

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

AUDITOR'S REPORT ON REVIEW

AND INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017

(UNAUDITED / REVIEWED ONLY)

## **AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

To The Shareholders of

### **BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

I have reviewed the accompanying statement of financial position of Beauty Community Public Company Limited as at March 31, 2017, the related statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the three-month periods then ended and the summary of significant accounting policies and other notes. The Company's management is responsible for the preparation and presentation of these interim financial statements, in all material respects, in accordance with Thai Financial Reporting Standards. My responsibility is to express a conclusion on these interim financial statements based on my reviews.

#### **Scope of Review**

I conducted my review in accordance with Thai Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion on these reviewed interim financial statements.

#### **Conclusion**

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying interim financial statements are not presented fairly, in all material respects, the financial position of Beauty Community Public Company Limited as at March 31, 2017, the result of operations, and cash flows for the three-month periods then ended, in accordance with Thai Financial Reporting Standards.

D I A International Audit Co., Ltd.

(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

May 11, 2017

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT MARCH 31, 2017**

*(Unit: Baht)*

Assets	Note	March 31, 2017	December 31, 2016
		(UNAUDITED / REVIEWED ONLY)	(AUDITED)
<b>Current assets</b>			
Cash and cash equivalents	4	677,721,909.18	216,869,708.41
Temporary investments	5	500,000,000.00	680,000,000.00
Trade and other receivables	6, 16	83,453,271.75	41,768,525.58
Inventories	7	<u>305,984,333.89</u>	<u>373,892,191.11</u>
<b>Total current assets</b>		<u>1,567,159,514.82</u>	<u>1,312,530,425.10</u>
<b>Non-current assets</b>			
Pledged deposits at financial institutions	8	-	10,000,000.00
Property, plant and equipment	9	296,803,113.18	303,795,350.35
Leasehold rights	10	7,001,168.63	7,323,308.15
Intangible assets	11	15,943,946.36	15,971,843.37
Deferred tax assets	12	11,979,045.25	9,211,493.90
Other non-current assets	13	<u>95,695,796.02</u>	<u>91,714,308.98</u>
<b>Total non-current assets</b>		<u>427,423,069.44</u>	<u>438,016,304.75</u>
<b>Total assets</b>		<u><u>1,994,582,584.26</u></u>	<u><u>1,750,546,729.85</u></u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS AT MARCH 31, 2017**

*(Unit: Baht)*

<b>Liabilities and shareholders' equity</b>	<i>Note</i>	<b>March 31, 2017</b> (UNAUDITED / REVIEWED ONLY)	<b>December 31, 2016</b> (AUDITED)
<b>Current liabilities</b>			
Trade and other payables	14, 16	300,308,789.85	315,706,356.16
Accrued income tax		<u>150,739,940.56</u>	<u>97,775,103.17</u>
<b>Total current liabilities</b>		<u>451,048,730.41</u>	<u>413,481,459.33</u>
<b>Non-current liabilities</b>			
Employee benefit obligations	15	8,164,630.52	7,775,216.03
Provisions		5,103,350.00	5,103,350.00
Other non-current liabilities		<u>3,841,900.00</u>	<u>3,899,050.00</u>
<b>Total non-current liabilities</b>		<u>17,109,880.52</u>	<u>16,777,616.03</u>
<b>Total liabilities</b>		<u>468,158,610.93</u>	<u>430,259,075.36</u>
<b>Shareholders' equity</b>			
Share capital			
Authorized share capital			
3,022,610,000 common shares of Baht 0.10 each		<u>302,261,000.00</u>	<u>302,261,000.00</u>
Paid-up share capital			
3,000,965,600 common shares of Baht 0.10 each	17	300,096,560.00	-
3,000,000,000 common shares of Baht 0.10 each		-	300,000,000.00
Premium on share capital	17	561,387,807.71	556,439,628.87
Equity-settled share-based payment	19	6,208,139.16	4,768,867.48
Retained earnings			
Appropriated			
<b>Legal reserve</b>	18	<b>30,226,100.00</b>	30,000,000.00
Unappropriated		<u>628,505,366.46</u>	<u>429,079,158.14</u>
<b>Total shareholders' equity</b>		<u>1,526,423,973.33</u>	<u>1,320,287,654.49</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,994,582,584.26</u>	<u>1,750,546,729.85</u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017**  
**(UNAUDITED / REVIEWED ONLY)**

	<i>Note</i>	<b>2017</b>	<b>2016</b>
			<i>(Unit: Baht)</i>
Revenues from sales		682,561,358.44	524,544,310.14
Cost of sales		<u>(227,539,430.90)</u>	<u>(175,179,375.37)</u>
<b>Gross profit</b>		<u>455,021,927.54</u>	<u>349,364,934.77</u>
Other income			
Interest income		3,688,344.77	3,324,921.00
Others		<u>1,281,369.77</u>	<u>2,037,469.69</u>
<b>Total other income</b>		<u>4,969,714.54</u>	<u>5,362,390.69</u>
Selling expenses		(160,235,140.22)	(146,670,102.14)
Administrative expenses		<u>(49,837,230.62)</u>	<u>(46,507,000.07)</u>
<b>Profit before income tax</b>		249,919,271.24	161,550,223.25
Income tax expenses	12	<u>(50,266,962.92)</u>	<u>(32,326,216.79)</u>
<b>Profit for the period</b>		<u>199,652,308.32</u>	<u>129,224,006.46</u>
<b>Other comprehensive income :</b>			
Items that will not be reclassified subsequently to profit or (loss)			
Actuarial gains		-	638,370.00
Less Taxable effects		<u>-</u>	<u>(127,674.00)</u>
Other comprehensive income for the period		<u>-</u>	<u>510,696.00</u>
<b>Total comprehensive income for the period</b>		<u>199,652,308.32</u>	<u>129,734,702.46</u>
<b>Earnings per share</b>			
Basic earnings per share (Baht/share)	3.24	0.07	0.04

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017**  
**(UNAUDITED / REVIEWED ONLY)**

*(Unit: Baht)*

	<i>Note</i>	Paid-up share capital	Premium on share capital	Equity-settled share-based payment transactions	Retained earnings		Total shareholders' equity
					Appropriated Legal reserve	Unappropriated	
<b>Balance as at January 1, 2016</b>		300,000,000.00	556,439,628.87	-	30,000,000.00	261,562,009.95	1,148,001,638.82
Total comprehensive income for the period		-	-	-	-	129,734,702.46	129,734,702.46
<b>Balance as at March 31, 2016</b>		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>-</u>	<u>30,000,000.00</u>	<u>391,296,712.41</u>	<u>1,277,736,341.28</u>
<b>Balance as at January 1, 2017</b>		300,000,000.00	556,439,628.87	4,768,867.48	30,000,000.00	429,079,158.14	1,320,287,654.49
Total comprehensive income for the period		-	-	-	-	199,652,308.32	199,652,308.32
Share-Based payments	19	-	-	1,656,010.52	-	-	1,656,010.52
Exercise right of warrants to purchase ordinary shares	17	96,560.00	4,948,178.84	(216,738.84)	-	-	4,828,000.00
Appropriated as legal reserve	18	-	-	-	226,100.00	(226,100.00)	-
<b>Balance as at March 31, 2017</b>		<u>300,096,560.00</u>	<u>561,387,807.71</u>	<u>6,208,139.16</u>	<u>30,226,100.00</u>	<u>628,505,366.46</u>	<u>1,526,423,973.33</u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017**  
**(UNAUDITED / REVIEWED ONLY)**

*(Unit: Baht)*

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	249,919,271.24	161,550,223.25
Adjustment profit before income tax to cash receipt (disbursement) from operating activities		
Depreciation and amortization	15,088,262.93	12,925,809.00
Loss on devaluation of inventories	842,186.70	931,528.33
(Gain) loss on sales of assets	98.58	-
Loss on write off assets	873,490.70	917,173.48
Realized (income) for reward points	(1,529,538.31)	(1,740,485.00)
Employee benefit expenses	389,414.49	378,429.50
Expenses from share-based payments	<u>1,656,010.52</u>	<u>-</u>
Profit from operation before changes in operating assets and liabilities	267,239,196.85	174,962,678.56
(Increase) Decrease in changes of operating assets		
Trade and other receivables	(41,684,746.17)	(5,186,534.20)
Inventories	67,065,670.52	(754,789.44)
Other non-current assets	<u>(3,981,487.04)</u>	<u>(115,408.53)</u>
(Increase) Decrease in changes of operating assets	<u>21,399,437.31</u>	<u>(6,056,732.17)</u>
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	(15,814,768.31)	(67,344,595.99)
Other non-current liabilities	<u>(57,150.00)</u>	<u>214,808.00</u>
Increase (Decrease) in changes of operating liabilities	<u>(15,871,918.31)</u>	<u>(67,129,787.99)</u>
Cash generated (paid) from operation	272,766,715.85	101,776,158.40
Income tax paid	<u>(69,676.88)</u>	<u>-</u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>272,697,038.97</b></u>	<u><b>101,776,158.40</b></u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017**  
**(UNAUDITED / REVIEWED ONLY)**

*(Unit: Baht)*

	<b>2016</b>	<b>2015</b>
<b>Cash flows from investing activities</b>		
(Increase) Decrease in temporary investments	180,000,000.00	80,000,000.00
(Increase) Decrease in pledged deposits at financial institutions	10,000,000.00	-
Building and equipment acquisition	(6,426,816.24)	(12,883,056.64)
Proceeds from sales of equipment	47,028.04	-
Intangible assets acquisition	<u>(293,050.00)</u>	<u>-</u>
<b>Net cash provided by (used in) investing activities</b>	<u>183,327,161.80</u>	<u>67,116,943.36</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise right of warrants to purchase of ordinary shares	<u>4,828,000.00</u>	<u>-</u>
<b>Net cash provided by (used in) financing activities</b>	<u>4,828,000.00</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	460,852,200.77	168,893,101.76
Cash and cash equivalents as at the beginning of the period	<u>216,869,708.41</u>	<u>119,014,136.48</u>
<b>Cash and cash equivalents as at the end of the period</b>	<u><u>677,721,909.18</u></u>	<u><u>287,907,238.24</u></u>

Notes to financial statements are parts of these financial statements.



**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2017**  
**(UNAUDITED / REVIEWED ONLY)**

**1. GENERAL INFORMATION**

Beauty Community Public Company Limited (“the Company”), the Company was registered as a listed company in the Stock Exchange of Thailand on December 12, 2012. The registered address is located at 10/915, Soi Nuanchan 34, Nuanchan, Bungkum, Bangkok.

The principle business of the Company is to retail of cosmetics.

	Percentage of shareholding (based on paid-up capital)
Mr. Suwin Kraiphubet	17.46
Mrs. Tanyapon Kraibhubes	8.47
STATE STREET BANK EUROPE LIMITED	8.03
Thai NVDR Company Limited	3.35

**2. BASIS OF INTERIM FINANCIAL STATEMENTS PREPARATION**

**2.1 Preparation interim of financial statements**

The financial statements have been prepared in conformity with Thai Financial Reporting Standards, enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development, the Ministry of Commerce dated October 11, 2016 regarding the condensed form should be included in the financial statements (No. 2) B.E. 2559 and the regulation of the Securities and Exchange Commission regarding the preparation and presentation of the financial reporting under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

2.2 The financial reporting standards that are effective for the current period

The Federation of Accounting Professions issued accounting standards, financial reporting standards, standing interpretations committee and financial reporting interpretations committee, which are expected to be effective for the financial statements beginning on or after January 1, 2017 as follows:.

Contents

Accounting Standards

TAS 1 (Revised 2016)	Presentation of Financial Statements
TAS 2 (Revised 2016)	Inventories
TAS 7 (Revised 2016)	Statement of Cash Flows
TAS 8 (Revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2016)	Events After the Reporting Period
TAS 11 (Revised 2016)	Construction Contracts
TAS 12 (Revised 2016)	Income Taxes
TAS 16 (Revised 2016)	Property, Plant and Equipment
TAS 17 (Revised 2016)	Leases
TAS 18 (Revised 2016)	Revenue
TAS 19 (Revised 2016)	Employee Benefits
TAS 20 (Revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2016)	Borrowing Costs
TAS 24 (Revised 2016)	Related Party Disclosures
TAS 26 (Revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2016)	Separate Financial Statements
TAS 28 (Revised 2016)	Investments in Associates and Joint Venture
TAS 29 (Revised 2016)	Financial Reporting in Hyperinflationary Economies

Contents

Accounting Standards

TAS 33 (Revised 2016)	Earnings per Share
TAS 34 (Revised 2016)	Interim Financial Reporting
TAS 36 (Revised 2016)	Impairment of Assets
TAS 37 (Revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2016)	Intangible Assets
TAS 40 (Revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

Financial Reporting Standards

TFRS 2 (Revised 2016)	Share-Based Payments
TFRS 3 (Revised 2016)	Business Combinations
TFRS 4 (Revised 2016)	Insurance Contracts
TFRS 5 (Revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2016)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2016)	Operating Segments
TFRS 10 (Revised 2016)	Consolidated Financial Statements
TFRS 11 (Revised 2016)	Joint Arrangements
TFRS 12 (Revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2016)	Fair Value Measurement

Standing Interpretations Committee

TSIC 10 (Revised 2016)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (Revised 2016)	Operating Leases - Incentives
TSIC 25 (Revised 2016)	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

Contents

Standing Interpretations Committee

TSIC 29 (Revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (Revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2016)	Intangible Assets - Web Site Costs

Financial Reporting Interpretations Committee

TFRIC 1 (Revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2016)	Determining Whether an Arrangement Contains a Lease
TFRIC 5 (Revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (Revised 2016)	Applying the Restatement Approach under TAS 29 (Revised 2016) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10 (Revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (Revised 2016)	Service Concession Arrangements
TFRIC 13 (Revised 2016)	Customer Loyalty Programmers
TFRIC 14 (Revised 2016)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction for TAS 19 (Revised 2016) <i>Employee Benefits</i>

Financial Reporting Interpretations Committee

TFRIC 15 (Revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (Revised 2016)	Distributions of Non - cash Assets to Owners
TFRIC 18 (Revised 2016)	Transfers of Assets from Customers
TFRIC 20 (Revised 2016)	Stripping Costs in the Production Phase of Surface Mine
TFRIC 21 (Revised 2016)	Levies

During the period, the Company has adopted the revised and new financial reporting standards and accounting guidance issued by the Federation of Accounting Professions. From aforementioned adoption, these financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company.

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

#### **3.1 Revenues and expenses recognition**

##### *Revenues from sales*

Revenues from sales of goods are recognized as income whenever the goods, the significant risk and rewards of ownership have been transferred to the buyer.

##### *Sales of goods - Customer Loyalty programmers*

The Company operates a loyalty programme which allows customers to accumulate points when they purchase products in the Company's retail stores. The points can then be redeemed for discounted goods in the future.

Certain sales consideration is allocated to the points issued, at their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed and the Company fulfill their obligations to supply awards.

##### *Other income and expenses*

Other income and expenses are recognized on accrual basis.

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

Cash and cash equivalents consist of cash on hand, cash at banks, bills of exchange which the original maturity is less than three months and without on withdrawal restrictions.

#### **3.3 Temporary investments**

Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and are not subject to withdrawal restrictions.

#### **3.4 Trade and other receivables**

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

### **3.5 Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average basis.

### **3.6 Long-term investments**

Long-term investments are long-term deposits with financial institutions with the original maturity of more than one year and are not subject to restrictions on withdrawal.

### **3.7 Property, plant and equipment**

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any).

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

	Number of years
Building and improvement	20, 5
Furniture	5
Office tools and equipment	5
Computer	3
Vehicles	5

Land and construction in progress were not depreciated.

The Company includes the initial estimate of the cost of assets dismantling, removing the item and restoring the site on which it is located, the obligation for which the Company incurs as parts of cost of property, plant and equipment, the depreciation charge has to be determined separately for each significant part of property, plant and equipment with the cost that is significant in relation to the total cost of assets item. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial period-end.

### **3.8 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortization. Amortization is calculated by reference to cost of leasehold right on a straight-line basis over 10 years lease term.

### **3.9 Intangible assets**

Intangible assets are computer software which is stated at cost less accumulated amortization and provision for impairment of assets (if any).

Amortization is determined by reference to the cost of assets on a straight-line basis over the estimated useful lives for approximate 10 years.

### **3.10 Deferred tax asset**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.11 Deferred income for reward points**

The deferred income arising from reward point program granted to the Company's customers. The deferred income is calculated based on the estimates of redemption rate of the reward points earned by the customers and average reward prices and is presented in other payable in the statements of financial position.

### **3.12 Impairment of assets**

The Company has assessed the impairment of assets whenever events or changes indicate that the carrying amount of assets exceeds its recoverable value. The impairment loss will be recognized in statements of comprehensive income. The Company will reverse the impairment loss whenever there is no longer impairment or reduction in impairment.

Recoverable value of asset is the net selling price of the asset under current operations or its utilization values whichever is higher. The impairment will be assessed for each asset item or each asset unit generating cash flow, whichever is practical.

### **3.13 Related parties**

Enterprise and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company which has a power in planning and operating control.

### **3.14 Long-term lease**

#### ***Operating lease***

Lease in which substantially all the risks and rewards of ownership of assets remain with the lessor is accounted for as operating lease. Rentals applicable to such operating leases are charged to the statement of comprehensive income over the lease term.

#### ***Finance lease***

Long-term lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as a financial lease. The Company capitalized the equipment at the lower of estimated present value of the underlying lease payments or at the fair value of the equipment at the contractual date. The lease obligation reduced with financial costs will be recorded as long-term liability. Interest is recognized as expenses in the statements of comprehensive income over the period of the lease. The depreciation policy for assets acquired under financial lease agreement is determined on the useful lives or over the period of the lease whichever is lower.



### **3.15 Transactions in foreign currencies**

The Company records the transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the statements of financial position date are converted into Thai Baht by using the exchange rates ruling on the same day.

Gain or loss on exchange is taken into income or expense as incurred.

### **3.16 Employee benefits and provident fund**

#### **3.16.1 Employee benefits**

The Company provide for post employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the statements of financial position is estimated on an actuarial basis using Projected Unit Credit Method. The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary increment, and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis, the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Company and consider the market yield based on Thai government bonds with currency and term similar to the estimated term of benefit obligation.

The Company recognized total actuarial gains (losses) incurred in other comprehensive income and employee benefit expense in profit or loss.

#### **3.16.2 Provident fund**

The Company established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the external fund manager. The Company's employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in the statements of comprehensive income in the incurred period.

### **3.17 Income tax**

Income tax expense for the period comprises current and deferred tax. Current and deferred tax is recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized that it is probable that they will not utilize in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they adjust, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax period based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### **3.18 Financial instruments**

Financial assets shown in statements of financial position consist of cash and cash equivalents, temporary investments, trade accounts receivable, pledged deposits with financial institutions. Financial liabilities shown in statements of financial position consist of trade accounts payable. Accounting policies regarding to recognition and measurement have been disclosed for each related transaction.

### **3.19 Accounting estimates**

Preparation of financial statements in conformity with Thai Financial Reporting Standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

The Company makes estimates and assumptions concerning the future factors. The results of accounting estimates may be differed from the related actual results. The estimates and assumptions that may have a risk of causing an adjustment to the assets in the next financial period related to allowance for devaluation of inventories at the statements of financial position date. Other estimates are further described in the corresponding disclosures.

### **3.20 Provisions**

The Company recognizes a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, it is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

### **3.21 Share - Based Payments by equity instruments**

The Company recognized share - based payments plan by issuing warrants converted into ordinary shares on exercise to the directors and employees of the Company which granted as remuneration for their services rendering by the fair value of such share options at the granted date and is expensed in accordance with the vesting period conditional as determined in the plan and recognized "Equity-Settled share - based payment" in equity.

Estimating fair value for share-based payment transactions requires management to exercise judgement, and to apply assumptions, including as to the expected life of the share options, share price volatility and dividend yield.

### 3.22 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of financial reporting standards, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as selling prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

- The Company recognized transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

### **3.23 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

#### *Allowance for diminution in value of inventory*

The determination of allowance for diminution in the value of inventory, requires management to make judgements and estimates. The allowance for decline in net realizable value is estimated based on the selling price expected in the ordinary course of business; and provision for obsolete, slow-moving and deteriorated inventories, is estimated based on the approximate useful life of each type of inventory.

#### *Leases*

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

#### *Property, plant and equipment/Depreciation*

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

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

*Intangible assets*

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

*Deferred tax assets*

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

*Post-employment benefits under defined benefit plans*

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

*Deferred income for reward points*

The deferred income is calculated on the estimates of redemption rate of the reward points earned by the customers and average reward prices.

### 3.24 Basic earnings per share

Earnings (Loss) per share as presented in the statements of comprehensive income is the basic earnings (loss) per share which is determined by dividing the profit for the period by the number of weighted average common shares issued and paid-up during the period for the three-month periods ended March 31, 2017 and 2016 as follows:

	2017	2016
Profit for the period (Baht)	199,652,308.32	129,224,006.46
Number of ordinary shares issued	3,000,708,106.00	3,000,000,000.00
<b>Basic earnings per share (Baht/share)</b>	<u>0.07</u>	<u>0.04</u>

### 4. CASH AND CASH EQUIVALENTS

*(Unit: Baht)*

	March 31, 2017	December 31, 2016
Cash	4,612,823.50	4,787,978.00
Current accounts	21,653,169.30	51,778,608.53
Savings deposit	649,851,842.88	159,521,724.63
Unbilled credit card slip	1,604,073.50	781,397.25
Total	<u>677,721,909.18</u>	<u>216,869,708.41</u>

### 5. TEMPORARY INVESTMENTS

The Company has temporary investment in form of short-term deposits at various local financial institutions.

*(Unit: Baht)*

	At interest rate per annum			
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Fixed deposits	1.475 – 1.85	1.70 - 1.85	500,000,000.00	680,000,000.00

**6. TRADE AND OTHER RECEIVABLES**

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Trade accounts receivable</b>		
Related parties	921,707.70	378,971.36
Other parties		
Franchise receivable	1,513,106.38	1,930,384.70
Employees receivable	625,090.22	274,831.67
Other parties receivable	17,084,887.03	9,817,924.50
Sale with right of redemption agreement receivables	49,730,475.08	16,693,977.49
Total other parties receivable	<u>68,953,558.71</u>	<u>28,717,118.36</u>
Total trade accounts receivable	69,875,266.41	29,096,089.72
Less Allowance for doubtful accounts	<u>(106,598.40)</u>	<u>(106,598.40)</u>
Trade accounts receivable - net	<u>69,768,668.01</u>	<u>28,989,491.32</u>
<b>Other receivables</b>		
Prepaid expenses	3,444,172.31	2,920,479.30
Accrued interest	2,464,973.36	2,513,755.78
Goods deposit	-	926,517.76
Advance payment	1,091,507.00	1,280,335.00
Non-refund input tax	6,348,680.16	4,761,996.06
Others	335,270.91	375,950.36
Total other receivables	<u>13,684,603.74</u>	<u>12,779,034.26</u>
Total trade and other receivables	<u>83,453,271.75</u>	<u>41,768,525.58</u>



As at March 31, 2017 and December 31, 2016 the Company has outstanding trade accounts receivable classified by aging as follows:

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Trade accounts receivable due in term	64,234,519.90	24,772,213.81
Overdue trade accounts receivable		
- Less than 3 months	5,591,713.39	4,298,710.05
- Over 3 months but less than 1 year	49,033.12	25,165.86
Total trade accounts receivable	<u>69,875,266.41</u>	<u>29,096,089.72</u>

## 7. INVENTORIES

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Finished goods	213,435,754.02	285,369,276.47
Packaging	71,938,762.59	66,423,383.94
Work in process	20,963,123.69	22,540,384.62
Supplies	2,763,602.87	1,833,868.66
Total	<u>309,101,243.17</u>	<u>376,166,913.69</u>
Less Allowance for devaluation of inventories	<u>(3,116,909.28)</u>	<u>(2,274,722.58)</u>
Net	<u>305,984,333.89</u>	<u>373,892,191.11</u>

## 8. RESTRICTED DEPOSITS AT FINANCIAL INSTITUTIONS

On March 28, 2017, the Company has redeemed fixed deposit amount of Baht 10 million from cancelled the facilities of letter of credit, trust receipt and forward contract signed with financial institution.

**9. PROPERTY, PLANT AND EQUIPMENT**

As at March 31, 2017 and December 31, 2016 consist of:

	<i>(Unit: Baht)</i>							
	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
<b>Cost:</b>								
As at December 31, 2015	19,240,000.00	30,728,020.50	211,638,113.23	26,693,247.77	21,495,015.56	14,785,113.09	131,156,754.33	455,736,264.48
Acquisition	-	2,089,151.36	23,394,238.18	15,978,865.09	7,790,551.88	511,000.00	21,317,542.40	71,081,348.91
Disposal	-	-	-	(261,372.04)	(89,717.66)	-	-	(351,089.70)
Transfer in (out)	-	102,658,683.88	1,922,250.00	44,718,544.83	-	-	(149,299,478.71)	-
Write off/adjustment	-	(248,700.00)	(9,284,191.92)	(1,360,836.57)	(1,552,838.13)	-	-	(12,446,566.62)
As at December 31, 2016	19,240,000.00	135,227,155.74	227,670,409.49	85,768,449.08	27,643,011.65	15,296,113.09	3,174,818.02	514,019,957.07
Acquisition	-	-	2,631,338.92	2,828,544.36	1,876,670.19	-	1,037,003.08	8,373,556.55
Disposal	-	-	(117,792.96)	(90,152.59)	-	-	-	(207,945.55)
Transfer in (out)	-	164,000.00	-	-	-	-	(164,000.00)	-
Write off/adjustment	-	-	(3,767,774.53)	(1,020,111.96)	(222,708.89)	-	-	(5,010,595.38)
As at March 31, 2017	19,240,000.00	135,391,155.74	226,416,180.92	87,486,728.89	29,296,972.95	15,296,113.09	4,047,821.10	517,174,972.69
<b>Accumulated depreciation:</b>								
As at December 31, 2015	-	(13,102,156.82)	(112,624,054.60)	(15,889,966.87)	(15,400,525.76)	(6,192,763.71)	-	(163,209,467.76)
Depreciation for the year	-	(4,725,935.65)	(35,986,882.72)	(9,275,154.71)	(4,926,117.71)	(1,822,596.06)	-	(56,736,686.85)
Depreciation for disposal	-	-	-	218,692.84	73,372.00	-	-	292,064.84
Write off/adjustment	-	222,650.68	6,595,782.26	1,098,260.18	1,512,789.93	-	-	9,429,483.05
As at December 31, 2016	-	(17,605,441.79)	(142,015,155.06)	(23,848,168.56)	(18,740,481.54)	(8,015,359.77)	-	(210,224,606.72)
Depreciation for the period	-	(1,387,307.17)	(8,553,575.91)	(2,730,635.96)	(1,314,466.56)	(459,190.80)	-	(14,445,176.40)
Depreciation for disposal	-	-	79,064.48	81,754.45	-	-	-	160,818.93
Write off/adjustment	-	-	2,941,273.52	975,468.54	220,362.62	-	-	4,137,104.68
As at March 31, 2017	-	(18,992,748.96)	(147,548,392.97)	(25,521,581.53)	(19,834,585.48)	(8,474,550.57)	-	(220,371,859.51)
<b>Net book value:</b>								
As at March 31, 2017	19,240,000.00	116,398,406.78	78,867,787.95	61,965,147.36	9,462,387.47	6,821,562.52	4,047,821.10	296,803,113.18
As at December 31, 2016	19,240,000.00	117,621,713.95	85,655,254.43	61,920,280.52	8,902,530.11	7,280,753.32	3,174,818.02	303,795,350.35

Part of buildings at net book value amount of Baht 99.10 million are constructed on land leased from director as stated in note 16.3.

Depreciation for the three-month periods ended March 31, 2017 and 2016 amounted to Baht 14.45 million and Baht 12.26 million respectively.

As at March 31, 2017 and December 31, 2016 the Company has fixed assets at cost amount of Baht 81.24 million and Baht 74.69 million respectively which have been fully depreciated but are still in use.

#### 10. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Cost:</b>		
Beginning balance as at January 1	12,146,380.80	12,726,380.80
Adjustment/ write off	(316,800.00)	(580,000.00)
Ending balance	<u>11,829,580.80</u>	<u>12,146,380.80</u>
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	4,823,072.65	4,029,000.54
Amortization	322,139.52	1,374,072.11
Adjustment/ write off	(316,800.00)	(580,000.00)
Ending balance	<u>4,828,412.17</u>	<u>4,823,072.65</u>
<b>Net book value</b>	<u><u>7,001,168.63</u></u>	<u><u>7,323,308.15</u></u>

Amortization of leasehold right for the three-month periods ended March 31, 2017 and 2016 amounted to Baht 0.32 million and Baht 0.35 million respectively.

## 11. INTANGIBLE ASSETS

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Computer software</b>		
<b>Cost:</b>		
Beginning balance as at January 1	14,660,941.44	14,652,741.44
Acquisition	-	980,200.00
Write off	-	(972,000.00)
Ending balance	<u>14,660,941.44</u>	<u>14,660,941.44</u>
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	4,261,698.07	3,521,220.75
Amortization	320,947.01	1,293,142.08
Write off	-	(552,664.76)
Ending balance	<u>4,582,645.08</u>	<u>4,261,698.07</u>
<b>Net book value</b>	<u>10,078,296.36</u>	<u>10,399,243.37</u>
<b>Software under installation</b>		
Beginning balance as at January 1	10,497,730.00	8,568,780.00
Acquisition	<u>293,050.00</u>	<u>1,928,950.00</u>
Ending balance	10,790,780.00	10,497,730.00
Less Allowance for devaluation of assets	<u>(4,925,130.00)</u>	<u>(4,925,130.00)</u>
Net	<u>5,865,650.00</u>	<u>5,572,600.00</u>
<b>Total</b>	<u><u>15,943,946.36</u></u>	<u><u>15,971,843.37</u></u>

Amortization of intangible assets for the three-month periods ended March 31, 2017 and 2016 amounted to Baht 0.32 million and Baht 0.35 million respectively.

## 12. DEFERRED TAX ASSETS

	<i>(Unit :Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Deferred tax assets	11,979,045.25	9,211,493.90
Deferred tax liabilities	-	-
Net	<u>11,979,045.25</u>	<u>9,211,493.90</u>

Movements of deferred tax assets and liabilities incurred during the period as follows:

*(Unit :Baht)*

	As at December 31, 2015	Expense (income) in statement of income	As at March 31, 2016	As at December 31, 2016	Expense (income) in statement of income	As at March 31, 2017
Deferred tax assets						
Allowance for devaluation of goods	392,515.09	186,305.67	578,820.76	454,944.51	168,437.34	623,381.85
Allowance for devaluation of assets	985,026.00	-	985,026.00	985,026.00	-	985,026.00
Employee benefit obligations	1,379,973.60	(51,988.10)	1,327,985.50	1,555,043.20	77,882.90	1,632,926.10
Deferred income for reward points	4,772,711.94	227,232.30	4,999,944.24	4,754,061.28	60,183.33	4,814,244.61
Dismantling provisions	-	-	-	26,957.58	8,389.07	35,346.65
Accrued expenses	689,639.94	178,144.67	867,784.61	1,435,461.33	2,452,658.71	3,888,120.04
Total	<u>8,219,866.57</u>	<u>539,694.54</u>	<u>8,759,561.11</u>	<u>9,211,493.90</u>	<u>2,767,551.35</u>	<u>11,979,045.25</u>

Income tax expenses for the three-month periods ended March 31, 2017 and 2016 can be summarized as follows:

*(Unit :Baht)*

	<b>2017</b>	<b>2016</b>
<i>Current tax:</i>		
Income tax for the periods	53,034,514.27	32,993,585.33
<i>Deferred tax :</i>		
Deferred tax (income) expenses derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	<u>(2,767,551.35)</u>	<u>(667,368.54)</u>
Income tax expenses in statements of comprehensive income	<u>50,266,962.92</u>	<u>32,326,216.79</u>
Income tax expenses related to actuarial gains directly recorded to other comprehensive income	-	<u>127,674.00</u>
Total	<u>-</u>	<u>127,674.00</u>

Reconciliation amount between income tax expenses and multiplication of accounting profits and tax rates used for the three-month periods ended as at March 31, 2017 and 2016 can be presented as follows:

	<i>(Unit :Baht)</i>	
	<b>2017</b>	<b>2016</b>
Accounting profit before income tax	249,919,271.24	161,550,223.25
Income tax rates	20%	20%
Accounting profit before income tax multiply by tax rates	49,983,854.25	32,310,044.65
<i>Taxable effects for :</i>		
Accounting base differ from tax base		
different from expenses	283,108.67	16,172.14
Total	283,108.67	16,172.14
Income tax expenses presented in statements of		
comprehensive income	50,266,962.92	32,326,216.79
Effective income tax rate	20.11%	20.01%

### 13. OTHER NON-CURRENT ASSETS

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Rental and services deposit	89,051,508.05	88,110,440.36
Others	6,644,287.97	3,603,868.62
Total	95,695,796.02	91,714,308.98

#### 14. TRADE AND OTHER PAYABLES

	<i>(Unit: Baht)</i>	
	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Trade accounts payable		
Related parties	3,090,000.00	1,190,000.00
Other parties	114,424,157.87	114,298,927.28
Total trade accounts payable	<u>117,514,157.87</u>	<u>115,488,927.28</u>
Other payables		
Accrued expenses	92,591,258.86	133,585,932.63
Revenue Department payable	16,720,120.00	14,819,952.99
Assets payables	8,044,067.82	15,668,200.60
Amounts received in advance for goods	32,641,753.63	4,665,764.61
Deferred income for reward points	24,071,223.03	23,770,306.38
Others	8,726,208.64	7,707,271.67
Total other payables	<u>182,794,631.98</u>	<u>200,217,428.88</u>
Total trade and other payables	<u><u>300,308,789.85</u></u>	<u><u>315,706,356.16</u></u>

Fair value of deferred income for reward points is calculated on the estimates of exercise right of the reward points earned by the customers and average reward prices in the current which categorized into level 3 fair value (note 3.22).

#### 15. EMPLOYEE BENEFIT OBLIGATIONS

Long-term employee benefit obligations are compensation paid to employees when they retired for the three-month periods ended as at March 31, 2017 and 2016, are as follows:

	<i>(Unit: Baht)</i>	
	<b>2017</b>	<b>2016</b>
Employee benefit obligations as at January 1	7,775,216.03	6,899,868.00
Current costs of services and interest	389,414.49	378,429.50
Actuarial (gains) loss recognized in statement of other comprehensive income during the periods	-	(638,370.00)
Employee benefit obligations as at March 31	<u><u>8,164,630.52</u></u>	<u><u>6,639,927.50</u></u>

Long-term employee benefit expenses for the three-month periods ended as at March 31, 2017 and 2016 recognized in comprehensive income are summarized below:

	<i>(Unit: Baht)</i>	
	<b>2017</b>	<b>2016</b>
Selling expenses	31,598.37	57,286.95
Administrative expenses	357,816.12	321,142.55
Total	<u>389,414.49</u>	<u>378,429.50</u>

Actuarial (gains) losses recognized in other comprehensive income arising from:

	<i>(Unit : Baht)</i>
	<b>2016</b>
Financial assumptions	1,315,424.00
Demographic assumptions	(2,021,486.00)
Experience adjustment	67,692.00
Total	<u>(638,370.00)</u>

Significant actuarial assumptions are summarized below:

Discount rate	% per annum
For monthly staff	3.21
For daily staff	3.45
Salary increase rate	
For monthly staff	6
For daily staff	6
Turnover rate	
For monthly staff	0 - 64
For daily staff	0 - 57
Mortality rate	
For monthly staff and daily staff	According to Thailand TMO 2008 tables



The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at March 31, 2017 are summarized below:

	<i>(Unit : Baht)</i>	
	Increase	Decrease
Discount rate (0.5% movement)	(1,859,128.50)	2,031,673.25
Future salary increase rate (0.5% movement)	2,044,823.75	(1,846,304.25)
Turnover rate (1% movement)	(1,718,288.50)	2,203,191.50

## 16. TRANSACTION WITH RELATED PERSONS AND PARTIES

The Company had transaction with related persons and parties. These transactions are related in the normal course of business and on the basis of the Company and related persons or parties concerned.

Relationship of the Company and related persons and parties can be summarized as follows:

<u>Related parties and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
<i>1. Persons consist of:-</i>		
Mrs. Tanyapon Kraibhubes	Shareholder and director	Rental deposit, land with its construction rental, land rental, obligations under land lease agreement
Mr. Pratya Levan	Shareholder and director	Sale of goods (franchise), purchase of goods
<i>2. Body of persons consist of:-</i>		
C&N International Ordinary Partnership	Shareholder and director (Mr. Pratya Levan)	Sale of goods (franchise)
Bevita International Co., Ltd.	Director's relative (Mrs. Rukchanok Chiangtong is near relative of Mr. Pratya Levan)	Purchase of goods

<u>Related transactions</u>	<u>Pricing policy</u>
Rental deposit	Rental rates for three months
Revenues from sales (franchise)	Market price as applicable to other franchises
Other income	As indicated in agreement
Purchase of goods	Market price as applicable to major customers
Land with its construction rental	As indicated in agreement
Land rental	As indicated in agreement
Obligations under land lease agreement	As indicated in agreement

16.1 Transactions between the Company with related persons and parties can be summarized as follow:

(Unit: Baht)

	<b>For the three-month periods ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
<b>Revenues from sales</b>		
C&N International Ordinary Partnership	1,630,493.48	988,942.52
<b>Other income</b>		
C&N International Ordinary Partnership	1,260.00	6,720.00
<b>Purchase of goods</b>		
Bevita International Co., Ltd.	4,773,364.48	-
<b>Land with its construction rental</b>		
Mrs. Tanyapon Kraibhubes	87,000.00	87,000.00
<b>Land rental</b>		
Mrs. Tanyapon Kraibhubes	319,073.26	319,073.26

16.2 The balance with its related persons and parties as at March 31, 2017 and December 31, 2016 are as follow:

(Unit: Baht)

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
<b>Trade accounts receivable</b>		
C&N International Ordinary Partnership	921,707.70	378,971.36
<b>Non-current assets-rental deposit</b>		
Mrs. Tanyapon Kraibhubes	87,000.00	87,000.00
<b>Trade accounts payable</b>		
Bevita International Co., Ltd.	3,090,000.00	1,190,000.00
<b>Accrued rental</b>		
Mrs. Tanyapon Kraibhubes	2,932,952.25	2,856,879.00

### 16.3 Lease agreement obligations

16.3.1 The Company has commitment under land lease agreement dated June 11, 2013 for a period of 20 years. The rental is determined equal to the independent appraiser and according to the minutes of shareholders' general meeting for the year 2014 held on April 25, 2014, passed the resolution to amend agreement by making memorandum attached agreement by extending the lease period for another 10 years to total period of 30 years in the amount of Baht 38.28 million in accordance with agreement dated July 23, 2014. The lease agreement period is commenced on January 1, 2014 - December 31, 2043 (the counterparties agreed to collect rental since the completion of buildings and others construction or since January 1, 2016 whichever is earlier until the maturity of lease period). However, the Company started to record rental since January 1, 2014 onwards. The construction structured on such lease land was not transferred the ownership to the lessor, the lessee should dismantled such construction when the Company ceased the lease.

As at March 31, 2017, the Company is liable on payment the remaining rental under lease agreement as follows:

	<i>(Unit:Baht)</i>
Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	3,925,665.00
Over 5 years (to 30 years)	<u>30,645,225.90</u>
Total	<u><u>35,445,690.90</u></u>

16.3.2 As at March 31, 2017, the Company is liable on payment the remaining rental as follows:

	<i>(Unit:Baht)</i>
Payment within	
1 year	348,000.00
Over 1 year not exceed 5 years	<u>261,000.00</u>
Total	<u><u>609,000.00</u></u>

## 17. SHARE CAPITAL / PREMIUM ON SHARE

The Company's fully paid share capital has increased from Baht 300,000,000.00 ( 3,000,000,000 ordinary shares with a par value of Baht 0.10 each) to Baht 300,096,560.00 (3,000,965,600 ordinary shares with a par value of Baht 0.10 each) as a result of the exercise of the warrants (ESOP Warrant-1) to ordinary shares amounting to Baht 96,560 (965,600 ordinary shares with a value of Baht 0.10 each), resulting in an increase in total share premium to Baht 4,948,178.84 (including adjustment to transfer amounting to Baht 216,738.84 of capital reserve for share-based payment transaction to share premium).

The Company has registered the increase share capital with the Ministry of Commerce on January 25, 2017.

## 18. LEGAL RESERVE

By virtue of the Public Companies Act B.E. 2535, the Company is required to set aside a legal reserve at least 5% of annual net profit after deduction with deficit brought forwards (if any) until the reserve reach an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution.

## 19. WARRANTS TO PURCHASE ORDINARY SHARES

The Company's warrants are as follows: -

Type of warrants	Exercise price per share	Exercise ratio per 1 unit	Number of unused warrants as at January 1, 2016	Warrants exercised during the periods (unit)	Warrants remaining as at March 31, 2017 (unit)
ESOP Warrant-1	5.00	1:1	22,610,000	965,600	21,644,400

### ESOP Warrant-1

On April 25, 2016, the General Meeting shareholders of the Company, passed a resolution to approve the issuance and offering 22,610,000 units of warrants to purchase ordinary shares the Company to the directors and management/ employees of the Company.

Details are as follows:

Type	: Specific name of the holders
Offering price per unit	: Baht 0.00
Term of warrants	: not over 5 years from the date of issuance and offering of warrants
Exercise ratio	: 1 unit of warrant for 1 ordinary share
Exercise price	: Baht 5.00 per share

Qualification of persons who are entitled to warrants allocation as follows:

- : The directors and a member of the Executive Committee who directly manages the Company's activities on the allocation date of warrants
- : Employee who work for the Company not less than 1 year on the allocation date of warrants

Conditions and period of exercise :

- 1) Exercise date is on the 16<sup>th</sup> of January and July of each year. The first exercise date shall be on January 16, 2017 and the last exercise date shall be the expiration date of warrants, which is 5 years from the issue and offering date.
- 2) Warrant holders can exercise right to purchase new ordinary share in each year are detailed as follows :

Years	Exercise right not over than proportion of warrants (%)	Exercise date
1	15%	January 16, 2017 and July 17, 2017
2	35%	January 16, 2018 and July 17, 2018
3	55%	January 16, 2019 and July 17, 2019
4	75%	January 16, 2020 and July 17, 2020
5	100%	January 16, 2021 and July 17, 2021

- 3) For any unexercised warrants left in each exercise period, the remaining units can be accumulated and exercised during the following exercise period, until maturity of the warrants that any unexercised warrants shall be cancelled and terminated.

#### Restrictions on the right of warrants

If the warrant holders resign or are otherwise no longer directors or employees of the Company, the warrant holders have to return the outstanding warrants to the Company, and the Board of Directors of the Company can re-allot the warrants to other directors and/or employees who are qualified.

The estimated fair value of each share option granted is Baht 1.54. This was calculated using the Black-Scholes-Merton Model. The model inputs were the share price at price determination date of Baht 5.40, exercise price of Baht 5.00, expected volatility of 33.94%, expected dividend yield of 2.11%, life of share options of 5 years, and a risk-free interest rate of 1.80%.

The Company recorded expenses of the ESOP Warrant-1 amounting to Baht 1.66 million as employee expenses and recognized "Equity-Settled Share-Based Payment" in shareholders' equity by the same amount.

## **20. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES**

### 20.1 Directors' remuneration

Directors' remuneration is benefit paid to the Company's directors in accordance with the Section 90 of the Public Company Limited Act, excluded salaries and related benefits to be paid to executive directors.

### 20.2 Management benefit expenses

Management benefit expenses focus salaries, remunerations and other benefits paid to their directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels and includes the accounting and financial executive officer, the manager level above or persons in position comparable.

## 21. PROVIDENT FUND

The Company and employees have jointed to be a member of provident fund name “THE SIN SATA PORN REGISTERED PROVIDENT FUND” in accordance with the Provident Fund Act B.E. 2530. The Company and employees have to contribute to the fund at the same rate 3-5% of employees’ salaries. The provident fund is managed by BBL Asset Management Co., Ltd. The employees will entitle the accumulation and benefit when they retired according to the provident fund regulation.

The Company has paid the contribution to the fund for the three-month periods ended as at March 31, 2017 amount of Baht 1.94 million.

## 22. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the three-month periods ended March 31, 2017 and 2016 are as follows:

	<i>(Unit:Baht)</i>	
	<b>2017</b>	<b>2016</b>
Changes in finished goods and work in progress	73,510,783.38	3,328,126.70
Purchase of goods	159,612,147.45	179,275,056.20
Employee benefit expenses	68,107,931.39	74,731,699.95
Management benefit expenses	6,439,651.32	6,061,689.67
Directors’ remuneration	688,410.07	582,159.15
Depreciation and amortization	15,088,262.93	12,925,809.00
Rental and services	63,323,008.47	60,281,735.82
Advertising and sale promotion expenses	21,226,217.95	11,553,965.35
Loss on devaluation of inventories	842,186.70	931,528.33

## 23. FINANCIAL INFORMATION BY SEGMENT

Operating segment information is reported corresponding with the internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to make decision about the allocation of resources to the segment and assess its performance.

The Company's operations involve virtually a single in retail of cosmetics business in the geographical segment in Thailand and channel of distribution for selling goods to franchise and business centre. Besides, the Company has overseas income, and selling to franchise and business centre lower than 10 % of total sale volumn, so therefore, the Company did not present financial information by segment.

## 24. COMMITMENT AND CONTINGENT LIABILITIES

24.1 The Company has obligations under lease of space and services agreements of the Company's branches for the periods from 1 year to 3 years. The Company is liable on payment rental and service under agreement as at March 31, 2017 as follows:

	<i>(Unit: Baht)</i>
Payment within	
1 year	188,819,554.71
Over 1 year but less than 3 years	<u>125,903,666.82</u>
Total	<u><u>314,723,221.53</u></u>

24.2 The Company is liable on payment for the capital expenditure as at March 31, 2017, amount of Baht 0.43 million.

24.3 The Company is liable on payment for computer software installation as at March 31, 2017, amount of Baht 2.49 million.

24.4 The Company is liable on payment under lease of vehicle as at March 31, 2017, amount of Baht 0.90 million.

24.5 Commitment under lease agreement with related person

24.5.1 Commitment under lease land agreement for warehouse building construction.

	<i>(Unit: Baht)</i>
Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	3,925,665.00
Over 5 year (to 30 years)	<u>30,645,225.90</u>
Total	<u><u>35,445,690.90</u></u>

24.5.2 Commitment under lease land and with its construction.

	<i>(Unit: Baht)</i>
Payment within	
1 year	348,000.00
Over 1 year not exceed 3 years	<u>261,000.00</u>
Total	<u><u>609,000.00</u></u>



## **25. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS**

For off-statement of financial position, the Company has no policy to hold derivative financial instruments for speculation and trading.

### **25.1 Management risk policy**

The significant accounting policies and method adopted the basis of recognition and measurements relating to each class of financial assets and liabilities have been disclosed in note 3.18, and disclosure and presentation of financial instruments. The Company has a risk in respect of such financial instruments and has management risk policy as follow:

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company do not have high concentrations of credit risk since it has a little of customer base since its policy is in the form of cash selling. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's exposure to interest rate risk relates primarily to their cash at financial institutions, temporary investments and long-term investment. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is minimum.

#### ***Exchange rate risk***

The Company exposed to foreign currencies exchange rate risk in the minimum level since the business transactions denominated in Thai Baht currency.

## **25.2 Fair value of financial instruments**

Most of the Company's financial assets and liabilities are classified as short-term, and the rates of loan interest are based on the market value. The book value of financial assets and liabilities shown in statements of financial position are close to their fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## **26. CAPITAL MANAGEMENT**

The objective of capital management of the Company is to appropriate properly financial structure and to preserve the ability to continue its operation as a going concern.

As at March 31, 2017, the Company has debt to equity ratio equal to 0.31 fold.

## **27. EVENTS AFTER THE REPORTING PERIOD**

According to the Annual General Meeting of shareholders for the year 2017 held on April 25, 2017, passed the resolution to pay dividend from the result of operation for the year 2016 results of operations to the shareholders for 3,001 million shares at Baht 0.218 each, amounting to Baht 654.13 The Company has already paid interim dividend in 2016 at Baht 0.080 per share amounting to Baht 240.00, the remaining dividend to be paid of Baht 0.138 per share amounting to 414.13 million.

## **28. INTERIM FINANCIAL STATEMENTS APPROVAL**

These interim financial statements were approved and authorized for issue by the Company's Board of directors on May 11, 2017.