

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

Opinion

I have audited the accompanying financial statements of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Key Audit Matters included Auditing Procedures are as follows:

Presentation of valuation of inventories

As stated in notes 3.5 and 7 to financial statements, the Company has material amount of inventories in the financial statements as at December 31, 2017 for the amount of Baht 409.74 million presented at the lower of cost or net realizable value. The Company's products are classified as goods in fashion and popularity in products and packaging has been rapidly changed with high competition. As a result, the inventories presented at the lower of cost or net realizable value must be made the significant substantive judgment and estimation by the Management in measurement. The significant judgment of the Management comprise the consideration of inventories aging analysis report, determination of selling price, discount or sale promotion estimates in order to stimulate sales volume in the future. The assumption for such matter used by the Management may affect to the presentation of inventories and expenses arose from providing allowance for devaluation of inventories in statement of comprehensive income (if applicable).

I have obtained an assurance in respect of presentation of valuation of inventories, by included;

- Obtained an understanding of the sale plan and selling price determination policy of the Management and sale promotion policy in order to stimulate sale volume to meet a target as expected by the Management.
- Assessed the significant judgment of the Management related to the expected selling price in the future.
- Sample tested the preparation of inventories aging analysis report whether the preparation are conformed to the policy and corresponded with inventories aging, the calculation is corrected and allowance for devaluation is provided appropriately or not.
- Sample tested calculation of cost of goods to ensure that the cost is correctly recorded.
- Observed physical count of goods at branches and major warehouse in the defection of goods including checked such goods and report of goods for destruction and taken into appropriate consideration for providing allowance for devaluation.
- Compared cost of goods and net realizable value which calculated from selling goods after the end of year whether the cost of goods is lower than net realizable value or not.

Revenue recognition from consignment

As stated in notes 3.1 to financial statements, the Company disposed its goods to the distributor by consignor channel in 2017 amount of baht 352.57 million which such business had been recorded and recognized income in accordance with the accounting standard for revenue recognition from consignment since such transaction had material amount in the financial statements. In the consignment, the ownership will not be transferred by the consignors when delivered and consignors have a right to return of goods in various way and revenue from consignment will not be recognized until ownership is transferred to the third person. The consignor will not hold ownership or make payment until goods is sold to third person according to condition in the consignment agreement.

I have assessed and tested the effectiveness of internal control in order to ensure the accuracy and completeness of recording revenue recognition from consignment by.

- Obtained an understanding of operation procedure and internal control related to consignment.
- Checked by random supporting document of recording revenue recognition incurred during the year and at the end of the year for considering the possibility of unusual sale transaction.
- Checked the selling report and comparing with detail of inventories in the computer system at ending of the year and cut-off sale report that revenues is correctly recorded.
- Check by random by making reconcile monthly revenue in computer system with summary of sales from consignors.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after that date of this auditor's report.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

D I A International Audit Co., Ltd.

(Mrs. Suvimol Chrityakierne)

C.P.A. (Thailand)

Registration No. 2982

February 22, 2018

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(Unit: Baht)

Assets	<i>Note</i>	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	4	505,856,612.84	216,869,708.41
Current investments	5	800,000,000.00	680,000,000.00
Trade and other current receivables	6, 17	145,650,461.68	41,768,525.58
Inventories	7	<u>409,735,398.05</u>	<u>373,892,191.11</u>
Total current assets		<u>1,861,242,472.57</u>	<u>1,312,530,425.10</u>
Non-current assets			
Deposits at financial institutions with obligations	8	-	10,000,000.00
Other long-term investments	9	50,000,000.00	-
Property, plant and equipment	10	288,565,795.71	303,795,350.35
Leasehold rights	11	6,113,950.07	7,323,308.15
Other intangible assets	12	20,960,259.37	15,971,843.37
Deferred tax assets	13	10,723,227.55	9,211,493.90
Other non-current assets	14	<u>97,888,635.34</u>	<u>91,714,308.98</u>
Total non-current assets		<u>474,251,868.04</u>	<u>438,016,304.75</u>
Total assets		<u><u>2,335,494,340.61</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 DECEMBER 31, 2017

(Unit: Baht)

Liabilities and shareholders' equity	<i>Note</i>	December 31, 2017	December 31, 2016
Current liabilities			
Trade and other current payables	<i>15, 17</i>	433,917,361.07	315,706,356.16
Accrued income tax		<u>177,839,471.27</u>	<u>97,775,103.17</u>
Total current liabilities		<u>611,756,832.34</u>	<u>413,481,459.33</u>
Non-current liabilities			
Non-current provisions for employee benefit	<i>16</i>	9,332,873.99	7,775,216.03
Other non-current provisions		5,103,350.00	5,103,350.00
Other non-current liabilities		<u>4,136,572.13</u>	<u>3,899,050.00</u>
Total non-current liabilities		<u>18,572,796.12</u>	<u>16,777,616.03</u>
Total liabilities		<u>630,329,628.46</u>	<u>430,259,075.36</u>
Shareholders' equity			
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>
Issued and paid-up share capital			
3,022,610,000 common shares of Baht 0.10 each	<i>18</i>	300,273,458.50	
3,000,000,000 common shares of Baht 0.10 each			300,000,000.00
Premium on share capital	<i>18</i>	570,726,071.12	556,439,628.87
Equity-settled share-based payment		10,311,302.69	4,768,867.48
Retained earnings			
Appropriated			
Legal reserve	<i>19</i>	30,226,100.00	30,000,000.00
Unappropriated		<u>793,627,779.84</u>	<u>429,079,158.14</u>
Total shareholders' equity		<u>1,705,164,712.15</u>	<u>1,320,287,654.49</u>
Total liabilities and shareholders' equity		<u>2,335,494,340.61</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 YEAR ENDED DECEMBER 31, 2017

(Unit: Baht)

	<i>Note</i>	2017	2016
Revenues from sales		3,713,397,590.60	2,539,450,016.66
Cost of sales		<u>(1,197,955,397.65)</u>	<u>(833,112,768.47)</u>
Gross profit		<u>2,515,442,192.95</u>	<u>1,706,337,248.19</u>
Other income			
Interest income		15,888,323.65	13,151,752.03
Others		<u>6,080,753.85</u>	<u>6,239,422.41</u>
Total other income		<u>21,969,077.50</u>	<u>19,391,174.44</u>
Selling expenses		(723,899,352.16)	(674,477,634.39)
Administrative expenses		<u>(280,085,833.09)</u>	<u>(230,068,991.30)</u>
Profit before income tax expenses		1,533,426,085.20	821,181,796.94
Income tax expenses	<i>13</i>	<u>(304,107,922.70)</u>	<u>(165,175,344.75)</u>
Profit for the year		<u>1,229,318,162.50</u>	<u>656,006,452.19</u>
Other comprehensive income :			
Component of other comprehensive income to profit or loss			
Gains on remeasurement of defined benefit plans		-	638,370.00
Less Taxable effects		<u>-</u>	<u>(127,674.00)</u>
Other comprehensive income for the year		<u>-</u>	<u>510,696.00</u>
Total comprehensive income for the year		<u><u>1,229,318,162.50</u></u>	<u><u>656,517,148.19</u></u>
Earnings per share			
Basic earnings per share	<i>25</i>	0.41	0.22
Diluted earnings per share	<i>25</i>	0.41	-

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

(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	
Balance as at January 1, 2016	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 year	-	-	-	-	656,517,148.19	656,517,148.19
Share-Based payments	-	-	4,768,867.48	-	-	4,768,867.48
Dividend paid	-	-	-	-	(249,000,000.00)	(249,000,000.00)
Payments for interim dividend	-	-	-	-	(240,000,000.00)	(240,000,000.00)
Balance as at December 31, 2016	<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>4,768,867.48</u>	<u>30,000,000.00</u>	<u>429,079,158.14</u>	<u>1,320,287,654.49</u>
Balance as at January 1, 2017	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 year	-	-	-	-	1,229,318,162.50	1,229,318,162.50
Share-Based payments	-	-	6,429,410.96	-	-	6,429,410.96
Exercise right of warrants to purchase ordinary shares	273,458.50	14,286,442.25	(886,975.75)	-	-	13,672,925.00
Appropriated as legal reserve	-	-	-	226,100.00	(226,100.00)	-
Dividend paid	-	-	-	-	(414,133,253.05)	(414,133,253.05)
Payments for interim dividend	-	-	-	-	(450,410,187.75)	(450,410,187.75)
Balance as at December 31, 2017	<u>300,273,458.50</u>	<u>570,726,071.12</u>	<u>10,311,302.69</u>	<u>30,226,100.00</u>	<u>793,627,779.84</u>	<u>1,705,164,712.15</u>

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit: Baht)

	2017	2016
Cash flows from operating activities		
Profit before income tax expenses	1,533,426,085.20	821,181,796.94
Adjustment profit before income tax to cash receipt (disbursement) from operating activities		
Depreciation and amortization	60,606,994.48	59,403,901.04
Doubtful accounts	468,133.09	106,598.40
Loss on devaluation of inventories	4,626,909.91	312,147.12
Loss on goods destruction	4,740,978.16	2,888,701.89
(Gain) loss on sales of assets	34,256.01	(25,350.64)
Loss on write off assets	4,360,080.69	2,992,993.24
Loss on amortized other intangible assets	-	419,335.24
Deferred (income) for reward points	(5,402,380.00)	(5,654,720.00)
Non-current provisions for employee benefit	1,557,657.96	1,513,718.03
Expenses from share-based payments	<u>6,429,410.96</u>	<u>4,768,867.48</u>
Profit from operation before changes in operating assets and liabilities	1,610,848,126.46	887,907,988.74
(Increase) Decrease in changes of operating assets		
Trade and other current receivables	(104,350,069.19)	(948,592.29)
Inventories	(45,211,095.01)	(86,987,703.28)
Other non-current assets	<u>(6,174,326.36)</u>	<u>(3,062,704.48)</u>
(Increase) Decrease in changes of operating assets	<u>(155,735,490.56)</u>	<u>(90,999,000.05)</u>
Increase (Decrease) in changes of operating liabilities		
Trade and other current payables	106,734,143.95	35,895,568.08
Other non-current liabilities	<u>237,522.13</u>	<u>436,258.00</u>
Increase (Decrease) in changes of operating liabilities	<u>106,971,666.08</u>	<u>36,331,826.08</u>
Cash generated (paid) from operation	1,562,084,301.98	833,240,814.77
Income tax paid	<u>(225,555,288.25)</u>	<u>(130,115,086.47)</u>
Net cash provided by (used in) operating activities	<u>1,336,529,013.73</u>	<u>703,125,728.30</u>

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit: Baht)

	2017	2016
Cash flows from investing activities		
(Increase) Decrease in current investments	(120,000,000.00)	(60,000,000.00)
(Increase) Decrease in deposits at financial institutions with obligations	10,000,000.00	-
(Increase) Decrease in other long-term investments	(50,000,000.00)	-
Building and equipment acquisition	(32,515,065.31)	(53,475,211.16)
Proceeds from sales of equipment	89,669.65	84,375.50
Other intangible assets acquisition	<u>(4,344,404.63)</u>	<u>(2,909,150.00)</u>
Net cash provided by (used in) investing activities	<u>(196,769,800.29)</u>	<u>(116,299,985.66)</u>
Cash flows from financing activities		
Dividend paid	(864,445,234.01)	(488,970,170.71)
Proceeds from exercise right of warrants to purchase of ordinary shares	<u>13,672,925.00</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(850,772,309.01)</u>	<u>(488,970,170.71)</u>
Net increase (decrease) in cash and cash equivalents	288,986,904.43	97,855,571.93
Cash and cash equivalents as at the beginning of the year	<u>216,869,708.41</u>	<u>119,014,136.48</u>
Cash and cash equivalents as at the end of the year	<u><u>505,856,612.84</u></u>	<u><u>216,869,708.41</u></u>

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

Names of major shareholders as at August 28, 2017, the last closing date of share transferring suspension register are as follows:

	Percentage of shareholding (based on paid-up capital)
Mr. Suwin Kraiphubet	17.45
STATE STREET BANK EUROPE LIMITED	8.75
Mrs. Tanyapon Kraibhubes	8.46
Thai NVDR Company Limited	7.87

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

2.1 Preparation of financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professional (“FAP”), and the Regulation of The Stock Exchange of Thailand (SET) on January 22, 2001, regarding the preparation and submission of financial statements and reports for the financial position and financial performance of the listed companies B.E. 2544. The format of presentation of the financial statements is not significantly different from the Notification of the Department of Business Development regarding “The Brief Particulars in the Financial Statements (No. 2) B.E. 2559” on October 11, 2016.

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

The financial statements in English language have been translated from the Thai language financial statements for convenient of the financial statements’ user.

2.2. Financial reporting standards that became effective in the current year

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after January 1, 2017. 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 Company financial statements.

2.3 Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after January 1, 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

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.

Revenues from sale with consignment

Revenues from sale of goods to the distributor with the condition of receipt the goods payment from the distributor when the goods have been sold to the customers. The Company will recognize as income when the goods have been sold to the customers.

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.

Investment in short-term debt securities stated at fair value. The Company accounted for the changes in value as gain or loss in statements of comprehensive income.

3.4 Trade and other current receivables

Trade and other current 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 Other long-term investments

Other 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	30, 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 Other intangible assets

Other 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, current 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 year by the number of weighted average common shares issued and paid-up during the year.

Diluted earnings per share is calculated by dividing profit (loss) for the year by the weighted average number of ordinary shares outstanding during the period plus the number of ordinary share issued in the conversion of potential ordinary shares to ordinary shares as assumption that the conversion is made at the beginning of year or at the issuance date of the potential ordinary shares.

4. CASH AND CASH EQUIVALENTS

(Unit: Baht)

	December 31, 2017	December 31, 2016
Cash	4,273,552.50	4,787,978.00
Current accounts	112,726,670.58	51,778,608.53
Savings deposit	338,001,052.88	159,521,724.63
Fixed deposits	50,000,000.00	-
Unbilled credit card slip	855,336.88	781,397.25
Total	<u>505,856,612.84</u>	<u>216,869,708.41</u>

5. CURRENT INVESTMENTS

The Company has current investments consisted of : -

(Unit: Baht)

	<u>At interest rate per annum</u>		December 31, 2017	December 31, 2016
	December 31, 2017	December 31, 2016		
Fixed deposits	1.35 - 1.55	1.70 - 1.85	700,000,000.00	680,000,000.00
Domestic private debt security	1.70	-	<u>100,000,000.00</u>	<u>-</u>
Total			<u>800,000,000.00</u>	<u>680,000,000.00</u>

6. TRADE AND OTHER CURRENT RECEIVABLES

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Trade accounts receivable		
Related parties	1,030,398.97	378,971.36
Other parties		
Franchise receivable	904,996.87	1,930,384.70
Employees receivable	259,253.41	274,831.67
Other parties receivable	25,711,090.50	9,817,924.50
Sale with consignment agreement receivables	64,011,682.25	16,693,977.49
Total other parties receivable	<u>90,887,023.03</u>	<u>28,717,118.36</u>
Total trade accounts receivable	91,917,422.00	29,096,089.72
Less Allowance for doubtful accounts	<u>(574,731.49)</u>	<u>(106,598.40)</u>
Trade accounts receivable - net	<u>91,342,690.51</u>	<u>28,989,491.32</u>
Other current receivables		
Prepaid expenses	34,324,055.92	2,920,479.30
Accrued interest	3,001,286.84	2,513,755.78
Goods deposit	-	926,517.76
Advance payment	869,918.00	1,280,335.00
Non-refund input tax	10,700,374.41	4,761,996.06
Prepaid value added tax	4,916,820.31	-
Others	495,315.69	375,950.36
Total other current receivables	<u>54,307,771.17</u>	<u>12,779,034.26</u>
Total trade and other current receivables	<u><u>145,650,461.68</u></u>	<u><u>41,768,525.58</u></u>

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

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Trade accounts receivable due in term	87,504,562.69	24,772,213.81
Overdue trade accounts receivable		
- Less than 3 months	4,040,075.82	4,298,710.05
- Over 3 months but less than 1 year	372,783.49	25,165.86
Total trade accounts receivable	<u>91,917,422.00</u>	<u>29,096,089.72</u>

7. INVENTORIES

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Finished goods	306,709,144.26	285,369,276.47
Packaging	61,942,466.98	66,423,383.94
Work in process	43,514,133.56	22,540,384.62
Supplies	4,471,285.74	1,833,868.66
Total	<u>416,637,030.54</u>	<u>376,166,913.69</u>
Less Allowance for devaluation of inventories	<u>(6,901,632.49)</u>	<u>(2,274,722.58)</u>
Net	<u>409,735,398.05</u>	<u>373,892,191.11</u>

8. DEPOSITS AT FINANCIAL INSTITUTIONS WITH OBLIGATIONS

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 a financial institution.

9. OTHER LONG-TERM INVESTMENTS

The Company has other long-term investment in form of fixed deposits with fourteen month maturity at a local financial institution.

	<i>(Unit: Baht)</i>			
	<u>At interest rate per annum</u>			
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Fixed deposits	1.60	-	50,000,000.00	-

10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2017 and 2016

	<i>(Unit: Baht)</i>							
	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
Cost:								
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	<u>19,240,000.00</u>	<u>135,227,155.74</u>	<u>227,670,409.49</u>	<u>85,768,449.08</u>	<u>27,643,011.65</u>	<u>15,296,113.09</u>	<u>3,174,818.02</u>	<u>514,019,957.07</u>
Acquisition	-	645,050.00	21,239,001.63	10,896,737.08	6,161,391.85	6,054,700.00	2,239,198.55	47,236,079.11
Disposal	-	-	(190,790.05)	(139,694.65)	(19,950.00)	-	-	(350,434.70)
Transfer in (out)	-	4,253,684.57	-	1,225,512.00	-	-	(5,479,196.57)	-
Write off/adjustment	-	(837,000.00)	(17,003,095.60)	(2,327,747.90)	(1,605,571.30)	-	164,000.00	(21,609,414.80)
As at December 31, 2017	<u>19,240,000.00</u>	<u>139,288,890.31</u>	<u>231,715,525.47</u>	<u>95,423,255.61</u>	<u>32,178,882.20</u>	<u>21,350,813.09</u>	<u>98,820.00</u>	<u>539,296,186.68</u>
Accumulated depreciation:								
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	<u>-</u>	<u>(17,605,441.79)</u>	<u>(142,015,155.06)</u>	<u>(23,848,168.56)</u>	<u>(18,740,481.54)</u>	<u>(8,015,359.77)</u>	<u>-</u>	<u>(210,224,606.72)</u>
Depreciation for the year	-	(6,043,611.17)	(33,463,931.41)	(11,549,706.96)	(5,420,968.52)	(1,503,409.34)	-	(57,981,627.40)
Depreciation for disposal	-	-	103,895.36	120,322.72	2,290.96	-	-	226,509.04
Write off/adjustment	-	121,009.51	13,565,731.35	2,038,775.49	1,523,817.76	-	-	17,249,334.11
As at December 31, 2017	<u>-</u>	<u>(23,528,043.45)</u>	<u>(161,809,459.76)</u>	<u>(33,238,777.31)</u>	<u>(22,635,341.34)</u>	<u>(9,518,769.11)</u>	<u>-</u>	<u>(250,730,390.97)</u>
Net book value:								
As at December 31, 2017	<u>19,240,000.00</u>	<u>115,760,846.86</u>	<u>69,906,065.71</u>	<u>62,184,478.30</u>	<u>9,543,540.86</u>	<u>11,832,043.98</u>	<u>98,820.00</u>	<u>288,565,795.71</u>
As at December 31, 2016	<u>19,240,000.00</u>	<u>117,621,713.95</u>	<u>85,655,254.43</u>	<u>61,920,280.52</u>	<u>8,902,530.11</u>	<u>7,280,753.32</u>	<u>3,174,818.02</u>	<u>303,795,350.35</u>

Part of buildings at net book value amount of Baht 96.53 million are constructed on land leased from director as stated in note 17.3.

Depreciation for the year ended December 31, 2017 and 2016 amounted to Baht 57.98 million and Baht 56.74 million respectively.

As at December 31, 2017 and 2016 the Company has fixed assets at cost amount of Baht 104.35 million and Baht 74.69 million respectively which have been fully depreciated but are still in use.

11. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Cost:		
Beginning balance as at January 1	12,146,380.80	12,726,380.80
Adjustment/ write off	(316,800.00)	(580,000.00)
At the end of the year	<u>11,829,580.80</u>	<u>12,146,380.80</u>
Accumulated amortization:		
Beginning balance as at January 1	4,823,072.65	4,029,000.54
Amortization	1,209,358.08	1,374,072.11
Adjustment/ write off	(316,800.00)	(580,000.00)
At the end of the year	<u>5,715,630.73</u>	<u>4,823,072.65</u>
Net book value	<u><u>6,113,950.07</u></u>	<u><u>7,323,308.15</u></u>

Amortization of leasehold right for the year ended December 31, 2017 and 2016 amounted to Baht 1.21 million and Baht 1.37 million respectively.

12. OTHER INTANGIBLE ASSETS

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Computer software		
Cost:		
Beginning balance as at January 1	14,660,941.44	14,652,741.44
Acquisition	4,958,375.00	980,200.00
Write off	-	(972,000.00)
Balance at the end of the year	<u>19,619,316.44</u>	<u>14,660,941.44</u>
Accumulated amortization:		
Beginning balance as at January 1	4,261,698.07	3,521,220.75
Amortization	1,416,009.00	1,293,142.08
Write off	-	(552,664.76)
Balance at the end of the year	<u>5,677,707.07</u>	<u>4,261,698.07</u>
Net book value	<u>13,941,609.37</u>	<u>10,399,243.37</u>
Software under installation		
Beginning balance as at January 1	10,497,730.00	8,568,780.00
Acquisition	<u>1,446,050.00</u>	<u>1,928,950.00</u>
Balance at the end of the year	11,943,780.00	10,497,730.00
Less Allowance for devaluation of assets	<u>(4,925,130.00)</u>	<u>(4,925,130.00)</u>
Net	<u>7,018,650.00</u>	<u>5,572,600.00</u>
Total	<u><u>20,960,259.37</u></u>	<u><u>15,971,843.37</u></u>

Amortization of other intangible assets for the year ended December 31, 2017 and 2016 amounted to Baht 1.42 million and Baht 1.29 million respectively.

13. DEFERRED TAX ASSETS

	<i>(Unit :Baht)</i>	
	December 31, 2017	December 31, 2016
Deferred tax assets	10,723,227.55	9,211,493.90
Deferred tax liabilities	-	-
Net	<u>10,723,227.55</u>	<u>9,211,493.90</u>

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

	<i>(Unit :Baht)</i>				
	As at	Expense	As at	(income) in	Expense
	December	(income) in	December	statement of	As at
	31, 2015	statement of	31, 2016	income	December
	<u>31, 2015</u>	<u>income</u>	<u>31, 2016</u>	<u>income</u>	<u>31, 2017</u>
Deferred tax assets					
Allowance for devaluation of goods	392,515.09	62,429.42	454,944.51	925,381.98	1,380,326.49
Allowance for devaluation of assets	985,026.00	-	985,026.00	-	985,026.00
Employee benefit obligations	1,379,973.60	175,069.60	1,555,043.20	311,531.60	1,866,574.80
Deferred income for reward points	4,772,711.94	(18,650.66)	4,754,061.28	527,912.93	5,281,974.21
Dismantling provisions	-	26,957.58	26,957.58	34,022.33	60,979.91
Accrued expenses	689,639.94	745,821.39	1,435,461.33	(287,115.19)	1,148,346.14
Total	<u>8,219,866.57</u>	<u>991,627.33</u>	<u>9,211,493.90</u>	<u>1,511,733.65</u>	<u>10,723,227.55</u>

Income tax expenses for the year ended December 31, 2017 and 2016 can be summarized as follows:

	<i>(Unit :Baht)</i>	
	2017	2016
<i>Current tax:</i>		
Income tax for the year	305,619,656.35	166,294,646.08
<i>Deferred tax :</i>		
Deferred tax (income) derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	<u>(1,511,733.65)</u>	<u>(1,119,301.33)</u>
Income tax expenses in statements of comprehensive income	<u>304,107,922.70</u>	<u>165,175,344.75</u>
Income tax expenses related to actuarial gains directly recorded to other comprehensive income	<u>-</u>	<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 year ended December 31, 2017 and 2016 can be presented as follows:

	<i>(Unit :Baht)</i>	
	2017	2016
Accounting profit before income tax	1,533,426,085.20	821,181,796.94
Income tax rates	20%	20%
Accounting profit before income tax multiply by tax rates	306,685,217.04	164,236,359.39
<i>Taxable effects for :</i>		
Accounting base differ from tax base		
different from expenses	<u>(2,577,294.34)</u>	<u>938,985.36</u>
Total	<u>(2,577,294.34)</u>	<u>938,985.36</u>
Income tax expenses presented in statements of		
comprehensive income	<u>304,107,922.70</u>	<u>165,175,344.75</u>
Effective income tax rate	19.83%	20.11%

14. OTHER NON-CURRENT ASSETS

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Rental and services deposit	95,150,108.22	88,110,440.36
Others	<u>2,738,527.12</u>	<u>3,603,868.62</u>
Total	<u>97,888,635.34</u>	<u>91,714,308.98</u>

15. TRADE AND OTHER CURRENT PAYABLES

	<i>(Unit: Baht)</i>	
	December 31, 2017	December 31, 2016
Trade accounts payable		
Related parties	2,060,000.00	1,190,000.00
Other parties	188,970,759.05	114,298,927.28
Total trade accounts payable	<u>191,030,759.05</u>	<u>115,488,927.28</u>
Other current payables		
Accrued expenses	165,077,136.42	133,585,932.63
Revenue Department payable	22,256,242.69	14,819,952.99
Assets payables	19,896,807.61	15,668,200.60
Amount received advance for goods	2,594,566.89	4,665,764.61
Deferred income for reward points	26,409,871.08	23,770,306.38
Others	6,651,977.33	7,707,271.67
Total other current payables	<u>242,886,602.02</u>	<u>200,217,428.88</u>
Total trade and other current payables	<u><u>433,917,361.07</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).

16. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFIT

Non-current provisions for employee benefit are compensation paid to employees when they retired for the year ended December 31, 2017 and 2016, are as follows:

	<i>(Unit: Baht)</i>	
	2017	2016
Non-current provisions employee benefit obligations		
as at January 1	7,775,216.03	6,899,868.00
Current costs of services and interest	1,557,657.96	1,513,718.03
Actuarial loss recognized in statement of other		
comprehensive income during the year	-	(638,370.00)
Non-current provisions employee benefit obligations		
as at December 31	<u><u>9,332,873.99</u></u>	<u><u>7,775,216.03</u></u>

Long-term employee benefit expenses for the year ended December 31, 2017 and 2016 recognized in comprehensive income are summarized below:

	<i>(Unit: Baht)</i>	
	2017	2016
Selling expenses	126,393.48	61,414.08
Administrative expenses	1,431,264.48	1,452,303.95
Total	<u>1,557,657.96</u>	<u>1,513,718.03</u>

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

	<i>(Unit : Baht)</i>
	2016
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 tabl

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

	<i>(Unit : Baht)</i>	
	Increase	Decrease
Discount rate (0.5% movement)	(355,208.00)	379,133.00
Future salary increase rate (0.5% movement)	409,318.00	(384,760.00)
Turnover rate (1% movement)	(970,662.00)	1,136,562.00

17. 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. Pratyva 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. Pratyva Levan)	Sale of goods (franchise)
Bevita International Co., Ltd.	Director's relative (Mrs. Rukchanok Chiangtong is near relative of Mr. Pratyva Levan)	Purchase of goods

<u>Related transactions</u>	<u>Pricing policy</u>
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
Land lease agreement obligations	As indicated in agreement

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

(Unit: Baht)

	For the year ended 31 December	
	2017	2016
Revenues from sales		
C&N International Ordinary Partnership	10,870,316.55	6,910,983.73
Other income		
C&N International Ordinary Partnership	27,428.66	20,475.00
Purchase of goods		
Bevita International Co., Ltd.	17,710,280.36	5,549,065.43
Land with its construction rental		
Mrs. Tanyapon Kraibhubes	348,000.00	348,000.00
Land rental		
Mrs. Tanyapon Kraibhubes	1,276,293.00	1,276,293.00

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

(Unit: Baht)

	2017	2016
Trade accounts receivable		
C&N International Ordinary Partnership	1,030,398.97	378,971.36
Non-current assets-rental deposit		
Mrs. Tanyapon Kraibhubes	87,000.00	87,000.00
Trade accounts payable		
Bevita International Co., Ltd.	2,060,000.00	1,190,000.00
Accrued rental		
Mrs. Tanyapon Kraibhubes	3,161,172.00	2,856,879.00

17.3 Lease agreement obligations

17.3.1 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 in the amount of Baht 16.44 million 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 December 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	4,024,080.00
Over 5 years (to 30 years)	<u>29,890,710.00</u>
Total	<u><u>34,789,590.00</u></u>

17.3.2 As at December 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>-</u>
Total	<u><u>348,000.00</u></u>

18. SHARE CAPITAL / PREMIUM ON SHARE CAPITAL

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 300,273,458.50 (3,002,734,585 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 273,458.50 (2,734,585 ordinary shares with a value of Baht 0.10 each), resulting in an increase in total share premium to Baht 14,286,442.25 (including adjustment to transfer amounting to Baht 886,975.75 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 July 26, 2017.

19. 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.

20. 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, 2017 (unit)	Warrants exercised during the years (unit)	Warrants remaining as at December 31, 2017 (unit)
ESOP Warrant-1	5.00	1:1	22,610,000	2,734,585	19,875,415

ESOP Warrant-1

On April 25, 2016, the Annual General Meeting of shareholders for the year 2017 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 16th 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 for the year ended December 31, 2017 amounting to Baht 6.43 million as employee expenses and recognized "Equity-Settled Share-Based Payment" in shareholders' equity by the same amount.

21. DIVIDEND

Dividend

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 to the shareholders for 3,001 million shares at Baht 0.218 each, totally amount of Baht 654.13 million which was made interim dividend payment at Baht 0.080 per share, totally amount of Baht 240 million, the remaining dividend to be paid at Baht 0.138 per share, amount of Baht 414.13 million. The Company has already paid such dividend on May 18, 2017.

Interim dividend

According to the minutes of Board of directors No. 4/2017 held on August 10, 2017, passed the resolution to pay interim dividend from the results of operation for the six-month periods ended June 30, 2017 to the shareholders whose the name listed in the register as at August 25, 2017 at Baht 0.15 per share amount of Baht 450.41 million. The Company has already paid such dividend on September 8, 2017.

22. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES

22.1 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.

22.2 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.

23. 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 year ended December 31, 2017 amount of Baht 4.86 million.

24. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2017 and 2016 are as follows:

	<i>(Unit: Baht)</i>	
	2017	2016
Changes in finished goods		
and work in progress	(42,313,616.73)	(63,707,922.08)
Purchase of goods	1,236,923,451.84	924,765,228.53
Employee benefit expenses	394,823,339.84	365,665,436.28
Management benefit expenses	34,861,688.61	29,852,552.96
Directors' remuneration	3,307,492.76	2,150,847.60
Depreciation and amortization	60,606,994.48	59,403,901.04
Rental and services	250,625,440.90	242,702,055.01
Advertising and sale promotion expenses	74,679,444.09	59,857,857.52
Loss on devaluation of inventories	4,626,909.91	312,147.12
Loss on goods destruction	4,740,978.16	2,888,701.89

25. EARNINGS PER SHARE

Basis earnings per share and diluted earnings per share for the year ended December 31, 2017 and 2016 are as follows:

	<i>(Unit : Baht)</i>					
	December 31, 2017			December 31, 2016		
	Profit (Loss)	Number	Earnings	Profit (Loss)	Number	Earnings
	of share	of share	per share	of share	of share	per share
Basis earnings per share	1,229,318,162.50	3,001,672,707	0.41	656,006,452.19	3,000,000,000	0.22
Effects of dilutive potential						
ordinary shares	-	449,555	-	-	-	-
Diluted earnings per share	1,229,318,162.50	3,002,122,262	0.41	-	-	-

26. FINANCIAL INFORMATION BY SEGMENT

26.1 The core operating segment information is to distribute cosmetic by retail and non-retail channel. This 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 chief operating decision makes of the Company has been identified as the President of executive management.

Revenues from sale separated by nature of distribution channel are as follows:

	<i>(Unit : Baht)</i>	
	2017	2016
Retail	2,550,764,652.71	2,075,492,732.10
Non-retail	<u>1,162,632,937.89</u>	<u>463,957,284.56</u>
Total	<u><u>3,713,397,590.60</u></u>	<u><u>2,539,450,016.66</u></u>

26.2 For the purpose of management, the Company restructured the organization as domestic and overseas geographical segment by separating into retail and non-retail distribution. 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.

27. COMMITMENT AND CONTINGENT LIABILITIES

27.1 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 December 31, 2017 as follows:

	<i>(Unit:Baht)</i>
Payment within	
1 year	204,867,245.17
Over 1 year but less than 3 years	<u>159,510,493.62</u>
Total	<u><u>364,377,738.79</u></u>

27.2 The Company is liable on payment for computer software installation as at December 31, 2017, amount of Baht 1.95 million.

27.3 The Company is liable on payment under lease of vehicle as at December 31, 2017, amount of Baht 0.09 million.

27.4 Commitment under lease agreement with related person

27.4.1 Commitment under lease land agreement for warehouse building construction.

(Unit: Baht)

Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	4,024,080.00
Over 5 year (to 30 years)	<u>29,890,710.00</u>
Total	<u><u>34,789,590.00</u></u>

27.4.2 Commitment under lease land and with its construction.

(Unit: Baht)

Payment within	
1 year	348,000.00
Over 1 year not exceed 5 years	<u>-</u>
Total	<u><u>348,000.00</u></u>

28. 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.

28.1 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.

28.2 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.

29. 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 December 31, 2017 and 2016, the Company has debt to equity ratio equal to 0.37 and 0.33 fold respectively.

30. EVENTS AFTER THE REPORTING PERIOD

- 30.1 The Company's fully paid share capital has increased from Baht 300,273,458.50 (3,002,734,585 ordinary shares with a par value of Baht 0.10 each) to Baht 300,484,126.50 (3,004,841,265 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 210,688 (2,106,680 ordinary shares with a value of Baht 0.10 each). The Company has registered the increase share capital with the Ministry of Commerce on January 26, 2018.
- 30.2 According to the minutes of Board of directors' meeting No. 2/2018 held on February 22, 2018, passed the resolution as follows:
- 30.2.1 Propose to the shareholders' general meeting for payment the dividend from the 2016 results of operations to the shareholders for 3,005 million shares at Baht 0.408 each, amounting to Baht 1,226 million. The Company has already paid interim dividend in 2017 at Baht 0.15 per share amounting to Baht 451 million, the remaining dividend to be paid of Baht 0.258 per share amounting to 775 million.
- 30.2.2 Propose to the shareholders' general meeting to allocate warrants (ESOP Warrant-1) which were recovered of 1,000,000 units from the resigned employees to the directors who are the executive management of the Company without offering price.

31. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Company's Board of directors on February 22, 2018.