1%	91.7%
Total	1,552	100%	2,390	100%	(35.0%)

In 2019, Revenue from Automotive Industry decreased from 1,213 Million Baht to 1,153 Million Baht or decreased by 4.9% y-o-y. Revenue from Non-Automotive Industry decreased 67.7% or extremely decreased from 1,165 Million Baht to 376 Million Baht. Proportion of Auto and Non-Auto Revenue in 2019 is 74:26.

Gain on exchange registered at 8.80 Million Baht, decreased 1.42 Million Baht resulting in Baht fluctuation since the beginning of the year.

Cost of Sales and Services was recorded at 1,196.70 Million Baht or 77.08% of Revenue from Sales and Services. Gross profit slightly increased by 22.92% of Revenue from Sales and Services y-o-y to 21.59% from the previous year

Compared with 2018, Selling and Administrative Expenses increased 12.92% or 20.78 Million Baht, recorded at 181.61 Million Baht in 2019 due to employee costs, miscellaneous expenses and depreciation. This year, company has reserved long-term employee benefit in accordance with the Labor Protection ACT (No. 7) B.E.2019.

EBITDA dropped from 545.13 Million Baht in 2018 to 412.89 Million Baht in 2019, a decrease of 24.26% y-o-y. However, EBITDA margin improved from 22.81% to 26.59%.

Financial Cost increased from 33.71 Million in 2018 Baht to 48.75 Million Baht in 2019, mainly due to the short-term loan from financial institution increased and company invested in Land and machine. Also the Company drew down the Long-Term Loan from Bank with Unrealized Loss on Fair Value of Derivatives was recorded at Baht 11.9 Million Baht.

For the period of FY 2019, Net Profit registered at 141.75 Million Baht or 9.13% of Revenue from Sales and Services, decreased from the previous year in 151.01 Million Baht or 51.58%.

Financial Position

Total assets recorded at 3,771.42 Million Baht, with an increase of 377.78 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 22.26 Million Baht to 29.79 Million Baht.

Property, Plant and Equipment in this period increased from 2,333.52 Million Baht to 2,490.60 Million Baht from gradual recognition in construction of new building, Land and machine improvement as planned for increasing the efficiency in production and service of the Company.

Intangible Assets decreased from 18.03 Million Baht to 17.42 Million Baht, from depreciation and amortization.

Short-term loan from financial institute increased from 684.72 Million Baht in 2018 to 849.70 Baht in 2019 while Trust Receipt decreased from 298.66 Million Baht to 212.89 Million Baht.

Long-term Loan – net of current portion fell from 213.50 Million Baht to 448.78 Million Baht, mainly due to the Company drew down Long-term Loan 580.00 Million in this year.

In 2019, the Company received subscription for the additional ordinary shares arising from the exercise of the Warrant (IHL-W1) in the total amount of 137.00 Million Baht. In addition, company paid dividend continuously. Hence, Net Worth was recorded at 1,643.85 Million Baht or increased by 14.20 Million Baht.

Liquidity

At the end of 2019, the Company had cash and cash equivalents amounted 1.90 Million Baht, decreased by 3.15 Million Baht from year 2018. This mainly due to policy to balance cash in hand and lower interest cost. Cash flows provided by operating activities amounted to 57.08 Million Baht. Meanwhile, cash flows used in investing activities amounted to 332.79 Million Baht and cash flows used in financing activities was 272.59 Million Baht, mainly from CAPEX and investment, repayment Long-term Loan and dividend payment.

In year 2019 the current ratio and quick ratio was 0.73 times and 0.11 times respectively. Even though the quick ratio is low, the Company still had an overdraft and credit line sufficient for use as working capital in the future.

According to liquidity ratio, the Company registered cash ratio of 0.04 time, dropped from 0.24 in 2018. While Cash Cycle increased from 104.08 days in 2018 to 216.30 days in 2019, from inventory turnover increased from 131.66 days to 261.08 days.

Interest Service Coverage Ratio dropped from 16.17 times in 2018 to 8.47 times in 2019. Debt Service Coverage Ratio decreased from 2.26 times in 2018 to 1.17 times in 2019.

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 2019, Gross Profit Margin and Net Profit Margin registered at 22.92% and 9.13% respectively compared with 21.59% and 12.25% in the last year.

Return on Assets slightly decreased from 9.09% to 3.96%.

At the end of 2019, Debt to Equity ratio was 1.29 times compared to the previous year of 1.08 times. The Company maintain the condition of bank which required this ratio not more than 2.0 times.

Interhides Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2019

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 2019, 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 2019, 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 26% of total assets as of 2019. 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.

Wattoo Kayankannavee
Certified Public Accountant (Thailand) No. 5423

EY Office Limited
Bangkok: 25 February 2020

Interhides Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	1,904,950	5,055,880	412,562	4,498,525
Current investment - investment unit					
in open-ended fund		27,885,772	17,199,835	-	-
Trade and other receivables	8	143,453,345	307,704,540	152,379,399	310,568,299
Inventories	9	992,580,517	632,663,186	936,356,019	566,485,381
Other current assets		18,126,322	32,336,687	15,250,500	29,662,393
Total current assets		1,183,950,906	994,960,128	1,104,398,480	911,214,598
Non-current assets					
Investments in subsidiaries	10	-	-	69,999,560	69,999,560
Property, plant and equipment	11	2,490,600,778	2,333,524,113	2,424,487,880	2,279,610,776
Intangible assets	12	17,421,549	18,027,447	17,306,256	17,879,445
Deferred tax assets	22	19,511,766	10,984,623	17,863,871	9,465,625
Other non-current assets		59,930,733	36,143,522	59,077,380	35,291,273
Total non-current assets		2,587,464,826	2,398,679,705	2,588,734,947	2,412,246,679
Total assets		3,771,415,732	3,393,639,833	3,693,133,427	3,323,461,277

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from					
financial institutions	13	849,699,000	684,718,547	849,699,000	684,700,000
Trust receipts	13	212,887,449	298,661,792	206,669,258	298,661,792
Trade and other payables	14	235,769,338	301,883,431	210,014,150	262,305,656
Current portion of liabilities under finance lease					
agreements	15	14,082,349	2,257,482	13,639,086	2,257,482
Current portion of long-term loans	16	291,469,000	205,320,000	291,469,000	205,320,000
Income tax payable		4,654,491	25,377,991	-	25,009,755
Other current liabilities		8,841,803	9,722,632	8,078,326	9,154,564
Total current liabilities		1,617,403,430	1,527,941,875	1,579,568,820	1,487,409,249
Non-current liabilities					
Liabilities under finance lease agreements, net					
of current portion	15	34,768,944	4,146,249	33,469,370	4,146,249
Long-term loans, net of current portion	16	448,780,000	213,499,000	448,780,000	213,499,000
Provision for long-term employee benefits	17	26,614,062	18,400,742	24,963,861	16,308,186
Total non-current liabilities		510,163,006	236,045,991	507,213,231	233,953,435
Total liabilities		2,127,566,436	1,763,987,866	2,086,782,051	1,721,362,684

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
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					
592,805,637 ordinary shares of Baht 1 each (2018: 553,519,920 ordinary shares of Baht 1 each)		592,805,637	553,519,920	592,805,637	553,519,920
Share premium	18	468,103,684	370,388,628	468,103,684	370,388,628
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>511,939,975</u>	<u>634,743,419</u>	<u>476,442,055</u>	<u>609,190,045</u>
Total shareholders' equity		<u>1,643,849,296</u>	<u>1,629,651,967</u>	<u>1,606,351,376</u>	<u>1,602,098,593</u>
Total liabilities and shareholders' equity		<u>3,771,415,732</u>	<u>3,393,639,833</u>	<u>3,693,133,427</u>	<u>3,323,461,277</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 2019

(Unit: Baht)

	Note	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit or loss:					
Revenues					
Revenue from contracts with customers	26	1,552,612,312	2,390,179,285	1,180,637,247	2,130,949,675
Other income					
Dividend income	10	-	-	110,198,898	117,998,820
Others		18,396,048	14,641,862	55,685,373	52,348,744
Total revenues		<u>1,571,008,360</u>	<u>2,404,821,147</u>	<u>1,346,521,518</u>	<u>2,301,297,239</u>
Expenses					
Cost of sales and services		1,196,703,607	1,874,140,553	997,066,508	1,741,085,731
Selling and distribution expenses		23,733,734	29,721,189	21,200,826	25,687,809
Administrative expenses		157,880,744	131,112,174	155,396,845	128,864,215
Total expenses		<u>1,378,318,085</u>	<u>2,034,973,916</u>	<u>1,173,664,179</u>	<u>1,895,637,755</u>
Profit before finance cost and income tax		192,690,275	369,847,231	172,857,339	405,659,484
Finance costs		(48,753,682)	(33,707,158)	(48,609,685)	(33,685,284)
Profit before income tax		143,936,593	336,140,073	124,247,654	371,974,200
Income tax	22	(2,182,126)	(43,378,397)	7,842,513	(43,039,029)
Profit for the year		<u>141,754,467</u>	<u>292,761,676</u>	<u>132,090,167</u>	<u>328,935,171</u>
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial loss		(3,214,332)	-	(3,515,189)	-
Less: Income tax effect	22	535,122	-	555,733	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(2,679,210)	-	(2,959,456)	-
Other comprehensive income for the year		<u>(2,679,210)</u>	<u>-</u>	<u>(2,959,456)</u>	<u>-</u>
Total comprehensive income for the year		<u>139,075,257</u>	<u>292,761,676</u>	<u>129,130,711</u>	<u>328,935,171</u>
Earnings per share					
Basic earnings per share	24	0.25	0.54	0.23	0.61
Diluted earnings per share		0.24	0.51	0.23	0.57

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 2019

(Unit: Baht)

Consolidated financial statements

	Retained earnings					Total
	Issued and paid-up share capital	Share premium	Appropriated		Unappropriated	
			Statutory reserve - the Company	Statutory reserve - the subsidiary		
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	44,429,549	111,073,873	-	-	-	155,503,422
Dividend paid (Note 28)	-	-	-	-	(286,524,690)	(286,524,690)
Total comprehensive income for the year	-	-	-	-	292,761,676	292,761,676
Balance as at 31 December 2018	<u>553,519,920</u>	<u>370,388,628</u>	<u>69,000,000</u>	<u>2,000,000</u>	<u>634,743,419</u>	<u>1,629,651,967</u>
						-
Balance as at 1 January 2019	553,519,920	370,388,628	69,000,000	2,000,000	634,743,419	1,629,651,967
Exercised warrants (Note 19)	39,285,717	97,715,056	-	-	-	137,000,773
Dividend paid (Note 28)	-	-	-	-	(261,878,701)	(261,878,701)
Profit for the year	-	-	-	-	141,754,467	141,754,467
Other comprehensive income for the year	-	-	-	-	(2,679,210)	(2,679,210)
Total comprehensive income for the year	-	-	-	-	139,075,257	139,075,257
Balance as at 31 December 2019	<u>592,805,637</u>	<u>468,103,684</u>	<u>69,000,000</u>	<u>2,000,000</u>	<u>511,939,975</u>	<u>1,643,849,296</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 (continued)
For the year ended 31 December 2019

(Unit: Baht)

Separate financial statements

	Issued and paid-up share capital	Share premium	Retained earnings		Total
			Appropriated - statutory reserve	Unappropriated	
Balance as at 1 January 2018	509,090,371	259,314,755	69,000,000	566,779,564	1,404,184,690
Exercised warrants	44,429,549	111,073,873	-	-	155,503,422
Dividend paid (Note 28)	-	-	-	(286,524,690)	(286,524,690)
Total comprehensive income for the year	-	-	-	328,935,171	328,935,171
Balance as at 31 December 2018	<u>553,519,920</u>	<u>370,388,628</u>	<u>69,000,000</u>	<u>609,190,045</u>	<u>1,602,098,593</u>
					-
Balance as at 1 January 2019	553,519,920	370,388,628	69,000,000	609,190,045	1,602,098,593
Exercised warrants (Note 19)	39,285,717	97,715,056	-	-	137,000,773
Dividend paid (Note 28)	-	-	-	(261,878,701)	(261,878,701)
Profit for the year	-	-	-	132,090,167	132,090,167
Other comprehensive income for the year	-	-	-	(2,959,456)	(2,959,456)
Total comprehensive income for the year	-	-	-	129,130,711	129,130,711
Balance as at 31 December 2019	<u>592,805,637</u>	<u>468,103,684</u>	<u>69,000,000</u>	<u>476,442,055</u>	<u>1,606,351,376</u>
	-	-	-	-	-

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 2019

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities				
Profit before tax	143,936,593	336,140,073	124,247,654	371,974,200
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	220,200,515	180,001,903	211,607,864	171,699,834
Reversal of allowance for doubtful accounts	-	(18,021)	-	(18,021)
Reduce of inventory cost to net realisable value	2,654,695	6,469,535	1,858,689	5,337,133
Gains on sales of current investment	(226,067)	(50,002)	-	-
Loss (gain) on sales and written-off of machinery and equipment	(1,671,835)	597,426	(1,671,835)	597,426
Provision for long-term employee benefits	6,274,343	2,264,109	6,305,741	2,018,949
Unrealised loss (gain) on exchange	85,095	(799,124)	100,478	(797,695)
Dividend income	-	-	(110,198,898)	(117,998,820)
Change in fair value of forward contracts	(734,885)	981,299	(734,885)	981,299
Interest expenses	47,421,584	32,206,988	47,315,348	32,199,592
Profit from operating activities before changes in operating assets and liabilities	417,940,038	557,794,186	278,830,156	465,993,897
Operating assets (increase) decrease				
Current investment - trading security	-10,459,870	-5,449,220	-	-
Trade and other receivables	166,687,339	-77,237,580	160,625,044	(101,435,554)
Inventories	-362,572,026	80,516,146	(371,729,327)	100,706,085
Other current assets	17,302,321	-8,310,230	17,505,669	(7,650,592)
Other non-current assets	-23,787,211	-35,104,559	(23,786,107)	(34,257,500)
Operating liabilities increase (decrease)				
Trade and other payables	-74,967,416	-106,724,370	(61,418,771)	(137,352,599)
Cash paid for long-term employee benefits	-1,275,355	-635,820	-1,165,255	-635,820
Other current liabilities	(880,829)	3,872,478	(1,076,238)	3,797,875
Cash flows from (used in) operating activities	127,986,991	408,721,031	(2,214,829)	289,165,792
Cash paid for interest expenses	-37,649,942	-31,656,055	(37,543,706)	(31,648,659)
Cash paid for income tax	-33,254,718	-43,206,096	(27,368,646)	(43,946,400)
Net cash flows from (used in) operating activities	57,082,331	333,858,880	(67,127,181)	213,570,733

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from investing activities				
Dividend received from a subsidiary company	-	-	110,198,898	117,998,820
Acquisitions of property, plant and equipment	(332,973,697)	(476,248,329)	(313,837,748)	(472,666,997)
Cash paid for capitalised interest of property, plant and equipment	(4,644,539)	(3,318,483)	(4,644,539)	(3,318,483)
Cash paid for purchase of intangible assets	(160,591)	(6,219,000)	(160,591)	(6,219,000)
Cash received from disposals of property, plant and equipment	4,989,590	320,047	4,989,590	320,047
Net cash flows used in investing activities	(332,789,237)	(485,465,765)	(203,454,390)	(363,885,613)
Cash flows from financing activities				
Increase in short-term loans from financial institutions	2,372,489,000	3,383,118,447	2,372,489,000	3,383,099,900
Decrease in short-term loans from financial institutions	(2,207,508,547)	(3,200,299,900)	(2,207,490,000)	(3,200,299,900)
Increase in trust receipts	661,348,725	828,950,075	646,024,144	828,950,075
Decrease in trust receipts	(747,474,785)	(711,594,643)	(738,368,395)	(711,594,643)
Payment of liabilities under finance lease agreements	(2,816,816)	(2,168,613)	(2,677,540)	(2,168,613)
Cash received from long-term loans	580,000,000	240,000,000	580,000,000	240,000,000
Repayment of long-term loans	(258,570,000)	(254,935,000)	(258,570,000)	(254,935,000)
Dividend paid	(261,880,960)	(286,635,552)	(261,880,960)	(286,635,552)
Cash received from exercised warrants	137,000,773	155,503,422	137,000,773	155,503,422
Net cash flows from financing activities	272,587,390	151,938,236	266,527,022	151,919,689
Net increase (decrease) in cash and cash equivalents	(3,119,516)	331,351	(4,054,549)	1,604,809
Effect of exchange rate for cash and cash equivalents	(31,414)	(12,055)	(31,414)	(12,055)
Cash and cash equivalents at beginning of year	5,055,880	4,736,584	4,498,525	2,905,771
Cash and cash equivalents at end of year	1,904,950	5,055,880	412,562	4,498,525
	-	-	-	-
Supplemental cash flows information				
Non-cash items				
Increase (decrease) in accounts payable - purchase of machine	(4,188,165)	4,347,930	(3,929,606)	3,415,293
Increase in liabilities under finance lease	46,398,375	-	44,516,262	-
Decrease in advance payments for purchase of machine	-	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 2019

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	
			2019	2018
			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 Group 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 period, the Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations 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 adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standard involves changes to key principles, which are 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 recognised 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.

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

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Group is currently evaluating the impact of this standard on the financial statements in the year when they are adopted.

4. Significant accounting policies

4.1 Revenue Recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

When a contract provided a customer with a right to return the goods within a specified period, the Group recognises the amount ultimately expected they will have to return to customers as a refund liability and recognise the right to recover the goods expected to be returned by customers as a right of return asset in the statement of financial position. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

Rendering of services

Service revenue is recognised at a point in time upon completion of the service.

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 Group are computer software with useful live of 3 - 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 Group, whether directly or indirectly, or which are under common control with the Group.

They also include associated companies and, individuals or enterprises which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors and officers with authority in the planning and direction of the Group'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 Group 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. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Group could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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

Defined benefit plans and other long-term employee benefits

The Group has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Group treats these severance payment obligations as a defined benefit plan. In addition, the Group 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 Group recognises restructuring-related costs.

4.14 Provisions

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

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

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

The Group records 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 Group recognises, 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 Group applies 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 Group measures 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 Group determines 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 Group 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 Group and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2019	2018	2019	2018	
<u>Transactions with subsidiary companies</u>					
<i>(Eliminated from the consolidated financial statements)</i>					
Sales of goods	-	-	200	218	Cost plus margin
Management income	-	-	17	17	Contract price
Rental and service income	-	-	21	21	Contract price
Services income	-	-	37	20	Agreed price
Purchase of goods	-	-	19	10	Cost plus margin
Services fee	-	-	1	1	Agreed price
<u>Transactions with related companies</u>					
Sales of goods	13	11	13	11	Cost plus margin

As at 31 December 2019 and 2018, the balances of the accounts between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade and other receivables - related parties</u>				
(Note 8)				
Subsidiary companies	-	-	41,549	57,894
Related company (related by common director)	4,193	1,551	4,193	1,551
Total trade and other receivables - related parties	<u>4,193</u>	<u>1,551</u>	<u>45,742</u>	<u>59,445</u>
<u>Trade and other payables - related parties</u>				
(Note 14)				
Subsidiary companies	-	-	3,524	672
Related companies (related by common director)	39	-	39	-
Total trade and other payables - related parties	<u>39</u>	<u>-</u>	<u>3,563</u>	<u>672</u>

Directors and management's benefits

During the years ended 31 December 2019 and 2018, the Group had employee benefit expenses payable to their directors and management as below.

	(Unit: Thousand Baht)	
	Consolidated / Separate	
	financial statements	
	2019	2018
Short-term employee benefits	19,844	20,137
Post-employment benefits	1,675	364
Other long-term benefits	28	20
Total	<u>21,547</u>	<u>20,521</u>

7. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Cash	55	22	42	15
Bank deposits	1,850	5,034	371	4,484
Total	<u>1,905</u>	<u>5,056</u>	<u>413</u>	<u>4,499</u>

As at 31 December 2019, bank deposits in saving accounts carried interests between 0.04% - 0.22% per annum (2018: 0.04% - 0.375% per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
<u>Trade accounts receivable - related parties</u>				
Aged on the basis of due dates				
Not yet due	381	-	12,255	26,940
Past due				
Up to 1 month	3,812	1,551	15,732	21,452
1 - 2 months	-	-	218	-
2 - 3 months	-	-	272	-
3 - 6 months	-	-	836	-
6 - 12 months	-	-	422	-
Total trade accounts receivable - related parties	4,193	1,551	29,735	48,392
<u>Trade accounts receivable - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	102,290	177,597	70,931	124,683
Past due				
Up to 1 month	28,431	72,608	27,430	70,669
1 - 2 months	1,449	55,203	1,201	55,203
2 - 3 months	7	200	8	200
3 - 6 months	6,355	148	6,355	-
6 - 12 months	170	-	170	-
Over 12 months	8,350	8,350	8,334	8,334
Total	147,052	314,106	114,429	259,089
Less: Allowance for doubtful accounts	(8,350)	(8,350)	(8,334)	(8,334)
Total trade accounts receivable - unrelated parties, net	138,702	305,756	106,095	250,755
Total trade accounts receivable, net	142,895	307,307	135,830	299,147
<u>Other receivables</u>				
Other receivable - related parties	-	-	16,007	11,053
Other receivable	594	434	578	404
Total	594	434	16,585	11,457
Less: Allowance for doubtful accounts	(36)	(36)	(36)	(36)
Total other receivables, net	558	398	16,549	11,421
Total trade and other receivables, net	143,453	307,705	152,379	310,568

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
	Finished goods	368,906	176,641	(16,465)	(17,836)	352,441
Work in process	474,575	287,414	(15,928)	(12,775)	458,647	274,639
Raw materials	116,227	145,740	(9,384)	(8,511)	106,843	137,229
Supplies	15,945	12,795	-	-	15,945	12,795
Raw materials in transit	58,705	49,195	-	-	58,705	49,195
Total	1,034,358	671,785	(41,777)	(39,122)	992,581	632,663

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2019	2018	2019	2018	2019	2018
	Finished goods	350,569	152,249	(13,679)	(14,672)	336,890
Work in process	454,342	264,436	(15,168)	(12,565)	439,174	251,871
Raw materials	90,346	119,384	(4,586)	(4,337)	85,760	115,047
Supplies	15,827	12,795	-	-	15,827	12,795
Raw materials in transit	58,705	49,195	-	-	58,705	49,195
Total	969,789	598,059	(33,433)	(31,574)	936,356	566,485

During the current year, the Group reduced cost of inventories by Baht 13.9 million (2018: Baht 12.9 million) (The Company only: Baht 11.2 million and 2018: Baht 10.2 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Group reversed the write-down of cost of inventories by Baht 11.2 million (2018: Baht 6.5 million) (The Company only: Baht 9.4 million and 2018: Baht 4.9 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	
	2019	2018	2019	2018	2019	2018	2019	2018
			percent	percent				
Inter Seat Cover Company Limited	20,000	20,000	100	100	20,000	20,000	110,199	117,999
Inter Green Company Limited	50,000	50,000	100	100	50,000	50,000	-	-
					<u>70,000</u>	<u>70,000</u>	<u>110,199</u>	<u>117,999</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 2018	677,223	37,226	1,026,595	7,726	1,391,450	43,260	30,313	198,776	33,074	3,445,643
Acquisitions	9,152	9,028	25	1,718	13,119	2,870	5,068	442,897	16,895	500,772
Disposal/written-off	-	-	-	-	(1,419)	(755)	(2,352)	(194)	-	(4,720)
Transfer	-	-	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
Addition	112,843	2,901	-	1,648	10,280	1,719	11,727	229,021	5,045	375,184
Disposal/written-off	-	-	(550)	-	(22,471)	(2,247)	(4,063)	-	-	(29,331)
Transfer	-	-	117,948	-	231,466	1,451	-	(333,679)	(16,895)	291
Capitalised interest	-	-	-	-	-	-	-	4,645	-	4,645
As at 31 December 2019	799,218	49,155	1,266,769	11,092	1,946,522	47,108	40,859	129,973	5,045	4,295,741
Accumulated depreciation:										
As at 1 January 2018	-	-	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 disposal/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
Depreciation for the year	-	-	70,818	539	141,858	3,020	3,490	-	-	219,725
Depreciation on disposal/written-off	-	-	(25)	-	(19,946)	(2,009)	(4,033)	-	-	(26,013)
As at 31 December 2019	-	-	603,242	1,324	1,139,859	38,389	22,326	-	-	1,805,140
Net book value:										
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
As at 31 December 2019	799,218	49,155	663,527	9,768	806,663	8,719	18,533	129,973	5,045	2,490,601
Depreciation for the year:										
2018 (Baht 172 million included in manufacturing cost, and the balance in administrative expenses)										179,090
2019 (Baht 204 million included in manufacturing cost, and the balance in administrative expenses)										219,725

(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 2018	672,435	37,226	1,017,891	7,726	1,317,067	42,454	30,313	173,870	33,074	3,332,056
Acquisitions	9,152	9,029	25	1,718	11,249	2,866	5,068	440,977	16,175	496,259
Disposal/written-off	-	-	-	-	(1,419)	(755)	(2,352)	(194)	-	(4,720)
Transfer	-	-	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
Addition	112,843	2,900	-	1,648	9,501	1,709	9,022	211,756	5,045	354,424
Disposal/written-off	-	-	(550)	-	(22,471)	(2,247)	(4,063)	-	-	(29,331)
Transfer	-	-	117,948	-	213,489	1,470	-	(316,442)	(16,175)	290
Capitalised interest	-	-	-	-	-	-	-	4,645	-	4,645
As at 31 December 2019	794,430	49,155	1,258,065	11,092	1,848,254	46,307	38,154	106,378	5,045	4,156,880
Accumulated depreciation:										
As at 1 January 2018	-	-	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 disposal/ 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
Depreciation for the year	-	-	68,280	539	136,096	2,921	3,328	-	-	211,164
Depreciation on disposal/ written-off	-	-	(25)	-	(19,946)	(2,009)	(4,033)	-	-	(26,013)
As at 31 December 2019	-	-	596,447	1,324	1,074,650	37,807	22,164	-	-	1,732,392
Net book value:										
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
As at 31 December 2019	794,430	49,155	661,618	9,768	773,604	8,500	15,990	106,378	5,045	2,424,488
Depreciation for the year:										
2018 (Baht 164 million included in manufacturing cost, and the balance in administrative expenses)										170,821
2019 (Baht 196 million included in manufacturing cost, and the balance in administrative expenses)										211,164

As at 31 December 2019, the Company had an outstanding balance of a building and building improvements under construction amounting to Baht 98 million (2018: Baht 130 million). Construction of the building has been financed with loans from several financial institutions. Borrowing costs amounting to Baht 4.6 million were capitalised during the year ended 31 December 2019 (2018: Baht 3.3 million). The weighted average rate of 2.30% - 2.36% (2018: 2.14% - 2.67%) has been used to determine the amount of borrowing costs eligible for capitalisation.

As at 31 December 2019, the Group had machinery and motor vehicles with net book values of Baht 53 million (2018: Baht 5 million) (The Company only: Baht 51 million, 2018: Baht 5 million) which were acquired under finance lease agreements.

As at 31 December 2019, 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 863 million (2018: Baht 758 million) (The Company only: Baht 847 million, 2018: Baht 750 million).

The Company has pledged its property, plant and equipment amounting to approximately Baht 876 million (2018: Baht 784 million) as collateral against credit facilities which the Group received from financial institutions.

12. Intangible assets

Intangible asset of the Group 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 2019:						
Cost	11,470	15,191	26,661	11,144	15,191	26,335
Less: Accumulated amortisation	(9,239)	-	(9,239)	(9,029)	-	(9,029)
Net book value	<u>2,231</u>	<u>15,191</u>	<u>17,422</u>	<u>2,115</u>	<u>15,191</u>	<u>17,306</u>
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>

A reconciliation of the net book value of intangible assets for the years 2019 and 2018 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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Net book value at beginning of year	2,686	3,540	15,341	9,119	18,027	12,659	2,539	3,359	15,341	9,119	17,880
Acquisition of computer software	20	59	140	6,222	160	6,281	20	59	140	6,222	160	6,281
Transfer	-	-	(290)	-	(290)	-	-	-	(290)	-	(290)	-
Amortisation	(475)	(913)	-	-	(475)	(913)	(444)	(879)	-	-	(444)	(879)
Net book value at end of year	2,231	2,686	15,191	15,341	17,422	18,027	2,115	2,539	15,191	15,341	17,306	17,880

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	
	2019	2018	2019	2018	2019	2018
	Bank overdrafts	-	7.12	-	19	-
Promissory notes	2.18 - 2.50	2.35 - 2.73	849,699	684,700	849,699	684,700
Total bank overdrafts and short-term loans from financial institutions			849,699	684,719	849,699	684,700
Trust receipts	0.50 - 1.95	0.50 - 2.12	212,887	298,662	206,669	298,662

14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	Trade accounts payable - related parties	-	-	3,524
Trade accounts payable	153,342	207,084	127,403	172,134
Other payable - related party	39	-	39	-
Other payable	35,959	38,306	34,145	35,257
Accounts payable - purchase of machinery	35,779	39,967	34,950	38,880
Accrued expenses	10,650	16,526	9,953	15,363
Total trade and other payables	235,769	301,883	210,014	262,306

15. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Liabilities under finance lease agreements	49,563	6,725	47,647	6,725
Less: Deferred interest expenses	(712)	(321)	(539)	(321)
Total	48,851	6,404	47,108	6,404
Less: Portion due within one year	(14,082)	(2,258)	(13,639)	(2,258)
Liabilities under finance lease agreements - net of current portion	34,769	4,146	33,469	4,146

The Group has entered into the finance lease agreements with leasing companies for rental of machinery and equipment, and vehicles for use in their operation, whereby they are committed to pay rental on a monthly basis. The term of the agreements is 3 - 10 years. Finance lease agreements are non-cancelable.

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

(Unit: Thousand Baht)

	Consolidated financial statements		
	As at 31 December 2019		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	14,436	35,127	49,563
Deferred interest expenses	(354)	(358)	(712)
Present value of future minimum lease payments	14,082	34,769	48,851

(Unit: Thousand Baht)

	Separate financial statements		
	As at 31 December 2019		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	13,914	33,733	47,647
Deferred interest expenses	(275)	(264)	(539)
Present value of future minimum lease payments	13,639	33,469	47,108

(Unit: Thousand Baht)

	Consolidated/ Separate financial statements		
	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	2,258	4,146	6,404

16. Long-term loans

(Unit: Thousand Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated/ Separate financial statements	
			2019	2018
1	THBFIX1M+1.88 for first 3 years and MLR - 2 for years 4 to 5	Monthly installments as from June 2016	23,620	83,620
2	MLR - 2.25 for first 3 years and MLR - 2 for years 4 to 5	Monthly installments as from July 2016	10,569	52,569
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	51,750	74,910
4	MLR - 3.00 for the period 1 to 36	Monthly installments as from July 2018	77,600	124,400
5	THBFIX6M+1.58% for the period 1 to 36	Monthly installments as from September 2018	49,960	83,320
6	THBFIX6M+1.22% for the period 1 to 36	Monthly installments as from June 2019	161,010	-
7	THBFIX6M+1.22% for the period 1 to 36	Monthly installments as from July 2019	41,600	-
8	THBFIX6M+1.50% for the period 1 to 60	Monthly installments as from December 2019	98,330	-
9	THBFIX6M+1.50% for the period 1 to 36	Monthly installments as from December 2019	29,150	-
10	THBFIX6M+1.50% for the period 1 to 60	Monthly installments as from December 2019	196,660	-
Total			740,249	418,819
Less: Current portion			(291,469)	(205,320)
Long-term loans, net of current portion			448,780	213,499

Movement of the long-term loan account during the year ended 31 December 2019 are summarised below:

	(Unit: Thousand Baht)
	Consolidated /Separate financial statements
Balance as at 1 January 2019	418,819
Add: Addition during the period	580,000
Less: Repayment during the period	(258,570)
Balance as at 31 December 2019	<u>740,249</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.

As at 31 December 2019, the long-term credit facilities of the Company which have not yet been drawn down amounted to Baht 30 million.

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	
	2019	2018	2019	2018
Post-employment benefits	22,763	13,492	21,565	12,165
Other long-term employee benefits	3,851	4,909	3,399	4,143
Total	<u>26,614</u>	<u>18,401</u>	<u>24,964</u>	<u>16,308</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	
	2019	2018	2019	2018
Provision for long-term employee benefits				
at beginning of year	13,492	12,253	12,165	11,088
Included in profit or loss:				
Current service cost	2,057	1,201	1,945	1,070
Interest cost	488	311	467	280
Past service cost	4,575	-	4,426	-
Included in other comprehensive income:				
Actuarial loss				
Demographic assumptions changes	872	-	873	-
Financial assumptions changes	1,465	-	1,441	-
Experience adjustments	877	-	1,201	-
Benefits paid during the year	<u>(1,063)</u>	<u>(273)</u>	<u>(953)</u>	<u>(273)</u>
Provision for long-term employee benefits at end of year	<u>22,763</u>	<u>13,492</u>	<u>21,565</u>	<u>12,165</u>

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	
	2019	2018	2019	2018
Cost of sales	2,728	1,106	2,447	944
Selling and administrative expenses	<u>4,392</u>	<u>406</u>	<u>4,391</u>	<u>406</u>
Total expenses recognised in profit or loss	<u>7,120</u>	<u>1,512</u>	<u>6,838</u>	<u>1,350</u>

The Group expects to pay Baht 1 million of long-term employee benefits during the next year (Separate financial statements: Baht 0.8 million) (2018: Baht 1.7 million, separate financial statements: Baht 1.5 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit of the Group are 10 years and 6 years, respectively (2018: 12 years and 9 years, respectively).

Significant actuarial assumptions are summarised below:

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	1.5 and 2.3	2.7 and 3.1	1.5	3.1
Salary increase rate				
(depending on employee type)	3.5 - 4.5	3.4 - 4.5	3.5 - 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 2019			
	Consolidated financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(504)	(983)	530	1,088
Salary increase rate	625	1,277	(600)	(1,176)

(Unit: Thousand Baht)

	As at 31 December 2019			
	Separate financial statements			
	Increase 0.5%	Increase 1%	Decrease 0.5%	Decrease 1%
Discount rate	(468)	(913)	492	1,011
Salary increase rate	582	1,190	(559)	(1,096)

(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)

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	
	2019	2018	2019	2018
Provision for long-term employee benefits				
at beginning of year	4,909	4,519	4,143	3,837
Included in profit or loss:				
Current service cost	606	667	568	596
Interest cost	70	86	62	73
Actuarial loss (gain)				
Demographic assumptions changes	(97)	-	(89)	-
Financial assumptions changes	51	-	47	-
Experience adjustments	(1,476)	-	(1,120)	-
Benefits paid during the year	(212)	(363)	(212)	(363)
Provision for long-term employee benefits				
at end of year	3,851	4,909	3,399	4,143

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group have additional long-term employee benefit liabilities of Baht 4 million (The Company only: Baht 4 million) as a result. The Group reflects the effect of the change by recognising past service costs as expenses in the income statement during the year.

18. Share capital / Share premium

As at 31 December 2019, the Company's issued and fully paid share capital has increased from Baht 553,519,920 (553,519,920 ordinary shares with a par value of Baht 1 each) to Baht 592,805,637 (592,805,637 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 39,285,717 (39,285,717 ordinary shares with a value of Baht 1 each), resulting in an increase in total share premium to Baht 468,103,684.

The Company registered the corresponding increase in its paid-up capital with the Ministry of Commerce on 2 April 2019 and 16 October 2019.

19. Warrants

In March 2019, the Company received subscriptions of Baht 3.50 per share for the 28,432,749 of the additional ordinary shares arising from the exercise of the warrants (IHL-W1) of 28,432,749 units, or a total of Baht 99,514,621.50.

After approval of the Company's dividend payment, the exercise price of the warrants was adjusted from Baht 3.50 per share to Baht 3.454 per share, and the ratio of the warrants was adjusted from 1 unit: 1 share to 1 unit: 1.013 shares, effective from 28 August 2019.

In September and October 2019, the Company received subscriptions of Baht 3.454 per share for the 10,852,968 of the additional ordinary shares arising from the exercise of the warrants (IHL-W1) of 10,713,756 units, or a total of Baht 37,486,151.

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

	<u>2019</u>	<u>2018</u>
Balance as at beginning of year	41,477,567	85,907,116
Exercise warrants	<u>(39,146,505)</u>	<u>(44,429,549)</u>
Balance as at end of year	<u><u>2,331,062</u></u>	<u><u>41,477,567</u></u>

The number of 2,331,062 units of unexercised warrants expired on 11 October 2019, which was the last exercise date.

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% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% 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:

	Consolidated		(Unit: Thousand Baht)	
	financial statements	financial statements	Separate	financial statements
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Salaries and wages and other employee benefits	286,741	289,599	269,949	270,541
Depreciation	219,725	179,090	211,164	170,821
Amortisation expenses	475	913	444	879
Utility expenses	62,609	79,473	62,232	79,084
Rental expenses from operating lease agreements	11,781	10,058	11,439	9,748
Raw materials and consumables used	987,994	1,176,815	827,801	1,070,130
Changes in inventories of finished goods and work in process	(379,426)	55,200	(388,226)	67,235
Changes in the reduction of inventory cost to net realisable value	2,655	6,469	1,859	5,337

22. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	10,174	44,830	-	44,358
Deferred tax:				
Relating to origination and reversal of temporary differences	(7,992)	(1,452)	(7,842)	(1,319)
Income tax expenses (benefits) reported in the statement of comprehensive income	2,182	43,378	(7,842)	43,039

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax on actuarial loss	535	-	556	-

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

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Accounting profit before tax	143,937	336,140	124,248	371,974
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by				
income tax rate	28,787	67,228	24,850	74,395
Unrecognised tax losses as deferred tax assets	1,259	2,142	-	-
Effects of:				
Dividend income allowed to excluded in tax calculation	-	-	(22,040)	(23,600)
Promotional privileges	(26,764)	(22,773)	(9,619)	(5,241)
Non-deductible expenses	1,224	453	1,115	432
Additional expense deductions allowed	(3,175)	(3,672)	(2,939)	(2,947)
Others	851	-	791	-
Total	(27,864)	(25,992)	(32,692)	(31,356)
Income tax expenses (benefits) reported in the statement of comprehensive income	2,182	43,378	(7,842)	43,039

The components of deferred tax assets are as follows:

(Unit: Thousand Baht)

	Statements of financial position			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2019	2018	2019	2018
Deferred tax assets				
Allowance for diminution in value of inventories	8,033	7,825	6,364	6,315
Provision for long-term employee benefits	4,498	3,160	4,519	3,151
Unused tax loss	6,981	-	6,981	-
Total	19,512	10,985	17,864	9,466

As at 31 December 2019, the Group has unused tax losses totaling Baht 29 million (2018: Baht 23 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 2024 (2018: year 2021 to 2023).

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.

On 9 April 2019, the Company received promotional privileges from the Board of Investment for the leather tanning or the manufacture of finished leather, regarding improvement of production efficiency for renewable energy utilization, pursuant to the investment promotion certificate No.62-0364-1-04-1-0. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax of the promoted operation for a period of three years from the date of the first earning operating income after promotion certificate is issued to extent that the amount of tax exempted does not exceed 50% of capital investment in production efficiency improvement (excluding land cost and working capital), or a total of Baht 38,165,000. However, the amount of tax exempted will be amended to actual amount of capital investment excluding land cost and actual working capital on the day of implementation of the promoted project (9 April 2019).

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 expired on 31 August 2019.

The Group's operating revenues for the years ended 31 December 2019 and 2018, divided between promoted and non-promoted operation, are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Sales and services income						
Domestic	414,258	496,765	702,756	594,548	1,117,014	1,091,313
Export	31,751	43,790	403,847	1,255,076	435,598	1,298,866
Total sales and services income	446,009	540,555	1,106,603	1,849,624	1,552,612	2,390,179

(Unit: Thousand Baht)

	Separate financial statements					
	Promoted operations		Non-promoted operations		Total	
	2019	2018	2019	2018	2019	2018
Sales and services income						
Domestic	215,622	152,061	529,417	680,023	745,039	832,084
Export	31,751	43,790	403,847	1,255,076	435,598	1,298,866
Total sales and services income	<u>247,373</u>	<u>195,851</u>	<u>933,264</u>	<u>1,935,099</u>	<u>1,180,637</u>	<u>2,130,950</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 calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share for year 2019 and 2018:

	Consolidated financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2019	2018	2019	2018	2019	2018
	(Thousand Baht)	(Thousand Baht)	Thousand shares)	Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit for the year	141,754	292,762	577,678	541,097	0.25	0.54
Effect of dilutive potential ordinary shares						
Warrants (IHL-W1)	-	-	5,747	35,564		
Diluted earnings per share						
Profit attributable to equity of the Company holders assuming the conversion of warrants to ordinary shares	<u>141,754</u>	<u>292,762</u>	<u>583,425</u>	<u>576,661</u>	0.24	0.51

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(Thousand Baht)	(Thousand Baht)	Thousand shares)	Thousand shares)	(Baht)	(Baht)	
Basic earnings per share						
Profit for the year	132,090	328,935	577,678	541,097	0.23	0.61
Effect of dilutive potential ordinary shares						
Warrants (IHL-W1)	-	-	5,747	35,564		
Diluted earnings per share						
Profit attributable to equity of the Company holders assuming the conversion of warrants to ordinary shares	<u>132,090</u>	<u>328,935</u>	<u>583,425</u>	<u>576,661</u>	0.23	0.57

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 Group is 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 Group's operating segments for the years ended 31 December 2019 and 2018.

(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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues from external customers	1,332	1,535	216	852	5	3	-	-	1,553	2,390
Inter-segment revenues	-	-	3	1	18	9	(21)	(10)	-	-
Total revenue	<u>1,332</u>	<u>1,535</u>	<u>219</u>	<u>853</u>	<u>23</u>	<u>12</u>	<u>(21)</u>	<u>(10)</u>	<u>1,553</u>	<u>2,390</u>
Segment operating gross profit (loss)	371	349	(25)	161	(2)	(6)	12	12	356	516
Unallocated income (expenses):										
Other income									19	14
Selling and distribution expenses									(24)	(29)
Administrative expenses									(158)	(131)
Finance cost									(49)	(34)
Profit before income tax									144	336
Income tax									(2)	(43)
Profit for the year									<u>142</u>	<u>293</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>2019</u>	<u>2018</u>
Revenue from external customers		
Thailand	1,117	1,091
England	53	46
China	166	369
India	2	2
Indonesia	46	77
Malaysia	28	20
Philippines	2	51
Japan	91	273
Hong Kong	39	461
Vietnam	3	-
Switzerland	6	-
Total	<u>1,553</u>	<u>2,390</u>

Major customers

For the year 2019, the Group has revenues from 5 major customers in amount of Baht 1,158 million, consisting of four major customers in amount of Baht 1,015 million, arising from sales by the manufacturing and distribution of leather and other products segment and one major customer in amount of Baht 143 million, arising from services segment (2018: 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).

26. Revenue from contracts with customers

(Unit: Thousand Baht)

	For the year ended 30 December			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Type of goods or service:				
Sale of leather	1,332,440	1,534,780	962,014	1,277,006
Tanning services	218,623	853,943	218,623	853,944
Manufacturing and distribution of protein	1,549	1,456	-	-
Total revenue from contracts with customers - recognised at a point in time	<u>1,552,612</u>	<u>2,390,179</u>	<u>1,180,637</u>	<u>2,130,950</u>

27. Provident fund

The Group and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group contribute to the fund monthly at the rate of 2% 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 2019 amounting to Baht 0.9 million. (2018: Baht 0.7 million).

28. Dividend

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
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	<u>110,202</u>	0.20
Total for 2018		<u>286,525</u>	

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividend for 2018	Annual General Meeting of the shareholders on 24 April 2019	174,586	0.30
Interim dividend for 2019	Board of Director's meeting of the Company held on 13 August 2019	87,293	0.15
Total for 2019		<u>261,879</u>	

29. Commitments and contingent liabilities

29.1 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.

As at 31 December 2019, future minimum payments required under these non-cancellable operating lease and service contracts were as follows.

(Unit: Million Baht)

	Operating lease agreements		Service agreements	
	2019	2018	2019	2018
	Payable:			
In up to 1 year	12	13	7	3
In over 1 and up to 4 years	4	12	-	-

29.2 Capital commitments

As at 31 December 2019, the Company had capital commitment of approximately Baht 34 million and Euro 0.1 million (2018: Baht 13.8 million, Euro 0.1 million and CNY 0.2 million) relating to construction of factory building and purchase of machinery.

29.3 Purchase of raw material commitments

As at 31 December 2019, the Company had commitments of approximately USD 1.4 million (2018: USD 0.7 million and Euro 0.1 million) relating to purchase of raw materials.

29.4 Bank guarantees

As at 31 December 2019, there were outstanding bank guarantees of Baht 20 million (2018: Baht 20 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 (2018: Baht 4 million) to guarantee payments due to government agencies, Baht 11 million (2018: Baht 11 million) to guarantee electricity use, Baht 1 million to guarantee natural gas use (2018: Baht 1 million) and Baht 4 million (2018: Baht 4 million) to guarantee for purchase of inventory.

30. Fair value hierarchy

As at 31 December 2019 and 2018, the Group 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	
	2019	2018
	Level 2	Level 2
Assets measured at fair value		
Current investment		
Investment in unit trust in open-ended fund - debt instrument	27,886	17,120
Derivatives		
Forward exchange contracts	74	-
Liabilities measured at fair value		
Derivatives		
Interest rate swap contract	11,193	1,189
Forward exchange contracts	-	661

	(Unit: Thousand Baht)	
	Separate financial statements	
	2019	2018
	Level 2	Level 2
Assets measured at fair value		
Derivatives		
Forward exchange contracts	74	-
Liabilities measured at fair value		
Derivatives		
Interest rate swap contract	11,193	1,189
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.

31. Financial instruments

31.1 Financial risk management

The Group'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 and 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 Group is exposed to credit risk primarily with respect to trade and other receivables. The Group manage 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 Group'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 2019							
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	1	2	Note 7
Current investment	-	-	-	-	28	28	-
Trade and other receivables	-	-	-	-	143	143	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term							
loans from financial institutions	850	-	-	-	-	850	Note 13
Trust receipts	213	-	-	-	-	213	Note 13
Trade and other payables	-	-	-	-	236	236	-
Liabilities under finance lease							
agreements	3	6	-	-	40	49	2.15 - 4.75
Long-term loans	201	403	-	136	-	740	Note 16

(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	Note 7
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	Note 13
Trust receipts	299	-	-	-	-	299	Note 13
Trade and other payables	-	-	-	-	302	302	-
Liabilities under finance lease							
agreements	2	4	-	-	-	6	2.15
Long-term loans	47	78	-	294	-	419	Note 16

(Unit: Million Baht)

Separate financial statements

As at 31 December 2019

	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>							
Trade and other receivables	-	-	-	-	152	152	-
<u>Financial liabilities</u>							
Bank overdrafts and short-term							
loans from financial institutions	850	-	-	-	-	850	Note 13
Trust receipts	207	-	-	-	-	207	Note 13
Trade and other payables	-	-	-	-	210	210	-
Liabilities under finance lease							
agreements	3	4	-	-	40	47	2.15 - 4.75
Long-term loans	201	403	-	136	-	740	Note 16

(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	Note 13
Trust receipts	299	-	-	-	-	299	Note 13
Trade and other payables	-	-	-	-	262	262	-
Liabilities under finance lease							
agreements	2	4	-	-	-	6	2.15
Long-term loans	47	78	-	294	-	419	Note 16

As at 31 December 2019, the Company has an outstanding balance of interest rate swap agreement with a local bank of Baht 604 million (2018: Baht 124 million), to swap floating interest rate on the loan to fixed interest rate of 3.55 - 4.05% per annum. The notional amount of the contract will gradually come due until November 2024 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	
	2019	2018	2019	2018	2019	2018
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	2	6	3	4	30.15	32.45
Euro	-	-	1	1	33.73	37.13
Chinese Yuan	-	-	3	4	4.31	4.72

Foreign exchange contracts outstanding are summarised below.

31 December 2019					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
			(Baht per 1 foreign currency unit)		
US dollar	2	2	30.11 - 30.43	30.14 - 30.54	10 January - 19 May 2020

31 December 2018					
Foreign currency	Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
			Bought	Sold	
			(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

31.2 Fair value of financial instruments

Since the majority of the Group'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.

32. 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 2019, the Group's debt-to-equity ratio was 1.29:1 (2018: 1.08:1) and the Company's was 1.30:1 (2018: 1.07:1).

33. Events after the reporting period

On 25 February 2020, the Company's Board of Directors meeting passed a resolution to propose the payment of annual dividend at the rate of Baht 0.25 per share. The Company has been paid the interim dividend at the rate of Baht 0.15 per share in August 2019. Therefore, the remaining dividend will be paid to shareholders is Baht 0.10 per share, which will be paid in May 2020 and will be proposed for approval at the 2020 Annual General meeting of the shareholders.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2020.

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	33 rd 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 592,805,637
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	
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