

# Beauty

Beauty Community Public Company Limited

LIVE A  
BEAUTIFUL  
LIFE



ANNUAL  
REPORT 2015

รายงานประจำปี 2558  
บริษัท บิวตี้ คอมมูนิตี้ จำกัด (มหาชน)



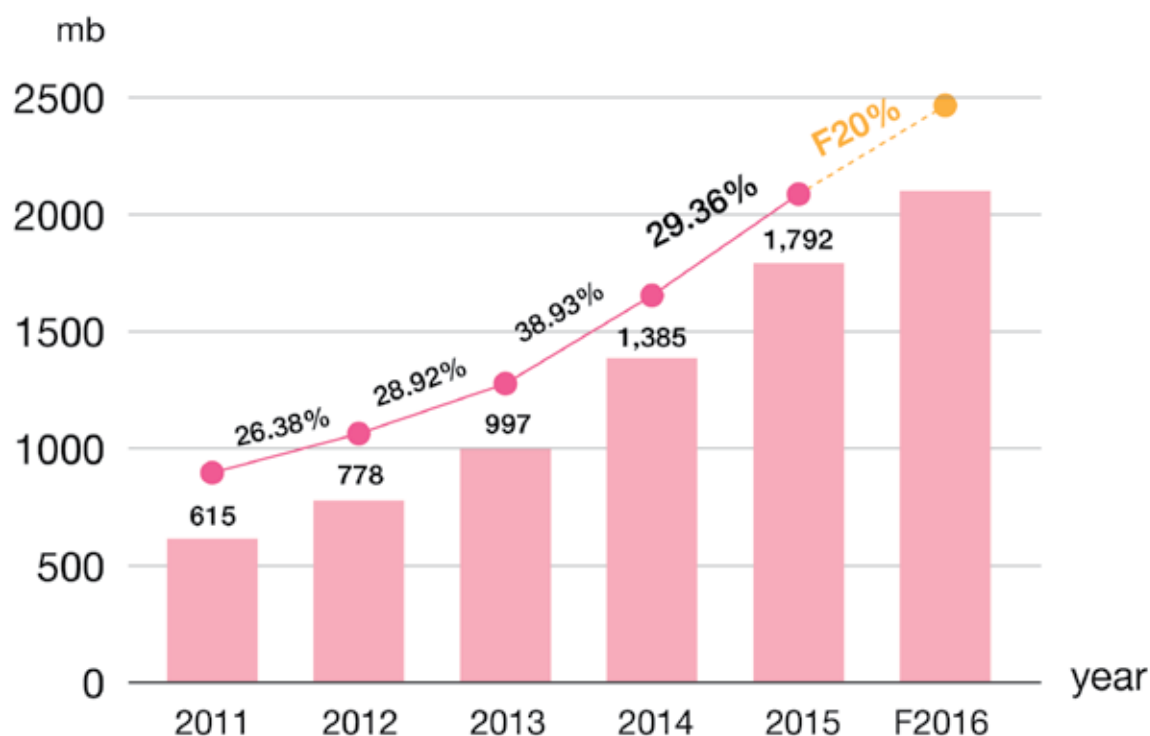
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## Revenue & Trend



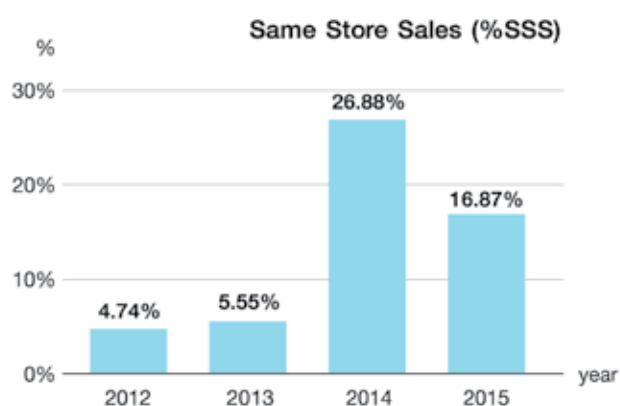
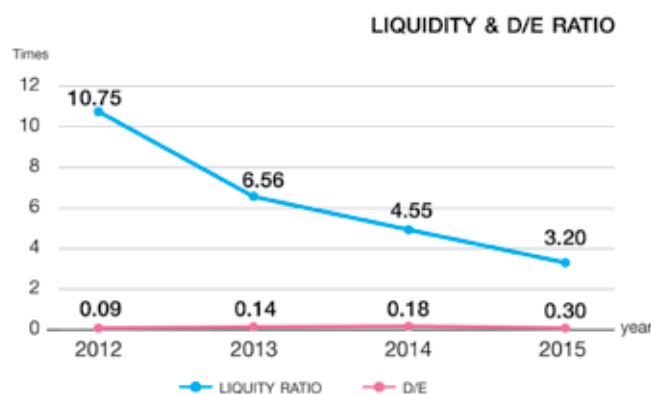
## P&L 2015 Highlight

Profit & Loss (MB.)	2015	2014	YoY (%)
REVENUE	1,792.03	1,385.27	29.36%
NPAT	402.49	301.16	33.65%
%NPAT	22.46%	21.74%	3.31%
%GP	66.93%	67.30%	-0.55%
%SG&A	39.22%	40.71%	-3.66%
%EBITDA	30.69%	30.33%	1.20%

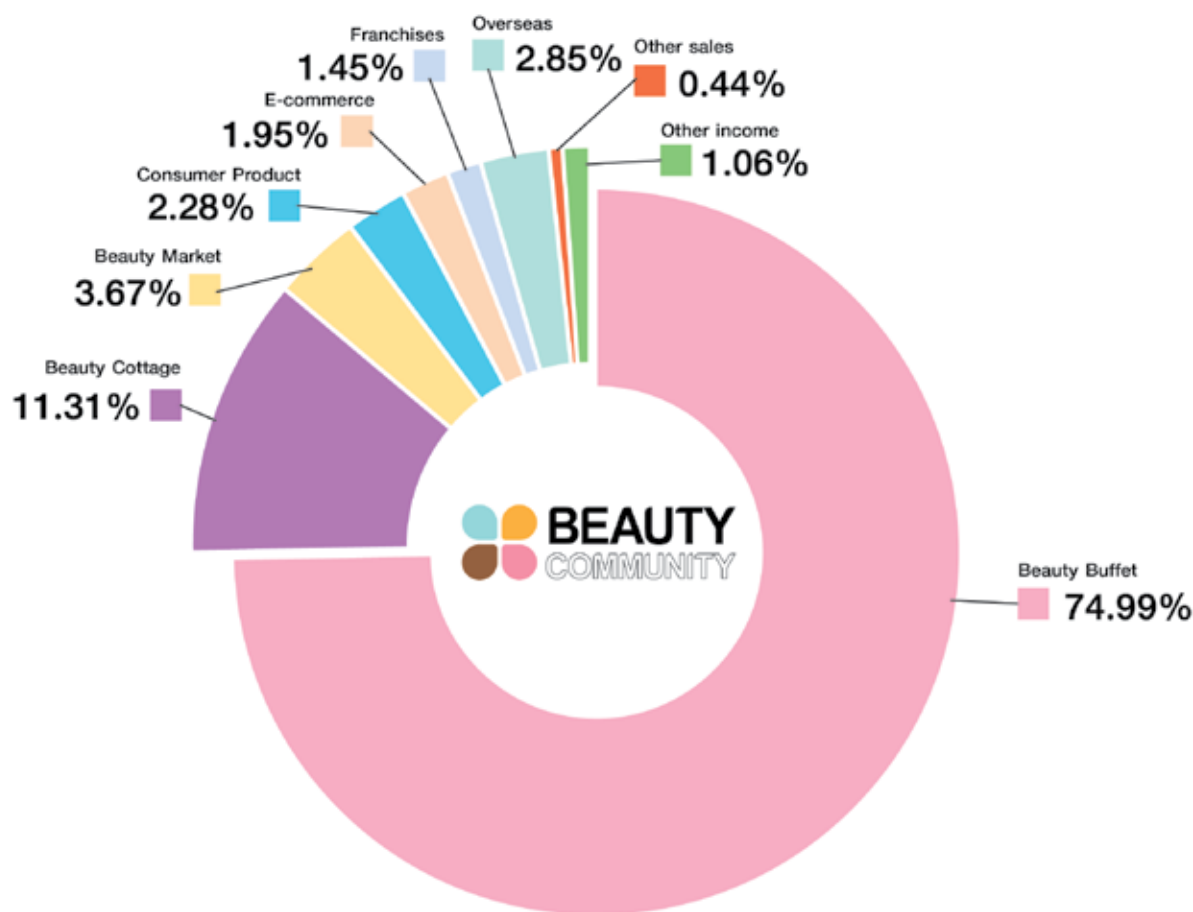
## Balance Sheet

ASSETS	2015	YoY
Cash and Temporary investments	739.01	33.26%
Inventories	290.11	0.56%
<b>Total current assets</b>	<b>1,070.05</b>	<b>23.66%</b>
Property, plant and equipment	292.53	47.42%
<b>Total assets</b>	<b>1,492.92</b>	<b>16.00%</b>

LIABILITIES & EQUITY	2015	YoY
Trade and other payables	272.96	91.30%
<b>Total current liabilities</b>	<b>334.55</b>	<b>75.73%</b>
<b>Total liabilities</b>	<b>344.92</b>	<b>72.94%</b>
Authorized share capital	300.00	0.00%
Retained earnings	291.56	26.18%
<b>Total shareholders' equity</b>	<b>1,148.00</b>	<b>5.56%</b>

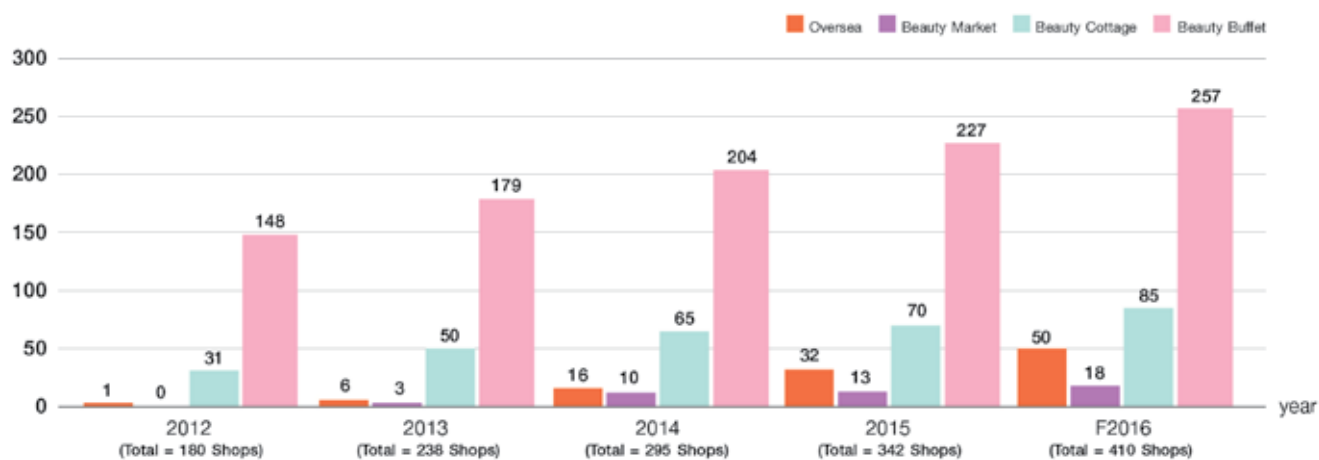


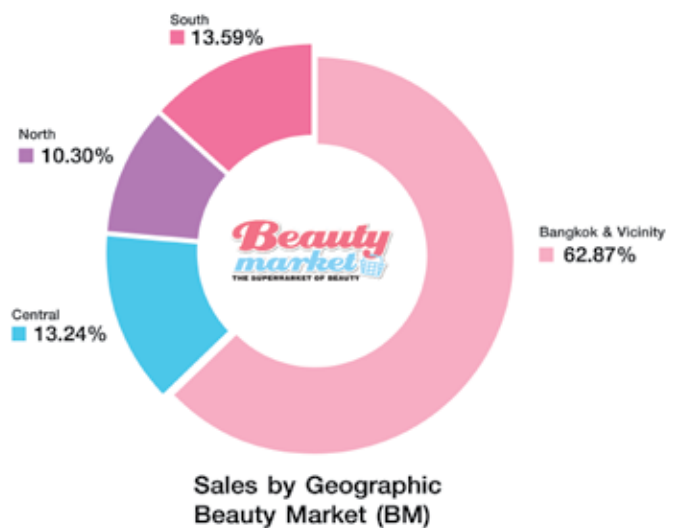
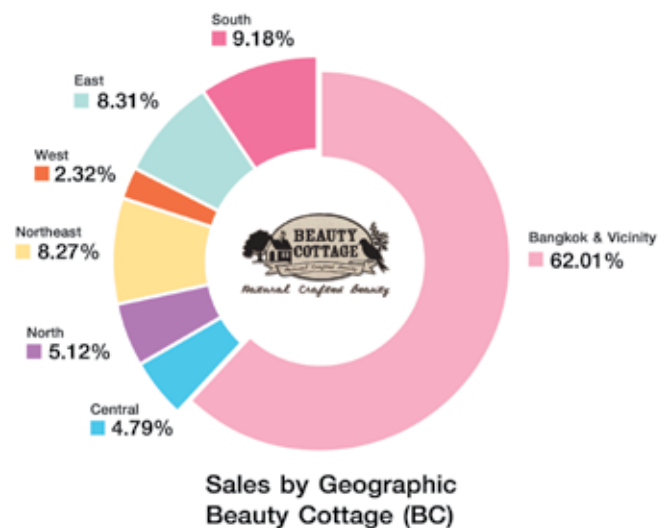
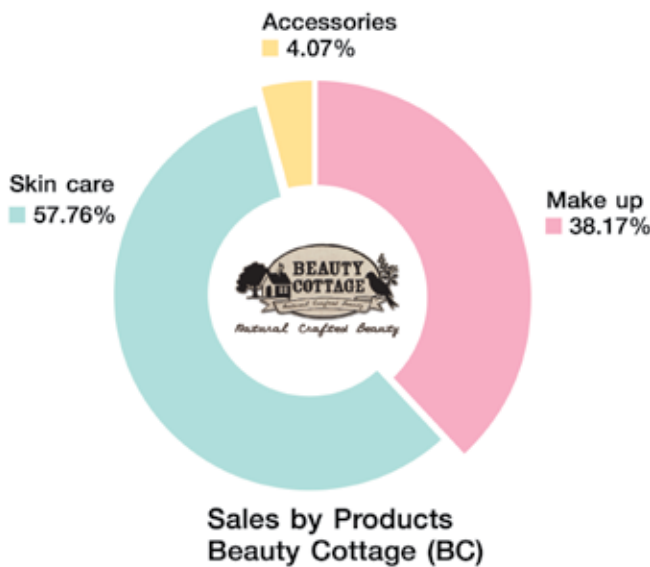
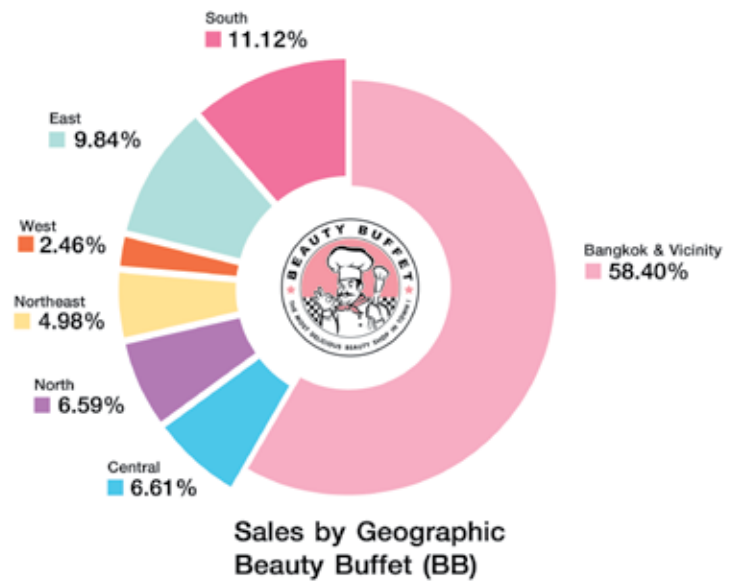
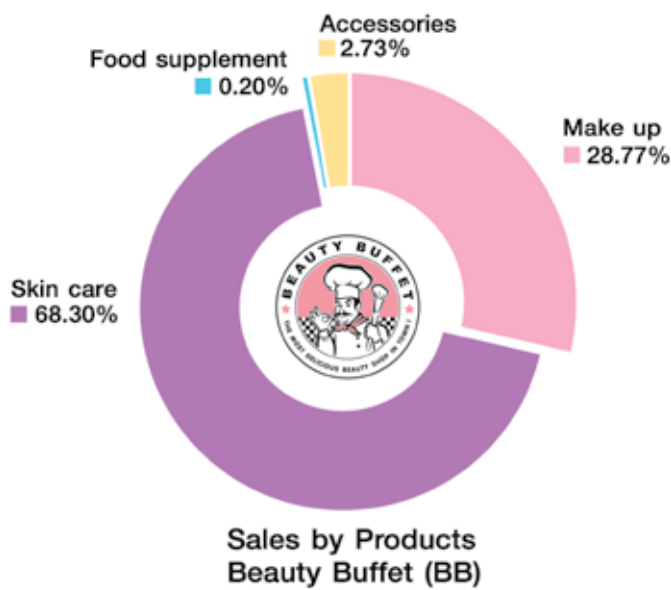




**Sales by Channel**

### Shop Expansion Highlights







*Natural Crafted Beauty*



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



# MULTI BRANDS

Meets the needs of various target groups.





# MULTI PRODUCTS

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



# MULTI CHANNELS

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



# Executive Summary

Beauty Community Public Company Limited







# 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 Dr. Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes 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. 9 groups including Make-up product, Facial care product, Body Hygiene product, Body Care product, Hair Care product, Perfume, Beauty Drink & Food Supplement product, Beauty Accessories and Men’s Care product. They are distributed under the concept of 6 forms including BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE, Girly Girl and Beauty Plaza. 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.



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



**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.

**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.



**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.

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 2015, Beauty Buffet had 277 retail branches nationwide and 29 retail branches in oversea ( Cambodia 6 branches , Vietnam 21 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.





# BEAUTY BUFFET

The Most Delicious Beauty Shop In Town!



Cambodia

Laos

Vietnam

Myanmar



# 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 2015, Beauty Cottage had 70 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.





*Natural Crafted Beauty*



Cambodia

Laos

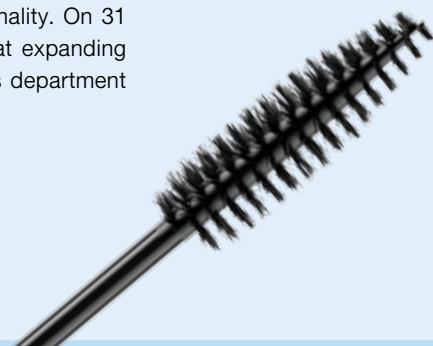
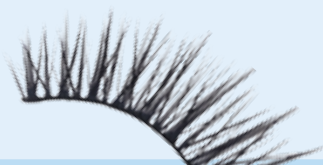
Myanmar





# 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 2015, Beauty Market had 13 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







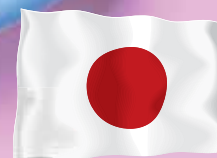
“Made in Nature” presents the concept of natural products under a slogan of “Live Natural Life”. By using product packaging of natural colors, “Made in Nature” offers Premium Mass products through major retail stores or modern trade stores. During the second quarter of 2012, the “Company” managed to 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 2015, a total of 9 SKUs 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 122 branches), Tesco Lotus (153 branches), and Tops Supermarket (115 branches).

Live  
a  
Natural  
Life





# สวยใสสไตล์ญี่ปุ่น



日本からの有効成分  
Active Ingredients  
From

## JAPAN

“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, At present, there are 13 SKUs of products which are the products of Skin Care Group distributed through various channels including channel of 3 convenience stores for 120 branches consisting of: 1) Top Supermarket, 2) Jiffy, 3) Tanghuaseng; channel of 4 catalogues which are Friday Catalog, 7-11 Catalog, Sarah Catalog By TV Direct and D catalog; and channel of 16 E-commerces being classified into 14 external websites which are Third parties, and 2 internal websites which are Facebook :Beautyplaza and website:Beauty plazaonline.com.





# BEAUTY PLAZA

Beautyplazaonline.com was founded in Q3/2015 with intention and minuteness for opening new experience in online shopping of various leading branded cosmetics including Gino McCRAY, The Bakery, Scentio, Lansley, Beauty Cottage, Made in Nature and Girly Girl. 9 groups of the beauty products, including Make-up product, Facial care product, Body Hygiene product, Body Care product, Hair Care product, Perfume product, Beauty Drink & Food Supplement product, Beauty Accessories, and Men's Care product, are distributed.







## 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 to 1,792.03 million Baht in 2015, or approximately 29.36% of growth rate.

The main source of the Company’s revenue generates from cosmetic retail shop was 89.97% Beauty Buffet shop, in 2015 and 2014, the revenues were 1,343.86 million Baht and 1,080.72 million Baht in respective order, or approximately 74.99% and 78.02% of total revenue in respective order which is about 24.35% of growth rate. This is due to the Company’s branching expansion nationwide in order to access larger customer scale. By the end of 2015, there are a total of 256 branches established nationwide and in other countries (227 branches within the country and 29 branches in other countries), which increased 39 branches from the year 2014 that has 217 branches (204 branches within the country and 13 branches in other country). Meanwhile, the total sales of skincare products, make-up products, food supplements, and beauty accessories were approximately 68.30%, 28.77%, 0.20% and 2.73% in respective order.

Regarding Beauty Cottage products, a total of 73 branches were established by the end of 2015 (70 branches within the country and 3 branches in other country), which increased by 5 branches compared to the year 2014 that has 68 branches established (65 branches within the Country and 3 branches in other country). The Beauty Cottage’s total revenue in 2015 and 2014 were 202.61 million Baht and 156.83 million Baht in respective order, which is approximately 29.19% 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 57.76% compared to its overall sales. Meanwhile, the total sales of cosmetic products and accessories were 38.17% and 4.07%, respectively. Beauty Market in 2015 and 2014, the revenues were 65.77 million Baht and 56.51 million Baht in respective order, which is about 16.39% of growth rate. By the end of 2015, there are a total of 13 branches established nationwide which increased

3 branches from the year 2014 that has only 10 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 48.80%, 21.62%, 10.93%, 4.90%, 4.61%, 5.84%, 1.85%, 1.18% and 0.28% in respective order. Meanwhile, the total revenues of products under the franchise channel by 2015 and 2014 were 26.04 million Baht and 22.41 million Baht in respective order, or approximately 16.20% of growth rate. Oversea and wholesales, by 2015 and 2014 were 59.00 million Baht and 17.82 million Baht in respective order, or approximately 231.07% of growth rate. Modern trade channel, by 2015 and 2014 were 75.75 million Baht and 25.16 million Baht in respective order, or approximately 201.12% of growth rate.

The cost of sales in 2015 and 2014 were 586.42 million Baht and 444.58 million Baht in respective order, or approximately 66.93% and 67.30% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2015 is relatively lower than in 2014. 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 2014 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 2015 when compared to 2014.

The Company’s net profit in 2015 and 2014 were 402.49 million Baht and 301.16 million Baht (revised) in respective order, or approximately 22.46% and 21.74% 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, 2015 and December 31, 2014, the Company's total assets were 1,492.92 million Baht and 1,286.95 million Baht (revised), respectively. In 2015, the Company's current assets were 1,070.05 million Baht, or approximately 71.67% of the overall assets. Most importantly, the Company's cash and cash equivalent was 119.01 million Baht, or about 7.97% of the overall assets whereas the Company's temporary investment was 620.00 million Baht, or about 41.53%. the Company's merchandise inventory was worth 290.11 million Baht, or approximately 19.43% of the overall assets, whereas its sales period for finished products was by an average of 137 days. The Company's receivable was worth 40.93 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 422.87 million Baht, or approximately 28.33% of the total assets. Most importantly, the net value of property, building, and equipment altogether was 292.53 million Baht, or about 19.59% 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, 2015, the total liabilities was 344.92 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 334.55 million Baht, most of which derived from trade accounts payable worth 272.96 million Baht. Furthermore, in terms of shareholders, the Company had a total shareholders' equity of 1,148.00 million Baht, or a debt to equity ratio of 0.30. 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.



## BOARD OF DIRECTORS' REPORT

Throughout the year 2015, the economy of Thailand shows a positive trend as we may see Thailand's GDP Quarter 3, 2015 which increases by 2.9%, higher than the last year (0.7%). This may be because the policies that encouraging the public sectors to disperse budget and economic development promotion policy which build confidence and support Thailand's economy to expand. Furthermore, the increase of number of tourists is one of the factors continuously supporting the economic expansion.

All positive factors such as the economic development promotion of the government or the increase of number of tourists gave a positive impact to private sectors as it encourages people to spend more.

The reasons of significant growth of total income and net profit are the sales volume of each product which is obviously increased, the change of administration strategy in the administration office and branches in terms of management, the service, the sales, and product, the promotion campaigns, the new product. It causes the same store sale growth by 16.87% in average. Additionally, we have supporting factor as the products of BEAUTY still receive attention and positive feedback from foreign customers, particularly the tourists from China, Hong Kong, Taiwan and Middle east.

We expect that the operation result in the quarter 4/2016 will show a continuous growth as it is the high season of the business. We are confident that the total income of the year 2015 will not be lower than 1,700 million baht, at least 20% of growth as planned and maintain minimum net profit of 20% of total income.

"Though in the year there had been situations that seems to impact the economy, we are still confident that in the remaining time of this year, the sales volume will grow as planned. This is because the purchasing power of middle-class and high-class customers still shows a stable trend. Plus, as we are entering to the high season of the business, we are preparing promotion campaign for New Year festival such as gift box and gift bag, and organizes sales activities for customers to increase sales volume. We also plan to launch new products to meet the needs of market".

In 2013, as Thailand faced political and economic problems, the economic slowdown in 2014 and purchasing power is unceasingly reduced. It gave the negative impact to overall country economic growth; GDP in 3rd quarter of 2014 increases by only 0.6%. Due to the problems that are still unsolved for a longtime, in 2014 the company set up the plan to face the challenge. In the first half of the year, the company focuses on the skill of sales representatives in each branch (salesforce), we organized re-trainings to sales representatives to review and enhance their knowledge of products and service, continued CRM activities throughout the year to increase the sales volume per invoice and repeat customers. We also launched marketing and sales promotion activities, including new products. In 2014, the products of the company received the attention and the acceptance from the customers; most of them are foreign tourists from China, Hong Kong and Middle East. It is one of the factors that increase our sale volume.

In 2014, we had a distinctive operation result. The overall income is 1,385.27 million baht. Comparing to the sale volume last year being 997.11 million baht, the income is higher than the previous year by 388.15 million baht or 38.93% with the net profit of 301.16 million baht. Comparing to the net profit of previous year being 206.97, the net profit is higher than the previous year by 94.19 million baht or 45.51%. Regarding opening of new branches, we have now 295 branches in Thailand and other countries. They are composed of 204 branches of Beauty Buffet, 65 branches of Beauty Cottage and 10 branches of Beauty market, including 16 branches in foreign countries; 7 branches in Vietnam, 5 branches in Cambodia, 2 branches in Laos and 2 branches in Myanmar. The international sales are in form of distributors. We established oversea department to serve the foreign market exclusively. In 2014, the company launched products of reputable brands on Facebook and other website and received very positive feedback. At the same time, we increase more a complete online sales channel of the company to efficiently access to the consumer groups in Thailand and foreign countries. Currently we have developed software system and website to facilitate the selection of products, the purchase order, and the payment efficiently. This is to face the challenge of changed customer's behavior. This online sales channels are expected to be completed in the quarter 2/2015.

In 2015, we expect a minimum growth of income by 20% of the income in 2014 whilst maintaining the rate of minimum net profit of 20%. Finally, in the name of the Board of Directors of the company, we would like to express our sincere thanks to shareholders, customers, business partners and all employees who have always supported and dedicated themselves to the company. The Management would like to ensure that the company will have a sustainable growth in the future with regard to transparency, good governance, corporate social responsibility and public highest interest.

Board of Directors  
Beauty Community Public Company Limited

## Message from the Chief Executive Officer

Year 2015 mark the 3<sup>rd</sup> year since the company has been listed on the Stock Exchange of Thailand, passed through situations and experiences the company now entering into its 4<sup>th</sup> year as listed company the Company has passed through lots of experiences and situations for a while. The Company both revenue and profit has been increasing more than 20% in every year and as the result of good turnover, in last year, BEAUTY has received many prestigious awards. For example, end of last year, The Company went to receive "Forbes Asia 200 Best Under a Billion" Award organized by Forbes Asia; the global well-known magazine; as one of the top 200 registered companies in Asia Pacific Region, showing the Company's potentiality in operation, effective cost management, as well as secured financial structure making its significant Thai stocks growth and providing investors high ratio of yield. In addition, BEAUTY has been one of companies calculated in SET 100 Index for the latter half of 2015 and the first half of 2016. Besides, BEAUTY has also been selected as one of fourteen properties to be calculated in MSCI Global Small Cap Indexes, indicating as the good fundamental stock which has continuous growth.

For 2016, the Company has aimed to the growth of revenue not less than 2,100 Million Baht or about 20% and will maintain the net profit ratio not less than 20% along with the plan of branch expansion in domestic and abroad. Domestic branches are divided into 30 branches of BEAUTY BUFFET, 15 branches of BEAUTY COTTAGE and 5 branches of BEAUTY MARKET while branches in abroad are planned to expand 18 more branches of Independent shop covering CLMV (Cambodia, Lao, Myanmar and Vietnam) countries. Above and beyond, in January 2016, the Company has signed the distributor contract with distributors in Indonesia in respect of Shop in Shop, subsequently, at present, there are 15 branches of Shop in Shop branches in Indonesia and there will be 6 more branches under planning for opening in this year. Moreover, the Company also has the policy to expand customer base in Asian countries by the means of exhibition in abroad and consideration of current potential wholesale customers such as Taiwan and Hong Kong to be the future distributors. As for other distribution channels, the Company will focus on the expansion through Modern Trade, Convenience Stores and Online Selling which in previous year, BEAUTY has been trial to sell many brand products through Facebook and website [www.beautyplazaonline.com](http://www.beautyplazaonline.com), lots of good feedbacks has been returned, therefore, the Company has targeted to continuously penetrate into online market and expected it will be the additional channel of high income.

In conclusion, on behalf of the representative of Management Executives and Team of the Company, I am confident that we will lead the Company to stably and sustainably achieve the setting target and would like to present my appreciations to all shareholders, customers, business partners and employees in supporting the Company with good cooperation all the time.

Dr. Suwin Kraibhubes  
Chief Executive Officer  
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)** 76 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)** 55 years old

### **Educational Qualification**

- Doctor of Management, Sripatum University
- Master of Business Administration Program in Retail Business, University of Sterling United Kingdom
- 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

### **Works 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 –

# VIBOON POJANALAI

## **Mr. VIBOON POJANALAI**

**Position** Independent Director and Audit Committee

**Age (year)** 40 years old

### **Educational Qualification**

- 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

### **Works experiences**

2014 - Present Executive Director of Grand Audit Co., Ltd.

2015 – Present Audit Committee and Independent Director of Dental Corporation Co.,Ltd

2013 – Present Executive Director of BRP Audit and Advisory 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 –



# DR. SUWIN KRAIBHUBES

## **Dr. SUWIN KRAIBHUBES**

**Position** Director / Chief Executive Officer

**Age (year)** 49 years old

### **Educational Qualifications**

- Bachelor of Science, Faculty of Medicine, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors
- Executives Capital Market Academy Program (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** 24.13%



# COL. ATTAPON SRISANGWARN

## **Col. ATTAPON SRISANGWARN**

**Position** Independent Director and Audit Committee

**Age (year)** 49 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 -







# TANYAPON KRAIBHUBES

## **Mrs. TANYAPON KRAIBHUBES**

**Position** Director

**Age (year)** 47 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 %

# PRATYA LEVAN

## **Mr. PRATYA LEVAN**

**Position** Director / Executive Director

**Age (year)** 47 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** 0.83 %



# MONSOOTHATIP MALAUKCARANUN

## **Ms. Monsoothatip Malaukcaranun**

**Position** Director

**Age (year)** 40 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 %



# SIRIKAN PHATTIVERANON

## **Ms. SIRIKAN PHATTIVERANON**

**Position** Executive Director / Director Of Operations  
Department

**Age (year)** 50 years old

### **Educational Qualifications**

- Bachelor of Business Administration (Second Class Honours), Faculty of Commerce and Accountancy Chulalongkorn University
- Currently studying for Kaset Mini Financial Business Management at Kasetsart University

### **Work Experiences**

- 2012 – 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 %







## SURAPON PHETKLUENG

### **Mr. SURAPON PHETKLUENG**

**Position** Executive Director / Director of Account & Finance  
Division

**Age (year)** 51 years old

#### **Educational Qualifications**

- Master of Business Administration , Kasetsart University
- Bachelor of Accountancy (Accounting), Chiangmai University
- Strategic CFO in Capital Markets Program, The Stock Exchange of Thailand

#### **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 %

## NATTAPONG KHUEANPHAN

### **Mr. NATTAPONG KHUEANPHAN**

**Position** Executive Director /Director of Inventory &  
Office Management Division

**Age (year)** 41 years old

#### **Educational Qualifications**

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

#### **Work Experiences**

2012 – Present Executive Director /Director of Inventory & Of-  
fice Management Division, Beauty Community PCL

2006 – 2012 Inventory and Delivery Division Manager, and  
Advisor of Human Resources and Administration Division

**% of Shareholding** 0.05 %



## Executive Committee



## Audit Committee



Mr. VIBOON POJANALAI      Dr. PEERAPONG KITIVESHPOKAWAT      Col. ATTAPON SRISANGWARN

## Nomination and Compensation Committee



Mr. VIBOON POJANALAI      Dr. PEERAPONG KITIVESHPOKAWAT      SUWIN KRAIBHUBES MD.

## Beauty Community PCL, Management Team





## Vision & Mission



# Vision & Mission

Beauty Community Public Company Limited



## Company's Philosophy

“ Creative Dynamic Sustainable ”

## Vision

“ 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). <a href="http://www.beautycommunity.co.th">www.beautycommunity.co.th</a> , Email : <a href="mailto:contact@beautycommunity.co.th">contact@beautycommunity.co.th</a> Web Page for Beauty Buffet <a href="http://www.beautybuffetshop.com">www.beautybuffetshop.com</a> <a href="http://www.facebook.com/beautybuffetfanpage">www.facebook.com/beautybuffetfanpage</a> Web Page for Beauty Cottage <a href="http://www.beautycottageshop.com">www.beautycottageshop.com</a> <a href="http://www.facebook.com/beautycottageshop">www.facebook.com/beautycottageshop</a> Web Page Made in Nature <a href="http://www.made-in-nature.com">www.made-in-nature.com</a> <a href="http://www.facebook.com/madeinnaturefanpage">www.facebook.com/madeinnaturefanpage</a> Web Page Beauty Market <a href="http://www.beautymarket-shop.com">www.beautymarket-shop.com</a> <a href="http://www.facebook.com/beautymarketfanpage">www.facebook.com/beautymarketfanpage</a> Web Page E-Commerce <a href="http://www.beautyplazaonline.com">www.beautyplazaonline.com</a> <a href="http://www.facebook.com/Beautyplazaonline">www.facebook.com/Beautyplazaonline</a>

### References

- The Certified Public Accountant Auditor from DIA International Auditing Company Limited Telephone: 02 2595300 – 2, 02 3325126 – 9
- Thailand Securities Depository Company Limited (TSD) SET Center: 02 009 9999





## 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 2015 and 2014 the company's total revenue from selling Beauty Buffet products was THB 1,080.72 THB and 766.12 THB, or 74.99% and 78.02 % 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 2015, the Company commenced the development of distribution channel in e-commerce forms including Facebook: Beautyplazaonlineandwebsite: Beautyplazaonline.com. There is also increasing channel sales to foreign countries both of CLMV and AEC

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.

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 30 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 2015 and 2014 were 10.70% and 11.06% 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.

The company has orders in high quantities. As sales rise The company makes an economy of scale . This gives companies the ability to negotiate with suppliers and to control its costs better

### ● *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 2015 and 2014 the company's inventory proportion were 19 % and 22 of total assets respectively, and the average selling period were 137-141 days (calculated from the existing goods including the packages. The average selling period of ready-made products were 178-188 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 2015 , the company's had 310 branches in total nationwide (including 5 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 storefront 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 2015 and 2014 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. Suwin Kraiphubes 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 Kraiphubes 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 Kraiphubes Group reduced to be remained at 38.29 % 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 equivoise the operation of the committee and the executives. In addition, the committee's operational policy is to give the most prioritize to the shareholder's benefits with clear roles and responsibilities of the company's 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.



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



## Nature of Business

Beauty Community Public Company Limited (“Company” or “BEAUTY”), or formerly Monapolitant Co., Ltd., established on 19th October 2000 with its paid-up registered capital of 1,000,000 Baht, by the founders Dr.Suwin Kraibhues and Mrs.Tanyaporn Kraibhues, is formed with purpose of performing retail selling and distributing cosmetics and skincare products. The aim is to propose selective and diverse beauty products with quality materials and good image and provide more beauty choices for consumers.

## Important changes and developments

<b>1998 – 1999</b>	We open the first imported cosmetics and skincare retail store under the name “NEO” in Siam Square Center and then expanded another retail store named “MONA” in MBK center
<b>19 October 2000</b>	We formed Monapolitant Co., Ltd. (Company’s former name) with registered capital of 1,000,000 baht to perform a retail selling of cosmetics and skincare products of Thailand and other countries under the name “MONA” in 7 branches located in several commercial centers
<b>2004</b>	We renovated the shop and changed the store name to “COSMEDA” with different strategy; importing goods according to customers’ demand, manufacturing products in Thailand and some products in Korea.
<b>3 March 2005</b>	We increased the registered capital to 5,000,000 Baht divided into 50,000 shares, the value per share was 100 baht, the capital was used for investment and cash flows. From the year 2004 to 2006, 20 branches (approx..) of “COSMEDA” have been open.
<b>2006 – 2007</b>	In December 2006, we developed the design of the store and changed its name to “BEAUTY BUFFET”. Under the concept of “Beauty Buffet”, we focused on making an easy access for customers, and invited the customer to test the product, sold the comprehensive range of products with reasonable price, just like when the customer enters into buffet restaurant. With the slogan “The most delicious beauty shop in town”. The first branch was open in Central department stores, Wongsawang branch.
<b>2011</b>	We open new style of retail stores under the name “Beauty Cottage” providing natural and organic products with the shop decoration in vintage style. The first branch was open in Central Plaza (Ladprao) under its slogan “Natural Crafted Beauty” which means the beauty created by the nature.
<b>23 December 2011</b>	The company increased the register capital to 55,000,000 baht divided into 550,000 shares, the value per share was 100 baht, to buy a land for building company headquarter and increased the resources of cash flow for business operation.
<b>2012</b>	In January 2012, the company made the distributorship contract of Beauty Buffet with a distributor who had the right to sell products of beauty buffet in Cambodia in accordance with company standard. The first beauty buffet was open in Cambodia in February 2012. In April 2012, the company launched new product “MADE IN NATURE” -- an organic skincare product brand under the slogan “Live a Natural Life” sold in large retail stores or modern trade.
<b>31 July 2012</b>	The company changed its juristic type to be public limited company and changed the name to be Beauty community Public Company Limited, lowered the value per the share from 100 baht to 1 baht and increased the registered capital to 300,000,000 baht. With regular shares, the company was listed in stock exchange of Thailand.
<b>12 December 2012</b>	First day trade in SET
<b>July 2013</b>	The company opened Beauty Market in Large Multi-brands with the mixed concept of buying many products in supermarket in convenient store and the excitement of buying cosmetics products. We are beauty specialty store aiming to provide beauty product exclusively under the slogan “The Super Market of Beauty”. The first branch was open in Seacon square Srinakarin branch.
<b>November 2013</b>	We launched the new products under the brand named Girly Girl which was the “fighting brand” in the market of skincare and cosmetics products for teenagers. With the concept “White&Baby”, the packaging design was more modern and the size of product was



smaller, also the price was lower. The products were placed in convenient stores, catalogues and available in traditional trade.

#### May 2014

Groundbreaking ceremony of warehouse and training center at Soi Nuanchan 34 on the land size 3-0-15 rai to support the growth of the business in the future. The construction is expected to be complete within the quarter 1/2016.

#### 14 May 2015

The company changed the share value (stock split) from 1 baht to 0.10 baht per share. The total number of shares was 3,000,000,000.

#### Quarter 3/2558

We launched the website Beautyplazaonline.com with our sophisticated development and intention to broaden the experience in cosmetics product shopping. We have products from leading brands such as Gino McCRAY, the bakery, Scentio, Lansley, Beauty Cottage, Made in Nature and Girly Girl. We sold products in 9 categories; Make-up, Facial care, Body Hygiene, Body care, Hair Care, Perfume, Beauty Drink & Food supplement, Beauty Accessories and Men's care.

### News & Events 2015

**CORPORATE NEWS** BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

**สุดยอด 200**  
บริษัทจดทะเบียนในเอเชีย  
200 Best Under a Billion

**Forbes**  
Asia's 200  
Best Under A Billion  
<http://www.forbes.com/asias200/>

BEAUTY \* ความสำเร็จ 200 Best Under a Billion... (text continues in Thai)

**INDEXED TO**  
**MSCI**  
**BEAUTY**

ได้รับคัดเลือกเป็น 1 ใน 14  
หลักทรัพย์เข้าดัชนี MSCI Global Small Cap Indexes ซึ่งเป็นการคำนวณชี้วัดความสูงของราคาหุ้น และความเสี่ยงตามปัจจัยพื้นฐานที่เติบโตสูงของ มีผลในวันที่ 29 พ.ค. 2558

**MSCI Global Small Cap Indexes**

**BEAUTY**  
ได้รับคัดเลือก  
ให้เข้าคำนวณใน  
SET 100 INDEX

BEAUTY มีชื่อเสียงได้เข้าคำนวณ SET 100 Index... (text continues in Thai)

### BEAUTY TEAM BUILDING



## MAKE UP ARTIST NETWORK & YOUNG MAKE UP ARTIST CONTEST



## CORPORATE ACTIVITIES 2015



## OVERSEA TRAINING, VIETNAM





## PEOPLE : MOTIVATION &amp; REWARD



## Business Goals

The company believes in sustainable growth without relying on only one product brand or distribution channel. Therefore, regarding operation of the company in the past, we focused on creating a concept or a new brand along with the launching of new products and increase distribution channels continuously. This is to achieve the business goals as follows.

- Be a leader in cosmetics market by developing the business to cover all demand of consumers in the market of all cosmetic product types and by creating new brand, packaging design and distribution channels Multi products, Multi brands and Multi channels,
- Create beauty products in more categories not only in cosmetics and skincare to cover all demand of customers and maintain the quality standard as same as the international organization. We focus on the products made from natural extracts and good design of packaging. This is to enhance the competitiveness in domestic and international sales to cover the different demands of customers.
- Expanding distribution channels throughout the country as well as other country. This is to reach more targeted customer group.
- Develop the data storage system or CRM (Customer Relationship Management) to perform in-depth analysis of customer's demand in order to properly organize sales promotion activities to continuously meet the customer's needs.

The business goals are created to ensure a smooth and efficient business expansion, and to gain a competitive advantage in the market, what leads to a highest interest for company shareholders.

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



## 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 Concept with different products, packaging, and shop design. Their products are also placed in different market position, pricing, and target group. 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, E-Commerce and catalogue
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 - 1,014 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 - 397 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 - Target 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 - 13 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 McCRAE 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's Products

"Beauty Buffet" came from the idea to integrate buffet restaurant with cosmetics retail business. It differentiate and create outstanding by adapting buffet food serving which provide 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 apply the same concept by providing many products for selection and decorating its shops to be attractive, including provide friendly service. The shops allow customer testing products before buying to receive the one which match 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.



## 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.



## 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.



## LANSLEY®

BEAUTY AND WELL-BEING

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



# Product Hero 2015

## Beauty Buffet

### BRAND GINO MCCRAY PRO MAKE UP SERIE



### BRAND SCENTIO MILK PLUS SERIE





# Beauty Buffet

BRAND GINO MCCRAY  
HERITAGE  
SERIE



BRAND SCENTIO  
ALOE VERA  
& HYALURONATE  
SERIE

New Product 2015

# BEAUTY BUFFET





New Product 2015

**BEAUTY BUFFET**







*Natural Crafted Beauty*

# Beauty Cottage

## Beauty Cottage's Products

"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.

# Beauty Cottage



# Product Recommend

## Beauty Cottage



SERIE  
BEAUTY  
BLOOM





A collage of various beauty products including tubes of cream, bottles of serum, and boxes of false eyelashes, all arranged on a light background. A large, diagonal watermark reads "BEAUTY COTTAGE" and "New Product 2015".





# Beauty Market

## Beauty Market's Products

Beauty Market concept was launched in the 3<sup>rd</sup> 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.

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;



# Product Hero 2015

## Beauty Market



### SERIE BEAUTY CUISINE





# Made In Nature

## Made In Nature's Products

"Made In Nature" concept of natural products, under the slogan of "Live a Natural Life". 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. The product's package comes with natural color containing premium mass products which are sold in large retail shops or modern trade stores. In 2015, the Company has total products 9 SKUs launched 5 SKUs of new And in 2015, 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

## Girly Girl's Products

Girly Girl's 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 2015, Girly Girl's Product consists of 13 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
12. Girly Girl Hokkaido Milk Moisture Rich Body Lotion
13. Girly Girl Hokkaido Milk Moisture Rich Shower Cream

I love  
all things  
girly

Active Ingredients From Japan

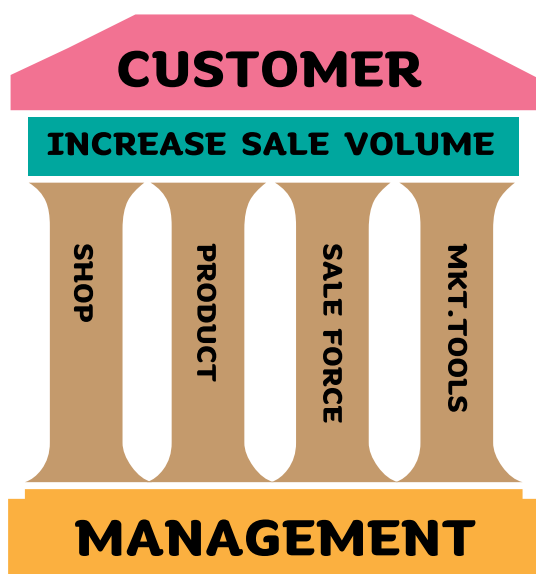


## Key Operation Policy

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.

### ● *BEAUTY's overseas investment policy*

BEAUTY's products receive very good response from international customers, to continuously expanding and opening up our products to overseas markets, in 2015, the company has set up overseas department to drive and facilitate international market growth. The company has a policy to stretch out the distribution of its products through distributors who specialize in local retail markets. After an approval process, distributorships will be granted to potential distributors. All transactions will be on outright sales basis and distributors are responsible for freight, insurance and all handling costs. The company give distributors the right to sales the products under the company's trademarks and the retail store construction must follow the guidelines established by BEAUTY. The distributors are allowed to set the retail prices, but these must be agreed by BEAUTY.

### ● *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, 2015 and 2014, there were the finished goods that had been stored for longer than 1 year at 3.95 and 1.24 million baht respectively (exclude defected inventory). In 2015, there were the finished goods that had been stored for longer than 2 years at 0.15 million baht. Regarding packages, which have longer life than finished goods, as of December 31, 2015 and 2014 there were the packages that been stored for longer than 2 years at 2.58 and 0.38 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

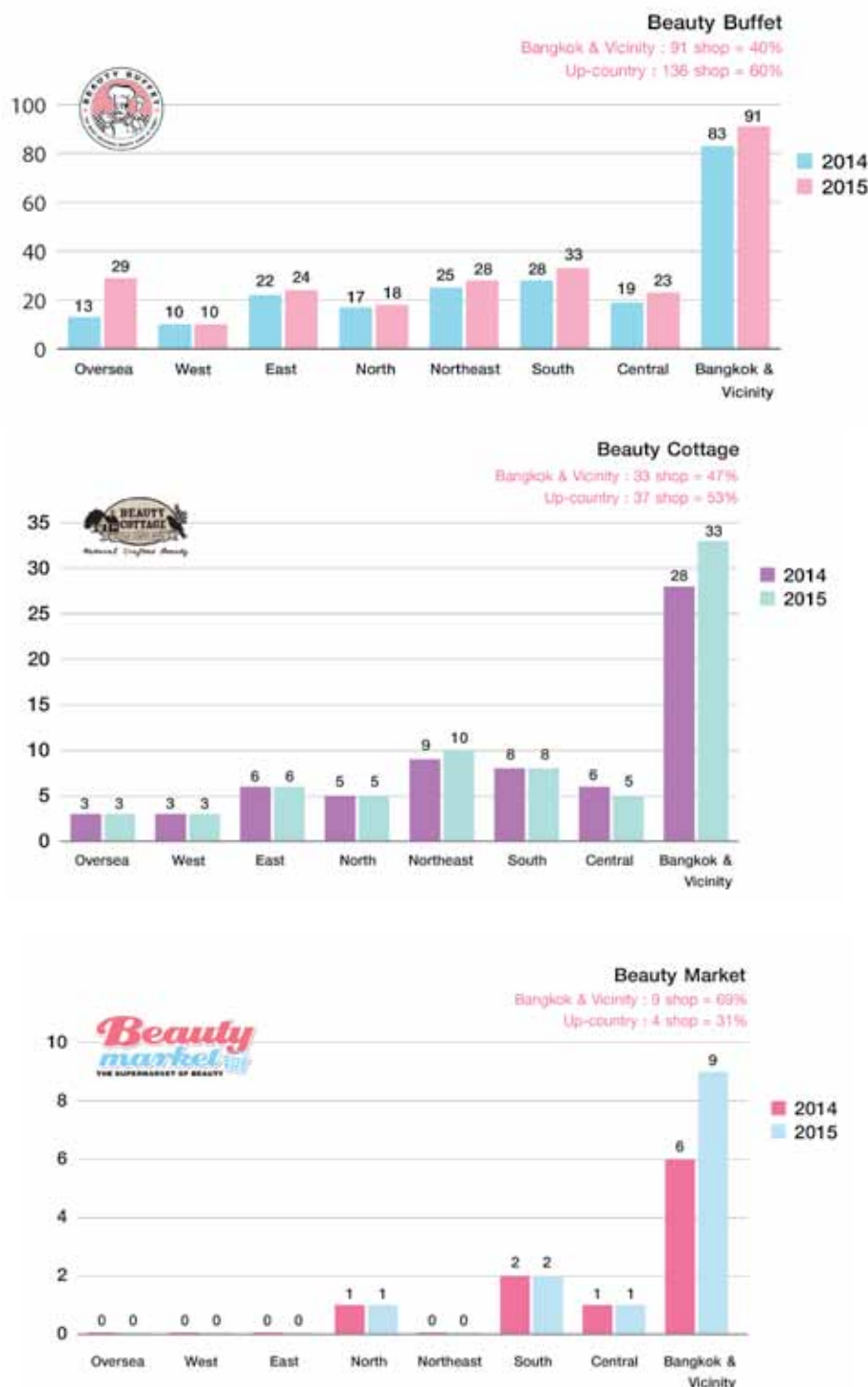
### 1. Distribution Channel

The Company has 5 distribution channels as follows;

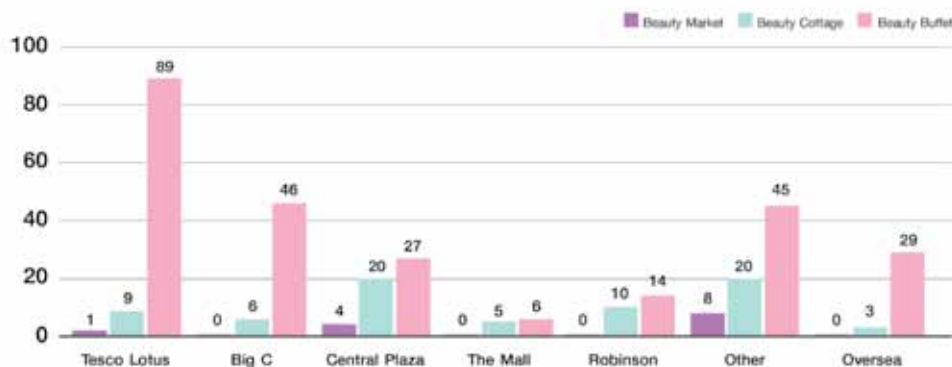
#### (1) Company's shops

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 90% of total sale in 2015 and 2014 respectively. Shops under those concept were expanded continuously. The number of shops at the end of 2015 and 2014 were shown in the table below.

Number of shops by region



Number of Shops by Department Store



## (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 5 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 2015 and 2014, the Company had average sales volume through franchises around 1.45 % and 1.62 % 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 2015, Beauty Buffet had 29 retail branches in oversea ( Cambodia 6 branches, Vietnam 21 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 2015 and 2014, the Company had average sales volume through wholesale at 2.85 % and 0.84 % of total sale respectively.

## (4) Consumer Product

Consumer Product 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 2015 Girly Girls products which are skincare products are distributed through following channels

- 120 branches of 3-brand convenient stores including 1) Top, 2) Jiffy, 3)Tang Hua Seng 4)Nine Cosmetic and in February 2014, products are distributed in 100 branches of 7-11 for a month with amount of 2 SKUs
- 4 Catalogs including Friday Catalog, 7-11 Catalog and Sarah Catalog By TV Direct and D Catalog
- 16 E-commerce channels including 14 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 2015 and 2014, the Company had average sales volume through Consumer Product at 4.23 % and 1.82 % 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 2015 and 2014, the Company had average sales volume through other distribution channels at 0.44 % and 0.44 % 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 13 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;

#### *o 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.

#### *o 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 2014-2015, the Company has developed Beauty Market brand for wholesale. The Company has Made In Nature's products 9 SKUs, Girly Girls 13 SKUs 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;

#### *o 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.

### *o 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.

### *o 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 2015, the Company launched

1. Point Redemption 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. "Surprise Gift" are handing out a new products to customers who are loyalty to the brand, with products that are at the same time so that customer engagement with the brand and have feeling to be a part of the brand.
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. Happy Forward Activities to the customer in front of our store so that customers are prospects to engage and have an experience and commitment with our brand and try to experiment with the product it make it easier to buy. Offering products that meet their needs or solve the problem to the customers in immediately through various channels.

## Customer Relationship Management ( CRM )





### o “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;

#### Beauty Buffet

Website : [www.beautybuffetshop.com](http://www.beautybuffetshop.com)  
Facebook : [www.facebook.com/beautybuffetfanpage](http://www.facebook.com/beautybuffetfanpage)  
Youtube channel : Beautybuffet live  
Instagram : BEAUTYBUFFETSHOP  
Twitter : beautybuffet\_bb  
Line@ : @beautybuffetshop

#### Beauty Cottage

Website : [www.beautycottageshop.com](http://www.beautycottageshop.com)  
Facebook : [www.facebook.com/beautycottageshop](http://www.facebook.com/beautycottageshop)  
Youtube channel : Beautybuffetcottageshop  
Instagram : BEAUTYCOTTAGESHOP  
Line@ : @beautycottage

#### Beauty Market

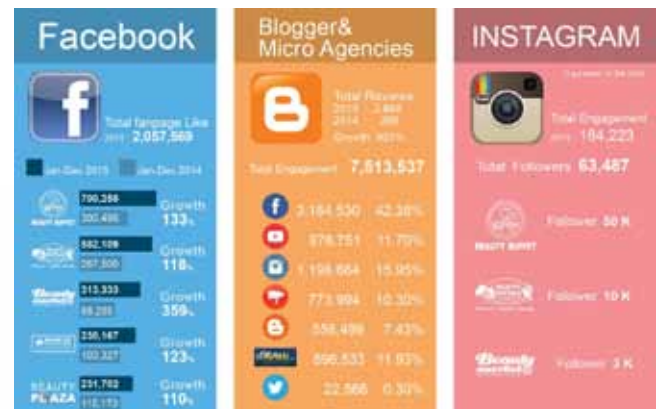
Website : [www.beautymarket-shop.com](http://www.beautymarket-shop.com)  
Facebook : [www.facebook.com/beautymarketfanpage](http://www.facebook.com/beautymarketfanpage)  
Instagram : BEAUTYMARKETSHOP  
Line@ : @beautymarket  
Twitter : beautilmarketTh

#### Made in Nature

Website : [www.made-in-nature.com](http://www.made-in-nature.com)  
Facebook : [www.facebook.com/madeinnaturefanpage](http://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.

### 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 Den Yen 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 Praew, TV Pool
- 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.

## Promotion

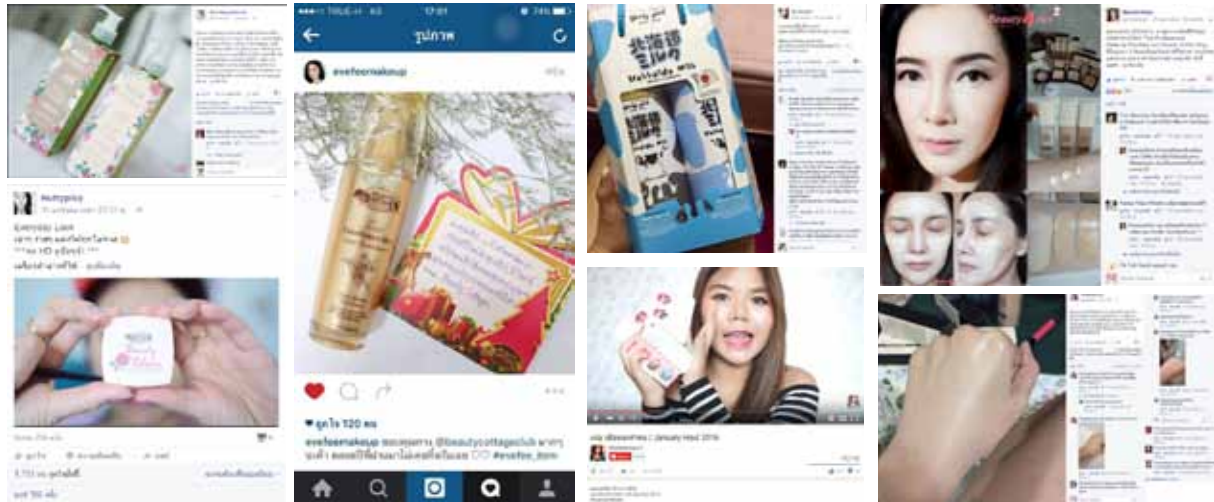


## Traditional PR & TIE IN





# 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.

## Industrial Situation and Competition

### 1. Industrial Situation

#### ● *Feasibility in Thailand*

Cosmetics and Beauty Business is the business which is continuously growing and expanding every year. At present, the consumption of cosmetics has been expanding unceasingly because people both male and females in all ages are currently concerned on health, beauty and skincare as well as take care more on themselves and would like to have better looks, the factor that made cosmetics industry grow was because cosmetics and skincare product is one of popular consumer goods for living of people in current society due to the fact that the behavior of consumers is to pay more attention to personality especially ladies who would like to support personality and need to nourish skin to always look good. The group of ladies that like using cosmetics covers people with coming of age to elder people and at present using cosmetic and skincare products are more spread in gentleman group as we can see many products imported from foreign countries for middle-low market and its tendency is increasingly expanding. The advertisement and public relation at present through social media is substantially popular and the consumers can access and perceive information about cosmetics product more easily and the amount of sub-manufacturer in this business is getting higher as seen from the advertisement through many media because of the high return rate and low capital for production. Besides, the cosmetics business is trivially affected by economic situation. This is why the market of cosmetic and skincare products is likely to grow to meet needs of the consumers.

From tendency of the cosmetic market, it is likely to grow continually and stably in Thailand, However, the manufacturer and distributors need to adapt to catch up with trend of consumers that changes so fast and for survival of the business as follows

- There should be improvement of product technology and modern innovation to respond needs of consumers in wider range
- Creating image of product to look outstanding and different to market and add value of products
- Strategizing marketing in many terms to be prepared for current economic situation with sale promotion activity or public relation through media as well as creating accepted brand.
- If it is cosmetics distribution through retail shop and expanding by increasing branches, there shall be good sale Management system to support economic growth
- There must be wide range of distribution channels so that the customers can access products more

With tendency of expansion of cosmetic industry and factors necessary for success of this business as mentioned above, the company assures that it will grow and expand incessantly like the industry.

#### ● *Opportunity in Foreign Country*

ASIAN Economic Community: AEC will be inaugurated on 31 December 2015 that means exporting and importing in ASEAN is freer. ASEAN Market will become the large foundation of production with high competitiveness and it will be the region that has equivalent economic development and Thailand is the country that is rich of skillful and proficient labors compared to other countries with suitable location and it is the center of the region. This brings advantages in terms of land and air transportation that covers and supports effectively.

ASIAN Economic Community: AEC and Free Trade Area: FTA caused export and import tax of most cosmetic product of Thailand and ASEAN Countries reduce to 0% since 2010. Therefore, the value of cosmetics import and export in 2010 grew continually and substantially up to 2011. The cosmetics export of Thailand compared to import, Thailand has balance of trade in term of exporting compared to other ASEAN Countries.

Thailand is the center or HUB of cosmetic business compared to other ASEAN Countries and it is the center of cosmetics manufacturing including production for domestic sale or for export. The factories that manufacture cosmetics in Thailand are internal investment establishing factories in Thailand and factories of the company in Thailand that manufactures for export. Thailand is advantageous in terms of knowledge of cosmetic production because Thailand has been the hub of production for long time and it has manufactured world-class cosmetics for many countries including and AEC Countries have good attitude to Thai Products as they have good quality, beautiful design and reasonable price. Thailand has good transport system and is the hub of transportation but AEC will make the entrepreneurs adapt themselves to enhance capacity of competitiveness so as to have more opponents.

For tendency of competition of cosmetic market in the future, The company has set up International Sales Operations Department to support its growth in this channel. In addition, it has prepared all documentations related to the imports of cosmetics which are different in each country such as MOF CFS has studied the behavior of consumption in products and service of that country to apply in product development by maintaining the policy. The Products of the company are considered as good quality, beautiful design with reasonable price. Therefore, products of the company are accepted among international customers and the entrepreneurs will understand living culture, skin type and quality of people in the nations that are trade partner to be prepared for English that will play a great role to operate the business and it shall study and understand government contact, rules and regulations in some countries especially CLMV (Cambodia, Laos, Myanmar and Vietnam) and it still needs interpretation which is the obstacle of expansion. However, the company tries to find the resolution by looking for skilful trade partners or to have good connection with government system or understand culture of local governments so that the company can expand faster in form of dealers that the company does not have to invest itself and it is to reduce risk of investment also.

However, the company started opening the market of international cosmetics since 2012 starting from Cambodia and at the end of 2015, there were 32 branches; 7 branches in Cambodia, 21 branches in Vietnam, 2 branches in Myanmar and 2 branches in Laos LPD. and the company has a plan to expand channels of distribution in other potential countries in the future and it believes that uniqueness of products including standard quality of products, understanding in skin color and culture of international market will build up opportunity and advantages of competition in foreign markets.



## Competition

The business of distributing cosmetics and skincare products has highly competitiveness for both products imported and authorized from foreign countries and Thai-brand products because it is the business with high market value and continuous growth rate. Nevertheless, the minor entrepreneurs can easily start the business by initiating from opening branches or distribution center that requires not much investment and current capital. Therefore, many new entrepreneurs run this business. However, the company operates long-term business and it is quite a challenge of new entrepreneurs due to the fact that potential of competition includes advantages of distribution location and uniqueness of product and brands that the customers recognize. Currently, almost prominent distribution locations are occupied by existing entrepreneurs as well as branch expansion and many dealers can access consumers in wide range that requires a lot of current capital and it requires experience and expertise to run the business. Therefore, many minor entrepreneurs in the industry of cosmetics and skincare product distribution are quite small and have limited distribution.

The entrepreneurs who run business of cosmetics and skincare distribution through general retail shops and they are direct opponents of the company including multinational companies and Thai entrepreneurs. The opponents the company gives precedence to are entrepreneurs that distribute products with similar quality as the product of the company. The target customer includes teenagers to working age with similar price and importantly, they are memorable brands for customers with product distribution that can reach customers in wide range as follows

Brand	Oriental Princess	Cute Press	BEAUTY	Karmarts	The Body Shop	Yves Rocher	Etude House	Skin Food
Distributor	O.P. Natural Product Co., Ltd.	SSUP Bangkok 1991 Co., Ltd.	Beauty Community PLC.	Karmarts PLC.	Earth Care Co.,Ltd.	Yves Rocher (Thailand) Co.,Ltd.	Cosmecca Co.,Ltd.	Malachi Co.,Ltd.
Year of establishment	1985	1976	2000	1994 <sup>(2)</sup>	1993	1992	2000	2005
Number of operating years	31 years	40 years	16 years	22 years	23 years	24 years	16 years	11 years
Paid Capital <sup>(3)</sup>	78	70	300	396	55	12.5	1	140
Total revenue <sup>(3)</sup>	2,736.57	1,325.36	1,792.03	1,204.97	395.73	498.15	422.40	520.83

Remarks :

(1) Karmarts Public Co., Ltd. Is established in 1994 but has started business operation in cosmetics distribution in 2011.

(2) Unit : Million Baht is referred from Financial Statement as of December 31, 2012 except SSUP Bangkok 1991 Co., Ltd. which is referred from Financial Statement as of March 31, 2012 and BEAUTY which paid-up capital is referred from paid-up capital after registration.

(3) Unit : Million Baht is referred from Financial Statement as of December 31, 2014

- The company has many various brands from the concept of Shop Brand including Beauty Buffet, Beauty Cottage and Beauty Market as well as brands with uniqueness distributed under such Shop Brand. It is to draw interest and image of company's Products

- Catching up with trend of both domestic and international markets continually to be guidelines of developing products corresponding to needs of consumers

- Product quality is equivalent to international cosmetics but they are improved to be suitable for skin type and color that is uniqueness of Thai People

- Beautiful package design which draws attention from consumers

- Ordering products from the manufacturing factory with expertise to manufacture different products so it is flexible for production as well as new product launch

- Systematizing management by using computer programs to control sale and inventory management including the system for customer data storage to develop customer relation to reach more needs of customers

- Negotiation power with department store to expand branches as the company is a Key Account of many malls and this results the company receive offers of branch expansion quickly with more negotiation power than general customers

In this recent few years, it is undeniable that social media grows continually and quickly, the competition of cosmetic and skincare products through social media is getting higher as a result of the fact that customers' behavior changes. That is to say, they have online channels to select more products and it is to respond needs of consumers. The company initiated testing product distribution of many brands through Facebook, websites with good response. Meanwhile, it is to develop complete channels of online distribution of the company that is developing program system and websites for customers to select products, order product and make payment effectively which are Facebook: beautyplazaonline and website: www.beautyplazaonline.com

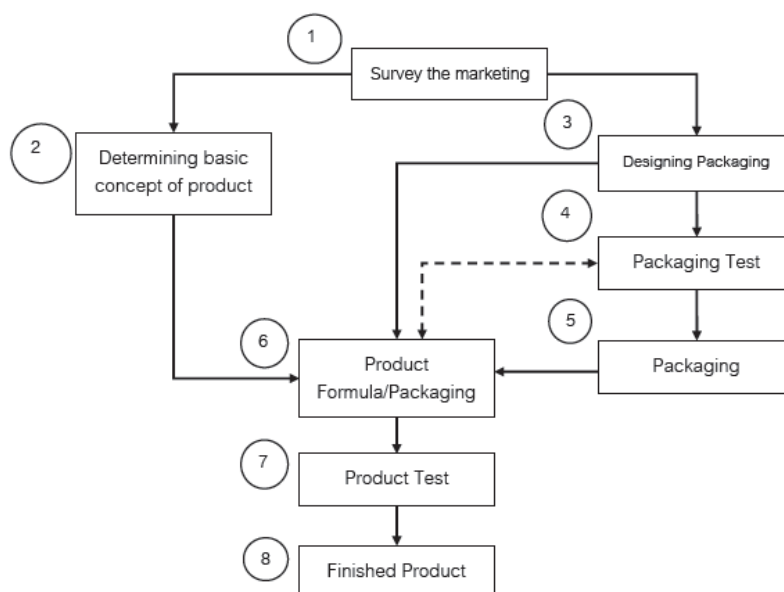
In conclusion, although the market of cosmetic and skincare products is highly competitive from both domestic opponent and products imported from foreign countries that are likely to increase as a result of AEC and Free Trade Area, the company is confident that with potential of competition together with experience in operation, it will make the company can adapt and adjust for advantages in both domestic and international industry which is anticipated to grow incessantly in the future.

LOCAL BRAND	BEAUTY	IMPORTED BRAND
Less product variety- Single Brand	More products and Brand Variety - multibrand, multiconcept	Mostly Single Brand
Middle - high price	Offer best products at reasonable price	Very High Price
Products developed to suit local people skin condition	Products developed to suit local people skin color and condition	Some product base and color are not suitable for local people skin color and condition
Plain and unattractive packaging design	Appealing packaging design	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	OEM by Various leading manufacturers, flexible in production with specific expertise and potential to produce high quality product comparable to top Brands	Comparable quality with a higher price
Limited in some location especially rural small town due to price positioning	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	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	Available at various distribution channels	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.



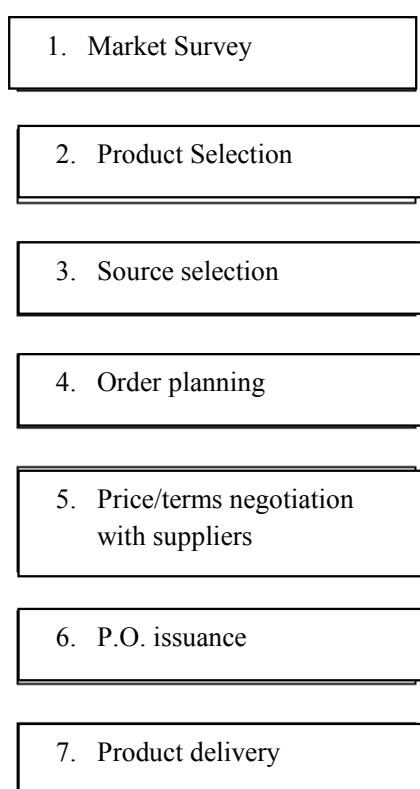
Regarding product production, the Company will find product manufacture and package manufacture separately by (4) the package designed by the Company will be delivered to package manufacturing plant in Thailand and other countries. The prototype of package will be tested at product manufacturing plant 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 team 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.

### *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 5 distributors and has issued the policy not to permit setting up any franchise in Thailand. However, if one of 5 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 <sup>st</sup> , 2011
2	V & P ordinary partnership by Mr. Wasan Korjareun	Big C (Pae)	April 1 <sup>st</sup> , 2011
3	Chanakarn Trading Assembly by Mr. Weerapol Nantanirun	Central (KornKaen)	April 1 <sup>st</sup> , 2011
4	Mrs. Nanporn Siri wattanalert	Central (Uttaradit)	July 2 <sup>nd</sup> , 2011
5	S and V ordinary partnership by Mr. Wasan Kojareun	Tessco Lotus (Udonthani)	July 11 <sup>nd</sup> , 2012



Relationship	Mr. Pratya 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	<ul style="list-style-type: none"> <li>- Franchisee has the right to set up the franchise of Beauty Buffet as the stated location.</li> <li>- 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.</li> <li>- Any expenses which come from the decoration, employment, rental and etc. would be under the responsibility of the Franchisee.</li> <li>- The company will sporadically provide the evaluation for preserving the brand’s standard of the company.</li> <li>- Franchisee has no right to transfer any right to another unless getting the commitment from the company.</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- Payment is followed the company policy.</li> </ul>
Franchisee’s Expenses:	<ul style="list-style-type: none"> <li>- Entrance fee which have pay once at the sign date.</li> <li>- Franchisee can purchase the products in the discount rate as in the agreement stated.</li> <li>- 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.</li> <li>- Franchisee will monthly pay for the transportation charge and service charge to the company as the agreement stated mutually.</li> </ul>

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

### ● *Beauty Buffet Distribution Agreement*

In 2012, the company had expended 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:	<p>this agreement shall take an effect for 3 year. The effective date is from 1 January, 2015.</p> <p>This agreement is expandable mutually by the written letter.</p>
Partner:	Market Five Co., Ltd. (“Distributors”)
Relationship:	Distributor has no any relevance with the company.
Agreement Term:	<p>this agreement shall take an effect for 1 year. The effective date is from 31 January, 2014.</p> <p>This agreement is expandable mutually by the written letter.</p>
Content:	<ul style="list-style-type: none"> <li>- 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”).</li> </ul> <p>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.</p> <ul style="list-style-type: none"> <li>-Distributors must build and decorate the work location following the approved structure of the company.</li> <li>-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.</li> <li>-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.</li> <li>-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.</li> </ul>

### ● *Contract of Product Distribution*

In 2015, the Company has started to expand more distributions to regional areas through retailer channels and has had policy of product distribution through local expertise distributors due to the foresight in capability of the market and distributors then has made the contract of product distribution as following important contents :

Contract Party:	CP Consumer Products Co., Ltd. (“distributor”)
Relationship	Distributor has no relationship with the Company
Term of contract	The contract is valid 3 years from the date of July 1st, 2015. When it is matured, if contract party does not make any written request of termination by 90 days in advance before its termination, it is assumed that the contract will be automatically effective 1 year at a time until the written request of termination is noted.
Summary	<ul style="list-style-type: none"> <li>● Distributor has rights in selling the Company’s products under the trademark “Made In Nature”, “Girly Girl” and “Scentio” in beauty products retailer shops of each region, excluding shops which are the Company’s existing channels. As well, distributor shall not sell or be the distributor of any other products in the similar group as of the Company.</li> <li>● The Company has sold products to distributor in retail price with discount as agreed rate and distributor has to set up the selling price as concluded under the condition of getting approval of price changing from the Company in advance.</li> <li>● Distributor shall take responsibility in all expenses of Transportation, Insurance, Transportation Administration to selling zones of distributor.</li> <li>● Distributor shall make payment in Thai Baht currency with full amount by 60 days after delivery. After deducting expenses which distributor paid on behalf of the Company, distributor shall submit the summary report of Advertising and Promotional Activities Expense to the Company every month.</li> <li>● In case of damage claims, distributor can request the amount of claims not exceeding the agreed price of products within 30 days after damage occurred.</li> </ul>

### ● *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 “

### Corporate Philosophy :

“ 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.

## B E A U T Y 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. In 2015, The Company join to Collective Action Codition Project.

## 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 composts 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. .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.

Fire Drill Safety First 2015



Organization Relationship Activity



Songkran Festival 2015



New Year Party 2015 &amp; Give Awards for Outstanding Staffs

Annual Check Up 2015



Manager Training Program



Religiousrites New Year Festival 2015

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.

## 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
  - Point Redemption campaign of Beauty Buffet and Beauty Cottage ( Launch Campaign : March 2014 ) for customers.
  - "Special For Privilege Member" was a campaign allowing members buying new products earlier than non-member customers with 20% discount.
  - Surprise gift handing out a new products to customers who are loyal to the brand, with products that are at the same time so that customer engagement with the brand and feel part of the brand.
  - "Funny Birthday Shopping" was a campaign providing 25% discount but not over 5,000 baht for a normal price and 20% discount for Beauty Cottage
  - Activities forward it to the front of the store so that customers and prospects to engage with the business storefront, with its experience and commitment to the brand and try to make the product easier to buy. Offering products that meet their needs or solutions to customers in a timely manner through various channels.



Workshop for Give an Information about Skin Care and How to Professional Make-up

## 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



Donation for Child



In addition, the Company also participated in several community or social development activities such as:  
Donation was supported for charity golf tournament of the student group of High Level Administrator of Administrative Justice Course, Class 6 (BorPorYor. 6) for earning to support public charity activity and academic activity, and support BorPorYor.6 student activity.

- Supported donation of fund contribution for the project of construction of Celebration of Queen Sirikit Building
- Supported donation of the Project for Knowledge Sharing, Increase Happiness and Reinforce Harmony Camp, Faculty of Engineering, Chulalongkorn University.
- Supported donation of Work Noting Book Project for student for 2015 to raise fund of activity doing and to support and promote Learn Beyond Classroom of the accounting students, Assumption University.
- Supported donation of Community Health Camp Project at Khlong Lao School, Wangmai Sub-district, Na Yai Am District, Chantaburi Province, of Veterinary Medicine Student Club, Chulalongkorn University.
- Support donation to Thai Business Association-Vietnam for use in development of association activities.
- Support donation of royal Kathin ceremony at Wat Rama IX Kanchanaphisek
- Support donation of building Phra Ubosot at Wat Prachoomsong, Pak Nam Sub-district, Doem Bang Nang Buat District, Suphan Buri Province.

## 8. Creation 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

## Research and Development

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, 2015 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, 2015 and 2014 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, 2015 and 2014, the book value of leasehold was 8.7 million Baht and 10.6 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 Kraibhues Duration : 1 January 2016–31 December 2018 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 2015-31 May 2017 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, 2015, 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 December 2015

No.	Branch	Open Date
<b>Domestic Branch</b>		
1	Lotus Nan	21 October 2014
2	Lotus Rayong	22 November 2010
3	Lotus Prajuabkirkhan	13 January 2011
4	Big C Suksawat	1 May 2011
5	MBK Center	7 September 2004
6	Central Ladprao	15 September 2004
7	Lotus Bang Na	4 January 2005
8	The Mall Tha Phra	1 February 2005
9	Central Rama II	23 March 2005
10	Lotus Chareon Phol	21 October 2005
11	The Mall Ngam Wong Wan	21 October 2005
12	Lotus Bang Phli	19 November 2005
13	The Mall Ramkhamhaeng	30 December 2005
14	Central Pin Klao	6 May 2006
15	Lotus Lak Si	4 September 2006
16	Century	9 October 2006
17	BTS Saladaeng	8 December 2006

18	Big C Bang Na	1 December 2008
19	Seacon 2	28 March 2009
20	Lotus Khlong 7	23 June 2009
21	Big C Phrae	13 July 2009
22	Ayutthaya Park	1 August 2009
23	Big C Nakhorn Sawan	15 August 2009
24	Lotus Lam Look Ka	26 August 2009
25	Big C Ratchadamri	25 September 2009
26	Lotus Samui Lamai 2	1 October 2009
27	Lotus Kanchanaburi	19 October 2009
28	Big C Chaenwatthana	20 October 2009
29	Lotus Amata Nakhorn	20 October 2009
30	Lotus Ban Pong	6 November 2009
31	Lotus Sukhapiban 1	10 November 2009
32	Lotus Pranburi	15 November 2009
33	Central Khonkaen	3 December 2009
34	The Mall Korat	12 December 2009
35	Lotus Aranyaprathet	17 December 2009
36	Big C Ratchada	18 December 2009

No.	Branch	Open Date
37	Big C Srinakarin	19 December 2009
38	Sahathai Tungsong	23 December 2009
39	Lotus Phuket	24 December 2009
40	Big C Phuket	25 December 2009
41	Lotus Pinklao	16 February 2010
42	Big C Ubonratchatani	16 February 2010
43	Central Rama 3	26 February 2010
44	Ltus Nawanakhorn	27 March 2010
45	Imperial Sam Rong	30 March 2010
46	Big C Mahachai	1 April 2010
47	Market Village Huahin	1 April 2010
48	The Mall Bang Kae	12 April 2010
49	Big C Chaengwattana	1 May 2010
50	Big C Lam Luk Ka	12 May 2010
51	Big C Rama 2	22 May 2010
52	BTS Siam Paragon	21 June 2010
53	Big C Phetchaburi	1 July 2010
54	Lotus North Pattaya	1 July 2010
55	Big C Nakhonpathom	20 July 2010
56	Big C Chonburi	24 July 2010
57	Big C Rattanaithibet	14 August 2010
58	Central Pattaya Center	14 September 2010
59	Lotus Rama 2	14 September 2010
60	Lotus Sukhapiban 3	30 September 2010
61	Central Pattaya Beach	1 October 2010
62	Big C Rama 4	3 October 2010
63	Big C Lam Luk Ka 2	8 October 2010
64	Robinson Chantaburi	10 October 2010
65	MBK Center 2	16 October 2010
66	Future Park Rangsit	17 October 2010
67	Lotus Kratum Ban	21 October 2010
68	Lotus Chumphon	29 October 2010
69	Pacific Park Pattaya	1 November 2010
70	Big C Samutprakan	1 November 2010
71	Lotus Srinakarin	1 November 2010
72	Laemthong Ban Saen	1 November 2010
73	Major Cineplex Ratchayothin	1 November 2010
74	The Mall Bangkok	1 November 2010
75	Robinson Trang	11 November 2010
76	Fortune Town	11 November 2010
77	Major Hollywood Pakkred	11 November 2010
78	Lotus Bangkok	12 November 2010
79	Union Mall	12 November 2010
80	Central Wongsawang	12 November 2010
81	Major Hollywood Ram	12 November 2010
82	Central Chonburi	13 November 2010
83	Central Rattanaithibet	15 November 2010
84	Lotus Krabi	16 November 2010
85	Central Airport Plaza	16 November 2010
86	Big C Hua Mak	16 November 2010
87	Robinson Ratchaburi	17 November 2010
88	Big C Lampang	17 November 2010
89	Lotus Samui 1	17 November 2010
90	Diana Hat Yai	22 November 2010
91	Lotus Laem Chabang	22 November 2010
92	Fashion Iceland 2	24 November 2010
93	Big C Rangsit	24 November 2010
94	Central Chaengwattana	24 November 2010

No.	Branch	Open Date
95	China World	24 November 2010
96	Major Cineplex Pinklao	24 November 2010
97	Lotus Bo Win	25 November 2010
98	Big C Kamphaengphet	2 December 2010
99	Big C Pisanulok	16 December 2010
100	Lotus Nongchok	12 January 2011
101	Lotus Chumpae	16 February 2011
102	Lotus Salaya	28 February 2011
103	Center One	9 March 2011
104	Big C Hat Yai 2	15 March 2011
105	Central Chiang Rai	28 March 2011
106	Lotus Kalasin	5 May 2011
107	Big C Hat Yai	20 May 2011
108	Lotus Rama 4	1 July 2011
109	Lotus Trad	10 August 2011
110	Lotus Chantaburi	15 August 2011
111	Lotus Beung Kan	29 September 2011
112	Lotus Talang	5 October 2011
113	Lotus Tak	6 October 2011
114	Central Pisanulok	20 October 2011
115	Lotus Kabinburi	30 November 2011
116	Lotus Khon Kaen 2	1 December 2011
117	Big C Hang Dong	3 December 2011
118	Robinson Bangrak	5 December 2011
119	Central Rama 9	14 December 2011
120	Lotus Tha Yang	22 December 2011
121	Lotus Prachinburi	10 January 2012
122	Central Udonthani	27 March 2012
123	Big C Srisaket	9 April 2012
124	Mega Bang Na	3 May 2012
125	Zeer Rangsit	9 May 2012
126	Lotus Ban Beung	25 May 2012
127	Lotus Phayao	25 July 2012
128	Big C Satul	15 August 2012
129	Laemthong Rayong	21 August 2012
130	Fairy Khon Kaen	21 August 2012
131	Lotus Warin	5 September 2012
132	Lotus Nakhon In	27 September 2012
133	Central Surat Thani	11 October 2012
134	Lotus Sadao	18 October 2012
135	Seacon Square Bang Kae	1 November 2012
136	Central Lampang	29 November 2012
137	Big C Chiang Rai	1 December 2012
138	Lotus Pummawapee	6 December 2012
139	Lotus Utaradit	16 December 2012
140	Big C Saphan Kwai	25 December 2012
141	Lotus Nong Bua Lamphu	26 December 2012
142	Lotus Serm Thai Maha Sarakam	27 December 2012
143	Lotus Pisanulok 2	27 December 2012
144	Lotus Mae Sod	10 January 2013
145	Big C Ramintra	29 January 2013
146	Big C Roi Ed	31 January 2013
147	Lotus Nakhon Sawan	21 February 2013
148	Terminal 21	26 February 2013
149	Robinson Kanchanaburi	28 February 2013
150	Sirivan Shopping Center	5 March 2013



No.	Branch	Open Date
151	IT Square Lak Si	5 April 2013
152	Central Ubonratchathani	5 April 2013
153	Lotus Bang Pa Kong	14 May 2013
154	Big C Ang Thong	28 May 2013
155	Jung See Lon	16 June 2013
156	Lotus Chiang Khong	25 July 2013
157	Big C Kalasin	31 July 2013
158	Lotus Ruam Choke Chiang Mai	1 August 2013
159	Big C Lamphun	17 August 2013
160	Big C Isaraphap	23 August 2013
161	Lotus Minburi	1 September 2013
162	Lotus Lad Phrao	16 September 2013
163	Big C Suphanburi	27 September 2013
164	Lotus Klang	3 October 2013
165	Lotus Viangsra	10 October 2013
166	Sahathai Plaza Nakhon Si Thammarat	20 October 2013
167	Central Chiang Mai	14 November 2013
168	Robinson Saraburi	22 November 2013
169	Lotus Songkhla	28 November 2013
170	Lotus Chalong	12 December 2013
171	Central Festival Chiang Mai	14 December 2013
172	Robinson Surin	20 December 2013
173	Lotus Phattalung	20 December 2013
174	Big C Khon Kaen	27 December 2013
175	Lotus Lom Sak	14 January 2014
176	Meya	23 January 2014
177	Lotus The Walk Nakhon Sawan	12 February 2014
178	Central Ram Intra	3 March 2014
179	Big C Nakhon Panom	26 March 2014
180	Central Samui	29 March 2014
181	Big C Kallapapruek	25 April 2014
182	Lotus Sukhumvit 50	3 May 2014
183	Lotus Nakhon Nayok	22 May 2014
184	Siam Square One	5 June 2014
185	Lotus Mae Khree	3 July 2014
186	Lotus Bang Yai	24 July 2014
187	Lotus Maha Chai 2	24 July 2014
188	BTS Thong Lo	26 July 2014
189	Lotus Charun Sanit Wong	1 August 2014
190	Central Salaya	12 August 2014
191	Lotus Bang Len	11 September 2014
192	Robinson Chacheongsao	12 September 2014
193	Pleon Naree	26 September 2014
194	Robinson Roi Ed	3 October 2014
195	Robinson Samutprakan	31 October 2014
196	Voak Krabi	1 November 2014
197	SC Plaza (South Bus Terminal)	4 December 2014
198	Serm Thai Mahasarakam	12 December 2014
199	Lotus Klong Luang	18 December 2014
200	Robinson Mookdahan	19 December 2014
201	Asawan Nong Khai	20 December 2014
202	Lotus Nakhon Si Thammarat	6 February 2015
203	Big C Sakon Nakhon	1 March 2015
204	Lotus Sungkhla Surin	14 May 2015
205	Big C Bangpakok	15 May 2015
206	Lotus Chan Di	21 May 2015

No.	Branch	Open Date
207	Central Rayong	27 May 2015
208	Sahathai Suratthani	6 June 2015
209	Lotus Si Chon	11 June 2015
210	Lotus Rojana	27 June 2015
211	Robinson Buriram	29 July 2015
212	Central Westgate	28 August 2015
213	Lotus Saraburi	3 September 2015
214	Lotus Kumthiang Chiang Mai	8 September 2015
215	Lotus Hat Yai	28 September 2015
216	Lotus Petchabun	16 October 2015
217	Lotus Suratthani	22 October 2015
218	Lotus Nakhon Pathom	22 October 2015
219	Lotus Prachacheun	28 October 2015
220	Robinson Sri Saman Metropolitan	11 November 2015
221	Big C Suwinthawong	27 November 2015
222	Supreme Complex	1 December 2015
223	BTS Udom Suk	14 December 2015
224	Central Festival East Ville	17 December 2015
225	Robinson Mae Sod	18 December 2015
226	Big C Om Yai	26 December 2015
227	Lotus Samut Songkram	28 December 2015

International Branch		
1	Cambodia 1	25 February 2012
2	Cambodia 2	11 December 2013
3	Cambodia 3	11 December 2013
4	Myanmar	6 January 2014
5	Lao	27 June 2014
6	Vietnam- Coop Phan Van Tri	27 October 2014
7	Vietnam-Coop - Ly ThuongKiet	27 October 2014
8	Vietnam-Big C Pandora	27 October 2014
9	Vietnam-Coop Vinh Long	27 October 2014
10	Vietnam- Robinson Q.7	27 October 2014
11	Vietnam- Robinson Hogimin	3 December 2014
12	Cambodia -4 Battambang	26 December 2014
13	Vietnam -Coop ThangLoi	23 January 2015
14	Vietnam -Coop XLHN	23 January 2015
15	Vietnam -Maxxi mart conghoa	23 January 2015
16	Vietnam -PARKSON_HUNG VUONG	10 February 2015
17	Cambodia -5 Takhmao	13 February 2015
18	Vietnam -aeon-narita-mall	1 May 2015
19	Cambodia -Royophnom-penh	12 May 2015
20	BEN TRE	6 June 2015
21	Coop DINH TIEN HOANG	6 June 2015
22	Coop PHU THO	7 June 2015
23	BigC Go Vap	5 July 2015
24	Lotte Da Nang	7 July 2015
25	BigC Hoang Van Thu	22 July 2015
26	Lotte Nam SaiGon	27 August 2015
27	Lotte Can Tho	15 October 2015
28	Vietnam - LottePhuTho	6 December 2015
29	Vietnam -Big C City Land	6 December 2015

Operating Leases for Beauty Cottage Branches at 31 December 2015 of 70 branches

No.	Branch	Open Date
1	Fashion Iceland	23 September 2009
2	Central Ladphrao	28 August 2011
3	Terminal 21	11 October 2011
4	Lotus Khon Khaen	1 December 2011
5	Central Rama 9	14 December 2011
6	Big C Chantaburi	18 December 2011
7	The Mall Bang Kae	21 December 2011
8	The Mall Bang Kapi	27 December 2011
9	Central Pattaya Beach	29 December 2011
10	Diana Hat Yai	21 January 2012
11	Central World	7 February 2012
12	Central Chaengwattana	11 February 2012
13	Robinson Suphanburi	2 March 2012
14	Central Rattanaithibet	22 March 2012
15	Central Udonthani	27 March 2012
16	Big C Ratchadumri	28 April 2012
17	Mega Bang Na	3 May 2012
18	Hua Hin Market Village	28 May 2012
19	Central Chiang Rai	7 July 2012
20	Laem Thong Rayong	21 August 2012
21	Seacon Square Bang Kae	10 September 2012
22	Central Suratthani	11 October 2012
23	Central Chonburi	18 October 2012
24	The Mall Korat	28 November 2012
25	Central Lampang	29 November 2012
26	The Mall Ngam Wong Wan	4 December 2012
27	Serm Thai Maha Sarakam	21 December 2012
28	Big C Nakhon Sawan	24 December 2012
29	Central Chiang Mai	13 February 2013
30	Robinson Kanchanaburi	28 February 2013
31	Lotus Bang Na Trad	8 March 2013
32	Central Pinklao	12 March 2013
33	Lotus Ram Intra	14 March 2013
34	Big C Hua Mak	19 March 2013
35	Central Rama 2	22 March 2013
36	Lotus Nawa Nakhon	30 March 2013
37	Central Ubonratchatani	5 April 2013
38	The Mall Tha Phra	25 May 2013
39	Jun See Lon	16 June 2013
40	Robinson Sakon Nakhon	27 June 2013
41	Big C Suphan Buri	27 September 2013
42	Central Chiang Mai	14 November 2013
43	Robinson Saraburi	22 November 2013
44	Center One	27 November 2013
45	Lotus Songkhla	29 November 2013
46	Big C Trang	4 December 2013
47	Robinson Bangrak	5 December 2013
48	Central Festival Hat Yai	14 December 2013
49	Meya	23 January 2014
50	Lotus Nakhon Panom	21 February 2014
51	Big C Kanchanaburi	28 March 2014
52	Central Samui	29 March 2014
53	Sahathai Plaza Nakhon Si Thammarat BC	9 May 2014

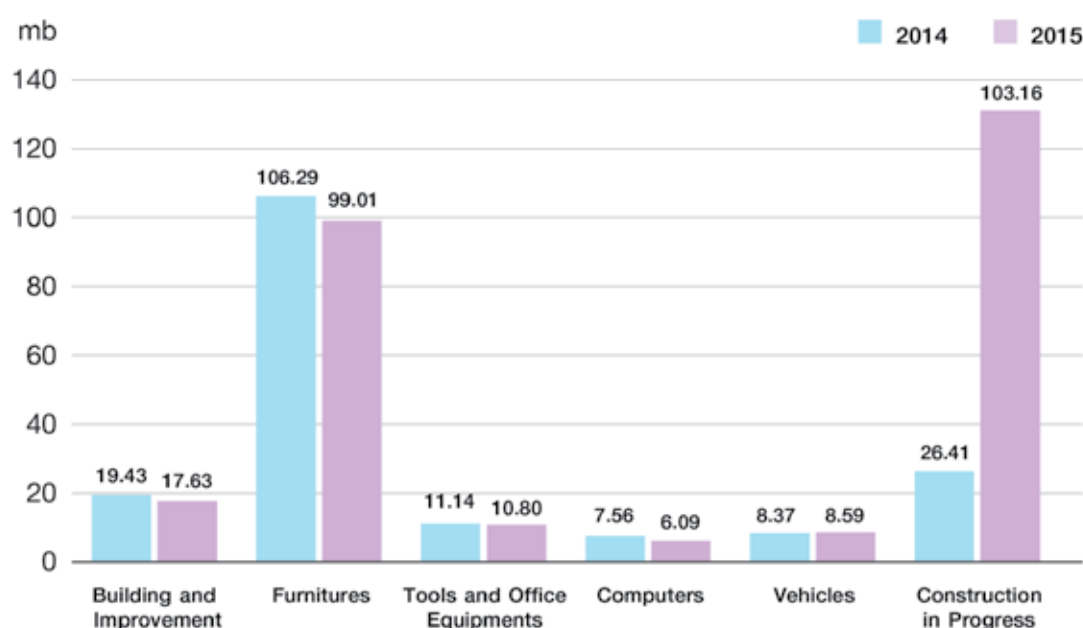
No.	Branch	Open Date
54	Siam Square One	5 June 2014
55	BC King power-Suvarnabhumi	1 July 2014
56	Lotus Bang Yai	24 July 2014
57	Central Salaya	12 August 2014
58	Robinson Chacheongsao	12 September 2014
59	Pleon Naree-BC	26 September 2014
60	Robinson Roi Ed-BC	3 October 2014
61	Robinson Samut Prakan-BC	31 October 2014
62	Robinson Prachin Buri	4 December 2014
63	Robinson Mukdahan	19 December 2014
64	Asawan Nong Khai	20 December 2014
65	Seacon Square Srinakarin	1 February 2015
66	Market Village Suvarnabhumi	1 March 2015
67	Lotus Srinakarin	24 April 2015
68	Lotus Mahachai 2	22 May 2015
69	Ayutthaya BC	1 August 2015
70	Central Westgate	28 August 2015

International Branch		
1	Cambodia	11 December 2013
2	Myanmar	6 January 2014
3	Lao	27 June 2014

Operating Leases for Beauty Market Branches at 31 December 2015 of 13 branches

No.	Branch	Open Date
Domestic Branch		
1	Seacon Square Srinakarin	15 July 2013
2	Future Park Rangsit	18 October 2013
3	Central Airport Chiang Mai	26 November 2013
4	Fashion Iceland	15 March 2014
5	Central Samui	29 March 2014
6	Central Plaza Suratthani-BM	2 May 2014
7	Lotus Bang Yai	20 July 2014
8	Ayutthaya Park 2	25 July 2014
9	Central Salaya	12 August 2014
10	Sri Yan-BS	28 August 2014
11	Aera Art	1 November 2014
12	Nuan Chan	29 May 2015
13	Central Westgate-BM	28 August 2015

### ● Other Fixed Assets



However, other fixed assets as mentioned in the table are the properties own by the Company without any obligation.

### ● 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 2015, the intangible assets will be 18.29 million baht and net value at December 31, 2015 and 2014 are 14.17 and 20.07 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: Beauty Buffet, Beauty Cottage, Beauty Market, Made in Nature, Girly Girls, GINO McCRAY, Scentio, Lansley, The Bakery, Beauty Cuisine and Beauty Plaza.

## 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 : Beautyplaza and Website : beauty plazaonline.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 March 2016. 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. The Project has go live in 3<sup>rd</sup> Quarter 2016



## Legal Disputes

To the present, December 31, 2015, 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 February 2, 2016 the registered capital of the Company was 300,000,000 Baht, with 3,000,000,000 ordinary shares par value of 0.1 Baht per share. The issued and paid up ordinary shares are 300,000,000 Baht, with 3,000,000,000 ordinary shares par value of 0.10 Baht per share.

#### ● Shareholders

List of 10 major shareholders, at February 2, 2016, are as follows:

List of Shareholders	At February 2, 2016	
	Number of Shares	Percentage
1. Mr. Suwin Kraibhubes Group consists of:		
Mr. Suwin Kraibhubes	723,974,000	24.13
Mrs. Tanyapon Kraibhubes	387,498,00	12.92
Miss Monsoothatip Malaukaranun	3,000,000	1.00
Mrs. Thurian Sriyong	5,723,500	0.19
Mr. Boonchuai Yokkrabut	1,407,000	0.05
Total	1,148,602,500	38.29
2. Thai NVDR CO., LTD.	206,102,837	6.87
3. STATE STREET BANK EUROPE LIMITED	204,796,358	6.83
4. CHASE NOMINEES LIMITED	100,800,400	3.36
5. RBC INVESTOR SERVICES TRUST	79,828,300	2.66
6. Mr. SOONTHORN KOORATTANAPISARN	53,240,000	1.77
7. N.C.B. TRUST LIMITED-NORGES BANK 11	46,369,700	1.55
8. MR. SORNSARN KOORATTANAPISARN	39,897,900	1.33
9. LONG TERM EQUITY FUND CORPERATE GOVERNANCE	29,528,200	0.98
10. NORTRUST NOMINEES LIMITED-THE NORTHERN TRUST COMPANY RE IEDU UCITS CLIENTS 10 PCT ACCOUNT	26,494,569	0.80

Source : Thailand Securities Deposit Company Limited at February 2, 2016

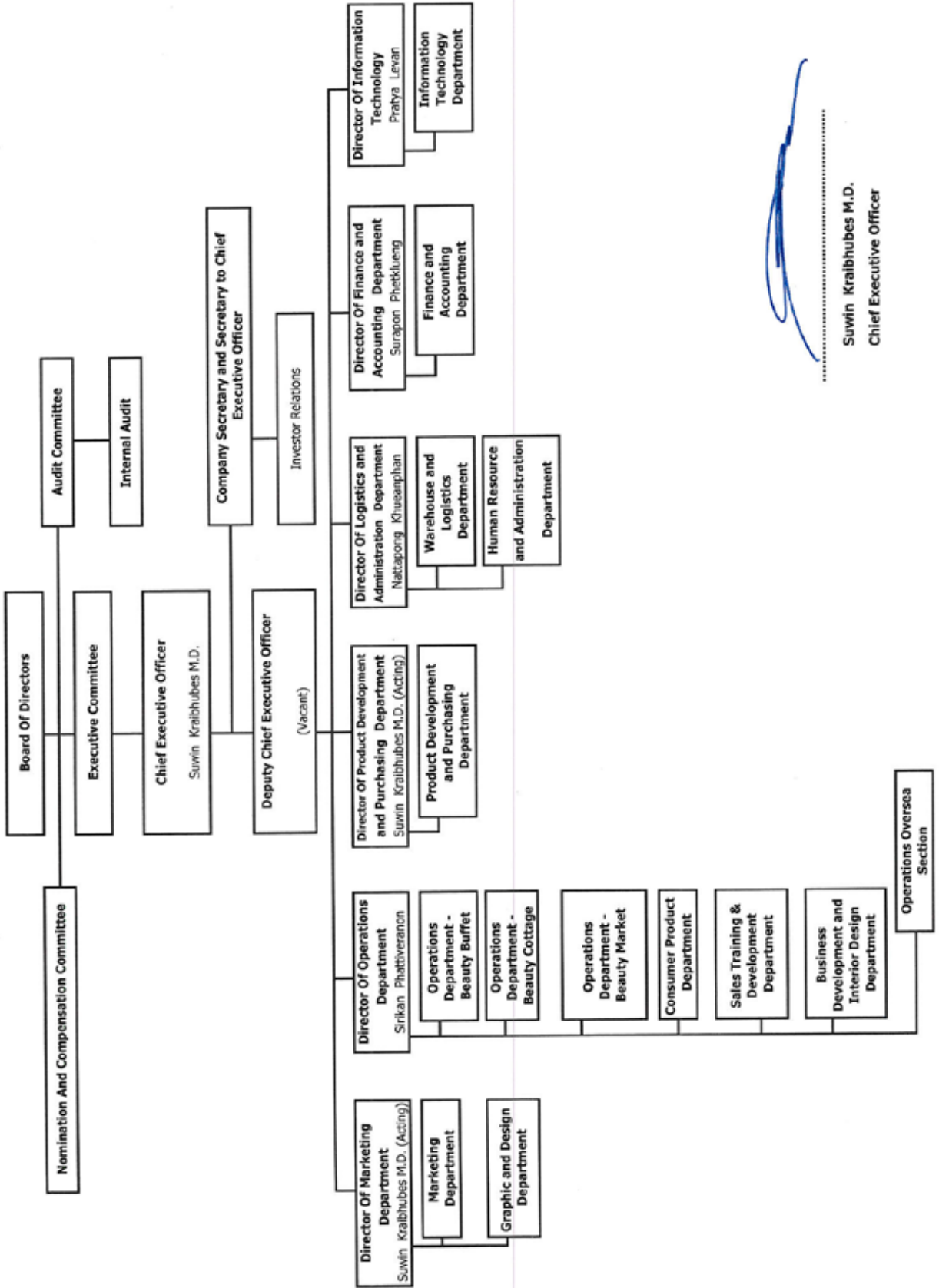
#### ● Dividend Payment Policy

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

(Effective 1 Jan 2016)





Suwin Kralbhues M.D.  
Chief Executive Officer



## 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 Dr. 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 Dr. Suwin Kraibhubes co-sign with affixation of the Company’s seal; or Mrs. Tanyapon Kraibhubes or Dr. 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 Dr. 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  | Srisangwarn      | 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 Karnpakdee 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 5 persons as follows.

- |    |               |               |                         |
|----|---------------|---------------|-------------------------|
| 1. | Dr. Suwin     | Kraibhubes    | Chief Executive Officer |
| 2. | Mr. Praty     | Levan         | Executive Director      |
| 3. | Mr. Surapon   | Phetklueng    | Executive Director      |
| 4. | Ms. Sirikan   | Phattiveranon | Executive Director      |
| 5. | 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 2015, the Company's executives have constituted 5 persons as follows.

- |                  |               |   |
|------------------|---------------|---|
| 1. Dr. Suwin     | Kraibhubes    | 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   | Phetklueng    | 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. Dr. Suwin     | Kraibhubes       | 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 straight forwardly 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 2016 Shareholders' Meeting dated April 25, 2015. 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	23,153
Director	17,365
<u>Audit Committee's Meeting</u>	
Chairman of the Audit Committee	23,153
Auditor Committee	17,365
<u>Nomination and Remuneration Committee's Meeting</u>	
Chairman of the Nomination and Remuneration Committee	23,153
Nomination and Remuneration Director	17,365

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) Dr. 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 2015 (until December 31, 2015) are shown in the below table.

Name- Surname	Meeting Attendance (times)*	Total remunerations (Baht)
Lt.Gen. Padet Charuchinda	5/5	115,765
Mr. Suwin Kraibhubes	5/5	-
Mrs. Tanyapon Kraibhubes	5/5	86,825
Ms. Monsoothatip Malaukcaranun	5/5	86,825
Mr. Praty Levan	5/5	-
Dr. Peerapong Kitiveshpokawat	5/5	86,825
Col. Attapon Srisangwarn	5/5	86,825
Mr. Viboon Pojanalai	5/5	86,825

Summary of remuneration payment to the Audit Committee in 2015 and 2014 (until December 31, 2015) are shown in the below table.

Name- Surname	2014		2015	
	Meeting Attendance (times)	Total remunerations (Baht)	Meeting Attendance (times)	Total remunerations (Baht)
Dr. Peerapong Kitiveshpokawat	5/5	110,250	4/4	92,612
Col. Attapon Srisangwarn	5/5	82,690	4/4	69,460
Mr. Viboon Pojanalai	5/5	82,690	4/4	69,460

### ● Management Remuneration

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

Description	2015	2014
Number of management	6 persons	7 persons
Total Management Remuneration (Million Baht)	17.09	17.47

### (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](http://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' 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. In the future has plan Investor Relation Department(IR.) However, the Company has assigned Dr. 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 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.

- 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 Renumeration**

### ***1. Audit Fee***

In 2015 The company paid audit fees to DIA International Co.,Ltd in the amount of 1,055,000 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 2015 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, 2015	2014
1	Marketing	13	10
2	Operation (at branches)	677	672
3	Purchasing and Development	19	19
4	Warehouse and Logistics	113	102
5	Finance and Accounting	39	32
6	Information Technology	10	8
7	The Company's secretary and Chief Executive Officer's secretary	3	3
8	Consumer Product	12	11
9	Graphic and Design	10	9
10	Human Resources and Administration	23	18
11	Operations (Office section)	39	40
12	Sale Training and Development	15	10
13	Business Development and interior design	10	9
14	Operations Oversea Section	2	1
	<b>Total (persons)</b>	<b>985</b>	<b>944</b>

Remarks : In 2015 the company has modified the new structure of organization effective on January 1, 2016. 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 2015 and 2016, there were 985 employees and 944 people were paid in monetary form for 240.75 million Baht and 198.00 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 focuses on establishing good and efficient internal controls of operational support with the purpose of achieving organizational goals. We concentrate on the internal controls that cover every activity sufficiently and appropriately to the business operation in order to increase the efficiency and effectiveness of operations, and the use of resources and assets. In addition, the company sets up an accounting system and financial reporting process that are accurate and reliable, respects the compliance with the law, regulations and rules related to business operation. We have independent audit department to evaluate the performance and the sufficiency of internal control system in every section. The Board of Director assigned the audit committee to perform an audit of internal control and regularly give suggestions for system development.

In the meeting of Board of Directors no. 1/2015 held on 25th February 2015, the audit committee members joined in this meeting to perform the internal control system evaluation by interviewing the Management about the sufficiency of internal control system in 5 following aspects:

- 1) Organization and Environment
- 2) Risk Management
- 3) Operational Control of Management
- 4) Information Technology System and Communication
- 5) Follow up system

The result of evaluation, after the evaluation performed by audit committee, is that the company sufficiently has internal control system for financial transactions with major shareholders, directors, executives, or a third party related to such persons, and the internal control of 5 aspects mentioned above is sufficiently and appropriately implemented to prevent the unauthorized or illegal acts made by executives that may cause an impact to the company property. The internal audit system and follow up process are performed by department which is independent. Furthermore, the company has data storage system for directors, accounting auditors, and persons legally authorized to examine the information within a reasonable time.

### *Observations of auditors on the subject of company internal control system*

-None-

## Internal audit policy

The company focuses on establishing good and sufficient internal controls to ensure that the risk from the business operation is in an acceptable level. The company also prepared policies, regulations and manuals that cover every process of important work in writing. We have structured the duties and authorities according to the "check and balance principle". However, in order to improve internal control system and support a long-term improvement, in the end of 2010, the company appointed an agent named Well Planning Solution Co., Ltd. specializing and well experienced in internal audit system. This agent has performed internal audits to many registered company. Well Planning Solution Co., Ltd. represented by its executives Ms. Worraluk Limsukprasert, has reported the result of internal audit to the audit committee every 3 months.

## Observation of Internal Auditors

Throughout the year 2015, Well Planning Solution Co., Ltd. has evaluated the risk of company operation and proposed to the audit committee and planned the internal audit according to the priority and impact to the operation. The principal process tending to have significant impact to the operation was prioritized in the inspection plan which was implemented after having approval to implement the plan from the audit committee. At the same time, the internal auditors also evaluated the sufficiency of internal control system. It is composed of 2 following principle procedures.

- (1) Purchasing procedure
- (2) Financial and accounting management procedures

Based on auditor's opinion, the company has set guidelines for internal control, which allows the operation to be more efficient and productive.

However, the internal auditors evaluated the points that were not properly managed and also suggested the company improve such points. The internal auditors also submitted the internal audit report and progress after the improvement of company to the Board of Director regularly. The details are as follows.

1. Internal audit result – purchasing procedures
  - 1.1 Observations of internal auditors The selection procedure of new vendors in Beauty Market should be improved by having documents of new vendors for consideration before having products sold in Beauty market.  
Company improvement The company creates new product and vendor selection forms becoming effective in July 2015.



- 1.2 Observations of internal auditors There is an incompleteness of documents to make partnership contract of Beauty market shops  
Company improvement The section of beauty market improved new partnership contract and has used the new revision since 1st August 2015. The company also reviewed and modify the incomplete partnership contract. The complete version of contract has been finished in the 3rd quarter of the year 2015
- 1.3 Observations of internal auditors The purchasing procedure of cosmetic products has no price checking process in writing before vendor selection.  
Company improvement The price checking process before issuing purchasing orders in writing was made in the 3rd quarter of the year 2015.
- 1.4 Observations of internal auditors The purchasing order of product or packaging from other countries is not in accordance with the regulation. The employees created the purchasing order in the system before confirming the selling price of vendors because they were recently assigned to be additionally responsible for international purchase.  
Company improvement In the future, in case of job rotation in the same department, there will be a trainings for the employees before performing new duties. In addition to the guidance from supervisors, the employees shall perform the jobs according to written manual.
- 1.5 Observations of internal auditors There is no update of operational manual in warehouse and logistics department on the subject of PACK MAT  
Company improvement The warehouse department creates the criteria of acceptable loss percentage in packaging of each product group. This procedure was added in the Pack Mat claim process of warehouse and logistics work on 31st July 2015.
- 1.6 Observations of internal auditors In urgent purchasing process, the employees do not perform their job as per the non-cosmetics purchasing procedure  
Company improvement Non cosmetics purchasing department communicated with all department for an understanding of purchasing procedures again and request for a strict respect to the procedure. The department completed a review and update of the non cosmetic purchasing manual in the 3rd quarter of 2015.
17. Observations of internal auditors There should improve accounting consignment Method  
Company improvement Fix and determine the correct accounting methods since from June 2015.
2. Internal audit result – Accounting and Financial Administration Procedures
  - 2.1 Payments from the sale of goods
    - 2.1.1 Observations of internal auditors The company should improve the recording of consignment goods account; the addition of this account in inventory causes exceeding figures in inventory account.  
Company improvement The company has corrected the recording process of inventory account and used the new recording method when purchasing consignment goods from 1st June 2015 onwards.
    - 2.1.2 Observations of internal auditors The payment for item sold through Beauty Plaza is not in accordance with agreed procedures. It is because the accountant did not adjust the accounts receivable and the account of deposit paid in advance.  
Company improvement The company informed the employee to strictly and immediately perform their jobs in compliance with the agreed procedures, organized trainings to ensure their understanding in the job manual regularly. The head of finance department shall review every record. Besides, the company has received all repayment from debtors completely on 30th October 2015.
  - 2.2 Financial statements Details
    - 2.2.1 Observations of internal auditors Records of long-term overdue trade receivables were found.  
Company improvement The Company followed up the overdue debts of suppliers, adjusted partnership contract for the new vendors with more precise payment terms. Additionally, the financial staff reconciled the stock balance completely.
  - 2.3 Estimated Costs
    - 2.3.1 Observations of internal auditors expenses for the period does not match expenses promotions  
Company improvement Estimates and promotional expenses . Straight monthly installments already since December 2015
  - 2.4 Performance of Checker
    - 2.4.1 Observations of internal auditors Products Laboratory (Tester) then outstanding at many branches  
Company improvement Policy regarding the return test (Tester) to clear and appropriate And instructed the staff to strictly follow the delivery trials (Tester) outstanding storefront returned to the treasury, headquarters last year 2015 and recorded as an expense in the 2015 already.

## Related Party Transaction of the Company

### Inter-Transactions for the Year Ended 31 December 2015

#### Beauty Community Public Company Limited

Person/Juristic Person that may have conflict of interests	Relationship	Nature of Transaction	Transaction Value (Baht)		Balance (Baht)		Necessity and Reasonability	The Audit Committee's Opinion
			Year 2015	Year 2014	As at 31 Dec 15	As at 31 Dec 14		
Mrs. Tanyapon Kraibhubes	The shareholder and the director of the Company	Rent land and structures	348,000	348,000	-	-	The company has rented land and structures for 203 square wah size from Juristic Body of Thanapoom owned by Mrs. Tanyapon Kraibhubes in the rental of 29,000 Baht per month for use as warehouse of the Company. The term of Rent Contract is 3 years from 1 Jan 12 – 31 Dec 15. The rental price has been in line the price appraised by independent appraiser.	Such land rent has reasonable and necessary for business engagement and rental price has been the fair price appraised by the independent appraiser. However, the Audit Committee's Meeting No. 5/2012 on 5 October 2012 resolved to approve the Company to change the contractual party of the said land rent from Juristic Body of Thanapoom to be Mrs. Tanyapon Kraibubet. It is effective from 1 October 2012 whereas the condition has still been in line with the former Rent Contract.
		Land rental	1,276,293	1,276,293	2,552,586	1,276,293	The Company has been obliged based on Rent Contract of Land for Warehouse Construction according to the Contract dated 11 June 2013 and recorded to be annexed to Rent Contract. The term of rent is 30 years and rental is defined equaling to the independent appraisal. The rent has been started from 1 January 2014 and the value throughout the term of Rent Agreement is 3828 Million Baht.	

Inter-Transactions for the Year Ended 31 December 2015  
Beauty Community Public Company Limited

C&N International Ordinary Partnership	Mr. Pratya Levan is the director and the shareholder of the Company for 20% in Ordinary Partnership.	Purchase of product	8,431,832	6,623,441	2,372,219	891,671	C&N International Ordinary Partnership is the owner of Beauty Buffet franchise, Big C Bang Na Branch whereas the condition of the said franchise distribution has been the same as the condition granted by the Company to other franchise owners.	It has been the normal transaction under reasonable trade condition.
		Other incomes	14,805	5,985	-	-	The Company has charged operating fee based on the condition in Franchise Agreement such as transportation cost, and product inspection, etc. which has been the same condition granted by the Company to other franchise owners.	
B Vita International Co., Ltd. ("B Vita")	Mrs. Rakchanok Chienghong is the director and shareholder, and relative of Mr. Pratya Levan	Purchase of product	12,355,140	10,280,374	2,500,000	1,000,000	The Company has ordered Instant Coffee Product, Lansleyfrom B Vita which is the distributor. The price distributed by B Vita to the Company has been the price cheaper than other customers due to the Company's big volume of ordering. In addition, it has been the price cheaper than the price of which the Company has been quoted from other distributors. Moreover, gross profit margin gained by the Company from the said instant coffee distribution has been in the similar level to some types of the Company's products	It has been the normal transaction under reasonable trade condition

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 announced 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 products 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.

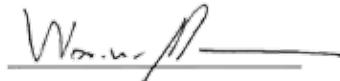


## Report of the Committee Responsibilities to the Financial Statement

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, 2015 is reliable and presented according to the general accepted Thai Accounting Policy.



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



(Dr. 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:

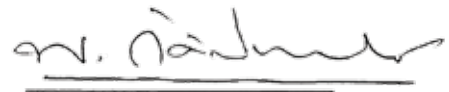
- |                                  |                             |
|----------------------------------|-----------------------------|
| 1. Dr. Peerapong Kitiveshpokawat | Chairman of Audit Committee |
| 2. Col. Attapon Srisangworn      | Audit Committee             |
| 3. Mr. Viboon Pojanalai          | 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 2015, the Audit Committee had conducted 4 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 2015 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, 2015*

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, 2015, 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, 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.



## Summarized of financial statement of Beauty Community Public Company Limited

### Statement of Financial Position

For the year ended December 31, 2015 ,2014 and 2013

(Unit: THB million)

STATEMENTS OF FINANCIAL POSITION	December 31, 2015	%	December 31, 2014	%	December 31, 2013	%
			(Adjustment)		(Adjustment)	
<b>Current assets</b>						
Cash and cash equivalents	119.01	7.97%	174.56	13.56%	192.14	16.87%
Temporary investments	620.00	41.53%	380.00	29.53%	500.00	43.89%
Trade and other receivables	40.93	2.74%	22.26	1.73%	25.84	2.27%
Inventories	290.11	19.43%	288.49	22.42%	175.77	15.43%
<b>Total current assets</b>	<b>1,070.05</b>	<b>71.67%</b>	<b>865.31</b>	<b>67.24%</b>	<b>893.76</b>	<b>78.46%</b>
<b>Non-current assets</b>						
Pledged deposits with financial institutions	10.00	0.67%	10.00	0.78%	-	0.00%
Long-term investments	-	0.00%	100.00	7.77%	-	0.00%
Property, plant and equipment	292.53	19.59%	198.43	15.42%	157.01	13.78%
Leasehold rights	8.70	0.58%	10.60	0.82%	11.10	0.97%
Intangible assets	14.78	0.99%	20.08	1.56%	10.76	0.94%
Deferred tax assets	8.22	0.55%	3.54	0.28%	1.52	0.13%
Other non-current assets	88.65	5.94%	78.99	6.14%	65.02	5.71%
<b>Total non-current assets</b>	<b>422.87</b>	<b>28.33%</b>	<b>421.64</b>	<b>32.76%</b>	<b>245.41</b>	<b>21.54%</b>
<b>Total assets</b>	<b>1,492.92</b>	<b>100.00%</b>	<b>1,286.95</b>	<b>100.00%</b>	<b>1,139.17</b>	<b>100.00%</b>
<b>Current liabilities</b>						
Trade and other payables	272.96	18.28%	142.69	11.09%	110.76	9.72%
Accrued income tax	61.60	4.13%	47.69	3.71%	25.48	2.24%
<b>Total current liabilities</b>	<b>334.55</b>	<b>22.41%</b>	<b>190.38</b>	<b>14.79%</b>	<b>136.24</b>	<b>11.96%</b>
<b>Non-current liabilities</b>						
Employee benefit obligations	6.90	0.46%	5.72	0.44%	1.60	0.14%
Other non-current liabilities	3.46	0.23%	3.34	0.26%	2.55	0.22%
<b>Total non-current liabilities</b>	<b>10.36</b>	<b>0.69%</b>	<b>9.06</b>	<b>0.70%</b>	<b>4.15</b>	<b>0.36%</b>
<b>Total liabilities</b>	<b>344.92</b>	<b>23.10%</b>	<b>199.44</b>	<b>15.50%</b>	<b>140.39</b>	<b>12.32%</b>
<b>Shareholders' equity</b>						
Share capital						
Authorized share capital						
3,000,000,000 common shares of Baht 0.10 each	300.00		-		-	
300,000,000 common shares of Baht 1.00 each	-		300.00		300.00	
Paid-up share capital						
3,000,000,000 common shares of Baht 0.10 each	300.00		-		-	
300,000,000 common shares of Baht 1.00 each	-		300.00		300.00	
Premium on share capital	556.44	37.27%	556.44	43.24%	556.44	48.85%
Retained earnings						
Appropriated						
Legal reserve	30.00	2.01%	30.00	2.33%	27.86	2.45%
Unappropriated	261.56	17.52%	201.07	15.62%	114.48	10.05%
<b>Total shareholders' equity</b>	<b>1,148.00</b>	<b>76.90%</b>	<b>1,087.51</b>	<b>84.50%</b>	<b>998.78</b>	<b>87.68%</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,492.92</b>	<b>100.00%</b>	<b>1,286.95</b>	<b>100.00%</b>	<b>1,139.17</b>	<b>100.00%</b>

## Profit and Loss Statement

For the year ended December 31, 2015 , 2014 and 2013

(Unit: million)

STATEMENTS OF COMPREHENSIVE INCOME	2015	%	2014	%	2013	%
			(Adjustment)		(Adjustment)	
Revenues from sales	1,773.02	98.94%	1,359.45	98.14%	970.70	97.35%
Cost of sales	(586.42)	-32.72%	(444.58)	-32.09%	(287.87)	-28.87%
<b>Gross profit *</b>	<b>1,186.60</b>	<b>66.93%</b>	<b>914.87</b>	<b>67.30%</b>	<b>682.82</b>	<b>70.34%</b>
Other income						
Interest income	13.67	0.76%	18.28	1.32%	21.57	2.16%
Others	5.34	0.30%	7.54	0.54%	4.85	0.49%
<b>Total other income</b>	<b>19.01</b>	<b>1.06%</b>	<b>25.82</b>	<b>1.86%</b>	<b>26.42</b>	<b>2.65%</b>
<b>Total revenue</b>	<b>1,792.03</b>	<b>100.00%</b>	<b>1,385.27</b>	<b>100.00%</b>	<b>997.11</b>	<b>100.00%</b>
Selling expenses	(543.56)	-30.33%	(439.53)	-31.73%	(348.20)	-34.92%
Administrative expenses	(159.23)	-8.89%	(124.37)	-8.98%	(101.73)	-10.20%
Finance costs	-	0.00%	-	0.00%	(0.21)	-0.02%
<b>Profit before income tax</b>	<b>502.82</b>	<b>28.06%</b>	<b>376.79</b>	<b>27.20%</b>	<b>259.10</b>	<b>25.98%</b>
Income tax	(100.32)	-5.60%	(75.63)	-5.46%	(52.13)	-5.23%
<b>Profit for the year</b>	<b>402.49</b>	<b>22.46%</b>	<b>301.16</b>	<b>21.74%</b>	<b>206.97</b>	<b>20.76%</b>
Other comprehensive income :						
Actuarial gain (loss) on defined employee benefits plan						
- net of tax	-	0.00%	(2.43)	-0.18%	-	0.00%
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>0.00%</b>	<b>(2.43)</b>	<b>-0.18%</b>	<b>-</b>	<b>0.00%</b>
<b>Total comprehensive income for the year</b>	<b>402.49</b>	<b>22.46%</b>	<b>298.73</b>	<b>21.56%</b>	<b>206.97</b>	<b>20.76%</b>

\* 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, 2015, 2014 and 2013

(Unit: THB million)

STATEMENTS OF CASH FLOWS	2015	2014	2013
<b>Cash flows from operating activities</b>		(Adjustment)	(Adjustment)
Profit before income tax	502.82	376.79	259.10
Adjustment profit before income tax to cash receipt (disbursement)			
from operating activities			
Depreciation and amortization	48.70	43.98	32.16
Doubtful accounts	-	-	0.25
Loss on devaluation of inventories	1.55	0.17	(0.05)
Loss on devaluation of asset	4.93	-	-
(Gain) loss on sales of assets	(0.02)	(0.64)	1.29
Loss on write off assets	3.10	1.23	-
Deferred (income) for reward points	(6.32)	(4.32)	(1.16)
Employee benefit expenses	1.18	1.08	0.32
Interest expenses	-	-	0.21
<b>Profit from operation before changes of operating assets and liabilities</b>	<b>555.93</b>	<b>418.30</b>	<b>292.12</b>
(Increase) Decrease in changes of operating assets			
Trade and other receivables	(18.20)	3.58	(14.33)
Inventories	(3.17)	(112.89)	(52.15)
Other non-current assets	(9.67)	(13.97)	(16.09)
<b>(Increase) Decrease in changes of operating assets</b>	<b>(31.04)</b>	<b>(123.27)</b>	<b>(82.57)</b>
Increase (Decrease) in changes of operating liabilities			
Trade and other payables	124.40	26.59	23.23
Other non-current liabilities	0.13	0.79	0.33
<b>Increase (Decrease) in changes of operating liabilities</b>	<b>124.52</b>	<b>27.39</b>	<b>23.57</b>
Cash generated (paid) from operation	649.42	322.41	233.12
Interest paid	-	-	(0.21)
Income tax paid	(91.10)	(54.84)	(40.76)
<b>Net cash provided by (used in) operating activities</b>	<b>558.32</b>	<b>267.57</b>	<b>192.15</b>
<b>Cash flows from investing activities</b>			
(Increase) Decrease in changes of temporary investments	(240.00)	110.00	(40.00)
Long-term investments acquisition	100.00	(100.00)	-
Building and equipment acquisition	(130.56)	(74.25)	(47.92)
Proceeds from sales of equipment	0.04	1.62	1.27
Leasehold rights acquisition	-	(1.37)	(0.30)
Intangible assets acquisition	(1.36)	(11.15)	(9.54)
<b>Net cash provided by (used in) investing activities</b>	<b>(271.87)</b>	<b>(75.14)</b>	<b>(96.49)</b>
<b>Cash flows from financing activities</b>			
Payments for financial lease liabilities	-	-	(0.82)
Repayments for long-term loans from financial institutions	-	-	(5.97)
Dividend paid	(342.00)	(210.00)	(195.00)
<b>Net cash provided by (used in) financing activities</b>	<b>(342.00)</b>	<b>(210.00)</b>	<b>(201.80)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(55.55)</b>	<b>(17.57)</b>	<b>(106.13)</b>
Cash and cash equivalents as at the beginning of year	174.56	192.14	298.26
<b>Cash and cash equivalents as at the end of year</b>	<b>119.01</b>	<b>174.56</b>	<b>192.14</b>



## Significant Financial Ratio

For the year ended December 31, 2015, 2014 and 2013

Financial ratio		2015	2014	2013
<b><u>Liquidity ratio</u></b>				
Current ratio / Liquidity ratio	(Time)	3.20	4.55	6.56
Quick ratio	(Time)	2.33	3.08	5.27
Cash ratio	(Time)	2.13	1.64	1.75
Account receivable turnover (A/R)	(Time)	91.38	148.35	146.96
Account Receivable (A/R) days	(Day)	4	2	2
Inventory turnover	(Time)	2.03	1.92	1.92
Inventory days	(Day)	178	188	187
Finished goods turnover	(Time)	2.63	2.55	2.73
Finished goods days	(Day)	137	141	132
Account payable turnover (A/P)	(Time)	5.50	6.75	6.38
Account Payable (A/P) days	(Day)	65	53	56
Cash cycle	(Day)	116	137	133
<b><u>Profitability ratio</u></b>				
Gross profit margin (GP)	(%)	66.93%	67.30%	70.34%
Operating profit margin	(%)	28.06%	27.20%	25.98%
Operating cash flow margin	(%)	111.04%	71.01%	74.10%
Net profit margin	(%)	22.46%	21.56%	20.76%
Return on equity (ROE)	(%)	36.01%	28.87%	20.85%
<b><u>Efficiency ratio</u></b>				
Return on assets (ROA)	(%)	28.96%	24.83%	18.66%
Return on fixed assets	(%)	182.62%	195.29%	170.01%
Total assets turnover	(Time)	1.29	1.14	0.90
<b><u>Financial policy ratio</u></b>				
Debt to equity ratio (D/E)	(Time)	0.30	0.18	0.14
Interest coverage ratio	(Time)	-	-	1,184.20
Coverage ratio	(Time)	0.91	0.94	0.64
Dividend payout ratio	(%)	84.97%	69.73%	94.22%
Earning per share ( EPS )	(Baht)	0.13	1.00	0.69

Note: \* EPS In 2015 Calculated from authorized capital for 3,000 million shares, its value is 0.10 Baht/share. In 2014 and 2013 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 and Traditional 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 and Traditional 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, 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 1,385.27 million Baht in 2014 to 1,792.03 million Baht in 2015 or about 29.36% growth. The net profit of the Company in 2015 and 2014 was 402.49 million Baht and 301.16 million Baht (newly revised) or 22.46% and 21.74% 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 2015 and 2014

Company's operation analysis in 2015 and 2014 are as follows:

### Revenues

Revenue Structure by channel

Unit : Million baht

Revenue structure by channel	2015			2014			2013			Changed	
	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	%
Retail shops :											
- Beauty Buffet	1,343.86	74.99%	75.79%	1,080.72	78.02%	79.50%	766.12	76.83%	78.93%	263.14	24.35%
- Beauty Cottage	202.60	11.31%	11.43%	156.83	11.32%	11.54%	139.42	13.98%	14.36%	45.77	29.19%
- Beauty Market	65.77	3.67%	3.71%	56.51	4.08%	4.16%	13.25	1.33%	1.37%	9.26	16.39%
Total sales from retail shops	1,612.24	89.97%	90.93%	1,294.06	93.42%	95.19%	918.79	92.15%	94.65%	318.18	24.59%
Franchises	26.04	1.45%	1.47%	22.41	1.62%	1.65%	23.76	2.38%	2.45%	3.63	16.21%
Oversea, Wholesales & Other	59.00	3.29%	3.33%	17.82	1.29%	1.31%	14.35	1.44%	1.48%	41.18	231.07%
Consumer Product	75.75	4.23%	4.27%	25.16	1.82%	1.85%	13.79	1.38%	1.42%	50.59	201.07%
<b>Total sales</b>	<b>1,773.02</b>	<b>98.94%</b>	<b>100.00%</b>	<b>1,359.45</b>	<b>98.14%</b>	<b>100.00%</b>	<b>970.69</b>	<b>97.35%</b>	<b>100.00%</b>	<b>413.58</b>	<b>30.42%</b>
Other revenue	19.01	1.06%		25.82	1.86%		26.42	2.65%		(6.81)	(26.39%)
<b>Total revenue</b>	<b>1,792.03</b>	<b>100.00%</b>		<b>1,385.27</b>	<b>100.00%</b>		<b>997.11</b>	<b>100.00%</b>		<b>406.76</b>	<b>29.36%</b>

Total revenue of the Company in 2015 and 2014 was 1,792.03 Million Baht and 1,385.27 million Baht (revised) respectively or it was 29.36% of growth rate. The income from sales of the Company was mainly came from distribution through cosmetic retail shop by having average distribution proportion around 1,612.24 million Baht or 89.97% to total revenue, franchises around 26.04 million Baht or 1.45% to total revenue, oversea and other around 59.00 million Baht or 3.29% to total revenue, consumer product channel around 75.75 million Baht or 4.23% to total revenue, and other revenue around 19.01 million Baht or 1.06% to total revenue,

Therefore, BEAUTY's performance in this period was better due to many factors : the expansion both shop expansion and other channels, the cosmetic's consumption increased both Bangkok and up-country due to increasing personal appearance concerns and urbanization, 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	2015			2014			2013			Changed	
	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	%
<b>Beauty Buffet Shop</b>											
Make up	386.57	21.57%	28.77%	364.93	26.34%	33.77%	369.55	37.06%	48.24%	21.65	5.93%
Skin care	917.85	51.22%	68.30%	664.81	47.99%	61.52%	348.22	34.92%	45.45%	253.04	38.06%
Food Supplement	2.75	0.15%	0.20%	7.27	0.52%	0.67%	0.85	0.09%	0.11%	(4.52)	(62.17%)
Accessories	36.69	2.05%	2.73%	43.71	3.16%	4.04%	47.5	4.76%	6.20%	(7.02)	(16.07%)
<b>Total Beauty Buffet</b>	<b>1,343.86</b>	<b>74.99%</b>	<b>100.00%</b>	<b>1,080.72</b>	<b>78.02%</b>	<b>100.00%</b>	<b>766.12</b>	<b>76.83%</b>	<b>100.00%</b>	<b>263.14</b>	<b>24.35%</b>
<b>Beauty Cottage Shop</b>											
Make up	77.33	4.32%	38.17%	63.71	4.60%	40.62%	61.07	6.12%	43.81%	13.62	21.37%
Skin care	117.03	6.53%	57.76%	85.21	6.15%	54.33%	67.6	6.78%	48.49%	31.82	37.34%
Food Supplement	-	-	-	-	-	-	-	-	-	-	-
Accessories	8.25	0.46%	4.07%	7.91	0.57%	5.04%	10.73	1.08%	7.70%	0.34	4.26%
<b>Total Beauty Cottage</b>	<b>202.60</b>	<b>11.31%</b>	<b>100.00%</b>	<b>156.83</b>	<b>11.32%</b>	<b>100.00%</b>	<b>139.4</b>	<b>13.98%</b>	<b>100.00%</b>	<b>45.77</b>	<b>29.19%</b>



## Revenue Structure by brand

Unit : Million baht

Revenue Structure by product group	2015			2014			2013			Changed	
	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	%
<b>Beauty Market Shop</b>											
Make up	32.10	1.79%	48.80%	27.61	1.99%	48.86%	6.43	0.64%	48.53%	4.48	16.24%
Facial care	14.22	0.79%	21.62%	10.49	0.76%	18.56%	2.58	0.26%	19.47%	3.73	35.55%
Body care	7.19	0.40%	10.93%	7.41	0.53%	13.11%	1.78	0.18%	13.43%	(0.22 )	(3.00%)
Beauty accessories	3.22	0.18%	4.90%	4.33	0.31%	7.66%	0.74	0.07%	5.58%	(1.11 )	(25.55%)
Hair care	3.03	0.17%	4.61%	2.52	0.18%	4.46%	0.71	0.07%	5.36%	0.51	20.25%
Perfume	3.84	0.21%	5.84%	2.08	0.15%	3.68%	0.5	0.05%	3.77%	1.76	84.64%
Beauty drink & food supplement	1.22	0.07%	1.85%	1.05	0.08%	1.86%	0.26	0.03%	1.96%	0.17	15.76%
Body hygiene	0.77	0.04%	1.18%	0.77	0.06%	1.37%	0.16	0.02%	1.21%	(0.00 )	(0.25%)
Men's care	0.18	0.01%	0.28%	0.24	0.02%	0.43%	0.09	0.01%	0.68%	(0.06 )	(24.01%)
<b>Total Beauty Market</b>	<b>65.77</b>	<b>3.67%</b>	<b>100.00%</b>	<b>56.51</b>	<b>4.08%</b>	<b>100.00%</b>	<b>13.25</b>	<b>1.33%</b>	<b>100.00%</b>	<b>9.26</b>	<b>16.39%</b>
<b>Franchises</b>	26.04	1.45%	100.00%	22.41	1.62%	86.05%	23.76	2.38%	91.23%	3.63	16.21%
<b>Oversea, Wholesales &amp; Other</b>	59.00	3.29%	100.00%	17.82	1.29%	30.21%	14.37	1.44%	24.36%	41.18	231.07%
<b>Consumer Product</b>	75.75	4.23%	100.00%	25.16	1.82%	33.21%	13.79	1.38%	18.20%	50.59	201.07%
<b>Other revenue</b>	19.01	1.06%	100.00%	25.82	1.86%	135.85%	26.42	2.65%	139.01%	(6.81 )	(26.39%)
<b>Total revenue</b>	<b>1,792.03</b>	<b>100.00%</b>		<b>1,385.27</b>	<b>100.00%</b>		<b>997.11</b>	<b>100.00%</b>		<b>406.76</b>	<b>29.36%</b>

## Revenue structure by channel and by brand

(Unit : THB Million)

Brand Channel	Y2015													Total	
	Brand Beauty Buffet		Brand Beauty Cottage		3rd party brands		Brand Beauty Cuisine		Brand Made in Nature		Brand Girly Girl		Oth. income		
Beauty Buffet shop	1,276.06	90.29%	-	0.00%	-	0.00%	-	0.00%	33.53	57.91%	34.28	86.09%	-	1,343.86	74.99%
	94.95%		0.00%		0.00%		0.00%		2.49%		2.55%		0.00%	100.00%	
Beauty Cottage shop	-	0.00%	202.60	96.05%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	202.60	11.31%
	0.00%		100.00%		0.00%		0.00%		0.00%		0.00%		0.00%	100.00%	
Beauty Market shop	10.44	0.74%	2.92	1.38%	49.50	98.29%	0.70	97.10%	1.73	2.98%	0.49	1.22%	-	65.77	3.67%
	15.88%		4.44%		75.25%		1.06%		2.62%		0.74%		0.00%	100.00%	
Franchise shop	24.77	1.75%	-	0.00%	-	0.00%	-	0.00%	0.70	1.22%	0.56	1.42%	-	26.04	1.45%
	95.13%		0.00%		0.00%		0.00%		2.71%		2.17%		0.00%	100.00%	
Consumer Product	48.86	3.46%	2.08	0.99%	-	0.00%	0.01	0.93%	20.80	35.92%	4.00	10.06%	-	75.75	4.23%
	64.50%		2.75%		0.00%		0.01%		27.46%		5.29%		0.00%	100.00%	
Oversea , Wholesales & Other	53.17	3.76%	3.32	1.58%	0.86	1.71%	0.01	1.98%	1.14	1.97%	0.48	1.21%	-	59.00	3.29%
	90.13%		5.64%		1.46%		0.02%		1.93%		0.82%		0.00%	100.00%	
Total sales	1,413.31	100.00%	210.93	100.00%	50.36	100.00%	0.72	100.00%	57.90	100.00%	39.82	100.00%	-	1,773.02	98.94%
	79.71%		11.90%		2.84%		0.04%		3.27%		2.25%		0.00%	100.00%	
Other income	-		-		-		-		-		-		19.01	19.01	
Total revenue	1,413.31	100.00%	210.93	100.00%	50.36	100.00%	0.72	100.00%	57.90	100.00%	39.82	100.00%	19.01	1,792.03	100.0%
	78.87%		11.77%		2.81%		0.04%		3.23%		2.22%		1.06%	100.00%	

The income of the Company continuously grows as the result of branch expansion of retail shops like Beauty Buffet and Beauty Cottage and also Beauty Market and product brand that providing distribution channels to modern trade and traditional trade with the concept of Made in Nature Brand and Girly Girl with following details

### (1) Revenue from Beauty Buffet

In 2015 and 2014, the income was 1,343.86 million Baht and 1,080.72 million Baht or 74.99% and 78.02% of total income respectively. The growth rate was estimated for 24.35% which resulted from branch expansion in every region of Thailand. At the end of 2015, there were 256 branches (227 domestic branches and 29 international branches), increasing 39 shops from the end of 2014 with 217 branches (204 domestic branches and 13 international branches). Total turnover of Beauty Buffet for Skin Care, make-up, food Supplement and accessories, the average distribution proportions were 68.30%, 28.77%, 0.20% and 2.73% 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, Beauty Market shop 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, and distributed through consumer product channel. The average turnover via such channels were about 1.75% (franchises) and the rest was 7.96% of total turnover respectively.

## ***(2) Revenue from Beauty Cottage***

Beauty Cottage by the end of 2015, the Company has already opened 73 branches of Beauty Cottage (70 domestic branches and 3 foreign branches) increasing 5 shops from the end of 2014 with 68 branches (65 domestic branches and 3 international branches). In 2015 and 2014, the income was 202.60 million Baht and 156.83 million Baht. The growth rate was estimated for 29.19%. 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 57.76% compared to total turnover of Beauty Cottage while the average proportions of Make-Up and Accessories were 38.17 % and 4.07% respectively. Beauty Cottage products have also distributed to wholesalers same as Beauty Buffet with the proportion of distribution about 3.95% of turnover without any distribution through franchise.

## ***(3) Revenue from Beauty Market***

The concept of Beauty Market were introduced during the third quarter of 2013 which is the supermarket of beauty, in 2015 and 2014, the revenues were 65.77 million Baht and 56.51 million Baht in respective order, which is about 16.39% of growth rate. This is due to the Company's branching expansion in order to access larger customer scale. By the end of 2015, there are a total of 13 branches established nationwide which increased 3 branches from the year 2014 that has only 10 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 48.80%, 21.62%, 10.93%, 4.90%, 4.61%, 5.84%, 1.85%, 1.18% and 0.28% in respective order. By the way, Beauty Market had revenue from the own brands were 24.75% and 3rd party brands were 75.25%.

## ***(4) Revenue from franchises***

The total revenues of products under the franchise channel by 2015 and 2014 were 26.04 million Baht and 22.41 million Baht in respective order, or approximately 16.20% of growth rate. In present, the Company has not had any policy of additional franchising.

## ***(5) Revenue from oversea and other***

Oversea and other, by 2015 and 2014 were 59.00 million Baht and 17.82 million Baht in respective order, or approximately 231.07% of growth rate. The distribution through domestic wholesalers proportion was low and 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 and proportion rather high. At any rate the other sales was sales for staff in welfare condition but the proportion was low.

## ***(6) Revenue from consumer product***

by 2015 and 2014 were 75.75 million Baht and 25.16 million Baht in respective order, or approximately 201.07% 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 2015 and 2014 were 19.01 million Baht and 25.82 million Baht, respectively. Other incomes mainly came from interest received.

## ***Cost of Goods Sold and Gross Profit***

The cost of sales in 2015 and 2014 were 586.42 million Baht and 444.58 million Baht in respective order, or approximately 66.93% and 67.30% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2015 is relatively lower than in 2014. This is due to the rising sales revenue of Made in Nature and Girly Girl products through consumer product 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 2015 when compared to 2014

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 and Girly Girl products, their cost structure has been different from other types of products due to the distribution of the Company through modern trade and traditional trade. This 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 5,000-1,000,000 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 and Girly Girl products to be in higher level than Beauty Buffet and Beauty Cottage. However, this kind of distribution will help reduce selling expense of the Company such as salesperson expense, rental fee, training cost, commission, etc., causing net profit ratio of distribution of Made in Nature and Girly Girl products to be in similar level with other products of the Company.

Moreover, in 2015 and 2014 BEAUTY distributed product in the term of consignment with both catalog and online channels such as 7-catalog, Friday Catalog and web Lazada, Konvy, etc. The product price is in same rate with sales through consumer product channel but the proportion to total revenue was low (the consignment was included in consumer product channel).

### *Selling and Administrative Expense*

Selling expense in 2015 and 2014 was 543.56 million Baht and 439.53 million Baht respectively or its proportion of 30.33% and 31.73% of total revenue respectively. The selling expense mainly was rental fee for branch operation of retail shops, in 2015 and 2014, rental expense was 13.34% and 15.45% of total revenue respectively. Other important selling expenses included employee expenses included commission of salespersons, in 2015 and 2014 estimated for the average proportion of 10.40% and 10.53% of total income respectively. The proportion of selling expense to total income in 2015 decreased from 2014 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 2015 and 2014 were 159.23 million Baht and 124.37 million Baht respectively or its proportion was 8.89% and 8.98% of total revenue respectively. The administrative expense mainly was employee expenses. In 2015 and 2014, this expense proportion is 6.52% and 6.55% of total income. Other administrative expenses included travelling cost, training cost, bank charge, office expense, depreciation expense, and other expenses. Anyhow, in 2015, such proportion decreased due to increase in total income growth while some administrative expense was stable or grew in lesser proportion than income. 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 2015 and 2014 were 402.49 million Baht and 301.16 million Baht (revised) respectively or the proportion was 22.46% and 21.74% respectively. The net profit continue increasing due to increase in sales turnover and cost saving effective.

However, on 1Q14 we had 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 2015 and 2014*

#### *Asset*

Total asset of the Company at the end of year 2015 and 2014 was 1,492.90 million Baht and 1,286.95 million Baht respectively or its growth rate proportion was 16.00%. The main reason from total asset growth in 2015 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 and new warehouse and new training center.

Current asset at the end of year 2015 and 2014 was 1,070.05 million Baht and 865.31 million Baht respectively or its proportion was 71.67% and 67.24% of total asset respectively. The company's current assets consisted of following main assets;

(1) Cash and cash equivalent at the end of year 2015 and 2014 was 119.01 million Baht and 174.56 million Baht respectively or its proportion was 7.97% and 13.56% of total asset respectively.

(2) At the end of 2015 and 2014, the Company had current investments for 620 million Baht and 380 million Baht respectively or 41.53% and 29.54% of total asset respectively. It was short-term deposit with many domestic financial institutions (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 2015 and 2014 were 30.52 million Baht and 8.29 million Baht respectively or its proportion was 2.37% and 0.64% of total asset respectively. The Company had account receivables in low proportion compared to total assets as the Company sell almost of its products in cash with 4 days for collection period. The Company has granted trade credit to franchise receivable, foreign wholesale receivable, consumer product receivable and company employees. However, the collection period still remained at the level of 4 days. Moreover, over than 1 year overdue account receivables were unavailable for the Company.

Trade accounts receivable	31/12/2015		31/12/2014		31/12/2013	
	MB.	%	MB.	%	MB.	%
Trade accounts receivable due in term	25.02	81.98%	7.45	89.87%	7.40	73.71%
Overdue trade accounts receivable :						
- Less than 3 months	4.98	16.32%	0.81	9.77%	2.24	22.31%
- Over 3 months but less than 1 year	0.52	1.70%	0.03	0.36%	0.40	3.98%
<b>Total trade accountns receivable</b>	<b>30.52</b>		<b>8.29</b>		<b>10.04</b>	

(4) Inventories at the end of 2015 and 2014 were 290.11 million Baht and 288.48 million Baht respectively or it was 19.43% and 22.42% of total asset respectively. The Company's inventories could be separated into finished goods, packages and supplies as shown in following table.

Inventory	2015		< 1 ปี		1-3 ปี		> 3 ปี	
	MB	%	MB	%	MB	%	MB	%
Finished goods	225.03	77.05%	223.37	99.26%	1.66	0.74%	-	0.00%
Packaging	46.14	15.80%	37.79	81.90%	7.98	17.30%	0.37	0.80%
Work in process	19.17	6.56%	19.17	100.00%	-	0.00%	-	0.00%
Supplies	1.73	0.59%	1.66	95.95%	0.07	4.05%	-	0.00%
<b>Total</b>	<b>292.07</b>	<b>100.00%</b>	<b>281.99</b>	<b>96.55%</b>	<b>9.71</b>	<b>3.32%</b>	<b>0.37</b>	<b>0.13%</b>
Allowance for devaluation of inventories	(1.96)	-	0.00	-	0.00	-	0.00	-
<b>Net</b>	<b>290.11</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2015 and 2014, the Company set the allowance reserve in part of damaged product warehouse for 0.28 million Baht and 0.07 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. Such destruction has complied with all criteria of Revenue Department.

At the end of 2015 and 2014, the Company had average inventory days for 178 days and 188 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 2015 and 2014, it will be 137 days and 141 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, stock for new

product launching and solve the shortage problem. 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 96.55% 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.

(5) Non-current asset by the end of 2015 and 2014 was 422.87 million Baht and 421.64 million Baht respectively or its proportion was 28.33% and 32.76% of total asset respectively. Major non-current asset of the Company included property, plant and equipment, by the end of 2015 and 2014 were 292.53 million baht and 198.43 million baht respectively or 47.42% 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 and new warehouse and training center.

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 new warehouse and new training center has been 90% process. It has been expected that the construction will be finished within 2016. For computer system, the Company invested in new system development for improvement of information technology system : Enterprise Resource Planning (ERP)(accounting program) by already signing contract of programs MICROSOFT DYNAMICS AX 2012. Now it has been in the process that to develop program and it has been expected to be operational within this 2016.

## *Liquidity*

### *(1) Cash Flow Liquidity*

Cash flow from operating activity of the Company in 2015 and 2014 was 558.32 million Baht and 267.57 million Baht respectively. Cash flow from investment activity in 2015 and 2014 was used in 271.87 million baht and 75.14 million baht respectively due to the use of money to increase in temporary investments for 240.00 million baht more in 2015 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 2015 and 2014, it was used in 342.00 million Baht and 210.00 million Baht respectively and payment of dividend

### *(2) Liquidity Ratio*

In 2015 and 2014, the Company had liquidity ratio for 3.20 times and 4.55 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 was better, in 2015 and 2014, the Company had cash cycle for 116 days and 137 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 2015 and 2014 was 344.92 million Baht and 199.44 million Baht respectively. The important current liability has been as follows.

(1) Trade Account payable by the end of 2015 and 2014 was 134.66 million baht and 78.69 million baht respectively or its proportion was 9.02% and 6.11% of total assets respectively. The account payable days was 65 days and 53 days respectively. Account payable increased in 2015 due to product ordering increased from sales increased.

(2) Other Account payable consisted of accrued expense, Revenue Department payable, assets payable and deferred income for reward points. By the end of 2015 and 2014, it was 138.30 million baht and 64.00 million Baht respectively or its proportion for 9.26% and 4.97% of total assets respectively.

(3) Shareholder's equity by the end of 2015 and 2014 was 1,148.00 million baht and 1,087.51 million Baht respectively. In 2015, shareholder's equity increased from 2014 since profitable turnover caused higher retained earnings. On 25 February 2016, the Board of Directors Meeting approved the 2015 dividend payment be paid to the shareholders of 3,000 million shares at the rate of

THB 0.133 per share, amount of Baht 399.00 million or 99.13% of net profit, for which the interim dividend was paid on 11 September 2015 at Baht 0.05 per share, amount of Baht 150.00 million, the remaining dividend to be paid at Baht 0.083 per share, amount of Baht 249.00 million which be paid on 19 May 2016 and will propose to the general shareholders' meeting on 25 April 2016 to approve this payment.

Therefore, the general shareholders' meeting on 24 April 2015, passed the resolution to approve the changes in par value of share capital from baht 1 each for 300,000,000 shares amounting to baht 300 million to baht 0.10 each for 3,000,000,000 shares amounting to baht 300 million. The Company has registered the changes in par value of share capital with the Ministry of Commerce on 8 May 2015.

(4) Debt to Equity Ratio at the end of 2015 and 2014 was 0.30 times and 0.18 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.

### *Audit fee*

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 2015 and 2014 for 1.06 million Baht and 0.94 million Baht respectively.

## *Factors Affecting Future Operation or Financial Position of the Company*

### *Effect from Change of Distribution Channel*

Made in Nature and Girly Girl brand distributed through supermarket, modern trade and traditional 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 sales proportion through this channel, it might likely cause decrease in gross profit margin of the Company. However, product distribution of both type of sales and consignment will reduce selling expense of the Company such as salesperson expense, rental fee, training cost and commission, etc., resulting in net profit margin of distribution through consumer product in similar level to other products of the Company. However, the Company has expected that the product distribution through this channel can access to consumers in wider range and it has expected that total income and net profit of the Company will increasingly in the future.

Moreover, For Beauty Market is the supermarket of beauty, 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 margin 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 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, 2015, 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.

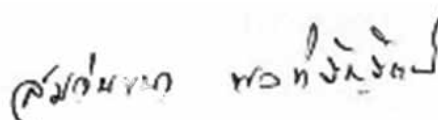
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2015, 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 Executive and Regulator of the Company**

# 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	76	- Bachelor of Science Chulachomklao Royal Military Academy  Director Accreditation Program (DAP) Training from Thai Institute of Directors	-	-	2012 – Present	Chairman of the Board and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2000 – Present	Army Senior Advisor	Army	Government Sector
Dr. Suwin Kraibhubes	49	- Bachelor of Science Faculty of Medicine Chiang Mai University  Director Accreditation Program (DAP) Training from Thai Institute of Directors  Executives Capital Market Academy Program (CMA.) 18th class	Mrs.Tanyapon Kraibhubes's Husband	24.13%	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
Mrs. Tanyapon Kraibhubes	47	- Diploma of Nursing, Preliminary Level Boromarajonani College of Nursing, Phayao  Director Accreditation Program (DAP) Training from Thai Institute of Directors	Mr. Suwin Kraibhubes's Wife	12.92%	2000 – Present	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
<b>Ms. Monsoothatip Malaukaranun</b>	40	- 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
<b>Mr. Pratya Levan</b>	47	- 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	-	0.83%	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

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) Sterling 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
Col. Attapon Srisangworn	49	- Bachelor of Law, Ramkhamhaeng University  Passing for Director Accreditation Program (DAP) Training from Thai Institute of Directors	-	-	2011 – Present	Audit Director and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					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
<b>Mr. Viboon Pojanalai</b>	40	- 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	-	-	2015 – Present	Audit Director and Independent Director	Dental Coporation Co.,Ltd.	Service for Dentistry
					2015 – Present	Director	Mokdaharn	Medical Care
					2014 – Present	Executive Director	International Hospital 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
<b>Mr. Surapon Phetkluang</b>	51	- Bachelor of Accounting Chiang Mai University  - Master of Business Administration, Kasetsart University  Strategic CFO in Capital Markets Program 1 <sup>st</sup> class 2015 , SET	-	0.03%	2008 - 2013	Director	Asia Mineral Processing Co., Ltd.	Manufacturing and Distribution of Feldspar
					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
<b>Ms. Sirikan Phattiveranon</b>	49	-Bachelor, Faculty of Commerce and Accountancy	-	0.01%	2011 – Present	Executive Director and Director of Sales Department	Beauty Community Plc.	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
		Chulalongkorn University - Kaset mini Financial Business Management kasetart University (In education)			2010 – 2011  2009 – 2010  2004 - 2009	Sales Department Manager  Operation Department Manager  Franchise Operation Department Manager	Areeya Property Plc.  KDN Co., Ltd. (KrispyKreme Thailand)  Swensen (Thai) Co., Ltd.	Buying and Selling of Real Estate and Serving for Hire in House Construction  Trading of Breadstuff, Bakery Machine, Bakery Mold including Materials used for manufacturing and admixture for all types of confections. Distribution of Ice Cream and Beverage
Mr. Nattapong Khueanphan	41	- Bachelor of Science, Science and Food Technology Program Chiang Mai University	-	0.05%	2012 – Present  2006 -2012	Executive Director and Director of Warehouse and Office Department  Warehouse and Transport Department Manager, and Advisor of Personnel and Administration Department	Beauty Community Plc.  Beauty Community Plc.	Distribution of Skin Care and Cosmetics Products  Distribution of Skin Care and Cosmetics Products
Mrs. Daranee Pathetang	36	- Bachelor, Faculty of Economic Kasetart University	-	-	2012 – Present  2002 – Present	Company's Secretary  Secretary of CEO	Beauty Community Plc.  Beauty Community Plc.	Distribution of Skin Care and Cosmetics Products Distribution of Skin Care and Cosmetics Products

## APPENDIX 2

### Details of board, Executive, and Controlling person's tenure Of the company in related companies

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

<div> <div>Name</div> <div>Related Companies</div> </div>	Lt.Gen.PADET CHARUCHINDA	Mr. SUWIN KRAIBHUBES	Mrs. TANYAPON LRAIBHUBES	Ms. MONSOOTHATIP MALAUKCAPANUN	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			
DENTAL CORPORATION CO.,LTD								X			
MUK INTERNATIONAL HOSPITAL COMPANY LIMITED								B			

## APPENDIX 3

### Assessment of Sufficiency of Internal Control System

Beauty Community Public Company Limited

Date : December 31, 2015

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
<p>1.1 The committee and management have identified guidance and operation process based on integrity and ethical adherence</p> <p>1.1.1 Day-to-day work duties and all decision making that has been made</p> <p>1.1.2 Corporate Responsibility to business partner, customer, and other people</p>	<p>✓</p> <p>✓</p>	
<p>1.2 Identifying provisions in writing for management and employees to strictly follow in regard to integrity and adhering ethics</p> <p>1.2.1 Identifying the proper code of conduct for management and employees)</p> <p>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. <sup>1</sup></p> <p>1.2.3 Identifying the appropriate punishment regarding the breach of the aforementioned restrictions.</p> <p>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.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	
<p>1.3 Providing monitoring process and assessment for the practices in accordance with Code of Conduct</p> <p>1.3.1 Monitoring process and assessment are provided by the internal inspection unit or the compliance unit.</p> <p>1.3.2 Self-assessment of the management and employees</p> <p>1.3.3 Assessment is provided by an expert independent of the organization</p>	<p>✓</p> <p>✓</p> <p>✓</p>	
<p>1.4 Suddenly taking actions, if there is a breach of provisions in regard to integrity and ethical adherence.</p> <p>1.4.1 Providing monitoring process that can examine, if a breach is happened within the appropriate time.</p> <p>1.4.2 Providing proper process that can punish or manage, if a contravention is happened within the appropriate time.</p> <p>1.4.3 Being able to reform within the appropriate time, if an action against integrity and ethical adherence is occurred.</p>	<p>✓</p> <p>✓</p> <p>✓</p>	

**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 theses 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.	<div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div> <div style="text-align: center;">✓</div>	



## APPENDIX 4

Beauty Community Public Company Limited  
Statement of Financial Position as at 31 December 2015

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

(Unit: Baht)

Assets	Note	December 31, 2015	December 31, 2014 (Restated)	January 1, 2014
<b>Current assets</b>				
Cash and cash equivalents	4	119,014,136.48	174,562,208.49	192,136,883.93
Temporary investments	5	620,000,000.00	380,000,000.00	500,000,000.00
Trade and other receivables	6, 17	40,926,531.69	22,261,808.82	25,844,476.05
Inventories	7	290,105,336.84	288,487,960.00	175,773,668.59
<b>Total current assets</b>		<b>1,070,046,005.01</b>	<b>865,311,977.31</b>	<b>893,755,028.57</b>
<b>Non-current assets</b>				
Pledged deposits with financial institutions	8	10,000,000.00	10,000,000.00	-
Long-term investments	9	-	100,000,000.00	-
Property, plant and equipment	10	292,526,796.72	198,433,365.81	157,013,575.08
Leasehold rights	11	8,697,380.26	10,600,580.19	11,100,410.71
Intangible assets	12	14,775,170.69	20,075,443.83	10,763,824.62
Deferred tax assets	13	8,219,866.57	3,544,023.96	1,518,912.83
Other non-current assets	14	88,651,604.50	78,985,657.59	65,015,928.68
<b>Total non-current assets</b>		<b>422,870,818.74</b>	<b>421,639,071.38</b>	<b>245,412,651.92</b>
<b>Total assets</b>		<b>1,492,916,823.75</b>	<b>1,286,951,048.69</b>	<b>1,139,167,680.49</b>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS AT DECEMBER 31, 2015**

(Unit: Baht)

Liabilities and shareholders' equity	Note	December 31, 2015	December 31, 2014 (Restated)	January 1, 2014
<b>Current liabilities</b>				
Trade and other payables	15, 17	272,956,981.37	142,691,458.38	110,756,395.20
Accrued income tax		61,595,543.56	47,690,446.81	25,483,262.52
<b>Total current liabilities</b>		<u>334,552,524.93</u>	<u>190,381,905.19</u>	<u>136,239,657.72</u>
<b>Non-current liabilities</b>				
Employee benefit obligations	16	6,899,868.00	5,724,011.00	1,599,437.00
Other non-current liabilities		3,462,792.00	3,336,670.00	2,546,550.00
<b>Total non-current liabilities</b>		<u>10,362,660.00</u>	<u>9,060,681.00</u>	<u>4,145,987.00</u>
<b>Total liabilities</b>		<u>344,915,184.93</u>	<u>199,442,586.19</u>	<u>140,385,644.72</u>
<b>Shareholders' equity</b>				
Share capital				
Authorized share capital				
3,000,000,000 common shares of Baht 0.10 each	18	<u>300,000,000.00</u>		
300,000,000 common shares of Baht 1.00 each			<u>300,000,000.00</u>	<u>300,000,000.00</u>
Paid-up share capital				
3,000,000,000 common shares of Baht 0.10 each		300,000,000.00		
300,000,000 common shares of Baht 1.00 each			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	30,000,000.00	27,858,528.96
Unappropriated		261,562,009.95	201,068,833.63	114,483,877.94
<b>Total shareholders' equity</b>		<u>1,148,001,638.82</u>	<u>1,087,508,462.50</u>	<u>998,782,035.77</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,492,916,823.75</u>	<u>1,286,951,048.69</u>	<u>1,139,167,680.49</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, 2015

(Unit: Baht)

	Note	2015	2014
Revenues from sales		1,773,023,245.33	1,359,449,200.19
Cost of sales		(586,424,608.59)	(444,577,786.82)
<b>Gross profit</b>		<b>1,186,598,636.74</b>	<b>914,871,413.37</b>
Other income			
Interest income		13,665,003.24	18,283,332.18
Others		5,342,904.71	7,535,526.42
<b>Total other income</b>		<b>19,007,907.95</b>	<b>25,818,858.60</b>
Selling expenses		(543,558,886.26)	(439,527,930.79)
Administrative expenses		(159,230,081.68)	(124,370,395.90)
<b>Profit before income tax expenses</b>		<b>502,817,576.75</b>	<b>376,791,945.28</b>
Income tax expenses	13	(100,324,400.43)	(75,632,456.15)
<b>Profit for the year</b>		<b>402,493,176.32</b>	<b>301,159,489.13</b>
Other comprehensive income (expense):			
Items that will not be reclassified subsequently to profit or loss			
Actuarial loss		-	(3,041,328.00)
Less Taxable effects		-	608,265.60
Other comprehensive income (expense) for the year		-	(2,433,062.40)
<b>Total comprehensive income for the year</b>		<b>402,493,176.32</b>	<b>298,726,426.73</b>
<b>Basic earnings per share</b>	3.23		
Earnings per share		0.13	0.10
Number of weighted average common shares (share)		3,000,000,000	3,000,000,000

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, 2015**

(Unit: Baht)

Note	Retained earnings				
	Paid-up	Premium on	Appropriated		Total
	share capital	share capital	Legal reserve	Unappropriated	shareholders' equity
<b>Balance as at January 1, 2014</b>	300,000,000.00	556,439,628.87	27,858,528.96	114,483,877.94	998,782,035.77
Total comprehensive income for the year	-	-	-	298,726,426.73	298,726,426.73
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 interim dividend 20	-	-	-	(105,000,000.00)	(105,000,000.00)
<b>Balance as at December 31, 2014</b>	<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>30,000,000.00</u>	<u>201,068,833.63</u>	<u>1,087,508,462.50</u>
<b>Balance as at December 31, 2014</b>	300,000,000.00	556,439,628.87	30,000,000.00	201,068,833.63	1,087,508,462.50
Total comprehensive income for the year	-	-	-	402,493,176.32	402,493,176.32
Payments for dividend 20	-	-	-	(342,000,000.00)	(342,000,000.00)
Payments for interim dividend 20	-	-	-	-	-
<b>Balance as at December 31, 2015</b>	<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>30,000,000.00</u>	<u>261,562,009.95</u>	<u>1,148,001,638.82</u>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<i>(Unit: Baht)</i>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expenses	502,817,576.75	376,791,945.28
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	48,695,904.52	43,982,730.65
Loss on devaluation of inventories	1,552,190.80	171,344.53
Loss on devaluation of asset	4,925,130.00	-
(Gain) loss on sales of assets	(23,148.91)	(641,261.00)
Loss on write off assets	3,104,617.98	1,225,440.00
Deferred (income) for reward points	(6,316,700.00)	(4,316,285.00)
Employee benefit expenses	1,175,857.00	1,083,246.00
Profit from operation before changes of		
operating assets and liabilities	555,931,428.14	418,297,160.46
(Increase) Decrease in changes of operating assets		
Trade and other receivables	(18,200,658.00)	3,582,667.23
Inventories	(3,169,567.64)	(112,885,635.94)
Other non-current assets	(9,665,946.91)	(13,969,728.91)
(Increase) Decrease in changes of operating assets	(31,036,172.55)	(123,272,697.62)
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	124,398,138.83	26,594,913.19
Other non-current liabilities	126,122.00	790,120.00
Increase (Decrease) in changes of operating liabilities	124,524,260.83	27,385,033.19

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, 2015

(Unit: Baht)

	2015	2014
		(Restated)
Cash generated (paid) from operation	649,419,516.42	322,409,496.03
Income tax paid	(91,095,146.29)	(54,842,117.39)
<b>Net cash provided by (used in) operating activities</b>	<b>558,324,370.13</b>	<b>267,567,378.64</b>
<b>Cash flows from investing activities</b>		
(Increase) Decrease in temporary investments	(240,000,000.00)	110,000,000.00
(Increase) Decrease in long-term investments	100,000,000.00	(100,000,000.00)
Building and equipment acquisition	(130,556,360.23)	(74,246,813.96)
Proceeds from sales of equipment	40,570.09	1,616,265.56
Leasehold rights acquisition	-	(1,366,505.68)
Intangible assets acquisition	(1,356,652.00)	(11,145,000.00)
<b>Net cash provided by (used in) investing activities</b>	<b>(271,872,442.14)</b>	<b>(75,142,054.08)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(342,000,000.00)	(210,000,000.00)
<b>Net cash provided by (used in) financing activities</b>	<b>(342,000,000.00)</b>	<b>(210,000,000.00)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(55,548,072.01)</b>	<b>(17,574,675.44)</b>
Cash and cash equivalents as at the beginning of the year	174,562,208.49	192,136,883.93
<b>Cash and cash equivalents as at the end of the year</b>	<b>119,014,136.48</b>	<b>174,562,208.49</b>

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, 2015**

**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 FINANCIAL STATEMENTS PREPARATION**

**2.1 Preparation of 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.

**2.2 Accounting standards and financial reporting standards adoption during the period**

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

**(a) Financial reporting standards that became effective in the current year**

The Company has adopted the revised (revised 2014) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements. However, some of these standards involve changes to key principles, which are summarized below:



**TAS 19 (revised 2014) Employee Benefits**

This revised accounting standard requires that the Company recognize actuarial gains and losses immediately in other comprehensive income while the former accounting standard allows the Company to recognize such gains and losses immediately in either profit or loss or other comprehensive income, or to recognize them gradually in profit or loss.

This revised accounting standard does not have any significantly impact on the financial statements as the Company and already recognize actuarial gains or losses immediately in other comprehensive income.

**TFRS 13 Fair Value Measurement**

This financial reporting standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this financial reporting standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value.

The effects of the adoption of this financial reporting standard are to be recognized prospectively.

This revised financial reporting standard does not have any significantly impact on the financial statements of the Company.

(b) Financial reporting standards in issue and revise but not yet effective

The Company has not adopted the following new and revised financial reporting standards that have been issued as at the reporting date but are not yet effective. The new and revised financial reporting standards are expected to become effective for annual financial statements period beginning on or after January 1, 2016 as following :

ContentsAccounting Standards

TAS 1 (Revised 2015)	Presentation of Financial Statements
TAS 2 (Revised 2015)	Inventories
TAS 7 (Revised 2015)	Statement of Cash Flows
TAS 8 (Revised 2015)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2015)	Events After the Reporting Period
TAS 11 (Revised 2015)	Construction Contracts
TAS 12 (Revised 2015)	Income Taxes

Contents

Accounting Standards

TAS 16 (Revised 2015)	Property, Plant and Equipment
TAS 17 (Revised 2015)	Leases
TAS 18 (Revised 2015)	Revenue
TAS 19 (Revised 2015)	Employee Benefits
TAS 20 (Revised 2015)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2015)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (Revised 2015)	Borrowing Costs
TAS 24 (Revised 2015)	Related Party Disclosures
TAS 26 (Revised 2015)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2015)	Separate Financial Statements
TAS 28 (Revised 2015)	Investments in Associates and Joint Venture
TAS 29 (Revised 2015)	Financial Reporting in Hyperinflationary Economics
TAS 33 (Revised 2015)	Earnings per Share
TAS 34 (Revised 2015)	Interim Financial Reporting
TAS 36 (Revised 2015)	Impairment of Assets
TAS 37 (Revised 2015)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2015)	Intangible Assets
TAS 40 (Revised 2015)	Investment Property
TAS 41	Agriculture

Financial Reporting Standards

TFRS 2 (Revised 2015)	Share-Based Payments
TFRS 3 (Revised 2015)	Business Combinations

Financial Reporting Standards

TFRS 4 (Revised 2015)	Insurance Contracts
TFRS 5 (Revised 2015)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (Revised 2015)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (Revised 2015)	Operating Segments
TFRS 10 (Revised 2015)	Consolidated Financial Statements
TFRS 11 (Revised 2015)	Joint Arrangements
TFRS 12 (Revised 2015)	Disclosure of Interests in Other Entities
TFRS 13 (Revised 2015)	Fair Value Measurement

Standing Interpretations Committee

TSIC 10 (Revised 2015)	Government Assistance - No Specific Relation to Operating Ac
TSIC 15 (Revised 2015)	Operating Leases - Incentives
TSIC 25 (Revised 2015)	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (Revised 2015)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (Revised 2015)	Service Concession Arrangements: Disclosures
TSIC 31 (Revised 2015)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (Revised 2015)	Intangible Assets - Web Site Costs

Financial Reporting Interpretations Committee

TFRIC 1 (Revised 2015)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (Revised 2015)	Determining Whether an Arrangement Contains a Lease
TFRIC 5 (Revised 2015)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

Financial Reporting Interpretations Committee

TFRIC 7 (Revised 2015) Applying the Restatement Approach under TAS 29 (Revised 2015)

*Financial Reporting in Hyperinflationary Economies*

TFRIC 10 (Revised 2015) Interim Financial Reporting and Impairment

TFRIC 12 (Revised 2015) Service Concession Arrangements

TFRIC 13 (Revised 2015) Customer Loyalty Programmers

TFRIC 14 (Revised 2015) The Limit on a Defined Benefit Asset, Minimum Funding

Requirements and their Interaction for TAS 19 (Revised 2015)

*Employee Benefits*

TFRIC 15 (Revised 2015) Agreements for the Construction of Real Estate

TFRIC 17 (Revised 2015) Distributions of Non - cash Assets to Owners

TFRIC 18 (Revised 2015) Transfers of Assets from Customers

TFRIC 20 (Revised 2015) Stripping Costs in the Production Phase of Surface Mine

TFRIC 21 Levies

Management has preliminary assessed of the potential initial impact's on the Company's financial statements of the revised financial reporting standards and expects that they will have no materials impact on the financial statements in the period of initial application.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Revenues and expenses recognition

##### *Revenues from sales*

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

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

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

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

##### *Other income and expenses*

Other income and expenses are recognized on accrual basis.

#### 3.2 Cash and cash equivalents

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

#### 3.3 Temporary investments

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

#### 3.4 Trade and other receivables

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

#### 3.5 Inventories

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

**3.6 Long-term investments**

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

**3.7 Property, plant and equipment**

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

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

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

Land and construction in progress were not depreciated.

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

**3.8 Leasehold rights**

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

### **3.9 Intangible assets**

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

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

### **3.10 Deferred tax asset**

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

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

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

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

### **3.12 Impairment of assets**

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

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

### 3.13 Related parties

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

### 3.14 Long-term lease

#### *Operating lease*

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

#### *Finance lease*

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

### 3.15 Transactions in foreign currencies

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

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



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

#### **3.16.1 Employee benefits**

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

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

#### **3.16. Provident fund**

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

### **3.17 Income tax**

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

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

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

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

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

### **3.18 Financial instruments**

Financial assets shown in statements of financial position consist of cash and cash equivalents, temporary investments, trade accounts receivable, pledged deposits with financial institutions, 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.

### **3.19 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 period related to allowance for devaluation of inventories at the statements of financial position date. Other estimates are further described in the corresponding disclosures.

### 3.20 Provisions

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

### 3.21 Measurement of fair values

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

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

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

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

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

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

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

### **3.22 Significant accounting judgements and estimates**

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

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

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

#### **Leases**

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

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

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

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

**Intangible assets**

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

**Deferred tax assets**

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

**Post-employment benefits under defined benefit plans and other long-term employee benefits**

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

**Deferred income for reward points**

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

**3.23 Basic earnings per share**

Earnings (Loss) per share as presented in the statements of comprehensive income is the basic earnings (loss) per share which is determined by dividing the profit for the year by the number of weighted average common shares issued and paid-up during the year.



For the year ended December 31, 2014, basic earnings (loss) per share is re-determined by the weighted average number of convertible ordinary shares as if the convertible share incurred since the first period of reporting the calculation of basic earnings per share presented as follows:

	<i>(Unit: Baht)</i>	
	Previously	
	reported	Restatement
Profit for the year	301,159,489.13	301,159,489.13
Number of ordinary shares issued	300,000,000	3,000,000,000
Basic earnings per share (Baht/share)	1.00	0.10

#### 4. CASH AND CASH EQUIVALENTS

	<i>(Unit: Baht)</i>	
	December 31, 2015	December 31, 2014
Cash	4,829,554.00	4,114,656.98
Current accounts	14,956,563.02	11,007,280.18
Savings deposit	98,391,864.71	108,906,662.83
Fixed deposit	-	50,000,000.00
Unbilled for credit card slip	836,154.75	533,608.50
Total	119,014,136.48	174,562,208.49

#### 5. TEMPORARY INVESTMENTS

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

	<i>(Unit: Baht)</i>			
	At interest rate per annum			
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Fixed deposits	2.00 - 3.00	2.75 - 3.20	620,000,000.00	380,000,000.00

**6. TRADE AND OTHER RECEIVABLES**

(Unit: Baht)

	December 31, 2015	December 31, 2014
<b>Trade accounts receivable</b>		
Related parties	2,372,218.72	891,671.18
Other parties		
- Franchise receivable	2,568,502.29	2,201,467.84
- Employees receivable	249,678.89	182,067.15
- Other parties receivable	20,623,080.56	4,572,429.48
- Sale with right of redemption agreement receivables	4,705,308.87	437,568.62
Total other parties receivable	28,146,570.61	7,393,533.09
Total trade accounts receivable	30,518,789.33	8,285,204.27
<b>Other receivables</b>		
Prepaid expenses	2,821,650.84	2,527,086.36
Accrued interest	984,444.78	5,576,464.81
Goods deposit	2,210,050.67	1,597,106.05
Advance payment	1,073,646.00	552,534.00
Suspense input tax	3,026,572.40	3,591,902.09
Others	291,377.67	131,511.24
Total other receivables	10,407,742.36	13,976,604.55
Total trade and other receivables	40,926,531.69	22,261,808.82

As at December 31, 2015 and 2014 the Company has outstanding trade accounts receivable classified by aging as follows:

(Unit: Baht)

	December 31, 2015	December 31, 2014
Trade accounts receivable due in term	25,024,272.55	7,446,379.14
Overdue trade accounts receivable		
- Less than 3 months	4,976,676.45	811,578.22
- Over 3 months but less than 1 year	517,840.33	27,246.91
Total trade accounts receivable	30,518,789.33	8,285,204.27

**7. INVENTORIES***(Unit: Baht)*

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Finished goods	225,032,557.55	220,754,173.16
Packaging	46,135,403.56	37,777,434.22
Work in process	19,169,181.46	28,515,925.22
Supplies	1,730,769.73	1,850,812.06
Total	292,067,912.30	288,898,344.66
Less Allowance for devaluation of inventories	(1,962,575.46)	(410,384.66)
Net	290,105,336.84	288,487,960.00

**8. RESTRICTED DEPOSITS WITH FINANCIAL INSTITUTIONS**

As at December 31, 2015 and 2014, the Company had fixed deposits with 10 months maturity in the amount of Baht 10 million at the interest rate of 2.75% per annum which is restricted on withdrawal due to guarantee against letters of credit line, trust receipts, foreign currency forward contracts with financial institutions.

**9. LONG-TERM INVESTMENTS**

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

## 10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2015 and 2014

	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
<b>Cost:</b>								
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
Acquisition	-	15,500.00	29,264,304.44	3,607,768.37	3,065,091.35	2,038,314.02	104,749,466.21	142,740,444.39
Disposal	-	-	(24,500.00)	(83,189.72)	-	-	-	(107,689.72)
Write off/adjustment	-	-	(7,571,115.03)	(378,732.21)	(623,215.04)	(3,900.00)	-	(8,576,962.28)
As at December 31, 2015	19,240,000.00	30,728,020.50	211,638,113.23	26,693,247.77	21,495,015.56	14,785,113.09	131,156,754.33	455,736,264.48
<b>Accumulated depreciation:</b>								
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)
Depreciation for 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)
Depreciation for the year	-	(1,824,001.23)	(33,784,285.16)	(3,874,640.82)	(4,500,218.29)	(1,813,338.82)	-	(45,796,484.32)
Depreciation for disposal	-	-	15,340.88	74,927.66	-	-	-	90,268.54
Write off/adjustment	-	-	4,826,845.15	320,787.47	593,313.99	2,907.69	-	5,743,854.30
As at December 31, 2015	-	(13,102,156.82)	(112,624,054.60)	(15,889,966.87)	(15,400,525.76)	(6,192,763.71)	-	(163,209,467.76)
<b>Net book value:</b>								
As at December 31, 2015	19,240,000.00	17,625,863.68	99,014,058.63	10,803,280.90	6,094,489.80	8,592,349.38	131,156,754.33	292,526,796.72
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

(Unit: Baht)

Depreciation for the year ended December 31, 2015 and 2014 amounted to Baht 45.80 million and Baht 41.51 million respectively.

As at December 31, 2015 and 2014, the Company has fixed assets at cost amount of Baht 50.77 million and Baht 33.94 million respectively which have been fully depreciated but are still in use.

## 11. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Cost:</b>		
Beginning balance as at January 1	22,075,486.48	20,708,980.80
Increase	-	1,366,505.68
Adjustment/ write off	(9,349,105.68)	-
At the end of the year	<u>12,726,380.80</u>	<u>22,075,486.48</u>
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	11,474,906.29	9,608,570.09
Amortization	1,439,135.06	1,866,336.20
Adjustment/ write off	(8,885,040.81)	-
At the end of the year	<u>4,029,000.54</u>	<u>11,474,906.29</u>
<b>Net book value</b>	<u><u>8,697,380.26</u></u>	<u><u>10,600,580.19</u></u>

Amortization of leasehold right for the year ended December 31, 2015 and 2014 amounted to Baht 1.44 million and Baht 1.87 million respectively.



**12. INTANGIBLE ASSETS**

	<i>(Unit: Baht)</i>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Computer software</b>		
<b>Cost:</b>		
Beginning balance as at January 1	14,650,394.44	3,648,394.44
Acquisition	465,372.00	11,002,000.00
Write off	(463,025.00)	-
Ending balance	14,652,741.44	14,650,394.44
<b>Accumulated amortization:</b>		
Beginning balance as at January 1	2,523,950.61	1,916,009.82
Amortization	1,460,285.14	607,940.79
Write off	(463,015.00)	-
Ending balance	3,521,220.75	2,523,950.61
<b>Net book value</b>	11,131,520.69	12,126,443.83
<b>Software under installation</b>		
Beginning balance as at January 1	7,949,000.00	9,031,440.00
Acquisition	891,280.00	143,000.00
Write off	(271,500.00)	(1,225,440.00)
Ending balance	8,568,780.00	7,949,000.00
Less Allowance for devaluation of assets	(4,925,130.00)	-
Net	3,643,650.00	7,949,000.00
<b>Total</b>	14,775,170.69	20,075,443.83

Amortization of intangible asset for the year ended December 31, 2015 and 2014 amounted to Baht 1.46 million and Baht 0.61 million respectively.

**13. DEFERRED TAX ASSETS**

	<i>(Unit :Baht)</i>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Deferred tax assets	8,219,866.57	3,544,023.96
Deferred tax liabilities	-	-
Net	8,219,866.57	3,544,023.96

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

(Unit :Baht)

	As at December 31, 2013	Expense (income) in statement of income	As at December 31, 2014	(income) in statement of income	Expense As at December 31, 2015
Deferred tax assets					
Allowance for devaluation of goods	47,808.03	34,268.91	82,076.94	310,438.15	392,515.09
Allowance for devaluation of aset	-	-	-	985,026.00	985,026.00
Employee benefit obligations	319,887.40	824,914.80	1,144,802.20	235,171.40	1,379,973.60
Deferred income for reward points	1,109,788.84	1,207,355.98	2,317,144.82	2,455,567.12	4,772,711.94
Accrued expenses	-	-	-	689,639.94	689,639.94
Provisions	41,428.56	(41,428.56)	-	-	-
<b>Total</b>	<b>1,518,912.83</b>	<b>2,025,111.13</b>	<b>3,544,023.96</b>	<b>4,675,842.61</b>	<b>8,219,866.57</b>

Income tax expenses for the year ended December 31, 2015 and 2014 can be summarized as follows:

(Unit :Baht)

	2015	2014
<i>Current tax:</i>		
Income tax for the year	105,000,243.04	77,049,301.68
<i>Deferred tax :</i>		
Deferred tax (income) derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	(4,675,842.61)	(1,416,845.53)
Income tax expenses in statements of comprehensive income	100,324,400.43	75,632,456.15
Income tax (income) related actuarial loss directly recorded to other comprehensive income	-	(608,265.60)
<b>Total</b>	<b>-</b>	<b>(608,265.60)</b>

year ended December 31, 2015 and 2014 can be presented as follows:

	(Unit :Baht)	
	2015	2014
Accounting profit before income tax	502,817,576.75	376,791,945.28
Income tax rates	20%	20%
Accounting profit before income tax multiply by tax rates	100,563,515.35	75,358,389.05
<i>Taxable effects for :</i>		
Accounting base differ from tax base		
different from expenses	(239,114.92)	274,067.10
Total	(239,114.92)	274,067.10
Income tax expenses presented in statements of		
comprehensive income	100,324,400.43	75,632,456.15
Effective income tax rate	19.95%	20.07%

#### 14. OTHER NON-CURRENT ASSETS

	(Unit: Baht)	
	December 31, 2015	December 31, 2014
Rental and services deposit	83,907,391.66	76,535,013.51
Others	4,744,212.84	2,450,644.08
Total	88,651,604.50	78,985,657.59

## 15. TRADE AND OTHER PAYABLES

(Unit: Baht)

	December 31, 2015	December 31, 2014
Trade accounts payable		
Related parties	2,500,000.00	1,000,000.00
Other parties	132,158,251.38	77,687,565.22
Total trade accounts payable	134,658,251.38	78,687,565.22
Other payables		
Accrued expenses	64,857,338.17	30,188,476.07
Revenue Department payable	9,660,069.58	9,570,888.56
Assets payables	19,525,491.72	11,259,235.68
Amount received advance for goods	16,804,787.33	487,071.65
Deferred income for reward points	23,863,559.69	11,585,724.11
Others	3,587,483.50	912,497.09
Total other payables	138,298,729.99	64,003,893.16
Total trade and other payables	272,956,981.37	142,691,458.38

Fair value of deferred income for reward points

Deferred income is calculated on the estimates of exercise right of the reward points earned by the customers and average reward prices in the current which categorized into level 3 fair value (note 3.21).

## 16. EMPLOYEE BENEFIT OBLIGATIONS

Long-term employee benefit obligations are compensation paid to employees when they retired for the year ended December 31, 2015 and 2014, are as follows:

(Unit: Baht)

	2015	2014
Employee benefit obligations as at January 1	5,724,011.00	1,599,437.00
Current costs of services and interest	1,175,857.00	1,083,246.00
Actuarial loss recognized in statement of other comprehensive income during the year	-	3,041,328.00
Employee benefit obligations as at December 31	6,899,868.00	5,724,011.00

Long-term employee benefit expense for the year ended December 31, 2015 and 2014 recognized in administrative expenses in profit or loss.

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

	<i>(Unit : Baht)</i>	
	<b>2015</b>	<b>2014</b>
Financial assumptions	-	(188,391.00)
Demographic assumptions	-	2,640,307.00
Experience adjustment	-	589,412.00
<b>Total</b>	<b>-</b>	<b>3,041,328.00</b>

Significant actuarial assumptions are summarized below:

	% per annum
Discount rate	
For monthly staff	4.76
For daily staff	4.92
Salary increase rate	
For monthly staff	7.05
For daily staff	4.94
Turnover rate	
For monthly staff	0 - 63
For daily staff	0 - 82
Mortality rate	
For monthly staff and daily staff	According to Thailand TMO 2008 tables

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at December 31, 2015 are summarized below:

	<i>(Unit : Baht)</i>	
	Increase	Decrease
Discount rate (0.5% movement)	(6,595,335.00)	7,223,125.00
Future salary increase rate (0.5% movement)	7,272,093.00	(6,548,271.00)
Turnover rate (1% movement)	(6,099,527.00)	7,814,860.00



**17. TRANSACTION WITH RELATED PERSONS AND PARTIES**

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

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

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

<u>Related transactions</u>	<u>Pricing policy</u>
Revenues from sales (franchise)	Market price as applicable to other franchises
Other income	As indicated in agreement
Purchase of goods	Market price as applicable to major customers
Land with its construction rental	As indicated in agreement
Land rental	As indicated in agreement
Land lease agreement obligations	As indicated in agreement

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

(Unit: Baht)

	For the year ended 31 December	
	2015	2014
<b>Revenues from sales</b>		
C&N International Ordinary Partnership	8,431,832.08	6,623,440.64
<b>Other income</b>		
C&N International Ordinary Partnership	14,805.00	5,985.00
<b>Purchase of goods</b>		
Bevita International Co., Ltd.	12,355,140.18	10,280,373.83
<b>Land with its construction rental</b>		
Mrs. Tanyapon Kraibhubes	348,000.00	348,000.00
<b>Land rental</b>		
Mrs. Tanyapon Kraibhubes	1,276,293.00	1,276,293.00

17.2 The balance with its related persons and parties as at December 31, 2015 and 2014 are as follow:

(Unit: Baht)

	December 31, 2015	December 31, 2014
<b>Trade accounts receivable</b>		
C&N International Ordinary Partnership	2,372,218.72	891,671.18
<b>Trade accounts payable</b>		
Bevita International Co., Ltd.	2,500,000.00	1,000,000.00
<b>Accrued rental</b>		
Mrs. Tanyapon Kraibhubes	2,552,586.00	1,276,293.00

### 17.3 Lease agreement obligations

17.3.1 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 whichever is earlier until the maturity of lease period). However, the Company started to record rental since January 1, 2014 onwards. The construction structured on such lease land was not transferred the ownership to the lessor, the lessee should dismantled such construction when the lease is terminated.

As at December 31, 2015, the Company is liable on payment the remaining rental under lease agreement as follows:

(Unit:Baht)

Payment within

1 year	874,800.00
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Over 1 year not exceed 5 years	3,761,640.00
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Over 5 years (to 30 years)	31,902,750.00
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Total	36,539,190.00
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17.3.2 As at December 31, 2015, the Company is liable on payment the remaining rental as follows:

(Unit:Baht)

Payment within

1 year	348,000.00
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Over 1 year not exceed 5 years	696,000.00
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Total	1,044,000.00
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**18. SHARE CAPITAL**

According to the minutes of annual shareholders' general meeting for the year 2015 held on April 24, 2015, passed the resolution to approve the changes in par value of share capital from Baht 1 each for 300,000,000 shares amounting to Baht 300 million to Baht 0.10 each for 3,000,000,000 shares amounting to Baht 300 million. The Company has registered the changes in par value of share capital with the Ministry of Commerce on May 8, 2015.

**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 2015 held on April 24, 2015, passed the resolution to pay dividend from the result of operation for the year 2014 to the shareholders for 300 million shares at Baht 0.99 each, totally amount of Baht 297 million which was made interim dividend payment at Baht 0.35 per share, totally amount of Baht 105 million, the remaining dividend to be paid at Baht 0.64 per share, amount of Baht 192 million. The Company has already paid such dividend on May 22, 2015.

**20.2 Interim dividend**

According to the minutes of Board of directors No. 4/2015 held on August 13, 2015, passed the resolution to pay interim dividend from the results of operation for the six-month periods ended June 30, 2015 to the shareholders whose the name listed in the register as at August 28, 2015 for 3,000 million shares 0.05 amounting to Baht 150 million which will be paid on September 14, 2015.

**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, 2015 amount of Baht 2.28 million.

## 23. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2015 and 2014 as follow:

	<i>(Unit:Baht)</i>	
	2015	2014
Changes in finished goods		
and work in progress	5,068,359.37	(111,308,787.49)
Purchase of goods	591,729,748.53	556,046,488.70
Employee benefit expenses	269,434,168.84	220,338,984.80
Management benefit expenses	21,193,679.90	17,550,369.94
Directors’ remuneration	1,846,228.92	1,492,372.34
Depreciation and amortization	48,695,904.52	43,982,730.65
Rental and services	218,992,869.58	189,892,554.50
Advertising and sale promotion expenses	27,337,850.38	17,240,177.46
Loss on devaluation of inventories	1,552,190.80	171,344.53
Loss on devaluation of asset	4,925,130.00	-



**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 volumn, so therefore, 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, 2015 as follows:

*(Unit:Baht)*

Payment within	
1 year	199,705,663.26
Over 1 year but less than 3 years	148,492,118.95
Total	<u>348,197,782.21</u>

- 25.2 The Company is liable on payment for the capital expenditure as at December 31, 2015 amount of Baht 9.90 million.

- 25.3 The Company is liable on payment for computer software installation as at December 31, 2015 amount of Baht 3.83 million.

- 25.4 The Company is liable on payment for commitment under lease of car as at December 31, 2015 amount of Baht 2.24 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 3.18, and disclosure and presentation of financial instruments. The Company has a risk in respect of such financial instruments and has management risk policy as follow:

***Credit risk***

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

***Interest rate risk***

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

***Exchange rate risk***

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

**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, 2015, the Company has debt to equity ratio equal to 0.30 fold.

**28. RECLASSIFICATION**

The financial statements as at December 31, 2014 were reclassified for appropriately and corresponding with the presentation in the financial statements for year ended December 31, 2015 have been reclassified as follows:-

	(Unit:Baht)		
	Before		After
	Reclassified	Reclassified	Reclassified
Statements of financial position			
Temporary investments	390,000,000.00	(10,000,000.00)	380,000,000.00
Restricted deposits with financial institutions	-	10,000,000.00	10,000,000.00

**29. EVENTS AFTER THE REPORTING PERIOD**

According to the minutes of Board of directors' meeting No. 2/2016 held on February 25, 2016, passed the resolution as follows:

1. Propose to the shareholders' general meeting for payment the dividend from the 2015 results of operations to the shareholders for 3,000 million shares at Baht 0.133 each, amounting to Baht 399 million. The Company has already paid interim dividend in 2015 at Baht 0.05 per share amounting to Baht 150 million, the remaining dividend to be paid of Baht 0.083 per share amounting to 249 million.
2. Propose to the shareholders' general meeting for issuance and offering warrants to purchase ordinary shares of the Company for 22,610,000 units to the directors who are the Company's management and employees.
3. Propose to the shareholders' general meeting for approval the increase share capital for another Baht 2,261,000.00 divided into 22,610,000 ordinary shares at par of Baht 0.10 each from Baht 300,000,000.00 to Baht 302,261,000.00 to reserve the exercise right of warrants issuance as per No.2.

**30. FINANCIAL STATEMENTS APPROVAL**

These financial statements were approved and authorized for issue by the Company's Board of directors on February 25, 2016.