



ANNUAL REPORT 2013

รายงานประจำปี 2556

cpl

C.P.L. Group Public Company Limited

บริษัท ซี.พี.แอล. กรุ๊ป จำกัด (มหาชน)



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Message from Chairman

We are pleased to inform all shareholders that in 2013, CPL Public Company Limited was able to meet targets set out the year before despite the significant rise in raw materials prices. In the about 30 years since CPL was founded, we have never before met with such highs in the raw hide markets as we are seeing now. This makes profits very difficult but we were able to overcome such upsetting external factors, achieved targets & goals and in 2013, was able to generate more profits than in 2012.

The main keys in getting through bullish markets situation are to produce higher priced products and keep low in operations and implement cost efficiencies. CPL was able to create products with higher added value and in the process boost selling prices in following suit with the extremely steep rise in raw materials from all over the world. Simply boosting value in products is insufficient, product quality is also controlled to maximise the yield resulting in lower operation costs and lower customer compensations. In addition to innovations, tight controls in production and operations, the efficient cost controls already in place were further improved thus lowering the overall costs in running the tannery as a whole

All levels within our ranks acknowledged that we need to counter the difficulties in 2013. We closed ranks, maintained close attention and cooperation internally thru daily and weeklu updates resulting in the fulfillment of established goals. Good governance, integrity, transparency and disciplined operations resulted in a successful 2013.

The tannery business is a very hard and difficult line of business and its quite complicated in terms of production and marketing, now made even more complicated with difficulties in raw materials. Many tanneries had to terminate their businesses in view of such complications. The number of tanneries is gradually decreasing and currently there are not as many as in previous years. However, CPL has been in this business for so long and not only a significant player but also a long term survivalist. I am very glad and confident in CPL's competencies and confident that we will be able to leap across many other hurdles in the future.

Mr. Manoch Wongcharoensin
Chairman



Audit Committee's Report

The audit committee of CPL Group Public Company Limited comprising of Chairman of the Audit Committee, Mr. Kamthorn Vathanalaotha and audit committee member Mr. Sukho Voddhtijoti and Mr. Mongkol Laoworapong held 4 meetings during the last accounting year ending December 31, 2013. Company executives, external auditor and other concerned officers had attended all such meeting to clarify issues on the agenda of their concern such as auditing results on financial statements, internal auditing results as well as the company's risks management. All resolution of the meetings are summarized as follows:

1. Annual Financial Statements

Financial statements of the Company have been prepared in accordance with the Accounting Act B.E. 2543 and accounting standards as recommended by the Federation of Accounting Profession Under the Royal Patronage of His Majesty the King, and certified by authorities concerned. Relevant information has been sufficiently disclosed in the financial statements. Any suggestion recommended by the external auditor would be reflected in accounting records correctly and appropriately.

2. Internal Control System

The Company has sufficient internal control system. Internal auditors of the company conducted internal auditing according to the plan set up annually by the Audit Committee. Internal control was evaluated by using measures from suggested by the Stock Exchange of Thailand covering organization and environment, management operating control, information system, communication and monitoring control. The evaluation results were fairly good.

3. Risk Management

The Audit Committee has join with management team to know on financial risk, operational risk, business risk and external factors that are uncontrollable, So as the mitigate risks to acceptable level or to initiate remedial measures. The management team was assigned to monitor operation results as compared to price, and raw material price which have director impact on production cost of our product.

3. Appointed the company auditor and remuneration

The Audit Committee recommended the Board of Director to propose to the Annual General Meeting of Shareholder to appoint the Company's Auditors from S.K. Accountant Services Co., Ltd, as Ms. Wanraya Puttasatien CPA No. 4387, Ms. Chantra Wongsriudomporn CPA No. 4996 for the accounting year ending December 31, 2014 with the remuneration amount of 515,000 baht.

Mr. Kamthorn Vathanalaotha
Chairman of the Audit Committee



The Board of Directors' Report on the Accountability of the Company's Financial Reports

The Board of Director is accountable for correctness of financial statements of CPL Group Limited Company including financial information presented in the Annual Report and form 56 – 1. The Company has adopted appropriate accounting policies consistently applied and conformed to generally accepted accounting standards. Also, significant information was sufficiently disclosed in notes to financial statement for proper benefits to shareholders, investors and stakeholders.

Financial Statement of the Company have been audited by S.K. Accountant Services Co.,Ltd, auditor of the Company. The Board of Directors has supported the auditor will all necessary information and documents so that external auditor could audit the and express his opinion in accordance with accounting standards. The external auditor has expressed his opinion in Auditor's Report.

The Board of Director has appointed an Audit Committee to be responsible for the reviewing accounting policies, quality of financial reports, internal control system, risk management system. The Audit Committee has expressed their opinion in the Audit Committee's Report as shown in this Annual Report.

The Board of Director opines that managerial structure and internal control system of the Company was satisfactory. The Company's auditor did not qualify or raised any specific observation the Company's financial statement. So we could assured that financial statement of CPL Group Public Company Limited as at December 31, 2013 present fairly in all material respects the financial position, performance, and cash flow in accordance with generally accepted accounting principles and other relevant laws and regulations.

Mr. Lai Chi Hsiang
Managing Director



1. Policy and Overall Business Operation

CPL is a fully integrated tannery processing starts from the pickling of raw cowhide to tanning through to wetbluing, crusting and finished leather production. The majority of CPL products are used in the manufacturing of leather shoes, leather bags, and all types of leather products where genuine leather are needed.

CPL is also associated with CPL International Company Limited, which is a joint venture in China between CPL and 2 other parties; a HongKong owned tannery in China and a Taiwanese footwear factory based in China. The tannery was founded in Panyu, GuangZhou in 2001 to support CPL customers in China. Currently this tannery has stopped production and is in the process of business restructurisation.

1.1 Vision

CPL is committed to be a leader in the global leather tanning industry supported with competent management and world class production processes providing on time delivery, creating mutually beneficial relations, reliability with customers and environmentally concious.

1.2 Important Changes and Development

CPL is a Gold class member of Satra Technology Center in England, which is a global institution renowned for leather, footwear and related trades. CPL Laboratory is also an accredited Satra Laboratory.

In October 2013, CPL was awarded the Gold medal by the LWG in its Environmental Stewardship Audit. LWG is the institute trusted by global name brands to audit and rank ALL tanneries.

In December 2013, the ISO 14001: 2004 Certification on Leather Tanning from United Registrar of System was awarded to CPL. This certification improves the standardisation quality of the tannery making CPL even more acceptable globally.

1.3 Shareholding Structure of Company's Group

CPL Group Public Company Limited was established in 1989 by Charoensin Group in Thailand, Pan Overseas Corporation, and Lien Dah Company in Taiwan, who was expert with experience in the tannery business for over 40 years. CPL expanded continuously thru the years and finally was listed as a public company in the Stock Exchange of Thailand in 1994 with registered capital of 240 million Baht. In 2005, the registered capital was increased from 24 million shares to 26.40 million shares at 10 Baht per share, totalling to 264 million Baht in order to support the stock dividend.

In 2002 CPL went into a joint venture and established a new company: CPL International Company Limited in Hong Kong. CPL International Co., Ltd. made investments in a tannery in Guangzhou China with registered capital of USD 8 million. The total investment made by CPL was 51.48 million Baht, equivalent to 15% of the total registered capital of CPL International Co., Ltd. Currently, CPL International Co., Ltd. is in the process of business restructureisation.

1.4 Relationship with Business Groups of Major Shareholders

Eagle Chemical Industry Company Limited with the company registration No. 0115533000711, was founded on February 20, 1990. It engages in the business of manufacturing and distributing industrial paints and chemicals. Its office is located at No.888/18, Moo.6, Sukhumvit Road, Bang Pu Mai, Muang District, Samutprakarn. The registered capital is 100,000,000 million Baht. The relationship of CPL and Eagle Chemical Industry Company Limited is in having the same group of major shareholders and 2 co-directors. Products that CPL purchases from Eagle Chemical Industry Company Limited are chemicals for the production of leathers. Transactions between the Company and Eagle Chemical Industry Company Limited is in compliance with the normal course of business, similar to other business partners. The necessity of purchasing products is because Eagle Chemical Industry Company Limited is the sole chemicals dealer of the international company in Thailand, such as, Lanxess PTE., ltd., Alfa Chemical, Vandoni, etc.



2. Nature of Business Operation

Raw hide is a by-product of the meat industry. Raw hides are collected from slaughterhouses and put into various curing processes such as brine curing, wet salting, and dry salted hide before shipping to tanneries all over the world. The most popular hides used as the raw material in the leather and leather product industry are cow hides considered to be a major raw material readily available with the vast global beef consumption. Most cow hides originate from USA, Europe, South America, Africa, India, and China. Apart from cow hides, there are also other animal hides such as sheep, goat, crocodile, snake, etc.

The tanning industry transforms raw hides into the hides by tanning, dyeing and finishing the rawhides into finished leathers. The finished leathers are then supplied to the footwear and leather product industry such as, luggage, handbag, etc. These products can be categorized into top level, medium level, and low level based on how the materials are used, the designs and the brands using the finished leathers. Such global brand names includes Adidas, Reebok, Nike, Timberland, Skechers, LaCoste, etc.

Most global shoes and leather product industries are produced in nations with low labor costs such as China, India, Thailand, Vietnam, etc. Factories in these countries seldom develop their own product designs and have low technologies with abilities to do medium level to low level products. The factories in these nations normally do OEM for well-known brand names. Factories in higher developed nations such as Italy, France, Taiwan, South Korea, USA, etc. normally develop product designs and technologies of high-end and expensive products. This is due to the reason that the labor costs and production costs of these countries are very high as well.

CPL operates in only one business sector namely production and distribution of finished leather products with location only in Thailand. Therefore, all incomes, profits and assets shown in the financial statements are related to the finished leather business sector and monetary unit as follows:

Unit : Million Baht

| Description | Domestic | | Oversea | | Total | |
|---------------|----------|--------|----------|----------|----------|----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Sales Revenue | 233.40 | 331.11 | 1,602.68 | 1,406.86 | 1,836.08 | 1,737.97 |
| Gross Profit | (3.14) | 21.19 | 216.98 | 134.13 | 213.84 | 155.32 |

In 2013, the gross profit from the domestic sales in 2013 fell significantly to 3.14 million Baht due to local selling price of finished leathers was unable to rise higher to follow the increasing cost of global raw materials. Export sales prices of finished leather on the other hand was able to rise correspondingly to global raw materials prices. Local Thai footwear manufacturers encountered very difficult situations to survive in the industry due to ever rising production costs in addition to the rise in costs of raw hides, labors, chemical, or other costs.

Currently, 90% of CPL products are distributed to footwear factories in Asian countries, currently the world's largest group of footwear manufacturers making for global brand names such as Timberland, Adidas, Reebok, Lacoste, Dr.Martens, Solomon, Fred Perry, Mark & Spencer, Sketchers, etc.

Nature of Product or Service

CPL products are all forms of finished cow leather. These products are packed per hide or per side and measured in units of square foot. Most customers are footwear manufacturers in China, Indonesia, Vietnam, and other countries in Asia which manufacture shoes for popular brand names, such as Timberland, Adidas, Reebok, Lacoste, Dr.Martens, Solomon, Fred Perry, Mark & Spencer, Sketchers, etc.

Revenue Structure

| Revenue | 2013 | | 2012 | | 2011 | |
|-------------------------|--------------|--------|--------------|--------|--------------|--------|
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Sales Revenue | 1,836.08 | 99.42 | 1,736.97 | 98.20 | 1,759.32 | 99.00 |
| Other Income | | | | | | |
| Gain from Exchange Rate | 4.97 | 0.27 | 15.33 | 0.87 | 10.58 | 0.60 |
| Interest Income | 2.80 | 0.15 | 2.41 | 0.13 | 2.44 | 0.14 |
| Income from Tax Refund | 2.75 | 0.14 | 13.90 | 0.79 | 4.09 | 0.23 |
| Other | 0.19 | 0.02 | 0.24 | 0.01 | 1.31 | 0.03 |
| Total Revenue | 1,846.79 | 100.00 | 1,768.85 | 100.00 | 1,777.74 | 100.00 |

Marketing and Competition

(A) In 2013, the marketing situation was similar to 2012 with sale volume about the same for both years at approximately 24 million feet per year. In terms of the sale volume proportions between grain leather, which is higher in prices as compared to and split leather, the sales volume of grain leather was higher and selling

price increased from 2012 by 6-9%. This was due to the bullish cow rawhides prices and reaching historical peaks breaking the USD 100 support. The situation in 2014 is expected to be about the same as that of the past 2 years, hence will keep to about the same marketing strategies as in 2013. Sales volume is expected to be about the same just as we expect the same in terms of proportion of grain vs split leather, domestic and international sales. The main concern is to keep losses to a minimum for domestic market where losses were registered in the previous years. The strategy for the local market is to increase the domestic selling price and enhance the quality in order to reduce the product claims and compensations from customers. Domestic sales has to be continuously maintained to achieve good performances in order to keep CPL as a player in the local footwear industry.

(B) With the global rawhide markets being so bullish and coupled with the high costs in running a tannery, competition under such situations is not expected to be aggressive. Domestic competition is not a worry as tanneries like CPL can be counted as few. Most local tanneries are more worried with losses and survival in this industry and do not pose too competition for CPL. In regards of international market, the competition is not as aggressive as is thought due to the number of tanneries that can be approved to supply to factories producing for global well-known brand names are limited to a certain class within the LWG. So long as CPL retains the quality of products to global standards, the global brand names will keep CPL as a supplier to their nominated factories in China, Vietnam, and Indonesia. However, this does not mean that CPL can let our guard down but have to continuously improve on manufacturing technologies, improving qualities, ensure in time deliveries, providing innovative products, find ways to be more and more environmentally friendly and most of all maintain what has been achieved. In this way CPL is able to maintain supplies to existing customers and also become very appealing to a wider range of customer base.

CPL is committed to be a leader in the global leather tanning industry thru the employment of a highly competent management and world class production processes. Such processes includes development and control of our production process in accordance with accepted standards globally supported with environmentally-friendly production principles. Being a global leader also means that we need to maintain mutually beneficial relationships and be a reliable supplier to our customers, keep abreast of new technologies and improve managerial as well as vocational capabilities of our personnels.

CPL is abreast of all new production processes and controls being introduced globally, ensuring the highest quality products to meet customer requirements which is at par with international standards. From the purchase of quality raw material to the research and development of products, to the import of state-of-the-art machineries and technologies to support in CPL production, CPL is geared to provide the best quality products, with in time "Right First Time" deliveries utilising the best efficiencies.

Globally acceptable requirements are not trivial and the demand from the global brand names are very high not only in quality but also in its execution. These demands and needs have to be satisfied and is reflected in CPL products, otherwise it cannot be used on the end products of the global name brands. For example, the requirement on health, safety and environment is a factor that CPL is continuously aware about and keep very close controls. CPL has thus established policies and regulations on operations and other needs in line with international acknowledged standards, as well as customers' demands.



3. Risk Factors

Risk from Operation

In the past 5 years, the price of raw cowhide had fluctuated dramatically. In 2011, the price of cow rawhide surprisingly decreased to average at about 45-50 USD per hide. This was caused indirectly by the Sub-Prime Mortgage crisis in USA in 2010, a time when cattle farms seek quick liquidation and bringing the price of cowhide to such low levels. The opposite happened in 2012, cow rawhides started to increase as cattle stocks were depleted and it has increased unstopably to this moment due to low stocks causing low numbers in slaughter houses. In 2014, the price is still bullish but it has showed signs of slowing down because as it reaches historical peaks. The average selling price is now over USD 100 per hide, which is the highest price experienced by CPL since we started the leather tanning business in 1989. Hence since 2011 cow rawhide price, which is the main raw material for CPL, had under went increases by over 100%. This is considered to be a direct risk to CPL operation because the cost of raw materials makes up about 60% of the COGS (Cost Of Goods Sold). However, CPL was able to balance this risk by buying more raw materials on dips and being conservative when prices are spiking hence averaging the rawhide inventory to a more sensible value. In this manner CPL was able to increase our product selling prices consistently but fairly and reasonably thereby hurdling through such times of sever fluctuations.

Risk from Personnel

In operating a tannery, it is important not only to provide world class machineries and chemicals in our production processes but also equally if not more important we need to have a great team of highly skilled experts continuously trained and gaining experiences needed to maintain the expertise. Tanning process is an integration of tanning sciences and arts. Our personnel usually have pre-employment training but most important would be the real experience of working in the tannery. When some of our experts and skilled employees retire, it is difficult to recruit personnel who have the same level of skills as those that have retired as it takes long time get the experience. This is considered to be the risk and to resolve this problem, CPL has continuously provided on the job training for employees in positions needing high skills and expertise. In addition, we also prepare preventive measures by ensuring redundancy in certain critical positions, especially for employees in key positions with specific expertise. This is part of the long-term plan of our personnel.

Risk of Exchange Rate

Many supplies of raw materials and chemicals are imported where foreign currencies are used. Currently, 85% of the products sold are for export which relates to the foreign currency. As a result there are risks from the exchange rate as well. In countering this issue, CPL will make use of financial instruments to intervene and hedge against risk from high fluctuation of exchange rates as shown in Article 26.3 of Notes to the Financial Statement.



4. Other References

CPL Group Public Co.,Ltd. located at 700 moo 6, Sukhumvit Raod, Tambol Bangpoomai, Ampour Muang, Samutprakarn 10280, to produce bovine leather supplies to Thai local and overseas shoes and leather goods manufactures. Company register no. 0107537000289 Tel 662 709-5633-8 Fax 662 709-6033 Home Page www.cpl.co.th with the registered capital issued and paid up to 264 million baht and 10 baht per shares.

- 1. Stock Registration** Thailand Securities Depository Co., Ltd.
62 Ratchadapisek Road, Klongtoey,
Bangkok 10110, Tel. 02 359 1200 1
Fax. 02 359-1259

- 2. Certified Public Accountant** SS.K Accountant Services Co., Ltd.
Ms. Wanraya Puttasatien CPA No. 4387
Ms. Chantra Wongsriudomporn CPA No. 4996
14th fl., Payatai Plaza Building No. 128/150-153
Bangkok 10400
Tel. 02 216-6464, Fax. 02 215-4772

- 3. Lawyer Consultant** Payab Kamart Lawyer Office
45/15 Moo 1, Bangrateak, Sampran,
Nakornpatom, 73210
Tel. 081 814-0793



5. Shareholder

There are registered capital 263,999,950 Baht share, 10 baht per share and all issued and paid-up.
The name of shareholders as at March 10, 2014 as closing date.

Group of Top Ten Shareholders

| Name of Shareholders | Total Shares | % |
|-----------------------------------|--------------|--------|
| 1. Chareonsin Holding Co., Ltd.** | 10,032,200 | 38.000 |
| 2. Mr.Chen Jui Ying | 2,834,700 | 10.738 |
| 3. Thai NVDR Co.,Ltd | 2,454,480 | 9.297 |
| 4. Ms.Nuchnapa Wongcharoensin | 1,002,020 | 3.796 |
| 5. Mr.Chen Rui Teng | 841,500 | 3.188 |
| 6. Mr.Wiwat Wongcharoensin | 700,000 | 2.652 |
| 7. Mr.Lai Chi Hsiang | 699,057 | 2.534 |
| 8. Ms.Walairat Silchevakijja | 464,900 | 1.761 |
| 9. Mr.Kuo Shih Lun | 462,000 | 1.750 |
| 10. Mr.Vichern Srimuninnimit | 450,000 | 1.705 |

Note : Charoensin Hoding Co.,Ltd is property company, all shareholder are Chareonsin family.

Group of Major Shareholders

1. Charoensin Group
2. Chen Group



6. Dividend Policy

The company have dividend policy to shareholder around 60% of net profit from each year. Dividend history from the past 5 years

| Year | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------|------|------|------|------|------|
| Net Profit per Shares / Baht | 3.32 | 2.50 | 3.10 | 1.49 | 2.50 |
| Divided per Share / Baht | 2.50 | 1.75 | 2.00 | 1.75 | 2.00 |
| Dividend per Net Profit (%) | 75 | 70 | 64 | 117 | 80 |

However, the actual dividend payment on cash flow, investment plan of the company, terms and Conditions of the agreements entered by the company together will all other necessary and suitability in the future.

7. Management Structure



Mr. Manoch Wongchaorensin

Chairman



Mr. Lai Chi Hsiang

Managing Director



Mr. Kuo Shih Lun

Director / Deputy Managing Director



Mr. Suwatchai Wongcharoensin

Director / Company Secretary



Mr. Kitichai Wongcharoensin

Director / Director of Sales & Marketing



Mr. Puvasith Wongcharoensin

Director



Mr. Kamthon Vathanalaoha

Director/ Independent Director
Chairman of Audit committee



Mr. Sukho Voddhijoti

Director / Independent Director /
Audit committee



Mr. Mongkon Laoworapong

Director / Independent Director /
Audit committee

Board of Directors' Structure

Board of Directors consists of persons with knowledge and experience, which have important role in policy making and organization's overview, including important role in regulating, inspecting, evaluating performance of the company to ensure that it is according to the plan, as well as operate the company's business according to the law, regulation, and shareholders meeting's resolution, including regulating management's administration to be according to the target and guideline determined, and lead to best interest of the company and shareholders.

Board of Directors' structure consists of independent directors of more than 1 in 3 of directors in the whole board, which would maintain the voting balance in the consideration of various matters, and there is an Audit Committee, which consists of 3 independent directors.

Currently, Board of Directors has 9 directors, which consists of 6 directors who are major shareholders' representatives, and 3 independent directors who are also directors in the Audit Committee. Number of the company's independent directors is according to the rule of SEC, which determines that one third of total number of directors must be independent directors.

According to the company's regulation, in every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.

Furthermore, Board of Directors has appointed subcommittees, which consists of Executive Committee and Audit Committee to have specific function and make proposal to Board of Directors for consideration or acknowledgement, which such subcommittees have the right as determined in the authority of each subcommittee.

Company Committee can be divided into 3 sets as follows:

Board of Directors

| Name | Position |
|---------------------------------|--|
| 1. Mr. Manoch Wongcharoensin | Chairman |
| 2. Mr. Suwatchai Wongcharoensin | Director |
| 3. Mr. Lai Chi Hsiang | Managing Director |
| 4. Mr. Kuo Shih Lun | Director |
| 5. Mr. Kitichai Wongcharoensin | Director |
| 6. Mr. Puvasith Wongcharoensin* | Director |
| 7. Mr. Kamthon Vathanaaloaha | Director / Chairman of Audit committee |
| 8. Mr. Sukho Voddhijoti | Director / Audit committee |
| 9. Mr. Mongkon Laoworapong | Director / Audit committee |

Term of holding the position in director

In every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.

Scope of Duty and Responsibility of Board of Directors:

1. Must perform duty in compliance with the law, objective, regulation of the company, as well as shareholders meeting's resolution, except for the matter that requires approval from shareholders meeting before operation such as the matter that the law requires shareholders meeting's resolution, connected transaction, and buying or selling significant asset according to the rule of SET, or as determined by other state agencies, etc.
2. Determine or change the name of authorized director.
3. Determine policy, strategy, and direction of the company's business operation, and regulate management's operation to ensure that it is according to the determined policy, strategy, and direction efficiently and effectively to add maximum economic value for shareholders and sustainable growth.
4. Consider making decision on significant matters such as business plan, budget, large investment project, management power, and other items as determined by the law.
5. Evaluate performance and determine consideration for the management.
6. Responsible for performance and operation of management with determination and care in the operation.
7. Provide reliable accounting system, financial report and accounting audit, as well as provide a process for assessing suitability of internal control, and internal audit to ensure efficiency and effectiveness, risk management, financial report, and result monitoring.
8. Prevent conflicting interest between stakeholders and the company.
9. Regulate business to ensure ethical operation.
10. Determine internal regulation or rule of the company in various matters.
11. Report responsibility of the Board of Directors in preparing financial report by presenting it together with the auditor's report in the annual report, and cover important matters according to the policy of good practice for directors of listed company in SET.

The Audit Committee

The name of the Board as March 1 2014 are

| Name | Position |
|----------------------------------|-----------|
| 1. Mr. Kamthon Vathanalaoha | Chairman |
| 2. Mr. Sukho Voddhijoti | Committee |
| 3. Mr. Mongkon Laoworapong | Committee |
| 4. Miss Arjaree Suphasinwongchai | Secretary |

Scope of Duty and Responsibility of Audit Committee.

1. Review and control the company to manage correct and reasonable financial report
2. Review and control the company to arrange the suitable and efficient internal control and audit
3. Review and control the company to comply with the law concerning security and security exchange, stipulation of SET or other laws related to the company's business.
4. Consider, recruit, propose, appoint and propose the remuneration of the auditor.
5. Consider, disclose the information of the company in case of there is any related item or any item

which may object against benefit to be correct and complete.

6. Prepare report of Audit Committee expressly recorded in annual report duly signed by the Chairman of the Audit Committee.
7. Conduct other business being assigned by the Board of Directors under the approval of the Audit Committee.

Executive director who is authorized committee of the company at March 1, 2014 have 5 persons as follow.

| Name | Position |
|---------------------------------|-------------------|
| 1. Mr. Manoch Wongcharoensin | Chairman |
| 2. Mr. Lai Chi Hsiang | Managing Director |
| 3. Mr. Kuo Shih Lun | Director |
| 4. Mr. Suwatchai Wongcharoensin | Director |
| 5. Mr. Kitichai Wongcharoensin | Director |

Scope of duty of Executive Committee

1. Determine policy, direction, strategy, and structure of main work management in the company's business operation that is determined to be consistent and supportive of economic condition and competition determined and stated to shareholders to propose for Board of Directors' approval.
2. Determine business plan, budget, and management powers of the company to propose to Board of Directors for approval.
3. Determine organizational structure and determine manpower policy, which shall cover the overview in selecting, training, hiring, creating replacement executive, as well as result evaluation and rule for determining consideration of employee at all level.
4. Verify and monitor policy and guideline for management in various aspects of the company determined to be efficient and facilitative to business operation condition.
5. Verify and monitor the company's performance determined to be in according to approved business plan.
6. Prepare financial transaction with financial institution in opening account, loan, pledge, mortgage, guarantee and other actions including trading and registering any land ownership according to the objective for the interest of the company business operation under determined amount.
7. Monitor result of management system development and other operations as assigned by the Board of Directors from time to time.

Company Secretary

Board of Director No. 7/2008 date August 13, 2008 had appoint Mr. Suwatchai Wongchareoensin as company secretary to perform duty and responsibility according to Securities and Exchange Act.

Scope of duty of Company Secretary

1. Providing basic advice to the Board of Directors and Management who have to follow the Company's Articles of Association, rules of SEC and SET, and any new regulations that may be relevant to the Company.

2. Being responsible for disclosing the Company's information in line with SET's and SEC's regulations, and other regulatory bodies.
3. Preparing and storing important documents such as the registration of the Company's directors, the invitation letter and minutes of the Board of Directors Meeting, the invitation letter and minutes of the Shareholders Meeting, the Annual Report, shares holding report of directors and management team, and reports of conflicts of interest filed by directors and the management. Name of Management Team at March 1, 2014

| Name | Position |
|--------------------------------------|------------------------------|
| 1. Mr. Manoch Wongcharoensin | Chairman |
| 2. Mr. Suwatchai Wongcharoensin | Director / Company secretary |
| 3. Mr. Lai Chi Hsiang | Managing Director |
| 4. Mr. Kuo Shih Lun | Director |
| 5. Mr. Kitichai Wongcharoensin | Director |
| 6. Mr. Singha Wongrujipairoj | Chief Financial Officer |
| 8. Ms. Chutima Kititarakul | Overseas Marketing Manager |
| 9. Ms. Tanyapornn Apichatvicheanchot | Accounting Manager |
| 10. Ms. Arjaree Suphasinwongchai | Finance Manager / secretary |

Director and Executive Recruitment

For recruiting person to be the company's director, the company allows shareholders to nominate qualified person who has experience and suitable potential to be the company's director in the annual general meeting of shareholders. Each shareholder may cast available vote to select one person or many persons to be directors. However, votes may not be divided unequally, which those with skill and experience necessary for the company's business operation will be prioritized, which the following qualities;

1. Having quality according to Limited Public Company Act, Security and Exchange Act, Rule of SEC, rule of SET, and the company's good corporate governance.
2. Having variety of knowledge, ability, and experience in various fields of occupation that will be useful and add value for the company.
3. Having attributes the supports and encourages business regulation to create value to the company, perform duty with Accountability, Care and Loyalty, and fully dedicated.

Independent Director The Company determines components for Board of Directors to be consisting of at least 1/3 of independent of total number of the company's directors.

Board of Directors determines qualities of independent director as follows;

1. Hold shares no more than 1.0% of total number of share with voting right of the company, head office, subsidiary, joint company, major shareholder, or person with power to control the company, which shall also include shareholding of related person of that independent director.
2. Not being or never been a director involved in management, employee, consultant who receives regular salary, or person with controlling power of the company, head office, subsidiary, joint company, subsidiary at the same level, major shareholder, or of person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.

3. No blood relationship or by registration according to the law in the manner of father, mother, spouse, sibling, and child, including spouse of the child, of executive, major shareholder, person with controlling power, or person to be nominated as executive or person with controlling power of the company or subsidiary.
4. Not having or never have business relationship with the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company in the manner that is preventing one's independent judgment, including not being or never been implied shareholder or person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.
5. Not being or never been an auditor of the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, and not being implied shareholder, person with controlling power, or partner of audit firm that has auditor of the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, except being freed from such characteristic for at least 2 years before being appoint as independent director.
6. Not being or never been service provider in any profession, including providing service of legal advisor or financial advisor who receive service fee of more than THB 2 million per year from the company, head office, subsidiary, joint company, major shareholder, or person with controlling power of the company, and not being implied shareholder, person with controlling power, or shareholder of service provider in that profession, except being freed from such characteristic for at least 2 years before being appoint as independent director.
7. Not being a director that was appointed as director's representative of the company, major shareholder, or shareholder who is related to major shareholder.
8. Not operating a business that has the same condition, and is an implied competition with business of the company or subsidiary, or not being an implied partner in a partnership, or is a director involved in management, employee, employee, consultant who receives regular monthly salary, or hold share more than 1.0% of total shares with voting right of other company, which operate a business that has the same condition, and is an implied competition with business of the company or subsidiary.
9. Not having any other characteristic that cannot provide independent comment regarding the company's operation.

Audit Committee Board of Directors appoints at least 3 audit committee members to be the company's audit committee members. Each audit committee member must be an independent director and must not be a director assigned by Board of Directors to make decision in business operation of the company, head office, subsidiary, joint company, subsidiary at the same level, major shareholder, or person with controlling power of the company, and not being a director of the company, head office, subsidiary, joint company, subsidiary at the same level, especially listed company, which the audit committee member must be qualified according to the Securities and Exchange Act, as well as notification, regulation, and/or rule of SET, which determine qualification and scope of operation of Audit Committee.

7.4 The Remuneration for Directors

(1) Cash Compensation

(a). Director Fee and Meeting Attended, total for year 2013

| Name | Board of Director | Audit committee | Nomination and remuneration committee |
|---------------------------------|-------------------|-----------------|---------------------------------------|
| 1. Mr. Manoch Wongcharoensin | 360,000 | | |
| 2. Mr. Suwatchai Wongcharoensin | 300,000 | | 300,000 |
| 3. Mr. Kitichai Wongcharoensin | 300,000 | | |
| 4. Mr. Puvasith Wongcharoensin* | 15,000 | | |
| 5. Mr. Lai Chi Hsiang | 300,000 | | 300,000 |
| 6. Mr. Kuo Shih Lun | 300,000 | | 300,000 |
| 7. Mr. Kamthon Vathanalaoha | 120,000 | 120,000 | |
| 8. Mr. Sukho Voddhijoti | 120,000 | 120,000 | |
| 9. Mr. Mongkon Laoworapong | 120,000 | 120,000 | |

Note : Mr. Puvasith appoint to new director since February 27, 2013

(b) The remuneration for Director and Management persons

In the year 2013 The Company pay remuneration to Director and Management persons 6 persons total 20.65 million baht

Note : The term of “executives” of the company shall mean the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in accounting or finance departments

(2) Other remuneration

Compensation for Executive Director for medical and dental treatment and Health checking fee and Provident Fund.



8. Corporate Governance

The company realizes and focuses on efficient, transparent, and traceable management system, which leads to confidence in all relevant divisions, and results in sustainable business growth under ethical conduct and compliance with relevant law. Therefore, the company has determined a good corporate governance policy to raise existing level of operation to be a clear standard, and spread the practice to the company's staffs in all level, which creates genuine corporate governance culture. The company has adopted 2006 Good Corporate Governance for listed company as determined by SET, which covers 5 sections as follows:

Section 1 The Rights of Shareholders

The company realizes and focuses on basic rights of shareholders as investors in stock exchange and as the company's owners such as the right to buy, sell, and transfer securities held by oneself, the right to receive profit sharing from the company, the right to receive sufficient company's information, rights in shareholders meeting, the right to comment, the right to make decision in the company's important matters such as dividend allocation, appointment or removal of directors, appointment of auditor, approval of major transaction that affects direction of company's business operation, amendment of memorandum of association, company's regulation, etc.

Apart from basic rights above, the company has a policy to operate in the following matters that promotes and facilitates the rights of shareholders;

1. The company supports Board of Directors, executives, and relevant units, including auditors to participate in shareholders meeting.
2. The company shall send meeting invitation together with meeting information according to various agendas to shareholders at least 7 days prior to the meeting, or as determined by SEC and SET, which shall be advertised in a newspaper at least 3 consecutive days prior to the meeting. Each agenda will have comments from the board, and such information will be published on the company's website to allow time for shareholders to study such information prior to the meeting.
3. In case shareholders cannot personally attend the meeting, the company gives opportunity for shareholders to authorize independent director or any person to attend the meeting on one's behalf using any type of proxy sent by the company with the meeting invitation.
4. Prior to the meeting, allow shareholders to comment, recommend, and question in advance prior to the meeting.

5. In the meeting, allow shareholders to have equal right in making a comment, recommendation, or raising question in various agenda independently before making a resolution in any agenda. In shareholders meeting, there will be relevant director and executive attending the meeting to answer question in the meeting, as well as important question and comment will be recorded in the minutes of meeting for shareholders to verify.
6. In the meeting to appoint director, shareholders may vote for an appointment of one director at a time, which shareholders may select representative who deemed suitable to become a director to look after their interest, which would lead to variation and be genuine representative of shareholders.
7. After the meeting, the company will prepare minutes of meeting, which must present accurate and complete information for shareholders to verify, and the minutes of meeting will be published in the company's website.

Section 2 : The Equitable Treatment of Shareholders

The Company has a policy of creating equitable treatment of every shareholder in all groups, especially minority shareholders by allowing opportunity for minority shareholders to propose meeting agenda for the annual general meeting of shareholders, and qualified candidates for director nomination before shareholders meeting date, as well as accompanying document for consideration and/or qualification and consent of the nominee, which the company will screen for useful agenda and select qualified person through Audit Committee before proposing it to the board of directors for consideration and determining meeting agenda further.

In each meeting, the company will allow all shareholders to have equal opportunity, which before the meeting starts, the Chairman will explain voting right and voting count required in each agenda, and also allow all shareholders to comment, make proposal, and question in each agenda with adequate time given, which the chairman will proceed with the meeting according to the order of the agendas, as well as there is a policy not to add any agenda without notifying shareholders in advance to give shareholders an opportunity to study information accompanying the agenda before making decision.

The company has strict regulation on inside information utilization to prevent exploitation of inside information for oneself or others in illegal manner (Abusive self-dealing) to ensure fairness to all stakeholders, which the company has determined a guideline for the company's inside information storage, and a guideline for preventing inside information exploitation for personal interest as written directives, as well as determining that directors, executives, and employees must not purchase the company's securities using secret and/or inside information and/or enter into any other legal transaction using secret and/or the company's inside information that causes damage to the company either directly or indirectly. Furthermore, directors, executives, and employees are in the unit that receives the company's inside information must not use such information before public disclosure, and person related to the inside information is prohibited from personally trading the company securities, or by his/her spouse or minor child, whether it is a direct or indirect trade (such as nominee through personal fund) within 1 month before disclosing quarterly and annual financial statements, and at least 3 days after the disclosure of such information.

The company gave information to director and executive relating to duty that must report ownership of the company's securities, and determined penalty according to the Securities and Exchange Act, B.E. 2535, and according to SET's requirement, and in case director or executive trades the company's securities, own, spouse, or minor child ownership of the company's securities must be reported according to section 59 of the Securities and Exchange Act, B.E. 2535 within 3 working days for the SEC to make public announcement further.

Section 3 : The Role of Stakeholders

The company focuses on the right of stakeholders in every group, whether they are internal stakeholders such as shareholders, executives, and company's employees, or external stakeholders such as creditors, customers, competitors, state sectors, society, and community, etc. The company realizes that support and comment from stakeholders in all groups are useful for the operation and business development of the company. Therefore, the company will comply with the law and relevant requirement to ensure that such rights of stakeholders are well regulated. Therefore, the company's business operation takes into account the rights of all stakeholders according to the following guideline;

- Shareholder : Treat shareholders equally, maintain interest of shareholders, and not perform any action that is in violation or deprivation of shareholders' rights, as well as focus on maximum satisfaction for shareholders by taking into account the company's sustainable growth to add value and give appropriate return continuously, including adhere to good corporate governance.
- Employee : Treat employees equally and fairly in terms of opportunity, consideration, welfare, and capacity development, which all employees are regarded as valuable resource and important factor in driving successful organization, and concentrate on creating culture and working atmosphere, promote team work, promote development of staff's knowledge and ability for progress and secured occupation, as well as give confidence in quality of life and work safety, including maintain working environment.
- Customer : Concentrate on creating satisfaction and confidence for customers, care and be responsible towards customers, which customers must receive good and quality product/service at reasonable price, and according to the determined standard, as well as strictly comply with condition and terms with customers, seriously and regularly maintain good and sustainable relationship with customers, including not exploiting customer's information for the interest of the company and related person.
- Partner and Creditor : Consider equality and fairness, not taking advantage, and be honest in business operation, maintain the interest of partner and creditor by strictly complying with the law and rule determined together, and be ethical in business operation, not demanding, accepting, or giving any dishonest interest to partner, as well as strictly complying with various conditions, and treat creditor fairly, including repaying debt according to schedule, report to partner and creditor in advance if not being able to comply with obligation and finding solution to such problem together.
- Competitor : Treat trade competitor according to international principle under legal framework relating to trade competition practice, and adhere to good competition rule equally. Not preventing others from competing in the business, not destroying reputation of trade competitor by accusing, mudslinging, and attacking competitor without factual ground, or perform any action that is unfair to competition.
- Society, community, and environment : Have a business operation policy that is responsible to community, society, and environment in terms of safety, quality of life, and natural resource preservation, promote efficient energy consumption, realize quality of life of the community and society, as well as take into account business operation that affect environment, operation and decision making, any action of the company must be ensured that all product and the company's business operation are proper and consistent with various rules and standards, as well as promote employee to be conscious and responsible towards community, society, and environment, including cooperate in various activates with the community that the company is operating in as appropriate.

Section 4 Disclosure and Transparency

The company's board of directors focuses on correct, complete, in time, and transparent disclosure of information, in terms of financial information and general information according to the rule of SEC and SET, as well as other important information that affects the price of the company's securities, which affect decision making of investors and the company's stakeholders. The company has policy of disclosing the company's information to shareholders, investors, and public various channel and information distribution media of SET and on the company's website. The company's board of directors is responsible for the company's financial statement and financial information appearing in the annual report. Such financial statement is prepared according to generally accepted accounting standard in Thailand by choosing suitable accounting policy, which is always adhered to, as well as there is complete and sufficient disclosure of information in the financial statement, which in this regards, the Audit Committee will review quality of financial report and internal control, including disclosure of important information sufficiently in the note to the financial statement, and report to the company board of directors.

Chief Financial Officer is responsible for investor communications. The company has been disclosing accurate, complete, transparent, on-time and fair information to the public as it is well aware of the importance of such information for investors' analysis and decision making by accommodating investors and analysis. e.g. information on the disclosure of corporate information, please contact secretary@cpl.co.th and singha@cpl.co.th or telephone number 02 709 5633-8 fax 02 709-6033

Section 5 : Responsibilities of the Board of Directors

1. Board of Directors' Structure

Board of Directors consists of persons with knowledge and experience, which have important role in policy making and organization's overview, including important role in regulating, inspecting, evaluating performance of the company to ensure that it is according to the plan, as well as operate the company's business according to the law, regulation, and shareholders meeting's resolution, including regulating management's administration to be according to the target and guideline determined, and lead to best interest of the company and shareholders.

Board of Directors' structure consists of independent directors of more than 1 in 3 of directors in the whole board, which would maintain the voting balance in the consideration of various matters, and there is an Audit Committee, which consists of 3 independent directors.

Currently, Board of Directors has 9 directors, which consists of 6 directors who are major shareholders' representatives, and 3 independent directors who are also directors in the Audit Committee. Number of the company's independent directors is according to the rule of SEC, which determines that one third of total number of directors must be independent directors.

According to the company's regulation, in every Annual General Meeting, at least one third of the directors must retire. If number of directors cannot be divided into three parts, number of closest to one third shall apply. Director that must resign in the first year and the second year after the company's registration, a draw must be made to select who will be resigning. For the subsequent years, directors in the position the longest shall retire. However, retired director may be reelected as director.

Furthermore, Board of Directors has appointed subcommittees, which consists of Executive Committee and Audit Committee to have specific function and make proposal to Board of Directors for consideration or acknowledgement, which such subcommittees have the right as determined in the authority of each subcommittee.

Board of Directors has appointed the company's secretary to perform duty and responsibility according to Securities and Exchange Act.

Scope of Duty and Responsibility of Board of Directors; See more in **Board of Director Structures**

Inside Information Regulation

The company has a rule and regulation that director and executive, employee and staff must maintain confidentiality and/or inside information of the company, not disclosing or exploiting secret and/or the company's inside information for own interest or for others' interest whether directly or indirectly, and whether receiving anything in return or not, as well as must not trade, transfer or accept the transfer of the company's security using secret and/or inside information and/or entering into any transaction using secret and/or inside information of the company, which causes damage to the company whether directly or indirectly. Furthermore, director and executive, employee and staff in the unit that receives the company's inside information must not utilize such information prior to public disclosure, and related person is prohibited from trading the company's securities within 1 month prior to the disclosure of quarterly and annual financial statement. Such regulation shall include spouse and minor child of director and executive, employee and staff as well.

Furthermore, the company informed director and executive to understand their duty in reporting securities ownership of themselves, spouse, and minor child, as well as the change in ownership of such securities to SEC according to section 59, and penalty according to section 275 of the Securities and Exchange Act, B.E. 2535.

The company determined disciplinary action for those who exploits or discloses the company's inside information causing damage to the company by consider punishment as appropriate to the case such as verbal warning, written warning, probation, as well as termination of employment due to dismissal, discharge, or retirement as the case may be, etc.

Directors attendant to the Sub - committees for year 2013

| Name | Board of Director | Audit Committee | Nomination and remuneration committee | Annual General Shareholder Meeting 2013 |
|---------------------------------|-------------------|-----------------|---------------------------------------|---|
| 1. Mr. Manoch Wongcharoensin | 6/6 | | | 1/1 |
| 2. Mr. Suwatchai Wongcharoensin | 6/6 | | 2/2 | 1/1 |
| 3. Mr. Kitichai Wongcharoensin | 6/6 | | | 1/1 |
| 4. Mr. Puvasith Wongchaorensin | 6/6 | | | 1/1 |
| 5. Mr. Lai Chi Hsiang | 6/6 | | 2/2 | 1/1 |
| 6. Mr. Kuo Shih Lun | 6/6 | | 2/2 | 1/1 |
| 7. Mr. Kamthon Vathanalaoha | 6/6 | 4/4 | | 1/1 |
| 8. Mr. Sukho Voddhijoti | 5/6 | 4/4 | | 0/1 |
| 9. Mr. Mongkon Laoworapong | 6/6 | 4/4 | | 1/1 |

9. Corporate Social Responsibilities: CSR

CPL is deeply aware of our Corporate Social Responsibilities not only of achievements in this area but also internal as well as external CSR. By being responsible both internally and externally we believe that it will indirectly benefit CPL in the long run. CPL is deeply aware of such matters and provides the policy on our CSR as follows:

Internal corporate social responsibilities refer to CPL's established policies to create confidence and reliability in CPL to all stakeholders. By focusing on the best quality for products, good packaging, and punctual delivery, customers will become confidence that they are dealing with a highly efficient and reliable company.

CPL is well aware of the standards for chemical usage based on global Restricted Substances Lists (RSL) of hazardous substances. RSL may be different in different countries and what CPL adheres to are the most strict of standards from every country in the world. This is a responsibility that CPL is very extremely serious about as working with hazardous substance is a very irresponsible. In seeking to have an independent control on this area CPL takes very frequent routine sampling and have them tested by independent laboratories all over the world.

Environmental stewardship is another very serious concern of CPL. Being a tannery, there are a lot of chemicals that are used and these have to be controlled and monitored especially in its use and its discharge. CPL does not only monitor this internally but also has joined the Leather Working Group (LWG) which is an international group comprising of many global name brands and headed by the BLC Leather Technology Center based in England. BLC provides environmental audit and support to ensure that members of the LWG execute their environmental stewardship correctly and help find solutions to improve anything that may be in the way of member's fulfilling their responsibilities to the environment. CPL is a gold rated member; this is the highest award that is available in the LWG which CPL shares with a select class of tanneries in the world.

CPL sets rules and regulations with fairness for all employees and for the benefits of all CPL employees. Close attention is put on employees' welfare coupled with sports and entertainment activities, especially during periods of local festivals in Thailand which also promotes bonding and fellowship. Cases of employees or their families facing accidents or misfortunes are swiftly assisted by CPL in order to provide needed support and relieve the sufferings of such employees. Employees' health and safety are a major concern for CPL, especially during operational hours: workers in the tannery are required to wear clean uniforms properly, wear gloves and personal safety gear where needed at all times. In process where chemicals are used, employees are required to wear masks and aprons. These rules and regulations have already been in place within CPL for a long time and have proven track records of employee satisfaction and conformance being that almost 90% of our employees have been with CPL for more than 15 years. Happy employees work efficiently and this is something that CPL can be proud of.

In addition, information within CPL is managed efficiently and organized orderly allowing rapid accessibility to information and transparency where transparency are needed. This is all made possible thru the use of modern computer software to manage all information and data within CPL.

Part of CPL's external corporate social responsibilities is the waste water treatment plant in the leather tanning area of KM 34. CPL external CSR keeps focused on this issue since its start-up because it directly relates CPL's daily operations as well as the operation of all tanneries in leather tanning area KM 34. CPL supports the wastewater treatment tanks in its correct implementation under the laws as well under international standards. Despite the great expenses that CPL has to provide to see this through in its installment and maintainance, it is seen as a responsibility that we are please to support willingly. CPL also work together with the nearby companies to participate in green activities beneficial to the environment such as planting mangroves and providing scholarships to schools located nearby. There is also the policy on all forms of government taxation. CPL is a tax concious company and always provide tax payment correctly and transparently without any tax evasion.

Additional Practices on Prevention of Corruption Involvement

CPL operates business with openness, transparency and traceability. Currently, there is no written policy on corruption involvement. However there are good practices established in all departments that work or has contacts with third parties. All departments will not be involved in any acceptance, receipt or payment in any form of bribes. These practices are communicated to directors, executives and all employees requiring them to adhere strictly to local and international laws, rules and regulations.

10. Internal Control

The board of director and Audit Committee has evaluated the internal control system of the Company as from The internal control self-assignment from the board of director on February 20, 2014 as follow :

1. Control environment
2. Risk Management Measure
3. Control Activities
4. Information and communication Measure
5. Monitoring Activities

The board of directors also deemed that the internal control systems are sufficient



11. Transactions between Company and Affiliates

The detail for transaction between Company and Affiliates as show on Financial Statement ending December 31, 2013 Item. 27

12. Highlights for Financial Information

| Financial Statement Data | 2013 Million Baht | 2012 Million Baht | 2011 Million Baht |
|------------------------------|----------------------|----------------------|----------------------|
| Total Assets | 1,274.18 | 1,144.31 | 1,126.77 |
| Total Liabilities | 280.41 | 170.24 | 192.68 |
| Total Shareholder's Equity | 993.77 | 974.07 | 966.63 |
| Sales Revenue | 1,836.08 | 1,736.97 | 1,759.93 |
| Total Revenue | 1,846.79 | 1,768.85 | 1,777.77 |
| Net Profit | 65.90 | 39.22 | 81.82 |
| Net Profit per shares (Baht) | 2.50 | 1.49 | 3.10 |
| Book Value Per shares (Baht) | 37.64 | 36.90 | 36.61 |

| Financial Ratio | Dec 31 2013 | Dec 31 2012 | Dec 31 2011 |
|------------------------------------|----------------|----------------|----------------|
| Current Ratio | 3.70 | 5.85 | 4.62 |
| Return on revenue (%) | 3.59 | 2.26 | 4.60 |
| Return on Shareholder's equity (%) | 6.70 | 4.04 | 8.47 |
| Return on Asset (%) | 5.45 | 3.45 | 7.06 |
| Debt / Equity Ratio | 0.28 | 0.17 | 0.20 |
| Dividend Per Share (Baht) | 2.00 | 1.75 | 2.00 |

13. Management Discussion and Analysis: MD&A

CPL Group Public Co., Ltd. is a fully integrated tannery. Its process starts from the salting fermentation of raw cowhide to the tanning through production procedures required high skills and experiences so that all finished leathers have the high quality. This is because finished leather is the major raw material for manufacturing leather shoes, leather bags, and all types of leather products which real cowhide is used as the element. Its tannery was established in 1989, comprising of over 50-year experienced experts. The Company was expanded continuously and finally was listed as a public company in the Stock Exchange of Thailand in 1994 with the registered capital of 240 million Baht. Subsequently, the 2005 Annual Extraordinary Shareholders Meeting had unanimously resolved to increase its registered capital from 24 million shares to 26.40 million shares at 10 Baht per share, which was totaled to 264 million Baht, in order to support the stock dividend.

The associated company is CPL International Company Limited, which is the joint venture with 3 alliances in China, one is tannery industry (CPL) and 2 shoes factory.

The tannery was opened in Guangzhou, China, in 2001 in order to support the purchase order of customers in China with the registered capital of 7 million USD. Later, its registered capital has increased to 8 million USD. The total investment value of the Company is 51.48 million Baht, equivalent to 15% of the total registered capital. Currently, such associated company encounters the business operation problem and it is in the process of business restructuring.

In 2013, the cost price of raw material was continuously higher, plus the Bath appreciation throughout the year. Furthermore, the government announced to increase the minimum wage so many leather tanning work-places are unable to respond this policy and eventually terminated their businesses. Some of them moved the production base to neighboring countries where the labor wage was lower because they needed to reduce cost and was able to compete in the market. The Company had estimated the situations which possibly affected these costs in advance since the midyear of 2012. As a result, the Company kindly asked for cooperation from customers to increase the product prices in accordance with the higher cost prices.

Operation Results

| Item | 2013 / Million Baht | 2012 / Million Baht | Increase (Decrease) / Million baht |
|---------------|---------------------|---------------------|------------------------------------|
| Sale Revenue | 1,836.08 | 1,736.97 | 99.11 |
| Cost of Sales | 1,622.24 | 1,581.65 | 40.59 |
| Gross Profit | 213.84 | 155.32 | 58.52 |

The Company had 11.65% of gross profit, increased from 8.94% or increased by 30.31%. Products of the Company can be mainly classified into 2 types which are grain leather and split leather. The measurement unit used in the distribution is square foot. The raw material of products starts from curing the whole cowhide with salt. When passing the tanning process, it can be split into 2 parts before dying. To separate the skin layer, the top-grain will be on the outer surface of a cow skin and the split will be the part of the hide covering the underside of a cow. The area of the top-grain is larger than the split because the split will have the connective tissues which must be removed. As a result, the cost of the top-grain is higher when calculating based on the size of area. The selling price of the top-grain is higher than the split. Therefore, the sale proportion of product affects the income of the Company.

In 2013, the Company had changed the sale proportion of the top-grain to the split from 73:27 to 76:24. It can be seen that the sale proportion of the top-grain was increased and the sale proportion of the split was decreased. This was the reason of increased sales. Apart from the income from the increased sales, to rise the product price at the end of the year 2012 also caused the result of increased sales. In this year, the Baht appreciation causes the selling price of 1 USD to have more value, comparing to the previous year. With these reasons, the Company had the income from the sales increased by 99.11 million Baht.

Cost of Sales The average cost of main raw material was increased, including the indirect raw materials and labor wages were also increased. However, the Company has to reserve some raw material in each year which is the management plan of the Company in order to avoid the shortage of raw materials. This policy lowered the average cost of main raw material between the beginning raw materials and ending raw materials in 2013, thus the price was not quite high. According to the statement of comprehensive income shown in comparison between the year 2013 and 2012, the cost of sales was increased by 40.59 million Baht due to the increased cost of raw material and the higher minimum wages according to the announcement of the government. The sale volume decreased which was the reduction of selling the products made from the split. The Company managed the sale proportion of products made from the top-grain and the split by reducing products made from the split in 2013 among the uncertainty of markets due to the political situation and natural disaster which its aggressiveness was unpredictable. This decision caused the positive result to the Company. As a result, the Company had the gross profit of 213.84 million Baht, increased from 155.32 million Baht in 2012 or increased by 58.52 million Baht.

Other Income

| Item | 2013 / Million Baht | 2012 / Million Baht |
|---------------------------------|---------------------|---------------------|
| Gain from Foreign Exchange Rate | 4.97 | 15.33 |
| Other Income | 5.73 | 16.55 |
| Total other income | 10.71 | 31.88 |

Other than income from sales, the Company also earned other incomes, such as, interest received from the investment in debentures, duty drawback under the Section 19bis of the Customs Act, profits from foreign currency exchange rate. The Company imported raw materials and exported finished products by using USD under the term of credit. Therefore, either raw material import or finished product export caused the difference of time interval in debt repayment and the difference of daily changed exchange rate. The company had to recognize profits or losses from the debt repayment inevitably.

In 2013, the Company had the quantity of imported raw materials more than that of 2012. A part of them was used in the production process and another part was to reserve in the stock since the price of raw material tends to be higher in the future. The quantity of export was slightly decreased, comparing with the export in the previous year. Accordingly, the payment for products increased and the exchange rate was also higher. In the meantime, the sale volume decreased, the selling price per unit increased, and the exchange rate was also higher, comparing to the previous year. Although the Company had the sales increased from 1,736.97 Baht to 1,836.08 Baht, equivalent to the increase of 99.11 million Baht, the Company had the profit from the exchange rate decreased from 15.33 million Baht to 4.97 million Baht. This resulted from the difference of the buying exchange rate which had less profit than the selling rate. The Company had 87.29 of the export in 2013. The duty drawback under the Section 19bis of the Customs Act was in an amount of 2.80 million Baht due to the import of raw materials for production and export. In addition, the Company earned the interest received from the investment in debentures and fixed deposit in an amount of 2.75 million Baht.

Operation Expense

| Item | 2013 / Million Baht | % | 2012/ Million Baht | % | Increase (Decrease) / Million baht |
|--|---------------------|------|--------------------|--------|------------------------------------|
| Sale Revenue | 1,836.08 | | 1,736.97 | | 99.11 |
| Selling Expense | 48.14 | 2.62 | 42.67 | 2.46 | 5.47 |
| Administrative Expense | 82.60 | 4.50 | 70.63 | 4.07 | 11.99 |
| Doubtful Debt | 0 | | 14.66 | 0.84 | (14.66) |
| Reversal from Doubtful Debt | 0 | | (12.58) | (0.72) | (12.58) |
| Loss from Impairment of Long - Term Investment | 3.67 | 0.20 | 7.06 | 0.41 | (3.39) |
| Financial Costs | 4.24 | 0.23 | 3.92 | 0.23 | 0.32 |

The Company imported more raw materials, resulting to the increase of the financial cost expenses, such as, L/C opening fee of banks, interests from trust receipts, transfer fee between banks. In 2013, the financial cost increased from 3.92 million Baht to 4.24 million Baht, equivalent to the increment of 0.32 million Baht. It equaled to 0.23% of the sales which was the same rate of the previous year. Sales expenses were increased by 5.14 million Baht, such as, goods delivery expenses, commission fee, overseas travelling expenses for meeting customers and seeking for new customers, including, study tour for new technologies, which will be applied to the Company for more efficient, accurate, and rapid operation and cost reduction. However, the Company negotiated and bargained on export expenses in order to resolve the duplicated expenses problem, as well as manage the number of goods delivery for reducing the operational cost.

The Company has the policy on punctual goods delivery to customers and avoids the express delivery via air cargo as much as possible due to its high expenses. Management expenses were increased by 11.99 million Baht due to the increment of salary and welfares, including expenses relating to the development of personnel for the purpose of qualified and efficient operations. In the meantime, some expenses were reduced in order to decrease the operational costs, such as; computer maintenance expenses due to all computers are new, legal consultant fee due to no expenses of collecting unpaid debts, which was also the cause of the loan loss reserve reduction. Regarding to the overseas investment in the ratio of 15%, the business encountered the problem of working capital and the allowance for the impairment of investment was completely provided. In 2013, the allowance for the impairment of investment was 3.67 million Baht and 7.16 million Baht in 2012. Since the overseas investment required the currency of USD, the currency exchange to Thai Baht should be considered in the calculation of such allowance. In 2013, Thai Baht to USD appreciated more than that of 2012. Therefore, the calculation of the allowance for the impairment decreased because the current value was high in accordance with the exchange rate value at the end of the year.

Operation result for profitability

| Item | 2013 / Million Baht | 2012/Million Baht |
|--------------------|---------------------|-------------------|
| Revenue from Sales | 1,836.08 | 1,736.97 |
| Cost of Sales | 1,622.24 | 1,581.65 |
| Gross Profit | 213.84 | 155.32 |
| Other Income | 10.71 | 31.88 |
| Total Revenue | 1,846.79 | 1,768.85 |
| Selling Expense | 138.64 | 126.47 |
| Profit before Tax | 75.20 | 28.85 |
| Tax Expense | 19.99 | 21.50 |
| Profit | 65.90 | 39.22 |

For 2013 performances, the Company had a gross profit of 213.84 million Baht, equivalent to 11.65% of the gross profit rate. When comparing to the year 2012, it had a gross profit of 155.32 million Baht, equivalent to 8.94% of the gross profit rate. This represented the capability of earning profits which was increased by 30.31%, equivalent to 58.52 million Baht. The profit of 2013 operation was 75.20 million Baht, equivalent to 4.10%. In 2012, the profit of operation was 28.85 million Baht, equivalent to 1.66%. As a result, the profit was increased by 146.99%, which represented the capability of managing income from the net sale. Although the sales and management expenses increased, the increase rate of expenses was less than the increase rate of income from net sales. This caused the Company to earn more net profits from 39.22 million Baht to 65.90 million Baht, equivalent to 2.22% and 3.56% of the net profit rate in 2012 and 2013, respectively.

Financial Status

| Assets | 2013 / Million Baht | 2012/Million Baht |
|-------------------------------|---------------------|-------------------|
| Cash and Cash Equivalents | 77.42 | 106.97 |
| Trade and Other Receivables | 94.12 | 110.78 |
| Inventories | 754.42 | 610.44 |
| Long-Term Investments | 65.65 | 79.32 |
| Investment Property | 119.06 | 40.68 |
| Property, Plant and Equipment | 128.14 | 140.14 |
| Total Assets | 1,275.18 | 1,144.31 |

As of December 31, 2013, the Company had the total asset of 1,274.18 million Baht, increased from 1,144.31 million Baht in the previous year by 129.87 million Baht. The increase of assets was the increase of inventory and real estate for the net investment. According to the Company's performances, the profit before income tax expense was increased by 25.18 million Baht. During this year, the Company purchased the land nearby the Company because the business is estimated to be expanded in the future or to facilitate operations which possibly utilize more areas. As a result, the real estate for net investment was increased by 78.38 million Baht. When considering the financial liquidity, the Company had a liquidity reducing from 5.86 times to 3.70 times. In the meantime, the value of the net inventory was increased from 610.44 million Baht to 754.42 million

Baht since the Company imported raw materials for its production and stock. However, the sales volume slightly decreased but the product value increased due to the increasing exchange rate and the increased number of raw material stock at the end of the year, comparing to the previous year. This is because the price of raw material tends to be higher, plus the outcome of Bath appreciation. Although the Company's liquidity of cash flow decreased, the business still had current cash from the product sale which was collected from customers. Therefore, there was no lack of financial liquidity. However, the Company has provided the reserve in order to support the liquidity in case of any necessary expenses where the cash is not enough to pay at anytime. The Company has entered into the loan agreement and obtained the credit limit from various financial institutes in form of overdraft limit, trust receipt, and short-term loan. Throughout the past few years, the Company had much financial liquidity so it was not necessary to borrow any loan from banks.

Liabilities and Shareholders' Equity

| Liabilities | 2013 / Million Baht | 2012/Million Baht |
|--|---------------------|-------------------|
| Short - Term Borrowing from Financial Institutions | 98.21 | 0.00 |
| Trade and Other Payables | 146.09 | 139.63 |
| Other Liabilities | 8.64 | 6.90 |
| Non - Current Liabilities | 27.46 | 23.71 |
| Total Liabilities | 280.40 | 170.24 |
| Shareholder Equity | 993.77 | 974.07 |
| Total Liabilities and Shareholder | 1,274.18 | 1,144.31 |
| Liabilities / Asset ratio | 0.22 | 0.15 |
| Liabilities / Shareholder Equity ratio | 0.28 | 0.17 |

Short-term loans from financial institutes arose from the purchase of imported raw materials. The Company entered into the Trust Receipts Agreement with the bank. The term of repayment is within 120 days. Normally, when the Company receives the debt repayment from debtors, the Company will choose to repay Trust Receipts Creditor prior to the due date in order to reduce the interest burden. Non-current liabilities consist of employee benefit obligation and liabilities from the financial lease, which the Company did not have such type of liability in 2012. The debt to total asset ratio was increased from 0.15 times to 0.22 times. Such increment of ratio was the normal course of business which derived from the purchase of raw materials.

In 2013, the capital structure derived from 28% of debt and 72% of capital. If considering from debts to equity ratio, it represented that the creditors were protected from shareholders equity, that is, the Company had not borrowed any loan to repay debts. The shareholders equity was increased from 974.07 million Baht in 2012 to 993.77 million baht in 2013. During the year 2013, the Company paid the dividend for 2012 performances at the rate of 1.75 Baht per share, which caused the accumulated profit to decrease by 46.19 million Baht. According to the operating results for the year 2013, the Company earned the net profit of 65.90 million Baht, resulting to the increased shareholders equity in the total value of 993.77 million Baht. However, according to the Board of Directors' Meeting on February 20, 2014, the Meeting passed the resolution to pay dividend for 2013 performances at the rate of 2.00 Baht per share.



14. Other Information

Investors can learn more information from company's Annual Information Form (Form 56-1) of the Company as presented in the www.sec.or.th and www.cpl.co.th

Independent Auditor's Report

To the Shareholders and Board of Directors of C.P.L. GROUP PUBLIC COMPANY LIMITED

I have audited the accompanying financial statements of C.P.L. GROUP PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of C.P.L. GROUP PUBLIC COMPANY LIMITED as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards.



(Miss Wanraya Puttasatien)
Authorized Auditor No. 4387

S.K. Accountant Services Company Limited
Bangkok,
10 February 2014

Statements of Financial Position

C.P.L. GROUP PUBLIC COMPANY LIMITED

| | Notes | As of 31 December 2013 | As of 31 December 2012 | As of 1 January 2012 |
|-------------------------------------|-------|---------------------------|---------------------------|-------------------------|
| | | Baht | Baht (Restated) | Baht (Restated) |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | | 77,419,190.81 | 106,973,259.18 | 36,523,762.58 |
| Temporary Investments | | 10,000,000.00 | 30,000,000.00 | 16,000,000.00 |
| Trade and Other Receivables - Net | | 94,120,745.26 | 110,781,364.40 | 89,303,759.96 |
| Inventories - Net | | 754,424,550.53 | 610,441,829.12 | 746,876,185.71 |
| Other Current Assets | | 128,669.63 | 149,258.62 | 125,245.40 |
| TOTAL CURRENT ASSETS | | 936,093,156.23 | 858,345,711.32 | 888,828,953.65 |
| NON-CURRENT ASSETS | | | | |
| Long - Term Investments - Net | | 65,653,209.85 | 79,319,829.23 | 65,865,509.61 |
| Investment Property - Net | | 119,057,713.00 | 40,679,418.00 | 40,679,418.00 |
| Property, Plant and Equipment - Net | 12 | 128,143,815.36 | 140,169,349.07 | 154,379,964.18 |
| Other Intangible Assets - Net | | 8,833,254.73 | 8,244,319.91 | 9,536,875.18 |
| Deferred Tax Assets | | 16,394,556.26 | 17,537,240.36 | 21,022,744.37 |
| Other Non - Current Assets | | 7,522.74 | 12,322.74 | 14,822.74 |
| TOTAL NON - CURRENT ASSETS | | 338,090,071.94 | 285,962,479.31 | 291,499,334.08 |
| TOTAL ASSETS | | 1,274,183,228.17 | 1,144,308,190.63 | 1,180,328,287.73 |

Notes to the financial statements are an integral part of the above financial statements.

Statements of Financial Position

C.P.L. GROUP PUBLIC COMPANY LIMITED

| | Notes | As of 31 December 2013 | As of 31 December 2012 | As of 1 January 2012 |
|--|-------|---------------------------|---------------------------|-------------------------|
| | | Baht | Baht (Restated) | Baht (Restated) |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short - Term Borrowings from Financial Institutions | 16 | 98,212,919.09 | - | 28,135,866.25 |
| Trade and Other Payables | | 146,094,664.98 | 139,627,142.32 | 129,946,672.53 |
| Current Portion of Liabilities under Finance Lease Agreement | 18 | 1,657,855.69 | - | - |
| Current Income Tax Payable | | 6,980,495.78 | 6,900,799.23 | 13,447,936.91 |
| TOTAL CURRENT LIABILITIES | | 252,945,935.54 | 146,527,941.55 | 171,530,475.69 |
| NON-CURRENT LIABILITIES | | | | |
| Liabilities under Finance Lease Agreements | 18 | 1,004,576.04 | - | - |
| Employee Benefit Obligation | | 26,459,806.00 | 23,711,542.00 | 21,147,958.00 |
| TOTAL NON-CURRENT LIABILITIES | | 27,464,382.04 | 23,711,542.00 | 21,147,958.00 |
| TOTAL LIABILITIES | | 280,410,317.58 | 170,239,483.55 | 192,678,433.69 |
| SHAREHOLDERS' EQUITY | | | | |
| Share Capital | | | | |
| Authorized Share Capital | | | | |
| 26,399,995 Ordinary Shares @ 10.00 Baht | | 263,999,950.00 | 263,999,950.00 | 263,999,950.00 |
| Issued and Paid Share Capital | | | | |
| 26,399,995 Ordinary Shares @ 10.00 Baht | | 263,999,950.00 | 263,999,950.00 | 263,999,950.00 |
| Share Premium Account - Ordinary Shares | | 198,000,000.00 | 198,000,000.00 | 198,000,000.00 |
| Retained Earnings | | | | |
| Appropriated | | | | |
| Legal Reserve | | 28,940,744.21 | 28,940,744.21 | 28,940,744.21 |
| Unappropriated | | 502,832,216.38 | 483,128,012.87 | 496,709,159.83 |
| TOTAL SHAREHOLDERS' EQUITY | | 993,772,910.59 | 974,068,707.08 | 987,649,854.04 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,274,183,228.17 | 1,144,308,190.63 | 1,180,328,287.73 |

Notes to the financial statements are an integral part of the above financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2013

| | Notes | 31 December 2013 | 31 December 2012 |
|--|-------|-----------------------|-----------------------|
| | | Baht | Baht (Restated) |
| Revenue from Sales | | 1,836,080,673.48 | 1,736,968,771.77 |
| Cost of Sales | | (1,622,239,663.84) | (1,581,652,002.45) |
| Gross Profit | | 213,841,009.64 | 155,316,769.32 |
| Gain from Exchange Rate | | 4,968,059.91 | 15,328,115.62 |
| Other Income | | 5,739,104.34 | 16,553,352.16 |
| Selling Expense | | (48,138,598.26) | (42,674,380.35) |
| Administrative Expense | | (82,603,078.09) | (70,628,127.68) |
| Doubtful Debt | | - | (14,658,751.65) |
| Reversal for Doubtful Debt | | - | 12,575,810.72 |
| Loss from Impairment of General Investment | | (3,666,619.38) | (7,164,180.38) |
| Financial Costs | | (4,236,185.25) | (3,924,892.39) |
| Profit Before Income Tax | | 85,903,692.91 | 60,723,715.37 |
| Tax Income (Expense) | 23 | (19,999,498.15) | (21,504,872.33) |
| PROFIT FOR THE PERIOD | | 65,904,194.76 | 39,218,843.04 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 65,904,194.76 | 39,218,843.04 |
| | | | |
| BASIC EARNINGS PER SHARE | | 2.50 | 1.49 |

Notes to the financial statements are an integral part of the above financial statements.

Statements of Changes in Shareholders' Equity

C.P.L. GROUP PUBLIC COMPANY LIMITED
For the year ended 31 December 2013

| | Notes | Issued and Paid | Share | Retained Earnings | | Total |
|--|-------|-----------------------|------------------------------------|-------------------------------|-----------------------|-----------------------|
| | | Share Capital | Premium Account Ordinary Shares | Appropriated Legal Reserve | Unappropriated | |
| | | Baht | Baht | Baht | Baht | Baht |
| Balance as at 31 December 2011 (As Previously Reported) | | 263,999,950.00 | 198,000,000.00 | 28,940,744.21 | 475,686,415.46 | 966,627,109.67 |
| Effect of Adoption of New Accounting Policy | 3 | - | - | - | 21,022,744.37 | 21,022,744.37 |
| Balance as at 31 December 2011 (Restated) | | 263,999,950.00 | 198,000,000.00 | 28,940,744.21 | 496,709,159.83 | 987,649,854.04 |
| Paid Dividends | 21 | - | - | - | (52,799,990.00) | (52,799,990.00) |
| Total Comprehensive Income (Expense) for the Year (Restated) | | - | - | - | 39,218,843.04 | 39,218,843.04 |
| Balance as at 31 December 2012 (Restated) | | 263,999,950.00 | 198,000,000.00 | 28,940,744.21 | 483,128,012.87 | 974,068,707.08 |
| Paid Dividends | 21 | - | - | - | (46,199,991.25) | (46,199,991.25) |
| Total Comprehensive Income (Expense) for the Year | | - | - | - | 65,904,194.76 | 65,904,194.76 |
| Balance as at 31 December 2013 | | 263,999,950.00 | 198,000,000.00 | 28,940,744.21 | 502,832,216.38 | 993,772,910.59 |

Notes to the financial statements are an integral part of the above financial statements.

Statements of Cash Flows

C.P.L. GROUP PUBLIC COMPANY LIMITED
For the year ended 31 December 2013

| Notes | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| | Baht | Baht |
| CASH FLOW FROM OPERATING ACTIVITIES | | 1,736,968,771.77 |
| Profit before Income Tax | 85,903,692.91 | 60,723,715.37 |
| Adjustments to Profit before Income Tax for Cash Receipt (Paid) from Operation | | |
| Depreciation | 19,768,506.97 | 21,574,048.26 |
| Amortization of Other Intangible Asset | 1,048,965.18 | 1,472,555.27 |
| Prepaid Expense Amortization | 856,412.86 | 3,489,728.28 |
| Doubtful Debt | - | 2,082,940.93 |
| Estimation of Debt Reduction from Returned Goods and Discount Payment (Reversal) | 2,945,008.17 | (2,839,549.20) |
| Estimation Cost from Returned Goods (Reversal) | (548,103.69) | 2,405,256.01 |
| Loss from Declining in Value of Inventories (Reversal) | (3,087,877.67) | 4,805,517.61 |
| Gain (Loss) from Unrealized Exchange Rate | 1,486,007.44 | (168,576.83) |
| Gain from Sale of Property, Plant and Equipment | (3,026.46) | (126,165.23) |
| Loss from Write Off of Property, Plant and Equipment | 41,505.82 | 35,375.34 |
| Loss from Impairment of General Investment | 3,666,619.38 | 7,164,180.38 |
| Employee Benefit Obligation | 2,748,264.00 | 2,563,584.00 |
| Interest Expenses on Finance Lease Agreements | 61,566.73 | - |
| Interest Income | (2,754,031.71) | (2,409,234.11) |
| Interest Expenses | 1,065,580.82 | 1,220,438.76 |
| Profit from Operating before Change in Operating Assets and Liabilities | 113,199,090.75 | 101,993,814.84 |
| (Increase) Decrease in Operating Assets | | |
| Trade and Other Receivables | 8,081,408.76 | (32,044,941.12) |
| Inventories | (140,346,740.05) | 129,223,582.97 |
| Other Current Assets | 20,588.99 | (24,013.22) |
| Other Non-Current Assets | 4,800.00 | 2,500.00 |
| Increase (Decrease) in Operating Liabilities | | |
| Trade and Other Payables | 5,824,976.73 | 10,479,540.71 |
| Cash Received (Paid) from Operating Activities | (13,215,874.82) | 209,630,484.18 |

Notes to the financial statements are an integral part of the above financial statements.

Statements of Cash Flows

C.P.L. GROUP PUBLIC COMPANY LIMITED

For the year ended 31 December 2013

| Notes | 31 December 2013 | 31 December 2012 |
|--|------------------------|------------------------|
| | Baht | Baht |
| Cash Received (Paid) from Operating Activities (Continue) | | |
| Cash Received from Interest Incomes | 328,044.46 | 205,250.59 |
| Cash Received Refundable from Tax Expense | 5,345,405.57 | 7,407,394.65 |
| Cash Paid Tax Expenses | (18,777,117.50) | (24,566,506.00) |
| Net Cash Provided from (Used in) Operating Activities | (26,319,542.29) | 192,676,623.42 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Cash Received from Temporary Investment | 30,000,000.00 | (30,000,000.00) |
| Cash Paid for Investment in Debt Instrument Held to Maturity | - | (16,000,000.00) |
| Cash Received from Sale of Investment in Debt Instrument Held to Maturity | - | 16,000,000.00 |
| Cash Paid for Investment in General Investment | - | (4,618,500.00) |
| Cash Paid for Purchases of Investment Property | (78,378,295.00) | - |
| Cash Paid for Purchases of Property, Plant and Equipment | (4,498,181.59) | (6,549,999.21) |
| Cash Received from Sale of Property, Plant and Equipment | 46,728.97 | 126,168.23 |
| Cash Received in Interest Income from Investment in Debt Instrument Held to Maturity | 2,425,367.45 | 2,066,120.52 |
| Cash Paid for Purchases of Other Intangible Asset | (1,637,900.00) | (180,000.00) |
| Net Cash Provided from (Used in) Investing Activities | (52,042,280.17) | (39,156,210.46) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Cash Paid for Assets Payables | (848,812.28) | (1,127,500.00) |
| Cash Received from Short-Term Borrowings from Financial Institutions | 809,134,540.11 | 641,069,196.30 |
| Cash Paid in Short-Term Borrowings from Financial Institutions | (713,309,414.41) | (669,205,062.55) |
| Paid Dividends | (46,199,991.25) | (52,799,990.00) |
| Cash Paid in Interest Expense | (795,998.62) | (1,241,579.66) |
| Cash Paid for Liabilities under Finance Lease Agreements | (729,135.00) | - |
| Net Cash Provided from (Used in) Financing Activities | 47,251,188.55 | (83,304,935.91) |
| Effect from Changes in Exchange Rate of Cash and Cash Equivalents | 1,556,565.54 | 234,019.55 |
| NET CASH AND CASH EQUIVALENTS INCREASE (DECREASE) | (29,554,068.37) | 70,449,496.60 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 106,973,259.18 | 36,523,762.58 |
| CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD | 77,419,190.81 | 106,973,259.18 |

Notes to the financial statements are an integral part of the above financial statements.

Notes to Financial Statements

C.P.L. GROUP PUBLIC COMPANY LIMITED

31 December 2013

1. General Information

The Company was registered on January 27, 1994, have registration number 0107537000289 with its registered office situated at 700 Moo 6, Sukhumvit Rd, Bang Poo Mai, Muang Samutprakran, Thailand. Its main business activity is producing and selling tanned leather.

2. Basis of the Financial Statement Preparation

- 2.1 The financial statements have been prepared in accordance with Financial Reporting Standards of Thailand including related interpretations and guidelines promulgated by the Federation of Accounting Professions, applicable rules and regulations of the Securities and Exchange Commission and The Stock Exchange of Thailand.
- 2.2 The financial statements were presented in compliance with the notification of Department of Business Development regarding “Brief particulars must be contained in financial statements B.E. 2554” dated on September 28, 2011, notified according to Accounting Act B.E. 2543.
- 2.3 In order to prepare the financial statements to comply with financial reporting standards, the Company’s management had to make some estimates and suppositions which may have an effect on the amount shown for revenues, expenses, assets and liabilities and also on the disclosures concerning assets and contingent liabilities, therefore the actual result may differ from the estimated amount.
- 2.4 For the convenience of the user, an English translation of the financial statements has been prepared from the statutory financial statements that are issued in Thai language.

3. The Adoption of New Accounting Policies

The Company adopted the new accounting standards, financial reporting standards, interpretations accounting standards and accounting guidance, which are not effective for accounting periods beginning on or after 1 January 2013, except for the following accounting standard.

| | |
|--------|--------------|
| TAS 12 | Income Taxes |
|--------|--------------|

Accounting standard above which is effective for financial statements are as follow:

| | As Previously Reported Baht | Adjustments Baht | Restated Baht |
|--|-----------------------------------|---------------------|------------------|
| Statement of Financial Position as at 1 January 2012 | | | |
| Deferred Tax Assets | - | 21,022,744.37 | 21,022,744.37 |
| Unappropriated Retained Earnings | 475,686,415.46 | 21,022,744.37 | 496,709,159.83 |
| Statement of Financial Position as at 31 December 2012 | | | |
| Deferred Tax Assets | - | 17,537,240.36 | 17,537,240.36 |
| Unappropriated Retained Earnings | 465,590,772.51 | 17,537,240.36 | 483,128,012.87 |
| Statement of Comprehensive Income for the year ended 31 December 2012 | | | |
| Tax Income (Expense) | (18,019,368.32) | (3,485,504.01) | (21,504,872.33) |
| Basic Earnings Per Share (Baht) | 1.62 | (0.13) | 1.49 |

4. New Financial Reporting Standards Not Yet Effective

New accounting standards, financial reporting standards, interpretations accounting standards and interpretations financial reporting standards, which are effective for accounting periods beginning on or after 1 January 2014 and 2016, that the Company has not adopted, are as follow:

Effective on or after 1 January 2014

| | |
|-----------------------|--|
| TAS 1 (revised 2012) | Presentation of Financial Statements |
| TAS 7 (revised 2012) | Statement of Cash Flows |
| TAS 12 (revised 2012) | Income Taxes |
| TAS 17 (revised 2012) | Leases |
| TAS 18 (revised 2012) | Revenue |
| TAS 19 (revised 2012) | Employee Benefits |
| TAS 21 (revised 2012) | The Effects of Changes in Foreign Exchange Rates |
| TAS 24 (revised 2012) | Related Party Disclosures |
| TAS 28 (revised 2012) | Investments in Associates |
| TAS 31 (revised 2012) | Interests in Joint Venture |
| TAS 34 (revised 2012) | Interim Financial Reporting |
| TAS 38 (revised 2012) | Intangible Assets |
| TFRS 2 (revised 2012) | Share-based Payment |
| TFRS 3 (revised 2012) | Business Combinations |
| TFRS 5 (revised 2012) | Non-current Assets Held for Sale and Discontinued Operations |
| TFRS 8 (revised 2012) | Operating Segments |
| TFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| TFRIC 4 | Determining Whether an Arrangement Contains a Lease |
| TFRIC 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |

| | |
|---|---|
| TFRIC 7 | Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies |
| TFRIC 10 | Interim Financial Reporting and Impairment |
| TFRIC 12 | Service Concession Arrangement |
| TFRIC 13 | Customer Loyalty Programs |
| TFRIC 17 | Distributions of Non-cash Assets to Owners |
| TFRIC 18 | Transfers of Assets from Customers |
| TSIC 15 | Operating Leases – Incentives |
| TSIC 27 | Evaluating the Substance of Transactions in the Legal Form of a Lease |
| TSIC 29 | Disclosure - Service Concession Arrangement |
| TSIC 32 | Intangible Assets – Web Site Costs |
| <u>Effective on or after 1 January 2016</u> | |
| TFRS 4 | Insurance Contracts |

The management of the Company believes that above financial reporting standards will not have any impact on the financial statements when they are applied.

5. Changing in the Accounting Policy

In 2013, the Company had changed the accounting policy of inventories, which is more suitable for the businesses of the Company. The Company was approved by the Revenue Department on January 1, 2013, as follows:

| | <u>New Accounting Policy</u> | <u>The Former Accounting Policy</u> |
|-------------------------------|---|--|
| Raw materials and spare parts | recorded in cost price in accordance with average method. | recorded in cost price in accordance with FIFO method. |
| Finished goods | recorded in cost price in accordance with average method. | recorded in cost price in accordance with specific method. |

However, the changing in the accounting policy will not have any impact on the financial reporting standards.

6. Significant Accounting Policy

6.1 Measurements bases used in the Preparation of Financial Statements

Measurement bases used in the preparation of financial statements are historical cost measurement basis and combination of variety measurement bases used. Some assets and liabilities that use other measurement bases have been disclosed the measurement bases used in the particular accounting policies.

6.2 Foreign Currencies

Items denominated in foreign currencies are recorded in Baht at the prevailing exchange rate when the transactions occur, and their balances of assets and liabilities at the ended of period are converted into Baht by closing rate as at ended period. Profit or loss arising from such conversion is shown as revenues or expense in the statement of comprehensive income for that period.

6.3 Financial Instruments

Financial assets were shown in the statements of financial position composed of cash and cash equivalents, investments, trade and other receivables. Financial liabilities were shown in the statement of financial position composed of short - term borrowings from financial institutions, trade and other payables. The particular accounting policy of each items are disclosed in each individual section. The Company has made the forward foreign currencies contract so as to hedge against risk from fluctuation of exchange rates. The forward foreign currencies contract will determine exchange rates in the future that foreign currencies asset and liability will receive or has to be repayable. The forward foreign currencies contract as of period end will be computed by fair value and disclosed in the note to the financial statements. In addition, realized gain (loss) incurred from the forward foreign exchange contract will be recorded in the statements of comprehensive income.

6.4 Cash and Cash Equivalents

Cash and cash equivalents include bank deposit in type of current accounts, saving accounts and 3-months fixed accounts without guarantee obligation.

6.5 Trade and Other Receivables

Trade and other receivables are stated at the net realizable value.

6.6 Inventories

Inventories are valued at cost price or net realizable value, whichever is lower which the cost price calculates as follows:

- Raw materials are recorded at cost price in accordance with average method.
- Work-in-process is valued at actual cost.
- Finished goods are recorded in cost price in accordance with average method.
- Spare parts are recorded in cost price in accordance with average method.

6.7 Temporary and Long-Term Investments

- Investments in non-marketable securities which are held as a general investment are shown at cost price and also adjusted the allowance for impairment. The Company recognized the change of the value of general investments in the statements of comprehensive income when there is a disposal of the investment or the impairment of investment.
- Held to maturity debt instrument stated at amortized cost.

6.8 Investment Property

The Company investment property is their owned land without specific purpose of use in the future and/or exploiting for rental income or appreciation of the asset. The Company measures the investment property by the cost value, deducted the accumulated depreciation and the allowance for impairment, (if any).

6.9 Property, Plant and Equipment

Land are recorded at cost on the transaction date. Plant and equipment are recorded at cost on the transaction date less accumulated depreciation. Depreciation is calculated on a straight-line basis over the approximate useful life as follows:

| | |
|----------------------------------|-------------|
| - Buildings and Constructions | 20 years |
| - Buildings Improvement | 5 years |
| - Machines and Equipments | 10 years |
| - Fixtures and office Equipments | 5, 10 years |
| - Vehicles | 5 years |
| - Waste Water Storage | 10 years |

6.10 Intangible Asset and Amortization

Computer software

Acquired computer software license are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives 5 years.

6.11 Impairment

The carrying amounts of assets are assessed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated of asset or its cash-generating unit to which the asset is included in the recognition of an impairment loss when the recoverable amount less than the carrying amount of the asset or its cash generating unit.

Impairment loss is recognized as expenses in profit or loss immediately.

Calculation of Recoverable Amount

- The recoverable amount is the higher of the asset's fair value less cost to sell of asset or the cash-generating unit or its value in use.
- In assessing value in use of an asset by estimating the present value of future cash flows generated by the asset, discounted using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.
- The asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment Loss

- The loss on impairment of assets recognized in the prior period will be reversed if the estimation for indicated net realizable value changes since the last impairment loss was recognized. The carrying amount of the asset not exceed just to be the carrying amount that would have been (net of depreciation or amortization), if no impairment loss had been recognized.
- Reversals of impairment loss will be recognized as income in profit or loss immediately.

6.12 Trade and Other Payables

Trade and other payables were shown in cost value.

6.13 Employees Benefit

Short-Term Employee Benefits

The Company is recognized salary, wage, bonus, social security fund and provident fund are expenses on date when the transactions occur.

Long-Term Employee Benefits

The Company provides for post employment benefits to or retirement indemnity employees under the labor laws applicable in Thailand. The Company has recorded the liabilities in respect of employee benefits which are the present value of the defined benefit obligations calculated by

an independent actuary in accordance with the actuarial technique, and discounted benefit by the projected unit credit method. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality rate, length of service and other. The Company recorded provision for employee benefit is non – current liabilities. The costs associated with providing these benefits are charged to the statements of comprehensive income so as to spread the cost over the employment period during which the entitlement to benefits is earned.

6.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

6.15 Recognition of Revenues

- Revenue from sales is recognized when goods are delivered to customer.
- Revenue of rental is recognized in accordance with the period of rent through the period term of the contract of rent.
- Revenue of interest income is recognized in accordance with the period that investment or loan.
- Revenue from tax return is recorded to other income when tax returns are received.
- Dividend revenue is recognized when the right to receive dividend arises.

6.16 Recognition of Cost and Expenses

- Expenses are recognized on accrual basis.

6.17 Income Tax

Income tax expenses are recognized as expenses in profit or loss as income tax to be paid, using tax rates enacted at the end of each reporting period

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that related to items recognized in other comprehensive income or recognized directly in equity which will recognize in other comprehensive income or recognized directly in equity as same as that items.

Current Tax

Current 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, using the tax rates enacted at the end of reporting period.

Deferred Tax

Deferred 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 reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that the related tax benefit will be realized.

6.18 Earnings per Share

Calculation of earnings per share, calculated by dividing net profit with the weighted average number of issued and paid-up shares. The Company did not calculate the fully-diluted earnings per share since it has no equivalent ordinary shares equivalents.

6.19 Significant Accounting Judgments and Estimates

In order to prepare the financial statements to comply with financial reporting standards, the Company's management had to make some judgment and estimates which may have an effect on the amount shown in financial statements and notes to financial statements, therefore the actual result may differ from the estimated amount. Significant estimates and provisions are as follows:

Lease

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

Allowance for Doubtful Accounts –Trade and Other Receivables

In determining an allowance for doubtful accounts-trade and other receivables, 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.

Allowance of Debt Reduction from Return Goods and Discount Payment

In determining an allowance of debt reduction from return goods and discount payment, the management makes judgment in estimation an allowance of debt reduction from return goods and discount payment from the Company merchandise is not complied with the attribute the customers defined whereby the Company computed from the debt reduction rate and merchandise returned receipt over sales by average multiplication with merchandise sales incurred every three months.

Reduction of Inventories to become Net Realizable Value

In estimating the reduction of inventories to become net realizable value, the management uses the discretion in estimating the net realizable value of inventories. The sum of money expected to receive from inventories is considered from the change in sale price or cost directly related to the events occurring after of report period.

Estimation of Returned Goods

In determining an estimation of returned goods, the management makes judgment in estimation of returned goods from the Company merchandise is not complied with the attribute the customers defined whereby the Company is estimation from average cost of goods sold rate multiplied with estimation of debt reduction allowance incurred from merchandise returned.

Allowance of Impairment of Equity Investment

The Company treats investment in debt instrument held to maturity and other investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

Property, Plant and Equipment and Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes. In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Intangible Assets and Amortization

Intangible assets are systematically amortized over their estimated useful lives, and are subject to impairment if there is an indication they may be impaired.

Post-Employment Benefits

The obligation under defined benefit plan is determined based on actuarial valuations. Inherent within these calculations are assumptions as to discount rates, future salary increases, mortality rates and other demographic factors. In determining the appropriate discount rate, an independent actuary selects an interest rate that reflects the current economic situation. The mortality rate is based on publicly available mortality tables for the country. However, actual post-retirement costs may ultimately differ from these estimates.

7. Cash and Cash Equivalents

Consist of:

| | As of 31 December 2013 Baht | As of 31 December 2012 Baht |
|--------------------------------|-----------------------------------|-----------------------------------|
| Cash | 6,512,593.41 | 274,035.37 |
| Bank Deposit - Current Deposit | 3,289,556.32 | 15,083,367.72 |
| Bank Deposit - Saving Deposit | 67,468,208.84 | 91,615,856.09 |
| Bank Deposit - Fix Deposit | 148,832.24 | - |
| Total | <u>77,419,190.81</u> | <u>106,973,259.18</u> |

8. Trade and Other Receivables - Net

Consist of:

| | As of 31 December 2013 Baht | As of 31 December 2012 Baht |
|--|-----------------------------------|-----------------------------------|
| Trade Receivables - Domestic | 17,686,714.23 | 29,038,171.06 |
| Trade Receivables - Oversea | 74,985,576.37 | 73,304,338.92 |
| Notes Receivables | 7,610,666.41 | 25,274,364.36 |
| <u>Less</u> Allowance for Doubtful Debt | (21,978,403.34) | (21,978,403.34) |
| <u>Less</u> Estimation of Debt Reduction from Returned Goods and Discount Payment | (6,024,057.99) | (3,079,049.82) |
| Trade and Notes Receivables-Net | <u>72,280,495.68</u> | <u>102,559,421.18</u> |
| Other Receivable | <u>21,840,249.58</u> | <u>8,221,943.22</u> |
| Total | <u>94,120,745.26</u> | <u>110,781,364.40</u> |

Aging of trade and notes receivables are as follows:

| | As of 31 December 2013 | As of 31 December 2012 |
|--|---------------------------|---------------------------|
| | Baht | Baht |
| Within credit term | 43,033,168.76 | 68,704,435.41 |
| Over due 1 to 30 days | 29,004,020.99 | 31,988,952.53 |
| Over due 31 to 60 days | 2,623,938.55 | 3,047,726.73 |
| Over due 61 to 90 days | 774,163.14 | 1,423,232.38 |
| Over due 91 to 180 days | 476,243.87 | 417,465.30 |
| Over due 181 to 365 days | 1,658,232.37 | 56,658.65 |
| Over due over 366 days | 22,713,189.33 | 21,978,403.34 |
| Total | 100,282,957.01 | 127,616,874.34 |
| <u>Less</u> Allowance for Doubtful Debt | (21,978,403.34) | (21,978,403.34) |
| <u>Less</u> Estimation of Debt Reduction from Returned Goods and Discount Payment | (6,024,057.99) | (3,079,049.82) |
| Net | 72,280,495.68 | 102,559,421.18 |

Other receivables as of 31 December 2013 and 2012 consist of:

| | As of 31 December 2013 | As of 31 December 2012 |
|-------------------------------|---------------------------|---------------------------|
| | Baht | Baht |
| Prepaid Expense | 2,116,005.01 | 1,259,592.15 |
| Accrued Revenue | 509,452.66 | 2,470,596.90 |
| Revenue Department Receivable | 15,507,896.19 | 3,897,071.37 |
| Other Receivables | 3,706,895.72 | 594,682.80 |
| Total | 21,840,249.58 | 8,221,943.22 |

For the years ended 31 December 2013 and 2012, the Company has movement of allowance for doubtful debt as follows:

| | For the years ended | |
|-------------------------|---------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Beginning Balance | (21,978,403.34) | (29,904,335.59) |
| Increase within Period | - | (14,658,751.65) |
| Reverse within Period | - | 12,575,810.72 |
| Written off as Bad Debt | - | 10,008,873.18 |
| Ending Balance | (21,978,403.34) | (21,978,403.34) |

For the years ended 31 December 2013 and 2012, the Company has movement of estimation of debt reduction from returned goods and discount payment as follows:

| | For the years ended | |
|------------------------|-----------------------|-----------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Beginning Balance | (3,079,049.82) | (5,918,599.02) |
| Increase within Period | (19,275,855.35) | (11,102,208.32) |
| Decrease within Period | 16,330,847.18 | 13,941,757.52 |
| Ending Balance | <u>(6,024,057.99)</u> | <u>(3,079,049.82)</u> |

As at 31 December 2013 and 2012, trade receivables oversea - related company that is over due over 366 days, is unable to comply that settlement plan. However, the Company has recognized the whole amount of allowance for doubtful debt, which the management of the Company will follow-up the collection from such trade receivables closely to minimize the damage incurred to the Company.

9. Inventories - Net

Consist of:

| | As of | |
|--|-----------------------|-----------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Finished Goods | 124,631,451.67 | 10,249,426.10 |
| Raw Materials | 12,550,565.62 | 16,345,928.20 |
| Work-in-Process | 460,839,744.02 | 475,604,366.42 |
| Chemical | 46,013,510.62 | 38,010,306.71 |
| Spare Part | 1,983,632.36 | 2,137,947.70 |
| Goods-in-Transit | 111,017,120.07 | 74,341,309.18 |
| <u>Less</u> Allowance from Declining in Value of Inventories | (3,783,373.73) | (6,871,251.40) |
| <u>Plus</u> Estimation Cost of Allowance for Returned Goods | 1,171,899.90 | 623,796.21 |
| Net | <u>754,424,550.53</u> | <u>610,441,829.12</u> |

For the years ended 31 December 2013 and 2012, the Company has movement of allowance from declining in value of inventories as follows:

| | For the years ended | |
|------------------------|-----------------------|-----------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Beginning Balance | (6,871,251.40) | (2,065,733.79) |
| Increase within Period | - | (8,205,180.69) |
| Reverse within Period | 3,087,877.67 | 3,399,663.08 |
| Ending Balance | <u>(3,783,373.73)</u> | <u>(6,871,251.40)</u> |

For the years ended 31 December 2013 and 2012, the Company has movement of estimation cost of allowance for returned goods as follows:

| | For the years ended | |
|------------------------|---------------------|-------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Beginning Balance | 623,796.21 | 3,029,052.22 |
| Increase within Period | 3,608,904.29 | 2,944,299.63 |
| Reverse within Period | (3,060,800.60) | (5,349,555.64) |
| Ending Balance | <u>1,171,899.90</u> | <u>623,796.21</u> |

As at 31 December 2013 and 2012, the Company has insured raw materials, work in process, finished goods and supplies in value of Baht 614 million, equally for two years which the beneficiary from insurance is granted to one merchant bank in note 15.

10. Temporary Investments / Long - Term Investments – Net

Consist of:

| Activities | Place of incorporation | incorporation Share Capital | % of Shareholding | Original Cost of Investment | Investment | | Dividends | | |
|--|------------------------|-----------------------------|--------------------|-----------------------------|------------------|----------------------|----------------------|------------------|---|
| | | | | | As at | | For the years ended | | |
| | | U.S. Dollar | % | U.S. Dollar | 31 December 2013 | 31 December 2012 | 31 December 2013 | 31 December 2012 | |
| | | | | | Baht | Baht | Baht | Baht | |
| 10.1 General Investment : | | | | | | | | | |
| C.P.L. INTERNATIONAL COMPANY LIMITED | Business of Tannery | British Virgin Islands | 8,000,000.00 | 15 | 1,200,000.00 | 51,483,750.00 | 51,483,750.00 | - | - |
| Plus Advance Payment for Capital Increase | | | 10,000,000.00 | 15 | 150,000.00 | 4,618,500.00 | 4,618,500.00 | - | - |
| Less Allowance for Impairment Net | | | | | | (24,899,040.15) | (21,232,420.77) | - | - |
| | | | | | | <u>31,203,209.85</u> | <u>34,869,829.23</u> | - | - |
| SIRINRAT COMPANY LIMITED | Building For rent | Thai | Baht 15,000,000.00 | 3 | Baht 450,000.00 | 450,000.00 | 450,000.00 | - | - |
| Total General Investment | | | | | | <u>31,653,209.85</u> | <u>35,319,829.23</u> | - | - |
| 10.2 Investment in Debt Instrument held to Maturity : | | | | | | | | | |
| Debt Instrument Maturity in 2-5 years | | | | | | 16,000,000.00 | 10,000,000.00 | | |
| Debt Instrument Maturity in 6-10 years | | | | | | 18,000,000.00 | 34,000,000.00 | | |
| Total Investment in Debt Instrument held to Maturity | | | | | | <u>34,000,000.00</u> | <u>44,000,000.00</u> | | |
| Total Long - Term Investments | | | | | | <u>65,653,209.85</u> | <u>79,319,829.23</u> | | |
| 10.3 Temporary Investments : | | | | | | | | | |
| Investments in Fixed Deposit 4 months | | | | | | - | 30,000,000.00 | | |
| Debt Instrument Maturity in 1 years | | | | | | 10,000,000.00 | - | | |
| Total Temporary Investments | | | | | | <u>10,000,000.00</u> | <u>30,000,000.00</u> | | |

For the years ended 31 December 2013 and 2012, the Company has movement of allowance for impairment of general investment as follows:

| | For the years ended | |
|------------------------|------------------------|------------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Beginning Balance | (21,232,420.77) | (14,068,240.39) |
| Increase within Period | (3,666,619.38) | (7,164,180.38) |
| Decrease within Period | - | - |
| Ending Balance | <u>(24,899,040.15)</u> | <u>(21,232,420.77)</u> |

General Investment

In accordance with minute of the board of directors meeting no. 2/2012 on 19 March 2012, it has passed a unanimous resolution to approve the capital increase in C.P.L. INTERNATIONAL CO., LTD. in the proportion of 15% of the authorized share capital increase in amount of USD 1.0 million, totaling in amount of Baht 4.62 million. Because the such Company has faced the financial difficulties in working capital, cash flow and the business operations. The objective of capital increase is to settle the severance pay for employees. Presently, such capital increase is not success; the Company has made fully allowance for impairment in advance payment for capital increase.

Investment in Debt Instrument Held to Maturity

As at 31 December 2013 and 2012, amount of Baht 16.00 million was investment in unsubordinated secured and holder name definable debentures. The maturity of debentures for 6 years 9 months 19 days from issued date for period since 27 January 2012 to 15 November 2018 with interest rate years 1-4 is 4.00% per annum, interest years 5-6 is 4.40% per annum and since interest years over 6 to maturity is 5.50 % per annum.

As at 31 December 2013 and 2012, amount of Baht 18.00 million was debentures in type of non – guaranteed, non – convertible. The maturity of debentures for 10 years from issued date for period since 22 October 2009 to 22 October 2019 with interest rate years 1-5 is 4.80% per annum and interest years 6-10 is 6.00% per annum.

As at 31 December 2013 and 2012, amount of Baht 10.00 million was investment in unsubordinated secured and holder name definable a debentures. The maturity debentures for 4 years from issue date for period since 1 October 2010 to 1 October 2014 with interest rate of 3.85% per annum.

Investments in Fixed Deposit

As 31 December 2012, amount of Baht 30.00 million was investment in fixed deposit 4 months, with interest rate at 3.05% per annum.

11. Investment Property – Net

Consist of:

| | Investment Property Baht |
|--|-----------------------------|
| As at 31 December 2011 | |
| Cost | 40,679,418.00 |
| Book value | <u>40,679,418.00</u> |
| Transactions during the year ended 31 December 2012 | |
| Purchase | - |
| Ending book value | <u>40,679,418.00</u> |
| As at 31 December 2012 | |
| Cost | 40,679,418.00 |
| Book value | <u>40,679,418.00</u> |
| Transactions during the year ended 31 December 2013 | |
| Purchase | 78,378,295.00 |
| Ending book value | <u>119,057,713.00</u> |
| As at 31 December 2013 | |
| Cost | 119,057,713.00 |
| Book value | <u>119,057,713.00</u> |

As at 31 December 2013 and 2012, The Company investment property is their owned land without specific purpose of use in future and exploiting for rental income, which its investment property had fair value amount of Baht 120.46 million and Baht 42.08 million respectively.

12. Property, Plant and Equipment-Net

Consist of:

| | Land and Land Improvement | Buildings and Buildings Improvement | Machines and Equipments | Vehicles | Fixtures and Office Equipments | Waste Water Storage | Assets in Progress | Total |
|--|------------------------------|---|----------------------------|---------------------|--------------------------------------|------------------------|-----------------------|-----------------------|
| | Baht | Baht | Baht | Baht | Baht | Baht | Baht | Baht |
| As at 31 December 2011 | | | | | | | | |
| Cost | 49,485,352.00 | 153,167,503.04 | 232,183,765.65 | 29,665,902.82 | 9,494,838.81 | 6,250,000.00 | 3,780,947.94 | 484,028,310.26 |
| Less Accumulated Depreciation | - | (126,519,801.50) | (164,687,581.59) | (25,112,197.55) | (7,078,767.55) | (6,249,997.89) | - | (329,648,346.08) |
| Book value | 49,485,352.00 | 26,647,701.54 | 67,496,184.06 | 4,553,705.27 | 2,416,071.26 | 2.11 | 3,780,947.94 | 154,379,964.18 |
| Transactions during the year ended 31 December 2012 | | | | | | | | |
| Purchase | - | - | 5,483,997.42 | 1,345,728.97 | 569,085.10 | - | - | 7,398,811.49 |
| Transfer in/(Transfer out) | - | - | 3,780,947.94 | - | - | - | (3,780,947.94) | - |
| Disposal | - | - | (329,160.00) | (1,479,000.00) | - | - | - | (1,808,160.00) |
| Written-off Assets | - | - | - | (3,271.03) | (2,976,264.09) | - | - | (2,979,535.12) |
| Depreciation for the year | - | (3,214,212.01) | (15,531,143.29) | (1,845,972.83) | (982,720.13) | - | - | (21,574,048.26) |
| Depreciation for Disposal / Written-off Assets | - | - | 329,159.00 | 1,482,268.03 | 2,940,889.75 | - | - | 4,752,316.78 |
| Ending book value | 49,485,352.00 | 23,433,489.53 | 61,229,985.13 | 4,053,458.41 | 1,967,061.89 | 2.11 | - | 140,169,349.07 |
| As at 31 December 2012 | | | | | | | | |
| Cost | 49,485,352.00 | 153,167,503.04 | 241,119,551.01 | 29,529,360.76 | 7,087,659.82 | 6,250,000.00 | - | 486,639,426.63 |
| Less Accumulated Depreciation | - | (129,734,013.51) | (179,889,565.88) | (25,475,902.35) | (5,120,597.93) | (6,249,997.89) | - | (346,470,077.56) |
| Book value | 49,485,352.00 | 23,433,489.53 | 61,229,985.13 | 4,053,458.41 | 1,967,061.89 | 2.11 | - | 140,169,349.07 |

| | Land and Land Improvement | Buildings and Buildings Improvement | Machines and Equipments | Vehicles | Fixtures and Office Equipments | Waste Water Storage | Assets in Progress | Total |
|--|------------------------------|---|----------------------------|---------------------|--------------------------------------|------------------------|-----------------------|-----------------------|
| | Baht | Baht | Baht | Baht | Baht | Baht | Baht | Baht |
| As at 31 December 2012 | | | | | | | | |
| Cost | 49,485,352.00 | 153,167,503.04 | 241,119,551.01 | 29,529,360.76 | 7,087,659.82 | 6,250,000.00 | - | 486,639,426.63 |
| <u>Less</u> Accumulated Depreciation | - | (129,734,013.51) | (179,889,565.88) | (25,475,902.35) | (5,120,597.93) | (6,249,997.89) | - | (346,470,077.56) |
| Book value | 49,485,352.00 | 23,433,489.53 | 61,229,985.13 | 4,053,458.41 | 1,967,061.89 | 2.11 | - | 140,169,349.07 |
| Transactions during the year ended 31 December 2013 | | | | | | | | |
| Purchase | - | - | 1,674,637.39 | 5,550,000.00 | 603,544.20 | - | - | 7,828,181.59 |
| Transfer in/(Transfer out) | - | - | - | - | (55,607.48) | - | - | (55,607.48) |
| Disposal | - | - | (456,336.00) | - | - | - | - | (456,336.00) |
| Depreciation for the year | - | (3,092,195.39) | (13,880,091.57) | (2,051,602.30) | (744,617.71) | - | - | (19,768,506.97) |
| Depreciation for Disposal / Written-off Assets | - | - | 412,633.49 | - | 14,101.66 | - | - | 426,735.15 |
| Ending book value | 49,485,352.00 | 20,341,294.14 | 48,980,828.44 | 7,551,856.11 | 1,784,482.56 | 2.11 | - | 128,143,815.36 |
| As at 31 December 2013 | | | | | | | | |
| Cost | 49,485,352.00 | 153,167,503.04 | 242,337,852.40 | 35,079,360.76 | 7,635,596.54 | 6,250,000.00 | - | 493,955,664.74 |
| <u>Less</u> Accumulated Depreciation | - | (132,826,208.90) | (193,357,023.96) | (27,527,504.65) | (5,851,113.98) | (6,249,997.89) | - | (365,811,849.38) |
| Book value | 49,485,352.00 | 20,341,294.14 | 48,980,828.44 | 7,551,856.11 | 1,784,482.56 | 2.11 | - | 128,143,815.36 |

As at 31 December 2013 and 2012, the Company pledged and mortgaged land plus property, machinery and some equipment which the book value of Baht 108.68 million and Baht 123.98 million respectively, as collateral against all type of liability at the merchant bank and beneficiary from the insurance in the amount according to the insurance contract in Baht 216.00 million, equally for two years. It is given to merchant bank according to note No. 15.

13. Intangible Assets - Net

Consist of:

| | Computer Software Baht |
|--|---------------------------|
| As of 31 December 2011 | |
| Cost | 9,809,615.59 |
| <u>Less</u> Allowance for Impairment of Assets | (264,999.59) |
| Accumulated Amortization | (7,740.82) |
| Book Value | 9,536,875.18 |
| Transactions during the year ended 31 December 2012 | |
| Purchase | 180,000.00 |
| Written-off Assets | (264,999.59) |
| Amortization for the year | (1,472,555.27) |
| Allowance for Impairment of Assets for Written-off | 264,999.59 |
| Ending book value | 8,244,319.91 |
| As of 31 December 2012 | |
| Cost | 9,724,616.00 |
| <u>Less</u> Accumulated Amortization | (1,480,296.09) |
| Book value | 8,244,319.91 |
| Transactions during the year ended 31 December 2013 | |
| Purchase | 1,637,900.00 |
| Amortization for the year | (1,048,965.18) |
| Ending book value | 8,833,254.73 |
| As of 31 December 2013 | |
| Cost | 11,362,516.00 |
| <u>Less</u> Accumulated Amortization | (2,529,261.27) |
| Book value | 8,833,254.73 |

14. Deferred Tax Assets

Deferred income taxes are calculated in full on temporary differences, using the liability method and applying a principal tax rate of 23% for 2012 and 20% for 2013 onwards. The deferred taxation related to the temporary differences between the carrying amounts and the tax bases of assets and liabilities of the company are summarized below:

| | As at 31 December 2012 | Recognized in the other Profit (Loss) for the period | As at 31 December 2013 |
|-----------------------------|------------------------------|---|------------------------------|
| | Baht | Baht | Baht |
| Deferred Tax Assets | | | |
| Trade and Other Receivables | 5,619,741.10 | (253,628.81) | 5,366,112.29 |
| Inventories | 1,580,387.82 | (823,713.07) | 756,674.75 |
| Long - Term Investments | 4,883,456.78 | 96,351.25 | 4,979,808.03 |
| Employee Benefit Obligation | 5,453,654.66 | (161,693.47) | 5,291,961.19 |
| Total | <u>17,537,240.36</u> | <u>(1,142,684.10)</u> | <u>16,394,556.26</u> |

15. Credit Facilities and Guarantee

The Company has credit line from commercial bank and financial institutions in form bank overdraft, trust receipts, short-term loan, letter of guarantee, credit line for forward contract, and foreign exchange. As at 31 December 2013 and 2012, has granted the total credit line in amount of Bath 1,165.00 million equally for two years, and amount of US dollar 3.00 million, equally for two years. It is pledged by mortgage register of land plus property, machinery and equipment, and beneficiary from insurance in inventory, such land plus property, machinery and equipment according to note No 9 and 12.

16. Short - Term Loan from Financial Institution

As at 31 December 2013, the whole amount is loan from merchant bank in form of trust receipt payable with carried the interest rate of 1.85% per annum. Under term of trust receipt contract, the Company receives merchandise ordered by using credit of the commercial bank. Hence, the Company constitutes obligation commitment to the commercial bank for such merchandise fee both that kept or disposed.

Such above loan constitutes collateral according to note No 15.

17. Trade and Other Payables

Consist of:

| | As at 31 December 2013 Baht | As at 31 December 2012 Baht |
|---------------------------|-----------------------------------|-----------------------------------|
| Trade Payables - Domestic | 58,670,799.30 | 62,456,813.21 |
| Trade Payables - Oversea | 66,581,333.64 | 56,989,899.61 |
| Notes Payables | 23,540.00 | - |
| Trade and Notes Payables | 125,275,672.94 | 119,446,712.82 |
| Other Payables | 20,818,992.04 | 20,180,429.50 |
| Total | 146,094,664.98 | 139,627,142.32 |

Other payables as at 31 December 2013 and 2012 consist of:

| | As at 31 December 2013 Baht | As at 31 December 2012 Baht |
|---------------------------|-----------------------------------|-----------------------------------|
| Assets Payables | - | 848,812.28 |
| Accrued Expenses | 14,286,481.05 | 14,087,786.68 |
| Advance Receipt for Goods | 2,985,663.47 | 2,231,029.87 |
| Other Payables | 3,546,847.52 | 3,012,800.67 |
| Total | 20,818,992.04 | 20,180,429.50 |

18. Liabilities under Financial Lease Agreements

Consist of:

| | As at 31 December 2013 Baht | As at 31 December 2012 Baht |
|---|-----------------------------------|-----------------------------------|
| Liabilities Under Financial Leases Agreements | 2,770,713.00 | - |
| Less Deferred Lease Interest | (108,281.27) | - |
| Liabilities under Financial Lease Agreements | 2,662,431.73 | - |
| Less Current Portion | (1,657,855.69) | - |
| Net | 1,004,576.04 | - |

The minimum pay under the long – term financial lease agreement as the follows:

| | As at 31 December 2013 | As at 31 December 2012 |
|-----------------------------|---------------------------|---------------------------|
| | Baht | Baht |
| Period not exceeding 1 year | 1,657,855.69 | - |
| Period over 1 year – 5 year | 1,004,576.04 | - |
| Total | 2,662,431.73 | - |

19. Employees Benefit Obligation

Employee Benefits Obligation are as follows:

| | As at 31 December 2013 | As at 31 December 2012 |
|--|---------------------------|---------------------------|
| | Baht | Baht |
| Present value for obligation as at 1 January | 23,711,542.00 | 21,147,958.00 |
| Current service cost | 1,869,692.00 | 1,772,084.00 |
| Interest expenses | 878,572.00 | 791,500.00 |
| Present value for obligation as at 31 December | 26,459,806.00 | 23,711,542.00 |

The principal assumptions used for the purposes of the actuarial valuation were as follows:

| | |
|------------------------------|---|
| Discount rate | 3.77 % |
| Average Salary increase rate | 4.66 % |
| Mortality rate | mortality from table of mortality year 2008 |
| Disability rate | 5.00 % of mortality |
| Employee turnover rate | 2.00 % – 49.00 % |
| Retirement age | 60 years |

20. Share Capital

| | Par Value | As at 31 December 2013 | | As at 31 December 2012 | |
|----------------------------------|--------------|------------------------|----------------|------------------------|----------------|
| | | Number of Share | Amount | Number of Share | Amount |
| Authorized Share Capital | | | | | |
| Beginning Ordinary Shares | 10.00 | 26,399,995 | 263,999,950.00 | 26,399,995 | 263,999,950.00 |
| Ending Ordinary Shares | 10.00 | 26,399,995 | 263,999,950.00 | 26,399,995 | 263,999,950.00 |
| Issued and Paid-up Share Capital | | | | | |
| Beginning Ordinary Shares | 10.00 | 26,399,995 | 263,999,950.00 | 26,399,995 | 263,999,950.00 |
| Ending Ordinary Shares | 10.00 | 26,399,995 | 263,999,950.00 | 26,399,995 | 263,999,950.00 |

21. Payment of Dividends

In accordance with the minute of the Annual General Shareholders' Meeting for the year 2013 which held on April 25, 2013, it is unanimously resolved that the Company appropriates retained earnings for 2012 as dividend to shareholders in number of 26.39 million shares in the rate of Baht 1.75 per share aggregating to amount of Baht 46.20 million. Dividend is repayable on May 20, 2013, whereby the Company has already paid dividend.

In accordance with the minute of the Annual General Shareholders' Meeting for the year 2012 which held on April 25, 2012, it is unanimously resolved that the Company appropriates retained earnings for 2011 as dividend to shareholders in number of 26.39 million shares in the rate of Baht 2.00 per share aggregating to amount of Baht 52.79 million. Dividend is repayable on May 15, 2012, whereby the Company has already paid dividend.

22. Capital Management

The primary objectives of the Company's capital management are to maintain their abilities to continue as a going concern and to maintain an appropriate capital structure.

As of December 31, 2013 and 2012, debts to equity ratio in the financial statements is 0.28 : 1 and 0.17 : 1 respectively.

23. Tax Income (Expense)

Income tax which was recognized in the Profit (Loss) for the period consists of:

| | For the years end | |
|--|------------------------|------------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Current Tax Income (Expense) | (18,856,814.05) | (18,019,368.32) |
| Deferred Tax | | |
| Deferred Tax Income (Expense) | 1,144,782.03 | 1,419,803.01 |
| Effect of Changes in Tax Rate | (2,287,466.13) | (4,905,307.02) |
| Tax Income (Expense) recognized in the Profit (Loss) | | |
| for the period | <u>(19,999,498.15)</u> | <u>(21,504,872.33)</u> |

The difference between income tax income (expense) which was calculated from accounting profit at the tax rate for the nine months period ended 31 December 2013 and 2012, in 20% and 23% respectively as follows:

| | For the years end | |
|--|-------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Profit (Loss) Before Income Tax | 85,903,692.91 | 60,723,715.37 |
| Tax Income (Expense) calculated at the tax rate of 20% (2012 : 23%) | (17,180,738.58) | (13,966,454.53) |
| (Income)Expenses that are not deductible for income tax | (531,293.44) | (2,633,110.78) |
| Effect of Changes in Tax Rate | (2,287,466.13) | (4,905,307.02) |
| Tax Income (Expense) recognized in the Profit (Loss) for the period | (19,999,498.15) | (21,504,872.33) |

24. Expenses by Nature

Consist of:

| | For the years end | |
|---|-------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| | Baht | Baht |
| Changing within Work in Process and Finish Goods | (99,617,403.17) | 117,490,657.78 |
| Raw Material and Chemical Used | 1,568,661,617.89 | 1,297,030,959.10 |
| Loss from Declining in Value of Inventories(Reversal) | (3,087,877.67) | 4,805,517.61 |
| Employee Expenses | 114,927,692.32 | 108,861,535.25 |
| Managements' Remuneration | 32,168,658.00 | 25,492,104.00 |
| Depreciation | 19,768,506.67 | 21,574,048.26 |
| Bad Debt and Doubtful Debt(Reversal) | - | 2,082,940.93 |
| Loss from Impairment of Long - Term Investment | 3,666,619.38 | 7,164,180.38 |
| Transportation Expense | 13,949,748.98 | 11,656,858.98 |
| Other Production Expenses | 73,221,468.88 | 74,509,448.88 |
| Other Expenses | 32,988,928.29 | 33,533,380.62 |
| Total | 1,756,647,959.57 | 1,704,201,631.79 |

25. Operating Segments

The Company operates in only one business sector, namely manufacturing and distribution of leather products and operate in one geographical area, which is Thailand. Thus all income, profit and entire assets shown in the financial statements are related to the said business sector and geographical area.

For the years ended 31 December 2013 and 2012, the Company has net domestic sales and foreign sales as follows:

| | Domestic | | Foreign | | Total | |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | '000 Baht | '000 Baht | '000 Baht | '000 Baht | '000 Baht | '000 Baht |
| Revenue from Sales | 233,401 | 331,111 | 1,602,679 | 1,405,858 | 1,836,080 | 1,736,969 |
| Gross Profit | (3,140) | 21,191 | 216,981 | 134,126 | 213,841 | 155,317 |
| Other Income | | | | | 10,707 | 31,882 |
| Common Expense | | | | | (134,409) | (122,550) |
| Financial Costs | | | | | (4,236) | (3,925) |
| Profit Before Income Tax | | | | | 85,903 | 60,724 |
| Tax Income (Expense) | | | | | (19,999) | (21,505) |
| Profit For The Period | | | | | 65,904 | 39,219 |
| Fixed Assets | | | | | 128,144 | 140,169 |
| Other Assets | | | | | 1,146,039 | 1,004,139 |
| Total Assets | | | | | 1,274,183 | 1,144,308 |

26. Financial Instruments

26.1 Policy of Financial Risk Management

The Company constitutes risk in relation to change of interest rates and exchange rates by which the Company considers to utilize an appropriate financial instrument to hedge against such risk. However, the Company has no policy to hold or issue financial instrument for speculating or for trading.

26.2 Risk from Interest Rates

Interest rate risk arises from the fluctuation of interest rates in the future which will affect operations and cash flow of the Company, which the Company had assets and liabilities instruments against this risk as follow:

| | Amount | | Interest rate per annum | |
|-------------------------------|-------------------|---------|-------------------------|-------------|
| | As at 31 December | | As at 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| | ล้านบาท | ล้านบาท | ร้อยละ | ร้อยละ |
| Bank Deposit – Saving Account | 67.47 | 91.62 | 0.55 - 1.275 | 0.05 - 0.75 |
| Bank Deposit – Fixed Account | 0.15 | 30.00 | 1.625 | 3.05 |
| Temporary Investment | 10.00 | - | 3.85 | - |
| Investment in Debt Instrument | | | | |
| held to Maturity | 34.00 | 44.00 | 4.00 - 6.00 | 3.85 - 5.75 |
| Trust Receipts Payable | 98.21 | - | 1.85 | - |

26.3 Risk on Exchange Rates

Risk on exchange rates is regarded to purchase raw material, machines and sales denominated in foreign currencies. The Company has financial assets and financial liabilities in foreign currencies as follows:

| Currencies | Financial Assets | | Financial Liabilities | |
|------------|-------------------|--------------|-----------------------|--------------|
| | As at 31 December | | As at 31 December | |
| | 2013 | 2012 | 2013 | 2012 |
| GBP | 182.00 | 182.00 | - | - |
| INR | 2,850.00 | 2,850.00 | - | - |
| US Dollars | 3,570,549.60 | 2,558,051.04 | 5,046,505.06 | 1,914,836.03 |

As at 31 December 2013 and 2012, the Company hedge the risk from foreign currency exchange rate incurred from purchases material and sale goods as foreign currency by performing the forward foreign currency contract as follows:

| | As at 31 December 2013 | As at 31 December 2012 |
|---------------------------------------|---------------------------|---------------------------|
| Credit Limit for Forward Contract | 120.00 Million Baht | 120.00 Million Baht |
| Value of Forward Contract – Purchases | - | 0.18 Million US Dollars |
| Value of Forward Contract - Purchases | - | 5.67 Million Baht |
| Fair Value | - | 5.66 Million Baht |

Fair value of the forward contract purchases – sale is computed by using rates determined by those counter party bank as of the date in statements of financial position.

26.4 Credit Risk

The Company has not significant risk from credit risk in connection to trade receivables since the Company provides sales overseas by L/C application or alternatively clients make goods payment in advance. Moreover, domestic sales are typically performed to financially secured companies whose capability is good at debt repayment. The Company has dealt with these clients for a long time: therefore, it is anticipated of non significant risk derived from unpayment of those accounts receivable. However, the Company sufficiently considered the allowance of doubtful debt.

26.5 Fair Value

Due to the financial assets and liabilities are mainly short term type, investment in debt instrument and loans has interest rates be similar to market rates, the management believes that book values of such financial assets and liabilities reflect values which do not materially differ from their fair values.

27. Transactions with Related Parties

The Company had significant business transactions with the related companies. Such transactions, which have been concluded on commercial terms and bases, agreed upon between the Company with these companies are in ordinary course of business are summarized below:

27.1 Inter - Revenues and Expenses

| | Pricing Policy | For the year ended | |
|---|--|--------------------|---------------|
| | | 2013 | 2012 |
| | | Baht | Baht |
| Inter-Transaction with Related Companies | | | |
| Sales Material | Cost plus margin approximate 20% | - | 169,200.00 |
| Sales Goods | Normal business prices which can be compared with transactions incurred by outside parties | 8,310,593.90 | 16,374,596.91 |
| Purchases Material | Price is complied with the prices which are mutually agreed upon | 92,119,928.20 | 91,075,412.00 |
| Purchases Asset | Price is complied with the prices which are mutually agreed upon | - | 154,902.79 |
| Other Expenses | Price is complied with the prices which are mutually agreed upon | - | 332,532.33 |

27.2 Inter - Assets and Liabilities

| | As at 31 December 2013 Baht | As at 31 December 2013 Baht |
|---|-----------------------------------|-----------------------------------|
| Trade and Notes Receivables | | |
| The Related Companies | | |
| - C.P.L. MARKETING CO., LTD. | 21,978,403.34 | 21,978,403.34 |
| - MIMI INDUSTRIAL CO., LTD. | 687,194.88 | 40,885.51 |
| - MITNIYUM (MANWOOD) CO., LTD | 482,661.58 | 3,909,868.97 |
| Total | 23,148,259.80 | 25,929,157.82 |
| <u>Less</u> Allowance for Doubtful Debt | (21,978,403.34) | (21,978,403.34) |
| Total | 1,169,856.46 | 3,950,754.48 |
| Other Receivables | | |
| The Related Company | | |
| - MIMI INDUSTRIAL CO., LTD. | 43,630.05 | - |
| Total | 43,630.05 | - |
| Trade Payables | | |
| The Related Company | | |
| - EAGLE CHEMICAL INDUSTRIAL CO., LTD. | 30,836,484.08 | 32,951,347.64 |
| Total | 30,836,484.08 | 32,951,347.64 |

27.3 Management Benefit Expenses

| | For the years end 31 December | |
|------------------------------|----------------------------------|---------------|
| | 2013 Baht | 2012 Baht |
| Short-Term Employee Benefits | 31,811,450.00 | 25,161,600.00 |
| Post-Employment Benefits | 357,208.00 | 330,504.00 |
| Total | 32,168,658.00 | 25,492,104.00 |

This management remuneration is benefit that repayable to management and directors of the Company. It is composed of remuneration that is monetary, i.e. salary, related benefit and remuneration of directors including remuneration benefit in other form. The Company's management is the persons who are defined under the Securities and Exchange Act.

27.4 The Relationship with the Company

| <u>Name</u> | <u>Relationship</u> |
|------------------------------------|--|
| C.P.L. MARKETING CO., LTD. | Related Company by indirect shareholding via C.P.L.INTERNATIONAL CO., LTD. |
| EAGLE CHEMICAL INDUSTRIAL CO.,LTD. | Related Company by Common Group Shareholders and Executives |
| MIMI INDUSTRIAL CO., LTD. | Related Company by Common Group Shareholders and Executives |
| MITNIYUM (MANWOOD) CO., LTD. | Related Company by Common Group Shareholders and Executives |
| APPLIED DB INDUSTRIAL CO., LTD | Related Company by Common Group Shareholders and Executives |

28. Non-Cash Transactions

| | For the years end | |
|---|-------------------|------------|
| | 31 December | |
| | 2013 | 2012 |
| | Baht | Baht |
| Property, Plant and Equipment Increased from Assets | - | 848,812.28 |
| Payables | | |
| Off-Set between Trade Receivables and Trade | | |
| Payables-Related Companies | - | 486,625.12 |
| Asset Acquiring under Finance Lease Agreement | 3,330,000.00 | - |

29. Obligation and Contingent Liabilities

Apart from liabilities shown on the statement of financial position as at 30 September 2013 and 31 December 2012, the Company still remains other obligation and contingent liabilities with commercial banks as follows:

| | As at | As at |
|--|------------------|------------------|
| | 31 December 2013 | 31 December 2012 |
| | Million Baht | Million Baht |
| - Letters of Credit | | |
| Credit Line for Baht 730.0 Million, Unused | 437.48 | 685.11 |
| Credit Line for 3.0 Million US Dollar, Unused | 98.85 | 46.46 |
| - Letters of Guarantee that issued by Bank for | | |
| Electricity Consumption | 3.91 | 3.91 |

30. Reclassification of Accounts

The Company reclassified some items in comparative financial statements in order to comply with the present financial statements, which does not have any affects on net profit (loss) or shareholders' equity already presented. The details of reclassification are as follows:

| | As Previously Reported Baht | Reclassified Baht | As Currently Reported Baht |
|--|-----------------------------------|----------------------|----------------------------------|
| Statement of Financial Position as at 1 January 2012 | | | |
| Investment Property - Net | 39,450,000.00 | 1,229,418.00 | 40,679,418.00 |
| Property, Plant and Equipment - Net | 155,609,382.18 | (1,229,418.00) | 154,379,964.18 |
| Statement of Financial Position as at 31December 2012 | | | |
| Investment Property - Net | 39,450,000.00 | 1,229,418.00 | 40,679,418.00 |
| Property, Plant and Equipment - Net | 141,398,767.07 | (1,229,418.00) | 140,169,349.07 |

31. Approval of the Financial Statements

The financial statements have been approved by authorized directors of the Company on 10 February 2014.



cpl

C.P.L. Group Public Company Limited

บริษัท ซี.พี.แอล.กรุ๊ป จำกัด (มหาชน)