

ANNUAL REPORT 2014

รายงานประจำปี 2557
บริษัท บิวตี้ คอมมูนิตี้ จำกัด (มหาชน)



L i v e a B e a u t i f u l L i f e

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Annual Report 2014

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

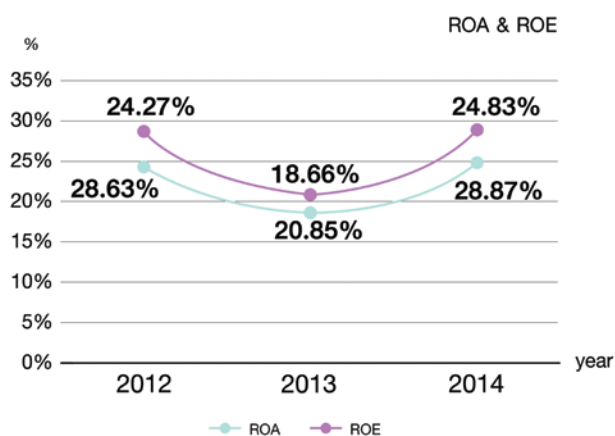
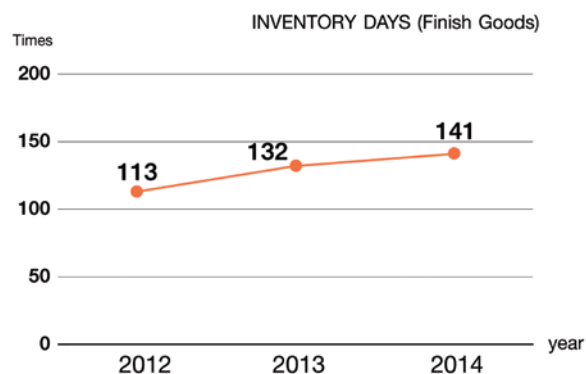
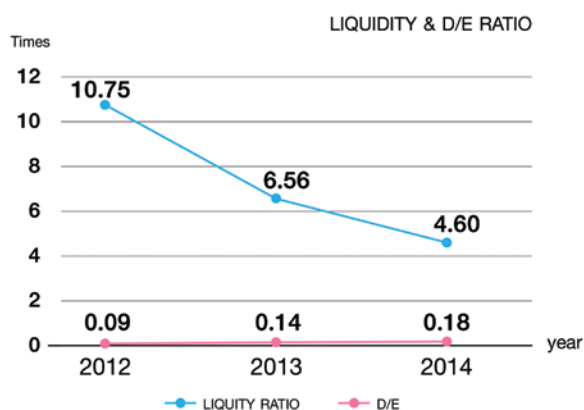
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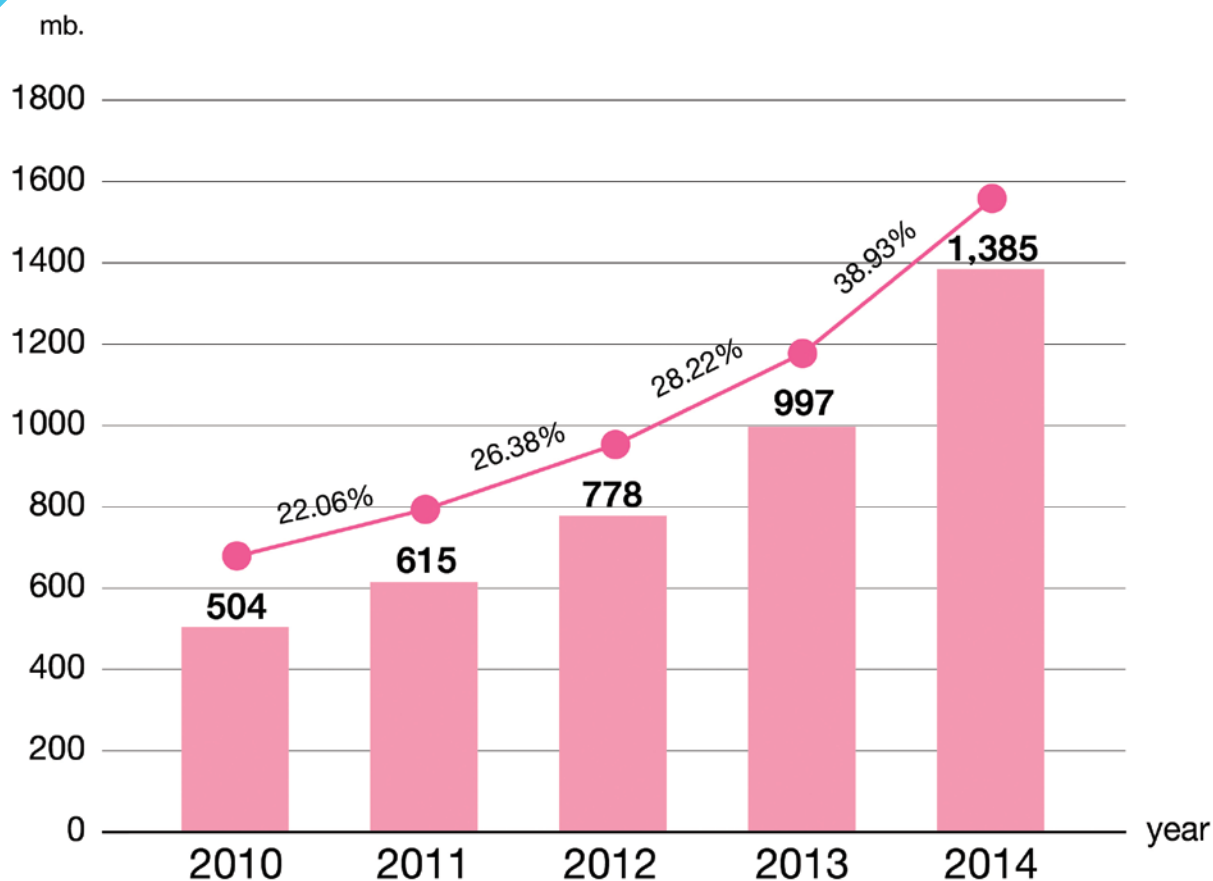
Live a
Beautiful
Life

Key Financial Information

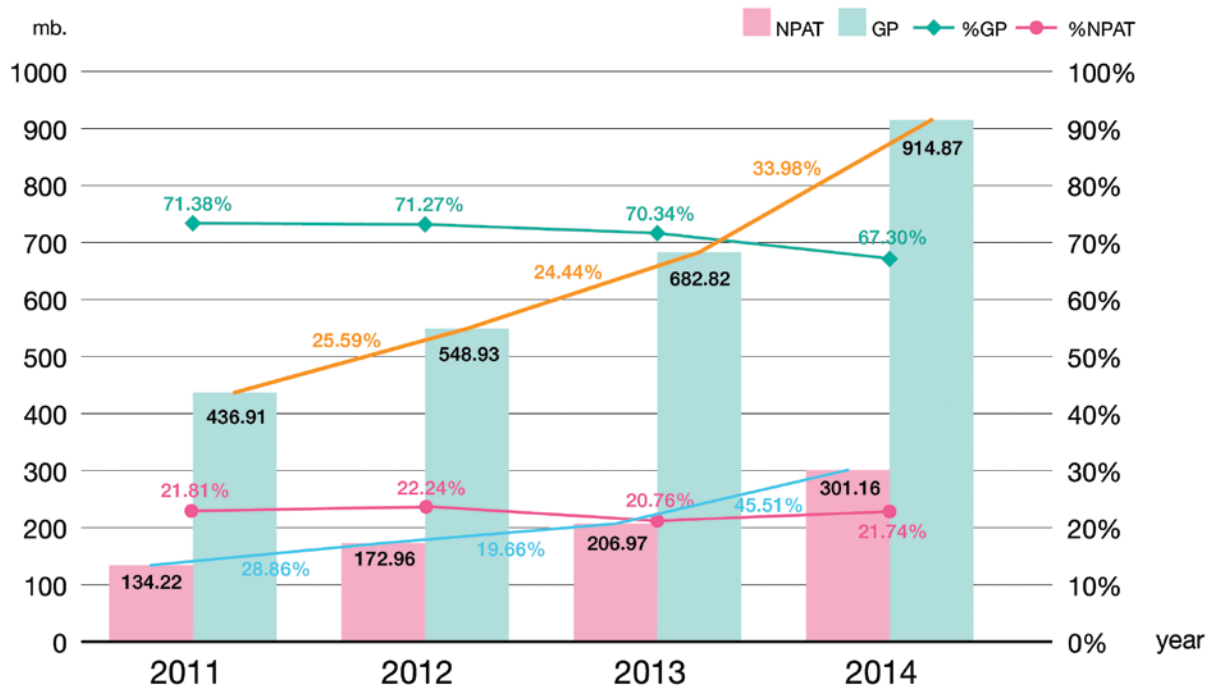
Financial Summary	2014	2013
Statements of Financial Position		
Total assets	1,286.95	1,139.17
Total liabilities	199.44	140.39
Total shareholders' equity	1,087.51	998.78
Statements of Comprehensive Income		
Total revenue	1,385.27	997.11
Gross profit	914.87	682.82
Net profit after tax	301.16	206.97
Financial Ratio		
Return on assets	24.83%	18.66%
Return on equity	28.87%	20.85%
Gross profit margin	67.30%	70.34%
Net profit margin	21.74%	20.76%
Current ratio (Times)	4.60	6.56
Debt to equity ratio (Times)	0.18	0.14
Book value (Baht)	3.63	3.33
Earning per share fully diluted (Baht)	1.0	0.69

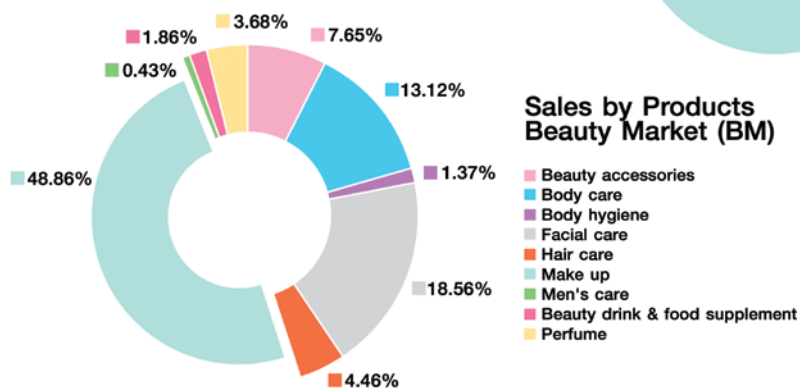
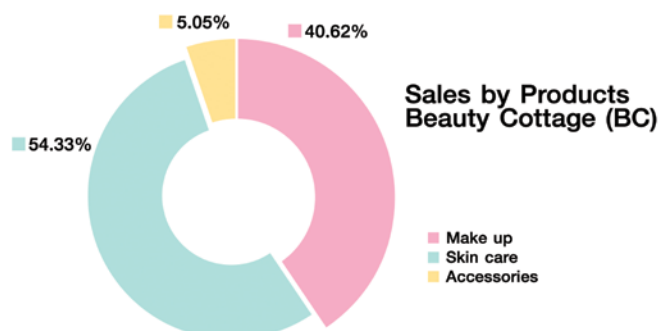
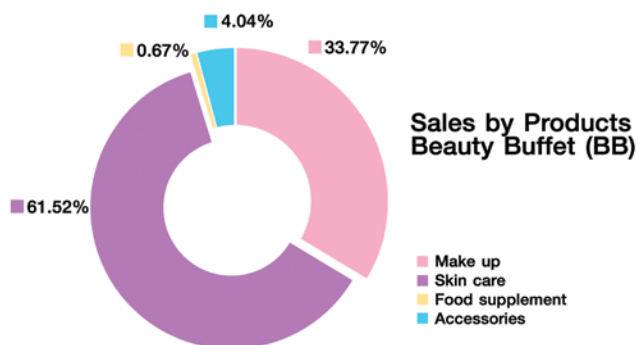
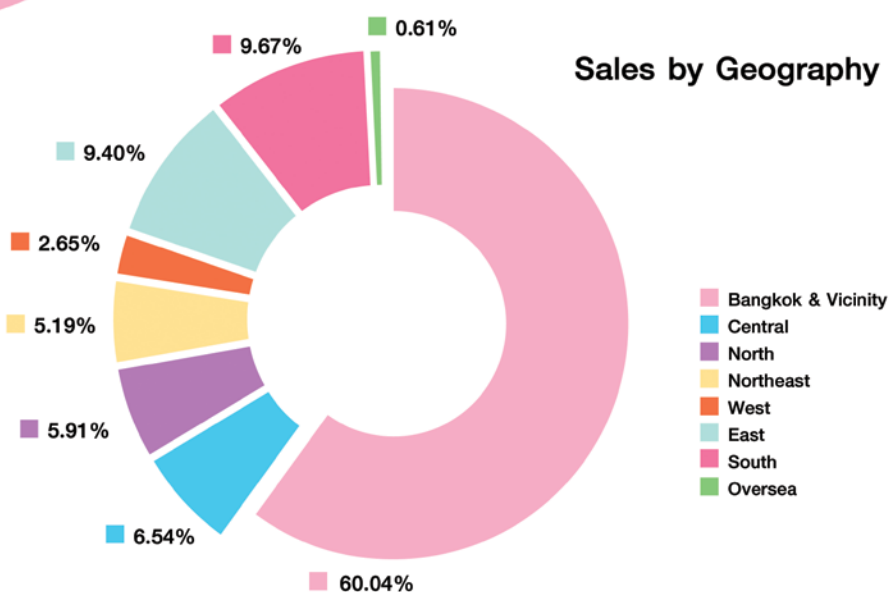
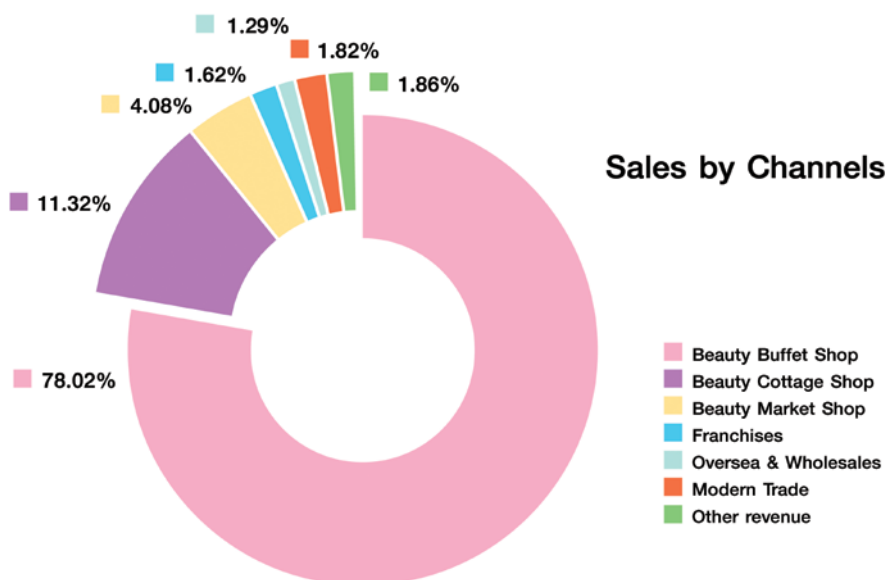


Total Revenue

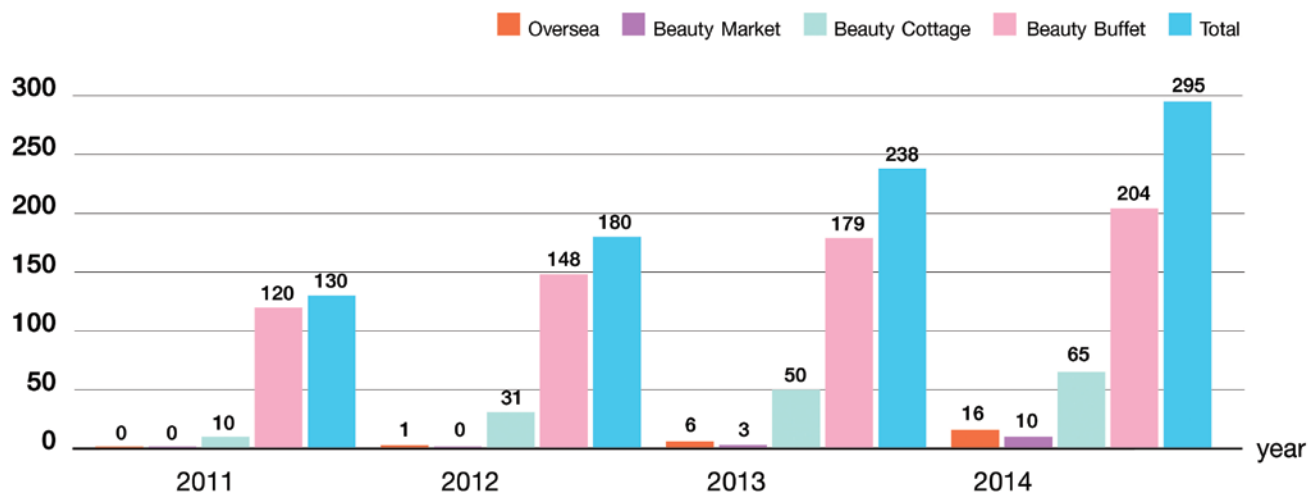


GP & NPAT

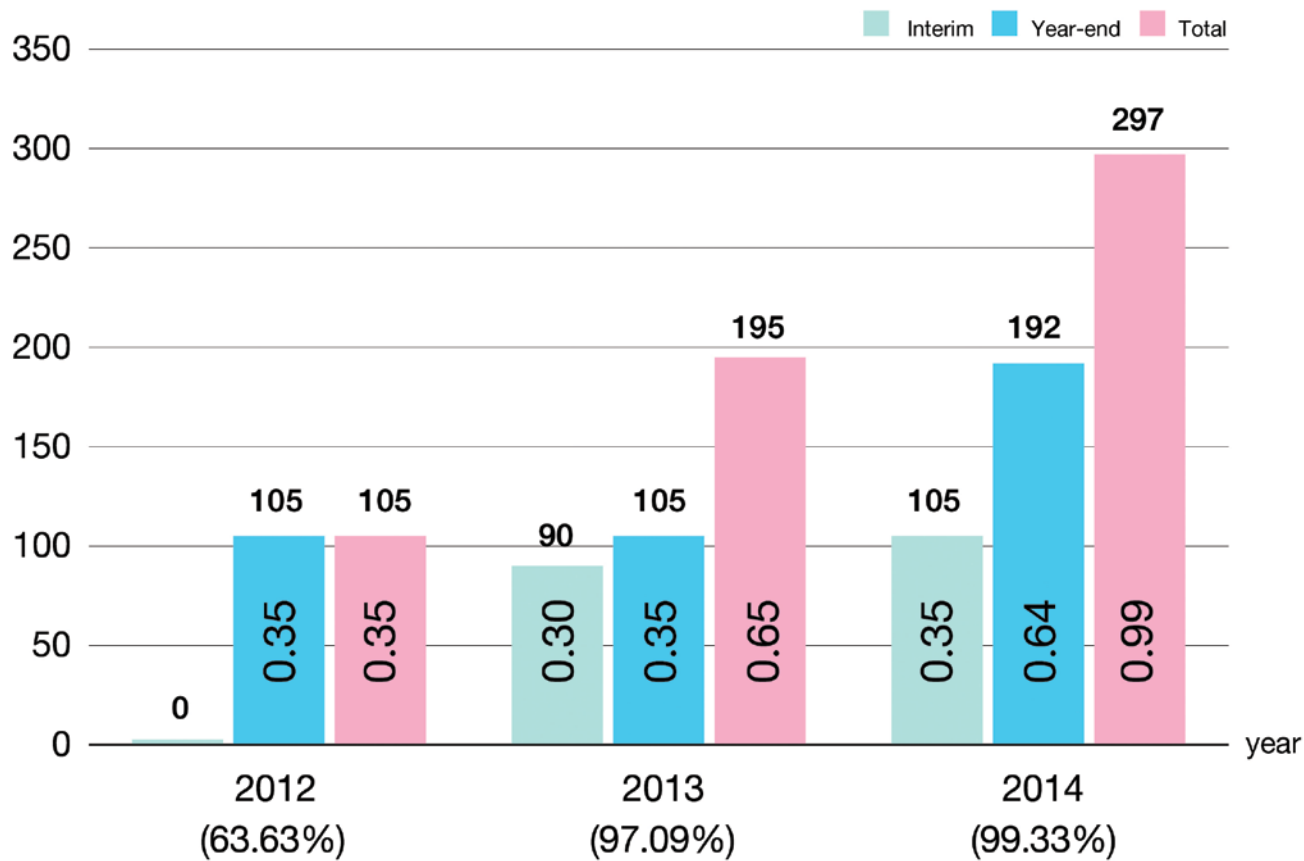




Total Branches



Dividend





Meets the needs of various
target groups.

Multi Brands



Natural Crafted Beauty

Beauty market

I love all things girly

Girly girl

ガーリー ガール





Cover all customer needs with different price levels to meet purchasing power and lifestyle.

Multi Products



Expanded to cover all distribution channels and reach wider target groups.

Multi Channels



Executive Summary

Beauty Community Public Company Limited



Formerly known as Monapolitan Company Limited, Beauty Community Public Company Limited (“Company” or “Beauty”) was established on October 19, 2000 by M.D. Suwin Kraibhues and Mrs. Tanyapon Kraibhues with the registered capital of 1 million baht. The “Company” conducts the business of retail sales of cosmetics and skincare products that aims to offer consumers alternative beauty products of premium quality from carefully selected raw materials to excellent product image. The “Company” has a total registered capital of 300 million baht. The beauty products sold can be categorized into four types including make-up product, skincare product, food supplement and accessories. Each product type is sold according to five major concepts including Beauty Buffet, Beauty Cottage, Beauty Market, Made in Nature, and Girly Girl. Each concept is unique in terms of product design, distribution channel, and market positioning. This is to match the demands of each target group and building large scale customer base that covers all beauty-product customer levels as follows:

“ Creating the modern high quality beauty products to meet the needs of modern lifestyle. ”

Beauty Buffet

“Beauty Buffet” integrates between the concept of breakfast buffet and cosmetic retail sales in order to create an outstanding uniqueness. Similar to buffet style of breakfast where a wide selection of fascinating dishes is waiting for you to taste, Beauty Buffet offers a wide range of cosmetic products so that customers can try different kinds of beauty product before confidently selecting the best choices. Designed in a buffet style of restaurant and decorated in vividly attracting colors, Beauty Buffet offers warmly and friendly service. Customers are free to test different kinds of product before selecting the ones that best suit them. In front of each Beauty Buffet shop will be a chef mascot, which is the symbol of the shop designed to attract customers as well as to match its buffet concept and the slogan of “The Most Delicious Beauty Shop in Town.” Beauty Buffet presents itself through Multi-brands. Each brand has been developed and registered its trademark under the name of the “Company”. Not only was each brand carefully selected, its image, pricing level, and market positioning were determined differently as follows in order to cover a large scale of target groups of dissimilar demands.



“The Most Delicious Beauty Shop in Town”

GINO McCRAY®
The Professional Make Up



A cosmetic and make-up accessories brand offering vivid colors, unique packaging, and suitable price for career group to professional make-up artist.



THE BAKERY®
SWEET & DELICIOUS

A cosmetic and make-up accessories brand with stylishly modern and colorful design that best suits teenage group or make-up amateurs.

SCENTIO®
Inspired by nature



A Personal Care product brand that offers a wide selection of natural extract skincare products for deep nourishing effect including shower cream, shampoo, conditioner, facial cream, body lotion, body scrub as well as hand and foot cream.



LANSLEY®
BEAUTY AND WELL-BEING

A beauty product brand for Functional Skin Care that enhances good points and diminishes weak points such as facial care product, body firming product, dark spot corrector, and anti-wrinkle product.

The price of Beauty Buffet products are relatively cheaper compared to other cosmetic brands sold in overall retail stores and even at counters of department store. There is a wide range of color selection to meet the demands of each target group from early teenage to career group that are looking for beauty and personal care products to better enhance their personality in modern style. Beauty Buffet products are distributed through its retail branches nationwide. The “Company” runs its business under the policy of continuous branching in order to cover every consumer group by focusing on opening its Beauty Buffet branches in different leading department stores and trade areas such as department stores and large supermarkets. Now, Beauty Buffet branches are expanding to the neighboring markets such as Cambodia Laos Myanmar and Vietnam. On 31 December 2014, Beauty Buffet had 204 retail branches nationwide and 13 retail branches in oversea (Cambodia 4 branches , Vietnam 4 branches ,Laos 1 branch and Myanmar 1 branch)In the near future, the “Company” is expected to develop or import new beauty product brands to meet the dynamic trend of customer demands and increase its level of competitiveness in the market.



Natural Crafted Beauty

Art & Craft



Beauty Cottage

"Beauty Cottage" is a blend between naturally extracted products and Vintage style whether in terms of shop interior design and packaging. It is the perfect combination of arts & crafts that matches between nature and elegant charms of Victorian women from the western world under the slogan of "Natural Crafted Beauty". These beauty products sold in retail shops under a single brand of "Beauty Cottage". Under this brand, selection of natural raw materials is highly essential. Some of the natural ingredients include flower extracts, fruit and vegetables extracts, herbal extracts, and many other plants that possess outstanding qualities in terms of skin nourishment, moisture protection, skin firming, anti-wrinkles, and skin brightening. "Beauty Cottage" is made especially for those who are looking for a natural way to care for their health and well-being. The target group for this brand is mainly university students and career group who prefers deep skincare effect and at the same time values simple yet elegant beauty. "Beauty Cottage" was launched in August 2001. Its product distribution channel includes retail shops nationwide, which is part of its policy in expanding its branches among leading shopping centers both in Bangkok and other provincial areas. Now, Beauty Cottage branches are expanding to the neighboring markets such as Cambodia Laos and Myanmar. On 31 December 2014, Beauty Cottage had 65 retail branches nationwide and 3 retail branches in oversea (Cambodia 1 branch ,Laos 1 branch and Myanmar 1 branch)

Nevertheless, the market positioning of "Beauty Cottage" products aims at premium level, which is higher than "Beauty Buffet" products as it mainly focuses on selling natural beauty products for deep skin nourishment whereas "Beauty Buffet" is commonly known for its wide selection of cosmetic products of vibrant colors and stylish trend.



Beauty Specialty Store

Beauty Market

The concept of "Beauty Market" is to mix between the idea of supermarket and cosmetic shop. This unique concept highlights the wide selection of products as seen in convenient stores and combines it with the excitement of cosmetic shopping. "Beauty Market" is a Beauty Special Store, meaning that it mainly focuses on selling beauty products in particular. Covering a total space of 100 square meters, this special beauty shop is a Multi-brand cosmetic shop that offers all kinds of famous domestic make-up brands including Inter Brands from USA, Europe, Korea, Japan, etc. Amongst some 300 brands sold from 4,000 – 9,000 SKUs, "Beauty Market" also offers an alternative brand that is available only at its branches. This Multi-brand aims at selling various kinds of beauty brands of different functions in order to enlarge its customer base. The main target group consists of both male and female customers who prefer make-ups and skincare products in order to enhance their stylish and modern personality. On 31 December 2014, Beauty Market had 10 retail branches nationwide. "Beauty Market" aims at expanding its business by launching new branches in major shopping centers and trade areas such as department stores and large community.

**Beauty
market**
THE SUPERMARKET OF BEAUTY

Collagen
콜라겐 & Q10
앤 큐텐



MADE IN NATURE

"Made in Nature" presents the concept of natural products under a slogan of "Live Natural Life". By using product packaging of natural colors, "Made in Nature" offers Premium Mass products through major retail stores or modern trade stores. During the second quarter of 2012, the "Company" managed to launch its shower cream and body lotion, which are part of daily personal care products. The target groups include both male and female consumers who give importance to personal care and regular customers of that particular supermarket. Base on the Company's policy, continuous launching of new product under the concept of "Made in Nature" is practiced. In 2014, a total of 9 SKUs "Made in Nature" products were including shower cream 2 SKUs, skin lotion, skin serum, facial foam 2 SKUs, night time skincare product, facial mask and mineral water spray. The products were launched under the concept of Collagen & Q10 that uses active ingredients from Korea. This is to answer the needs of large scale consumer demands. The distribution channel of "Made in Nature" products includes eleven modern trade stores and leading supermarkets such as Big C Supercenter (over 119 branches), Tesco Lotus (153 branches), CJ Express (233 branches) and Tops Supermarket (59 branches).

"Live a Natural Life"





สาวกไฟนิงแบรนด์



日本からの有効成分
Active ingredients
From

JAPAN

Girly Girl

"Girly Girl" mainly consists of facial and cosmetics products for teens produced under the concept of White & Baby using active ingredients from Japan. With stylishly modern and miniature packaging designs sold at low price, "Girly Girl" is specially made for teenage group. This Fighting Brand is distributed through many channels including convenient stores and catalog such as 7-Eleven, Family Mart, Seven Catalog, Friday Catalog, and traditional trade. Having launched in the fourth quarter of 2013, "Girly Girl" brand mainly focuses on teenage consumer group. Moreover, in 2014 Girly Girl products which are skincare products are distributed through following channels

- 293 branches of 4-brand convenient stores including 1) CJ Express, 2) Jiffy, 3) Tops 4) Nine Cosmetic and in February 2014, products are distributed in 100 branches of 7-11 for a month with amount of 2 SKUs
- 3 Catalogs including Friday Catalog, 7-11 Catalog and Sarah Catalog By TV Direct
- 11 E-commerce channels including 9

Third party websites and 2 internal websites which are Facebook: Beautypalaza and Beautypalaza online.com. It is tested on 30 October 2014 and it will be inaugurated in second quarter of 2015



Performance and Financial Summary

Beauty Buffet, Beauty Cottage, and Beauty Market products are mainly distributed through retail shops. Beauty Cottage brand was launched during the third quarter of 2011 whereas Beauty Market was launched during the third quarter of 2013. Recently, a number of new branches were opened in Bangkok and Vicinity, including other provincial areas nationwide. New distribution channels for “Made in Nature” and “Girly Girl” products were added through modern trade stores during the second quarter of 2012 and the fourth quarter of 2013, respectively. This result in continuous increase in the business revenue from 997.11 million Baht in 2013 to 1,385.27 million Baht in 2014, or approximately 38.93% of growth rate.

The main source of the Company’s revenue generates from cosmetic retail shop. Beauty Buffet shop, in 2014 and 2013, the revenues were 1,080.72 million Baht and 766.12 million Baht in respective order, or approximately 78.01% and 76.83% of total revenue in respective order which is about 41.06% of growth rate. This is due to the Company’s branching expansion nationwide in order to access larger customer scale. By the end of 2014, there are a total of 217 branches established nationwide and in other countries (204 branches within the country and 13 branches in other countries), which increased 34 branches from the year 2013 that has 183 branches (179 branches within the country and 4 branches in other country). Meanwhile, the total sales of skincare products, make-up products, food supplements, and beauty accessories were approximately 61.52%, 33.77%, 0.67% and 4.04% in respective order.

Regarding Beauty Cottage products, a total of 68 branches were established by the end of 2014 (65 branches within the country and 3 branches in other country), which increased by 16 branches compared to the year 2013 that has 52 branches established (nationwide). The Company’s total revenue in 2014 and 2013 were 156.83 million Baht and 139.40 million Baht in respective order, which is approximately 12.50% of growth rate. Beauty Cottage mainly focuses on skincare products made from natural extracts containing outstanding skin nourishment qualities. As a result, the average sales of skincare product under this brand remained at 54.33% compared to its overall sales. Meanwhile, the total sales of cosmetic products and accessories were 40.62% and 5.04%, respectively.

On the other hand, products made under the concept of Beauty Market were introduced during the third quarter of 2013. , in 2014 and 2013, the revenues were 56.52 million Baht and 13.25 million Baht in respective order, which is about 326.54% of growth rate. This is due to the Company’s branching expansion in order to access larger customer scale. By the end of 2014, there are a total of 10 branches established nationwide which increased 7 branches from the year 2013 that has only 3 branches. Meanwhile, the total sales of make-up products, facial care, body care, beauty accessories, hair care, perfume, beauty drink & food supplements, body hygiene and men’s care were approximately 48.86%, 18.56%, 13.12%, 7.66%, 4.46%, 3.68%, 1.86%, 1.37% and 0.43% in respective order.

Meanwhile, the total revenues of products under the franchise channel by 2014 and 2013 were 22.41 million Baht and 23.76 million Baht in respective order, or approximately -5.68% of growth rate. Oversea and wholesales, by 2014 and 2013 were 17.82 million Baht and 14.37 million Baht in respective order, or approximately 24.01%

of growth rate. Modern trade channel, by 2014 and 2013 were 25.16 million Baht and 13.79 million Baht in respective order, or approximately 82.45% of growth rate.

The cost of sales in 2014 and 2013 were 444.58 million Baht and 287.87 million Baht in respective order, or approximately 67.30% and 70.34% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2014 is relatively lower than in 2013. This is due to the rising sales revenue of Made in Nature and Girly Girl products through modern-trade distribution channel in that year, which has lower gross profit margin compared to retail-shop distribution channel. Also, the launch of Beauty Market shops during the third quarter of 2013 has led to lower gross profit margin rate comparing to Beauty Buffet and Beauty Cottage and we’ve more promotion during the period to increase sales, resulting in a slight reduction in the overall gross profit margin rate in 2014 when compared to 2013.

The Company’s net profit in 2014 and 2013 were 301.16 million Baht and 206.97 million Baht (revised) in respective order, or approximately 21.74% and 20.76% of net profit margin rates, respectively. The increase in net profit margin rate and the company’s net profit is rising. One major cause of this is due to the launch and rapid expansion of both Beauty Buffet and Beauty Cottage branches, including the opening of Beauty Market shops and increasing revenue while partial costs remain constant, resulting in economy of scale in business operation. Another reason is due to the expenses saving had more effective.

Summary of Financial Status

As at December 31, 2014 and December 31, 2013, the Company’s total assets were 1,286.95 million Baht and 1,139.17 million Baht (revised), respectively. In 2014, the Company’s current assets were 875.31 million Baht, or approximately 68.01% of the overall assets. Most importantly, the Company’s cash and cash equivalent was 174.56 million Baht, or about 13.56% of the overall assets whereas the Company’s temporary investment was 390.00 million Baht, or about 30.30%. the Company’s merchandise inventory was worth 288.49 million Baht, or approximately 22.42% of the overall assets, whereas its sales period for finished products was by an average of 141 days. The Company’s receivable was worth 22.26 million Baht, which is considered relatively low since the majority of products are sold in cash and there are no account receivables with outstanding balance over 1 year. Regarding non-current assets had a total of 411.64 million Baht, or approximately 31.99% of the total assets. Most importantly, the net value of property, building, and equipment altogether was 198.43 million Baht, or about 15.42% of the total assets. Other non-current assets included long-term rental of Maboonkrong branch. The Company’s intangible assets, on the other hand, included computer software for business operation.

As at December 31, 2014, the total liabilities was 199.44 million Baht. The Company mainly depended on cash liquidity and credit terms from trade accounts payable. Hence, most of the Company’s liabilities were in a form of current liabilities worth 190.38 million Baht, most of which derived from trade accounts payable worth 142.69 million Baht. Furthermore, in terms of shareholders, the Company had a total shareholders’ equity of 1,087.51 million Baht, or a debt to equity ratio of 0.18. Apparently, it can be observed that the majority of corporate source of capital comes from shareholders’ equity, resulting in lower financial risk and flexible business operation.

Report of the Board of Directors

In 2013, Thailand confronted economic hardships and political instability, which resulted in stagnant economy and deterioration of consumer purchasing power in the last 2014. This affected overall Thai economy, as reflected in the country's 0.6% GDP growth for Q3/2014. Due to the prolonged difficulties, in 2014 the Company has prepared itself well to deal with such situations. In the first half of year 2014, the Company gave the precedence to sales force by re-training every level of salespersons, on services and product knowledge, continuously arranging CRM activities for member customers, which resulting in higher spending per ticket and improving repurchase rate of member customers. The Company continues to have various sales promotions, marketing campaigns, and accelerating of new product launches. In 2014, the Company's products have been considerably interested and accepted by tourists from countries such as China, Hong Kong and Middle East. This has been considered as another factor helping in the growth sales revenue.

In 2014, the Company's operating performance was remarkable with total revenues of 1,385.27 million Baht, increasing from the same period of previous year with total revenue at 997.11 million Baht for 388.15 million Baht, or 38.93 %, with the net profit of 301.16 million Baht, increasing from the same period of previous year with net profit of 206.97 million Baht for 94.19 million Baht, or increase for 45.51%. In terms of branch extensions, at the end of 2014 the Company operates a total of 295 retail stores both domestic and overseas, which break down into BEAUTY BUFFET 204 branches, BEAUTY COTTAGE 65 branches, BEAUTY MARKET 10 branches, and 16 branches in overseas, which included 7 branches in Vietnam, 5 branches in Cambodia, 2 branches in Lao, and 2 branches in Myanmar. The expansion of foreign branches is in the nature of wholesale and the company has especially established the overseas department for overseeing overseas markets. In 2014, the Company has started the trial of selling various products through Facebook and third party e-commerce websites, which have received good response from the customers. The Company is developing its own e-commerce solution with payment system to support customer's constantly changing behavior and to make its products more accessible to customers both domestic and overseas. The e-commerce solution is expected for completion in Quarter 2/2015.

In 2015, revenue growth has been targeted to be at least 20% of 2014, as well as retains net profit to be at least 20%. Finally, on behalf of the Board of Directors, the Company would like to thank shareholders, customers, business partners and all employees for their cooperation. The management is determined to lead the Company to sustainable growth and success, operate its business with transparency and good governance, and aware of social responsibility, with the best interest of all.

Board of Directors
Beauty Community Public Company Limited

Board of Directors

Lt.Gen. PADET CHARUCHINDA

Lt.Gen. PADET CHARUCHINDA

Position Independent Director and Chairman of Board
Director

Age (year) 75 years old

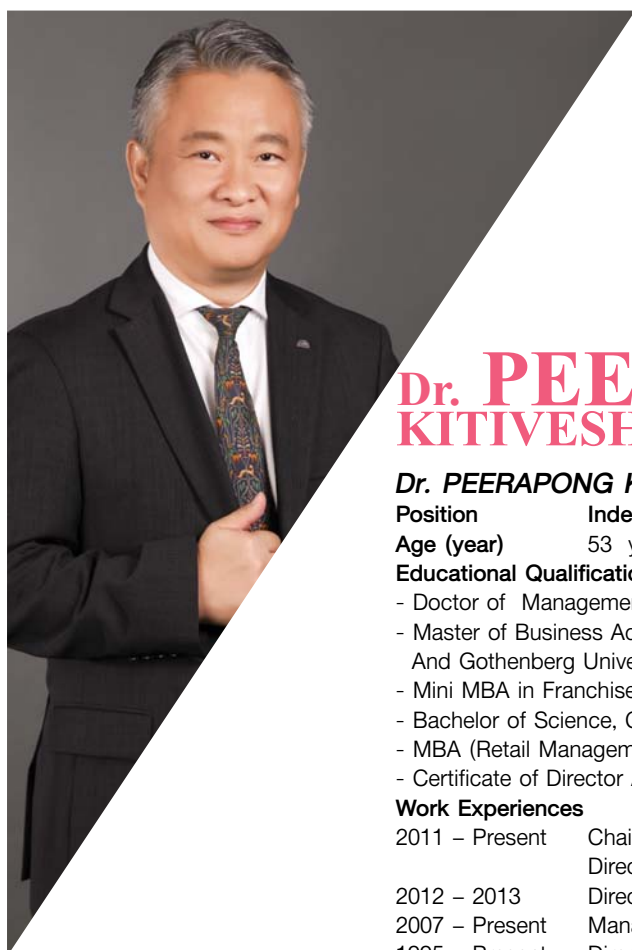
Educational Qualification

- Bachelor of Science, Chulachomkloa Royal Military Academy
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Works experiences last five years

- 2012 – Present Chairman of the Board and Independent Director, Beauty Community PCL
- 2000 – Present Advisor of Royal Thai Army, Director of the Provost Marshal General

% of Shareholding - None -



Dr. PEERAPONG KITIVESHPOKAWAT

Dr. PEERAPONG KITIVESHPOKAWAT

Position Independent Director and Chairman of Audit Committee.

Age (year) 53 years old

Educational Qualifications

- Doctor of Management, Sripatum University
- Master of Business Administration Program in Marketing, Thammasat University And Gothenberg University, Sweden
- Mini MBA in Franchise Nova Southeastern University, USA.
- Bachelor of Science, Chiangmai University
- MBA (Retail Management) Stirling University, UK
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

- 2011 – Present Chairman of Audit Committee and Independent Director of Beauty Community PCL
- 2012 – 2013 Director of International Licensing Co., Ltd.
- 2007 – Present Managing Director of Business Coach & Consulting Co., Ltd.
- 1995 – Present Director of B.T.C. Parts Center Co., Ltd.

% of Shareholding - None -



SUWIN KRAIBHUBES

SUWIN KRAIBHUBES MD.

Position Director / Chief Executive Officer

Age (year) 48 years old

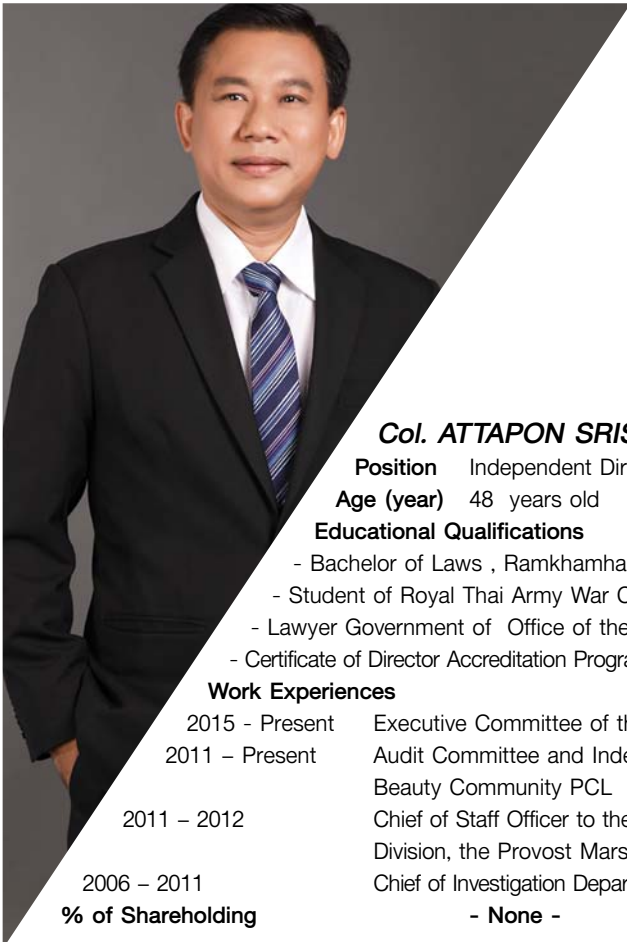
Educational Qualifications

- Bachelor of Science, Faculty of Medicine, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors
- Program Executives Capital Market Academy (CMA) 18th class

Work Experiences

2000 – Present CEO / Director / Deputy Director of Marketing Division and Deputy Director of Product Development & Purchasing Division, Beauty Community PCL

% of Shareholding 32.33%



Col. ATTAPON SRISANGWARN

Position Independent Director and Audit Committee

Age (year) 48 years old

Educational Qualifications

- Bachelor of Laws, Ramkhamhaeng University
- Student of Royal Thai Army War College, 58th class
- Lawyer Government of Office of the Council of State.
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2015 – Present Executive Committee of the ruling army.
2011 – Present Audit Committee and Independent Director of Beauty Community PCL

2011 – 2012 Chief of Staff Officer to the Royal Thai Army Commander Division, the Provost Marshal General

2006 – 2011 Chief of Investigation Department, the Provost Marshal General

% of Shareholding - None -

VIBOON POJANALAI



Mr. VIBOON POJANALAI

Position Independent Director and Audit Committee

Age (year) 39 years old

Educational Qualifications

- Bachelor of Accounting, Thammasart University
- Master of Science in Risk Management and Financial Derivatives, Georgia State University
- Certificate Public Accountant (CPA)
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2014 – Present Executive Director of Grand Audit Co., Ltd.
2011 – Present Audit Committee and Independent Director of Beauty Community PCL
2008 – Present Director of Asia Mineral Processing Co., Ltd.
2004 – 2013 Senior Account Audit Manager of AST Master Co., Ltd.

% of Shareholding - None -

Col. ATTAPON SRISANGWARN



PRATYA LEVAN

Mr. PRATYA LEVAN

Position Director / Executive Director

Age (year) 46 years old

Educational Qualifications

- Master of Science (M.S.), Mechanical Engineering, University of Kansas
- Bachelor of Engineering (B.E), Mechanical Engineering, University of Maine
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

- 2012 – Present Director / Executive Director, and Director of Information Technology System Division, Beauty Community PCL
- 2005 – 2011 Deputy Director of Information Technology System Division, Beauty Community PCL

% of Shareholding 1.17 %



TANYAPON KRAIBHUBES

Mrs. TANYAPON KRAIBHUBES

Position Director

Age (year) 46 years old

Educational Qualifications

- Certificate in Nursing, Barommarajonani College of Nursing, Phayoa
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

- 2000 – Present Director of Beauty Community PCL
- 2000 – 2014 Deputy Chief Executive Officer and Director of Beauty Community PCL

% of Shareholding 12.92 %



Ms. Monsoothatip Malauckaranun

Position Director

Age (year) 39 years old

Educational Qualifications

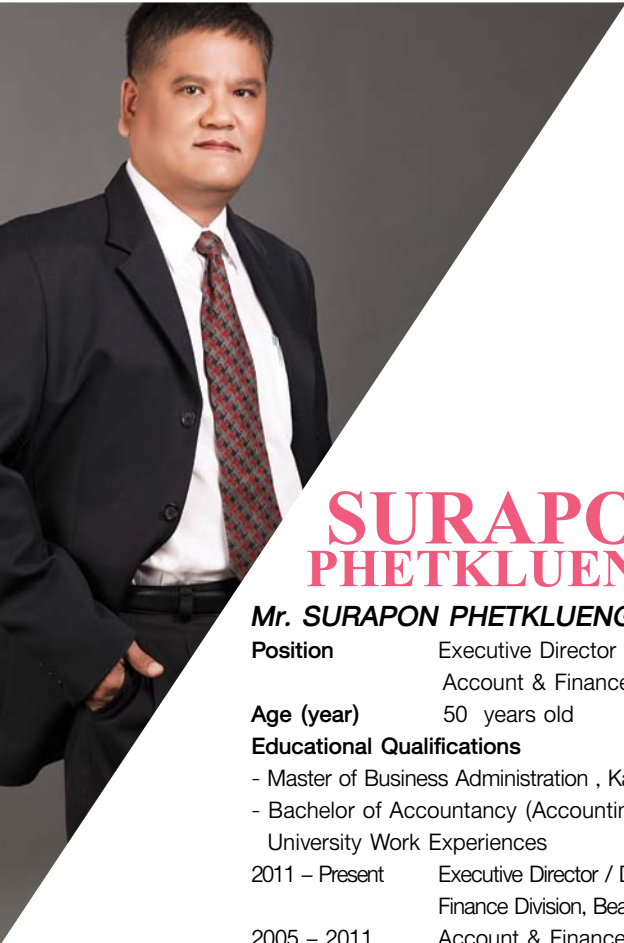
- Bachelor of Science, Associated Medical Sciences, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

- 2012 – Present Director Beauty Community PCL
- 2012 – 2013 Executive Director and Director of Business Development and Corporate Communications Division, Beauty Community PCL
- 2010 – 2011 Assistant Manager of Products Division, Beauty Community PCL
- 2009 – 2010 Assistant Manager of Sales Division, Beauty Community PCL
- 2005 – 2009 Sales Department Manager, Beauty Community PCL

% of Shareholding 1.00 %

MONSOOTHATIP MALAUKCARANUN



SURAPON PHETKLUENG

Mr. SURAPON PHETKLUENG

Position Executive Director / Director of
Account & Finance Division

Age (year) 50 years old

Educational Qualifications

- Master of Business Administration , Kasetsart University
- Bachelor of Accountancy (Accounting), Chiangmai University

University Work Experiences
2011 – Present Executive Director / Director of Account &
Finance Division, Beauty Community PCL
2005 – 2011 Account & Finance Division Manager,
Thai-Scandic Steel Co., Ltd.

% of Shareholding 0.03 %

SIRIKAN PHATTIVERANON



Ms. SIRIKAN PHATTIVERANON

Position Executive Director/
Director Of Operations Department

Age (year) 49 years old

Educational Qualifications

- Bachelor of Business Administration
(Second Class Honours), Faculty of
Commerce and Accountancy Chulalongkorn
University

Work Experiences

2011 – Present Director / Director Of Operations
Department , Beauty Community PCL
2010 – 2011 Sales Division Manager,
Areeya Property PCL
2009 – 2010 Operation Division Manager,
K D N Co., Ltd. (Krispy Kreme Thailand)
2004 – 2009 Franchise Operation Division Manager,
Swensen's (Thai) Co., Ltd.

% of Shareholding 0.01 %



NATTAPONG KHUEANPHAN

Mr. NATTAPONG KHUEANPHAN

Position Executive Director /Director of Inventory &
Office Management Division

Age (year) 40 years old

Educational Qualifications

- Bachelor of Science, Faculty of Food Science and Technology, Chiangmai University

Work Experiences

2012 – Present Executive Director /Director of Inventory & Office Management
Division, Beauty Community PCL
2006 – 2012 Inventory and Delivery Division Manager, and Advisor of Human
Resources and Administration Division

% of Shareholding 0.06 %



Vision & Mission

Beauty Community Public Company Limited



Company's Philosophy
" Creative Dynamic Sustainable "

Dynamic
Creative Sustainable

Vision

" We Create Beauty Products For a Beautiful Life "

Mission

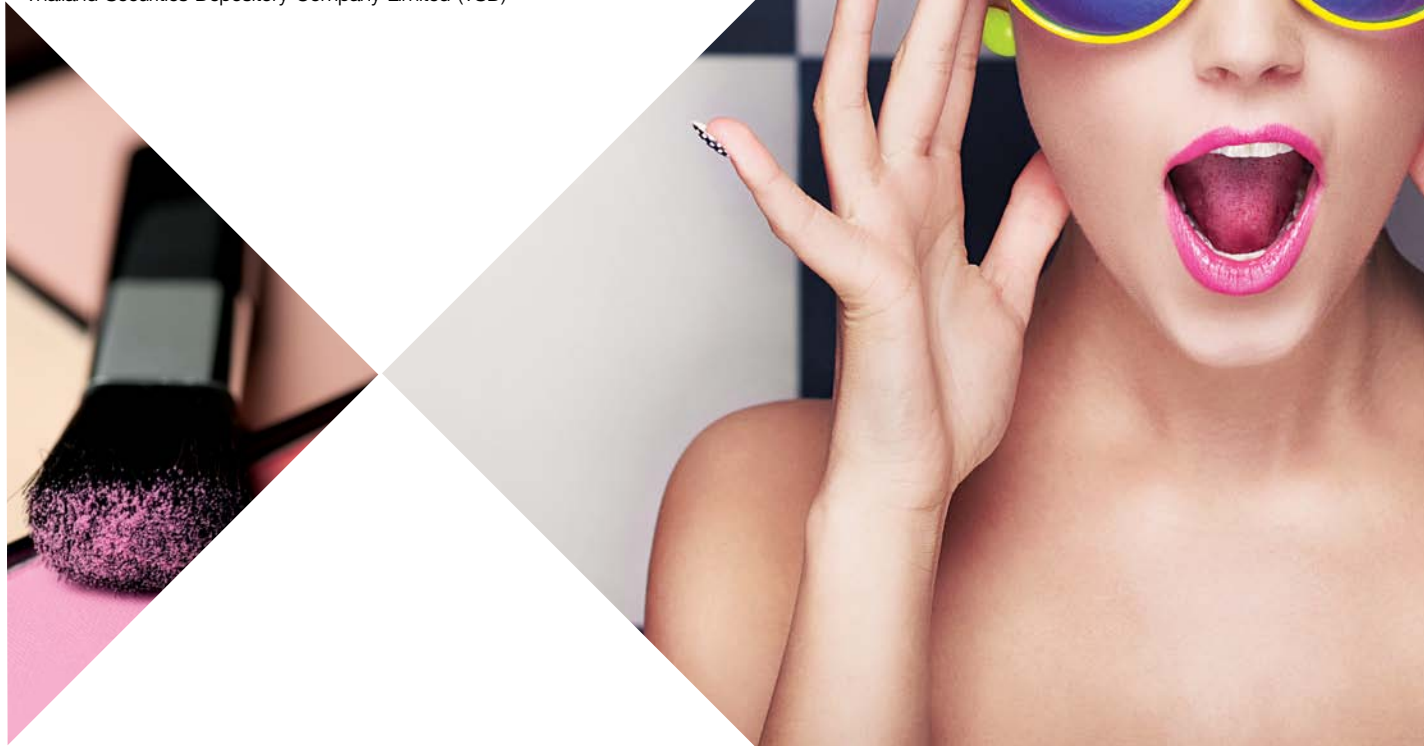
1. Creating the modern high quality beauty products for support the demands of modern life style.
2. Presenting the products to the targeted customers by expanding distribution channels to be more famous and thoroughly the overall regions and country.
3. Developing competitive abilities of the organization to support the great change for the steadily growing.
4. Operating the business under the good governance considering the benefits and the effects that will affect to the shareholders, staffs and the society.

General Information of the Company

Company Name	BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
Initial Name	The Company has been listed for trading in Stock Exchange of Thailand (SET) under the name of “BEAUTY” in the Commerce group
Type of Business	Cosmetics and Skin Care Products under the followings concepts - BEAUTY BUFFET - BEAUTY COTTAGE - MADE IN NATURE - BEAUTY MARKET - GIRLY GIRL
Management Policy	Multi brands , Multi products , Multi channels
Headquarter Address	10/915 Nuan Chan 34 Alley, Nuan Chan Sub-district, Bungkum District, Bangkok Metropolis 10230 Telephone: 02 946 0700 – 6 Facsimile: 02 946 1571
Registration No.	0107555000244
Home Page	Web Page for General information of the Company, including with the information related to Investor Relations (IR). www.beautycommunity.co.th Web Page for Beauty Buffet www.beautybuffetshop.com , www.facebook.com/beautybuffetfanpage Web Page for Beauty Cottage www.beautycottageshop.com , www.facebook.com/beautycottageshop Web Page Made in Nature www.made-in-nature.com , www.facebook.com/madeinnaturefanpage Web Page Beauty Market www.beautymarket-shop.com , www.facebook.com/beautymarketfanpage , Web Page E-Commerce www.beautyplazaonline.com , www.facebook.com/Beautyplazaonline

References

- The Certified Public Accountant Auditor from DIA International Auditing Company Limited
- Thailand Securities Depository Company Limited (TSD)



Risk Factors

1. Business Operational Risks

● *Risks of Reliance on Beauty Buffet*

The main revenue of the company had been from selling products under the concept of Beauty Buffet. In 2014 and 2013 the company's total revenue from selling Beauty Buffet products was THB 1,080.72 THB and 766.12 THB, or 78.01% and 76.83 % of the total revenue respectively. Almost all of the revenue was from the retail sales to consumers throughout the country under the trademark 'Beauty Buffet'. The company's cosmetic products are sensitive in terms of consumption, especially facial cosmetic products the consumers are relatively sensitive to information regarding to the products in both positive and negative ways. Therefore, if any circumstances have a negative impact on the image of Beauty Buffet, i.e. consumers' allergies triggered by the cosmetics, it might also significantly affect the sales volume and the company's performance

Beauty Buffet is established under the concept of unique Shop Brand development, which is merely one of the selling channels. The company is able to develop the concept of Shop Brand as a replacement such as Beauty Cottage which was another type of Shop Brand focusing on selling products under its own trademark. In addition, under the Shop Brand Beauty Buffet also divides the products into several brands, each having clear target groups. The company can develop new brands for replacements continuously based on the popular fashion at the time. In 2013, the company debuted Beauty Market in the form of large Multi-Brand retail shops. The shop's concept is a mixture of shopping in supermarkets with excitement of buying cosmetics in beauty specialty stores focusing on selling cosmetics and treatment products. There are almost 300 brands of treatment and cosmetics products from 4,000 to 9,000 SKU. At the same time, new products under Girly Girl brand were also debuted. These products are Fighting Brand against skin cares and teenage cosmetics with White & Baby concept of which the active ingredients are imported from Japan. The design of the product package is modern, teenagers-attracted and small-sized for selling through convenient stores and catalogues, for example, Seven Eleven, Family Mart, Seven Catalogue, Friday Catalogue and Traditional Trade. With inexpensive price, the products' target groups is teenagers. In 2014, the Company commenced the development of distribution channel in e-commerce forms including Facebook: Beautyplazaonlineandwebsite: Beautyplazaonline.com. They were opened for trial on December 30, 2014 and planned to open for use in Quarter 2/2015.

The company, therefore, is certain that the reliance on the revenue from selling Beauty Buffet's products would decrease progressively when the sales volume of products sold under other Shop Brands, i.e. Beauty Cottage, Beauty Market, Made in Nature or Girly Girl, increase and when additional products development based on the strategy and target marketing takes place in the future.

Moreover, the company is confident that the feasibility of risk of negative impact on the company's image is low. The negative impact has never occurred as the company gives the

most priority to the quality of the products. The company always tests every lot of the products ordered and has a policy to guarantee customers satisfaction in order that the customers are certain of the quality of the products. If unsatisfied, the customers are able to return the products within 14 days (based on Customer Satisfaction Guarantee project, begun since 2009). Until now, the value of the products returned is relatively low, 0.01% of the total revenue. Besides, the company has communicated with the customers via online channels and advertising media. Should any circumstances that might have a negative impact on the company's image occur, the executives expect that it would be merely a short-term impact for the company can give explanations to the consumers via several channels so that they are informed of the truth rapidly. (โครงการ Customer Satisfaction Guarantee

● *Risks of the Products being Counterfeited*

The company has no policy to produce the products by itself, but employs manufacturers with expertise of producing several types of products. The manufacturer provides all the materials and also controls the production formula in details. In addition, some manufacturers are responsible for both the cosmetic substances and the package, enabling them to go through the whole production process which causes the risk of products being counterfeited that likely affects the company's performance.

As the company is well aware of such risk, it has formulated contracts with every manufacturer that controls the production formula of the company. The content of the contract is that the manufacturers must not disclose or disseminate the formula of the cosmetic substances as well as the production process to other parties, and not produce the cosmetic themselves for sales. The contract is effective both during the manufacturer production under the company's employment and 1-3 years after the company terminates the employment.

The company's products are highly varied. At presents, there are more than 1,000 products and the company keeps creating new products regularly. 36 manufacturers produce different products, preventing one from knowing the production formula or completely counterfeit the products. Besides, the company is confident about creating concept of products and enhancing service quality in order to be comparable to high-end cosmetics. This is to build customers' loyalty to the company's inimitable products.

● *Risks of Reliance on Manufactures*

Regarding new products development, in spite of the fact that the company primarily specifies active ingredients and features of the products, and cooperates with the manufacturers in detailing and developing the formula and some of production process, the manufacturers are the ones who generally provide all the ingredients. Should the manufacturers halt the production, the company would not be able to provide every exact same ingredient. This could affect the company's performance in overall picture if such incident occurs to popular products with high sales volume.

The case has never occurred to the company; however, the company's risk management policy is to distribute the manufacturing order to a number of manufacturers in order not to rely solely on one manufacturer. The order proportion from the largest manufacturer in 2013 and 2012 were 11.99% and 13.47% of the total order volume respectively. As for the popular products, the company employs 2 manufacturers simultaneously. Furthermore, the company has primary knowledge of the formula and ingredients and if any manufacturers terminate the production, the company is able to adjust the formula and create new products comparable to or better than the former products in order to meet the need of the consumers increasingly.

● *Risks of Inventory Impairment*

Cosmetic and treatment products are always changeable, yet it is necessary for the company to order enough amount of products and have sufficient inventory in order to distribute them nationwide. In 2014 and 2013 the company's inventory proportion were 9.75 % and 11.99% of total assets respectively, and the average selling period were 187-188 days (calculated from the existing goods including the packages. The average selling period of ready-made products were 132-141 days). Consequently, the company exposes to risks of inventory impairment if the popularity of the consumers changes and cause the existing inventory to become unsalable or impaired.

The company expects that the impact from such risks is insignificant as it has always conducted surveys regarding the market and the consumers' behavior, and also has information technological system that maintain the data of every products sold. Therefore, the company is able to analyze the selling statistic, for instance, the speed of each product sealing and life cycle, enabling the company to plan the order in line with the market demand. The company's average selling period is rather long as it has to make sure that it has sufficient products to distribute to numerous braches, and in case of emergency such as flood. However, the company has always verified the existing life cycle of the products and appropriately manage the remaining products based on their age. For example, if a product is to be expired in the next 15 months, it would be considered a product to be monitored and the marketing and sales team would inform the storefront staffs to focus on selling the product. If a product is to be expired in 8-12 months, it will be put in the sales promotion period in order to increase he selling speed.

● *Risks of being among highly competitive industries*

Cosmetic and skin treatment retail business is highly competitive. In the beginning, it does not require large amount of investment and the business structure is not complicate; as a result, it is easy for new entrepreneur to start such a business which, therefore, increases the competition rate. The entrepreneur can be both Thais and foreigners who debuted their own brands in Thailand, especially cosmetic products from Asian countries, i.e. Korea and Japan. The target groups of these entrepreneurs are similar to those of the company, causing the company to be among highly-competitive environment which might have an

effect on performance. In addition, the company exposes to risks of retail sellers counterfeiting its products and importing products illegally. This can have an impact on the company's sales volume. being counterfeited by retail sellers, and of imported illegally.

However, even though it is not difficult for the new competitors to start their own business, to create a notable brand, increase sales volume and maintain customer base cannot be achieved easily as it requires a larger amount of cash flow for public relations and branch expansion. Most new entrepreneurs lack of power to negotiate renting golden location, resulting in their potential incomparable to the existing companies. The company thus expect that the risks of sales volume to decrease due to the new competitors would not be as high. Besides, not only does the company focus on selling the products, but it also prioritize the presentation of the products' concept, benefits, how to maximize the products' benefits, the attractiveness of the packages, shops decoration, good service, brand development and popularization in order to be in line with target groups popularity, and brand loyalty maintenance. These notions are difficult to be imitated by retail sellers who sell or import illegal and counterfeited goods; therefore, the company has different target gropus from those of these retail sellers without any impact on the company's sales volume.

In addition, some of the company's products are manufactured by Korean manufacturers such as Beauty Buffet's GINO McCray; Heritage series, while others are produced by Japanese factories situated in Thailand. The company is, consequently, confident that its products' quality is comparable and competitive with products imported from Korea and Japan which have become increasingly popular in cosmetic market at present.

● *Risks of lease agreement cancellation*

The company has retail shops selling a vast number of the cosmetics under the concept of Beauty Buffet, Beauty Cottage and Beauty Market. In December 2014 , the company's had 295 branches in total nationwide (including 6 franchises). Almost all the branches are with 1-3 years space lease agreement (exclusive of MBK 1 branch of which the agreement is long-term). If the space owner cancels the lease agreement, the company might not be able to sell it products and its performance might be affected.

Mostly, the owners of the spaces the company is renting for its business operation are department stores and large supermarkets such as Tesco Lotus, Big C, Central Plaza, The Mall, Robinson, etc. The company is considers a key account of such space owners and the owners have renewed the lease agreement as per the company's request. They also offer new space to the company before their other retail customers so that the company could open new branches before these owners, department stores and supermarkets, open their new branches. Therefore, the company is confident that the impact on its performance from such risks are rather low.

● *Risks of Reliance on Computer System in Operating Business*

The company uses computer systems to manage store-front selling of every Beauty Buffet Beauty Cottage and Beauty Market branch, which is linked to all the inventories of the company. The system is also set to keep the existing products database, customers data and others and, consequently, if any errors occur it might have an impact on the company's business.

The Point of Sales (POS) program of each shop has individual processing system and is connected with the company's inventory data at the end of every day. If any errors occur at one shop, the others will not be effected. Moreover, the company has a policy to support the errors by coaching the employees to sell its products and issue the bills without using the computer system. In the past, there were some errors of POS program occurring, but the company managed to solve the problems within a short amount of time without any impact on the company's performance. As for the inventory management system via C-Smile program, the company has always backed up its data regularly and also had alternate servers so that it can restore data in case of error of main system.

● *Risks of Currency Exchange*

The company's products are manufactured by some foreign manufacturers such as Korean, Chinese, Indonesian and Austrian manufacturers, and pay their service fee in USD, while all of the company's products are sold in THB. This causes the company to expose risk of currency exchange in case of THB depreciation. However, the total order value in foreign currency in 2014 and 2013 amounted to 4-6 million per annum, less than 3% of the total cost without the tendency to increase. The risks of currency exchange of the company is rather low, thus the company has no need to stipulate any risk management policy to handle the currency exchange risks at present. However, if the order from foreign countries increase, the company would consider formulating a forward contract case by case properly.

2. Risks of the Company's Major Shareholders Holding More than 50% of the Shares in Total

As at August 15, 2012, Mr. Suwon Kraiphubet Group, the Company's shareholder for 212,499,800 shares, estimated to be the proportion of 97.90% of total number of sold shares of the Company. Nowadays, after public offering of shares, the proportion of Mr. Suwin Kraiphubet Group decreased to be remained at 64.06% of total number of sold shares of the Company (Source : Thailand Securities Depository Co., Ltd. as at March 12, 2014). As at December 30, 2014, the proportion of Mr. Suwin Kraiphubet Group reduced to be remained at 47.19 % of the Company's number of shares, resulting in no risk exposed by the Company from the combination of the Company's major shareholders for over than 50%.

However the company is aware of the risks and thus forms a committee consisting of external parties which are 4 independent committees as the chairmen of the committee. 3 of 8 committees are appointed as audit committees to audit and equify the operation of the committee and the executives. In addition, the committee's operational policy is to give the most priority to the shareholder's benefits with clear roles and responsibilities of the company's



Operating the business
with transparency
and good governance,
and aware of social
responsibility, with the
best interest of all.

committee, executive committee and audit committee. If the company is to have transactions with a person who might bring about a conflict, the company will strictly follow the approval process of the transactions and the criteria of the Stock Exchange of Thailand. The person who might bring about a conflict may not cast his or her vote for the matter consideration.

Business Operations

Background

Beauty Community Public Community Limited (“Company” or “Beauty”), formerly known as Monapolitan Company Limited. It was found on 19 October 2000 with registered capital of THB 1,000,000 which was already called upon. The founder were Suwin Kraibhubes M.D. and Mrs. Tanyapon Kraibhubes with the objectives to run cosmetics and skin care retail sales and to present the variety of cosmetic products well-selected in terms of the ingredients and packages as an alternative choice for the consumers.

Significant Changes and Development

1998 – 1999	The first cosmetic and skin care retail shop named ‘Neo’ is open at a shopping mall in Siam Square area. Later, the business was expanded by opening an imported cosmetic and skin care retail shop named ‘Mona’ at MBK Center shopping mall.
19 October 2000	Monapolitan Company Ltd. was establish (the former name of the company) with the registered capital already called upon of THB 1,000,000: 10,000 common shares, THB 100 per share. The objectives were to run a full cosmetics and skin care retail business under the name ‘Mona’ with the concept of presenting several brands of well-selected cosmetic products which are both the imported ones and the domestically-manufactured ones. The target group is teenagers who prefer colorful cosmetics. There were 7 branches of Mona shops in different shopping malls.
2004	The shop was remodel to be more modern and its name was changed to ‘Cosmeda’ with the following differences: More products were imported to meet the need of the customers and the company started ordering products from qualified domestic factories that export goods to foreign countries, from Japanese factories in Thailand, and from Korean factories. The ingredients were both domestic and imported, leading the company to meet the need of the customers more effectively. Customer base was expanded to university students and first jobbers. The company started applying information technology to shop management for the same standard and smother management.
3 March 2005	The company increased registered capital into THB 5,000,000: 50,000 shares, THB 100 per share as cash flow for branch expansion. From 2004 to 2006, Cosmeda had opened approximately 20 branches in total.
2006 – 2007	In December 2006, the company developed the shop and change its name to ‘ Beauty Buffet’. The remodeling enhanced the quality of the products and packages under the concept of Beauty Buffet which focused on the following notions; easy to access, easy to use, testable, variable and reasonable price. These notions are the same as those of buffet restaurants where customers are allowed to try variable food and get ones that meets their needs. The products of Beauty Buffet are developed under Private label which are variable enough for the customers to select products suitable for themselves under the slogan ‘The most delicious beauty shop in town’. The first Beauty Buffet shop is opened at Central World, Wong Sawang branch, and received satisfied feedback. After that, the company then remodeled all Cosmeda shops into Beauty Buffet and has kept expanding its branches under the new name since 2007.
2008 – 2010	Beauty Buffet shops were widely patronized by customers, leading to the following expansion: In 2008 the shops were expanded into Northern and Eastern parts of Thailand with the total 34 branches at the end of the year. In 2009 the shops were expanded into Northeastern and Southern and Western parts of Thailand with the total 74 branches at the end of the year In 2010 the company continued expanding branches nationwide and had total 97 branches at the end of the year.

2011	Beauty Buffet continued expanding its branches especially in Northeastern parts of Thailand where the customers were of high purchasing power. At the end of 2011, there were 120 branches in total. In addition, the company debuted a new cosmetic and skin care retail shop named 'Beauty Cottage', presenting natural and non-harmful chemical products in the shop of vintage style. The first branch of this shop was opened at Central Plaza, Ladprao, under the slogan 'Natural Crafted Beauty' Beauty Cottage had also been expanded. Since the first branch in August 2011, the company had kept expanding the branches in Bangkok and vicinity, and into Northern, Northeastern and Eastern part of Thailand. At the end of the year, there were 10 branches in total.
23 December 2011	The company increased the registered capital into THB 55,000,000: 550,000 common shares, THB 100 per share for buying a land which was to be the headquarter, and for the business cash flow.
2012	In January 2013, the company made a contract of selling Beauty Buffet products with a retailer, allowing it to sell the products in Cambodia under the standard of the company. The first Beauty Buffet shop was opened in Cambodia in 2013. In April 2013, the company debuted a product named 'Made in Nature' which was a natural skin treatment product under the slogan 'Live a Natural Life', sold through Modern Trades. It was sold at Foodland department store for the first time.
31 July 2012	In the Shareholders' Meeting No. 2/2012, the resolution was that the company was to convert itself into a public limited company and change its name into Beauty Community Public Company Limited. Besides, the resolution of the meeting was that the company was to change the value of the shares from THB 100 per share into THB 1 per share. The meeting also approved increasing the registered capital for THB 245,000,000, THB 300,000,000 in total, and registering the company in Stock Exchange Market of Thailand. The new allocation of common shares for capital mobilization were as follows: 162,500,000 common shares allocated for the company's committee 80,000,000 common shares allocated for public 2,500,000 common shares allocated for the company's executives and employees The remaining common shares after offer for sales to the company's executives and employees were to be offered for sales to public.
12 December 2012	First Day Trade with Stock Exchange Market of Thailand
December 2012	Beauty Buffet had expanded 142 branches in total; Beauty Cottage had expanded 31 branches in total and 6 franchises; 1 international branch. There were 180 branches in total.
July 2013	The company debuted Beauty Market in the pattern of a large Multi-Brand retail shop. The shop's concept is a mixture of shopping in supermarkets with excitement of buying cosmetics in beauty specialty stores focusing on selling cosmetics and treatment products. The space covers 100 sq.m. There are almost 300 brands of treatment and cosmetics products from 4,000 to 9,000 SKU, which were widely known. There were both inter brands such as American, European, Korean and Japanese brands, and alternative brands sold only at Beauty Market which was Beauty Cuisine brand consisting of Make-ups, Skin cares, Body Hygienes, Perfumes, Hair Cares, Deodorants, Beauty Drinks, Food Supplements, Accessories, Men's Cares and other types of cosmetic products. The target group were both men and women who wanted cosmetics products that could beautify themselves and adjust their personality. The first branch was opened at Seacon Square, Srinakharin.

November 2013	The company debuted new products under Girly Girl brand were also debuted. These products are Fighting Brand of skin cares and teenage cosmetics with White & Baby concept of which the active ingredients are imported from Japan. The design of the product package is modern, teenagers-attracted and small-sized for selling through convenient stores and catalogues, for example, Seven Eleven, Family Mart, Seven Catalogue, Friday Catalogue and Traditional Trade. The products' target groups is teenagers. The products were first for sales through Seven Catalogue.
December 2013	
May 2014	Beauty Buffet had expanded 173 branches in total; Beauty Cottage had expanded 50 branches in total; Beauty Market had expanded 3 branches and 6 franchises; 6 international branch. There were 238 branches in total.
December 2014	The Company performed a ceremony to pole the main post for construction of warehouse building and new training center building at Nuan Chan 34 Alley on the area of 3-0-15 rais. The construction value was invested for more than 142.43 million Baht to support future business growth and the construction completion schedule will be in 2015. The branch expansions have included total of 198 branches for Beauty Buffet Shops, total 65 branches for Beauty Cottage Shops, total of 10 branches for Beauty Market Shops, and 16 branches for foreign branches, totaling to 295branches.

Business Goals

The company believes in sustainable growth without relying on product brands or one selling channel; therefore, it has shown that the company has focused on building concepts or creating new brands along with creating new products that are in line with the concepts, including adding selling channels constantly. The principles lead to the following consistent business goals:

- To become a leader of the marketing terms of cosmetic shops by developing the business to cover the demand of the consumers related to beauty by ways of multi products, multi brands and multi channels.
- To create variable cosmetic products, not only cosmetics and skin cares but also cover all other types of products to meet the customers' need. Also to maintain the standard to be comparable with international brands by focusing on naturally-extracted products both the substance and the packages. This is to enhance the competition ability both domestic and international with new innovations that cover customers' needs widely.
- To expand the selling channels nationwide and also internationally in order to reach the target group more.
- To develop Customer Relationship Management system (CRM) in order to analyze the customers' needs in details and to create promotion activates that could satisfy the customers precisely and continuously.

The objective of the company's business goals is mainly for the business to be expanded smoothly and effectively in order to be superior in terms of competition, which is expected to return high yield to the company's shareholders.

“Developing the competitive abilities, preparing for the changes and leading to sustainable growth.”



Business Operations of the Company by product line

Products and Services

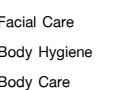
The Company operates its retail business on cosmetics and skin care products that compose of natural extracts under the concepts of Beauty Buffet, Beauty Cottage, Beauty Market, Made In Nature, and Girly Girl. The concepts of Beauty Buffet and Beauty Cottage are presented in retail shops with different products, packaging, and shop design. Their products are also placed in different market position, pricing, and target group. The retail shops under Beauty Buffet and Beauty Cottage concepts locate in leading shopping malls and business centers, e.g. department stores, large modern trades in Bangkok, territories, and other provinces. Moreover, Beauty Buffet started penetrating its shop into our neighboring countries such as Cambodia and Vietnam.

Beauty Market concept was launched in the 3rd quarter of 2013 by representing in large multi-brands stores. This concept combined idea of shopping for various products in supermarkets and convenience stores with feeling excited from cosmetics shopping in beauty specialty store where focuses specifically on beauty products sale. It differentiate and create novelty of cosmetics shops by building multi-brands stores with larger area than Beauty Buffet's shops and Beauty Cottage's shops. Its stores have average size of 100 square meter for selling almost 300 famous brands, both local brands and inter brands e.g. America, Europe, Korea, Japan, etc., containing around 4,000 - 9,000 SKUs of beauty products. In addition, there are products of a selective brand, Beauty Cuisine, sold only in Beauty Market's stores. The products only in Beauty Market's stores comprised of make-up, face care, body hygiene, body care , perfume, hair care, deodorant, beauty drink&food supplement, accessories and men's care. The target group of this brand includes either men or women who requires using cosmetics and body cares for self-treatment and trendy personalities.

In 2013, the Company launched Collagen&Q10 series as new products of Made In Nature with 5 SKUs which are body bath, body serum, facial foam, night skin care, and mineral spray, under the concept of "Bright&White". The active ingredients of these series were imported from Korea for producing 2 additional SKUs (body hygiene and skin lotion) to be sold in large retail shops or modern trade stores. This can response customer need more efficiently and help increasing sustainability of Company's sale growth.

At the end of 4th quarter of 2013, the Company launched 8 SKUs of new products under Girly Girl brand. These products are fighting brand in skin care and teenager cosmetics categories with the concept of “White&Baby”. The active ingredients were imported from Japan. The trendy and young-look package came with compact size of products to be suitable for selling via convenience stores and catalog, e.g. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade. As the target group of these products is teenager, their prices are in medium range.

The products sold under the concepts of Beauty Buffet, Beauty Cottage, Beauty Market , Made In Nature and Girly Girl, and are jointly developed by the Company and manufacturers, both domestic and international. The production was made by selection and development of beauty innovation in both raw materials and packages which are popular in many western and eastern countries, popular in beauty, such as France, Switzerland, United State of America, Korea, and Japan. The ingredients were selected and improved for matching with Thai skin and favorite. The package was designed to be consistent with concept and brand of the products. The details of products developed and sold by the Company are as follows.

Business					
Channel	Retail Cosmetic Shop	Retail Cosmetic Shop	Retail Cosmetic Shop	Supermarket ,Hypermarket, Traditional trade and E-Commerce	Convenience Store, Traditional trade, catalogue and E-Commerce
Brand	Multi Brands (Private Label)	Single Brand (Private Label)	Multi Brands (Int'l Sourcing and private label)	Single Brand (Private Label)	Single Brand (Private Label)
Brand Concept and Brand Positioning	Cross concept between excitement of cosmetic shop and the fun of buffet restaurant -Easy Access -Wide Variety of Products -All in One -Reasonable Price -Fun and Exciting -674 SKUs	Premium natural beauty products with vintage inspired design -Natural Ingredient -Less in preservative -Art&Craft Style decoration -Higher positioning and higher price than Beauty Buffet -352 SKUs	Mixed concept between the convenience of supermarket and beauty store. -Beauty Specialty Store -Our Largest Format Shop -Average Area 100 Sqm. -Almost 100 Suppliers and more than 300 Brands -4,000-9,000 SKUs	High quality skincare products with premium ingredients imported from Korea -Tarket premium mass market -For natural conscious consumer -Compete with imported brands from Korea,Japan, USA and Europe -9 SKUs	Japanese style functional skincare and trendy make up -Set as a fighting brand -Lower Price -Smaller Pack Size -Teenager attractive design -11 SKUs
Product Coverage	 Make up Skincare Accessory	 Make up Skincare Accessory	 Make up Facial Care Body Hygiene Body Care Hair Care Perfume Beauty Drink&Food Supplement Beauty Accessory Men's Care	 Skincare	 Skincare Make up
Product Brand	GINO McCRAY THE BAKERY SCENTIO LANSLEY	BEAUTY COTTAGE	General Brand Alternative Brand Exclusive Brand Private Brand	MADE IN NATURE	GIRLY GIRL
Target Group	Young teenager - Working Women	College Student- Working Women	All ages from 13-65+	All ages	Young teenager - Working Women
Shop Size	Average 35 sqm	Average 35 sqm	Average 100 sqm	No shop.	No shop.



Beauty Buffet

"Beauty Buffet" came from the idea to integrate buffet restaurant with cosmetics retail business. It differentiates and creates outstanding by adapting buffet food serving which provides variety kinds of food for tasting and having with beautiful and attractive decoration. After sufficient tasting, consumers will be able to select the most wanted things confidently. As a result, Beauty Buffet applies the same concept by providing many products for selection and decorating its shops to be attractive, including providing friendly service. The shops allow customer testing products before buying to receive the one which matches their requirement. Beauty Buffet put chef's statue, designed pursuant to the shop's slogan of "The Most Delicious Beauty Shop in Town", in front of shops to attract customers. Key concepts of Beauty Buffet are:

- Easy Access
- Variety
- All in One
- Reasonable Price
- Fun and Excitement

To be consistent with Beauty Buffet's concept, the shops include several products in multi-brands which were selected and determined by different identity, pricing, and market positioning to meet various needs of prospects. This will bring wider group of customers to Beauty Buffet.

Now the products in Beauty Buffet's shops can be categorized as make-up, skin care, and accessories. All of them will be sold under the four brands with private labels as follows.



GINO McCRAY
The Professional Make Up

A brand of make-up and accessories with pattern, color, packaging identity, and pricing that are designed to be suitable for working-age customers, including professional make-up artist. The products sold under GINO McCray can be categorized into 4 series of Pro Make-Up, Pink Passion, Heritage, and The Artist. Each of them has different tone, identity, and product positioning available for customer's selection.



THE BAKERY
SWEET & DELICIOUS

A brand of make-up items and accessories in the same category as GINO McCray. To match with teenagers or new users' need, it comes with trendy pattern and brilliant colors with lower price than GINO McCray.



SCENTIO
Inspired by nature

A brand of personal care products, e.g. body bath, shampoo, conditioner, face and body cream, skin scrubbing cream, hand and foot cream, which are composed of natural extracts and provide deep nourishing for whole body.



LANSLEY
BEAUTY AND WELL-BEING

A brand of functional skin care, e.g. facial whitening, body fit, flawless, and stretch mark products and food supplement, which enhance your appearance and reduce defects.

PRODUCT HERO 2014
BEAUTY BUFFET



PRODUCT RECOMMEND 2014
BEAUTY BUFFET



NEW PRODUCT 2014
BEAUTY BUFFET







Natural Crafted Beauty

Beauty Cottage

“Beauty Cottage” is a concept to present products which composed of natural extracts in vintage shop and package by focusing on balancing between art & craft. Beauty Cottage’s shops and products are designed in natural art style mix with gentle of western lady in Victorian age under the slogan of “Natural Crafted Beauty” which cause classy and luxury style.

All products under Beauty Cottage’s concept are sold in the single brand of “Beauty Cottage” and categorized into 3 types of make-up, skin care, and accessories. The key focus is on raw materials selection i.e. extracts of flower, fruit, vegetable, herbal, and other plants, which have good properties of skin nourishing, skin moisturizing, skin firming, stretch mark reducing, including skin brightening.

Beauty Cottage is outstanding in selling of skin care products by grouping them based on extracts compositions. One sample group is the product with milk protein and wall nut extracts, i.e. body bath, body scrub, body care, and body spray, which help in body firming and whitening. Another example is the group of products with olive extracts, i.e. facial cream, face and eye serum, and facial massage cream, which help in skin nourishing, skin moisturizing, stretch mark reducing. The product grouping can help customer to select the products that completely match with their requirement.



Beauty Cottage focuses on selling the cosmetics with color from natural extracts according to the concept of natural beauty, e.g. eye shadow and brush-on with color extracted from berry fruits, including skin nourishing by mix ingredients of Vitamin E, Collagen, Aloe Vera, etc. Moreover, there is facial treatment in some Beauty Cottage’s shops for service integration.

In addition, products of Beauty Cottage stay in more premium market position than Beauty Buffet with higher price and focus on the target group who are mainly concern in deep nourishing by natural products. On the other hand, Beauty Buffet’s products focus on the target group who love in colorful, trendy, and variety of products.

PRODUCT HERO 2014 BEAUTY COTTAGE



Milk & Walnut

Forever Beauty



Victorian Romance



PRODUCT RECOMMEND 2014 BEAUTY COTTAGE

Green Apple & Sage



NEW PRODUCT 2014
BEAUTY COTTAGE





Beauty Market

Beauty Market concept was launched in the 3rd quarter of 2013 by representing in large multi-brands stores. This concept combined idea of shopping for various products in supermarkets and convenience stores with feeling excited from cosmetics shopping in beauty specialty store where focuses specifically on beauty products sale. Its stores have almost 300 famous brands, both local brands and inter brands e.g. America, Europe, Korea, Japan, etc., containing around 4,000 - 9,000 SKUs of beauty products. In addition, there are products of a selective brand, Beauty Cuisine, sold only in Beauty Market's stores.



Beauty Cuisine

The products sold in Beauty Market's stores comprised of make-up, face care, body hygiene, body care, perfume, hair care, deodorant, beauty drink&food supplement, accessories and men's care.. The samples of brands in Beauty Market's stores are as follows;



The Supermarket of Beauty





Made In Nature

In the 2nd quarter of 2013, the Company launched “Made In Nature” concept with 2 KUs of natural products, i.e. body bath and skin lotion, under the slogan of “Live a Natural Life”. The product’s package comes with natural color containing premium mass products which are sold in large retail shops or modern trade stores. In 2013, the Company launched 5 SKUs of new Made In Nature’s products under the concept of “Collagen&Q10”. The active ingredients of these series were imported from Korea to completely fulfil customer need. And in 2014, there are new products for 2 SKUs including Face-Mask Product and Cleansing Foam, therefore, currently, Made in Nature Product consists of 9 SKUs as follows

1. Made In Nature Goat Milk UV Body Lotion
2. Made In Nature Goat Milk Cream Bath
3. Made in nature Goat Milk White&Firm Sleeping Mask
4. Made in nature Goat Milk Foam Cleanser
5. Made in nature Collagen&Q10 White Booster Body Serum
6. Made in nature Collagen&Q10 White Night Booster Body Treatment
7. Made in nature Collagen&Q10 White&Bright Foam Cleanser
8. Made in nature Collagen&Q10 White Booster Shower Cream
9. Made in nature Collagen&Q10 Mineral Water Spray



I love all things girly
Girly girl
 ガーリー ガール

Girly Girl

At the end of 4th quarter of 2013, the Company launched 8 SKUs of new products under Girly Girl brand. These products are fighting brand in skin care and teenager cosmetics categories with the concept of "White&Baby". The active ingredients were imported from Japan. The trendy and young-look package came with compact size of products to be suitable for selling via convenience stores and catalog, e.g. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade, so that it's easy to penetrate into the target group who are teenager. And in 2014, there are new products for 3 SKUs including Nourishing Face Serum; therefore, currently, Made in Nature Product consists of 11 SKUs as follows

1. Girly Girl Baby Pink Lips Treatment
2. Girly Girl BB Wonder White Body Lotion
3. Girly Girl White Hyaluronate Serum
4. Girly Girl Baby Face Hyaluronate Serum
5. Girly Girl V-Series Hyaluronate Serum
6. Girly Girl Baby Face Hyaluronate Serum Mask Sheet
7. Girly Girl White Hyaluronate Serum Mask Sheet
8. Girly Girl V-Series Hyaluronate Serum Mask Sheet
9. Girly Girl Pore minimizing Pure serum Essence
10. Girly Girl White Pure serum Essence
11. Girly Girl Collagen Pure serum Essence

I love
 all things
 girly

Active ingredients From Japan

Key Operation Policy

As the Company has its major revenue from product sale via retail shops, the key policy focus on efficient shop management. The Company also has other supplementary policies, i.e. location decision policy, pricing policy, and inventory management policy, to smooth its business expansion and achieve customer's satisfaction as per the following details.

• Shop Management Policy

The Company use the home model for business management as per details shown in the following figure;



The Company's policy for shop management has key principal that all compositions in a shop should be matched and support one another. This implied foundation, pole, beam, and roof of a house. Each part must be connected unitedly to build a secure, beautiful, and comfortable house.

A retail shop can be compared with a house. All compositions; pattern, products, management, including sale; must be combined in perfect ratio to boost sale and achieve customer's satisfaction.

The compositions of home model imply meaning and importance as follows;

Roof means customers who imply a roof of house or the top of sale that make all compositions stable. The Company focuses on building good relationship with customers, studying customer's taste and needs, presenting suitable products and promotion for each customer, provide good treatment to customer, and also respect customer.

Beam means sale volume which implies sale boosting to support a roof which means customer. The Company has set both company's target and individual shop's target, then follow up all progress periodically so that strategy modification can be done promptly if required. Performance evaluation is made by counting of people entry, number of bills, sale volume per bill, and number of memberships. This can also evaluate employees' performance and successfulness of promotion campaign. In addition, the Company provides training for its employees regarding sale technique, e.g. how to sell during low and peak numbers of customers, how to persuade customers to entry the shop.

4 Poles means the parts to support and interface with customer and create sale, which are

- Shop: Decoration can also make better sale environment. Beauty Buffet and Beauty Cottage decorate their shops in different style, although, each shop is based on same standard to make customers accustom and comfort in buying in any shops.
- Product: In addition to product quality and attractive package, the Company also concerns in product presentation e.g. product arrangement, product display, tester, price label ordering, which can attract customer.
- Sale Force: It means salesman performance. The Company has its policy to provide training about product knowledge and service standard to employees. In addition, salesman are assigned in suitable numbers matching with shop's size and number of customers in each area to maximize sales efficiency.

- Marketing tools: They are different activities of sales promotion which are continuously held by the Company to retain existing customers and attract new customers. The Company has its policy to arrange new marketing activities to match with customers' lifestyle and meet their requirements. Thus, the activities are designed for both member and non-member groups for continue joining of customers. In addition, the Company has satisfaction guarantee campaign by allowing customers returning products within 14 days after the date of receipt. Customer can request for refund or changing of products at buying point. Such policy is developed to creating confidence in product quality. However, there were only a few customers returned the products.

Foundation means management which can support and enhance the poles to be strong and stay in good condition. The management of the Company is responsible for managing of products, personnel, documentation to smooth shops' operation and maximize their efficiency.

● *Location Decision Policy*

As growth of company's business depends on retail shop expansion, thus shop location is a key factor for its achievement. Now the Company has its policy to locate most shops in department stores; e.g. Central Plaza, Robinson, The Mall, Major; including big supermarkets, e.g. Lotus, Big C. The Company has location advantage because our shops is interesting and is acceptable for many department stores, then they treat us as their key account. When any department stores will have new subsidiaries, they will send the Company their layouts for selecting shop location. The Company has criteria to select shop location as follows;

Overview consideration, e.g. the province of such subsidiaries, are they near community or university?, income per capita of population in the area.

Location consideration, e.g. how many of people should pass such location? Is it near a theatre, supermarket, or escalators?

After considering suitable location, the Company will run sale forecast compared to sale volume of other shops in the same province or nearby. The consideration includes rental fee per sale because it is the most significant in administration expenses. If the ratio is acceptable, the Company will start rental process. However, the Company may consider opening its shop in the subsidiaries with high rental fee, if such location can enhance Company's image or support public relation, e.g. shop in BTS station or department stores at the central of Bangkok.

In addition, the Company will analyze turnover of each shop periodically and may consider closing down some unachieved shops where cannot increase their sale. In 2014, 3 branches were shut down from total 295 branches including 2 Beauty Buffet Shops because the lease agreement with the landlord is terminated and it cannot be renewed, so they are closed and a Beauty Cottage Shop as a result of lease agreement termination with the department store.

Beauty However, business development team and interior design team of the Company have the plan to find replacement place for those 3 closed shops to cover customers' needs.

● *Pricing Policy*

Management of the Company engages in launching new products continuously to response trendy consumers. R&D and purchasing team will coordinate with sales and marketing team to design basic concept and formula of the products to meet market requirement. The price will be set in the suitable range for market situation of both direct and indirect competitors, including correspond with current price range. After that the team will coordinate with manufacturer for production plan by controlling raw materials' price and operating expenses in the limit level.

The Company's pricing policy starts by setting the product's price, then create production plan to be corresponding with the set price. This approach receive the benefit in controlling price range of all products in competitive level, including gain reasonable gross profit margin.

Regarding outsourcing products, that are mainly sold in Beauty Market, R&D and purchasing team will coordinate with sales and marketing team of Beauty Market will select supplier by studying market opportunity, purchasing terms and conditions, making price comparison with competitors. After that, they will set the reasonable price by major concerning in gross profit margin.

● *Inventory Management Policy*

In addition to attractive and efficient shops management, inventory management is another key factor which is important to business operation. As the Company has variety kinds of products with plenty of SKUs and all of them have certain expiry date that are around 2.5-5 years after manufacturing date, thus the Company has to develop the inventory management policy for consistency among central warehouse and all shops' warehouse. The policy focus on reducing risks of obsolete products and avoid selling expired products to customers, which can discredit the Company's image. Moreover, the policy is set to avoid product loss which mainly affect the Company's cost.

● *Warehouse Management Policy*

The Company implement C-Smile program for inventory management of central warehouse and link it with POS (Point of Sales) that used for sale and inventory management of each shop. Inventory summary of each shop will be linked to update the inventory of central warehouse so that overall inventory can be checked at the central warehouse. In addition, the physical stock check will be done in monthly basis.

For good inventory management, order of outsourcing products will be minimize as less as good purchasing conditions can be maintained. The Company will manage inventory turnover efficiently by keeping sufficient stock and avoid losing of sales opportunity from stock shortage.

Nevertheless, the company uses First in – First out policy by giving precedence to designing product display to be corresponding to policy of ABC Product analysis, Inventory Day management and Product Aging Management so that products are properly circulated. Moreover, the large storage will inspect remaining life of all products regularly and has a policy to manage products by categorizing with remaining life of products as follows.

- The products with remaining life of 15 months will be grouped as the monitored products. The Company will calculate covered date by considering inventory per sale. If the result shows that there is a risk of uncovered sale, the Company will notice staff of each shop to boost sale of such products. R&D and purchasing team, including sales team will follow up for inventory of this product group for further plan and purchase.

- If there are any products with remaining life of 8 - 12 months, warehouse team will inform R&D and purchasing team, marketing and sales team to establish some promotion campaign for boosting sale so that such products can be quick distributed and avoid obsoleting.

- For the products with remaining life of 5 - 7 months, higher level of promotion such as clearance sales will be arranged to stimulate their turnover.

- For the products with remaining life less than 4 months, the central warehouse will not deliver them for sale at any shops. However, there was no record of any inventory with remaining life less than 4 months.

- For Consignment, the company agrees with the consignor to switch or return products in case they are found damaged or nearly expired or its sales do not reach expectation.

In addition to inventory management, the C-Smile and POS program also have key function in recording of customers' information and sales history. Both systems will record general information of customers, date of purchase, including all purchased products which will be useful for CRM (Customer Relationship Management).

• *Stock obsolescence allowance policy*

The Company has its policy to set the allowance of stock obsolescence by considering products' life. The products are categorized into 2 types which are finished goods and packages. Regarding finished goods, there are several kinds of them, e.g. make-up, facial care, body care, hair care, gift set. The policy will be set differently based on product's life of each type. The highest allowance of 100 will be set for the products with longer life than 3 years. However, as of December 31, 2014 and 2013, there were the finished goods that had been stored for longer than 1 year at 1.24 and 0.06 million baht respectively (exclude defected inventory). In 2014, there were the finished goods that had been stored for longer than 2 years at 0.01 million baht. Regarding packages, which have longer life than finished goods, as of December 31, 2014 and 2013 there were the packages that been stored for longer than 2 years at 0.38 and 0.25 million baht respectively.

Regarding damaged products, expired products, or packages of obsolete products that unable to reuse; the Company has its policy to separate them in defect inventory. All defect inventories will be set the obsolescence allowance at 100 and stored separately for deposit in accordance with the rule of Revenue Department. However, there were not any expired item identified as defect inventory.

• *Loss Protection Policy*

Although the Company set up monthly physical stock take at each shop, the loss can be taken because of small piece and large quantity of products. Thus, the Company established the policy to set up a monthly budget to be intensive for shops' staff. If any shop operates its business without product loss, all staff of such shop will receive full amount of such intensive. On the other hand, if there is product loss in any shop, the staff of such shop must compensate for the lost product in reasonable amount. This policy focuses on team work. However, there were a few lost products in the part, equal to 0.2 % of total sale.

“Bringing products to reach customers nationwide and expanding into regional level.”

Marketing and Competition

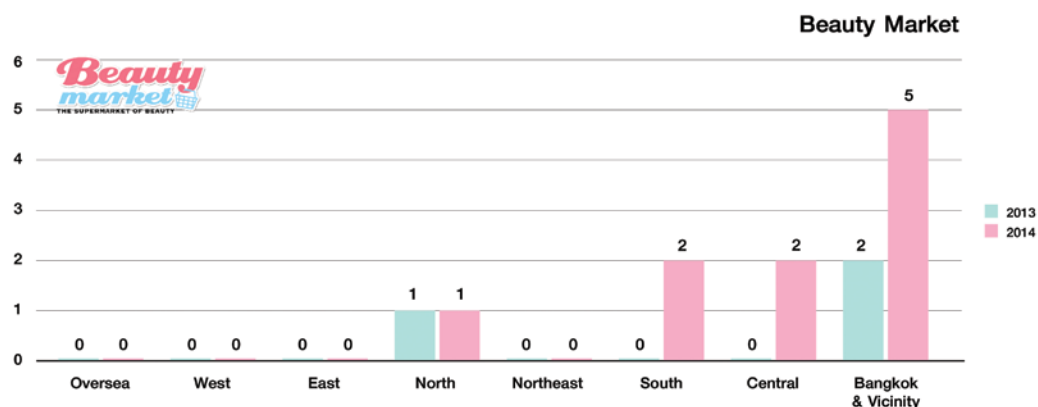
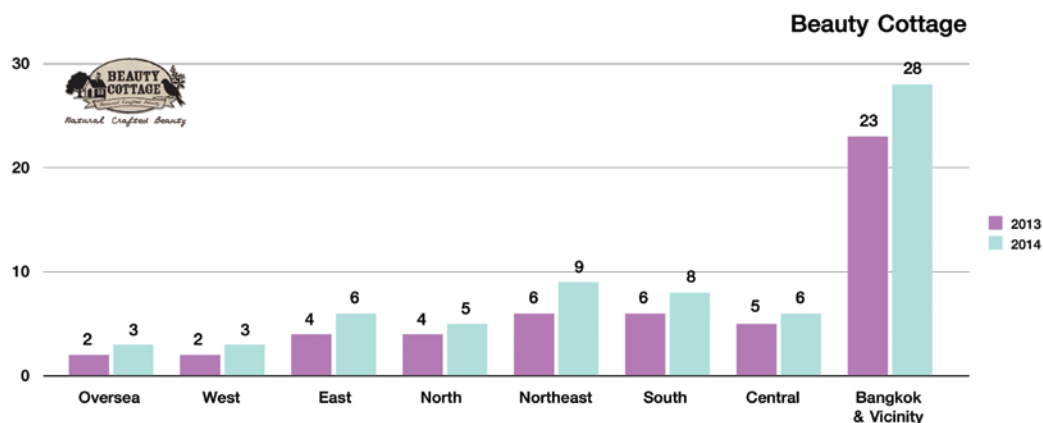
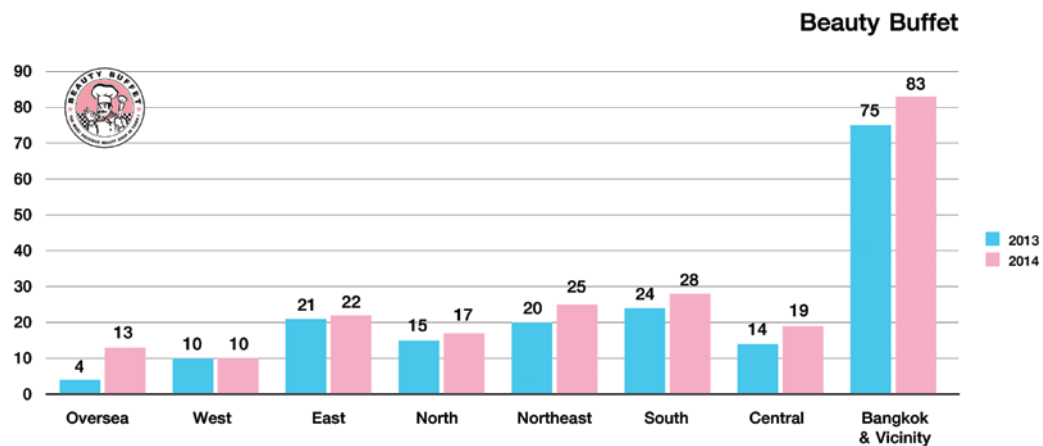
Distribution Channel

The Company has 5 distribution channels as follows;

1 Company's shops

The Company use its retail shops as main distribution channels of Beauty Buffet Beauty Cottage and Beauty Market . The Company had average sales volume through its shops at 95% of total sale in 2014 and 2013 respectively. The first shop of Beauty Buffet started opening in 2006 at Central Department Store, Wongsawang, while the first shop of Beauty Cottage started opening in the 3rd quarter in 2011 at Central Plaza, Ladprao. The first store of Beauty Market started opening in the 3rd quarter in 2013 at Seacon Square, Srinakarin. Shops under those concept were expanded continuously. The number of shops at the end of 2014 and 2013 were shown in the table below.

Number of shops by region



Number of shop by Shopping center

Shopping center	Number of Beauty Buffet Branch			Number of Beauty Cottage Branch			Number of Beauty Market Branch		
	2014	2013	Changed	2014	2013	Changed	2014	2013	Changed
Tesco Lotus	76	65	11	7	5	2	1	-	1
Big C	43	41	2	6	5	1	-	-	-
Central Plaza	25	22	3	21	20	1	4	1	3
The Mall	6	6	0	5	5	0	-	-	-
Robinson	11	7	4	10	5	5	-	-	-
Major Cineplex	4	4	0	-	-	-	-	-	-
BTS	3	4	-1	-	-	-	-	-	-
Secon Square	2	2	-	2	2	-	1	1	-
MBK	2	2	-	-	-	-	-	-	-
Other	32	26	6	14	8	6	4	1	3
Oversea	13	4	9	3	2	1	-	-	-
Grand Total	217	183	34	68	52	16	10	3	7

2 Franchises

In the past, the Company had its policy to expand retail shops of Beauty Buffet by franchising. Now the Company has the policy to expand domestic shops by itself and will not open for franchise at this time. Currently, there are 6 branches of franchise shops. However, the Company still allows the existing franchisees to continue their distribution by entering franchise agreement in written for clear management. In 2014 and 2013, the Company had average sales volume through franchises around 1.62 % and 2.45 % of total revenue respectively.

3 Wholesale (domestic and international)

The Company also make wholesale available for any distributor who requires selling the products in the area without any Company's shop. However, the Company does not focus on wholesale distribution. Thus the more Company's shops opened, the less revenue from this channel.

For international market, the Company has its policy to find some distributors who accustom with each area for selling the products. This because the Company lack of professional in area, including procedures and rules of shop establishment in foreign countries. In 2012, the Company started selling through the first distributor in Cambodia by using pattern of Beauty Buffet's retail shop, which were controlled for decoration and service quality according to the same standard as the shops in Thailand. On 31 December 2014, Beauty Buffet had 13 retail branches in oversea (Cambodia 4 branches, Vietnam 4 branches, Laos 1 branch and Myanmar 1 branch) and Beauty Cottage had 3 retail branches in oversea (Cambodia 1 branch, Laos 1 branch and Myanmar 1 branch). In 2014 and 2013, the Company had average sales volume through wholesale at 1.00 % and 0.96 % of total sale respectively.

4 Modern Trade

Large retail shop or modern trade became a distribution channel of Made In Nature since the middle of 2012. It focuses on sale in large supermarket e.g. Villa Market, TOPs, Foodland, Gourmet Market (The Mall), Golden Place, Fuji Supermarket, 7-Catalog. The products are positioned in "Premium Mass" which represent high quality products for several target groups in competitive price level.

Moreover, in 2014 Girly Girl products which are skincare products are distributed through following channels

- 293 branches of 4-brand convenient stores including 1) CJ Express, 2) Jiffy, 3) Tops 4) Nine Cosmetic and in February 2014, products are distributed in 100 branches of 7-11 for a month with amount of 2 SKUs
- 3 Catalogs including Friday Catalog, 7-11 Catalog and Sarah Catalog By TV Direct
- 11 E-commerce channels including 9 Third party websites and 2 internal websites which are Facebook: Beautyplaza and Beautyplazaonline.com. It is tested on 30 October 2014 and it will be inaugurated in second quarter of 2015

In 2014 and 2013, the Company had average sales volume through modern trade at 1.85 % and 1.42 % of total sale respectively.

5 Other distribution channels

Selling through other distribution channels, i.e. selling for the Company's employees in welfare's price, including selling in Beauty Open House, where the products with special discount are sold in special occasion such as the year end. In 2014 and 2013, the Company had average sales volume through other distribution channels at 0.63 % and 0.52 % of total sale respectively

Marketing Strategies

The Company has developed marketing strategies by considering customer buying behavior. In management's point of view about make-up and skin care products, customers previously engaged in the product itself or high product loyalty. Such trend seemed to be decline as the time pass because manufacturers could develop their products to have similar qualification and quality. Thus, in make-up and skin care market, both current and future trend, will compete mainly in building of brand loyalty and create brand value. However, each brand cannot be created to meet all market's or consumer's needs. As a result, the Company focuses on creating variety, confidence, and value-added for each brand; determining different market positions to cover customers' requirement; including engage in customer retention of each brand. The market strategies of the Company are

● *Branding Strategies*

Currently, the Company achieves in creating the concepts or brands of Beauty Buffet, Beauty Cottage, and Beauty Market to be aware or recognized by the target group. The major revenue of the Company comes from selling of products through retail shops. The Company has Made In Nature's products 9 SKUs for larger consumer group to be sold through modern trade. Girly Girl's products 11 SKUs for selling through convenience stores and catalogs, i.e. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade. The Company has the concept of branding strategies as follows;

- *Brand identity*

The Company makes brand recognition for consumers by creating brand identity. The identities of each brand are as follows;

- (1) Beauty Buffet: product variety as buffet food;
- (2) Beauty Cottage: classy luxury;
- (3) Beauty Market: beauty supermarket presenting in beauty specialty store;
- (4) Made In Nature: implies to nature;
- (5) Girly Girl: a fighting brand under the concept of 'White&Baby' with the active Ingredient imported from Japan, small product size, and reasonable price.

The Company has designed products and packages, including shop decoration by matching with each product's identity. Such identities are key factors in determination of target group, price range, and marketing approach for each brand. In addition, the Company has its policy to develop new concept or brand which is different from the existing ones for different target group. This is diversification of depending on any brand with expectation to create sustainable growth of the Company.

- *Service Differentiate*

Beauty Buffet, Beauty Cottage, and Beauty Market do not focus only product sale, but also present overall beauty concept. Customer will receive friendly service. The staff, who receive training as the Company's standard, can suggest make-up method which is suitable for each customer's characteristic, including suggestion of the product to suit skin condition. The objectives are to make customer feel comfortable in product selection, feel confident and easy access to the Company's products. However, consumer will receive better service compared to other make-up retail shops which have similar price range.

● *Branding for market approach through other distribution channels*

Branding for market approach through new distribution channel is a pattern of marketing strategy of the Company. In 2013-2014, the Company has developed Beauty Market brand for wholesale. The Company has launched new 5 SKUs of Made In Nature's products to be sold through modern trade. In addition, new 8 SKUs of Girly Girl's products, which are fighting brand in skin care and teenager make-up groups, have also been launched for selling through convenience stores and catalogs, i.e. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade. Those are different channels from the existing ones where can help increasing customer base. The Company also has its policy to create more brands for selling beauty products in other distribution channels.

● *Customer Retention Strategy*

In addition to new concept or brand development for penetrating into many target groups, retention of existing customer base or creation of recurring revenue is a key factor for business and income sustainability. Thus, the Company engages in customer retention strategy as follows;

- *Increasing distribution channels*

The Company has its policy to expand shops continuously, starting from shop opening in Bangkok and territories for consumer awareness then penetrate into other regions. Currently, Beauty Buffet has its shops nationwide, while Beauty Cottage started expanding to large provinces in each region for easy access, recurring buying conveniently, including creating brand recognition. Beauty Market plans to build more stores in Bangkok, territories, and large provinces. Girly Girl plans to sell its products through convenience stores and catalogs, i.e. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade. In addition, the Company has a plan to increase distribution channel through e-commerce system for more convenience and easy access.

- Maintain product's quality together with new product development

Product's quality is a key factor to create recurring revenue. As Consumer's satisfaction and good attitude to the brand comes from good quality and reasonable price of product, thus the Company focuses on developing and maintaining product's quality to be suitable for Thai skin nature and color. The product will be tested in every batch to make customer confident in product's quality and suitability for user. In addition, the Company engages in launching new product continuously to response customer's trend. Since popularity in make-up market is dynamic and there are new inter brands coming from Korea and Japan that have the same target group, thus the Company has created product development strategy by doing market survey in Thailand and international market continuously. The survey result is used for development of product's pattern to be matched with consumer's trend. The Company has its policy to widely open for manufacturer selection. The Company will either order from some factory located in Thailand, Thai company or international company e.g. Japanese company; or import from some factory located in foreign countries e.g. Korea, to develop product quality to be suitable for competition and quick response to consumer's needs.

- Customer Relationship Management

The Company has developed information system to store customer database for the purpose of Customer Relationship Management (CRM) which can specifically response customer needs. The CRM system will be started by promoting membership campaign to customers. Customers should be persuaded by offering member discount and free membership application during shop opening period or when their buying reach set amount. Once customers become member, the Company will record general personal information i.e. address, age, gender, education, etc., including individual buying information e.g. buying pattern, frequency, frequent bought product, comment to product, other specific requirement.

By using those information, the Company will be able to create marketing activities and sales promotion corresponding to the target group's needs. In 2013, the Company launched

1. Point Redemtion campaign of Beauty Buffet and Beauty Cottage (Launch Campaign : March 2014) for customers.
2. The member will receive some points for collection and then exchange with product discount. This campaign is also planned to be used with other distribution channels.
3. "Special For Privilege Member" was a campaign allowing members buying new products earlier than non-member customers with 20% discount.
4. "Midnight Sale" was a campaign giving double points to members who bought products at Central and The Mall during the midnight sale.
5. X3 points for members of Beauty Buffet when purchasing products on every Thursday and X2 points for Beauty Cottage members that purchase products on every Wednesday.
6. "Funny Birthday Shopping" was a campaign providing 25% discount for Beauty Buffet's members and 20% discount for Beauty Cottage's members who went shopping in their birth month. In addition, staff can browse members' buying history at any time to match the products with customers' requirement or to solve customers' problem in time.

Customer Relationship Management (CRM)



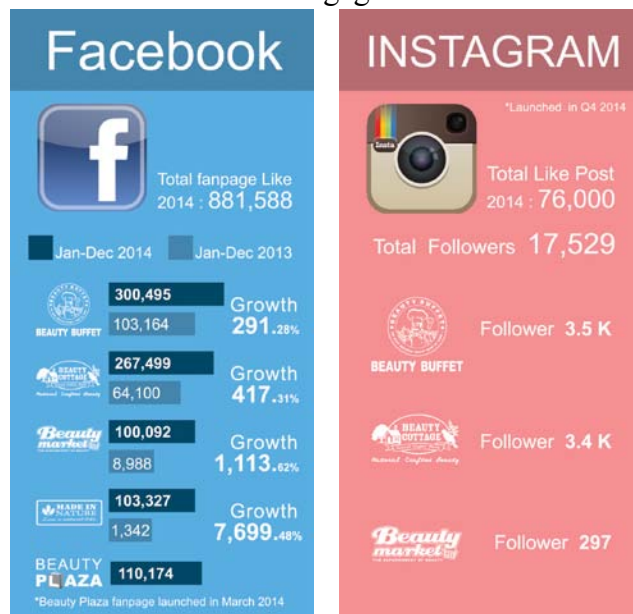
● “Beauty Community” creation

As online media plays more important roles in communication nowadays, the Company recognizes marketing opportunity to approach the target group via many kind of internet media. Those media can support convenience and rapid interaction with customers. Thus, the Company can know individual need, including product or service problem. The Company has created many online media as follows;

FOR BEAUTY BUFFET	WEBSITE : WWW.BEAUTYBUFFETSHOP.COM FACEBOOK : WWW.FACEBOOK.COM/BEAUTYBUFFETFANPAGE YOUTUBE CHANNEL: BEAUTYBUFFET LIVE INSTAGRAM : BEAUTYBUFFETSHOP
FOR BEAUTY COTTAGE	WEBSITE : WWW.BEAUTYCOTTAGESHOP.COM FACEBOOK : WWW.FACEBOOK.COM/BEAUTYCOTTAGESHOP YOUTUBE CHANNEL: BEAUTYBUFFETCOTTAGESHOP INSTAGRAM : BEAUTYCOTTAGESHOP
FOR BEAUTY MARKET	WEBSITE : WWW.BEAUTYMARKET-SHOP.COM FACEBOOK : WWW.FACEBOOK.COM/BEAUTYMARKETFANPAGE INSTAGRAM : BEAUTYMARKETSHOP
FOR MADE IN NATURE	WEBSITE : WWW.MADE-IN-NATURE.COM FACEBOOK : WWW.FACEBOOK.COM/MADEINNATUREFANPAGE

Creating of such online media not only focus on information delivery for public relation and sales promotion, but also present life style that match with brand's concept. The online media can increase interesting and create customers' engagement in presenting new idea e.g. new make-up style, implementing brand decoration to daily life. Moreover, there were many activities e.g. make-up contest, arranged for attract customer to follow up in the pattern of “Beauty Community”. The “Beauty Community” is create to create two-way communication and long-term relationship with customers. The Company implies the host of community, while customers imply the Company's friends who come to visit the community.

Social Media 2014 = Engagement Achievements



Co Branding Workshop



● Continuous Promotion Campaign

The Company create sales promotions for all distribution channels continuously to deliver information to consumers via both traditional media and digital media in various patterns. They help emphasize consumers' recognition and provide information of new product. The Company make public relation in the following media to reach the target group.

- Free TV advertisement media – VTR of Ruang Lao Chao Ni that is the most favorite program for news follow up;
 - Magazines – emphasize on the target and popular magazines in Thailand, e.g. CLEO ,In Style Ray's, S Cawaii , Koosangkoosom, Praew;
 - Publishing some information in many channels, e.g. www.pantip.com, www.jeban.com, www.sanook.com and some magazines, e.g. Lisa, CLEO, Marie Claire, Instyle ,Ray's, S Cawaii, Lips, etc.;
 - Receive excellent products award from popular magazines, determined by well-known Beauty Editor ,Beauty Bloggers, and Makeup Artist from CLEO , In Style, Lips;
 - Promote via digital media for rapid communication.
- Emphasize brand and products awareness through well-known bloggers, who really use the products; and micro agencies, users who really use the products and then tell other consumers via digital media.

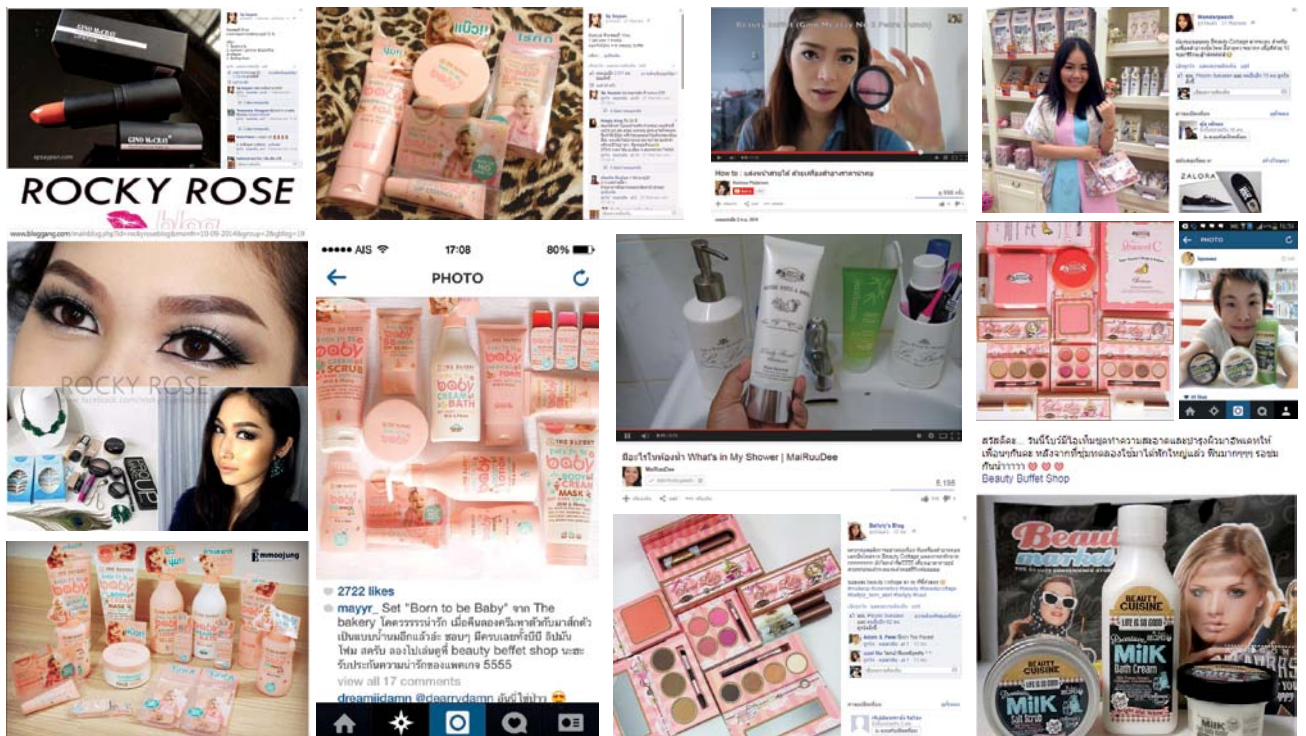
Now the Company creates brand recognition for all of its brands via traditional media and Digital media for easy access and maximize effectiveness of advertisement.



Traditional PR & TIE IN



Viral Marketing : Bloggers & Micro Agencies



Target Group

Since the Company's products are consumer products and the Company focuses on retail business, thus the target group are end-user, especially women who love using make-up and skin care more than men. The products; that are sold through Beauty Buffet, Beauty Cottage, Beauty Market, modern trade, convenience store, catalog, and traditional trade; are placed in different market positions. Thus, the target group of each product are different.

● *Target Group of Beauty Buffet*

The products sold in Beauty Buffet's shops are variety and colorful with lower price, compared to other make-up sold in other retail shops. Thus, the target group vary from teenager in junior high school to working age, who require using cosmetics for self-treatment and trendy personality.

● *Target Group of Beauty Cottage*

The products sold in Beauty Cottage's shops are skin care that are made from several natural extracts and contained in attractive package. Thus, the target group vary from university student to working age, who require higher level of treatment with classy luxury personality.

● *Target Group of Beauty Market*

The products sold in Beauty Market's shops are Multi-Brands cosmetics, categorized into make-up, face care, body hygiene, body care, perfume, hair care, deodorant, beauty drink&food supplement, accessories and men's care.. Thus, the target group are both women and men in all age, who require using cosmetics and treatment product for self-treatment and trendy personality.

● *Target Group of Made In Nature*

Made In Nature's products, that are sold through modern trade, are the products for daily life. They are differentiated by using high-quality raw materials and made from natural essence. Thus, the target group are both women and men, who engage in self-treatment and being customers of supermarket.

● *Target Group of Girly Girl*

Girly Girl's products; that are sold through convenience stores and catalog, e.g. 7-11, Family Mart, 7-Catalog, Friday Catalog, and traditional trade; are skin cares and teenager cosmetics for using in daily life. They are differentiated by using raw materials imported from Japan. Thus, the target group are women vary from teenager to working age, who engage in beauty treatment and being customers of the above distribution channels.

Industry and Competitive Situation

1. Industry Situation

● Opportunity in Thailand

In Thailand, the cosmetics market has been growing up continuously because cosmetics and skin care products are most favorite consumer products for daily life. This is specifically in women in all ages who require enhance their personality and take good care of their skin for good looking. Now many men also use cosmetics and skin care products to take care of themselves. We can notice that many advertisements focus on men as the target group. There are more products imported from other countries penetrating into middle-end and low-end market. In addition, there are many SMEs come into this business because cosmetics business has low cost, high return, and low economic impact. The opportunity also comes from consumer behavior that take better care in their personalities. Thus, the cosmetics and skin care market likely to grow up along with higher consumers' demands.



From the above trend, cosmetics market in Thailand will grow up continuously and sustainably. However, both manufacturers and distributors must move along with dynamic consumers' trends to survive their business by doing as follows;

- Improve manufacturing technology with modern innovation to meet consumers' need widely;
- Create outstanding and different image of products for market penetration and build up value-added of products;
- Improve marketing strategies to keep up with risk factor from current economic, create sales promotion activities or communication via many media, create popular branding;
- Cosmetics sale through retail shops and shop expansion must have good sale management system to support business growth;
- Must have wide and cover distribution channels to access large consumer group.

With expansion trend of cosmetics industry and key success factors above, the Company confident that our business will also group up and expand as well as the industry.

● Opportunity in foreign countries

Preparation for entry ASIAN Economic Community (AEC) and opening of Free Trade Area (FTA) cause the duty of most cosmetics products import and export among Thailand and ASEAN countries reduce to 0% since the beginning of 2010. As a result, import and export value of cosmetics in 2010 step up from the previous year and continuously grow up in 2011. By comparison between cosmetics import and export of Thailand, it shows that Thailand gains trade surplus from export compared with other ASEAN countries. Opening of ASIAN Economic Community (AEC) in 2015 will bring many advantages to Thailand as a hub of cosmetics business and manufacturing either for sale domestically or for export sale because there are many cosmetics factory in Thailand operated by both foreign company and Thai company. In addition, Thailand has advantage in cosmetics production knowledge from being hub for long time. We produce world-standard cosmetics for selling in many countries includes AEC countries who have good attitude with Thai products. They love in good quality, beautiful design, and reasonable price of our products. Moreover, Thailand has good system for being a hub of transportation.

Regarding competition trend in cosmetics market, we forecast that there will be pricey products under premium brands from Europe, America, and Japan penetrating into our high-end market. Moreover, there also be cheap and low-quality products from China and Indonesia, where have low labor cost, join competition in low-end market. To have more advantages in competition, especially in middle-end market, Thai entrepreneur should make more improvement in creating individual's brand and product identity for export in the international market (source: information compiling from the document in seminar of "AEC vs challenge of Thai cosmetics industry" and the document of Thai custom department). The Company's products have good quality, attractive design, and reasonable price, thus they are accepted by foreign customers. The key concerns of entrepreneur are to understand lifestyle, skin characters and colors of foreign customers, English language, rules and regulations in government contact. In some countries, especially CLMV group (Cambodia, Laos, Myanmar, and Vietnam), the rules and regulations require interpretation which deems to be obstruction of expansion. However, the Company solve these problems by finding some partners, who are professional and have good relationship with government in each local area, so that the Company expand its business rapidly through distributors to reduce investment risk.

Since the beginning of 2012, the Company started opening cosmetics market internationally, starting from Cambodia. At the end of 2013, there were 6 shops; 4 shops in Cambodia (3 Beauty Buffet's shops and 1 Beauty Cottage's shop) and 2 shops in Vietnam (Beauty Buffet's shop and Beauty Cottage's shop). The Company also has its plan to expand distribution to other countries. We believe that our brand identity, standard quality of products, understanding in skin color and foreign culture, can help increase our competitive opportunity and advantage international market.

2. Competitive Situation

Cosmetics and skin care distributions, both import cosmetics with international trademark and Thai brand, are in high competitive market because they have high market value and tend to have continuous growth. As this business can be started easily by opening a few shops or centers which require low investment and working capital, thus it attracts many new SMEs joining this competition. However, the challenge of new entrepreneur is to operate business in long term because the key competency in competition are to have location advantage and to create brand and products identity to achieve consumers' recognition. Currently, almost outstanding locations are reserved by existing entrepreneurs. Shop expansion and training for plenty of salesman to approach larger consumer groups require high amount of working capital. To make products interesting and attractive require high experience and professional. As a result, many SMEs in cosmetics and skin care distribution business are small and distribute their products in limited area.

The Company's direct competitors, both multinational companies and Thai company, are the distributors who sell cosmetics and skin care products through general retail shops. The Company focuses on the competitors who sell the products with similar characteristics to the Company's products, have their target group vary from teenager to working age, offer similar price range, and specifically, achieve customers' brand recognition and access wide group of consumers. Those competitors are;

Brand	Oriental Princess	Cute Press	BB, BC,BM(1)	Karmarts	The Body Shop	Yves Rocher	Etude House	Skin Food
Distributor	O.P. Natural Product Co., Ltd.	SSUP Bangkok 1991 Co., Ltd.	BEAUTY	Karmarts PLC.	Earth Care Co.,Ltd.	Yves Rocher (Thailand) Co.,Ltd.	Cosmecca Co.,Ltd.	Malachi Co.,Ltd.
Year of establishment	1985	1976	2000	1994 ⁽²⁾	1993	1992	2000	2005
Number of operating years	30 Years	39 Years	15 Years	21 Years	22 Years	23 Years	15 Years	10 Years
Paid Capital ⁽³⁾	78	70	300	396	55	12.5	1	140
Total revenue ⁽⁴⁾	2,991	1,290	997	877	415	437	371	486
Distribution points ⁽⁵⁾	298	231	285	580 ⁽⁶⁾	63	54	40	42

- Notes:
- (1) Beauty Buffet , Beauty Cottage and Beauty Market
 - (2) Karmart PCL was establish in 1994 but it started distributing cosmetics in 2011
 - (3) Million Baht Unit is referred from financial budget ended on 31 December 2012 except SSUP Bangkok 1991 Co., Ltd that is referred from financial budget ended on 31 March 2012 and BEAUTY that had paid authorized capital referred from paid capital after authorization
 - (4) Million Baht Unit is referred from financial budget ended on 31 December 2013
 - (5) Distribution point mean branches including others gathered from website and Facebook of brands in March 2015
 - (6) Karmarts has 80 branches and 500 dealers (data from 56-1 of Karmart PCL 2013)

The Company has revenue growth and shop expansion rapidly. The management consider that our competitive competency and business advantages caused by;

- The Company has various brands under the concept of shop brand, which are Beauty Buffet, Beauty Cottage, and Beauty Market, including other brands with their individual identities to be sold under such shop brand concept. This can increase interesting of the Company's image and products.
- We follow up for both domestic and international market's trend continuously to be guidelines in product development to be in line with consumers' needs.
- The product's quality almost similar to international cosmetics but it is modified to be suitable with skin condition and color of Thai identity.
- The package is designed in good-looking and then attract consumers.
- We split order to many factories where have professional in different kinds of products. This brings us flexibility in production, including new product design.
- Administration system is planned by using computer system in controlling of sale and warehouse management. In addition, the Company has the system to collect customer's information to develop customer relation system so that we can make more understanding in consumers' needs.
- The Company has power to negotiate with department stores regarding shop expansion because we are key account of many department stores. We receive good condition to open new shop more rapidly and have higher negotiation power than other customers.

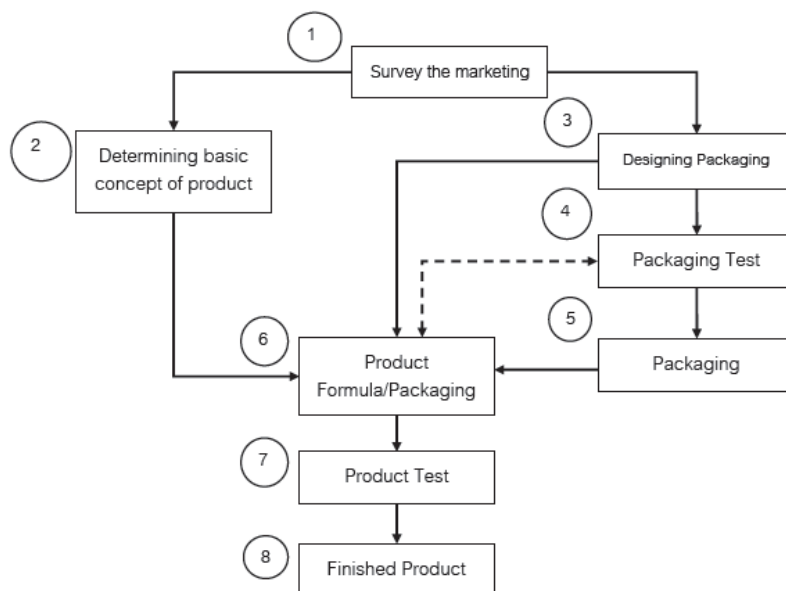
In conclusion, although there is high competitiveness in cosmetics and skin care market caused from both domestic competitors and from import products, which tend to be increased from AEC and FTA, the Company still confident that our competency and business experience can support the Company improvement. Thus, the Company will create competitive advantage in the industry, domestically and internationally, which may support continuous growth in the future.

LOCAL BRAND	BEAUTY	IMPORTED BRAND
Less product variety- Single Brand.	<i>More products and Brand Variety - multibrand, multiconcept.</i>	Mostly Single Brand.
Middle - high price	<i>Offer best products at reasonable price</i>	Very High Price.
Products developed to suit local people skin condition.	<i>Products developed to suit local people skin color and condition.</i>	Some product base and color are not suitable for local people skin color and condition
Plain and unattractive packaging design.	<i>Appealing packaging design.</i>	Appealing packaging design
They operate their own factory and have to manage the raw material which tend to go out of style rapidly due to quick change in trend and popularity, could cause a conflict between marketing and manufacturing unit.	<i>OEM by Various leading manufacturers, flexible in production with specific expertise and potential to produce high quality product comparable to top Brands.</i>	Comparable quality with a higher price.
Limited in some location especially rural small town due to price positioning.	<i>Targeting Mid-End market , accessing a large customer base. With a potential to expand retail and distribution channels and as a key account client, retail space provider gives us a very first opportunity to choose and secure the best retail space.</i>	High end price, high positioning and high target group make it difficult to expand the retail channel to the upcountry.
Limited distribution channel – available only at retail shop.	<i>Available at various distribution channels.</i>	Limited distribution channel – available only at retail shop.

Product Procurement

1. Procurement process

The Company does not have the policy to produce the products by itself. All products are made by many manufacturers who have professional in various kinds of products. The products procurement process are shown below.



New product development is responsible by R&D and purchasing team, corporate with marketing and sales team. The process starts from (1) Survey for popularity and trend of both domestic and international markets; (2) Plan for initial concept of product which means identify initial characteristics and specification of product to meet market requirement. This includes general specification, e.g. color, smell, intensity, specific property such as anti-oxidant and reduce stretch-mark. Then determine the active ingredient which provides specific specification; (3) design the package for such products.

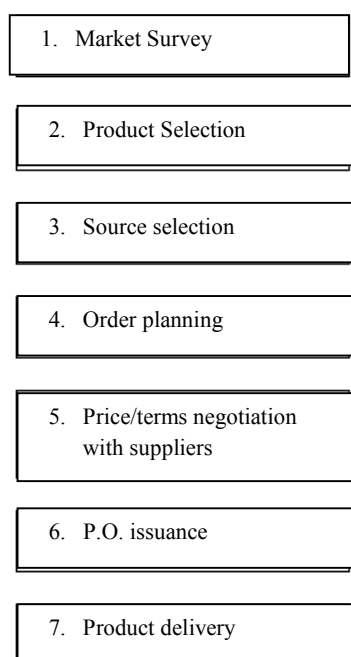
Regarding product production, the Company will find product manufacture and package manufacture separately by (4) the package designed by the Company will be delivered to package manufacturing plant in Thailand and other countries. The prototype of package will be testes at product manufacturing plant to ensure matching of product and package, without leakage or other defect; (5) Produce all packages and deliver them to product manufacturing plant.

After finishing initial concept planning for products (6) R&D tem will make order to manufacturers in Thailand and other countries, who are professional in producing each kind of products. The manufacturers will procure all raw materials by themselves. However, some product manufacturing plant will also be responsible for package manufacturing, depending on professional of each plant; (7) Product will be tested for chemical and physical properties at the plant. Some products with specific chemical properties will be tested outsource for confirmation. In addition, the Company will also test the product by itself to ensure that the product's qualification match with its requirement before sale (8) Finished products for consumers.

Regularly, ordering price will not be changed dynamically. If manufacturers require increasing price, the negotiation must be done in advance. In addition, the Company makes annual plan for manufacturing and new product launching which cause flexibility in selling price adjustment plan.

2. Purchasing Process

In the 3rd quarter of 2013, the Company has launched Beauty Market under the concept of large multi-brands stores which are beauty specialty stores, where focuses specifically on beauty products sale. The store contains almost 300 famous brands, both local brands and inter brands e.g. America, Europe, Korea, Japan, etc., containing around 4,000 - 9,000 SKUs of beauty products. In addition, there are products of a selective brand, Beauty Cuisine, sold only in Beauty Market's stores. Thus, the purchasing process is important for business operation. The process is shown below;



Product purchase is responsible by R&D and purchasing team, corporate with marketing and sales team. The process starts from (1) Survey for popularity and trend of both domestic and international markets; (2) Select the product to be purchase, which means determination of product's characteristics and specification to meet market requirement; (3) Select purchasing source that must be brand's owner or standard source; (4) Plan for order quantity. Since Beauty Market has 4,000-9,000 SKUs, thus the Company try to maximize inventory management efficiency by minimize order quantity which can still keep good purchasing condition. The Company will also maximize efficiency of inventory turnover by keeping sufficient stock and avoid losing of sales opportunity from stock shortage. The ordering policy of Beauty Market focuses on low order quantity for quick stock turnover to meet customers' needs; (5) Price and/or terms negotiation for maximize efficiency to maintain gross profit margin; (6) Issue purchase order according to agreed price and purchasing terms; (7) The suppliers will deliver products to the Company's warehouse. The Company strict seriously on delivery date because low inventory, thus the delivery must be on time for greatest performance of inventory management.

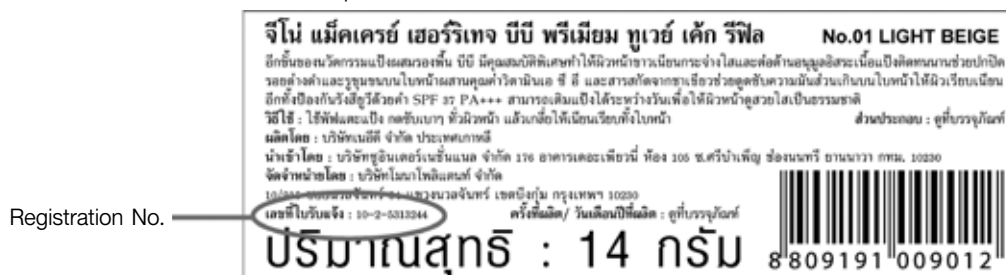
Customer Satisfaction Guarantee

Since 2008, the Company allow customers, who is unsatisfied with any product, returning it within 14 days after the date of receipt. This policy is developed to create customer's confidence in quality and safety, including to collect suggestions about returned product for improvement. However, there were only a few customers returned the products, equal to 0.1% of total sale. Other than customers' suggestion regarding the returned product, the Company has never received any complaint about product's quality from either customer or authorized agent from Food and Drug Administration of Thailand.

Cosmetics and skin care products (exclude accessories) are subjected to receive permission from Food and Drug Administration of Thailand ("FDA") according to the announcement of Ministry of Public Health. There are 2 categories of products, which are

- **Controlled cosmetics:** Ministry of Public Health has determined all cosmetic groups as controlled cosmetics, effective on September 26, 2008. The controlled cosmetics are subjected to submission of cosmetics registration application and presenting registration number on the products label. Most of the Company's cosmetics fall into this category.
- **Specially-controlled cosmetics:** They are the cosmetics composed of specially-controls substance. There are 1 item of the Company's products fall into this category that is Lansley White Cream Body Hair Invisible. Its label must represent registration number and FDA no. for specially-controlled cosmetics.

Label sample of controlled cosmetics



Label sample of specially-controlled cosmetics



Cosmetics manufacturer or importer has responsibility to submission of registration application with FDA. The Company will jointly verify product's label to be comply with Thai law. All of the Company's products have already received FDA's permission.

The Standards of Manufacturer Selection

The company focuses on the quality of manufacturer and distributors, all the manufacturers must have been approved legally by the Food and Drug Administration and there should be the evaluation rules for the manufacturer and distributors. The rules should first focus on the quality. The evaluation rules are classified as below;

• Quality	level/score 50%
• Price	level/score 20%
• Delivery's Punctuality	level/score 10%
• Service	level/score 10%
• Credit	level/score 10%

Most of the company's major manufacturers obtain the GMP Standard (Good Manufacturing Practice) (Some are in process). The company continuously evaluates the manufacturers and distributors in every year for ensuring that each of them can preserve the quality and standard in the appropriated level continuously. Nowadays, the company has got the product supplying from around 36 manufacturers which have its own proficiencies. For the popular products, the company will have 2 manufacturers to supply the product simultaneously.

Environmental problem ---- No

Agreement on the operation of business

• *Beauty Buffet Franchise Agreement*

The company supplies the products in Franchise Program to the 6 distributors and has issued the policy not to permit setting up any franchise in Thailand. However, if one of 6 distributors closes down, the franchisee can move and find another location to set up the business. In this case, the company offers to make the franchise agreement for the obviousness in management. The content of the agreement are as follow;

Agreement (for Franchisee)

No.	Franchisee	Location	Sign date
1	C&N International ordinary partnership by Mr. Praty Levan	Big C (Bangna)	April 1 st , 2011
2	V & P ordinary partnership by Mr. Wasan Korjareun	Big C (Prae)	April 1 st , 2011
3	Chanakarn Trading Assembly by Mr. Weerapol Nantanirun	Central (KornKaen)	April 1 st , 2011
4	Ms. Chanakarn Nantanirun	Big C (Skolnakorn)	April 1 st , 2011
5	Mrs. Nanporn Siri wattana alert	Central (Uttaradit)	July 2 nd , 2011
6	S and V ordinary partnership by Mr. Wasan Kojareun	Tessco Lotus (Udonthani)	July 11 nd , 2011

Relationship: Mr. Praty Levan has served the board and the executive of the company since the second trimester of 2012. there is no any reference to the other company agreement or any board and executives.

Agreement Term: The agreement shall have the effect for 5 years, starting from the sign date. The agreement is extendable in case of the franchisee is not in any infringement and work under the agreement correctly.

Content

- Franchisee has the right to set up the franchise of Beauty Buffet as the stated location.
- Franchisee has to use the "Franchise Beauty Buffet system" which had been indicated by the company. It is including the decoration, pricing, employee training, Product quality control and Services, trading by computer system and etc. these indicating factors is to take the same standard as the original business.
- Any expenses which come from the decoration, employment, rental and etc. would be under the responsibility of the Franchisee.
- The company will sporadically provide the evaluation for preserving the brand's standard of the company.
- Franchisee has no right to transfer any right to another unless getting the commitment from the company. Moreover, as long as the agreement is still effective, Franchisee has no right to adjust or change the rate of shareholders or any investment otherwise getting the commitment from the company.
- All 5 years after the agreement ends, franchisee has to keep all information as the confidence and has not operated any business as the competitor of the company.
- Payment is followed the company policy.

Franchisee's Expenses: Entrance fee which have pay once at the sign date.

Franchisee can purchase the products in the discount rate as in the agreement stated.

In the case that Franchisee need any accessories, Franchiser can provide the accessories or utilities that is necessary to run the business and also support the permanent employee to Franchisee. Franchisee will pay the Franchisor as the reasonable expenses combined with the expenses on operating business.

Franchisee will monthly pay for the transportation charge and service charge to the company as the agreement stated mutually.

The company considers and confirms that all conditions are the same conditions in every agreement.

● *Beauty Buffet Distribution Agreement*

In 2012, the company had expanded market into the foreign countries. The main policy is to set the local distributors for selling the products in the region efficiency. The company starts the policy at Cambodia, it's because we see the capability of distributors. The brief content of agreement is below;

Partner:	Market Five Co., Ltd. ("Distributors")
Relationship:	Distributor has no any relevance with the company.
Agreement Term:	this agreement shall take an effect for 1 year. The effective date is from 31 January, 2014. This agreement is expandable mutually by the written letter.
Content:	• Distributor has the right to distribute or sell the company's products under the trading mark "by Beauty Buffet" "by Beauty Cottage" in Cambodia, Laos, Vietnam ("Sale Territory"). Within the effective date, the distributor has no right to appoint other party as the sale representatives to sell the products in the Sale Territory and the Distributor will not distribute or serve as the sale representatives for same kind of the company's products. • Distributors must build and decorate the work location following the approved structure of the company. • The company will sell the products to the distributor in the retailer price with the discounted rate as the agreement stated mutually and the distributors can adjust the price without the company's commitment. • The Distributor pays the payment in THB, If there is a letter of guarantee worth more than 200,000 baht from Siam Commercial Bank, if there is no letter of guarantee from Siam Commercial Bank, the distributor must pay in full amount before the delivery of goods. • For any claims, the distributor can request for the claim, but the claim price should not exceed over the mutually-agreed price and the action would be taken place within 30 days after the date when the defects were found.

● *Ordering agreement (agreement on the secret of production formula)*

Normally, the company will place orders to the factories that specialize in different productivities. The company offers the agreement to every factory that participate in the production formula. The main point of agreement is to state that the manufacturers will not disclose any formula or ingredient of the products including the processes of the production to any other companies. The manufacturers will not produce the products for distributing without the appointment from the company even if while the manufacturers are still producing the products for the company or the company has terminated the production, all conditions in this agreement shall take effect continuously for 1-3 years. (Each manufacturer has the different terms, but generally between 1-3 years)

Undelivered Order

The company do not provide a manufacturing by customer order, so the company does not have any undelivered order.

Corporate Social Responsibility (CSR)

Beauty Community Public Company Limited was established in 2000 and registered in The Stock Exchange of Thailand on December 2012 with registered capital at 300 million baht. The Company operates retail business of cosmetics and skin care under 5 concepts, those are BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE, and Girly Girl. The Company's business achieved good performance result with continuous growth based on the following guidelines;

Corporate Philosophy:

“ Creative Dynamic Sustainable ”

Vision:

“ We Create Beauty Products For a Beautiful Life ”

Missions:

1. Create unique high quality beauty products to meet the demands of modern life style.
2. Offering the products to the target groups by expanding distribution channels across the country and region.
3. Developing competitive abilities of the organization to support the ever-changing market and enhance sustainable growth.
4. Operating the business with good governance and maximize the benefits of shareholders, employees, and the society.

BEAUTY Core Values

B Beyond customer's Expectation
E Endless Creativity
A Accountability
U Undertake 100 % result
T Trustworthy Teamwork
Y Young lifestyle

Color codes of the Company's logo



The organization's philosophy, vision, missions, value and logo's color codes show that the Company takes roles and responsibilities on shareholders, partners, employees, clients, community, society, and environment into account. In addition, the Company commit in social responsibility by integrating good corporate governance into its policy for efficient, transparent, verifiable management. To create development and sustainable growth, the Company use the following 8 principles as guidelines for its operation.

1. Fair operating practices
2. Anti-Corruption
3. Respect for human rights
4. Fair treatment for labor
5. Consumer Responsibility
6. Environmental Preservation
7. Community or society involvement and development
8. Creation and disclosure of innovation from operation

1. Fair operating practices

The Company respects the rights of every group of stakeholders and has created a policy which is important in treating all stakeholders as follows;

Shareholders:	The Company is committed to dealing businesses with the knowledge and management skills as best as possible in all cases with the honesty and fairness to both major and minor shareholders for the best interest of shareholders as a whole. This includes disclosure of information on a regular basis with completeness and accuracy.
Employees:	The Company will provide fair compensation to employees, maintain the working environment that is safe for life and property and give an emphasis on the development of employees' potential thoroughly and consistently. It will also strictly comply with laws and regulations that are employee-related and avoid any action that is deemed unfair which may affect the career integrity of the employees as well as treat the employees with courtesy and listen to opinions and suggestions from all employee levels equally and fairly.
Clients:	The Company is committed to create customers' satisfaction and confidence, including take care and responsible for customers. Our customers will receive products and services with quality and standards at a reasonable price and comply with applicable standard. The Company will also comply with terms and condition of the agreement entered into by the Company and customer, along with developing higher standard of products and services continuously.
Partners and creditors:	The Company will not practice corruption in dealing businesses with its partners and creditors and is committed to comply with conditions strictly prescribed with creditors, e.g. the purposes of payment, reimbursement, the regulations of the quality of collateral and any other agreements with creditors to achieve mutual benefits.
Competitors:	The Company will conduct operations under the rules of good competition, will not seek competitors' confidential information by dishonest or improper means, and will not damage the reputation of its alleged competitors without unfounded grounds.
Society:	The Company will not take any action that may result in damage to society, natural resources, and environment. Instead, it seeks opportunities to support creative social activities and social responsibility among employees at all levels continuously and seriously as well as to control the practice strictly in accordance with the spirit of the law and regulations issued by regulatory agencies.

2. Anti-Corruption

The Company has defined a business code of conduct to control employees for working with honesty, comply with laws, respect for others' rights, including preserve internal and external environment. Focusing on the business code of conduct will cause honest performance and efficient internal control. As a result, it will generate the confidentiality of capital market and reliability of investor. In addition, the Company has defined a policy about conflict of interests, covering 2 topics which are (1) related items: the Company will consider the appropriateness before carefully making any transaction item or determining the price and condition of any transaction, as if the company is making a transaction with a third party (Arm's Length Basis). Also, the Audit Committee will consider and verify the necessity and reasonability of the transaction; and (2) other situations: the Company will not involve in any other situations which may cause conflict of interests by not requesting, receiving, or making any payment of corruption benefits for other related parties.

3. Respect for Human Rights

The Company is aware of and respects in human rights, including support equality in society. Thus, the employees' welfare committee was established directly from employees' election to be their representative in requesting and communication with the Company's management regarding employees' rights and welfares.

The employees' welfare committee composes of 5 members. The objectives of the committee are to be the employees' representative in consulting, controlling, monitoring, and proposing opinion regarding welfare provision. The committee's authorizations are as follows;

1. To join the consultation with employer for employee's welfares provision;
2. To provide opinion and suggestion to employer for employee's welfares provision;
3. To monitor, control, and take care of employee's welfares provided by employer;
4. To offer opinion and guideline about welfares, which can be employees' benefit, to the employees' welfare committee

4. Fair treatment for labor

The Company has defined in section 3 of the good corporate governance principles regarding employees' topic. The Company will provide fair compensation to employees, maintain the working environment that is safe for life and property and give an emphasis on the development of employees' potential thoroughly and consistently. It will also strictly comply with laws and regulations that are employee-related and avoid any action that is deemed unfair which may affect the career integrity of the employees as well as treat the employees with courtesy and listen to opinions and suggestions from all employee levels equally and fairly.

The Company considers providing financial compensation to employees fairly based on their qualifications and experiences with annual adjustment. Bonus payment is also provided according to the Company's performance, together with other expenses e.g. overtime allowance, allowance, commission, branch management fee. In addition, the Company also provides special rewards depending on employees' competency regularly. The Company will provide basic welfares to employees by respecting human rights and complying with Thai labor law.

The Company has organized the provident fund named "Sinsathaporn Registered Provident Fund" which is managed by BBL Asset Management Co.,Ltd. Both the Company and employees will make monthly deposit of their part at 3% - 5% of salary. Establishment of the provident fund has the objectives to create employees' moral and to attract them to work with the Company in long term.

The Company has a policy to make continuous improvement for its employees. The key objective of the policy is to develop employees' knowledge and understanding in performing their duties efficiently. This is the way to develop career path of employees and to focus on increasing competitive advantage.



Supervisor Level Employee Training Program



Annual Fire Extinguisher Training 2014

Good Physical And Mental Health For All Employees
Annual Health Check-Ups 2014

5. Consumer Responsibility

The Company operates its business in cosmetics and beauty products retail business which have large product variety to cover all consumers' demand. The Company is committed in customer's satisfaction and confidence by take good care and responsible for customers by providing good quality and safe products in reasonable price according to defined standard. In addition, the Company will also comply with terms and condition of the agreement entered into by the Company and customer, along with developing higher standard of products and services continuously.

- Cosmetics and skin care products (exclude accessories) are subjected to receive permission from Food and Drug Administration of Thailand ("FDA") according to the announcement of Ministry of Public Health. There are 2 categories of products; (1) controlled cosmetics, which are subjected to submission of cosmetics registration application and presenting registration number on the products label; (2) specially-controlled cosmetics, which composed of specially-controls substance and its label must represent registration number and FDA no. for specially-controlled cosmetics.

- The products must present details of application method clearly for maximum benefit of consumers.

- The Company has defined the policy to allow customers returning products within 14 days after the date of receipt to be if they are not satisfied since 2008 (Customer Satisfaction Guarantee). However, the value of returned product was only 0.01% of total sale value.

- The Company has provided many channels; e.g. website, webboard, call center, social media; to receive staff's and customer's opinion for improvement of products.

- There are also several channels to provide consumers the information e.g. website, webboard, call center, social Media.

- The Company concerns in manufacturer's and supplier's quality for greatest benefit of consumers. The Company has determined criteria for manufacturer and supplier evaluation by putting product quality as the 1st priority, followed by price, on-time delivery, service, and credit term, respectively.

- As the Company will not produce the products by itself, thus it focuses on manufacturer selection. All products are made by many manufacturers who have specific professional in each kind of products to receive greatest quality of products.

- The Company take good care of both member and non-member customers by arranging marketing activities and sales promotion regularly, such as

1. Point Redemtion campaign of Beauty Buffet and Beauty Cottage (Launch Campaign : March 2014) for customers.
2. The member will receive some points for collection and then exchange with product discount. This campaign is also planned to be used with other distribution channels.
3. “Special For Privilege Member” was a campaign allowing members buying new products earlier than non-member customers with 20% discount.
4. “Midnight Sale” was a campaign giving double points to members who bought products at Central and The Mall during the midnight sale.
5. X3 points for members of Beauty Buffet when purchasing products on every Thursday and X2 points for Beauty Cottage members that purchase products on every Wednesday.
6. “Funny Birthday Shopping” was a campaign providing 25% discount for Beauty Buffet’s members and 20% discount for Beauty Cottage’s members who went shopping in their birth month. In addition, staff can browse members’ buying history at any time to match the products with customers’ requirement or to solve customers’ problem in time



Skincare and Makeup Workshops For The Community And Outside Organizations

6.Environment Preservation

The Company will not take any action that may result in damage to society, natural resources, and environment. Instead, it seeks opportunities to support creative social activities and social responsibility among employees at all levels continuously and seriously as well as to control the practice strictly in accordance with the spirit of the law and regulations issued by regulatory agencies. The Company is also aware of importance in environment preservation by starting from inside the organization. Thus, the project of “Wonderful glasses” was created with the objectives as follows;

1. To implant employees’ conscious for cooperation in energy saving and cost saving of the Company;
2. To support team work for achievement in the common target;
3. To support enjoyment of work and create activity among employees;
4. To provide some chance to allow employees showing energy saving in their daily life, both internal and external the organization;
5. To enhance company’s image regarding good environment and society.

This project received good response from the organization at whole and achieved the set objectives.

7. Community or society involvement and development



Donations To The Children At The Orphanage For Girls, Saraburi



Songkran, The Traditional Thai New Year Celebration 2014

Activity for Strengthening Core Values

In addition, the Company has also participated in several social or community development activities as follows.

- Donation support to Genetic Disease Fund for “Rare Disease” Patient Group, Medical Genetics Division, Department of Pediatrics, Ramathibodi Hospital.
- Donation support to contribute the fund of Phramongkutklao Hospital Foundation under the Royal Patronage of the King, Princess Maha Chakri Sirindhorn.
- Donation support to Graduate Studies of Mahidol University Alumni Association, Mahidol University, to be the scholarship to Graduate School, Mahidol University.
- Joint donation through Thunhoon newspaper to contribute fund in procurement of medical devices for Her Majesty the Queen Celebration Building of Phramongkutklao Hospital Foundation

8. reation and disclosure of innovation from operation

The Company always distributes the knowledge about its business operation to third parties e.g. how to use cosmetics, make-up technique for matching with place and opportunity via website, call center, social media.



Research and Development



Research Development & Beauty Community Public Company Limited

The Product Development Section and Purchase Department, together with the Marketing Section and Sales Operation Section are responsible for introducing new ideas in producing new products and exploring the market trends and market direction. They observed the opinion of sale persons and conducted the meeting to find the best knowledge, technology, innovation and active ingredients, in order to develop the products that meet the needs of the markets. The Product Development Section will gather sales information of each product, which representing the demand of the customer, and use the said information as the guidelines to decide whether which product should be developed further. After that, they observed the market trends, both domestically and internationally, to follow up the popularity of the products among the customers, including new popular active ingredient, which has been launched by the Company. The information were analyzed and used as a plan to develop new product, which can be summarized as follows:

- Increase the volume of the existing products: in which the existing products have high sale volume; this group of products will be continuously launched or may change the appearance to meet the need of the customers.
- Develop new products in accordance with the market trend, in order to meet the trend and keep customer attraction.
- Develop new products to replace the existing products; this is done when the sales volume started decrease and the products did not meet the market trend. The research team will develop the replacement products, which creates more opportunities to attract the customers.
- Design and develop new products that compliment and support company's new distribution channels

Assets Used in Business Operation

Fixed Assets

The assets that Company used in business operation as at December 31, 2014 are as follows:

• Land

The Company owns 1 plot of Land, title deed no. 1699 with the area of 1 Rai, 1 Ngan, and 20 Square Wah, located at Nuan Chan Sub-District, Bung Kum District, Bangkok Metropolis. In the present days, this land is used as the headquarter of the Company, with net value as at December 31, 2014 and 2013 of 19.24 Million Baht, without any obligation.

• Leasehold

The Company has held the leasehold of building to engage retail shop business for Beauty Buffet, MBK Center Branch 1, indicating in cost price deducted by accumulated amortization using straight-line basis according to lease contractual term for amortization. The Company has no obligation to pay additional rental cost of the leasehold as it is one time contractual payment for the remaining leasehold from leaseholds of other branches. The obligation in payment of additional rental cost as presented in total amount in Notes to Financial Statements Clause 25. However, as at December 31, 2014 and 2013, the book value of leasehold was 10.60 million Baht and 11.10 Million Baht, respectively. The Company has exercised such leasehold as a guarantee for long-term loan from financial institution. However, in 2nd quarter of 2013, the Company paid back total loan amount and redeemed such securities.

The leasehold of other areas which nearby the headquarter has the lease purpose to be parking lot area and general office supplies storage as following details.

Lease Area	Details of Contract
Land and Building, total area of 203.5 Square Wah, located at 10/833 Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bung Kum District, Bangkok Metropolis	Lessor : Mrs. Tanyapon Kraibhubes Duration : 1 January 2012 – 31 December 2014 Rental Fees : 29,000 Baht per month
Land and Building, total area of 203.5 Square Wah, located at Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bung Kum District, Bangkok Metropolis	Lessor : Mrs. Jinda Piripant Duration : 1 June 2012 – 31 May 2015 Rental Fees : 11,500 Baht per month

• Operating Leasehold Contract

The Company has made short-term operating leasehold contract for 1 – 3 years for retail business operation by opening to be the Company's branch in order to reduce the obligation on investment for asset purchase and to create liquidity of extension and modification on retail shop areas. However, as at December 31, 2014, the Company has had short-term area leasehold contract made with the parties who are unrelated to each other as following table.

Operating leases for Beauty Buffet Branches at 31 December 2014 of 204 Branch

No.	Branch	Starting Date of Operation
Domestic Branch		
1	MBK Center Branch 1	1 August 2000
2	Lotus Bang Kapi Branch	1 November 2004
3	The Mall Bang Kapi Branch	23 December 2004
4	Lotus Bang Na Branch	1 January 2005
5	Central Rama 2 Branch	16 March 2005
6	The Mall Ngam Wong Wan Branch	29 April 2005
7	Lotus Charoen Phon Branch	6 August 2005
8	Fortune Town Branch	22 October 2005
9	Lotus Bang Plee Branch	19 November 2005
10	The Mall Ramkhamhaeng Branch	2 December 2005
11	The Mall Tha Phra Branch	13 December 2005
12	Central Pinklao Branch	12 April 2006
13	Laemlong Bangsae Branch	2 June 2006
14	Lotus Lak Si Branch	31 August 2006
15	Century The Movie Plaza Branch	17 October 2006

No.	Branch	Starting Date of Operation
16	BTS Sala Daeng Station Branch	28 November 2006
17	Central Wong Sawang Branch	25 December 2006
18	Lotus Navanakorn Branch	28 March 2007
19	Big C Hua Mak Branch	28 April 2007
20	Major Hollywood Ramkhamhaeng Branch	9 April 2008
21	Major Pak Kret Intersection Branch	5 June 2008
22	Big C Samut Prakan Branch	23 August 2008
23	Major Ratchayothin Branch	2 September 2008
24	Major Pinklao Branch	10 September 2008
25	MBK Branch 2	21 October 2008
26	Big C Lampang Branch	10 November 2008
27	Fashion Iceland Branch 2	16 November 2008
28	Central Chaeng Watthana Branch	27 November 2008
29	Big C Bang Na Branch	1 December 2008
30	Central Rattana Thibet Branch	2 December 2008
31	Lotus Srinagarindra Branch	12 December 2008

32	Lotus Laem Chabang Branch	15 December 2008
33	Lotus Rayong Branch	9 January 2009
34	Central Pattaya Beach Branch	21 January 2009
35	China World Branch	28 February 2009
36	Union Mall Branch	12 March 2009
37	Seacon Square Branch	28 March 2009
38	Lotus Krabi Branch	10 April 2009
39	Central Airport Chiang Mai Branch	28 May 2009
40	Central Chon Buri Branch	29 May 2009
41	Lotus Samui 1 Branch, Chaweng	29 May 2009
42	Lotus Khlong 7 Branch	23 June 2009
43	Big C Phrae Branch	13 July 2009
44	Big C Phitsanulok Branch	17 July 2009
45	Big C Chon Buri Branch	24 July 2009
46	Ayutthaya Park Branch	1 August 2009
47	Pacific Park Si Racha Branch	12 August 2009
48	Big C Nakhon Sawan Branch	15 August 2009
49	Lotus Lam Luk Ka Branch	26 August 2009
50	Lotus Samui Branch 2, Lamai Beach	1 October 2009
51	Robinson Ratchaburi Branch	9 October 2009
52	Lotus Kanchana Buri Branch	19 October 2009
53	Big C Chaeng Watthana Branch	20 October 2009
54	Lotus Amata Branch	20 October 2009
55	Lotus Ban Pong Ratchaburi Branch	6 November 2009
56	Lotus Sukhaphiban 1 Branch	10 November 2009
57	Lotus Pranburi Branch	15 November 2009
58	Central KhonKaen Branch	3 December 2009
59	The Mall Khorat Branch	12 December 2009
60	Lotus Aranyaprathet Branch	17 December 2009
61	Big C Ratchada Branch	19 December 2009
62	Big C Srinakharindra Branch	20 December 2009
63	Sahathai Plaza Thung Song Branch	23 December 2009
64	Lotus Phuket Branch	24 December 2009
65	Big C Phuket Branch	25 December 2009
66	Lotus Pinklao Branch	13 February 2010
67	Big C Ubon Ratchathani	13 February 2010
68	Central Rama 3 Branch	5 March 2010
69	Imperial World Samrong Branch 2	1 April 2010
70	Big C Mahachai Branch	1 April 2010
71	Hua Hin Market Village Branch	1 April 2010
72	The Mall Bang Kae Branch	12 April 2010
73	Big C Chang Watthana 2 Branch	1 May 2010
74	Big C Lam Luk Ka Branch	12 May 2010
75	Big C Rama 2 Branch	22 May 2010
76	BTS Station at Paragon Branch	21 June 2010
77	Lotus North Pattaya Branch	1 July 2010
78	Big C Petchaburi Branch	1 July 2010
79	Big C Nakhon Pathom Branch	20 July 2010
80	Big C Rattathibet (Bang Yai) Branch	14 August 2010
81	Big C Sakon Nakorn Branch	15 August 2010
82	Central Pattaya Center Branch	14 September 2010
83	Lotus Rama 2 Branch	15 September 2010
84	Lotus Sukaphiban 3 Branch	1 October 2010
85	Big C Rama 4 Branch	3 October 2010
86	Big C Lam Luk Ka Branch 2	8 October 2010
87	Robinson Chanthaburi Branch	10 October 2010

88	Lotus Krathumban Branch	21 October 2010
89	Lotus Chumphon Branch	29 October 2010
90	Future Park Rangsit Branch	17 October 2010
91	Robinson Trang Branch	11 November 2010
92	Daina Hat Yai Branch	23 November 2010
93	Big C Rangsit Branch	24 November 2010
94	Lotus Bowin Branch	24 November 2010
95	Big C Kampangpet Branch	2 December 2010
96	Lotus Nong Chok Branch	12 January 2011
97	Lotus Prachuap Branch	13 January 2011
98	Big C Ratcha Damri Branch	2 February 2011
99	Lotus Chum Phae Branch	16 February 2011
100	Lotus Salaya Branch	28 February 2011
101	Center One Branch	9 March 2011
102	Big C Hat Yai Branch 2	15 March 2011
103	Central Chiang Rai Branch	30 March 2011
104	Big C Suk Sawat	1 May 2011
105	Lotus Kalasin Branch	6 May 2011
106	Big C Hat Yai Branch	23 May 2011
107	Lotus Rama 4 Branch	1 July 2011
108	Lotus Trad Branch	10 August 2011
109	Lotus Chathaburi Branch	15 August 2011
110	Central Lat Phrao Branch	28 August 2011
111	Lotus Bung Kan Branch	29 September 2011
112	Lotus Talang Branch	5 October 2011
113	Lotus Tak Branch	6 October 2011
114	Central Phitsanulok Branch	20 October 2011
115	Icon Surat Branch	10 November 2011
116	Lotus Kabin Buri Branch	30 November 2011
117	Lotus Khon Kaen Branch	1 December 2011
118	Big C Hang dong Branch	3 December 2011
119	Central Rama 9 Branch	14 December 2011
120	Lotus Tha Yang Branch	21 December 2011
121	Lotus Prachin Buri Branch	11 January 2012
122	Central Udon Branch	27 March 2012
123	Big C Si Sa Ket Branch	9 April 2012
124	Mega Bang Na Branch	3 May 2012
125	Zeer Rangsit Branch	9 May 2012
126	Lotus Ban Bung Branch	25 May 2012
127	Lotus Pa Yao Branch	25 July 2012
128	Big C Satun Branch	15 August 2012
129	Fairy Khon Kaen Branch	21 August 2012
130	Lamthong Rayong Branch	21 August 2012
131	Lotus Warin Chumrat Ubon	5 September 2012
132	Lotus Nakhon In Branch	27 September 2012
133	Central Suratthani Branch	11 October 2012
134	Lotus Sadao Songkhla Branch	18 October 2012
135	Seacon Bangkai Branch	1 November 2012
136	Central Lampang Branch	30 November 2012
137	Big C Chiang Rai Branch	1 December 2012
138	Lotus Kumphawapi Branch	6 December 2012
139	Lotus Uttaradit Branch	16 December 2012
140	Harbor Chiang Mai Branch	20 December 2012
141	Big C Saphan Kwai Branch	25 December 2012
142	Lotus Nong Bua Lam Phu Branch	26 December 2012
143	Lotus Phitsanulok Branch 2	27 December 2012

144	Lotus Sermthai Maha Sarakham Branch	27 December 2012
145	Lotus Mae Sod Branch	10 January 2013
146	Big C Ram Inthra Branch	29 January 2013
147	Big C Roi Et Branch	31 January 2013
148	Lotus Nakhon Sawan Branch	21 February 2013
149	Terminal 21 Branch	26 February 2013
150	Robinson Kanchana Buri Branch	28 February 2013
151	Siribun Shopping Center Branch	5 March 2013
152	IT Square Chaeng Watthana Branch	5 April 2013
153	Central Ubon Ratchathani Branch	5 April 2013
154	Lotus Bang Pakong Branch	14 May 2013
155	Big C Ang Thong Branch	28 May 2013
156	Jungcelon Phuket Branch	16 June 2013
157	Lotus Chiang Khom Branch	25 July 2013
158	Big C Kalasin Branch	31 July 2013
159	Lotus Ruam Chok Chiang Mai Branch	1 August 2013
160	Big C Lampoon Branch	21 August 2013
161	Big C Issaraphap Branch	23 August 2013
162	Lotus Min Buri Branch	1 September 2013
163	Lotus Lat Phrao Branch	16 September 2013
164	Big C Suphan Buri Branch	27 September 2013
165	Lotus Klang Branch	3 October 2013
166	Lotus Wiang Sa Branch	10 October 2013
167	Saha Thai Plaza Nakhon Si Thammarat	20 October 2013
168	Central Chiang Mai Branch	14 November 2013
169	Robinson Saraburi Branch	22 November 2013
170	Lotus Song Khla Branch	28 November 2013
171	Robinson Bang Rak Branch	5 December 2013
172	Lotus Chalong Branch	12 December 2013
173	Central Festival Hat Yai Branch	14 December 2013
174	Robinson Surin Branch	20 December 2013
175	Lotus Phatthalung Branch	20 December 2013
176	Big C Khon Kaen	27 December 2013
177	Lotus Lomsak Branch	14 January 2014
178	Meya Branch	23 January 2014
179	Lotus The Walk Nakhon Sawan Branch	12 February 2014
180	Central Ramintra Branch	3 March 2014
181	Big C Nakhon Phanom Branch	26 March 2014
182	Central Samui Branch	29 January 2014
183	Big C Kallapaphruk Branch	25 April 2014
184	Lotus Sukhumvit 50 Branch	3 May 2014
185	Lotus Nakhon Nayok Branch	22 May 2014
186	Siam Square One Branch	5 June 2014
187	Lotus Mae Kari Branch	3 July 2014
188	Lotus Bang Yai Branch	24 July 2014
189	Lotus Mahachai 2 Branch	24 July 2014
190	BTS Thonglor Station Branch	26 July 2014
191	Lotus Charansanitwong Branch	1 August 2014
192	Central Salaya Branch	12 August 2014
193	Lotus Bang Len Branch	11 September 2014
194	Robinson Chachoengsao Branch	12 September 2014
195	Ploeng Nari Branch	26 September 2014
196	Robinson Roi Et Branch	3 October 2014
197	Lotus Nan Branch	21 October 2014
198	Robinson Samut Prakan Branch	31 October 2014
199	Walk Krabi	1 November 2014
200	SC Plaza	4 December 2014

201	Sermthai Mahasarakham	12 December 2014
202	Lotus Khlong Luang	18 December 2014
203	Robinson Mukdahan	19 December 2014
204	Aswin Nongkhai	20 December 2014

International Branch		
1	Cambodia Branch 1	11 December 2013
2	Cambodia Branch 2	11 December 2013
3	Myanmar	6 January 2014
4	Cambodia Branch 3	25 February 2012
5	Lao People's Democratic Republic	27 June 2014
6	Vietnam-Le Van Sy	27 October 2014
7	Vietnam- Coop Phan Van Tri	27 October 2014
8	Vietnam-Coop - Ly Thuong Kiet	27 October 2014
9	Vietnam-Big C Pandora	27 October 2014
10	Vietnam-Coop Vinh Long	27 October 2014
11	Vietnam- Robinson Q.7	27 October 2014
12	Vietnam- Robinson Ho Chi Minh City	3 December 2014
13	Cambodia-4 Battambang	26 December 2014

Operating leases for BBeauty Cottage Branches at 31December 2014 of 65

No.	Branch	Starting Date of Operation
Domestic Branch		
1	Central Lat Phrao Branch	28 August 2011
2	Terminal 21 Branch	11 October 2011
3	Lotus Khon Kaen Branch	1 December 2011
4	Central Rama 9 Branch	14 December 2011
5	Big C Chanthaburi	19 December 2011
6	The Mall Bang Khae Branch	23 December 2011
7	The Mall Bang Kapi Branch	27 December 2011
8	Central Pattaya Beach Branch	29 December 2011
9	Diana Hat Yai Branch	21 January 2012
10	Central World Branch	7 February 2012
11	Central Chaeng Watthana Branch	11 February 2012
12	Robinson Suphan Buri Branch	2 March 2012
13	Central Rattathibet Branch	22 March 2012
14	Central Udon Thani	27 March 2012
15	Fashion Iceland Branch	3 April 2012
16	Big C Ratchadamri Branch	28 April 2012
17	Mega Bang Na Branch	3 May 2012
18	Hua Hin Market Village Branch	29 May 2012
19	Central Chiang Mai Branch	7 July 2012
20	Lam Chabang, Rayong Branch	21 August 2012
21	Seacon Square, Bang Khae Branch	10 September 2012
22	Central Suratthani Branch	11 October 2012
23	Central Chonburi	15 October 2012
24	The Mall Korat Branch	1 November 2012
25	Central Lampang Branch	29 November 2012
26	The Mall Ngam Wong Wan	3 December 2012
27	Saeree Thai, Maha Sarakam	21 December 2012
28	Big C Nakhon Sawan	24 December 2012
29	Central Chiang Mai Airport	13 February 2013
30	Robinson Kanchanaburi Branch	28 February 2013
31	Lotus Bang Na-Trad Branch	8 March 2013
32	Central Pinklao Branch	12 March 2013
33	Lotus Ram Inthra Branch	14 March 2013
34	Big C Hua Mak Branch	19 March 2013
35	Central Rama 2 Branch	22 March 2013
36	Central Rama 3 Branch	28 March 2013
37	Lotus Nawa Nakhon-BC Branch	30 March 2013
38	Central Ubon Ratchathani	5 April 2013
39	The Mall Tha Pra	25 May 2013
40	Jungcelon Phuket Branch	16 June 2013
41	Robinson Sakon Nakhon Branch	27 June 2013
42	Big C Suphan Buri Branch	27 September 2013
43	Central Chiang Mai Branch	14 November 2013
44	Robinson Saraburi Branch	22 November 2013
45	Center One Branch	27 November 2013
46	Lotus Songkhla Branch	28 November 2013
47	Big C Trang Branch	4 December 2013
48	Robinson Bang Rak Branch	5 December 2013
49	Central Festival Hat Yai Branch	14 December 2013
50	Meya Branch	23 January 2014
51	Nakhon Phanom Branch	21 February 2014
52	Central Samui Branch	29 March 2014
53	Big C Kanchanaburi Branch	28 March 2014
54	Sahathai Plaza - Nakhon Si Thammarat	9 May 2014

No.	Branch	Starting Date of Operation
55	Siam Square One Branch	5 June 2014
56	BC King power-Suvarnabhumi	1 July 2014
57	Lotus Bang Yai Branch	24 July 2014
58	Central Salaya Branch	12 August 2014
59	Robinson Chachoengsao Branch	12 September 2014
60	Ploen Nari Branch - BC	26 September 2014
61	Robinson Roi Et-BC	3 October 2014
62	Robinson Samut Prakan-BC	31 October 2014
63	Robinson Prachin Buri	4 December 2014
64	Robinson Mukdahan	19 December 2014
65	Asawin Nongkhai	20 December 2014

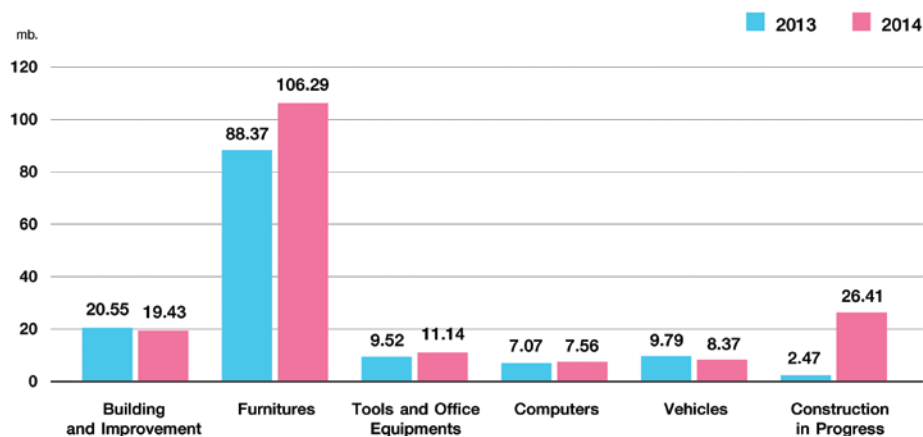
International Branches

1	Cambodia Branch	11 December 2013
2	Myanmar Branch	6 January 2014
3	Lao People's Democratic Republic	27 June 2014

Operating leases for Beauty Market Branches at 31 December 2014 for 10 Br

No.	Branch	Starting Date of Operation
Domestic Branch		
1	Seacon Square Branch	19 July 2013
2	Future Park Rangsit Branch	18 October 2013
3	Central Chiang Mai Airport Branch	26 November 2013
4	Fashion Iceland Branch	15 March 2014
5	Central Samui Branch	29 March 2014
6	Central Plaza Surat Thani Branch	2 May 2014
7	Lotus Bang Yai Branch	20 July 2014
8	Ayuthaya Park 2 Branch	25 July 2014
9	Central Salay Branch	12 August 2014
10	Era Art	1 November 2014

• Other Fixed Assets



• Intangible assets

The Company has invested in software C-Smile and Point of Sales (POS). Moreover, the Company has invested to develop the software such as Microsoft Dynamic AX 2012 to gain better internal management system. It was estimated that in year 2016, the intangible assets will be 22.60 million baht and net value at december 31, 2014 and 2013 are 20.07 and 10.76 million baht respectively.

Trademark

The Company has registered its trademark, including the products with Department of Intellectual Property, in order to prevent the infringement. Each trademark will last for 10 years, in which the Company have used for selling products, can be summarized as follows:

Trademark	Registered date	Expiration date	Remark
	June13,2012	June12,2022	
	June 21,2013	Is in the process of registration.	The Company has registered the trademark for Beauty Cottage as follows:  This trademark was registered at October 5, 2010 and will be expired at October 4, 2026. However, the Company has updated the above trademark and resubmitted the registered on June 21, 2013.

Trademark	Registered date	Expiration date	Remark
	June 13,2012	Is in the process of registration.	Under filling application for registration of trademark on June 13, 2012 (Is in the process of registration.)
GINO McCRAY	October 1, 2002	September 30, 2022	
	January 5, 2005	January 4, 2015	
Lansley	April 21, 2004	April 20, 2024	
	June 13,2012	Is in the process of registration.	Under filling application for registration of trademark on June 13, 2012 (Is in the process of registration.)
	June 21,2013	Is in the process of registration.	Under filling application for registration of trademark on June 21, 2013 (Is in the process of registration.)
Girly girl	June 21,2013	Is in the process of registration.	Under filling application for registration of trademark on June 21, 2013 (Is in the process of registration.)
BEAUTY CUISINE	May 10, 2013	Is in the process of registration.	Under filling application for registration of trademark on May 10, 2013 (Is in the process of registration.)

Despite the above trademark, the Company has owned more than 37 trademarks, which were used in the past products, including some trademarks that will be used as future brand of the Company.

In year 2013, the Company has filled the application to register the international trademark of the Company and the Company's products: Beauty Buffet, Beauty Cottage, Made in Nature, Beauty Market, and Girly Girl, to avoid the infringement. The application will be handle to 7 countries, including Vietnam, Cambodia, Lao PDR, Myanmar, China, Indonesia, and Malaysia. In the present, the registration process is under review of each country.

Investment in subsidiaries and / or affiliated companies

Company has investment policy in subsidiaries or associated companies in the purpose to support the company's business which increasing productivity or profits or advantage business (Synergy) to the company by supporting core company's business to more comprehensive. As that purpose, the investment into subsidiaries or affiliated companies is under control and inspection of the Audit Committee. Accordance in corporation of subsidiaries and affiliated companies, company will commit to company's director or electing managements who have appropriated qualification and experience to corporate to business, also to conduct the important company's policy and controlling business operation both of subsidiaries and affiliated companies

Future Projects

In order to meet the business goal, which focuses on creation of innovative concepts along with the development of new products, including the increasing of distribution channel, the Company has been conducting the following projects during the past few years:

1. The development of products based on new concepts

The Company has conducted the project to develop the new products based on new concepts that are related to beauty, health and lifestyles, which are the main expertise of the Company. This project is done to serve the needs of the consumers and distribute the products to different target group of customer.

2. Increasing of product distribution channel

The Company always seeks for new product distribution channel, despite the existing channel, by developing own the E-Commerce channel such as Facebook: Beautypalaza and Website: beautypalazaonline.com to allow the customers from different area to reach the product easily.



3. Continuously expanding new branches

The distribution through retailer shop is the main income and the most important distribution channel of the Company in the present days. Therefore, the Company always keeps on increasing the number of branches of Beauty Buffet, Beauty Cottage, and Beauty Market throughout the Country, in order to distribute more products. The Company plan to open 210 more branches for Beauty Buffet, 70 more branches for Beauty Cottage and 18 more branches for Beauty Market in the end of year 2014, with the estimate cost of 180-200 Million Baht.

4. Investment for improvement of operational systems to support the business expansion

The Company has invested more money for improving the operational systems to support the business expansion, including the new branches and new products distribution channels. The Company has constructed the Inventory Building, to support more product, and Employee Training Center. The construction was started in June 2014 and is scheduled to open (after the 2014 annual meeting of shareholder) and in December 2015. Moreover, the Company has invested in developing of Information Technology System, Point of Sales (POS), Enterprise Resource Planning (ERP) , which is in the process of gathering and confirming user requirement and configuring the standard. The Company expects to invest for 170-180 Million Baht for developing the operational system to support business expansion in the upcoming future

Legal Disputes

To the present, December 31, 2014 , the Company has no legal dispute and any other dispute that may cause the damage and impact to more than 5 percent of the shareholder's equity and to business operations, significantly.



Capital Structure

Company's Securities

As at December 31, 2014 and 2013, the registered capital of the Company was 300,000,000.00 Baht, with 300,000,000 ordinary shares par value of 1 Baht per share. The issued and paid up ordinary shares are 300,000,000.00 Baht, with 300,000,000 ordinary shares par value of 1 Baht per share.

● Shareholders

List of 10 major shareholders, at December 31, 2014, are as follows:

No.	List of Shareholders	At December 31, 2014	
		Number of Shares	Percentage
1	Mr. Suwin Kraibhubes Group consists of:		
	Mr. Suwin Kraibhubes	97,000,000	32.33
	Mrs. Tanyapon Kraibhubes	38,749,800	12.92
	Ms. Monsoothatip Malaukcaranun	3,000,000	1.00
	Mrs. Thurian Sriyong	2,325,100	0.78
	Mr. Boonchuai Yokkrabut	498,300	0.17
	Total	141,573,200	47.19
2	Thai NVDR CO., LTD.	16,648,524	5.55
3	Mr. Pracha Dumrongsutthipong	9,792,500	3.26
4	N.C.B.TRUST LIMITED-NORGES BANK 11	8,766,500	2.92
5	CHASE NOMINEES LIMITED 4	8,561,800	2.85
6	THE BANK OF NEW YORK MELLON	7,413,700	2.47
7	HSBC (SINGAPORE) NOMINEES PTE LTD	6,156,100	2.05
8	CHASE NOMINEES LIMITED 42	5,258,000	1.75
9	Mr. Sorasak Koorattanaphisarn	4,800,000	1.60
10	Mr. Sunthorn Koorattanaphisarn	4,659,000	1.55

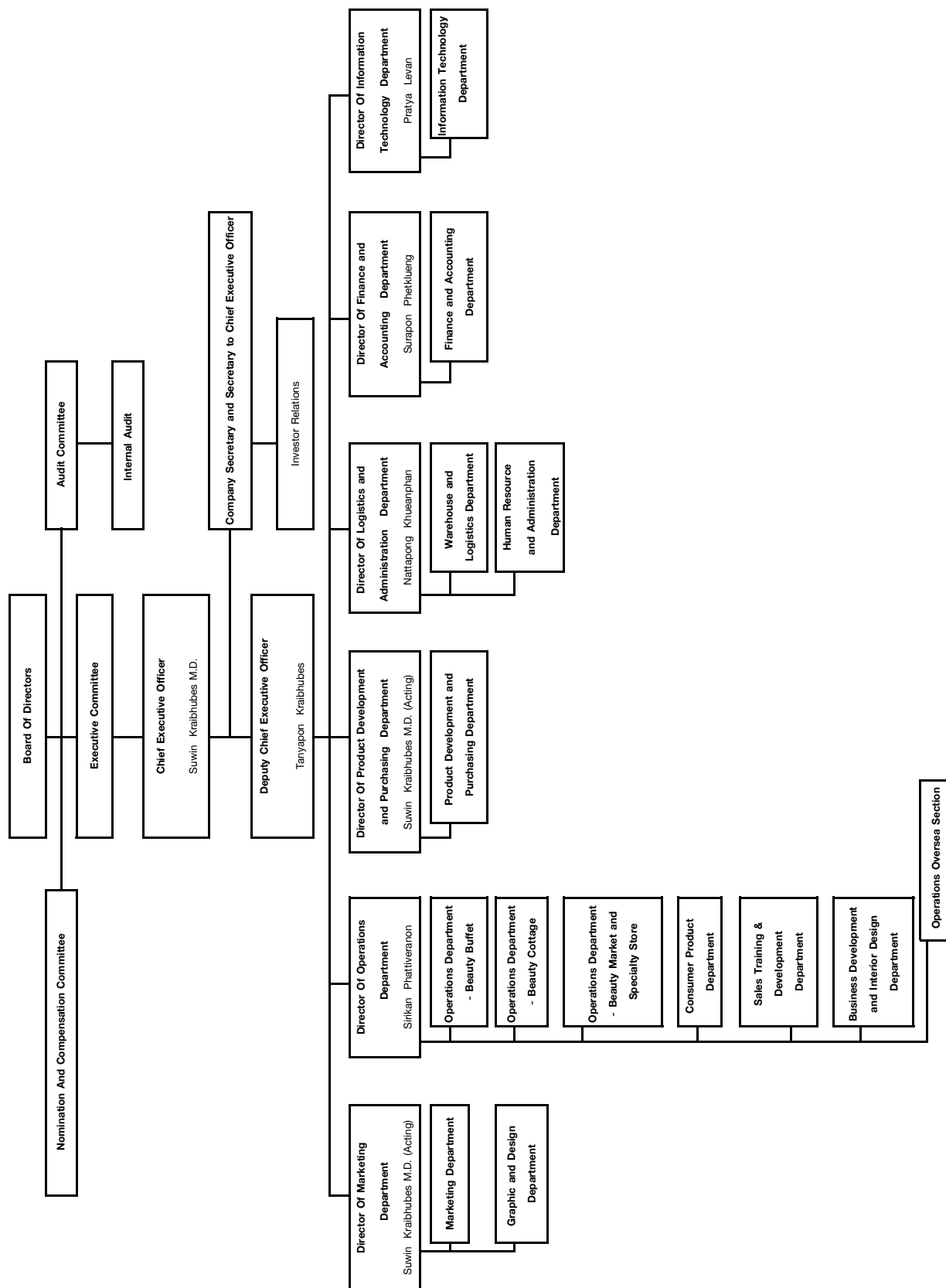
Source : Thailand Securities Deposit Company Limited at December 31, 2014

● Dividend Payment Policy

The Company's dividend payment is made to the shareholder with not less than 50 percent of the profit, after deducting the income tax payment. The dividend payment is based on Company's operational performance, Company's financial position, Company's liquidity, business expansion, and other factors that relate to the administration of the Company. However, the Company may pay the dividend less than the percentage mentioned above, if the profit is needed to be used for expanding the business.

Management

Organization Chart : May 1, 2014



Management Structure

The management structure has constituted four sets of boards/committees including Board of Directors, Executive Board, Audit Committee, and Nomination and Remuneration Committee as per below details.

1. Board of Directors

The Board of Directors of the Company constitutes 8 directors as follows.

1. Lt. Gen. Padet	Charuchinda	Independent Director and Chairman of the Board
2. Mr. Suwin	Kraibhubes	Director
3. Mrs. Tanyapon	Kraibhubes	Director
4. Ms. Monsoothatip	Malaukcaranun	Director
5. Mr. Pratya	Levan	Director
6. Dr. Peerapong	Kittiveshpokawat	Independent Director and Chairman of Audit Committee
7. Col. Attapon	Srisangwarn	Independent Director and Audit Committee
8. Mr. Viboon	Pojanalai	Independent Director and Audit Committee

Mrs. Daranee Pathetang has acted as Company Secretary.

The authorized directors acting and binding on behalf of the Company are “Mrs. Tanyapon Kraibhubes and Mr. Suwin Kraibhubes co-sign with affixation of the Company’s seal; or Mrs. Tanyapon Kraibhubes or Mr. Suwin Kraibhubes mutually co-sign with Ms. Monsoothatip Malaukcaranun or Mr. Pratya Levan, two persons in total with affixation of the Company’s seal; or in any document submission to Revenue Department, Ministry of Labour and Social Welfare, Immigration Bureau, Customs Department, Department of Lands, and Office of Area Land, the submission of request for entry in the immovable property right register and legal act to Department of Land or Office of Area Land, and the request submission for registration, financial statements and list of shareholders to Department of Business Development, Ministry of Commerce, Mrs. Tanyapon Kraibhubes or Mr. Suwin Kraibhubes or Ms. Monsoothatip Malaukcaranun or Mr. Pratya Levan, two of four persons co-sign with affixation of the Company’s seal.”

Term for Holding the Post of Director

In every Annual General Meeting, the directors must be retired for at least one-third by ratio. If the number of the directors left the post cannot be equally divided into exact three parts, that number of directors retired will be the nearest figure of one-third. The directors required for retirement in the first year and the second year after the Company registration, the casting shall be conducted for which directors will be retired. In next following year, the director holding the post for longest time shall be the retired director and that director left the post may be re-elected to assume the position again.

Scope of Duties and Responsibilities of Board of Directors

The Board of Directors has authority and responsibility with honesty and care to protect Company’s interest in Company management according to law, objective, and articles of associations as well as legal resolution of the shareholders’ meeting. The scope of duties and responsibilities of Board of Directors shall be summarized as follows.

1. Legally supervise and manage the Company according to law, objective and articles of association as well as legal resolution of the Shareholders’ Meeting.
2. Hold the Shareholders’ Meeting to be Annual General Meeting of Shareholders within 4 months from the ending date of the Company’s accounting period.
3. Hold the Board of Directors’ Meeting at least once within 3 months.
4. Prepare Statement of Financial Position, Statement of Comprehensive Income as of the ending date of accounting period. They should be approved by the auditor and proposed to the Shareholders’ Meeting for consideration and approval.
5. The Board of Directors may authorize a director or several directors or other persons to perform whatsoever on behalf of the Board of Directors under the Board of Directors’ control; or may authorize power to such person as the Board of Directors deems appropriate within the period of time as the Board of Directors deems appropriate. The Board of Directors may cancel, annul, change or alter the authorized person or that power when viewing as proper.

In addition, the Board of Directors may authorize the Executive Board to have the authority in actions with details of authorization according to the scope of authority of the Executive Board for the purpose that such authorization should not be in the way that the Executive Board or the attorney can consider and approve the transaction that the Executive Board or the attorney is the person who is concerned or has interest or other conflict of interests with the Company or its subsidiary, unless it is the approval of the transaction according to policy and criteria already considered and approved by the Board and also as required by law.

6. Determine target, guideline, policy, program and budget of the Company; control and govern the administration and management of the Executive Board in accordance with the assigned policy unless in the following matters, the Board of Directors

must gain the approval resolution from the Shareholders' Meeting before any actions including the matter required by law for approval resolution from the Shareholders' Meeting such as increase in stock capital, decrease in stock capital, debenture issuance, selling or transfer of the entire or some important parts of business to other persons or buying or accepting of business transfers of other Company to belong to the Company, and amendment of Memorandum of Association or Articles of Association, etc.

Moreover, the scope of duties of the Board also includes the governance of the Company according to the Securities and Exchange Law, the regulations of the Stock Exchange such as connected transaction execution, and buying or selling the important assets pursuant to the rule of the Stock Exchange of Thailand or laws relevant to the Company's business.

7. Consider management structure, appoint Executive Board, Chief Executive Officer and other Committees as appropriate.

8. Continuously follow the operating performance according to the program and budget.

9. The directors must not engage in the same nature of business being competitive with the Company's business or involved as the partner in ordinary partnership or the general partner in limited partnership or the director of private Company or other companies engaged in the same nature of business being competitive to the Company's businesses either for self interest or for other people's interests unless notified to the Shareholders' Meeting for acknowledgement before any appointment resolutions.

10. The director shall notify the Company for acknowledgement without delay if any direct or indirect interests are available in the contract made by the Company or on increase or decrease in holding of shares or other securities in the Company or associate Company.

2. Audit Committee

The Audit Committee of the Company constitutes 3 persons as follows.

- | | |
|-----------------------------------|---|
| 1. Dr. Peerapong Kittiveshpokawat | Independent Director and Chairman of Audit Committee |
| 2. Col. Attapon Srisangworn | Independent Director and Member of Audit Committee |
| 3. Mr. Viboon Pojanalai | Independent Director and Member of Audit Committee who is adequately intellectual and experienced to perform the review of reliability of financial statements. |

Ms. Mondakarn Kampakdee has acted as the Secretary of Audit Committee according to the resolution of the Meeting of Audit Committee No. 1/2014 on 25th February 2014

Term for Holding the Post of Audit Committee

The member of Audit Committee shall have the term for holding of the post for 3 years in each time unless the case of retirement by rotation according to the Article of Associations that the re-election for holding the post again can be done.

Scope of Duties and Responsibilities of Audit Committee

The scope of duties and responsibilities of Audit Committee is summarized as follows.

1. Review the accuracy and adequacy of the Company's financial statements;
2. Review the appropriateness and efficiency of internal control and internal audit system; and consider the independence of internal audit unit as well as confirm the consideration on appointment, removal and dismissal of Chief of Internal Audit or other units responsible for internal audit.
3. Review the Company's compliance with Securities and Exchange Law, the Stock Exchange's regulation or any laws relevant to Company's business.
4. Consider, select and nominate for appointment of independent person to act as the Company's business auditor and propose the remuneration of such person as well as attend the meeting with auditor without the meeting attendance of the management for at least once a year.
5. Consider connected transaction or transaction that may have conflict of interest in accordance with law and regulation of the Stock Exchange so as to assure that such transaction is reasonable and extremely beneficial to the Company.
6. Prepare Audit Committee's report for disclosure in the Company's Annual Report. Such report must be signed by the Chairman of Audit Committee and must at least comprise of following data.
 - (a) Opinion on accuracy, completeness and reliability of the Company's financial reports
 - (b) Opinion on adequacy of the Company's internal control system
 - (c) Opinion on compliance with the Securities and Exchange Law
 - (d) Requirement of Stock Exchange of Thailand or laws relevant to the Company's business
 - (e) Opinion on appropriateness of the auditor
 - (f) Opinion on transaction that may have conflict of interest
 - (g) Number of meetings of Audit Committee and meeting attendance of each member of Audit Committee
 - (h) Overall opinion or observation acquired from function according to the charter
 - (i) Other transactions deemed to be recognized by shareholders and general investors under scope of duties and responsibilities gained from the Board of Directors

7. Perform any actions according to the assignment of the Board of Directors with consent from Audit Committee.

3. Executive Board

The Company's Executive Board constitutes 6 persons as follows.

- | | | |
|------------------|---------------|-------------------------|
| 1. Mr. Suwin | Kraibhubes | Chief Executive Officer |
| 3. Mr. Praty | Levan | Executive Director |
| 4. Mr. Surapon | Phetklueng | Executive Director |
| 5. Ms. Sirikan | Phattiveranon | Executive Director |
| 6. Mr. Nattapong | Khueanphan | Executive Director |

Scope, Duty and Responsibility of Executive Board

The Executive Board has authority, duty and responsibility for management in regards to the operation in Company's usual tasks and administrative works; determine policy, business plan, budget, organization chart and Company's administrative power and rule of business operation conforming to economic situations in order to propose to the Board of Directors' Meeting to consider and approve and/or consent as well as check and monitor the Company's operating performance according to the determined policy. The followings are the summary of the important authority, duties and responsibilities.

1. Run the business and manage the Company's affairs according to objective, regulation, policy, rule, requirement, instruction, and resolution of the Board of Director's Meeting and/or resolution of the Company Shareholders' Meeting in all aspects.

2. Consider to determine policy, direction and strategy for Company's business operation; determine financial plan and budget, human resource management, investment, work expansion, publication according to the framework considered for approval by the Board of Directors; and control and govern the operation of the appointed working group to attain on target.

3. Consider annual budget allocation as proposed by the management before proposing to the Board of Directors for consideration and approval, as well as consider and approve any change and addition in annual expenditure budget during no meeting held by the Board of Directors, and propose the Board of Directors for approval or ratification in next meeting.

4. Stipulate organizational structure, organizational administrative power including appointment, employment, removal, determination of pay, remuneration and bonus of executive level officer, and dismissal.

5. Empower the authorization power to a director or several directors or other persons to perform any actions subject to the control of the Executive Board; or may authorize such person the power as the Executive Board deems appropriate and within the period of time the Executive Board deems proper. The Executive Board may cancel, annul, change or alter the attorney or that power as deemed proper. The authorization should not be granted to any persons who may have conflict of interests in operation.

6. Authorize for financial operation approval as follows.

- (A) Approve the disbursement of usual operating expenses and procurement of assets and services for Company's benefit in the limit for not over than 10 million Baht per time and the approval limit for not over than 30 million Baht per quarter. If the determined limit is exceeded, the approval from the Board of Directors should be requested.

- (B) Approve the selling, buying or service provision according to usual Company's business such as approval of product selling, approval of product buying or product ordering, etc. in the limit for not over than 20 million Baht per transaction and not over than 500 million Baht per quarter. If the determined limit is exceeded, the approval from the Board of Directors should be requested.

- (C) Approve the borrowing or application for Company's credits as well as request to the bank for issuance of letter of guarantee for Company's business operation benefit in usual business condition, and the money spending for investment such as purchase and sale of investment or immovable property in the limit for not over than 25 million Baht per time and not over than 50 million Baht per quarter. If the determined limit is exceeded, the approval from the Board of Directors should be requested.

- (D) Approve the use of Company's assets for mortgage and pledge as the security of all types of existing Company's debts or those will be occurred in the future in the limit for not over than 25 million Baht per transaction and not over than 50 million Baht per quarter. If the determined limit is exceeded, the approval from the Board of Directors should be requested.

- (E) Approve the opening/closing of all types of deposit accounts with the banks or financial institutions and simultaneously determine the condition for money withdrawal or legal transaction of such deposit account.

- (F) Approve the crucial investment spending prescribed in annual disbursement budget as assigned from the Board of Directors or as ever approved in principle by the Board of Directors; and perform any actions according to the occasional assignment of the Board of Directors.

The Executive Board shall not consider and approve the transaction with interest of the Executive Board or other conflict of interests with the Company or its subsidiary unless it is the approval of transaction according to the policy and criteria the Executive Board or the Shareholders' Meeting has ever considered and approved and as required by law. The Board of Directors may cancel, annul, change or alter the power of the Executive Board with the resolution of the Executive Board.

Executives

As of 31st December 2013, the Company's executives have constituted 6 persons as follows.

- | | | |
|------------------|---------------|---|
| 1. Mr. Suwin | Kraibhues | Chief Executive Officer, Acting for Director of Marketing Department and Procurement and Product Development Department |
| 2. Mr. Praty | Levan | Director of Information Technology Department |
| 3. Mr. Surapon | Phetklung | Director of Accounting and Finance Department |
| 4. Ms. Sirikan | Phattiveranon | Director of Sales Operation Department |
| 5. Mr. Nattapong | Khueanphan | Director of Office and Warehouse Department |

Scope of Duties and Responsibilities of Chief Executive Officer

1. Have operating power as the executive, and control and supervise the usual Company's business operation.
2. Have operating power as assigned by the Board of Directors and/or Executive Board as well as have power to assign other persons deemed proper by the Chief Executive Officer to representatively manage. Anyhow, the sub-authorization should not be granted to other persons who may have conflict of interests in operation.
3. Have power to issue the instruction, rule, announcement and memo for operation according to the Company's policy and benefit and for maintaining the working discipline within the organization.
4. Have power to act on behalf and represent thyself as the representative of the Company to outsider in the business relevant to the Company and beneficial to the Company.
5. Consider and scrutinize the investments for proposal to Board of Directors and/or Executive Board.
6. Consider to appoint the consultants who are necessary for Company's business operation for proposal to Board of Directors and/or Executive Board.
7. Have the power to approve the following financial operation.
 - (A) Approve the disbursement of usual operating expenses and procurement of assets and services for Company's benefit in the limit for not over than 5 million Baht per time and not over than 15 million Baht per quarter but excluding the transaction for loan approval or Company's credit application. The Executive Board and/or Board of Directors should be requested for approval for the entry to execute such transaction.
 - (B) Approve selling, buying or service provision as Company's usual business such as product selling approval, product buying approval or product production ordering, etc. in the limit for not over than 10 million Baht per transaction and not over than 300 Baht million per quarter. If the determined limit is exceeded, the approval from the Executive Board and/or the Board of Directors should be requested.
8. Perform other duties as occasionally assigned from the Board of Directors and/or Executive Board.

The Chief Executive Officer shall not consider and approve the transaction with interest of the Chief Executive Officer or other conflict of interests with the Company or its subsidiary unless it is the transaction according to policy and criteria which has ever been considered and approved by the Board of Directors or the Shareholders' Meeting and as required by law. The Board of Directors may cancel, annul, change or alter the power of the Chief Executive Officer with the resolution of the Executive Board.

4. Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee has constituted 3 persons as follows.

- | | | |
|------------------|------------------|---|
| 1. Dr. Peerapong | Kittiveshpokawat | Chairman of Nomination and Remuneration Committee |
| 2. Mr. Viboon | Pojanalai | Member of Nomination and Remuneration Committee |
| 3. Mr. Suwin | Kraibhues | Member of Nomination and Remuneration Committee |

Scope of Duties and Responsibilities of Executive Board

1. Advise the Board of Directors relating to remuneration rates of the Chairman of the Board, the Company's director, the Chairman of Audit Committee, the member of Audit Committee and Subcommittees (if any) (by request for consent from the Shareholder's Meeting later).
2. Proceed the recruitment and nominate the list of proper and qualified person for induction as the director for the first time; and consider the achievement, qualification and aptitude of the director retired by rotation who should be re-elected and then nominate to the Board of Directors for consideration on approval, and propose to the Shareholders' Meeting for appointment as the Company's director henceforth.
3. Consider and advise the Board of Directors, and monitor and supervise the operation relating to the Company's human resource vision and strategy as well as Company's executive development program.
4. Evaluate the Company's operating performance in order to determine bonus granting and annual pay rise of the entire Company using proper industrial standard criteria to support the consideration.
5. Suggest the Company's salary structure including other benefits and rewards.

Company Secretary

In Board of Directors' Meeting No. 4/2012 on 13th July, 2012, the Board of Directors resolved to appoint Mrs. Daranee Pathetang to take a position of Company Secretary according to Section 89/15 of the Securities and Exchange Act B.E. 2535 (A.D. 1992) amended by the Securities and Exchange Act (Issue No. 4) B.E. 2551 (A.D. 2008) with following duties and responsibilities of Company Secretary.

1. Supervise and advise the Company's directors and executives about the compliance with laws, regulations, rules and articles of associations as well as rules of the Stock of Exchange of Thailand and the Office of the Securities and Exchange Commission; and monitor and supervise correct and regular practices.

2. Supervise the disclosure of information and information report according to rule and regulation of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.

3. Prepare and keep the following documents.

- a) Director Register
- b) Appointment Notice of Board of Directors' Meeting and Meeting Minutes of Board of Directors' Meeting
- c) Appointment Notice of Shareholders' Meeting and Meeting Minutes of Shareholders' Meeting
- d) Company Annual Report
- e) Report on Interests of Directors and Executives

4. Perform any other actions according to the rules statutory in Securities and Exchange Law.

Nomination of Directors and Executives

● *Criteria for Selection and Appointment of Boards and Executives*

The Nomination and Remuneration Committee will perform to select the persons appointed as Company's director or Company's executive and propose to the Board of Directors. The person with skill and experience essential for Company's business operation will be emphasized in consideration. The consideration criteria shall be summarized as follows.

1. Posses the qualification corresponding to Public Limited Company Act, Securities and Exchange Act, rule of Stock of Exchange of Thailand and Office of Securities and Exchange Commission including the principle of good corporate governance of the Company.

2. Possess knowledge, competence and experience in different professional fields proper for the lines that will be useful and create value addition to the Company.

3. Possess the characteristic supporting and promoting the corporate governance operation in order to build value to the Company; perform duty with accountability, care and loyalty; and enable to fully dedicate time.

4. The selection and appointment of the Company's director will follow the criteria specified above. In addition, the directors for not less than half of total number of directors must have the residences in the Kingdom. The Shareholder's Meeting will be the appointer of the directors using majority vote according to following criteria and method.

1. A shareholder has the vote equal to 1 share per 1 vote according to the number of his holding shares.

2. In election of Company's directors, the voting method may be used to vote the nominated person one by one or several persons in one time, depending on what will be viewed as proper by the Shareholders' Meeting. However, every shareholder shall exercise their rights according to total existing votes in Item 1 in voting or resolving but more or less votes must not be shared to other people anymore.

3. The voting for director election should be in accordance with the majority vote. If there are equal votes, the Chairman of the Meeting shall have one vote added as the casting vote.

In every Annual General Meeting, the directors must be retired for at least one-third by ratio. If the number of the directors left the post cannot be equally divided into exact three parts, that number of directors retired will be the nearest figure of one-third. The directors required for retirement in the first year and the second year after the Company registration, the casting shall be conducted for which directors will be retired. In next following year, the director holding the post for longest time shall be the retired director and that director left the post may be re-elected to assume the position again.

● *Criteria for Selection and Appointment of Independent Director*

The Nomination and Remuneration Committee will primarily consider the qualifications of the person who will hold the post of independent director and then propose to the Board of Directors by considering from the qualifications according to Public Limited Company Act, Securities and Exchange Law, Notification of the Securities and Exchange Commission, Notification of Capital Market Supervisory Board including other relevant notifications, regulations and/or other rules in accompanying with the consideration on other qualifications such as working experience and wisdom, and then propose to the Shareholders' Meeting for consideration on appointment of such person to be the Company's director. At least one-third of total number of directors and not less than 3 persons shall be appointed according to the Company's independent committee appointment policy.

Qualification of Independent Director

1. Hold the shares not exceeding 1% of total number of voting stocks of the Company, holding Company, its subsidiary, corporation, major shareholders, and Company's regulator by counting in the shareholdings of the people concerned as well.

2. Not be or ever be the director involved in the employee management; consultant officer who gained regular salary; the regulator of the Company, its subsidiary, holding Company, same level of subsidiary; the major shareholder or Company's regulator unless free from aforesaid characteristic for at least 2 years ago before holding the post. Such prohibited characteristic shall exclude the case that the independent director used to be the government officer or consultant of the government office and has been the major shareholders or the Company's regulator.

3. Not be the person with consanguinity or legal registration in type of parents, spouse, relatives, and children as well as spouse of the children of major shareholder, regulator or person who is going to be nominated as the executive or the regulator of the Company or its subsidiary.

4. Not be or ever have business relationship with the Company, holding Company, subsidiary, corporation, major shareholder or Company's regulator in type that may hinder the use of his own independent discretion; never be or ever be the tacit shareholder or the regulator of the person who has the relationship with the business of the Company, holding Company, subsidiary, corporation, major shareholders, or Company's regulator unless free from such characteristics for at least less than 2 years before holding the post.

Anyhow, the above business relationships include commercial transaction normally performed for business engagement, rent or letting of immovable property, service or asset-related item, or offering or obtaining the financial aid by receipt or lending, guarantee, giving asset for debt collateral including other similar actions, affecting the debt existent and obliged by the Company or the party and payable to the other party from 3 percent of net tangible assets of the Company or from 20 million Baht and over depending upon which amount will be lower. Such debt shall be calculated according to the calculation method for value of connected transaction according to the notification of Capital Market Supervisory Committee on the criteria of connected transaction execution with deference. However in considering such debts, total debts occurred during one year before the date of having business relationship with the same person should be counted in.

5. Not be or ever be the auditor of the Company, holding Company, its subsidiary and corporation; the major shareholders or Company's regulator; and never be the tacit shareholder, regulator or partner of auditing office that the auditors of the Company, holding Company, its subsidiary, corporation, major shareholders or Company's regulator are the members, unless free from such characteristics for not less than 2 years before assuming the position.

6. Not be or ever be any professional service provider including the service provision as legal consultant or financial consultant with receipt of service fee for over than 2 million Baht per year from the Company, holding Company, its subsidiary and corporation; the major shareholder or Company's regulator; and never be the tacit shareholder, regulator or partner of that professional service provider unless free from such characteristics for not less than 2 years before assuming the position.

7. Not be the director getting appointed as the representative of the director of the major shareholder's Company or the shareholder who is the person related to the major shareholder such as agreement made in Shareholders Agreement on director appointment to be the representative and oversee the benefit of any groups of shareholders.

8. Not engage in the business with the same nature and tacitly competitive with the business of the Company, its subsidiary; or not be the tacit partner in partnership or the director who is involved in management, customer, employee and consultant with regular salary receipt; or hold the shares exceeding 1 percent of total number of voting stocks of other Company which engages in the same nature of business and is tacitly competitive to the business of the Company or its subsidiary.

9. Does not possess any other characteristics incapable for independent opinion expression on Company operation. Generally, the independent opinion expression means opinion expression or reporting according to the assigned mission irrespective of any interests relating to properties or positions and not fall under the influence of the individual or any group of individuals as well as not be under any situations that may coerce for inability to straightforwardly express the opinion.

● Guidelines in selection and appointment of Audit Committee

The Nomination and Remuneration Committee will consider appointing the Audit Committee that consists of at least 3 Auditors and then propose to the Board of Directors. The Auditors will be selected from the Company Independent Directors. The Independent Directors who are Auditors must have the additional qualifications as follows;

1. Is not the Director who is authorized by the Board of Directors to make decision in business operation of the Company, its parent Company, subsidiaries, associates, same-level subsidiaries, major shareholders, or controlling parties.

2. Is not the Director of the parent Company, subsidiaries, associates, same-level subsidiaries that is the listed Company.

3. Has enough knowledge and experience to responsible for assigned mission as an auditor. The Auditor must dedicate himself/herself sufficiently in working for the Audit Committee's responsibilities.

4. The Auditor should not be a director in more than 5 listed companies because it may cause him/her unable to make full effort in working for each Company, except in the case that such auditor is a key person in providing the Company's guidelines and can make suitable time allocation.

5. At least one of Auditors must have enough knowledge or experience in accounting or financial to responsible for reviewing financial statement's reliability.

Directors and Management Remuneration

(1) Financial Compensation

• Total remuneration of Directors

The Board of Directors, Audit Committee, and Nomination and Remuneration Committee will receive remuneration in term of meeting fees. The Company shall start paying meeting fees when the Audit Committee is nominated pursuant to the resolution of 2014 Shareholders' Meeting dated April 25, 2014. The details of meeting fees payable for Directors and Audit Committee are as follows:

Position	Meeting fees (Baht/time)
<u>Board of Directors' Meeting</u>	
Chairman of the Board of Directors	22,050
Director	16,538
<u>Audit Committee's Meeting</u>	
Chairman of the Audit Committee	22,050
Auditor	16,538
<u>Nomination and Remuneration Committee's Meeting</u>	
Chairman of the Nomination and Remuneration	22,050
Nomination and Remuneration Director	16,538

In addition, the Directors who are management will not receive meeting fees because they already receive the management remuneration. Currently, the Directors who do not receive meeting fees are (1) Mr. Suwin Kraibhubes; (2) Mr. Pratya Levan. Thus, there are only 6 Directors who receive meeting fees.

Summary of remuneration payment to the Board of Directors in 2014 (until December 31, 2014) are shown in the below table.

Name- Surname	Meeting Attendance (times)*	Total remunerations (Baht)
Lt. Gen. Padet Charuchinda	6/6	132,300
Mr. Suwin Kraibhubes	6/6	-
Mrs. Tanyapon Kraibhubes	6/6	16,538
Ms. Monsoothatip Malaukkaranun	6/6	99,228
Mr. Pratya Levan	6/6	-
Mr. Peerapong Kitiveshpokawat	6/6	99,228
Col. Attapon Srisangwarn	6/6	99,228
Mr. Viboon Pojanalai	6/6	99,228

Remark: Mrs. Tanyapon Kraibhubes has resigned from the position of management committee, so, she did not receive allowance as the management committee since 26 August 2014. Therefore, in 2014, she received allowance as management committee only one time for Company's Committee Meeting 6/2014 arranged on 11 November 2014

Summary of remuneration payment to the Audit Committee in 2014 and 2013 (until December 31, 2013) are shown in the below table.

Name- Surname	2014		2013	
	Meeting Attendance (times)	Total remunerations (Baht)	Meeting Attendance (times)	Total remunerations (Baht)
Dr. Peerapong Kitiveshpokawat	5/5	110,250	4/4	84,000
Col. Attapon Srisangwarn	5/5	82,690	4/4	63,000
Mr. Viboon Pojanalai	5/5	82,690	4/4	63,000

● Management Remuneration

The Company paid management remuneration in term of salary, bonus, and contribution of provident fund as summarize below;

Description	2013	2014
Number of management	9 persons	7 persons
Total Management Remuneration (Million Baht)	22.07	17.47

Remark: in 2014, the company has restructured that was effective since 1 May 2014 by transferring specialty store to belong to operation division(Office) and it is renamed from "Department of Consumer Goods and Specialty Store" to "Department of Consumer Goods" for more effective management. Besides, the company has established "Division of International Sale Operation" to support channels of distribution in foreign countries.

(2) Other Remuneration

The Company also provided other remuneration in term of Company car for the management in some positions.

Corporate Governance

The Company is aware of the importance to perform in accordance with Corporate Governance Principle. Thus the Board of Directors has developed the policy to comply with Code of Best Practices for Directors of Listed Company according to the Stock Exchange of Thailand (SET) guidelines, which are determined to be practical. Moreover, the Company follows Good Corporate Governance as a guideline in development of the policy to cover rights and equitable treatment of shareholders, stakeholders, structures, roles and responsibility and independency of directors, disclosure and transparency, risk control and management, including code of conduct; to make business management and business operation efficient and transparent. The Good Corporate Governance includes 5 sections as follows;

Section 1 The Rights of Shareholders

The Company realizes and respects to the rights of the shareholders by not proceeding in any action that violates the right of shareholders. Moreover, it will support the shareholders to exercise their fundamental rights, e.g. sale or transfer of shares, sharing of the Company's profits, receiving adequate information regarding the Company, attending shareholders' meetings to exercise the right to vote in the removal of directors, selecting auditors and making decisions on matters that affect the Company such as the allocation of the dividend, the provision or amendment of regulations and memorandum of association, the reduction or increase of capital, and the approval of special items.

In addition to the fundamental rights as stated above, the Company will support any matter that encourages and facilitates the exercise of rights of the shareholders as follows:

- The Company will encourage the Board of Directors, the management, and relevant organizations, including the auditor to participate shareholders' meetings simultaneously.
- The Company will assign the Board of Directors to provide a written appointment for a shareholders' meeting with adequate information for the shareholders to be notified about 7 days prior to the date of the Meeting or to follow the prescription of the Securities and Exchange Commission and the Stock Exchange of Thailand.
- In each shareholders' meeting, the chairman will clarify the rules for the meeting including voting procedures and allocate time sufficiently for the meeting.
- The shareholders will be given extreme opportunities to raise questions and give comments and suggestions in any meeting with the presence of the board members and directors.

After the Meeting is adjourned, the Company will produce the meeting minutes by showing accurate and complete information for the scrutiny of the shareholders.

- The Company will arrange vote submission and record in the resolution of Shareholders' Meeting clearly in the Minute of Meeting. The number of votes received; agreed, not agreed, and no vote; will be recorded for each agenda of the Shareholders' Meeting which required voting.
- In the case that any shareholder cannot attend the meeting by him- or herself, the Company grants an opportunity to these shareholders the privilege of authorizing any independent director or person to attend the meeting in his or her name.

Section 2 The Equitable Treatment of Shareholders

The Company will treat all shareholders equally and fairly including shareholders who are director, non-director, foreign shareholders as well as minor shareholders with the following principles:

- The Board of Directors will not raise an additional agenda without informing the Shareholders in advance if it is not necessary, especially an important agenda that requires the Shareholders time to study before making any decision.
- The Company has set up a policy to prevent any unauthorized use of information by prohibiting agencies that were exposed to the information from revealing it to other agencies or non-related personals. In the event that any employee or director reveals the information or use it to benefit themselves or their accomplices, it will be considered a serious offense and will receive a disciplinary punishment.
- In a shareholders' meeting, the Board members and Chief Executive Officer will share information about their interests in each agenda in order for the Board of Directors to consider any transaction that may be in conflict with the interests. This will allow them to make decisions for the benefit of the Company as a whole. The Board members and the Board of Directors whose interests are in conflict with the Company's will be revoked the right to vote in that agenda.

Section 3 The Role of Stakeholders

The Company respects the rights of every group of stakeholders and has created a policy which is important in treating all stakeholders as follows.

Shareholders : The Company is committed to dealing businesses with the knowledge and management skills as best as possible in all cases with the honesty and fairness to both major and minor shareholders for the best interest of shareholders as a whole. This includes disclosure of information on a regular basis with completeness and accuracy.

Employees : The Company will provide fair compensation to employees, maintain the working environment that is safe for life and property and give an emphasis on the development of employees' potential thoroughly and consistently. It will also strictly comply with laws and regulations that are employee-related and avoid any action that is deemed unfair which may affect the career integrity of the employees as well as treat the employees with courtesy and listen to opinions and suggestions from all employee levels equally and fairly.

Clients : The Company is committed to create customers' satisfaction and confidence, including take care and responsible for customers. Our customers will receive products and services with quality and standards at a reasonable price and comply with applicable standard. The Company will also comply with terms and condition of the agreement entered into by the Company and customer, along with developing higher standard of products and services continuously.

Partners and creditors : The Company will not practice corruption in dealing businesses with its partners and creditors and is committed to comply with conditions strictly prescribed with creditors, e.g. the purposes of payment, reimbursement, the regulations of the quality of collateral and any other agreements with creditors to achieve mutual benefits.

Competitors : The Company will conduct operations under the rules of good competition, will not seek competitors' confidential information by dishonest or improper means, and will not damage the reputation of its alleged competitors without unfounded grounds.

Society : The Company will not take any action that may result in damage to society, natural resources, and environment. Instead, it seeks opportunities to support creative social activities and social responsibility among employees at all levels continuously and seriously as well as to control the practice strictly in accordance with the spirit of the law and regulations issued by regulatory agencies.

Section 4 Disclosure and Transparency

The Company recognizes the importance of disclosure of accurate, complete and timely information and meets the standards of the Stock Exchange of Thailand in terms of financial reports and general information as well as other important information affecting stock prices and the decision-making process of investors and stakeholders of the Company. Moreover, to provide all the relevant information equally, the Company releases the public information through the Stock Exchange of Thailand and the website at www.beautycommunity.co.th.

The Board of Directors is responsibly aware of the significance of the accurate and reasonable financial report. The statement of the Company was prepared in accordance with the well-accepted accounting standard by the selection of appropriate accounting policies and accounting records which have enough accuracy to maintain the property. This is to identify the weaknesses in order to prevent fraud or irregularities of the material which is consistently implemented and to make sure that the key information is adequately disclosed in the notes to financial statements. Furthermore, the Board has appointed the Audit Committee to review financial reports, transactions and internal control system.

The Audit Committee will report the audit results to the Board in every meeting. The Board of Directors, the Audit Committee and the Auditor's reports are detailed in the annual report. As for the investor relations, the Company has no plan to establish an investor relation section in nearly future. However, the Company has assigned Mr. Suwin Kraibhubes, Chief Executive Officer; Mr. Surapon Phetkleung, Director of Accounting and Financial Department; and Ms. Sirikan Phattiveranon, Director of Operations Department; to be responsible for communicating with shareholders, analysts and those involved.

Section 5 Responsibilities of the Board of Directors

(1) The Board of Directors' structure

The Board of Directors consists of the directors who have knowledge, competency and experience in doing business which is beneficial for the Company. The Company's Board of Directors is appointed by the General Meeting of Shareholders. It consists of 8 Directors, including 4 Independent Directors: one Chairman of the Audit Committee and two Audit Committees. At least one Audit Committee must have enough accounting knowledge to be able to audit and ensure the reliability of financial statements. The Company also regulates that at least one-third of the Board, but not fewer than 3 persons, is to be Independent Directors representing the minority of shareholders. They have to check and balance the Company's administration of the affairs to provide the best, fairest and most accurate interests to the shareholders.

The Chairman of the Board must be the Independent Director and must not be the same person as the Managing Director and Chief Executive Officer to achieve the balance and the review of the management. To achieve this, the Company has clearly set the scopes of power, duties and responsibilities of the Board of Directors, Executive Committee and the Managing Director to prevent them from having unlimited managing and financial power.

(2) Sub-Committee

The Board of Directors has appointed the following sub-committee to assist in the Company's operations:

- 7 Executive Committees who help facilitate operations with the powers and duties assigned by the Board of Directors.
- The Audit Committee has at least 3 persons to monitor and assist in overseeing the operations of the Company's scope of duties as assigned by the Board of Directors. All members have qualifications stated in the Securities and Exchange Act or in the rules and regulations of the Securities and Exchange Commission or the Stock Exchange of Thailand.
- 3 Nomination and Remuneration Committees who provide suggestion about remuneration of the Directors, appointment of the Board of Directors and sub-committee, nominate and propose the person whose qualification is suitable for being the Director; including follow up and operate human resource activities, e.g. evaluation for bonus and salary increment, etc.

However, the Company may recruit other sub-committees to perform their assigned tasks to alleviate the administrative burden of the Board of Directors in the future.

(3) Roles, Duties, and Responsibilities of the Board of Directors

The Board of Directors is responsible for determining the policy, vision, strategy, goal, business plan and budget as well as oversees the effective and efficient administration and management to ensure compliance with agreed policies and strategies within the framework of the law, the Company's objectives, regulations and resolutions of the shareholders' meeting. The Board will perform its duties with full competency to create value-added for long-term business, and manage the Company's business carefully and prudentially to avoid conflict of interests. The Board will manage operation according to the following guidelines.

Business Code of Conduct

The Company has written a procedure on the business code of conduct for the Board, the Audit Committee, and the working parties to use as a guideline. Its key issues are the discretion of the Company's confidentiality, honest and law-abiding operations, respect of the legitimate rights of each other and caution of the resources, both internal and external environment. This important focus of ethics in business will bring integrity in performances and the efficiency of an internal control, resulting in faith in capital markets and confidence to establish credibility with investors.

The Policy on Conflicts of Interest

The Company's policy on conflict of interest is based on a principle that all employees are required to act only in the best interest of the Company. Any actions or decisions must be free from influences of the needs of themselves, their family, relatives, siblings or other parties of their own acquaintances. The policy covers two following issues:

- Transactions:

The Company will consider the appropriateness before carefully making any transaction item or determining the price and condition of any transaction, as if the Company is making a transaction with a third party (Arm's Length Basis). Also, the Audit Committee will consider and verify the necessity and reasonability of the transaction. The Company will make any transaction by following regulations, conditions, and procedures prescribed in the announcement of the Stock Exchange of Thailand and the announcement of Securities and Exchange Commission Thailand. In addition, the Company will reveal the said item in its annual report and registration statement (Type 56-1). This is done for the transparency of any transaction and to eliminate the problems of conflict of interest and other related situations.

- Other situations that can lead to conflicts of interest can be categorized as follows:

1. General investment: The Company will not allow its employees who are also shareholders, or those who benefit from its competitors, or vendors/suppliers who are in business contact with the Company to take part in any decision making regarding business relationship, unless approved by the Board of Directors.

2. Receiving gifts: Personnel of all levels should not receive gifts, transportation tickets, sport tickets, travel offers, accommodation or personal offers, etc., if such action can lead the Company to any binding conditions or make the Company lose profit.

3. Accepting work in academia or public service, a lecturer post, or any position: Personnel of all levels can ask the head of their department to approve the acceptance of work in academic institutions or public service, or a lecturer post or any position such as Company director or adviser that will help broaden their vision and offer them experience. However, all personnel are not allowed to involve the Company or their positions in the Company with any external activity, unless approved by the Board of Directors.

Internal Control

The Company has an internal control system to give the investors' confidence that the Company operates efficiently and increase the financial budget credibility. From the end of 2010 until now, the Company has hired Well Planning Solution Co., Ltd, who has its professional in internal control with experiences of internal audit for many listed companies., to be an internal auditor of the Company.

Moreover, Miss Hassaya Jaibuchasak, an internal inspector of Well Planning Solution Co., Ltd, has been appointed to report the result of the internal inspection to the Audit Committee at least once every three months.

(4) The Board of Directors' Meeting

The Board of Directors has set to held at least one meeting every three months as well as other special meetings if necessary. A monthly report is also expected to be compiled and distributed among the Board of the Directors to help them direct, control and supervise the operation of the management section promptly and continuously. A meeting invitation has to be sent to the Board of Directors for consideration at least seven days before a meeting is held, except in urgent cases to protect the Company's rights or profits. The Board of Directors can ask for any extra information from the secretary if needed.

The Chairman and Chief Executive Officer will consider the agenda, and each member of the Board can also propose an agenda. The Chief Executive may join the Meeting in order to give extra information in certain occasions.

(5) Remuneration

The Company has its policy to provide the remuneration of the Board of Directors and Audit members at the level which can motivate them to maintain the desired qualities. The remuneration will be at the same level as that of other groups in the same industry, and is linked to the Company's performance. The remuneration of the Board of Directors must be approved in the Shareholders' Meeting.

The remuneration of the Managing Director and Chief Executive is set to match their responsibilities and authorities according to the rules and policies determined by the Board of Directors for the highest benefits of the Company. The level of remuneration, including salary, bonus and long-term incentive, is set in accordance with the performance of the Company and each Director.

(6) The Board of Directors and Executives' development

The Board of Directors supports and provides training and workshops to all employees who are involved in the Corporate Governance system, such as the Directors, Audit Committees, and Executives, in order to continuously help improve their performance. Training and workshops may be arranged in the office or at other external institutes.

If there is any change in the Board of Directors, the Company's secretary will provide useful documents to the new members, as well as arrange for advice on the business type and model to be given to the new Boards of Directors.

Insider Trading Policy

The Company has its policy and procedure which cover monitoring the Directors and senior management about their usage of inside information for their interests as follows;

1. To provide knowledge for the Directors and other managements about their responsibilities to report changes in securities holding of them, their spouse, and minor children to The Securities and Exchange Commission and Stock Exchange of Thailand. This complies with Section 59 and the announcement of The Securities and Exchange Commission No. SorChor. 12/2552 prescribed "Preparation and Disclosure of Report on Securities Holding of Director, Executive and Auditor", and the penalty stated in Section 275 of the Securities and Exchange Act B.E. 2535.

2. The Company assigns the Executives to report changes in securities holding of them, their spouse, and minor children to The Securities and Exchange Commission and Stock Exchange of Thailand. This complies with Section 59 and the announcement of The Securities and Exchange Commission No. SorChor. 12/2552 prescribed "Preparation and Disclosure of Report on Securities Holding of Director, Executive and Auditor". Thus, the Company is able to monitor shares selling/buying of all Executives.

3. The Executives who are informed any material inside information, which has some impact on securities' price change, must stop their securities buying/selling for 1 month before publishing such financial statement or inside information. They must not exploit such material information to others. If any person in the Board of Directors or Executive Committee uses the inside information to cause some damages to the Company or the Shareholders, The Board of Directors will consider the penalty appropriately. If the person in other level exploited the inside information, the penalty will be considered by the Executive Committee.

Auditor's Remuneration

(1) Audit Fee

In 2014 The company paid audit fees to DIA International Co.,Ltd., in the amount of 935,000 Bath. And the member of auditor team consist of

- | | |
|-------------------------------|-----------------|
| 1. Mrs. Suwimol Krittayakean | Permit no. 2982 |
| 2. Mrs. Wilairat Rojnakaran | Permit no. 3104 |
| 3. Ms. Somjintana Polhirunrat | Permit no. 5599 |

(2) Non-audit Service

In 2014 the company and affiliate company didn't get the services form DIA International Co.,Ltd.

Personnel

1. Number of employees and remuneration

Number of the Company's employees (exclude Executives) categorized by business line are shown below;

No.	Key Function	Number of employees (persons)	
		As of December 31, 2014	2013
1	Marketing	10	6
2	Operation (at branches)	672	510
3	Product Development and Purchasing	19	15
4	Warehouse and Logistics	102	87
5	Finance and Accounting	32	27
6	Information Technology	8	8
7	The Company's secretary and Chief Executive Officer's secretary	3	2
8	Consumer Product	11	16
9	Graphic and Design	9	6
10	Human Resources and Administration	18	15
11	Operation (Office section)	40	29
12	Sales Training & Development	10	7
13	Business Development and interior decoration	9	8
14	Operations Oversea Section	1	0
Total (persons)		944	736

Remark: in 2014, the company has restructured that was effective since 1 May 2014 by transferring specialty store to belong to operation division(Office) and it is renamed from "Department of Consumer Goods and Specialty Store" to "Department of Consumer Goods" for more effective management. Besides, the company has established "Division of International Sale Operation" to support channels of distribution in foreign countries.

Previously, the company has paid monetary allowance to employees (executives excluded) in forms of salary, bonus and others such as OT, allowance, commission, Branch management fee, product maintenance fee etc. in the beginning of 2014 and 2013, there were 944 employees and 736 people were paid in monetary form for 198.00 million Baht and 149.47 million Baht respectively.

2. Provident Fund

The Company has organized the provident fund named “Sinsathaporn Registered Provident Fund” which is managed by BBL Asset Management Co., Ltd. Both the Company and employees will make monthly deposit of their part at 3% - 5% of salary. Establishment of the provident fund has the objectives to create employees’ moral and to attract them to work with the Company in long term.

3. Employees Training and Development Policy

The Company has a policy to make continuous improvement for its employees. The key objective of the policy is to develop employees’ knowledge and understanding in performing their duties efficiently. This is the way to develop career path of employees and to focus on increasing competitive advantage. In addition, the Company also has the policy to enhance good practice culture for employees so that they can work simultaneously in the same direction and focus on identity of organizational culture. As a result, the Company has developed “BEAUTY CORE VALUE” campaign to support such policy.

All shops’ staff will be trained about all products’ details and specification, including make-up method, personality development, service, sales technique, communication with customers, making suggestion to customer, sales promotion, products arrangement, including using of POS which is linked with the Company’s program. Total training periods are 14 days to completely cover key contents. In addition, all staff will be tested before working to ensure that all shops are efficient in the same standard.

However, the staff in other departments will receive both internal and external training according to their function to improve the skill on their responsible jobs.

Internal Control

The Company gives precedence to internal control management system for the most efficiency, in order to achieve Company's goals. We focus on the internal control system covering all activities on the purpose of sufficiency and suitability for business operations, the most efficiency and effectiveness of operations, resources use, and asset management. Furthermore, the accurate accounting system and financial reports based on Company law, rules and regulations are included. The Company's internal audit is independent in evaluation of internal control system regarding the efficiency and sufficiency. The Company committee assigns the audit committee to examine the result of the evaluation of the Company's internal control and regularly provide suggestion for development of the internal control system.

The audit committee had attended the Company committee meeting of 1/2014 on February 25, 2014. The audit committee evaluated the internal control system by questioning the Company management about the sufficiency of five parts of Company's internal control system as follows

- (1) Organization and Environments
- (2) Risk Management
- (3) Control of Management Operations
- (4) Information Systems and Data Communications
- (5) Tracking System

The audit committee concluded that the Company possesses the sufficient internal control system of business transaction process with major shareholders, committee, management, or other related people. The five parts of the internal control system are appropriate and sufficient for the purpose of asset protection concerning wrongfully being used by the management. In additional, the system possesses independence in tracking and evaluating the internal control. Lastly, the Company's document management system is able to be examined by the committee, auditor, and authorized persons in the timely manner.

Auditor's observation for Company's internal control system

- NO -

Operation Policy of the Internal Audit

The Company gives precedence to the internal control management system concerning completeness and sufficiency on the purpose of being able to take control all kinds of risks from business operations to be acceptable. The Company determines policies, regulations, and operation manual that completely cover all main operation processes in writing. Additionally, the division of authority according to check and balance system is included in the policy. To strengthen and develop the Company's internal control system constantly in the long term, the Company appointed "Well Planning Solution Co., Ltd.", which experiences in internal auditing for many listed companies, to become the Company's internal auditor at the end of the year of 2010. Furthermore, the Company also appointed Ms. Woralux Limsukprasert, who is the management of Well Planning Solution Co., Ltd., presents the result of the internal auditing to the Company's committee every three months.

Observation of the Internal Auditor

In 2014, Well Planning Solution Co., evaluated the risks of Company's operation and presented to the audit committee, then planed the internal auditing by considering the audit procedures based on level of effect on business operation. The audit procedure will be started examining the major activity strongly affecting the Company's business operation. This audit plan has been approved by the audit committee; moreover, the internal auditor evaluated the sufficiency of the Company's internal control system at that period of time. The audit procedures include the examination of two main processes of internal control system including (1) Human Resources Management Process , (2) Sales and Marketing Process The internal auditor concluded that the Company has determined the internal control processes generating efficiency and effectiveness of the operation.

However, the internal auditor had evaluated the inappropriate procedures and provided suggestion of improvement to the Company. Actually, the Company places important of the improvement according to the suggestion mentioned above. The internal auditor reported the result of the internal audit consisting of the progress of improvement to the Company committee constantly as below

Sale and Marketing Process

The counseling company has operated for audition during 9-20 June 2014 by selecting following list

- (1) Verifying work target list of first quarter/2014
- (2) Verifying operation manual of Beauty Buffet and Beauty Cottage
- (3) Verifying Promotion specification and Approval for May 2014
- (4) Random testing list on sale at Beauty Buffet and Beauty Cottage
- (5) Verifying contract between the company and dealer of Beauty Market

- (6) Verifying agreement between the company and customers of Consumer Product Division
- (7) Verifying Marketing campaign Procedures
- (8) Satisfaction guarantee of Beauty Buffet and Beauty Cottage during March- May 2014
- (9) Verifying operation of branch Monitor of Area Supervisor

Nevertheless, such auditing has objectives to evaluate capacity and suitability of internal control system associated with sale and marketing procedure. Internal audit is conducted to evaluate effectiveness and suitability of internal control system associated with above activities under agreement of service emphasizing on 3 main issues as follows

- Evaluating efficiency and capacity of existing internal control system
- Following relevant policy, rules, regulation of the company
- Suitability and reliability of financial report

The advising company has notices about internal control specified by the company that it can facilitate operation to control display effectively and efficiently that can be summarized as follows

1. Making work plan to achieve target of work (PMS) which is an index of operation or evaluation of each division in the organization.
2. Making Manual of work standard of sale agents in writing and they delivered to each branch
3. Using package program and connecting with ERP of Headquarter as a tool in product sale system and storage management system
4. Cross communication between branches and office by using Blog for clear and quick operation
5. Area Supervisor shall monitor operation of front employees to ensure that each branch will operate following principles of the company regularly and if problems are found, they shall be resolved in time.
6. Arranging the meeting of sale department in each Brand for twice a month so that executives can perceive progression of operation including problems with solution.

For notices about internal control that have not been suitably managed, they shall be improved or revised as follows

Sale and Marketing Procedure

No.	Notice of Internal Auditor	Operation of the Company
Employee did not comply with Work procedures / Area Supervisor counted score of store evaluation incorrectly		
1	The employees did not comply with specified work procedures 1. Area Supervisor counted score of store evaluation incorrectly as the result in form is wrong and did not use Critical score to be deducted from total score in topic of Critical, Method of scoring of Area Supervisor still did not have same standard and such operation causes mistake in evaluation and capacity measurement of store employees and it could result in wrong Q.S.C evaluation that would be presented to the executives and the branch cannot improve as thinking that they pass score.	The operation director has specified resolution as follows • Arranging meeting of Area Supervisor to recognize operation of branch check and reiterate employees to work carefully and circumspectly • Assigning manager of each store to make a quarterly report of QSC for each branch and summarize branch list that has not been monitored before presented to the executive

No.	Notice of Internal Auditor	Operation of the Company
Performance Meaning Summary (PMS) of Q.S.C. is incorrect		
2	Performance Meaning Summary (PMS) of Q.S.C. is not correct. Beauty Cottage: it was found that the employee recorded score in Excel for PMS evaluation incorrectly. Brand Beauty Market : it was found that Q.S.C score summary was already in PMS report in 1st quarter /2014 although there was no monitoring in 1st quarter/2014. the monitor started from June 2014 and such operation directly affected correctness of "Summary Report following work plan to achieve PMS in quarter 1/2014 of Beauty Cottage and Beauty Market presented to the executive incorrectly	The brand manger has checked data to make PMS Report more carefully but for workplan to achieve PMS of Beauty Market is considered to cut topic of evaluation in part of Q.S.C in Quareter 1/2014 as the branches were justed monitored in June 2014.

No.	Notice of Internal Auditor	Operation of the Company
Operation Standard Manual for Sale Agents has not been Updated		
3	Operation standard manual for sale agent has not been updated in branch group as the executive has approved to change. This affected front employees not recognizing data revision and sometimes, details of data revision affect returns of front officer also.	The executive agreed with suggestion by assigning operation director to reiterate Brand Manager to find a resolution to update operation standard manual for sale agent and deliver to each branch completely within 31 July 2014

No.	Notice of Internal Auditor	Operation of the Company
There has not been operation procedure and forms for customers to request Tax Invoice		
4	Currently, there has not been forms for customers to fill out to request tax invoice and if the front officers inquired information incompletely, the accounting officer that issue tax invoice needs time to call back the front store or customers again	The company provided forms for customers to fill out and request full tax invoice and delivered forms to every branch including Brand Beauty Buffet, Beauty Cottage, and Beauty Market

No.	Notice of Internal Auditor	Operation of the Company
Currently, the company does not have forms for account opening for customers		
5	Currently, the company has not had forms for customer account opening and supporting documents for account opening that directly affected correctness and completeness of customer account opening in C-Smile System. Nevertheless, it is complicated because the accounting officers need time to follow up data as database in work system. According to procedures of original division to open credit amount, there shall be Credit Application Form presented to the executives for approval and submitted to accountant to open database of customers in C-Smile System. However, previous performance, the original employees did not make Credit Application Form but submitted trade agreement document or product distribution confirmation or PP. 20 Form which do not have uncertain format.	The company provided forms to open account for new customers including new customer and list of credit amount as well as identifying supporting documents for opening account of new customers

No.	Notice of Internal Auditor	Operation of the Company
There has not been operational procedures for Beauty Market in writing		
6	There has not been operational procedures for Beauty Market in writing with following details - Making "Trade agreement" of dealers incompletely - Incompleteness of "Trade agreement" - Delay promotion approval - Specifying special sale list not corresponding to price in approval letter - Random count of product for 20 lists is equal to Beauty Buffet. but, practically, it may not be suitable as Beauty Market has much more products and prices are substantially different reflecting that the company has not made operation procedure particularly for Beauty Market which is the new store different from original stores of the company and it may affect operation in each section lacking clarity and problems may occur.	The operational manager specified guidelines of operation and resolution as follows - Monitoring signing in trade agreement completely - Determining operation procedures of Beauty Market in writing with following topics - Making trade agreement and supporting documents for signing of signatories - Checking lists and random count of products - Promotion Making - Specifying power to approve relevant transaction

No.	Notice of Internal Auditor	Operation of the Company
Currently, there has not been procedures of Ended Promotion in system		
7	Currently, there has not been procedures to check ended promotion in work system due to the fact that there are some promotions that IT officers set as "Unlimited", as operation division needs to sell products until they are sold out and informed IT officer to extend the period reflecting that the company has not specified procedures to close extended promotion without limit. The IT Department has not received information for further execution that would result in more promotions are left in the work system	The operation director stipulated guidelines of operation and resolution as follows - IT department makes a report of promotions left in the system for "unlimited" promotion and submitted to Brand Manager of each store. - Each Brand Manager checked promotions left in the system as the report receiving from IT Department to consider which promotion ended and informed back to IT department to close Promotion - On every 25th of the month, IT Department informs moving promotions of each brand for operation department of each store so that the Brand Manager can verify when the promotion ends and inform IT to close it

No.	Notice of Internal Auditor	Operation of the Company
Evaluation of Effectiveness, Efficiency and Monitoring Operation/ Evaluation of store is not complete and lacks of continuity of solution tracking		
8	<u>Evaluating Effectiveness, efficiency and Monitoring Overall Operation</u> Store evaluation is not complete and lacks of continuity of solution due to the fact that Area Supervisor is not sufficient to visit the branch as set target and they are not visited for 3 consecutive months (Beauty Buffet from 17 branches and 13 branches of Beauty Cottage). Monitoring resolution of each shop is not effective because the Area Supervisor would record resolution for each problem; however, next month, it was found that the same problem is still recorded and some problems may affect image of the shop. Besides, it was found that in minutes of sale meeting of Beauty Buffet and Beauty Cottage, there was no tracking result of the operation assigned to each person to evaluate success of each job that is resolved. Therefore, progression of each work cannot be tracked from above operation to show effectiveness and efficiency of operation to assess the branch of Area Supervisor that it is not enough including not able to track resolution of store officer continually. Therefore, front development is still the same	The operation director specified guidelines of operation and resolution as follows - Improving visit plan in each brand to be more suitable - Arranging meeting for every Area Supervisor to understand operation for branch visit again and reiterate employees to work with carefulness - Improving branch visit manual of Area Supervisor from procedures of visit as guidelines and reiterating that there shall be identifying Action Plan for solution in evertime problems are found as well as solution monitoring in following month etc. - Assigning the manager of each store to make summary report with QSC score by quarter in each branch and summarizing branch list that has not been visited for consecutive times to be presented to the executives starting from quarter 2/2014 etc.

No.	Notice of Internal Auditor	Operation of the Company
There has not been comparison report between real expenditure and budget		
9	There has not been comparison report between real expenditure and budget that would cause the monitoring of budget use cannot be conducted if it's higher or lower than specified budget and it is not completely done also.	The marketing and consumer goods Manager would make expenditure report compared to quarterly budget starting from quarter 2/2557 and hereafter.

No.	Notice of Internal Auditor	Operation of the Company
Agreement Management /the company has not received trade agreement for Consumer Product Division		
10	<u>Agreement Management</u> The company has not received trade agreement in Consumer Product Division from verifying documents about account opening for 11 customers, it was found that 11 customers will have standard form of the company and they sent them to the company for signing and returning to customer's company. However, from verifying, it was found that the form of customers collected by the company is duplicate and the executives of the company will sign in part of dealer. Above cases are incomplete trade agreement as the buyer (Department store) has not signed in the agreement. Nevertheless, if there was a problem that a buyer did not comply with agreement in the contract, the company will not be able to copy the documents for prosecution	The operation director assigned the consumer goods manager to follow up agreement of 11 customers and check all agreement if any agreements of the customer are terminated. If the agreement dues, contact them to make a new one or any agreements that have not been expired, inquire and monitor from the buyer completely

Human Resource Management Procedure

The advising company has audited during 8-17 September 2014 by selecting following test list

1. Manpower Planning for 2014
2. Employee Procurement during May 2014
3. Employee Returns around 25 August 2014
4. Training Plan for 2014
5. Annual Employee Evaluation for 2013
6. Resignation of Employee during March- August 2014

Nevertheless, such auditing has objectives to evaluate effectiveness and suitability of internal control system associated with human resource management. Internal audit was conducted to assess capacity and sufficiency of internal control system about activities under agreement emphasizing on 3 main issues as follows

- Evaluating effectiveness and efficiency of existing internal control system
- Complying with policy, rule, regulations of the company
- Suitability and reliability of financial report

The Advising Company has notices about internal control specified by the company so as to operate human resource management effectively and efficiently that can be summarized as follows

1. Determining operation manual of human resource and internal affair department in writing
2. Making notice of human resource department about employee's return such as active payment, travel cost, commission and incentive including rules and regulations about uniform and damage guarantee in writing
3. Evaluating employees in both probation period and annual evaluation that shall be conducted by direct commander
4. Result of annual evaluation is use to support consideration for annual bonus including salary adjustment to motivate employees to be always alert in working
5. Using Payroll Program to facilitate database management of employees including return calculation such as salary and OT along with database record.

For notices about internal control that have not been properly resolved, they shall be improved or revised as follows

Human Resource Management Procedure

No.	Notice of Internal Auditor	Operation of the Company
Manpower Planning		
1	The company should improve manpower planning with following details • Division-based organization chart has not been revised following company-base organization chart (Approved on 1 May 2014) • Job Description did not correspond to division-base organization chart; for example, product development and purchase manager did not identify duty of purchasing and storage officer shall identify duty covering many positions in organization chart • Incompleteness of Job Description documentation from verification. some job descriptions and job specification (JD/JS) are not signed and dated. therefore, we could not know what date these documents are approved • Review of rights to access C-Smile Program according to changed organization chart	Human Resource and Internal affair Department have changed manpower planning approval document for 2015 as follows • Human Resource and Internal Affair determined format of division-based organization chart and defined terms that each division shall improve organization chart and submit to human resource department • Each division improved documents of Job Description completely for every position by determining duty and responsibility corresponding to current organization chart and identifying effective date • Specifying right to access C-Smile Program corresponding to current organization chart

No.	Notice of Internal Auditor	Operation of the Company
Employee Procurement		
2	Currently, the company has not specified knowledge test for staff in each position that may affect employee procurement to get qualified employees	Human Resource and Internal Affair Department coordinated with each division to specify knowledge test for some positions so as to get qualified employees
Employee's Return, Employee's Guarantee Payment		
3	Paying guarantee and uniform cost did not follow operation procedures as follows - Deducting guarantee of employees did not have same standard; for instance, 2 employees started working and resign in similar time but guarantee deduction is not equal as perceiving that an employee (Miss. Monthol) would resign, guarantee is not deducted - Additional guarantee was not immediately deducted when promotion that is not corresponding to position the company has paid. Nevertheless, promoted employees have received 700 Baht as position cost since June 2014 - Damage Guarantee deduction for 2 employees was not complete as identified in damage guarantee agreement for 15,000 Baht that would be deducted for 5 tranches but actually it was deducted for only 1,000 Baht	Human Resource and Internal Affair has deducted guarantee of employees completely and contacted program service provider if he had tools facilitating guarantee and uniform cost deduction to reduce works in process of calculating salary and benefit faster.

No.	Notice of Internal Auditor	Operation of the Company
Training		
4	Employees were not trained according annual training plan in 2014 as a result of the fact that it was extra-curriculum training and it did not have employee expense, so, it has not been informed to human resource department to record training. Therefore, amount of training curriculum is not corresponding to training plan	Human Resource and Internal Affair Department has operated as follows - Improving and reviewing annual training plan that is suitable and really implemented - Following up trainings regularly - Specifying hours of training in PMS to motivate employees to have continuing self-development and can apply knowledge in real works more effectively.
Employees did not follow procedures of training stipulated by the Company		
5	Employees did not follow procedures of training stipulated in human resource and internal affair manual associated with training as follows - there was no signing for external training approval "Training Request Form" and there was no evaluation of training for 3 curriculum - Most external training has no documentation summarizing training to be submitted to division leader to consider and submit to human resource and internal affair department to record employee training - Recording trainings of employees lacks of continuity during external training from January -June 2014 and that affected the company not having information of employee trainings to support consideration for further trainings	Human Resource and Internal Affair Department has operated as follows - Improving training manuals and documents relevant to training - Understanding principles of trainings for each division and reiterated employees responsible for training to check training request form, approving and and recording trainings regularly following specified procedures

Information about Chief of Internal Audit

1. Internal Audit Company
Well Planning Solution Co., Ltd.
2. Chief of Internal Audit
Miss Woralex Limsukprasert
Position: Managing Director
3. Education qualification/Certificate
Bachelor of Accountancy, Second Class Honors,
University of the Thai Chamber of Commerce
Master of Accountancy, Thammasat University
 - Certified Public Accountant (C.P.A.) of Thailand
4. Work Experience
 - 1995 – 2002 : S.G.V. Na Talang Co., Ltd.
 - 2003 – 2004 : KPMG Phoomchai Holdings Co., Ltd.
 - 2005 – Present : Well Planning Solution Co., Ltd.
5. Related Training
 - TSQC1 Workshop about monitoring and EQCR for capital market auditor
 - How to comply with Thai Standard on Quality Control Vol.1 (TSQC1)
 - Guidelines of Thai Standard on Quality Control Vol.1 (TSQC1) for audit office
 - COSO – 2013 Latest internal control framework

Related Party Transaction of the Company

Related Party Transaction for the Year Ended as of 31st December, 2014

Beauty Community Public Company Limited

Conflict Person/ juristic person	Relation	Transaction Quality	Transaction value (Baht)		Balance (Baht)		Necessity and Reasonability	Opinion of Audit Committee
			2013	2014	As of 31 Dec 2013	As of 31 Dec 2014		
Mrs. Tanyapon Kraibhubes	Shareholder and committee	Land and Premises Lease	348,000	348,000	-	-	The company leased land and premises of 203 Square wah from Thanapoom Group which belongs to Mrs. Tanyapon Kraibhubes with rental of 29,000 Baht per month to be used as storage of the company. The lease agreement dues in 3 years from 1 Jan 2012-31 Dec 2015. The rental follows the price estimated by independent estimator	Such land lease is necessary and reasonable to operation with fair rental estimated by the independent estimator. However, the audit committee meeting 5/2012 on 5 October 2012 had resolution to approve the company to change signatory of such land lease from Thanapoom Group to Mrs. Tanyapon Kraibhubes effective on 1 October 2012 with same terms and conditions in the agreement
		Land rental *	-	1,276,293	-	1,276,293	The company had obligation according to land lease agreement to construct the storage dated on 11 June 2013 and affix with 30 year lease duration. The rental is equal to price estimated by the independent estimator starting from 1 January 2014. Value throughout lease agreement is 38.06 million baht	

Conflict Person/ Juristic person	Relation	Transaction Quality	Transaction value (Baht)		Balance (Baht)		Necessity and Reasonability	Opinion of Audit Committee
			2013	2014	As of 31 Dec 2013	As of 31 Dec 2014		
C&N International Ordinary Partnership	Mr. Pratya Levan, committee and shareholder of the company holding shares 20% in Ordinary Partnership	Product sale	3,362,719	6,623,441	655,887	891,671	C&N International Ordinary Partnership is an owner of Beauty Buffet Franchise at Big C Bangna Branch with same terms and conditions of the company agreed with other franchisees	It's normal transaction with reasonable trade conditions
		Other Income	4,830	5,985	-	-	The company charged operation fee according to terms in franchise agreement such as transport fee, check fee and products etc. that are the same conditions the company agreed with other franchisees	
Bivita International Co., Ltd "Bivita"	Mrs. Ratchanok Chiangthong that is a committee and shareholder and is a sibling with Mr. Pratya Lewan	Product Purchase	5,404,206	10,280,374	922,500	1,000,000	The company ordered products of Lansley Ready-made coffee from Bivita which is the distributor. The price Bivita proposed was lower than other customers because the company ordered in large amount and it was lower than other distributors. Besides, gross profit margin the company will receive from distributing such coffee is similar to some products of the company	It is normal transaction with reasonable trade conditions

*The company had obligation according to land lease to construct the storage dated on 11 June 2013 with rental duration of 20 years. The rental is equal to the price estimated by the independent estimator and according to annual general meeting 2014 on 25 April 2014; the company is approved to revise the agreement by making an affix about lease extension for more 10 years with rental of 16.44 million Baht. The duration is 30 years with value of 38.28 million baht according to the agreement dated on 23 July 2014. The lease period started from 1 January 2014 to 31 December 2044 (Both signatories agree to collect rental from the date building construction is finished or from 1 January 2016 depending on which period comes first until the due). However, the company starts recording rental from 1 January 2014 hereafter by such land lease does not include transferring ownership on premises to the landlord and the tenant shall demolish premises when terminating the lease. As of 31 December 2014, the company had obligation as in lease agreement with outstanding balance of 37,413,990 Baht

Significant Related Transaction

Resolutions of the 2014 Annual General Meeting of Shareholders for the related transactions were as follows:

In addition, the Company Board of Directors' Meeting No. 6/2555 and the resolution of the Shareholders' Meeting No. 3/2555 had the resolution to approve the budget at the amount of Baht 73.29 million (exclude decoration expense), estimated building construction cost as of October 5, 2012, for construction the buildings in the rented land. The buildings will be used as warehouse, training center, office, and employees' dormitory (integrally referred as "Constructions"). After that the Company Board of Directors' Meeting No. 3/2557, dated March 5, 2014 had its resolution to approve the additional budget at the amount of Baht 59.83 million (exclude decoration expense), for modification of the Constructions. Thus, total cost of building construction, infrastructures, and additional parts are around Baht 133.12 million (This amount is estimated by the designed company. It is not the final amount caused by bidding of construction work). The revision of Constructions' value is caused by (1) increasing of construction price per square meter, compared to the price in 2012; and (2) extension of scope of work and increasing in work quantity to cover and support increased product quantities and turnovers caused by expansion of contribution channels.

However, the consideration was made based on, after the expiry date, no extension of the land rental agreement and no transferring of ownership of the building to the Tenant. Thus, the Tenant is subjected to return the land to the Tenor in the original condition. To make it transparent, shareholders will be informed about the changed value of building construction and utilization of the Constructions for the benefits of Company's business. Although, the land rental value which is increased by the agreement term extension is not subjected to approval of the Shareholders' Meeting resolution according to the list of related transaction, the Board of Directors' Meeting considered submitting the details of land rental for 30 year-term and the Constructions' value for requesting the approval from the Annual Shareholders' Meeting.

Accordingly, BEAUTY, then, disclose the information in relation with any related transaction to the Stock Exchange of Thailand or make any other related action to comply with rules of the Securities and Exchange Commission. The Company will also conduct the Shareholders' Meeting to request for the resolution to approve for making such transaction by receiving 3 of 4 of total votes from shareholders or authorized persons without counting the votes of the shareholders who have conflict of interests (if any). Thus, the Company has its responsibility to conduct the Shareholders' Meeting to request for approval of such transaction and other related transaction, then making the report and disclose the information of such items (see details about information of land rental, investment in construction, and opinion of independent financial consultant regarding list of rented land and construction investment of Beauty Community Public Company Limited; showing in the Shareholders' Meeting materials of 2014, which will be held on April 25, 2014 at Crystal Ball Room 1,2, 2nd floor, E building, Crystal Design Center (CDC), 1420/1, Praditmanooncham Road, Klong Chan sub-district, Bung Kum district, Bangkok 10240)

The key contents of changing in approval for land rental and building construction are summarized as follows;

Description	The resolution of the Board of Directors' Meeting dated October 5, 2012 and the resolution of the Shareholders' Meeting dated October 17, 2012	The resolution of the Board of Directors' Meeting No. 2/2557, dated February 25, 2014 and No. 3/2557, dated March 5, 2014
Land rental period	Land rental for 20 years	Land rental for 30 years
Rental value	Baht 21.84 million	Baht 38.28 million
Building construction	Baht 73.29 million (exclude VAT)	Baht 133.12 million (exclude VAT)
Building construction	Baht 78.42 million (include VAT)	Baht 142.43 million (include VAT)
Rent and Building Construction (Include VAT)	Baht 100.26 million	Baht 180.71 million

The amendment of land lease from Mrs. Tanyapon Kraibhubes (“ Lesser “), a director and major shareholder of the Company by making notes at the end of lease to extend the lease term for 10 years, totaling 30 years as compensation for 10 years extension of the lease, the amount of Baht 16.44 million is considered as a related transaction by Capital Market Supervisory Board No. 21/2008 Re: Rules on Related Transactions of the Company. And the Notification of the Stock Exchange of Thailand: Disclosure of Information and Other Acts of Listed Companies Regarding the related transactions 2003 (Disclosure of Related Transaction “) with a size of 16.44 million baht or 1.66 percent of the Tangible asset value of the company as at December 31, 2013, which less than baht 20 million, or 3 percent of the tangible assets value of the Company.

However, at the end of the lease, there will be no transfer of ownership of the building to the lesser. The lessee is obligated to deliver the return of land to the lesser in its original condition. However for the purposes of using the buildings for business of the Company the Board of Directors has decided to lease the land in the period of 30 years and this resolution requires shareholder approval at a general meeting of the shareholders.

Criteria or procedure of approval for connected transaction

The Company has the policy in presenting the connected transaction with transparency. In which, the Company concerned for the highest benefits. The transaction that may create the conflict of interest be presented to the board of director for approval, in order to allow the highest benefits and to protect the investors of the company. Such transaction must follow the regulation annouced by the board of director of SET or related law. For any connect transaction that is deemed to have some conflict of interest, the approval will not be granted.

In case of the connected transaction in ordinary sales such as buying propducts and selling product, the company has the policy that will manage each regulation to be consistant with the nature of selling and the price can be compared with the price sold to other person. The audit committee will consider and provide the opinion for such transaction and will report to the board of director each quarter with reason, including the impact that may affect the company business.

The tendency of connected transaction in future

In the connected transaction that may arise in the future, the regulation must be consistant with the nature of transaction and condition of maret. The company and/or its subsidiary will allow the audit committee to provide the opinion for the commission rate, including the nessesity and appropriatio of such transaction. If there is any conflict of interest arises, the company will follow the regulation of SET to solve such issue and used the law enforcement. More over, the opinion of the audit committee will be used for consideration of the board of director and the shareholders. The company may provide the connected transaction in the note to the financial statement that has been approved by the auditor, and may be appears the annual report as well.

Report of the Committee Responsibilities to the Financial Statement

The Board of Directors is responsible for the financial position of Beauty Community Public Company Limited, including all financial information appearing in the annual report, which is prepared under the general accepted Thai Accounting Policy, and enclose with important information for the benefits of shareholders and general investors.

In this regard, the Board of Directors has assigned Audit Committee to audit and report the performance in the financial statement to the Board of Directors. The Opinion of Audit Committee will be presented in the report of the Board of Directors as appeared in this annual report.

The Board of Directors believes that, the internal control system of the Company is conducted with transparency and can create the confidence that the financial statement of Beauty Community Public Company Limited for the year ended December 31, 2014 is reliable and presented according to the general accepted Thai Accounting Policy.



(Lt.Gen. Padet Charuchinda)
Chairman of Board Director



(Mr. Suwin Kraibhubes)
Chief Executive Officer

Report of Audit Committee

The Independent Audit Committee of Beauty Community Public Company Limited is consisted of 3 persons as follows:

- | | |
|----------------------------------|-----------------------------|
| 1. Dr. Peerapong Kitiveshpokawat | Chairman of Audit Committee |
| 2. Col. Attapon Srisangwarn | Audit Committee |
| 3. Mr. Viboon Pojanalai | Audit Committee |

The Audit Committee mentioned above are qualified auditors according to the announcement of Stock Exchange of Thailand on Qualification and Scope of Audit Committee (Edition 2) B.E. 2552 (2009).

In year 2014, the Audit Committee had conducted 5 meetings and the Audit Committee had performed their duty with prudence, and used their knowledge and capabilities according to the scopes, duties, and responsibilities to perform the given mission independently. The Audit Committee had performed their duties such as, being the co-manager, internal auditor, and auditor for the benefits of all stakeholders, which can be summarized as follows:

1. Verify the accuracy and the adequacy of disclosure of the quarterly and annual financial statement year 2014 of the Company, in order to ensure that the accounting system and report of financial statement is prepared under the general accepted Thai Accounting Policy with adequacy, completeness and confidence.

2. Verify the internal audit and internal control system, in order to ensure that the Company has an appropriate and effective internal audit and internal control system.

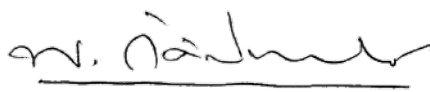
3. Ensure that the operations of the Company is compliance with the guidelines set forth by the Securities and Exchange Commission, Regulations of the Exchange Commission, and other laws related to business of the Company.

4. Ensure the adequacy and effectiveness of risk management.

5. Advise and Supervise the Company to conduct the business with Good Corporate Governance, in order to ensure the transparency of operation, including the disclosure of related records or records that might contain conflicts of interests.

6. Propose the appointment and remuneration of the auditors of the Company, in order to grant the approval from the shareholders' meeting.

According to the internal control system, the opinion of the Audit Committee suggested that the internal control system of the Company is overall in good position, in which the report is prepared under the general accepted Thai Accounting Policy with adequacy, completeness and confidence. Moreover, the Company has an adequate risk management system, with Good Corporate Governance, including with the steadily improved operational quality.



(Dr. Peerapong Kitiveshpokawat)
Chairman of Audit Committee

Financial Position and Overall Operation

Report of the Auditor

Financial Statement December 31, Financial Statement for the year ended December 31, 2014

The opinion of Miss Somjintana Ponhirunrat, Certified Public Accountant No. 5599 from DIA International Audit Co., Ltd., presented that financial statement present fairly, in all material respects, the financial position of the Company as at December 31, 2014, the financial performance and cash flows for the year then ended in accordance with The Financial Reporting Standards.

Financial Statement December 31, Financial Statement for the year ended December 31, 2013

The opinion of Miss Somjintana Ponhirunrat, Certified Public Accountant No. 5599 from DIA International Audit Co., Ltd., presented that financial statement representing the financial position of the Company as on December 31, 2013, the overall operation and cash flow for the year ended are presented with correctness according to the significant conformity with generally accepted accounting principles



Summarized of financial statement of Beauty Community Public Company Limited

Statement of Financial Position

For the year ended December 31, 2014 and 2013

STATEMENTS OF FINANCIAL POSITION	December 31, 2014	%	December 31, 2013	%	December 31, 2012	%
			(Adjustment)		(Adjustment)	
Current assets						
Cash and cash equivalents	174,562,208.49	13.56%	192,136,883.93	16.87%	298,264,197.19	27.65%
Temporary investments	390,000,000.00	30.30%	500,000,000.00	43.89%	460,000,000.00	42.64%
Trade and other receivables	22,261,808.82	1.73%	25,844,476.05	2.27%	11,763,267.71	1.09%
Inventories	288,487,960.00	22.42%	175,773,668.59	15.43%	123,574,042.18	11.45%
Total current assets	875,311,977.31	68.01%	893,755,028.57	78.46%	893,601,507.08	82.83%
Non-current assets						
Long-term investments	100,000,000.00	7.77%	-	0.00%	-	0.00%
Property, plant and equipment	198,433,365.81	15.42%	157,013,575.08	13.78%	122,111,200.12	11.32%
Leasehold rights	10,600,580.19	0.82%	11,100,410.71	0.97%	12,035,852.20	1.12%
Intangible assets	20,075,443.83	1.56%	10,763,824.62	0.94%	1,847,966.94	0.17%
Deferred tax assets	3,544,023.96	0.28%	1,518,912.83	0.13%	360,983.15	0.03%
Other non-current assets	78,985,657.59	6.14%	65,015,928.68	5.71%	48,928,634.13	4.54%
Total non-current assets	411,639,071.38	31.99%	245,412,651.92	21.54%	185,284,636.54	17.17%
Total assets	1,286,951,048.69	100%	1,139,167,680.49	100%	1,078,886,143.62	100%
Current liabilities						
Trade and other payables	142,691,458.38	11.09%	110,756,395.20	9.72%	68,832,567.88	6.38%
Current portion of financial lease liabilities	-	0.00%	-	0.00%	266,129.62	0.02%
Current portion of long-term loans from financial institutions	-	0.00%	-	0.00%	1,052,214.69	0.10%
Accrued income tax	47,690,446.81	3.71%	25,483,262.52	2.24%	12,951,319.69	1.20%
Total current liabilities	190,381,905.19	14.79%	136,239,657.72	11.96%	83,102,231.88	7.70%
Non-current liabilities						
Financial lease liabilities	-	0.00%	-	0.00%	558,505.27	0.05%
Long-term loans from financial institutions	-	0.00%	-	0.00%	4,919,111.94	0.46%
Employee benefit obligations	5,724,011.00	0.44%	1,599,437.00	0.14%	1,281,551.00	0.12%
Other non-current liabilities	3,336,670.00	0.26%	2,546,550.00	0.22%	2,212,754.30	0.21%
Total non-current liabilities	9,060,681.00	0.70%	4,145,987.00	0.36%	8,971,922.51	0.83%
Total liabilities	199,442,586.19	15.50%	140,385,644.72	12.32%	92,074,154.39	8.53%
Shareholders' equity						
Share capital						
Authorized share capital 300,000,000 common shares of Baht 1 each	300,000,000.00		300,000,000.00		300,000,000.00	
Issued and paid-up share capital 300,000,000 common shares of Baht 1	300,000,000.00	23.31%	300,000,000.00	26.34%	300,000,000.00	27.81%
Premium on share capital	556,439,628.87	43.24%	556,439,628.87	48.85%	556,439,628.87	51.58%
Retained earnings						
Appropriated						
Legal reserve	30,000,000.00	2.33%	27,858,528.96	2.45%	10,787,500.00	1.00%
Unappropriated	201,068,833.63	15.62%	114,483,877.94	10.05%	119,584,860.36	11.08%
Total shareholders' equity	1,087,508,462.50	84.50%	998,782,035.77	87.68%	986,811,989.23	91.47%
Total liabilities and shareholders' equity	1,286,951,048.69	100%	1,139,167,680.49	100%	1,078,886,143.62	100%

Profit and Loss Statement

For the year ended December 31, 2014 and 2013

STATEMENTS OF COMPREHENSIVE INCOME	2014	%	2013	%	2012	%
			(Adjustment)		(Adjustment)	
Revenues from sales	1,359,449,200.19	98.14%	970,697,598.10	97.35%	769,887,779.59	99.00%
Cost of sales	(444,577,786.82)	-32.09%	(287,874,459.53)	-28.87%	(221,161,961.08)	-28.44%
Gross profit *	914,871,413.37	67.30%	682,823,138.57	70.34%	548,725,818.51	71.27%
Other income						
Interest income	18,283,332.18	1.32%	21,565,359.95	2.16%	4,178,036.85	0.54%
Others	7,535,526.42	0.54%	4,850,538.58	0.49%	3,588,297.61	0.46%
Total other income	25,818,858.60	1.86%	26,415,898.53	2.65%	7,766,334.46	1.00%
Total revenue	1,385,268,058.79	100.00%	997,113,496.63	100.00%	777,654,114.05	100.00%
Selling expenses	(439,527,930.79)	-31.73%	(348,199,471.56)	-34.92%	(255,071,421.39)	-32.80%
Administrative expenses	(124,370,395.90)	-8.98%	(101,732,336.62)	-10.20%	(82,450,901.06)	-10.60%
Finance costs	-	0.00%	(207,397.89)	-0.02%	(456,496.46)	-0.06%
Profit before income tax	376,791,945.28	27.20%	259,099,831.03	25.98%	218,513,334.06	28.10%
Income tax	(75,632,456.15)	-5.46%	(52,129,784.49)	-5.23%	(45,552,497.12)	-5.86%
Profit for the year	301,159,489.13	21.74%	206,970,046.54	20.76%	172,960,836.94	22.24%
Other comprehensive income :						
Actuarial gain (loss) on defined employee benefits plan						
- net of tax	(2,433,062.40)		-		-	
Other comprehensive income for the year	(2,433,062.40)		-		-	
Total comprehensive income for the year	298,726,426.73		206,970,046.54		172,960,836.94	

* Percentage rate of gross profit is calculated from dividing gross profit value with main sale revenue (other revenues excluded) which is in accordance with gross profit rate that is disclosed in significant financial ratio.

Statement of Cash Flow

For the year ended December 31, 2014 and 2013

STATEMENTS OF CASH FLOWS	2014	2013	2012
Cash flows from operating activities		(Adjustment)	(Adjustment)
Profit before income tax	376,791,945.28	259,099,831.03	218,513,334.06
Adjustment profit before income tax to cash receipt (disbursement)			
from operating activities			
Depreciation and amortization	43,982,730.65	32,160,800.03	22,667,566.17
Doubtful accounts	-	246,000.00	-
Loss (reversal) on devaluation of inventories	171,344.53	(48,900.81)	(3,489,463.27)
(Gain)loss on sales of assets and write off fixed assets	(641,261.00)	1,292,533.04	299,756.33
Loss on write off of intangible assets	1,225,440.00	-	-
Deferred (income) for reward points	(4,316,285.00)	(1,159,555.00)	-
Employee benefit expenses	1,083,246.00	317,886.00	294,247.00
Interest expenses	-	207,397.89	456,496.46
Profit from operation before changes of			
operating assets and liabilities	418,297,160.46	292,115,992.18	238,741,936.75
(Increase) Decrease in changes of operating assets			
Trade and other receivables	3,582,667.23	(14,327,208.34)	(4,765,661.26)
Inventories	(112,885,635.94)	(52,150,725.60)	(27,438,625.19)
Other non-current assets	(13,969,728.91)	(16,087,294.55)	(10,037,961.48)
(Increase) Decrease in changes of operating assets	(123,272,697.62)	(82,565,228.49)	(42,242,247.93)
Increase (Decrease) in changes of operating liabilities			
Trade and other payables	26,594,913.19	23,232,680.89	(8,386,440.57)
Other non-current liabilities	790,120.00	333,795.70	596,354.30
Increase (Decrease) in changes of operating liabilities	27,385,033.19	23,566,476.59	(7,790,086.27)
Cash generated (paid) from operation	322,409,496.03	233,117,240.28	188,709,602.55
Interest paid	-	(207,397.89)	(456,496.46)
Income tax paid	(54,842,117.39)	(40,755,771.34)	(82,184,144.28)
Net cash provided by (used in) operating activities	267,567,378.64	192,154,071.05	106,068,961.81
Cash flows from investing activities			
(Increase) Decrease in changes of temporary investments	110,000,000.00	(40,000,000.00)	(460,000,000.00)
Long-term investments acquisition	(100,000,000.00)	-	-
Building and equipment acquisition	(74,246,813.96)	(47,916,425.78)	(35,384,780.32)
Proceeds from sales of equipment	1,616,265.56	1,272,442.99	105,000.00
Leasehold rights acquisition	(1,366,505.68)	(300,000.00)	-
Intangible assets acquisition	(11,145,000.00)	(9,541,440.00)	(1,001,238.92)
Net cash provided by (used in) investing activities	(75,142,054.08)	(96,485,422.79)	(496,281,019.24)
Cash flows from financing activities			
Payments for financial lease liabilities	-	(824,634.89)	(363,955.24)
Repayments for long-term loans from financial institutions	-	(5,971,326.63)	(1,131,858.80)
Decrease in loans from directors	-	-	(954,073.32)
Proceeds from share capital increase	-	-	822,500,000.00
Payments for cost of sale share capital	-	-	(21,060,371.13)
Dividend paid	(210,000,000.00)	(195,000,000.00)	(215,750,000.00)
Net cash provided by (used in) financing activities	(210,000,000.00)	(201,795,961.52)	583,239,741.51
Net increase (decrease) in cash and cash equivalents	(17,574,675.44)	(106,127,313.26)	193,027,684.08
Cash and cash equivalents as at the beginning of year	192,136,883.93	298,264,197.19	105,236,513.11
Cash and cash equivalents as at the end of year	174,562,208.49	192,136,883.93	298,264,197.19

Significant Financial Ratio

For the year ended December 31, 2014 and 2013

For the year ended December 31, 2014 and 2013

Financial ratio		2014	2013	2012
<u>Liquidity ratio</u>				
Current ratio / Liquidity ratio	(Time)	4.60	6.56	10.75
Quick ratio	(Time)	3.08	5.27	9.27
Cash ratio	(Time)	1.64	1.75	1.07
Account receivable turnover (A/R)	(Time)	148.35	146.96	303.59
Account Receivable (A/R) days	(Day)	2	2	1
Inventory turnover	(Time)	1.92	1.92	2.05
Inventory days	(Day)	188.00	187	176
Finished goods turnover	(Time)	2.55	2.73	3.20
Finished goods days	(Day)	141.00	132	113
Account payable turnover (A/P)	(Time)	6.75	6.38	6.21
Account Payable (A/P) days	(Day)	53.00	56	58
Cash cycle	(Day)	137.00	133	119
<u>Profitability ratio</u>				
Gross profit margin (GP)	(%)	67.30%	70.34%	71.27%
Operating profit margin	(%)	27.20%	25.98%	28.16%
Operating cash flow margin	(%)	71.01%	74.10%	48.44%
Net profit margin	(%)	21.74%	20.76%	22.34%
Return on equity (ROE)	(%)	28.87%	20.85%	28.63%
<u>Efficiency ratio</u>				
Return on assets (ROA)	(%)	24.83%	18.66%	24.27%
Return on fixed assets	(%)	195.29%	170.01%	179.58%
Total assets turnover	(Time)	1.14	0.90	1.09
<u>Financial policy ratio</u>				
Debt to equity ratio (D/E)	(Time)	0.18	0.14	0.09
Interest coverage ratio	(Time)	-	1,184.2	331.53
Coverage ratio	(Time)	0.94	0.64	0.15
Dividend payout ratio	(%)	69.73%	94.22%	124.21%
Earning per share(EPS) (fully diluted)	(Baht)	1.00	0.69	0.58

Note: Calculated from authorized capital for 300 million shares, its value is 1 Baht/share

Explanation and analysis of financial position and overall operation

● Previous Overall operation

Beauty Community Public Company Limited was established on 19 October 2000 (originally known as Monapolitan Company Limited) operating retail business of beauty products such as Make-up, skin care, food supplement and accessories. In present day, these products are distributed in retail shops such as Beauty Buffet, Beauty Cottage and Beauty Market. Moreover, the Made in Nature brand and Girly Girl brand are being distributed through Modern Trade. The products are distributed through convenient stores, catalog and traditional trade, with different concepts such as different packaging design, distribution channel and marketing position, in order to meet the needs of different target groups of customers. Moreover, it is the best way to build customer base to cover all target groups of customers

Beauty Buffet, Beauty Cottage and Beauty Market distributed their products through retail shops. In which, the Beauty Buffet is best in distributing both skin care and make-up products, while Beauty Cottage, launched in 3rd quarter of 2011 focuses on distributing natural products for skin care. In the 2nd quarter of year 2012, the Company has launched the products under the concept of Made in Nature and being distributed by Modern Trade channel, in order to reach the target groups of customers in wider range.

Most products are naturally made daily used products such as shower cream and skin lotion/. For Beauty Market, it firstly appeared in 3rd quarter of 2012 by having the concept of presenting mixture of Super Market and Beauty Shop concept. Beauty Market is beauty specialty store that mainly sell beauty products. Hence, creates the difference and novelty in beauty shop industry. Girly Girl Products were launched in 2013 with 5 items 11 SKU, which were sold through convenient store, catalog and traditional stores. In addition, the Company is seeking for new distribution channels for increasing the market.

The Company has continuously expanded the branches of retail shops both Bangkok and its vicinity, including other provinces all over Thailand. Hence the total revenue of the Company continually grows from 997.11 million Baht in 2013 to 1,385.27 million Baht in 2014 or about 38.93% growth. The net profit of the Company in 2014 and 2013 was 301.16 million Baht and 206.97 million Baht (newly revised) or 21.74% and 20.76% to total revenue respectively. However, the net profit of the Company that increases continually is the result of debut of Beauty Buffet, Beauty Cottage and Beauty Market and its rapid expansion including that incomes increase while expenditures are stable leading to economy of scale to run business.

At any rate, to make the Company grow sustainably; according to the tendency of make-up market value in Thailand and Make-up exporting value that has continuous growth resulted by ASEAN Economic Community : AEC and Free Trade Area: FTA, the Company has assigned the projects to develop new concepts of products that are related to beauty, health and lifestyle, which are the Company's specialist, in order to meet various needs of consumers. Moreover, the Company continue to expand the branches and increase the distribution through E-commerce so that consumers can access products easily.

● Operation Analysis for year 2014 and 2013

Company's operation analysis in 2014 and 2013 are as follows:

Revenues

Revenue Structure by channel

Unit : Million baht

Revenue structure by channel	2014			2013			Changed	
	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	%
Retail shops :								
- Beauty Buffet	1,080.72	78.01%	79.50%	766.12	76.83%	78.93%	314.60	41.06%
- Beauty Cottage	156.82	11.32%	11.54%	139.42	13.98%	14.36%	17.40	12.48%
- Beauty Market	56.52	4.08%	4.16%	13.25	1.33%	1.37%	43.27	326.54%
Total sales from retail shops	1,294.05	93.42%	95.19%	918.79	92.15%	94.65%	375.26	40.84%
Franchises	22.41	1.62%	1.65%	23.76	2.38%	2.45%	(1.35)	(5.68%)
Wholesales & Oversea	17.82	1.29%	1.31%	14.35	1.44%	1.48%	3.47	24.18%
Modern Trade	25.16	1.82%	1.85%	13.79	1.38%	1.42%	11.37	82.45%
Total sales	1,359.44	98.14%	100.00%	970.69	97.35%	100.00%	388.75	40.05%
Other revenue	25.82	1.86%		26.42	2.65%		(0.60)	(2.27%)
Total revenue	1,385.27	100.00%		997.11	100.00%		388.16	38.93%

Total revenue of the Company in 2014 and 2013 was 1,385.27 Million Baht and 997.11 million Baht (revised) respectively or it was 38.93% of growth rate. The income from sales of the Company was mainly came from distribution through cosmetic retail shop by having average distribution proportion in 2014 around 1,294.06 million Baht or 93.42% to total revenue, franchises around 22.41 million Baht or 1.62% to total revenue, oversea and wholesales around 17.82 million Baht or 1.29% to total revenue, modern trade channel around 25.16 million Baht or 1.82% to total revenue, and other revenue around 25.82 million Baht or 1.86% to total revenue,

Therefore, BEAUTY's performance in this period was better due to many factors : the cosmetic's consumption increased both Bangkok and up-country, CRM program were launched to provide more benefit to member then the basket size increased and percentage of member that come back to buy also increased, and this year we've re-training program to motivate our sales force, new products were launched, moreover we're very famous with the foreigner tourist from China, Hongkong, and middle east.

Revenue Structure by brand

Unit : Million baht

Revenue Structure by product group	2014			2013			Changed	
	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	%
<u>Beauty Buffet Shop</u>								
Make up	364.93	26.83%	33.77%	369.55	37.58%	48.24%	(4.62)	(1.25%)
Skin care	664.81	48.88%	61.52%	348.22	35.41%	45.45%	316.59	90.92%
Food Supplement	7.27	0.53%	0.67%	0.85	0.09%	0.11%	6.42	755.29%
Accessories	43.71	3.21%	4.04%	47.5	4.83%	6.20%	(3.79)	(7.98%)
Total Beauty Buffet	1,080.72	78.01%	100.00%	766.12	76.83%	100.00%	314.60	41.06%
<u>Beauty Cottage Shop</u>								
Make up	63.71	4.68%	40.63%	61.07	6.21%	43.81%	2.64	4.32%
Skin care	85.21	6.26%	54.34%	67.6	6.87%	48.49%	17.61	26.05%
Food Supplement	-	-	-	-	-	-	-	-
Accessories	7.90	0.58%	5.04%	10.73	1.09%	7.70%	(2.83)	(26.37%)
Total Beauty Cottage	156.82	11.32%	100.00%	139.4	13.98%	100.00%	17.42	12.50%
<u>Beauty Market Shop</u>								
Make up	27.61	2.03%	48.86%	6.43	0.65%	48.53%	21.18	329.43%
Facial care	10.49	0.77%	18.56%	2.58	0.26%	19.47%	7.91	306.55%
Body care	7.42	0.55%	13.12%	1.78	0.18%	13.43%	5.64	316.61%
Beauty accessories	4.33	0.32%	7.66%	0.74	0.08%	5.58%	3.59	485.14%
Hair care	2.52	0.19%	4.46%	0.71	0.07%	5.36%	1.81	254.98%
Perfume	2.08	0.15%	3.68%	0.5	0.05%	3.77%	1.58	316.00%
Beauty drink & food supplement	1.05	0.08%	1.86%	0.26	0.03%	1.96%	0.79	304.41%
Body hygiene	0.77	0.06%	1.37%	0.16	0.02%	1.21%	0.61	384.24%
Men's care	0.24	0.02%	0.43%	0.09	0.01%	0.68%	0.15	169.73%
Total Beauty Market	56.52	4.08%	100.00%	13.25	1.33%	100.00%	43.27	326.54%
Franchises	22.41	1.62%	100.00%	23.76	2.38%	100.00%	(1.35)	(5.68%)
Oversea&Wholesales	17.82	1.29%	100.00%	14.37	1.44%	100.00%	3.45	24.01%
Modern Trade	25.16	1.82%	100.00%	13.79	1.38%	100.00%	11.37	82.45%
Other revenue	25.82	1.86%	100.00%	26.42	2.65%	100.00%	(0.60)	(2.27%)
Total revenue	1,385.27	100.00%		997.11	100.00%		388.16	38.93%

(Unit : Million Baht)

Brand Channel	Total 2014						
	Beauty Buffet	Beauty Cottage	3rd Party Brands	Beauty Cuisine	Made in Nature	Girly Girl	Total
Beauty Buffet shop	1,048.38	-	-	-	27.38	4.95	1,080.71
Beauty Cottage shop	0.12	156.71	-	-	-	-	156.83
Beauty Market	4.58	2.30	44.87	1.34	2.50	0.92	56.51
Franchise	21.51	-	-	-	0.67	0.22	22.41
Modern Trade	7.58	1.63	-	-	14.54	1.41	25.15
Oversea & Wholesales	13.19	3.04	0.94	0.01	0.44	0.20	17.82
Total	1,095.36	163.68	45.81	1.35	45.53	7.71	1,359.44

The income of the Company continuously grows as the result of branch expansion of retail shops like Beauty Buffet and Beauty Cottage and also the debut of Beauty market in 3rd quarter of 2013 including providing distribution channels to modern trade with the concept of Made in Nature Brand, which was debuted in the 2nd quarter of 2012 and Girly Girl Brand that was dispensed in convenient stores, catalog and traditional trade debuted in the last quarter of 2013 with following details

(1) Revenue from Beauty Buffet

In 2014 and 2013, the income was 1,080.72 million Baht and 766.12 million Baht or 78.01% and 76.83% of total income respectively. The growth rate was estimated for 41.06% which resulted from branch expansion in every region of Thailand. At the end of 2014, there were 217 branches (204 domestic branches and 13 international branches), increasing 34 shops from the end of 2013 with 183 branches (179 domestic branches and 4 international branches). Total turnover of Beauty Buffet for Skin Care, make-up, food Supplement and accessories, the average distribution proportions were 61.523%, 33.77%, 0.67% and 4.04% respectively.

Apart from distribution through retail shops operated by the Company, Beauty Buffet products are also distributed through other channels such as franchises appointed by the Company and wholesalers who sell the products in area where none of the company branches are existent including wholesale to foreign customers as the Company has had a policy of abroad distribution through agent in term of wholesale. The average turnover via such channels were about 1.62% and 0.95% of total turnover respectively.

(2) Revenue from Beauty Cottage

Products under Beauty Cottage Concept was firstly debuted in the 3rd quarter of 2011 and by the end of 2011, the Company has already opened 68 branches of Beauty Cottage (65 domestic branches and 3 foreign branches) increasing 16 shops from the end of 2013 with 52 branches (50 domestic branches and 2 international branches). In 2014 and 2013, the income was 156.83 million Baht and 139.40 million Baht. The growth rate was estimated for 12.50%. Beauty Cottage has focused on presenting products produced from diverse types of natural extracts with outstanding skin care property. Therefore, the average proportion of skin care turnover was 54.33% compared to total turnover of Beauty Cottage while the average proportions of Make-Up and Accessories were 40.62 % and 5.04% respectively. Beauty Cottage products have also distributed to wholesalers same as Beauty Buffet with the proportion of distribution about 0.22% of turnover without any distribution through franchise.

(3) Revenue from Beauty Market

Products made under the concept of Beauty Market were introduced during the third quarter of 2013, in 2014 and 2013, the revenues were 56.52 million Baht and 13.25 million Baht in respective order, which is about 326.54% of growth rate. This is due to the Company's branching expansion in order to access larger customer scale. By the end of 2014, there are a total of 10 branches established nationwide which increased 7 branches from the year 2013 that has only 3 branches. Meanwhile, the total sales of make-up products, facial care, body care, beauty accessories, hair care, perfume, beauty drink & food supplements, body hygiene and men's care were approximately 48.86%, 18.56%, 13.12%, 7.66%, 4.46%, 3.68%, 1.86%, 1.37% and 0.43% in respective order. By the way, Beauty Market had revenue from the own brands were 20.60% and 3rd party brands were 79.40%.

Beauty Market is the concept presenting the form of integration between Supermarket and Make-up shop concepts. Under this concept, the advantages of buying various products in super Market and convenient stores and excitement of shopping Make-up have been integrated. Beauty Market is beauty specialty store focusing on particular selling of beauty products, resulting in differentiation and originality in Make-up store field.

(4) Revenue from franchises

The total revenues of products under the franchise channel by 2014 and 2013 were 22.41 million Baht and 23.76 million Baht in respective order, or approximately -5.68% of growth rate. In present, the Company has not had any policy of additional franchising.

(5) Revenue from oversea and wholesales

Oversea and wholesales, by 2014 and 2013 were 17.82 million Baht and 14.37 million Baht in respective order, or approximately 24.01% of growth rate. The turnover through domestic wholesalers has tended to decline in the future due to the Company's branch expansion policy for more area coverage in the future. However, the wholesale turnover of foreign customers has been likely increased.

(6) Revenue from modern trade

Modern trade channel, by 2014 and 2013 were 25.16 million Baht and 13.79 million Baht in respective order, or approximately 82.45% of growth rate. The Company debuted products through the channel of big-sized super stores or modern trade such as Big C Supercenter, Tesco Lotus, and Tops Supermarket, including distributed through convenient stores, catalogs, traditional trade and website online.

(7) Other incomes

Other incomes in 2014 and 2013 were 25.82 million Baht and 26.42 million Baht, respectively. Other incomes of the Company were income from interest received with 18.28 million Baht and 21.57 million Baht respectively in 2014 and 2013. Furthermore, the Company also had other incomes in 2014 and 2013 for 7.54 million Baht and 4.85 million Baht, mostly including franchise service fee and income from employee such as uniform cost, etc.

Cost of Goods Sold and Gross Profit

The cost of sales in 2014 and 2013 were 444.58 million Baht and 287.87 million Baht in respective order, or approximately 67.30% and 70.34% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2014 is relatively lower than in 2013. This is due to the rising sales revenue of Made in Nature and Girly Girl products through modern-trade distribution channel in that year, which has lower gross profit margin compared to retail-shop distribution channel. Also, the launch of Beauty Market shops during the third quarter of 2013 has led to lower gross profit margin rate comparing to Beauty Buffet and Beauty Cottage and we've more promotion during the period to increase sales, resulting in a slight reduction in the overall gross profit margin rate in 2014 when compared to 2013.

As the Company has had no policy of goods production by itself, the main component of cost of sales is cost of goods production order for Beauty buffet, Beauty Cottage and Beauty Market or its proportion has been more than 99% of total cost. Such proportion has been quite stable in each year due to quite low rate of fluctuation in production order price. The Company will yearly plan the production order and launch of new products, resulting the Company's flexibility in update of sales price determination conforming to production order cost. Other costs of sales were included goods transportation cost, tax and other expenses for import and their average proportion was approximately 0.5% of total cost of sales.

In part of Made in Nature products, their cost structure has been different from other types of products due to the distribution of the Company through modern trade. Modern trade distribution is the term of outright sale that the owner will charge 2 portions of expense including the first portion for entrance fee of around 5,000-900,000 Baht (book keeping as sales expense) and profit share from sales for around 25-40% (book keeping as deduction amount from turnover). Such expense has been different depending on the terms of each department store.

Anyhow, the terms of product distribution for both outright sales and consignment have affected the cost of sales of Made in Nature products to be in higher level than Beauty Buffet and Beauty Cottage. However, this kind of distribution will help reduce selling and administrative expense of the Company such as salesperson expense, rental fee, training cost, commission, etc., causing net profit ratio of distribution of Made in Nature products to be in similar level with other products of the Company.

At the end of the last quarter in 2013, the Company launched new products under Girly Girl brand for 8 SKUs. They are fighting brand of teenager skin care and make-up group with "White and Baby" concept.

The raw material used for production (active ingredient) has been imported from Japan. Packaging design has focused on modern teenagers and small size of products for placing on sale in convenient stores and catalog, such as 7-Eleven, Family Mart, 7-Catalog, Friday Catalog and Traditional Trade emphasizing on penetration of teenager target group and reasonable price. The cost structure and distribution term of Girly Girl products have been similar to Made In Nature products.

Selling and Administrative Expense

Selling expense in 2014 and 2013 was 439.53 million Baht and 348.20 million Baht respectively or its proportion of 31.73 % and 34.92% of total revenue respectively. Main selling expense of the Company included rental fee and service charge for branch operation of retail shops. In 2014 and 2013, total expense was 214.01 and 166.56 million Baht respectively or its proportion of 15.45% and 16.70% of total revenue respectively. Other important selling expenses included employee-related expense and commission of salespersons in 2014 and 2013 estimated for the average proportion of 10.53% and 10.75% of total income respectively, and advertising expense and sales promotion product estimated for the average proportion of 1.86% and 2.50% of total income of the Company respectively. The proportion of selling expense to total income decreased from 2013 due to some of selling expenses are the fixed cost, so when total revenue increased, the proportion of selling expense to total income decreased.

Administrative expenses in 2014 and 2013 were 124.37 million Baht and 101.73 million Baht respectively or its proportion was 8.98% and 10.20% of total revenue respectively. The important administrative expense was employee-related expense. In 2014 and 2013, this expense was 90.80 and 73.54 million Baht respectively or its proportion is 6.55% and 7.37% of total income. Other administrative expenses included travelling cost, training cost, any fees, office expense, depreciation expense, and others with their proportions for 2.42% and 2.83% of total income. Anyhow, in 2014, such proportion decreased due to increase in total income growth while some administrative expense was stable or grew in lesser proportion than income such as travelling cost, expense in office and depreciation expense, etc. Anyhow, the Company has considered on administrative expenses for maximum benefit to the Company and controlled them not to be too high. The cost saving program has been applied in order to control the controllable expenses for optimum efficiency.

Net profit

The Company's net profits in 2014 and 2013 were 301.16 million Baht and 206.97 million Baht (revised) respectively or the proportion was 21.74% and 20.76% respectively. The net profit ratio increasingly adjusted due to increase in turnover and cost saving effective.

However, on 1Q14 we've to book the other comprehensive expenses for recalculation of the employee benefit for the last period : the actuarial loss on defined employee benefits plans amount THB 3.04 million, Net from income tax amount THB 2.43 million, so the total comprehensive income for the year 2014 was 298.73 million Baht.

Financial Position Analysis for 201 and 2013

Asset

Total asset of the Company at the end of year 2014 and 2013 was 1,286.95 million Baht and 1,139.17 million Baht respectively or its growth rate proportion was 12.97%. The main reason from total asset growth in 2014 was because of continual turnover growth from products under Beauty Buffet and Beauty Cottage concepts including the roll-out of Beauty Market concept, causing more cashes from operation, more inventories, more fixed assets from business expansion to the Company including money receipt from capital increase in common stocks sold to people in December 2012.

Current asset at the end of year 2014 and 2013 was 875.31 million Baht and 893.76 million Baht respectively or its proportion was 68.01% and 78.46% of total asset respectively. The company's current assets consisted of following main assets;

(1) Cash and cash equivalent at the end of year 2014 and 2013 was 174.56 million Baht and 192.14 million Baht respectively or its proportion was 13.56% and 16.87% of total asset respectively. In 2012, cash and cash equivalent considerably increased from operating profit and money receipt from capital increase in common stock sold to people in December 2012.

(2) At the end of 2014 and 2013, the Company had current investments for 390 million Baht and 500 million Baht respectively or 30.30% and 43.89% of total asset respectively. It was short-term deposit with many domestic financial institutions and it was the money obtained from capital increase in common stocks sold to people in December 2012 (Temporary investments consist of short-term deposit with financial institution due over 3 months but not over 1 year and without withdrawal restrictions).

(3) Net account receivables at the end of year 2014 and 2013 were 8.29 million Baht and 10.04 million Baht respectively or its proportion was 0.64% and 0.78% of total asset respectively. The Company had account receivables in very low proportion compared to total assets as the Company sell almost of its products in cash with 2 days for collection period. The Company has granted trade credit to franchise receivable, foreign wholesale receivable and company employees. In 2012, the Company started to distribute Made in Nature products through modern trade channel, resulting in the increase in trade credit granted for partner in this part as well as increase in franchise turnover, causing increase in total account receivables. However, the collection period still remained at the level of 2 days. Anyhow, most of overdue receivables were modern trade account receivables, franchise account receivables from product selling, foreign wholesale receivables and employee receivables.

More indulgence on company uniform cost was given than normal receivables. However, over than 1 year overdue account receivables were unavailable for the Company.

Trade accounts receivable	31/12/2014		31/12/2013	
	MB.	%	MB.	%
Trade accounts receivable due in term	7.45	89.87%	7.40	73.71%
Overdue trade accounts receivable :				
- Less than 3 months	0.81	9.77%	2.24	22.31%
- Over 3 months but less than 1 year	0.03	0.36%	0.40	3.98%
Total trade accountns receivable	8.29	100.00%	10.04	100.00%

(4) Other Receivables at the end of 2014 and 2013 were 13.98 million Baht and 15.80 million Baht respectively or its proportion was 1.09% and 1.23% of total asset respectively. Most of them were product deposit, prepaid expense, accrued interest received, etc.

(5) Inventories at the end of 2014 and 2013 were 288.49 million Baht and 175.77 million Baht respectively or it was 22.42% and 15.43% of total asset respectively. The Company's inventories could be separated into finished goods, packages and supplies as shown in following table.

Inventory	2014		< 1 Year		1-3 Year		> 3 Year	
	MB.	%	MB.	%	MB.	%	MB.	%
Finished goods	220.75	76.41%	219.49	99.43%	1.26	0.57%	-	-
Packaging	37.78	13.08%	33.24	87.99%	4.47	11.83%	0.07	0.19%
Work in process	28.52	9.87%	28.52	100.00%	-	0.00%	-	-
Supplies	1.85	0.64%	1.78	96.22%	0.07	3.78%	-	0.00%
Total	288.90	100.00%	283.03	97.97%	5.8	2.01%	0.07	0.02%
Allowance for devaluation of inventories	(0.41)	-	-	-	-	-	-	-
Net	288.49	-	-	-	-	-	-	-

The Company has had no policy to produce products by itself but applied the production order by allowing the manufacturers to supply all materials used in production. Therefore, almost inventories of the Company have been in form of finished goods and packages with average value of 99% of total inventories. However, finished goods will have policy for setting allowances of product devaluation and deteriorated products by considering from product aging day. For example, the allowance of skin care product has been set in faster rate than make-up and accessories due to their shorter sale life. If any products have been found damaged, expired or discontinued, the allowances will be 100% set for reserve. For packages, the allowance setting policy of the Company has been in the slower rate than finished goods since most packages can be used with many kinds of products and some parts can be reprinted for new labels in case of cancellation for product manufacturing. For supplies, most of them included employee uniform and other equipment and their devaluation and deterioration have already been set.

Inventories that have been set for devaluation and deterioration allowance reserves were mostly bottle, box, and stickers. The products with manufacturing cancellation and inability for reuse as well as damaged finished goods will be separated as damaged warehouse. In 2014 and 2013, the Company set the allowance reserve in part of damaged product warehouse for 0.07 million Baht and 0.11 million Baht respectively. The damaged product warehouse quantity was reduced in 2013 due to the Company's good stock management and destruction of damaged product in December 2014 and 2013. Such destruction has complied with all criteria of Revenue Department.

At the end of 2014 and 2013, the Company had average inventory days for 188 days and 187 days respectively, slightly increasing due to the calculation inclusive inventory in type of package. However, if calculating inventory days only for finished goods by the end of 2014 and 2013, it will be 141 days and 132 days respectively and that has been reasonable for great amount of products reserved for retail shop sales. The Company needed to stock a large number of products for newly opened branches as well as for support on the store opening with new concept of Beauty Market store which has been the bigger sized store. However, the Company has regularly checked aging day of inventories and managed them according to the remaining aging day for each type of product, resulting in 98% of inventories in normal warehouse of the Company has been the product with not over than one year aging day and this has been regarded as the availability of low deteriorated product risk.

Non-current asset by the end of 2014 and 2013 was 411.64 million Baht and 245.41 million Baht respectively or its proportion was 31.99% and 21.54% of total asset respectively. Major non-current asset of the Company included land, building and equipment. By the end of 2014 and 2013, such assets were 198.43 million baht and 157.01 million baht respectively or 26.38% of growth rate. Mostly, it was the investment in office automation and furnishings for branch expansion of Beauty Buffet, Beauty Cottage and Beauty Market retail shops

Other significant non-current assets included long-term leasehold of retail shops at Mahboonkrong Department Store for 1 year with amortization for 7 years according to straight-line method and the contract expired in 2013. Anyhow, the Company has renewed such contract for 10 years more and this new contract will expire in 2023. In addition, other non-current assets included rental deposit that has continually increased from branch expansion and intangible asset included computer programs used for the Company's operation.

However, in fundraising from the plebes in December 2012, the Company will utilize some money to invest for expansion of product distribution branches as well as invest for internal operation system improvement such as computer program system, new warehouse expansion, and new training center, etc. in order to support the business expansion in the future, resulting in increase in total asset of the Company after registration in the Stock Exchange. Currently, the construction of warehouse and training section has been in construction design and permission request process. It has been expected that the construction will be finished within 2015. For computer system, the Company invested in new system development for improvement of information technology system both of Point of Sale (POS) and Enterprise Resource Planning (ERP)(accounting program) by already signing sale contract of programs and MICROSOFT DYNAMICS AX 2012 + AX RETAIL. Now it has been in the process that to develop program and it has been expected to be operational within this 2015.

Liquidity

(1) Cash Flow Liquidity

Cash flow from operating activity of the Company in 2014 and 2013 was 267.57 million Baht and 192.15 million Baht respectively. Most of them were resulted from the increase in the Company's inventory for support on increasing turnover expansion and corporate income tax payment to Revenue Department in 2014 and 2013 for 54.84 million baht and 40.76 million Baht respectively (the Company complied with laws in all aspects for tax payment). Cash flow from investment activity in 2014 and 2013 was used in 75.14 million baht and 96.49 million baht respectively due to the use of money to increase in long-term investments for 100.00 million baht more in 2014 and fixed asset investment such as building construction, purchase of equipment and office furnishings and investment for purchase of computer programs used for management. For cash flow from funding activity in 2014 and 2013, it was used in 210.00 million Baht and 201.80 million Baht respectively and payment of dividend for 210.00 million Baht.

(2) Liquidity Ratio

In 2014 and 2013, the Company had liquidity ratio for 4.60 times and 6.56 times respectively which was in good level since the Company had quite high cash requirement from operation. However, when considering from cash cycle, it was seen that the Company's cash cycle lasted longer. In 2014 and 2013, the Company had cash cycle for 137 days and 133 days respectively with main cause from increase in average inventory days and a bit decrease in account payable days. However, the Company still had adequate liquidity for such long-term cash cycle management, resulting independence for short-term loan from financial institutions.

Source of Capital

Total liability of the Company by the end of 2014 and 2013 was 199.44 million Baht and 140.39 million Baht respectively. The important current liability has been as follows.

(1) Trade Account payable by the end of 2014 and 2013 was 78.69 million baht and 53.07 million baht respectively or its proportion was 6.11% and 4.12% of total assets respectively. The account payable days was 53 days and 56 days respectively. Account payable increased in 2014 partly due to product ordering for import in order to be distributed in Beauty Market shop which is a big-size shop and product reservation for the end of the year.

(2) Other Account payable consisted of accrued expense, Revenue Department payable, assets payable and deferred income for reward points. By the end of 2014 and 2013, it was 64.00 million baht and 57.68 million Baht respectively or its proportion for 4.97% and 4.48% of total assets respectively.

Non-current liability of the Company at the end of 2014 and 2013 was 9.06 million Baht and 4.15 million Baht respectively. By the end of year 2013, the Company had to pay long-term loan from financial institutions for 5.97 million Baht and paid back the debts according to financial lease which has been hire-purchase of motor vehicles' executives for 0.82 million Baht. Moreover, other non-current liability of the Company has been non-current liability occurred from obligation of employee benefit that has been the estimate of benefit compensation for employees after resignation and pension according to Labor Act B.E. 2541 in benefit provision when retirement and other long-term benefits to employees according to right and working duration pursuant to Accounting Standard Issue 19 with effective date started in 2011, at the end of 2014 and 2013 was 5.72 million Baht and 1.60 million Baht respectively.

Shareholder's equity by the end of 2014 and 2013 was 1,087.51 million baht and 998.78 million Baht respectively. In 2014, shareholder's equity increased from 2013 since profitable turnover caused higher retained earnings. The Ordinary General Meeting of Shareholders on 25 April 2013 resolved to approve the dividend payment based on the company's operation for 2012, additional payment at the rate of THB 0.35 per share of total amount of THB 105.0 million, which was paid on 22 May 2013.

On 13 August 2013, the Board of Directors Meeting approved the 2013 interim dividend payment at the rate of THB 0.30 per share, which be paid on 12 September 2013.

On 25 February 2014, the Board of Directors Meeting approved the 2013 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.65 per share, amount of Baht 195 million, for which the interim dividend was paid on 12 September 2013 at Baht 0.30 per share, amount of Baht 90 million, the remaining dividend to be paid at Baht 0.35 per share, amount of Baht 105 million which be paid on 22 May 2014 and the general shareholders' meeting on 25 April 2014 approved this payment already.

On 13 August 2014, the Board of Directors Meeting approved the 2014 interim dividend payment at the rate of THB 0.35 per share, which be paid on 12 September 2014.

Therefore, on 25 February 2015, the Board of Directors Meeting approved the 2014 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.99 per share, amount of Baht 297 million, for which the interim dividend was paid on 12 September 2014 at Baht 0.35 per share, amount of Baht 105 million, the remaining dividend to be paid at Baht 0.64 per share, amount of Baht 192 million which be paid on 22 May 2015 and will propose to the general shareholders' meeting on 24 April 2015 to approve this payment.

Debt to Equity Ratio at the end of 2014 and 2013 was 0.18 times and 0.14 times respectively. It trivially increased due to more increase in total debts than increase in shareholder's equity. It was seen that the Company used most of investment fund source from shareholder's equity to run the business, causing low financial risk and availability of liquidity in business operation.

Auditor Compensation

The financial statement of the Company was audited by Miss Somjintana Ponhirunrat, the Certified Public Account with license no. 5599 from D.I.A International Auditing Co., Ltd. with total expense in 2014 and 2013 for 0.94 million Baht and 0.80 million Baht respectively.

Factors Affecting Future Operation or Financial Position of the Company

Effect from Change of Distribution Channel

As in the 2nd quarter of 2012, the Company launched new products under Made in Nature and Girly Girl brand by distributing through major retail shops or modern trade. The cost of sales for such channel was higher than the distribution through retail shop channel that has currently been the major channel of the Company. If the Company had more sale proportion through this channel, it might likely cause decrease in gross profit rate of the Company. However, product distribution of both type of sales and consignment will reduce selling and administrative expense of the Company such as salesperson expense, rental fee, training cost and commission, etc., resulting in net profit ratio of distribution through modern trade in similar level to other products of the Company. However, the Company has expected that the product distribution through modern trade can access to consumers in wider range and it has expected that total income and net profit of the Company will increasingly adjust in the future.

Moreover, For Beauty Market, it firstly appeared in 3rd quarter of 2012 by having the concept of presenting mixture of Super Market and Beauty Shop concept. Beauty Market is beauty specialty store that mainly sell beauty products. Under this concept, the advantages of buying various products in super Market and convenient stores and excitement of shopping Make-up have been integrated. Beauty Market is beauty specialty store focusing on particular selling of beauty products, resulting in differentiation and originality in Make-up store field. The cost of sales for Beauty Market was higher than the distribution through Beauty Buffet and Beauty Cottage retail shop due to this shop also sell the 3rd party brands that have lower gross profit than the own brand. However, the Company has expected that the product distribution through Beauty Market shop can access to consumers in wider range and it has expected that total income and net profit of the Company will increasingly adjust in the future.

AUDITOR'S REPORT

To The Shareholders of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

I have audited the accompanying financial statements of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, including notes of summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

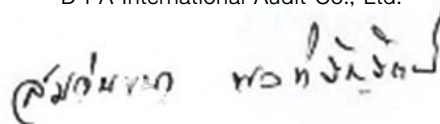
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED as at December 31, 2014, its financial performance and cash flows for the year then ended in accordance with The Financial Reporting Standards.

D I A International Audit Co., Ltd.



(Miss Somjintana Polhirunrat)
C.P.A. (Thailand)
Registration No. 5599

APPENDIX 1

Detail of Board of Director and Company Executives

Biography of Director and Executive of Beauty Community Public Company Limited

Name-Surname / Citizen Identity No.	Age (Years)	Educational Qualification	Family Relationship among Executives	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's Name	Type of Business
Lt. Gen. Padet Charuchinda	75	- Bachelor of Science Chulachomklao Royal Military Academy	-	-	2012 – Present	Chairman of the Board and Independent Director	Beauty Community PCL.	Distribution of Skin Care and Cosmetics Products
		Director Accreditation Program (DAP) Training from Thai Institute of Directors			2000 – Present	Army Senior Advisor	Army	Government Sector
Mr. Suwin Kraibhubes	47	- Bachelor of Science Faculty of Medicine Chiang Mai University	Mrs. Tanyapon Kraibhubes's Husband	32.33%	2000 – Present	Chief Executive Officer, Director, Acting for Director of Marketing Department, Acting for Director of Product Development and Purchasing Department	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
		Director Accreditation Program (DAP) Training from Thai Institute of Directors Executives Capital Market Academy Program (CMA.) 18th class						
Mrs. Tanyapon Kraibhubes	44	- Diploma of Nursing, Preliminary Level Boromarajonnani College of Nursing, Phayao	Mr. Suwin Kraibhubes's Wife	12.92%	2000 – Present	Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
		Director Accreditation Program (DAP) Training from Thai Institute of Directors						

Name-Surname / Citizen Identity No.	Age (Years)	Educational Qualification	Family Relationship among Executives	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's Name	Type of Business
Ms. Monsoothatip Malauckaranun	39	- Bachelor of Science (Medical Technology), Chiang Mai University Director Accreditation Program (DAP) Training from Thai Institute of Directors	Younger Sister of Mrs. Tanyapon Kraibhubes	1.00%	2013 – Present	Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2012 – 2013	Executive Director and Director of Business Development and Corporate Communication Department	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2010 – 2011	Assistant Manager of Product Department	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
Mr. Praty Levan	46	- Bachelor of Engineering (B.E), Mechanical Engineering, University of Maine - Master of Science (M.S.), Mechanical Engineering, University of Kansas Director Accreditation Program (DAP) Training from Thai Institute of Directors	-	1.17%	2012 – Present	Director, Executive Director and Director of Information Technology Department	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2005 – 2011	Acting for Information Technology Department Manager	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
Dr. Peerapong Kittiveshpokawat	53	- Bachelor of Science Chiang Mai University	-	-	2011 – Present	Chairman of Audit Committee and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products

Name-Surname / Citizen Identity No.	Age (Years)	Educational Qualification	Family Relationship among Executives	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's Name	Type of Business
		- Master of Marketing Thammasat University and Gothenberg University, Sweden - Mini MBA in Franchise Nova Southeastern University, USA. -MBA (Retail Management) Strirling University,UK - Doctor of Management Sripatum University Director Accreditation Program (DAP) Training from Thai Institute of Directors			2012 – 2013	Director	International Licensing Co., Ltd.	1. To be consultant and develop patents, franchise and retail businesses, branch shops and copyright license. 2. To be the agent of products and services and patents, the agent and distribution of producer of printing businesses.
					2007 - Present	Managing Director	Business Coach Consulting Co., Ltd.	Service provision as the consultant to advise commercial work
					1995 - Present	Director	B.T.C. Part Center Co., Ltd.	Distribution of Motorcycle Parts
					2014 – Present	Executive Committee of the ruling army.	Army	Government Sector
					2011 – Present	Audit Director and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
Col. Attapon Srisangwam	48	- Bachelor of Law, Ramkhamhaeng University Passing for Director Accreditation Program (DAP) Training from Thai Institute of Directors	-		2011 - 2012	Staff Officer to Commander-in-Chief	Provost Marshal General's Department	Government Sector
					2006 – 2011	Chief of Investigation Division	Provost Marshal General's Department	Government Sector

Name-Surname / Citizen Identity No.	Age (Years)	Educational Qualification	Family Relationship among Executives	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's Name	Type of Business
Mr. Viboon Pojanalai	38	- Bachelor of Accounting, Thammasat University - Master of Science, Risk Management and Derivatives Department Georgia State University Director Accreditation Program (DAP) Training from Thai Institute of Directors	-	-	2014 – Present	Executive Director	Grand Audit Co., Ltd.	Services for accounting audit, internal audit, tax and accounting consultant
					2011 – Present	Audit Director and Independent Director	Beauty Community Plc.	Distribution of Skin Care and Cosmetics Products
					2004 - Present	Senior Manager of Accounting Audit Department	AST Master Co., Ltd.	Accounting audit service
					2008 - 2013	Director	Asia Mineral Processing Co., Ltd.	Manufacturing and Distribution of Feldspar
Mr. Surapon Phetkluang	50	- Bachelor of Accounting Chiang Mai University - Master of Business Administration, Kasetsart University	-	0.03%	2011 – Present	Executive Director and Director of Accounting and Finance Department	Beauty Community Plc.	Distribution of Skin Care and Cosmetics Products
					2005 – 2011	Accounting and Finance Department Manager	Thai-Scandic Steel Co., Ltd.	Manufacturing Galvanized Steel Structure and Zinc Plating
Ms. Sirikan Phattiveranon	49	-Bachelor, Faculty of Commerce and Accountancy Chulalongkorn University	-	0.01%	2011 – Present	Executive Director and Director of Sales Department	Beauty Community Plc.	Distribution of Skin Care and Cosmetics Products
					2010 – 2011	Sales Department Manager	Areeya Property Plc.	Buying and Selling of Real Estate and Serving for Hire in House Construction
					2009 – 2010	Operation Department Manager	KDN Co., Ltd. (KrispyKreme Thailand)	Trading of Breadstuff, Bakery Machine, Bakery Mold including Materials used for manufacturing and admixture for all types of confections.

Name-Surname / Citizen Identity No.	Age (Years)	Educational Qualification	Family Relationship among Executives	Shareholding in the Company	Working Experience in the Past 5 Years		
					Period of Time	Position	Institute / Company's Name
					2004 - 2009	Franchise Operation Department Manager	Swensen (Thai) Co., Ltd.
Mr. Nattapong Khueanphan	40	- Bachelor of Science, Science and Food Technology Program Chiang Mai University	-	0.06%	2012 - Present	Executive Director and Director of Warehouse and Office Department	Beauty Community Plc.
					2006 -2012	Warehouse and Transport Department Manager, and Advisor of Personnel and Administration Department	Beauty Community Plc.
Mrs. Daranee Pathetang	34	- Bachelor, Faculty of Economic Kasetsart University	-	-	2012 - Present	Company's Secretary	Beauty Community Plc.
					2002 - Present	Secretary of CEO	Beauty Community Plc.
							Distribution of Ice Cream and Beverage
							Distribution of Skin Care and Cosmetics Products
							Distribution of Skin Care and Cosmetics Products
							Distribution of Skin Care and Cosmetics Products

APPENDIX 2

Position information of the directors, management members, and controller of the company

Details of executive and controlling person's tenure of the company in related companies.

A= Chairman, B= Director, C= Executive Board, D= Executive

E= Advisor/Board of Advisors

X= Chairmn of the Audit Committee, Y= Audit Committee, Z= Independent Director

Name Related Companies	Lt.Gen.PADET CHARUCHINDA	Mr. SUWIN KRAIBHUBES	Mrs. TANYAPON LRAIBHUBES	Ms. MONSOOTHATIP MALAUKARANUN	Mr. PRATYA LEVAN	Dr. PEERAPONG KITIVESHPOKAWAT	Col. ATTAPON SRISANGWARN	Mr.VIBOON POJANALAI	Mr. SURAPON PHETKLUENG	Ms. SIRIKRAN PHATTIVERANON	Mr. NATTAPONG KHUEANPHAN
BAUTY COMMUNITY PCL.	A,Z	B,C,D	B	B	B,C,D	X,Z	Y,Z	Y,Z	C,D	C,D	C,D
INTERNATIONAL RETAIL AND FRANCHISE BUSINESS R&D CENTER						B					
BUSINESS COACH AND CONSULTING CO., LTD.						D					
B.T.C.PARTS CENTER CO., LTD.						B					
ASIA MINIERAL PROCESSING CO., LTD.								B			
GRAND AUDIT CO., LTD.								C			

APPENDIX 3

Internal Controlling System Adequacy Assessment Form Beauty Community Public Company Limited

Date : December 31, 2014

This assessment is commissioned by the Company committee.

The committee's comment is about

The Sufficiency of Control Environment System

Internal Control

1. The organization has manifested the adherence to integrity and ethics code

Questions	Yes	No
1.1 The committee and management have identified guidance and operation process based on integrity and ethical adherence 1.1.1 Day-to-day work duties and all decision making that has been made 1.1.2 Corporate Responsibility to business partner, customer, and other people	✓ ✓	
1.2 Identifying provisions in writing for management and employees to strictly follow in regard to integrity and adhering ethics 1.2.1 Identifying the proper code of conduct for management and employees) 1.2.2 Identifying the restrictions for management and employees to protect conflicts affected business benefits. Moreover, corruptions causing damage to the organization is prohibited. ¹ 1.2.3 Identifying the appropriate punishment regarding the breach of the aforementioned restrictions. 1.2.4 Providing communication regarding the aforementioned provisions and punishment to clarify the management and employees. For instance, employees must sign to acknowledge the aforesaid terms of ethical conduct during new staff orientation. Moreover, the code of conduct must be publicized to all employees and other people.	✓ ✓ ✓ ✓	
1.3 Providing monitoring process and assessment for the practices in accordance with Code of Conduct 1.3.1 Monitoring process and assessment are provided by the internal inspection unit or the compliance unit. 1.3.2 Self-assessment of the management and employees 1.3.3 Assessment is provided by an expert independent of the organization	✓ ✓ ✓	
1.4 Suddenly taking actions, if there is a breach of provisions in regard to integrity and ethical adherence. 1.4.1 Providing monitoring process that can examine, if a breach is happened within the appropriate time. 1.4.2 Providing proper process that can punish or manage, if a contravention is happened within the appropriate time. 1.4.3 Being able to reform within the appropriate time, if an action against integrity and ethical adherence is occurred.	✓ ✓ ✓	

2. The committee is independent of the management and has oversight and development of the control environment

Question	Yes	No
2.1 Identifying the committee's roles completely separated from the management. Moreover, the authority of the committee's rights is explicitly reserved.	✓	
2.2 The Company committee oversees the indication of clear business goals which is able to be assessed. This can be guidance of work for either management or/and employees.	✓	
2.3 The Company committee oversees the indication of the committee and management's roles in accordance with law and charters. Furthermore, the roles are expected to cover the key roles of the inspection committee, auditor, and a person in charge of financial reports.	✓	
2.4 The Company committee possesses knowledge relating to Company's business and expertise benefitting the Company. Moreover, the Company can get advice from the specialist in a specific area.	✓	
2.5 The Company committee consists of the independent committee who possesses knowledge, ability, reliability, and independence to wholly perform his/her duties. The committee, for example, has no relationship to the Company, which influences the discretion and self-determining appropriately and sufficiently.	✓	
2.6 The Company committee oversees the development and performance of the control environment including the control's environment creation, risk assessment, control activity both data and communication, and monitoring.	✓	

3. The management has determined the structure of reporting lines, authority to order, and proper responsibility in order to achieve the organization goals with the conduct on oversight of the committee.

Question	Yes	No
3.1 The top management determines organization's structure, which supports achievement of the Company's goals, with the consideration of suitability of both business and law and efficient control environment, such as the distribution of duties in the major tasks generating checks and balances between each other, internal inspection unit directly reporting to the inspection committee, and obvious reporting lines.	✓	
3.2 The top management identifies the Company's reporting lines with the consideration of the properness relating to authority, responsibilities, and data communication.	✓	
3.3 Identifying, assigning, and confining the authority and responsibilities suitably between Company's committee, top management, management, and operating staff.	✓	

4. The organization indicates the determination of motivation, development, and maintaining competent staff

Question	Yes	No
4.1 The Company has policy and operation process to recruit, develop, and maintain competent staff properly. Moreover, the Company also focuses on the collation process of the aforementioned policy and operation process regularly.	✓	
4.2 The Company has operation assessment process, generating motivation or awarding the highly capable staff, and managing staff whose performance doesn't meet the aim of work. In addition, the	✓	

communication process presenting these process to the management and staff.		
4.3 The Company appropriately has problem solving process or preparation process for the short of capable staff within the right time.	✓	
4.4 The Company has processes of recruitment, development, and maintaining the management and all staff, such as mentoring and training.	✓	
4.5 The Company has succession plan, especially the essential position.	✓	

5. The organization has determined the duties and responsibilities of staff in the control environment process in order to achieve the organization goals.

Question	Yes	No
5.1 The Company committee and management expected staff to seriously take responsibilities for the control environment. Moreover, the staff must provide improvement of operation process if it is needed.	✓	
5.2 The Company committee and management has properly identified the operation process indicators, motivating, and awarding with the consideration of compliance with the Code of Conduct and both short term and long term Company's objectives.	✓	
5.3 The Company committee and management consistently have assessed motivation and awarding, which link with the success of duties in the operation process of control environment indeed.	✓	
5.4 The Company committee and management considerate no having too much pressure towards the employee in charge of operation process of control environment.	✓	

Risk Assessment

6. The organization has specified the objectives properly and adequately in order to identify and assess risks relating to the organization's goal achievement.

Question	Yes	No
6.1 The Company can perform according to the general standard accounting and properness with the type of business at that time. It is able to perfectly provide the actual financial report, correct rights or proper value obligations, and showing complete and precise information.	✓	
6.2 The Company identifies the essentials of financial report with the consideration of the key functions, such as people using the financial reports, size of reports, and business trends.	✓	
6.3 The Company's financial reports actually show the operation activities of the Company.	✓	
6.4 The committee or risk management committee approves and communicates risk management policies to the management and all staff in order to understand and obey as they are a part of organization culture.	✓	

7. The organization specifies and analyses all kinds of risks that may affect the goal achievement through the organization

Question	Yes	No
7.1 The Company identifies all kinds of risks that may affect the business operation of entire organization, business unit, work unit, and other work duties.	✓	

Question	Yes	No
7.2 The Company analysts all kinds of risks from both internal and external factors. These risks are caused by strategic risk, operational risk, reports, conducting compliant with rules and regulations, and information technology.	✓	
7.3 All levels management must participate in risk management.	✓	
7.4 The Company assesses the importance of risk with the consideration of opportunity of happening and the effects that may be happened.	✓	
7.5 The Company has measure and operation process on the purpose of elimination of risks including risk acceptance, risk reduction, risk avoidance, and risk sharing.	✓	

8. The organization has considered the possibility of frauds occurred during the assessment process

Question	Yes	No
8.1 The Company has assessed the possibility of all types of frauds, such as fraudulent financial reports, losses of property, corruptions, management's override of internal controls, information change in an important report, and invalid having or use of assets.	✓	
8.2 The Company carefully reviews work objectives by using the conditions of the possibility of the determined objectives, justification for awarding/prizing to the employee, which doesn't encourage the employee to conduct an inappropriate activity, such as no aim of inflated target persuading into changing to fraudulent higher target number.	✓	
8.3 The inspection committee has considered and questioned the management regarding the possibility of frauds and fraud prevention measures.	✓	
8.4 The Company has communicated to all employees for understanding and following the Company's policies and guidelines.	✓	

9. The organization can identify and assess the change that may affecting the internal control system (Control Environment)

Question	Yes	No
9.1 The Company evaluates the change of external factors, which may affect business operation, the internal control, and financial reports. Moreover, the Company provides the proper countermeasures.	✓	
9.2 The Company evaluates the change of business model, which may affect business operation, internal control, and financial report. In addition, the appropriate countermeasures are provided.	✓	
9.3 The Company evaluates the change of organization leader, which may affect business operation, internal control, and financial report, the appropriate countermeasures are provided.	✓	

Control Activities

10. The organization provides control measures for reducing risk s obstructing to achieve the organization's goals to become acceptable.

Question	Yes	No
10.1 The Company's control measures are suitable with the risks and organization determinant, for example, environment, work complication, work characteristics, scope of work, and other determinants.	✓	
10.2 The Company provides internal control measures in writing, which hold all activities properly, for instance, policies and conducts regarding financial activity, purchasing, and general management. Moreover, the measures states scope of duty and precise approval authority level of management for the purpose of fraud prevention. For example, position level of management declares scope of approval for amount, authority, project approval procedure, purchasing procedure, seller outsourcing procedure, data recording for purchasing decision, or recording equipment pick up. The measures are classified according to cases as the following 10.2.1 Information recording of major shareholders, committee, management, and relating people including relatives or persons occurred in order to be able to monitor and collate all transactions happened between each other, or transactions in conflict with benefit. Additionally, all information is regularly updated. 10.2.2 In case of a long term approval of business traction or contract, such as trading contract, loan contract, and warrantee contract, it is important that the Company can always keep monitoring operation process in order to be in accordance with the conditions and terms stated in the agreement, for example, paying back the debt follow-up within the specified period of time, or reviewing the appropriateness of contract.	✓ ✓ ✓	
10.3 The Company has divided the internal controls into the proper variety, such as manual control, automatic control, or prevention and monitoring control	✓	
10.4 The Company specifies that all business sections of the organization must have the internal control system, e.g., Company group, business unit, work line, work department, division, or process	✓	
10.5 The Company has completely separated three responsibilities apart from each other in order to assess the others. The three responsibilities are (1) Approval (2) Data recording of accounting and information system and (3) Property control	✓	

11. The organization chooses and develops the general control activities running under technology systems in order to achieve organization goals.

Question	Yes	No
11.1 The Company indicates the relation between use of technologies in operation process and the general control via information system.	✓	

Question	Yes	No
11.2 The Company should suitably indicate the control of basic information system structure.	✓	
11.3 The Company should appropriately identify the control of information system security.	✓	
11.4 The Company should properly specify the control of acquisition , development, and maintenance of the information system.	✓	

12. The organization organizes control activities according to policies stating expectation and operation process for the purpose of the actual use of the specified policies.

Question	Yes	No
12.1 The Company possesses precise policies for monitoring a business transaction approved by major shareholder, committee, management, or relating people. It's required to go through all approval processes specified, such as Company's regulations, and/or criteria of Stock Exchange of Thailand/Company's administrative office in order to prevent taking advantage or personnel use of Company's benefit.	✓	
12.2 The Company provides policies that a business transaction must be considered for approval by person(s) who has no benefit towards the business transaction	✓	
12.3 The Company provides policies that deliberation of a business transaction approval must importantly be focused on the utmost Company's benefit and must be considered as outsider's action (at arm's length's basis)	✓	
12.4 The Company provides monitoring process for operation process of subsidiary or joint venture. The monitoring process includes indicating guidelines for the subsidiary/joint venture's committee/management appointed by the Company to conduct (this is not required, if there is no investment in subsidiary/joint venture)	✓	
12.5 The Company indicates duties and responsibilities which is performed by the management and staff to meet in terms of compliance with Company's policies and operation processes	✓	
12.6 The Company's policies and operation process are used at the right time by capable staff. Moreover the aforementioned uses include error correction process happened in work process.	✓	
12.7 The Company usually reviews policies and operation process for appropriateness.	✓	

Information & Communication

13. The organization provides related and qualified information in order to support the internal control to run smoothly as it is expected.

Question	Yes	No
13.1 The Company specifies information wanted to be used in the operation process. The information can be internal and external and is qualified and related to the work.	✓	
13.2 The Company considers both cost and profit that Company can gain. Moreover, the consideration includes quantity and accuracy of data.	✓	

Question	Yes	No
13.3 The Company operates to provide adequately essential data for the committee to for decision making. The samples of important data are detail of topic for consideration, Company's effects, and other choices.	✓	
13.4 The Company operates to provide the committee with meeting invitation letter and document relating to the meeting prior to the meeting time at lease the minimum period of time according to the law. The document includes adequate and important information used for consideration.	✓	
13.5 The Company operates to provide committee's meeting report with proper details in order to be able to trace back regarding appropriateness of each committee performance, such as recording of committee's questioning, committee's opinions/observations occurring to consideration, and opinions of the committee disagreeing about a topic proposed with reasons.	✓	
13.6 The Company operates as follows 13.6.1 Filing all essential documents in category. 13.6.2 The Company always fixed all errors founded by the internal control process, when it is informed by auditor of internal inspector.	✓ ✓	

14. The organization communicates data internally including objectives and responsibilities towards the internal control on the purpose of running the operation smoothly as it's expected.

Question	Yes	No
14.1 The Company has internal efficient data communication process and appropriate communication channel in order to support the internal control.	✓	
14.2 The Company constantly presents the committee with report containing essential information. Furthermore, the Company committee is able to access source of information system that is important for work operating and collation of reports as required. For example, the Company specifies a contact person for whom the committee can ask more information besides the information received for the management. Moreover, it is possible to be able to question information from auditor or internal inspector. Apart from committee meeting, a meeting can be arranged for conferring between the committee and management.	✓	
14.3 The Company provides special or confidential communication channel in order to be used for reporting corruptions happened in the Company with confidentiality and safety. (whistle-blower hotline)	✓	

15. The organization communicates with external agency regarding any issue that may affect the internal control

Question	Yes	No
15.1 The Company possesses effective communication process to external stakeholder with appropriate ways, e.g., investor relation, or call center for the purpose of support the internal control of the Company.	✓	
15.2 The Company arranges special or confidential communication channels which can be used by external stakeholder to report corruptions to the Company with safety. (whistle-blower-hotline)	✓	

Monitoring Activities

16. The organization monitors and assess the internal control in order to be sure that the internal control is running precisely and appropriately

Question	Yes	No
16.1 The Company provides monitoring process of business ethics conduct and restrictions that the management and staff must obey in order to prevent conflict relating to benefit. For example, each unit must monitor ethical adherence and report to superior or report to internal inspection unit for following up. Lastly, the report goes to the inspection committee.	✓	
16.2 The Company provides monitoring processes of acting in accordance with procedures that the internal control determines. The processes include self-assessment and/or independent assessment by internal inspector.	✓	
16.3 Frequency of monitoring and assessment rely on the change of the Company.	✓	
16.4 Monitoring process and assessment of the internal control is performed by expert(s)	✓	
16.5 The Company identified guidelines of internal inspection process directly reported to the inspection committee.	✓	
16.6 The Company encourages internal inspector to perform in accordance with International Standard for the Professional Practice of Internal Auditing, IIA.	✓	

17. The organization assesses and communicates error of the internal control in time to person in charge including the top management and committee as appropriate.

Question	Yes	No
17.1 The Company will assess and communicate error of the internal control and operate the correction of all errors found immediately, if the operation result doesn't meet the specified goal significantly.	✓	
17.2 The Company's policies of reporting are as below		
17.2.1 The management must report to the committee immediately, in the case of happening of an event occurring or having possibility for a serious corruption, breach happened, or unusual action that may harm the Company's reputation or cause damage to the Company's financial status significantly.	✓	
17.2.2 Reporting an important fault and the way for solving (although the fault is already fixed) to the Company committee/inspection committee for consideration in the appropriate time.	✓	
17.2.3 Reporting progress of significant fault improvement to the Company's committee/inspection committee.	✓	

APPENDIX 4

Beauty Community Public Company Limited
Statement of Financial Position as at 31 December 2014

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2014

(Unit: Baht)

Assets	Note	December 31, 2014	December 31, 2013 (Adjustment)	January 1, 2013
Current assets				
Cash and cash equivalents	6	174,562,208.49	192,136,883.93	298,264,197.19
Temporary investments	7	390,000,000.00	500,000,000.00	460,000,000.00
Trade and other receivables	8, 18	22,261,808.82	25,844,476.05	11,763,267.71
Inventories	9	288,487,960.00	175,773,668.59	123,574,042.18
Total current assets		<u>875,311,977.31</u>	<u>893,755,028.57</u>	<u>893,601,507.08</u>
Non-current assets				
Long-term investments	10	100,000,000.00	-	-
Property, plant and equipment	11	198,433,365.81	157,013,575.08	122,111,200.12
Leasehold rights	12	10,600,580.19	11,100,410.71	12,035,852.20
Intangible assets	13	20,075,443.83	10,763,824.62	1,847,966.94
Deferred tax assets	14	3,544,023.96	1,518,912.83	360,983.15
Other non-current assets	15	78,985,657.59	65,015,928.68	48,928,634.13
Total non-current assets		<u>411,639,071.38</u>	<u>245,412,651.92</u>	<u>185,284,636.54</u>
Total assets		<u><u>1,286,951,048.69</u></u>	<u><u>1,139,167,680.49</u></u>	<u><u>1,078,886,143.62</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, 2014

(Unit: Baht)

Liabilities and shareholders' equity	Note	December 31, 2014	December 31, 2013 (Adjustment)	January 1, 2013
Current liabilities				
Trade and other payables	16, 18	142,691,458.38	110,756,395.20	68,832,567.88
Current portion of financial lease liabilities		-	-	266,129.62
Current portion of long-term loans				
from financial institutions		-	-	1,052,214.69
Accrued income tax		47,690,446.81	25,483,262.52	12,951,319.69
Total current liabilities		<u>190,381,905.19</u>	<u>136,239,657.72</u>	<u>83,102,231.88</u>
Non-current liabilities				
Financial lease liabilities		-	-	558,505.27
Long-term loans from financial institutions		-	-	4,919,111.94
Loans from directors		-	-	-
Employee benefit obligations	17	5,724,011.00	1,599,437.00	1,281,551.00
Other non-current liabilities		3,336,670.00	2,546,550.00	2,212,754.30
Total non-current liabilities		<u>9,060,681.00</u>	<u>4,145,987.00</u>	<u>8,971,922.51</u>
Total liabilities		<u>199,442,586.19</u>	<u>140,385,644.72</u>	<u>92,074,154.39</u>
Shareholders' equity				
Share capital				
Authorized share capital				
300,000,000 common shares of Baht 1 each		<u>300,000,000.00</u>	<u>300,000,000.00</u>	<u>300,000,000.00</u>
Issued and paid-up share capital				
300,000,000 common shares of Baht 1 each		300,000,000.00	300,000,000.00	300,000,000.00
Premium on share capital		556,439,628.87	556,439,628.87	556,439,628.87
Retained earnings				
Appropriated				
Legal reserve	19	30,000,000.00	27,858,528.96	10,787,500.00
Unappropriated		201,068,833.63	114,483,877.94	119,584,860.36
Total shareholders' equity		<u>1,087,508,462.50</u>	<u>998,782,035.77</u>	<u>986,811,989.23</u>
Total liabilities and shareholders' equity		<u>1,286,951,048.69</u>	<u>1,139,167,680.49</u>	<u>1,078,886,143.62</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, 2014

			(Unit: Baht)
	<i>Note</i>	2014	2013
			(Adjustment)
Revenues from sales		1,359,449,200.19	970,697,598.10
Cost of sales		(444,577,786.82)	(287,874,459.53)
Gross profit		914,871,413.37	682,823,138.57
Other income			
Interest income		18,283,332.18	21,565,359.95
Others		7,535,526.42	4,850,538.58
Total other income		25,818,858.60	26,415,898.53
Selling expenses		(439,527,930.79)	(348,199,471.56)
Administrative expenses		(124,370,395.90)	(101,732,336.62)
Finance costs		-	(207,397.89)
Profit before income tax		376,791,945.28	259,099,831.03
Income tax	14	(75,632,456.15)	(52,129,784.49)
Profit for the year		301,159,489.13	206,970,046.54
Other comprehensive income:			
Actuarial gains (loss) on defined employee benefits plans - net of tax		(2,433,062.40)	-
Other comprehensive income for the year		(2,433,062.40)	-
Total comprehensive income for the year		298,726,426.73	206,970,046.54
Basic earnings per share			
Earnings per share		1.00	0.69
Number of weighted average common shares (share)		300,000,000	300,000,000

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, 2014

(Unit: Baht)

		Issued and		Retained earnings		
		paid-up	Premium on	Appropriated		Total
	Note	share capital	share capital	Legal reserve	Unappropriated	shareholders' equity
Balance as at December 31, 2012		300,000,000.00	556,439,628.87	10,787,500.00	119,584,860.36	986,811,989.23
Total comprehensive income for the year (after adjustment)		-	-	-	206,970,046.54	206,970,046.54
Legal reserve	19	-	-	17,071,028.96	(17,071,028.96)	-
Payments for dividend		-	-	-	(195,000,000.00)	(195,000,000.00)
Balances as at December 31, 2013 (after adjustment)		300,000,000.00	556,439,628.87	27,858,528.96	114,483,877.94	998,782,035.77
Balance as at December 31, 2013 (before adjustment)		300,000,000.00	556,439,628.87	27,858,528.96	118,923,033.32	1,003,221,191.15
The effects of changes in accounting policies	5	-	-	-	(4,439,155.38)	(4,439,155.38)
Balance as at December 31, 2013 (after adjustment)		300,000,000.00	556,439,628.87	27,858,528.96	114,483,877.94	998,782,035.77
Profit for the year		-	-	-	301,159,489.13	301,159,489.13
Other comprehensive income (expense) for the year		-	-	-	(2,433,062.40)	(2,433,062.40)
Legal reserve	19	-	-	2,141,471.04	(2,141,471.04)	-
Payments for dividend	20	-	-	-	(105,000,000.00)	(105,000,000.00)
Payments for dividend interim	20	-	-	-	(105,000,000.00)	(105,000,000.00)
Balances as at December 31, 2014		300,000,000.00	556,439,628.87	30,000,000.00	201,068,833.63	1,087,508,462.50

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, 2014

	<i>(Unit: Baht)</i>	
	2014	2013
		(Adjustment)
Cash flows from operating activities		
Profit before income tax	376,791,945.28	259,099,831.03
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	43,982,730.65	32,160,800.03
Doubtful accounts	-	246,000.00
Loss (reversal) on devaluation of inventories	171,344.53	(48,900.81)
(Gain) loss on sales of assets and write off fixed assets	(641,261.00)	1,292,533.04
Loss on write off intangible assets	1,225,440.00	-
Deferred (income) for reward points	(4,316,285.00)	(1,159,555.00)
Employee benefit expenses	1,083,246.00	317,886.00
Interest expenses	-	207,397.89
Profit from operation before changes of		
operating assets and liabilities	418,297,160.46	292,115,992.18
(Increase) Decrease in changes of operating assets		
Trade and other receivables	3,582,667.23	(14,327,208.34)
Inventories	(112,885,635.94)	(52,150,725.60)
Other non-current assets	(13,969,728.91)	(16,087,294.55)
(Increase) Decrease in changes of operating assets	(123,272,697.62)	(82,565,228.49)
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	26,594,913.19	23,232,680.89
Other non-current liabilities	790,120.00	333,795.70
Increase (Decrease) in changes of operating liabilities	27,385,033.19	23,566,476.59

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, 2014

(Unit: Baht)

	2014	2013
		(Adjustment)
Cash generated (paid) from operation	322,409,496.03	233,117,240.28
Interest paid	-	(207,397.89)
Income tax paid	(54,842,117.39)	(40,755,771.34)
Net cash provided by (used in) operating activities	267,567,378.64	192,154,071.05
Cash flows from investing activities		
(Increase) Decrease in changes of temporary investments	110,000,000.00	(40,000,000.00)
Long-term investments acquisition	(100,000,000.00)	-
Building and equipment acquisition	(74,246,813.96)	(47,916,425.78)
Proceeds from sales of equipment	1,616,265.56	1,272,442.99
Leasehold rights acquisition	(1,366,505.68)	(300,000.00)
Intangible assets acquisition	(11,145,000.00)	(9,541,440.00)
Net cash provided by (used in) investing activities	(75,142,054.08)	(96,485,422.79)
Cash flows from financing activities		
Payments for financial lease liabilities	-	(824,634.89)
Repayments for long-term loans from financial institutions	-	(5,971,326.63)
Payments for Dividend	(210,000,000.00)	(195,000,000.00)
Net cash provided by (used in) financing activities	(210,000,000.00)	(201,795,961.52)
Net increase (decrease) in cash and cash equivalents	(17,574,675.44)	# (106,127,313.26)
Cash and cash equivalents as at the beginning of the year	192,136,883.93	298,264,197.19
Cash and cash equivalents as at the end of the year	174,562,208.49	192,136,883.93

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, 2014

1. GENERAL INFORMATION

Beauty Community Public Company Limited (“the Company”), the Company 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.

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with the 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 September 28, 2011 regarding the condensed form should be included in the financial statements B.E. 2554 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.

3. NEW FINANCIAL REPORTING STANDARDS

3.1 The issued and revised financial reporting standards that are effective for the current year

The Federation of Accounting Professions issued accounting standards, financial reporting standards, standing interpretations committee and financial reporting interpretations committee, which are expected to effective for the financial statements beginning on or after January 1, 2014 as follows:

Contents

Accounting Standards

TAS 1 (Revised 2012)	Presentation of Financial Statements
TAS 7 (Revised 2012)	Statement of Cash Flows
TAS 12 (Revised 2012)	Income Taxes
TAS 17 (Revised 2012)	Leases
TAS 18 (Revised 2012)	Revenue

ContentsAccounting Standards

TAS 19 (Revised 2012)	Employee Benefits
TAS 21 (Revised 2012)	The Effects of Changes in Foreign Exchange Rate
TAS 24 (Revised 2012)	Related Party Disclosures
TAS 28 (Revised 2012)	Investments in Associates
TAS 31 (Revised 2012)	Interests in Joint Venture
TAS 34 (Revised 2012)	Interim Financial Reporting
TAS 36 (Revised 2012)	Impairment of Assets
TAS 38 (Revised 2012)	Intangible Assets

Financial Reporting Standards

TFRS 2 (Revised 2012)	Share - Based Payments
TFRS 3 (Revised 2012)	Business Combinations
TFRS 5 (Revised 2012)	Non-current Asset Held for Sale and Discontinued Operations
TFRS 8 (Revised 2012)	Operating Segments

Standing Interpretations Committee

TSIC 15	Operating Leases-Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets-Web Site Costs

Financial Reporting Interpretations Committee

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and

Contents

Financial Reporting Interpretations committee

TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers

Accounting Standards Financial Reporting Standards Interpretation of Accounting and Financial Reporting Interpretation has no significant impact on the financial statements. The Financial Reporting Interpretation No. 13 on customer loyalty programs. And are disclosed in Note 5 to the financial statements.

3.2 Financial reporting standards in issue but not yet adopted

The Company has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial statements period beginning on or after January 1 in the year indicated following.

<u>Financial Reporting Standards</u>	<u>Contents</u>	<u>Effective year</u>
	Conceptual Framework for Financial Reporting (Revised 2014)	2015
<u>Accounting Standards</u>		
TAS 1 (Revised 2014)	Presentation of Financial Statements	2015
TAS 2 (Revised 2014)	Inventories	2015
TAS 7 (Revised 2014)	Statement of Cash Flows	2015
TAS 8 (Revised 2014)	Accounting Policies, Changes in Accounting Estimates and Errors	2015
TAS 10 (Revised 2014)	Events After the Reporting Period	2015
TAS 11 (Revised 2014)	Construction Contracts	2015
TAS 12 (Revised 2014)	Income Taxes	2015
TAS 16 (Revised 2014)	Property, Plant and Equipment	2015
TAS 17 (Revised 2014)	Leases	2015

	<u>Contents</u>	<u>Effective year</u>
	<u>Accounting Standards</u>	
TAS 18 (Revised 2014)	Revenue	2015
TAS 19 (Revised 2014)	Employee Benefits	2015
TAS 20 (Revised 2014)	Accounting for Government Grants and Disclosure of Government Assistance	2015
TAS 21 (Revised 2014)	The Effects of Changes in Foreign Exchange Rates	2015
TAS 23 (Revised 2014)	Borrowing Costs	2015
TAS 24 (Revised 2014)	Related Party Disclosures	2015
TAS 26 (Revised 2014)	Accounting and Reporting by Retirement Benefit Plans	2015
TAS 27 (Revised 2014)	Separate Financial Statements	2015
TAS 28 (Revised 2014)	Investments in Associates and Joint Venture	2015
TAS 29 (Revised 2014)	Financial Reporting in Hyperinflationary Economics	2015
TAS 33 (Revised 2014)	Earnings per Share	2015
TAS 34 (Revised 2014)	Interim Financial Reporting	2015
TAS 36 (Revised 2014)	Impairment of Assets	2015
TAS 37 (Revised 2014)	Provisions, Contingent Liabilities and Contingent Assets	2015
TAS 38 (Revised 2014)	Intangible Assets	2015
TAS 40 (Revised 2014)	Investment Property	2015
	<u>Financial Reporting Standards</u>	
TFRS 2 (Revised 2014)	Share-Based Payments	2015
TFRS 3 (Revised 2014)	Business Combinations	2015
TFRS 4 (Revised 2014)	Insurance Contracts	2016

	<u>Contents</u>	<u>Effective year</u>
<u>Financial Reporting Standards</u>		
TFRS 5 (Revised 2014)	Non-current Assets Held for Sale and Discontinued Operations	2015
TFRS 6 (Revised 2014)	Exploration for and Evaluation of Mineral Resources	2015
TFRS 8 (Revised 2014)	Operating Segments	2015
TFRS 10	Consolidated Financial Statements	2015
TFRS 11	Joint Arrangements	2015
TFRS 12	Disclosure of Interests in Other Entities	2015
TFRS 13	Fair Value Measurement	2015
<u>Standing Interpretations Committee</u>		
TSIC 10 (Revised 2014)	Government Assistance - No Specific Relation to Operating Activities	2015
TSIC 15 (Revised 2014)	Operating Leases - Incentives	2015
TSIC 25 (Revised 2014)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	2015
TSIC 27 (Revised 2014)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	2015
TSIC 29 (Revised 2014)	Service Concession Arrangements: Disclosures	2015
TSIC 31 (Revised 2014)	Revenue - Barter Transactions Involving Advertising Services	2015
TSIC 32 (Revised 2014)	Intangible Assets - Web Site Costs	2015
<u>Financial Reporting Interpretations Committee</u>		
TFRIC 1 (Revised 2014)	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2015
TFRIC 4 (Revised 2014)	Determining Whether an Arrangement Contains a Lease	2015

	<u>Contents</u>	<u>Effective year</u>
<u>Financial Reporting Interpretations Committee</u>		
TFRIC 5 (Revised 2014)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2015
TFRIC 7 (Revised 2014)	Applying the Restatement Approach under TAS 29 (revised 2014) <i>Financial Reporting in Hyperinflationary Economies</i>	2015
TFRIC 10 (Revised 2014)	Interim Financial Reporting and Impairment	2015
TFRIC 12 (Revised 2014)	Service Concession Arrangements	2015
TFRIC 13 (Revised 2014)	Customer Loyalty Programmers	2015
TFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction for TAS 19 <i>Employee Benefits</i>	2015
TFRIC 15 (Revised 2014)	Agreements for the Construction of Real Estate	2015
TFRIC 17 (Revised 2014)	Distributions of Non - cash Assets to Owners	2015
TFRIC 18 (Revised 2014)	Transfers of Assets from Customers	2015
TFRIC 20	Stripping Costs in the Production Phase of Surface Mine	2015

The management expects that the Company will apply and adopt the issued and revised financial reporting standards in accordance with the notification of the Federation of Accounting Professions and is being evaluated the effect of those issued and revised financial reporting standards on the Company's financial statements which expected that they will have no significantly impacts on the financial statements in the year in which they are initially applied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 programmes

The Company and its subsidiaries operate 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 recognised 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.

4.2 Cash and cash equivalents

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

4.3 Temporary investments

Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions.

4.4 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.

4.5 Inventories

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

4.6 Long-term Investments

Long-terms investments are long-term deposits financial institutions with maturity of more than one year and no restrictions on the withdrawal.

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 year-end.

4.8 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 the lease periods for 10 years.

4.9 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 5 years.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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 leases

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.

4.15 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.

4.16 Employee benefits and provident fund

4.16.1 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 principal actuarial assumptions used were as follows;

	2014	2013
Discount rate	% per annum	% per annum
For monthly staff	4.76	4.31
For daily staff	4.92	4.57
Turnover rate		
For monthly staff	0 - 63	0 - 14
For daily staff	0 - 82	0 - 100
Mortality rate		
For monthly staff and daily staff	According to Thailand TMO 1997 tables	

4.16.2 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 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.

4.17 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 year, 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 recognised 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

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 years 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.

4.18 Financial instruments

Financial assets shown in statements of financial position consist of cash and cash equivalents, temporary investments, trade accounts receivable, long-term investments. 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.

4.19 Accounting estimates

Preparation of financial statements in conformity with 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 year related to allowance for devaluation of inventories at the statements of financial position date. Other estimates are further described in the corresponding disclosures.

4.20 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

4.21 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 periods.

5. THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES

Since January 1, 2014, the financial statements caused by the Company adopted TAS 13 “*Customer loyalty programmes*” the significant accounting policy as stated in notes 3.1 the adoption by the company to impact of the adoption of accounting policies. The statement of financial position as at December 31, 2013 and the statements of Comprehensive Income for the year ended December 31, 2013 are as follows:

(Unit: Baht)

Statement of financial position**As at December 31, 2013**

	Before adjustment	Adjustment	After adjustment
Deferred tax assets	409,123.99	1,109,788.84	1,518,912.83
Trade and other payables	105,207,450.98	5,548,944.22	110,756,395.20

Statement of comprehensive income**for the year ended December 31, 2013**

	Before adjustment	Adjustment	After adjustment
Revenues from sales	976,246,542.32	(5,548,944.22)	970,697,598.10
Income tax	(53,239,573.33)	1,109,788.84	(52,129,784.49)
Profit for the year	211,409,201.92	(4,439,155.38)	206,970,046.54
Earning per share	0.70	-	0.69

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2014 and 2013 are as follows:

	<i>(Unit: Baht)</i>	
	2014	2013
Cash	4,114,656.98	4,363,421.12
Current accounts	11,007,280.18	26,650,332.09
Savings deposit	108,906,662.83	160,398,144.22
Fixed deposit accounts	50,000,000.00	-
Unbilled for credit card slip	533,608.50	724,986.50
Total	<u>174,562,208.49</u>	<u>192,136,883.93</u>

7. TEMPORARY INVESTMENTS

The Company has temporary investment in form of short-term deposits at various local financial institutions as at December 31, 2014 and 2013 are as follows:

	<i>(Unit: Baht)</i>	
	<i>At interest rate per annum</i>	
	2014	2013
Fixed deposits	2.75 - 3.20	3.00 - 3.38
	390,000,000.00	500,000,000.00

As at December 31, 2014 the Company's fixed deposit is used as guarantee is used as guarantee for letter of credit as financial institution.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at December 31, 2014 and 2013 are as follows:

	<i>(Unit: Baht)</i>	
	2014	2013
Trade accounts receivable		
Related parties	891,671.18	655,887.38
Other parties		
- Franchise receivable	2,201,467.84	4,069,462.66
- Employees receivable	182,067.15	124,226.70
- Other parties receivable	5,009,998.10	5,192,357.73
Total other parties receivable	<u>7,393,533.09</u>	<u>9,386,047.09</u>
Total trade accounts receivable	<u>8,285,204.27</u>	<u>10,041,934.47</u>

Other receivables

Prepaid expenses	2,527,086.36	1,992,277.84
Accrued income	5,576,464.81	8,110,476.71
Goods deposit	1,597,106.05	1,607,384.51
Advance payment	552,534.00	697,027.00
Suspense input tax	3,591,902.09	3,181,839.96
Others	131,511.24	213,535.56
Total other receivables	13,976,604.55	15,802,541.58
Total trade and other receivables	22,261,808.82	25,844,476.05

As at December 31, 2014 and 2013, the Company has outstanding trade accounts receivable classified by aging as follows:

(Unit: Baht)

	2014	2013
Trade accounts receivable due in term	7,446,379.14	7,402,909.72
Overdue trade accounts receivable		
- Less than 3 months	811,578.22	2,234,463.12
- Over 3 months but less than 1 year	27,246.91	404,561.63
Total trade accounts receivable	8,285,204.27	10,041,934.47

9. INVENTORIES

Inventories as at December 31, 2014 and 2013 are as follows:

(Unit: Baht)

	2014	2013
Finished goods	220,754,173.16	127,874,992.12
Packaging	37,777,434.22	35,921,070.91
Work in process	28,515,925.22	10,086,318.77
Supplies	1,850,812.06	2,130,326.92
Total	288,898,344.66	176,012,708.72
Allowance for devaluation of inventories	(410,384.66)	(239,040.13)
Net	288,487,960.00	175,773,668.59

10. LONG-TERM INVESTMENTS

As at December 31, 2014, the Company's long-term investment in form of deposits at a local financial institution amount of Baht 100 million at the interest rate of 3.30% which will be matured on May 2015.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2014 and 2013 consist of:

	(Unit: Baht)							
	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
Cost:								
As at December 31, 2012	19,240,000.00	30,090,551.82	94,290,902.38	15,450,763.98	9,164,627.99	9,751,998.14	624,000.00	178,612,844.31
Acquisition	-	9,000.00	49,932,410.30	3,558,192.35	5,871,823.63	5,925,700.93	2,470,000.00	67,767,127.21
Disposal	-	-	(83,000.00)	-	-	(2,532,000.00)	-	(2,615,000.00)
Write off/adjustment	-	-	(2,111,891.77)	(288,054.57)	(301,179.83)	-	(624,000.00)	(3,325,126.17)
As at December 31, 2013	19,240,000.00	30,099,551.82	142,028,420.91	18,720,901.76	14,735,271.79	13,145,699.07	2,470,000.00	240,439,845.35
Acquisition	-	612,968.68	49,648,548.76	5,139,112.54	4,565,330.84	-	23,937,288.12	83,903,248.94
Disposal	-	-	(26,352.00)	(3,224.31)	-	(395,000.00)	-	(424,576.31)
Write off/adjustment	-	-	(1,681,193.85)	(309,388.66)	(247,463.38)	-	-	(2,238,045.89)
As at December 31, 2014	19,240,000.00	30,712,520.50	189,969,423.82	23,547,401.33	19,053,139.25	12,750,699.07	26,407,288.12	321,680,472.09
Accumulated depreciation:								
As at December 31, 2012	-	(7,848,543.76)	(33,438,649.75)	(6,568,918.42)	(5,524,408.17)	(3,121,124.09)	-	(56,501,644.19)
Depreciation for the year	-	(1,699,090.02)	(21,555,644.23)	(2,859,866.22)	(2,421,077.99)	(1,764,097.76)	-	(30,299,776.22)
Disposal	-	-	16,104.04	-	-	1,531,380.10	-	1,547,484.14
Write off/adjustment	-	-	1,318,328.88	229,284.09	280,053.03	-	-	1,827,666.00
As at December 31, 2013	-	(9,547,633.78)	(53,659,861.06)	(9,199,500.55)	(7,665,433.13)	(3,353,841.75)	-	(83,426,270.27)
Depreciation for the year	-	(1,730,521.81)	(30,810,431.37)	(3,483,795.53)	(4,060,215.12)	(1,423,489.83)	-	(41,508,453.66)
Disposal	-	-	2,952.53	3,221.31	-	394,999.00	-	401,172.84
Write off/adjustment	-	-	785,384.43	269,033.59	232,026.79	-	-	1,286,444.81
As at December 31, 2014	-	(11,278,155.59)	(83,681,955.47)	(12,411,041.18)	(11,493,621.46)	(4,382,332.58)	-	(123,247,106.28)
Net book value:								
As at December 31, 2013	19,240,000.00	20,551,918.04	88,368,559.85	9,521,401.21	7,069,838.66	9,791,857.32	2,470,000.00	157,013,575.08
As at December 31, 2014	19,240,000.00	19,434,364.91	106,287,468.35	11,136,360.15	7,559,517.79	8,368,366.49	26,407,288.12	198,433,365.81

Depreciation for the year ended December 31, 2014 and 2013 amounted to Baht 41.51 million and Baht 30.30 million respectively.

As at December 31, 2014 and 2013, the Company has fixed assets at cost amount of Baht 33.94 million and Baht 17.41 million respectively which have been fully depreciated but are still in use.

12. LEASEHOLD RIGHTS

	(Unit: Baht)	
	2014	2013
Cost:		
Beginning balance as at January 1	20,708,980.80	20,408,980.80
Increase	1,366,505.68	300,000.00
As at December 31	22,075,486.48	20,708,980.80
Accumulated amortization:		
Beginning balance as at January 1	9,608,570.09	8,373,128.60
Amortization	1,866,336.20	1,235,441.49
As at December 31	11,474,906.29	9,608,570.09
Net book value	10,600,580.19	11,100,410.71

Amortization of leasehold right for the year ended December 31, 2014 and 2013 amounted to Baht 1.87 million and Baht 1.24 million respectively.

13. INTANGIBLE ASSETS

	(Unit: Baht)	
	2014	2013
Computer software		
Cost:		
Beginning balance as at January 1	3,648,394.44	3,138,394.44

Amortization of intangible asset for the year ended December 31, 2014 and 2013 amounted to Baht 0.61 million and Baht 0.63 million respectively.

14. DEFERRED TAX ASSETS

	(Unit :Baht)	
	2014	2013 (Adjustment)
Deferred tax assets		
Allowance for devaluation of inventories	82,076.94	47,808.03
Employee benefit obligations	1,144,802.20	319,887.40
Deferred income for reward points	2,317,144.82	1,109,788.84
Provisions	-	41,428.56
Total	<u>3,544,023.96</u>	<u>1,518,912.83</u>

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

	(Unit :Baht)				
	As at January 1, 2013	Expense (income) in statement of income	As at December 31, 2013	Expense (income) in statement of Income	As at December 31, 2014
Deferred tax assets					
Allowance for devaluation of goods	66,226.42	(18,418.39)	47,808.03	34,268.91	82,076.94
Employee benefit obligations	294,756.73	25,130.67	319,887.40	824,914.80	1,144,802.20
Deferred income for reward points	-	1,109,788.84	1,109,788.84	1,207,355.98	2,317,144.82
Provisions	-	41,428.56	41,428.56	(41,428.56)	-
Total	<u>360,983.15</u>	<u>1,157,929.68</u>	<u>1,518,912.83</u>	<u>2,025,111.13</u>	<u>3,544,023.96</u>

Income tax expenses for the year ended December 31, 2014 and 2013 can be summarized as follows:

	(Unit :Baht)	
	2014	2013 (Adjustment)
<i>Current tax:</i>		
Income tax for the year	77,049,301.68	53,287,714.17
<i>Deferred tax :</i>		
Deferred tax (income) derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	(1,416,845.53)	(1,157,929.68)
Income tax expenses in statements of comprehensive income	<u>75,632,456.15</u>	<u>52,129,784.49</u>
Income tax (income) related actuarial loss on defined employee benefit plans directly recorded to other comprehensive income	(608,265.60)	-
Total	<u>(608,265.60)</u>	<u>-</u>

Reconciliation amount between income tax expenses and multiplication of taxable profits and tax rates used for the year ended as at December 31, 2014 and 2013 can be presented as follows:

	2014	2013 (Adjustment)
Accounting profit before income tax	376,791,945.28	259,099,831.03
Income tax rates	20%	20%
Accounting profit before income tax multiply by tax rates	75,358,389.05	51,819,966.20
<i>Taxable effects for :</i>		
Accounting base differ from tax base		
Different from expenses	274,067.10	309,818.29
Total	274,067.10	309,818.29
Income tax expenses presented in statements of		
comprehensive income	75,632,456.15	52,129,784.49
Effective income tax rate	20.07%	20.12%

15. OTHER NON-CURRENT ASSETS

Other non-current assets as at December 31, 2014 and 2013 consist of:

	2014	2013 (Unit: Baht)
Rental and services deposit	76,535,013.51	63,391,342.54
Others	2,450,644.08	1,624,586.14
Total	78,985,657.59	65,015,928.68

16. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, 2014 and 2013 consist of:

	2014	2013 (Adjustment) (Unit: Baht)
Trade accounts payable		
Related parties	1,000,000.00	922,500.00
Other parties	77,687,565.22	52,149,823.96
Total trade accounts payable	78,687,565.22	53,072,323.96
Other payables		
Accrued expenses	30,188,476.07	24,003,743.46
Revenue Department payable	9,570,888.56	6,337,129.71

Assets payables	11,259,235.68	21,209,879.16
Cash receipts for goods	487,071.65	-
Deferred income for reward points	11,585,724.11	5,548,944.22
Others	912,497.09	584,374.69
Total other payables	64,003,893.16	57,684,071.24
Total trade and other payables	142,691,458.38	110,756,395.20

17. EMPLOYEE BENEFIT OBLIGATIONS

Long-term employee benefit obligations are compensation paid to employees when they retired for the year ended as at December 31, 2014 and 2013 are as follows:

	(Unit: Baht)	
	2014	2013
Employee benefit obligations as at December 31, 2013	1,599,437.00	1,281,551.00
Current costs of services and interest	1,083,246.00	317,886.00
Actuarial loss recognized in statement of other comprehensive income during the year	3,041,328.00	-
Benefits paid during the year	-	-
Employee benefit obligations as at December 31, 2014	5,724,011.00	1,599,437.00

18. 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 persons and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
1. Persons consist of:-		
Mrs. Tanyapon Kraibhubes	Shareholder and director	Land with is its construction rental, land rental, obligations under land lease agreement
Mr. Pratya Levan	Shareholder and director	Sale of goods (franchise), purchase of goods
2. Body of persons consist of:-		

<u>Related persons and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
C&N International Ordinary Partnership	Shareholder and director	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>
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

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

	<i>(Unit: Baht)</i>	
	For the year ended 31 December	
	2014	2013
Revenues from sales		
C&N International Ordinary Partnership	6,623,440.64	3,362,719.12
Other income		
C&N International Ordinary Partnership	5,985.00	4,830.00
Purchase of goods		
Bevita International Co., Ltd.	10,280,373.83	5,404,205.62
Land with its construction rental		
Mrs. Tanyapon Kraibhubes	348,000.00	348,000.00
Land rental		
Mrs. Tanyapon Kraibhubes	1,276,293.00	-

18.2 The balance with its related persons and parties as at December 31, 2014 and 2013 are as follow:

	<i>(Unit: Baht)</i>	
	2014	2013
Trade accounts receivable		
C&N International Ordinary Partnership	891,671.18	655,887.38

Trade accounts payable

Bevita International Co., Ltd.	1,000,000.00	922,500.00
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Accrued rental

Mrs. Tanyapon Kraibhubes	1,276,293.00	-
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18.3 Lease agreement obligations

- 18.3.1 The Company has commitment under land lease agreement for warehouse construction in accordance with agreement dated June 11, 2013 for the period of 20 years. The rental is determined equal to the value of the independent appraiser commenced and according to the annual general meeting of the shareholders for the year 2014 held on April 25, 2014 passed the resolution to approve the Company's change the agreement by making memorandum attached to lease agreement that to extend the lease period to the next 10 years in the amount of Baht 16.44 million, total agreement period of 30 years in the amount of Baht 38.28 million in accordance with the 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 which ever 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 lease is terminated.

As at December 31, 2014, the Company is liable on payment the remaining rental as follows:

(Unit:Baht)

Payment within

1 year	874,800.00
Over 1 year not exceed 5 years	3,630,420.00
Over 5 years (to 30 years)	32,908,770.00
Total	37,413,990.00

- 18.3.2 As at December 31, 2014, the Company is liable on payment the remaining rental as follows:

(Unit:Baht)

Payment within

1 year	348,000.00
Over 1 year not exceed 5 years	-
Total	348,000.00

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. DIVIDEND

20.1 Dividend

According to the annual general meeting of shareholders for the year 2014 held on April 25, 2014, passed the resolution to pay dividend from the result of operation for the year 2013 to the shareholders for 300 million shares at Baht 0.65 each, totally amount of Baht 195.00 million which was made interim dividend payment for the year 2013 at Baht 0.30 per share, totally amount of Baht 90 million, the remaining dividend to be paid at Baht 0.35 per share, amount of Baht 105.00 million. The Company has already paid such dividend on May 22, 2014.

20.2 Dividend interim

According to the minutes of Board of directors No. 5/2014 held on August 13, 2014, passed the resolution to pay interim dividend from the results of operation for the six-month periods ended June 30, 2014 to the shareholders whose the name listed in the register as at August 28, 2014 for 300 million shares 0.35 amounting to Baht 105.00 million which paid on September 12, 2014.

21. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES

21.1 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.

21.2 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.

22. 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 as at December 31, 2014 amount of Baht 1.94 million.

23. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2014 and 2013 as follow:

	<i>(Unit:Baht)</i>	
	2014	2013
Changes in finished goods and work in progress	(111,308,787.49)	(47,151,061.53)
Purchase of goods	556,046,488.70	338,701,379.85
Employee benefit expenses	220,338,984.80	162,569,283.92
Management benefit expenses	17,550,369.94	20,288,657.21
Directors' remuneration	1,492,372.34	1,071,948.19
Depreciation and amortization	43,982,730.65	32,160,800.03
Rental and services	189,892,554.50	146,536,828.63
Advertising and sale promotion expenses	17,240,177.46	14,629,008.01
Loss on devaluation of inventories (reversal) inventories	171,344.53	(48,900.81)

24. 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 amount so the Company did not present financial information by segment.

25. COMMITMENT AND CONTINGENT LIABILITIES

- 25.1 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, 2014 as follows:

	<i>(Unit: Baht)</i>
Payment within	
1 year	183,617,285.34
Over 1 year but less than 3 years	163,532,474.05
Total	<u>347,149,759.39</u>

- 25.2 The Company is liable on payment for the capital expenditure as at December 31, 2014 amount of Baht 97.75 million.
- 25.3 The Company is liable on payment for computer software installation as at December 31, 2014 amount of Baht 6.63 million.
- 25.4 The Company is liable on payment for commitment under lease of car as at December 31, 2014 amount of Baht 3.32 million.

26. 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.

26.1 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 4.18, 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 expected to be minimal.

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.

26.2 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.

27. 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, 2014, the Company has debt to equity ratio equal to 0.18 fold.

28. EVENTS AFTER THE REPORTING PERIOD

According to the minutes of Board of directors' meeting No. 2/2015 held on February 25, 2015, passed the resolution as follows:

1. To propose the approval for dividend payment from the 2014 results of operation to the shareholders for 300 million shares at Baht 0.99 each, amount of Baht 297 million, for which the interim dividend was paid in year 2014 at Baht 0.35 per share, amount of Baht 105 million, the remaining dividend to be paid at Baht 0.64 per share, amount of Baht 192 million to the general shareholder's meeting.
2. To propose the Annual General Meeting of Shareholders to change par value of share capital from Baht 1 each to Baht 0.10 each.

29. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Company's Board of directors on February 25, 2015.



BEAUTY COMMUNITY
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