

BEAUTY

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

LIVE A
BEAUTIFUL
LIFE

ANNUAL
REPORT 2016



รัชกาลที่ ๙

พระบาทสมเด็จพระปรมินทรมหาภูมิพลอดุลยเดช

มหิตลธิเบศรรามาธิบดี จักรีนฤพดินทร

สยามินทราธิราช บรมนาถบพิตร

สถิตในดวงใจ
ตราบนิจนิรันดร์

น้อมศิริระกราน
กราบแทบพระยุคลบาท

ด้วยสำนึกในพระมหากรุณาธิคุณ
เป็นล้นพ้นอันหาที่สุดมิได้

ข้าพระพุทธเจ้า คณะผู้บริหาร พนักงาน บุคลากร และผู้ถือหุ้น
บริษัท บีวตี้ คอมมูนิตี้ จำกัด (มหาชน)







รัชกาลที่ ๑๐

“สมเด็จพระเจ้าอยู่หัวมหาวชิราลงกรณ
บดินทรเทพยวรางกูร”

ขอพระองค์ทรงพระเจริญ
LONG LIVE THE KING

ข้าพระพุทธเจ้า คณะผู้บริหาร พนักงาน บุคลากร และผู้ถือหุ้น
บริษัท บิวตี้ คอมมูนิตี้ จำกัด (มหาชน)

BEAUTY

We believe that beauty is happiness. We would like to be the creator of beauty, inner and outer, for the healthy life.



COMMUNITY

Community of beauty , customer are the vital part. We continuously share tips , beauty secrets and conduct activities with our customers.

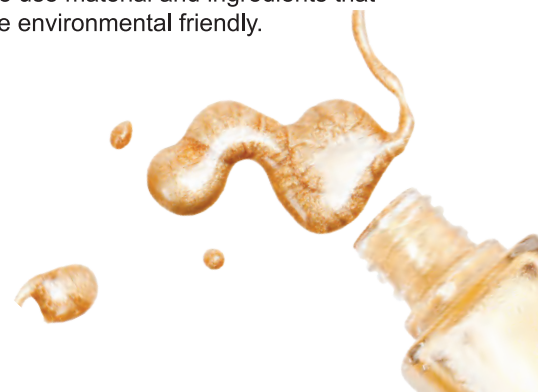


LIFE STYLE

We create new products to meet the need of new life style and changes.

ECO FRIENDLY

We use material and ingredients that are environmental friendly.





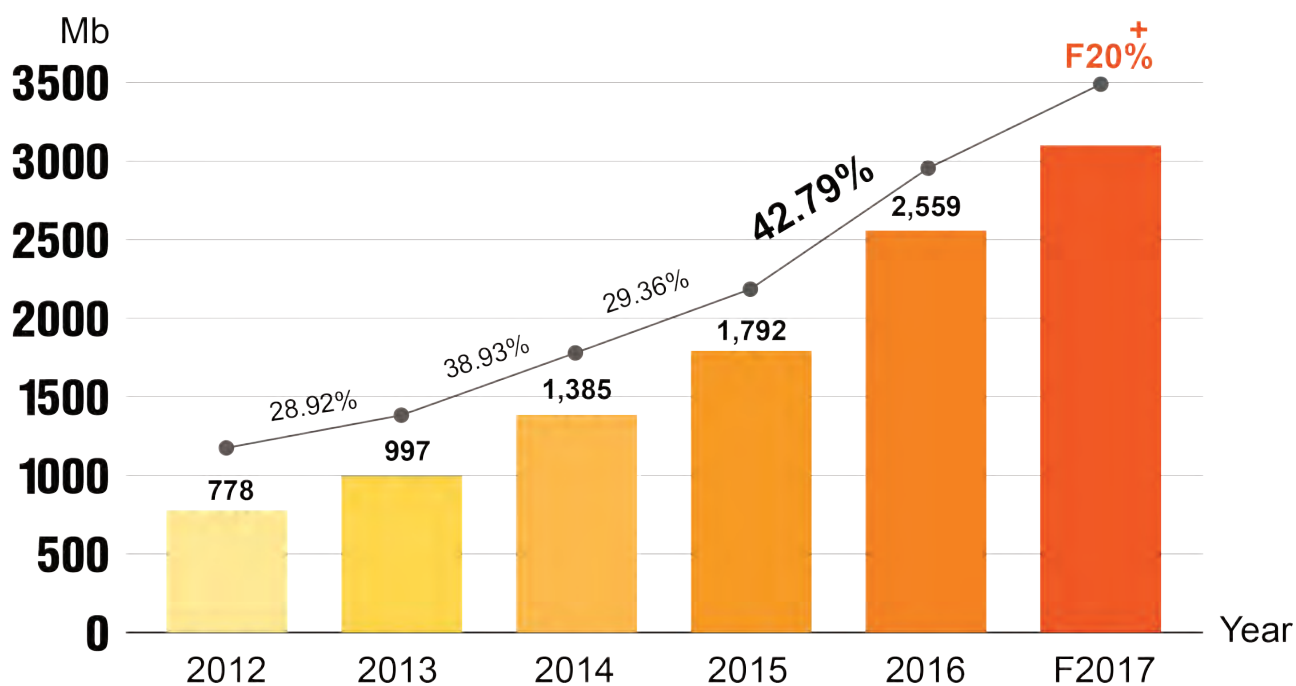
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Revenue & Trend



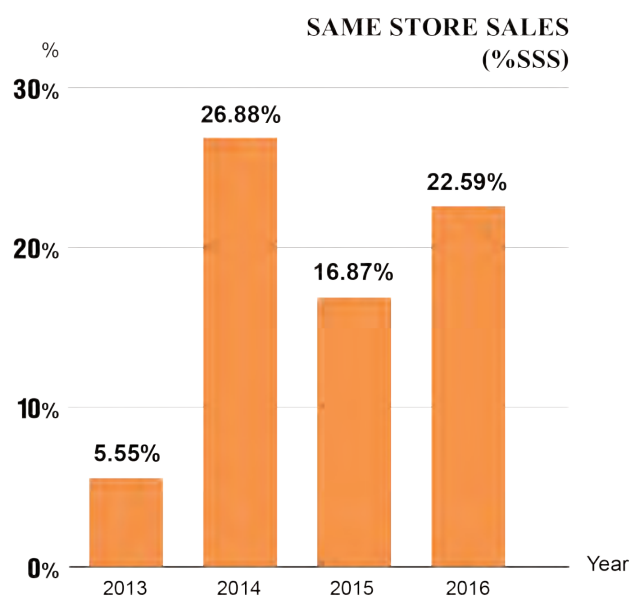
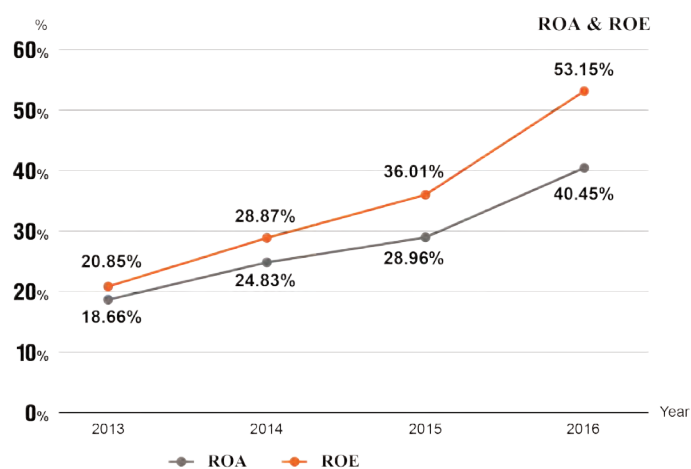
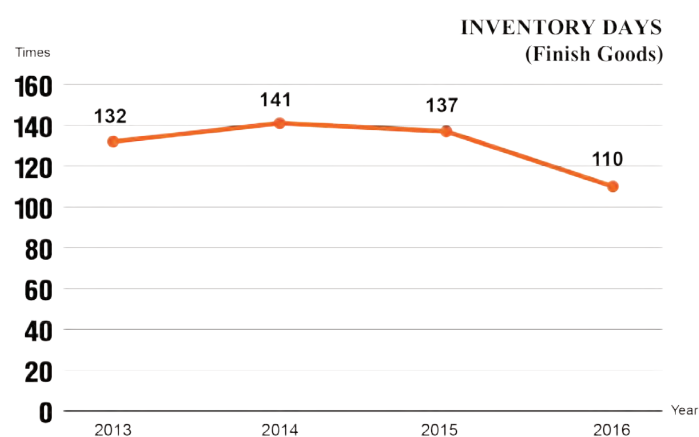
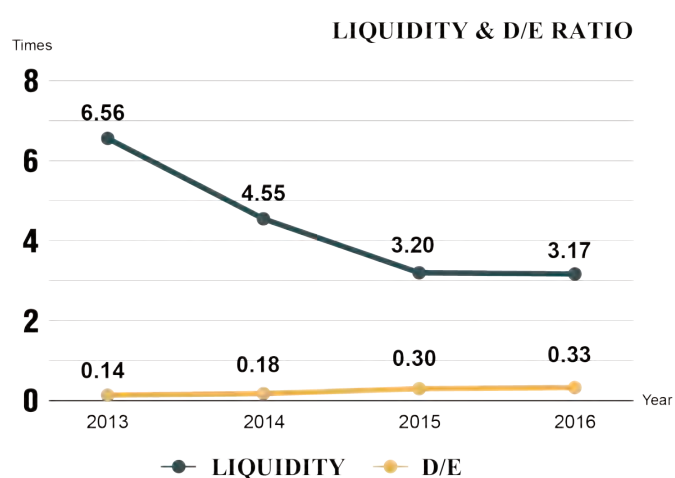
P&L 2016 Highlight

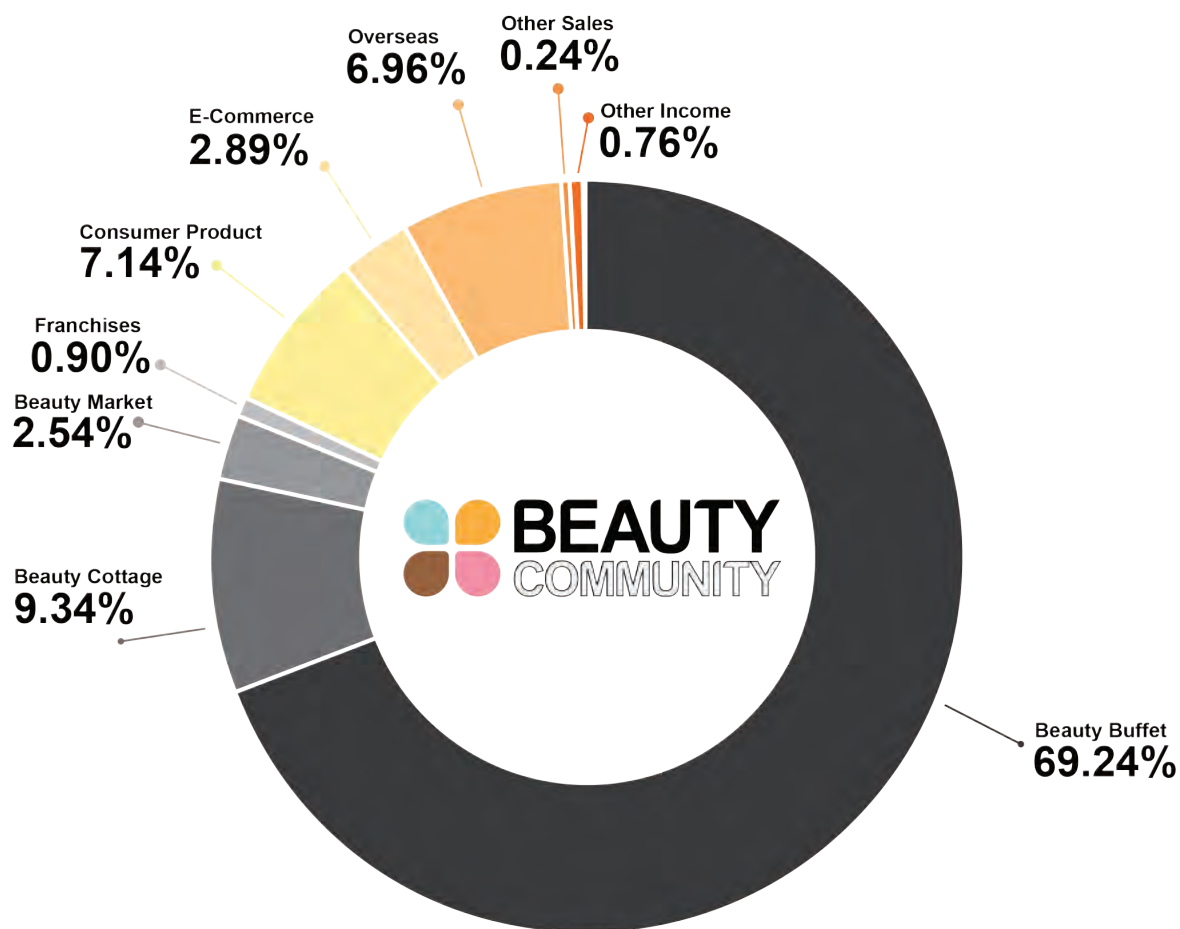
Profit & Loss (MB.)	2016	2015	YoY (%)
Revenue	2,558.84	1,792.03	42.79%
NPAT	656.01	402.49	62.99%
%NPAT	25.64%	22.46%	3.18%
%GP	67.19%	66.93%	0.26%
%SG&A	35.35%	39.22%	-3.87%
%EBITDA	34.36%	30.97%	3.39%

Balance Sheet

ASSETS	2016	YoY
Cash and Temporary investments	896.87	21.36%
Inventories	373.89	28.88%
Total current assets	1,312.53	22.66%
Property, plant and equipment	303.80	3.85%
Total assets	1,750.55	17.26%

LIABILITIES & EQUITY	2016	YoY
Trade and other payables	315.71	15.66%
Total current liabilities	413.48	23.59%
Total liabilities	430.26	24.74%
Authorized share capital	300.00	0.00%
Retained earnings	459.08	57.46%
Total shareholder's equity	1,320.29	15.01%

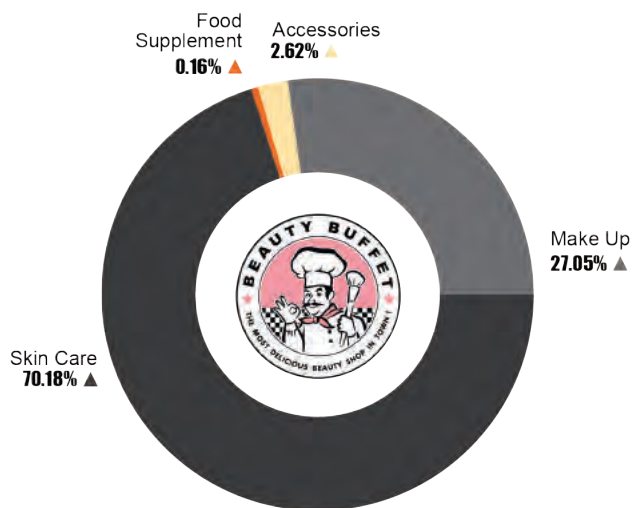




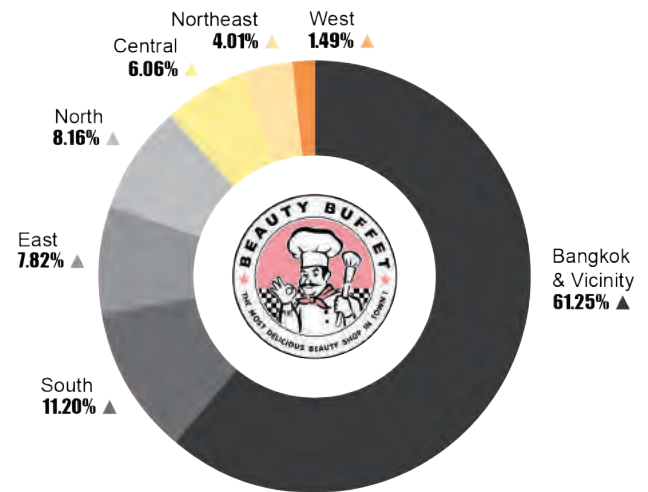
Sales by Channel

SHOP EXPANSION HIGHLIGHTS

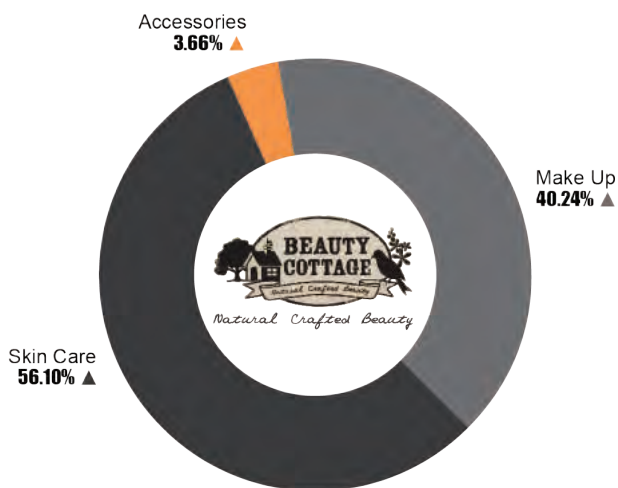




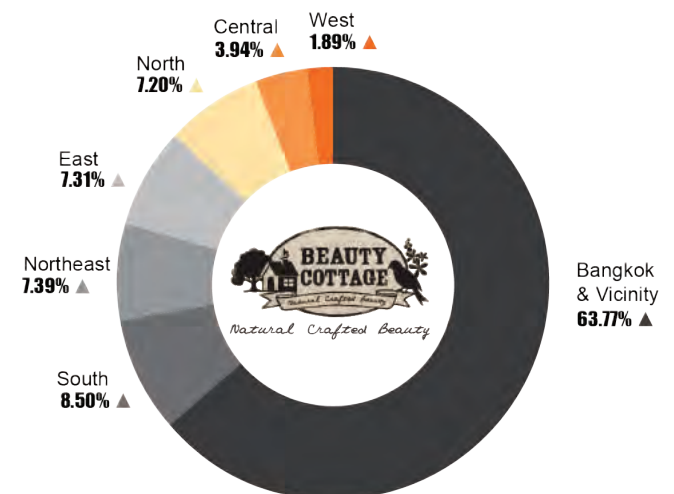
**Sales by Products
Beauty Buffet (BB)**



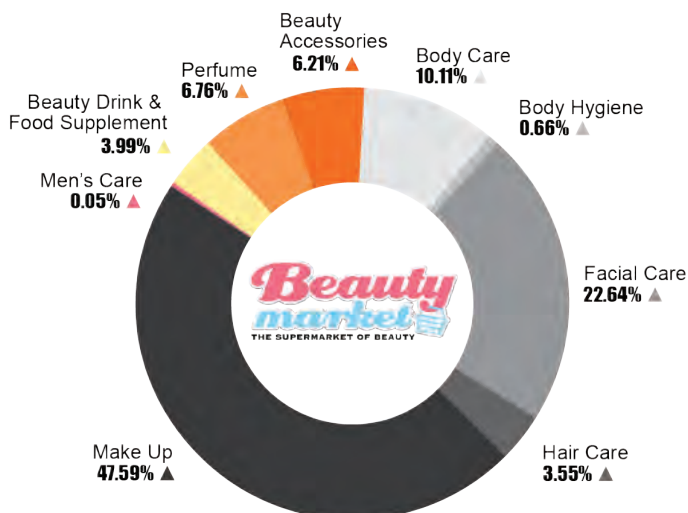
**Sales by Geographic
Beauty Buffet (BB)**



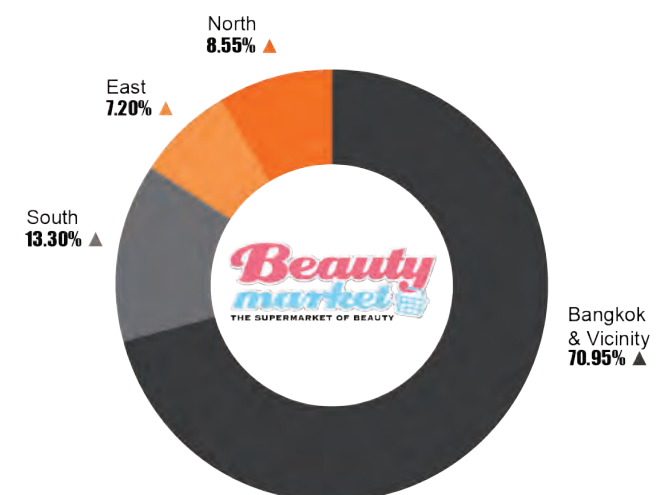
**Sales by Products
Beauty Cottage (BC)**



**Sales by Geographic
Beauty Cottage (BC)**



**Sales by Products
Beauty Market (BM)**



**Sales by Geographic
Beauty Market (BM)**



BEAUTY  AZA



A collage of beauty products and a woman. At the top left is a tube of mascara with its wand. Below it are two small round blush containers. In the center is an open compact of face powder with two shades. To the right of the powder is a pink, textured object. At the bottom left are social media icons for Facebook, LINE, Instagram, and YouTube. At the bottom right is a woman with short brown hair wearing sunglasses and a black top, carrying two shopping bags. The background is a mix of white and black geometric shapes.

- 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 to products of premium quality from carefully selected raw materials to excellent product image. The “Company” has a total registered capital of 302.26 million baht on December 31, 2016 in 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 5 forms including BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE, 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.

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.

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.

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 2016, Beauty Buffet had 332 retail branches nationwide and separate to independent shop 37 retail branches in oversea (Cambodia 6 branches , Vietnam 29 branches, Laos 1 branch and Myanmar 1 branch) which type of Shop in Shop Beauty Buffet had 138 retail branches (Indonesia 19 branches, Hong Kong 100 branches and Taiwan 19 branches. 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 Myanmar and Vietnam On 31 December 2016, Beauty Cottage had 71 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 by focus to open of branches by shopping centers and trade areas, department stores and large community. The first branch is Seacon Square Srinakarin on July 2013. On 31 December 2016, 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





Collagen 콜라겐 & Q10 앤 큐텐



“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” a total of 12 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 and cover to Modern Trade and leading Supermarket total of 18 places, 520 branches such as Big C Supercenter over 122 branches, Tesco Lotus 172 branches and Tops Supermarket 125 branches. Etc.



LIVE A
NATURAL
LIFE

MADE IN NATURE





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.

BEAUT Y
PLAZA



Summary of Overall Operation and Financial Status

Products of Beauty Buffet, Beauty Cottage and Beauty Market are distributed through retail shops and previously, the company expanded retail shops for distribution in Bangkok, vicinity and many provinces all over the country and it also increased distribution channel for Made in Nature and Girly Girl product through modern trade and traditional trade. This resulted in overall income of the company that continually grew up to 2,558.84 million baht in 2016 from 1,792.03 million baht in 2015 or it's accounted for 42.79% growth.

Income from main sale of the company was derived from distributing products through retail shop for 82.01%. Retail shop under brand "Beauty Buffet" had turnover in 2016 and 2015 for 1,771.68 million baht and 1,343.86 million baht accounted for 69.24% and 74.99% of total income respectively. Its growth was 31.83% as a result of the branch expansion in every region of the country to access more customers. As of the end of year 2016, total amount of branches in Thailand and foreign countries was 285 branches (248 domestic branches and 37 international branches) increasing for 29 branches from year 2015 that had only 256 branches (227 domestic branches and 29 international branches). However, skincare products, cosmetics, food supplement and beauty product had average ratio of distribution for approximately 70.18%, 27.05%, 0.16% and 2.62% respectively.

For retail shop under the brand "Beauty Cottage", as of the end of year 2016, there were total 74 branches (71 domestic branches and 3 international branches) increasing for a branch from 2015 with only 73 branches (70 domestic branches and 3 international branches). In 2016 and 2015, total income was 238.88 million baht and 202.60 million baht respectively accounted for 17.90% growth. Beauty Cottage Brand was focused on presenting products with natural extracts that have outstanding properties for skin nourishing. The average ratio of skin care product sales was at 56.10% while average ratio of cosmetic and beauty product was at 40.24% and 3.66% respectively.

Retail shop under the brand "Beauty Market": as of the end of 2016, there were 13 branches (all domestic branches) and in 2016 and 2015, total income was 64.94 million baht and 65.77 million baht respectively accounted for the decreasing growth at 1.27%. However, ratio of sales of each product was as follows,

cosmetics at 47.59%, facial care product at 22.64%, body care product at 10.11%, perfume at 6.76%, beauty product at 6.21%, hair product at 3.55%, food supplement at 3.99%, shower product at 0.66% and men product at 0.05%. Beauty Market shops had ratio of sales of its own products at 24.75% and other's products at 75.25%.

Distribution through franchise in 2016 and 2015 had total income of 22.94 million baht and 26.04 million baht respectively and it was accounted for the decreasing growth at 11.93%. Distribution through domestic and international wholesale channel in 2016 and 2015 had total income of 178.06 million baht and 51.17 million baht respectively or accounted for the growth at 247.99%. Distribution through consumer products channel in 2016 and 2015 had total income of 182.82 million baht and 40.81 million baht accounted for the growth of 348.02% and distribution through E-commerce in 2016 and 2015 had total income of 74.00 million baht and 34.94 million baht accounted for the growth at 111.76%

Cost of Goods Sold (COGS) in 2016 and 2015 was 833.11 million baht and 586.42 million baht respectively accounted for the gross profit at 67.19 % and 66.93% respectively. Gross profit in 2016 was slightly higher than in 2015 because the Company managed inventories effectively which was in accordance with average duration of selling instant products at 110 days in 2016 and 137 days in 2015. It included better bargaining power for production as a result of economy of scale leading to higher gross profit in 2016 when compared with 2015.

The company had net profit in 2016 and 2015 for 656.01 million baht and 402.49 million baht respectively accounted for net profit of 25.64% and 22.46% respectively. However, net profit of the Company that increased continually net profit ration elevated because of quick expansion of Beauty Buffet, Beauty Cottage and Beauty market along with higher income while fixed cost increased in lower rate than turnover resulting in economy of scale in business operation. This reflected effective expense control of the Company.

Financial Status Summary

As of 31 December 2016 and 2015, the company had total asset of 1,750.55 and 1,492.92 million baht respectively. In 2016, current asset was 1,312.53 million Baht accounted for 74.98 % of total asset such as cash and equivalent in amount of 216.87 million baht accounted for 12.39% of total asset and temporary investment of 680.00 million Baht accounted for 38.85%, inventory at 373.89 million baht accounted for 21.36% of total asset with duration of instant product distribution or 110 days. Account receivable and others were 41.77 million baht which was very low because almost products were distributed with cash and there were no account receivables that made overdue payment more than 1 year. The company had non-current asset of 438.02 million baht accounted for 25.03% of total asset such as land, building, and equipment which contained net value of 303.80 million baht accounted for 17.35% of total assets.

Total liability as of 31 December 2016 was 430.26 million baht and the company relied on liquidity from cash and credit term from account payables. Therefore, almost liability of the company was in format of current liability in amount of 413.48 million baht. The majority was account payable and other creditors in amount of 315.71 million baht and the company had shareholder's equity as of 31 December 2016 in amount of 1,320.29 million baht accounted for debt to equity at 0.33. It's obvious that the company used fund source for operating business mostly from shareholder's equity leading to low financial risk with liquidity in business operation.



The Board Of Directors' Report

The Cosmetic and Beauty industry has been posting continual growth and expansion every year. Thailand Cosmetic and Beauty industry is worth approximately Bt600 billion, with an annual average growth rate of 9-10%, which is always higher than the GDP of the country. The industry is expected to continue the growth trend as women and men of all ages now pay more attention to their personal appearance. The industry is a highly competitive arena and in today's technology and social media driven world consumers gain more practical knowledge they need to help them make informed decisions, the businesses must be able to keep up with ever-changing consumers' needs and behavior.

However, the Company's strategy takes the above into account. Throughout the years, to fulfill customers' needs and expectations, the company has been improving its product designs with the goal of creating unique and stylish products, at a reasonable price with high quality. To reach more target customers, we continued to power our ecommerce solutions and expand our retail and distribution channels for both domestic and overseas. At the end of 2016, the Company had a total of 332 retail branches nationwide, 40 independent retail shops in CLMV countries and 138 shops in Hong Kong, Taiwan and Indonesia. The Company's performance for the year 2016 was outstanding achievement with operating revenue of Bt2,558.84 million, increased Bt766.81 million or 42.8% compared to Bt1,792.03 million last year, the net profit was Bt656.01 million increased Bt253.52 million or 63.0% compared to Bt402.49 million last year.

Finally, on behalf of the Board of Directors, the Company would like to thank shareholders, customers, business partners and employees for their cooperation. The management is determined to lead the Company to sustainable growth and success. The Company will operate its business with transparency and good governance, and aware of social responsibility, with the best interest of all.

The Board of Directors
Beauty Community Public Company Limited

Message From The Chief Executive Officer

17 year in business and 5 years as a public company listed on the Stock Exchange of Thailand and the Company's performance continues to grow. In 2016 BEAUTY was consecutively added to SET 100 Index, MSCI Global Small Cap Indexes and FTSE SET Mid Cap Index, this indicating strong financial structure, the growth potential and operating performance of the company. On June 2016, the company held the opening ceremony of its new facilities, including office building, digital media center, warehouse, training center and dormitory. The facilities Promote sales potential and increase the efficiency of the company's internal operations. These new facilities help increase sales and operation performance and to support future business growth.

Fiscal 2016 was the Company's most successful year ever, with the operating revenue of Bt2,558.84 million, increased 42.8% compared to Bt1,792.03 million last year, the net profit was Bt656.01 million, increased 63.0% compared to Bt402.49 million last year and Same Store Sales Growth was at 22.59%. For the past years, the company continues to grow at a high rate. In 2017, the company has a policy develop and invest in many aspects to help support sustainable growth and enhance organizational creativity and dynamics to keep up with ever-changing consumers' behavior. The company plans to develop new innovations and enhance existing products to meet the customers' needs, trends and lifestyles. In addition, we will focus on expanding into new sales and distribution channels which have profit potential and enhance the existing channels. The Company also has a policy to utilize data and information to create business advantages and increase customer engagement and make customers get more involved in sales activities.

For year 2017, the Company targets its revenue at no less than Bt3,100 million or at least 20% in revenue growth and maintains net profit of at least 20%. The company plans to open 50 domestic retail stores, including Beauty Buffet 30 stores, Beauty Cottage 15 stores and Beauty Market 5 stores. In terms of overseas expansion, we plan to open 14 independent-shop concept stores and 10 shop-in-shop concept stores. To drive the business growth the company will penetrate and expand more into other sales and distribution channels including Modern Trade, Convenience Stores and E-commerce. We have Bt160 million in CAPEX for branch expansion, information technology improvement and renovating the old facilities to make it a happy workplace.

On behalf of management and employees, I would like to express my gratitude toward shareholders, customers and business partners who have always support our operations. Finally, I promise to lead the Company to sustainable growth and success.

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) 77 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 Marchal General

% of Shareholding - None -

Dr. PEERAPONG KITIVESHPOKAWAT

Dr. PEERAPONG KITIVESHPOKAWAT

Position Independent Director and Chairman of Audit Committee

Age (year) 56 years old

Educational Qualification

- Bachelor of Science, Chiangmai 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.
- Doctor of Management, Sripatum University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Works experiences last five years

- 2011 – Present Chairman of Audit Committee and Independent Director of Beauty Community PCL
- 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) 41 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 last five years

- 2014 - Present Executive Director of Grand Audit Co., Ltd.
- 2015 – Present Audit Committee and Independent Director of Dental Corporation PCL.
- 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 Qualification

- 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
- Global Business Leaders Program (GBL) from LEAD Business and Cornell University

Works experiences last five years

- 2017 – Present CEO / Director / Acting of Director of Product Development & Purchasing Division, Beauty Community PCL
- 2000 – 2016 CEO / Director / Deputy Director of Marketing Division and Deputy Director of Product Development & Purchasing Division, Beauty Community PCL

% of Shareholding 17.47%



Col. ATTAPON SRISANGWARN

Col. ATTAPON SRISANGWARN

Position Independent Director and Audit Committee

Age (year) 50 years old

Educational Qualification

- 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

Works experiences last five years

- 2016 – Present Assistant Attached to the Member of the National Legislative Assembly
- 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) 48 years old

Educational Qualification

- Certificate in Nursing, Boromarajonani College of Nursing, Phayoa
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors
- Academy of Business Creativity (ABC), Institutional development of creative business, Sripatum University

Works experiences last five years

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

% of Shareholding 8.47 %

PRATYA LEVAN

Mr. PRATYA LEVAN

Position Director/Executive Director/Director of Information Technology
Age (year) 48 years old

Educational Qualification

- 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

Works experiences last five years

2012 – Present Director / Executive Director / 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 MALAUKARANUN

Ms. MONSOOTHATIP MALAUKARANUN

Position Director
Age (year) 41 years old

Educational Qualification

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

Works experiences last five years

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 0.67%

SIRIKAN PHATTIVERANON

Ms. SIRIKAN PHATTIVERANON

Position Executive Director/Director of Operations Department/
Deputy Director of Marketing Division

Age (year) 51 years old

Educational Qualification

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

Educational Qualifications

2017 – Present Executive Director / Operations Director/
Acting of Director of Marketing Division,
Beauty Community PCL
2012 – 2016 Executive Director / Director Of Operations Division,
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/Finance Director

Age (year) 52 ปี

Educational Qualification

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

Works experiences last five years

- | | |
|----------------|--------------------------------------------------------------------------------------|
| 2017 – Present | Executive Director / Finance Director,
Beauty Community PCL |
| 2011 – 2016 | 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 Business Productivity Development Unit/
Deputy Director of Inventory & Office Management Division

Age (year) 42 years old

Educational Qualification

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

Educational Qualifications

- | | |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2017 – Present | Executive Director/ Director of Business Productivity
Development Unit / Acting of Director of Inventory &
Office Management Division, Beauty Community PCL |
| 2012 – 2016 | Executive Director / Director of Inventory &
Office Management Division, Beauty Community PCL |
| 2006 – 2012 | Inventory and Delivery Division Manager, and Advisor
of Human Resources and Administration Division |

% of Shareholding 0.04 %





Nomination and Compensation Committee

1. Dr. PEERAPONG KITIVESHPOKAWAT
CHAIRMAN OF NOMINATION AND COMPENSATION COMMITTEE
2. Mr. VIBOON POJANALAI
NOMINATION AND COMPENSATION COMMITTEE
3. Dr. SUWIN KRAIBHUBES
NOMINATION AND COMPENSATION COMMITTEE



Audit Committee

1. Dr. PEERAPONG KITIVESHPOKAWAT
CHAIRMAN OF AUDIT COMMITTEE
2. Mr. VIBOON POJANALAI
AUDIT COMMITTEE
3. Col. ATTAPON SRISANGWARN
AUDIT COMMITTEE



Executive Committee

1. Dr. SUWIN KRAIBHUBES
CHIEF EXECUTIVE OFFICER
2. Mr. PRATYA LEVAN
EXECUTIVE DIRECTOR
3. Mr. SURAPON PHETKLUENG
EXECUTIVE DIRECTOR
4. Mr. NATTAPONG KHUEANPHAN
EXECUTIVE DIRECTOR
5. Ms. SIRIKAN PHATTIVERANON
EXECUTIVE DIRECTOR

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED, MANAGEMENT TEAM



VISION & MISSION

VISION & MISSION

Beauty Community Public Company Limited



Corporate's Philosophy

“ Creative Dynamic Sustainable “

Vision

“ We Create Beauty Products For a Beautiful Life “

Mission

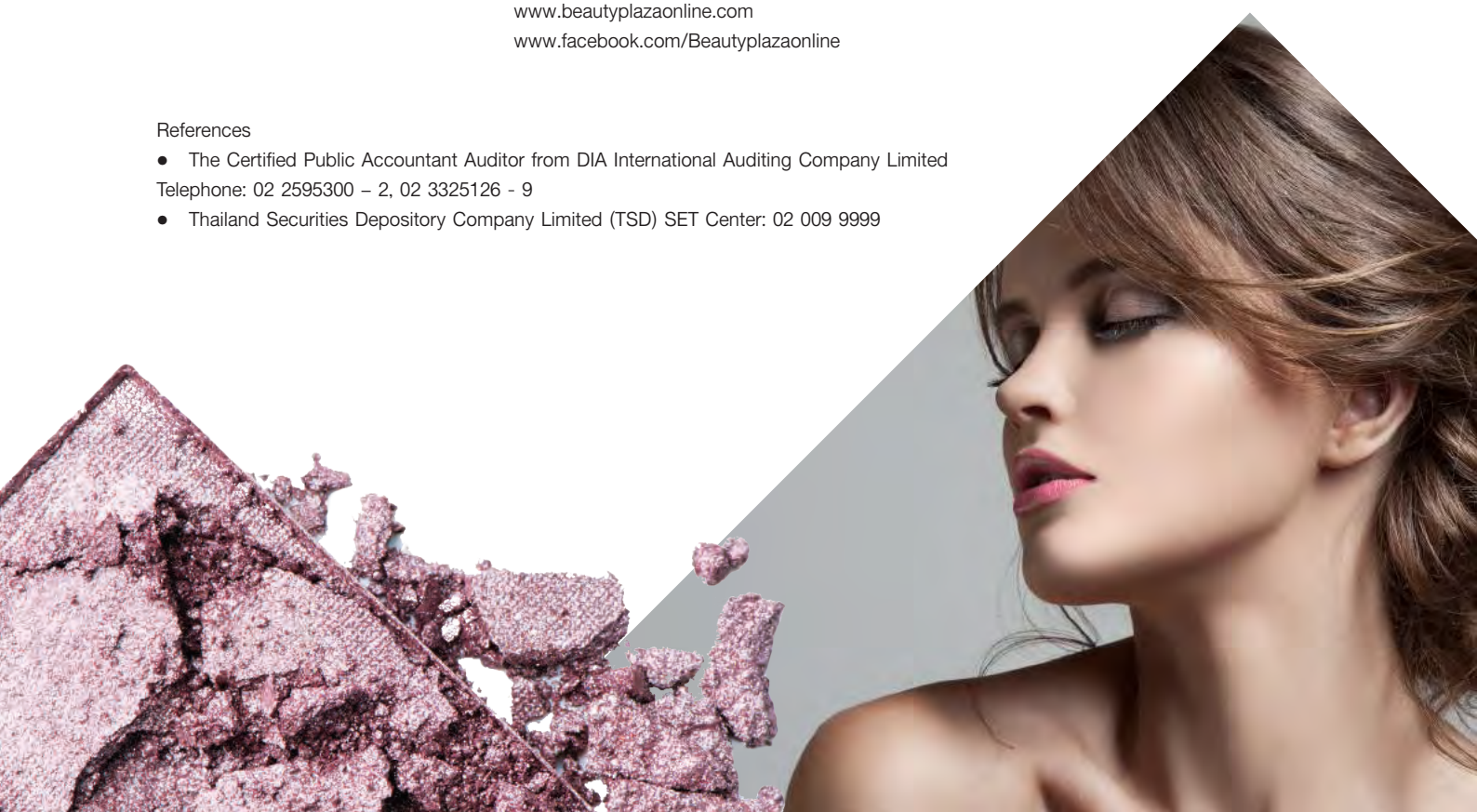
1. Creating the modern high quality beauty products for support the demands of modern life style.
2. Presenting the products to the targeted customers by expanding distribution channels to be more famous and thoroughly the overall regions and country.
3. Developing competitive abilities of the organization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

General Information of the Company

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

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 2016 and 2015 the company's total revenue from selling Beauty Buffet products was THB 1,771.68 THB and 1,343.86 THB, or 69.24 % and 74.99 % 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 SKUs. Made In Nature 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 2016, the Company commenced the development of distribution channel in e-commerce forms including Facebook: Beautyplazaonline and website: Beautyplazaonline.com. There is also increasing channel sales to foreign countries both of CLMV and AEC and Asia such as Hong Kong, Taiwan too.

Therefore, the company 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, 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.

● *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 the 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 2,000 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 2016 and 2015 were 15.46% and 10.70% 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 2016 and 2015 the company's inventory proportion were 21 % and 19 of total assets respectively, and the average selling period were 110-137 days (calculated from the existing goods including the packages. The average selling period of ready-made products were 143-153 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 groups 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 2016, the company's had 332 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 store-front selling of every Beauty Buffet Beauty Cottage and Beauty Market branch, which is linked to all the inventories of the company. The system is also set to keep the existing products database, customers data and others and, consequently, if any errors occur it might have an impact on the company's business.

The Point of Sales (POS) program of each shop has individual processing system and is connected with the company's inventory data at the end of every day. If any errors occur at one shop, the others will not be effected. Moreover, the company has a policy to support the errors by coaching the employees to sell its products and issue the bills without using the computer system. In the past, there were some errors of POS program occurring, but the company managed to solve the problems within a short amount of time without any impact on the company's performance. As for the inventory management system via C-Smile program, the company has always backed up it 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 Korea, China, Indonesia and Austria manufacturers, and pay their service fee in USD, while all of the company's products are sold in THB. This cause the company to expose risk of currency exchange in case of THB depreciation. However, the total order value in foreign currency in 2016 and 2015 amounted to 6-9 million per annum, less than 2% 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 Kraibhubes 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 Kraibhubes 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 Kraibhubes Group reduced to be remained at 47.19 %of the Company's number of shares, resulting in no risk exposed by the Company from the combination of the Company's major shareholders for over than 50%.

However the company is aware of the risks and thus forms a committee consisting of external parties which are 4 independent committees as the chairmen of the committee. 3 of 8 committees are appointed as audit committees to audit and equipoise 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 Kraibhubes and Mrs.Tanyapon Kraibhubes, 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.

1998 – 1999	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
19 October 2000	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
2004	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.
3 March 2005	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.
2006 – 2007	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.
2011	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.
23 December 2011	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.
2012	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.
31 July 2012	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.
12 December 2012	First day trade in SET
July 2013	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.

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.
March 2016	The company has access to the company's new offices, warehouses and training centers. (Beauty 2)

News and activity of the company in 2016

1. Product Exhibition

In 2016, the Company participated in 5 product expos in Thailand and foreign countries with following details

- TOP THAI BRANDS 2016: Top Thai Brand with universal standard in The Philippines during 3-6 March 2016 arranged by Department of International Trade Promotion, Ministry of Commerce, The Federation of Thai Industries, Thai Chamber of Commerce, and Thai National Shipper's council
- ASEAN Beauty South East Asia's Premier Beauty Show 2016 at Bitec Bangna during 28-30 April 2016
- Franchise License Expo Indonesia during 2-4 September 2016
- Beyond Beauty ASEAN Bangkok 2016 during 22-24 September 2016
- Franchise & Licensing Asia 2016 At Marina Bay Sands, Singapore during 12-16 October 2016

Product Exhibition



2. Executives of the Company travelled on Road Show domestically and internationally

In 2016, executives of the Company traveled on Road Show domestically and internationally to provide information and confidence with funds and investors for 13 times with following details

- Road show in Singapore during 7-8 March 2016 in event “Phillip Capital Regional Corporate Day” together with Phillip Securities (Thailand) Pcl.
- Road show in London-Paris-Frankfurt during 14-18 March 2016 together with Phillip Securities (Thailand) Plc.
- Opportunity Day Event during 25 March 2016- 31 August 2016. The company joined the Opportunity Day event and reported overall operation of quarter 4/2015 and turnover of quarter 2/2016 respectively at the office building of Stock Exchange of Thailand
- Road show in Japan during 25-26 May 2016 in the event “SET Roadshow 2016: Thailand’s New Drive conference” together with Thanachart Securities Public Company Limited and Daiwa Capital Markets
- Thailand Corporate Day of Phatra Securities Public Company Limited on 3 June at Sukhothai Hotel
- Registered Company meets investors “Beauty Community Public Company Limited” of Asia Plus Securities Co., Ltd on 15 June 2016 at Sathorn City Tower
- Retail Shop Trend of Kasikornthai Securities Public Company Limited on 4 July 2016 at Kasikorn Securities PCL, Kasikorn Thai Bank tower
- Thailand Corporate Day 2016 of Deutsche Tisco Investment on 29 July 2016 at Tisco Tower Headquarter
- Krungsri Upcountry Day of Krungsri Securities PCL on 22 September 2016 at Renaissance Hotel
- BLS Consumer Day of Bualuang Securities PCL on 27 September 2016 at Renaissance Hotel
- Thailand Major Forum 2016 of Thanachart Securities PCL on 7 October 2016 at Anantara Ratchadamri Hotel.
- CNS Corporate Day of Nomura Securities Co., Ltd on 25 October 2016 at Thai Wah Tower, Sathorn
- Meet Investor Day arranged by CLSA Securities Co., Ltd on 7 December 2016 at MThai Tower All Season Place

3. News of BEAUTY in 2016

• BEAUTY was selected for calculation in SET 100 Index from the second half of 2015 and continued to 2016. It was selected by Stock Exchange of Thailand in accordance with the updated criteria and it always has securities with high liquidity and has proportion of shareholder meeting the criteria along with proper ratio of tradable shares compared with registered shares of the company.

• BEAUTY was selected for calculation in MSCI Global Small Cap Indexes in 2016. It was the calculation of highest index in ASEAN showing that its shares are good with possibility of continual growth

• Executives, employees and personnel of the Company joined the ceremony to recall royal grace and to show mournfulness to His Majesty King Bhumibol Adulyadej on 7 November 2016

Ceremony to recall royal grace and to show mournfulness to His Majesty King Bhumibol Adulyadej



- “ 10th anniversary Beauty Buffet ” : This activity is arranged to return profit and to thank consumers that when they buy products for 300 Baht, they will have a chance to get a Honda City car, 10 Honda Wave motorcycles, 10 iPhone 7 and 20 Beauty Buffet Gold Medals. This press conference of this event was arranged on 24 February 2016

10th anniversary Beauty Buffet



- Executives and employees more than 300 of Beauty Community Public Company Limited (BEAUTY) held the opening ceremony of new office building (BEAUTY 2) which of Training Center - Staff Dormitory and Digital Media Center. The purpose of the construction is to enhance the sales potential and increase the efficiency of the Company's internal operations. Support to business growth in the future. The honorable guest congratulated the delegates on June 23, 2016.

Ceremony of New Office Building (BEAUTY2)

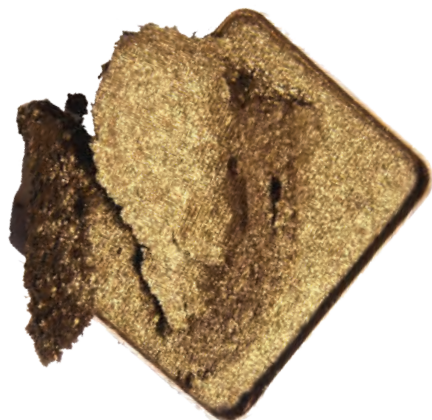


Business Goals

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. ”





Business Operations of the Company by product line

Products and Services

The Company operates its retail business on cosmetics and skin care products that compose of natural extracts under the concepts of Beauty Buffet, Beauty Cottage, Beauty Market, Made In Nature, and Beauty Plaza. 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.





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.





THE BAKERY
SWEET & DELICIOUS

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

SCENTIO
Inspired by nature

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



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.



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.



Product Hero 2016 BEAUTY BUFFET

SERIES

- GINO McCRAY PRO MAKE-UP • GINO McCRAY HERITAGE
- SCENTIO MILK PLUS • SCENTIO DOUBLE MILK
- LANSLEY GOLD CAVIAR • LANSLEY VIT C



GINO McCRAY



[illegible]





SCENTIO
Inspired by nature

LANSLEY
BEAUTY AND WELL-BEING





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





Natural Crafted Beauty

group of products with olive extracts, i.e. facial cream, face and eye serum, and facial massage cream, which help in skin nourishing, skin moisturizing, stretch mark reducing. The product grouping can help customer to select the products that completely match with their requirement.

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

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



Product Hero 2016

SERIES

- SEMI - MATTE
- MEMORIES OF LOVE
- TOTAL EXCELLENCE SKIN
- LOVE NOSTALGIA
- VICTORIAN SENSATION
- FOREVER BEAUTY
- DEFINED BY ART



Product Recommend 2016

BEAUTY COTTAGE



SERIES

- SWEET LOLITA
- WHITE STRAWBERRY



New Product 2016



Natural Crafted Beauty





BEAUTY MARKET

Beauty Market's Products

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

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 2016

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, Made in Nature Product consists of 12 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
10. Made in Nature Hokkaido Milk Body Lotion
11. Made in Nature Hokkaido Milk Shower Cream
12. Made in Nature Hokkaido Milk Whipping Foam

Product Hero 2016
MADE IN NATURE



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. However, business development team and interior design team of the Company have the plan to find replacement place 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, 2016 and 2015, there were the finished goods that had been stored for longer than 1 year at 3.59 and 3.95 million baht respectively (exclude defected inventory). In 2016, there were the finished goods that had been stored for longer than 2 years at 0.79 million baht. Regarding packages, which have longer life than finished goods, as of December 31, 2016 and 2015 there were the packages that been stored for longer than 2 years at 4.05 and 2.58 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

Distribution channels of the company can be divided as following details

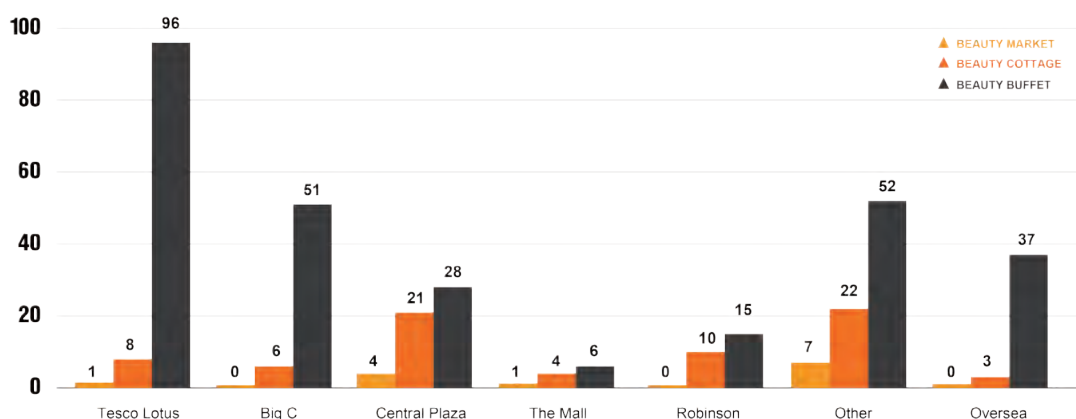
(1) Distribution through company's branch

The main product distribution channel of the company is distribution through branches as a retail shop under the concept of Beauty Buffet, Beauty Cottage and Beauty Market all over the country. The Company has proportion of distribution through branches for year 2016 and 2015 to income from sale at 81.11% and 89.97% respectively and it expands continually. The Company has branches as of the end of 2016 and 2015 as below figure

Number of branch by region



Number of branch by department store



(2) Franchise

In the past, the Company had a policy to expand Beauty Buffet retail shops by giving a chance to those who were interested in requesting a franchise for their own operation. However, currently, the Company has a policy to expand branches itself and at this moment, it will not have a franchise policy in Thailand anymore. The franchises that are still being operated include 5 branches. Nonetheless, the Company still grants rights for continual distribution for those who used to operate franchise with the Company in the past by making a written franchise agreement to clarify management. Nevertheless, the company has proportion of distribution through franchise at average in 2016 and 2015 for 0.90% and 1.45% of income from overall sale respectively.

(3) Distribution in foreign market

The Company distributes products in foreign markets by recruiting the local dealer with expertise to distribute products of the Company because it still lacks proficiency in the local area as well as procedures and regulations of establishing branches in foreign countries. In 2012, the company initiated distribution through a dealer in Cambodia for the first time in format of Beauty Buffet Retail Shop and the Company controlled patterns of decoration and services of the shop with same standard of branches in Thailand. In 2016, the company has 40 branches with distribution through dealers consisting of 6 Beauty Buffet shops and 1 Beauty Cottage Shop in Cambodia, 29 Beauty Buffet shops in Vietnam, 1 Beauty Buffet Shop and 1 Beauty Cottage Shop in Lao and 1 Beauty Buffet and 1 Beauty Cottage in Myanmar. In 2016 and 2015, the company had turnover from foreign operations in ratio of 6.93% and 2.86% of income from total sale respectively. In addition, the Company also appoints more dealers in ASEAN Region in Indonesia with format of Shop in Shop that in 2016, there are 19 branches. Dealers were also distributed in Hong Kong and Taiwan with 100 branches in Hong Kong and 19 branches in Taiwan as of year 2016.

(4) Modern Trade

Large-scale retail shop or Modern Trade is another channel that the company starts to distribute Made in Nature Products. In the middle of 2012, it focused on distributing products in large supermarket such as Big C, Lotus, Villa Market, Tops, Foodlands, Gourmet Market (The Mall), Golden Place, Fuji Supermarket and 7-catalog etc. Products are displayed in pattern of Premium mass; in other words, they are high quality products that widely cover target group in competitive price. In 2016, the company had distribution channel for consumer products, as of 2016, with following details

1.1 Modern Trade and convenience store

As of 2016, the company had Made in Nature products in quantity of 12 SKUs distributed in Modern trades, convenience stores and supermarkets in 16 locations with 515 distribution points such as 125 branches of Big C Supercenter, 172 branches of Tesco Lotus, 125 branches of Tops Supermarket and Central Food Halls.

1.2 Traditional Trade

The Company signed a memorandum of understanding for trading products to distribute with CP Consumer products PCL in November 2014 and started to distribute products to consumers in February 2015. Products are highly accepted by customers and as of 2016, there are 417 shops with 30 SKU products.

1.3 4 Catalogues including Friday Catalog, Sarah Catalog By TV Direct, D Catalog and products are also distributed through Twenty Four Shopping Co., Ltd in format of Catalog On Shelf in 709 branches of 7-11 shops with 15 SKUs delivered products. They are also well accepted by most customers domestically and internationally. In 2016 and 2015, the Company had turnover from distribution through modern trade for 7.17% and 2.28% of total turnover respectively.

(5) E-Commerce

In 2016, The Company expanded channels of distribution through E-commerce to respond lifestyle of customers that starts to be distribution channel with increasing needs because it can facilitate customers that can order products from anywhere, any time. The main channel of E-commerce is Beauty Plaza (www.beautyplazaonline.com) which contains various products distributed on website including products of Beauty Buffet, Beauty Cottage and Beauty Market that are distributed at the branches and customers can select all products. Moreover, there are 14 popular websites of third party to increase distribution channels for more convenient shopping of customers such as Lazada, Shop at 7, Konvy, Luxola, Ware You Want etc. to increase channels of distribution to cover all target groups. In 2016 and 2015, the company had turnover from distribution through E-commerce at 2.88% and 1.95% of total sales respectively.

(6) Other distribution channels

Other distribution channels are such as selling products for employees with special price along with selling products in Beauty Open House where company's products are sold in specially discounted price during festival such as yearend etc. In 2016 and 2015, the company had turnover accounted for 0.24% and 0.44% of total sale respectively.

Market Strategy

The Company provided market strategy by considering purchasing behavior development of customers. The executives recognized that, for cosmetic and skincare product industry, in the past, customers would emphasize on product or had much product loyalty that is likely to decrease because the manufacturers can develop products to have similar property and quality. Therefore, competition in present and in the future for cosmetic and skincare products will be highlighted on Brand loyalty and Brand value; however, creating each brand will not be able to seize the market or respond needs of consumers. Thus, the Company focuses on strategy of creating various brands, gaining trusts, adding values for each brand and defining market position differently to cover needs of customer more widely. It also gives precedence to maintaining same customer base of each brand that the Company has following marketing strategy

● *Branding strategy*

Currently, the company is extremely successful in creating concepts or brands of Beauty Buffet, Beauty Cottage and Beauty Market to be well-known and remembered among target consumers and it had main income from distributing products through branches of such retail shops. Furthermore, it also has a product under the concept of Made in nature for 12 SKUs to present products to much wider customer group through modern trade, convenience store and catalog such as Seven-Eleven, Seven Catalog, Friday Catalog and Traditional Trade. The branding strategy of the Company has following concepts;

o Building Brand Identity

Main factors that the company is determine in creating brand to be remembered among consumers are building brand identity such as Beauty Buffet with identity of various style like buffet meal or Beauty Cottage with identity of elegance and classiness or even Beauty market with identity of Beauty specialty store, or made in Nature products with identity of natural indication. The Company designs products, packages along with store decoration to be in accordance with each product identity. Such identity is an essential factor in defining target group, price level and marketing methods; nevertheless, the Company developed new concepts or brands with different idea to seize the targeted market that does not overlay the same target group. This is to diversify risks from relying on only any brand and it's anticipated that the Company with grow more stably in the future.

o Creating Service Difference

Beauty Buffet, Beauty Cottage and Beauty Market do not only focus on distributing products but they also present concept of comprehensive beauty. When customers enter a shop, they will be served with hospitality by the employees who are trained according to standard of the Company that can suggest about how to make up properly with personality and characteristic of each customer. They also introduce products that suit each skin type in order to make customers feel comfortable in selecting that they will have trust and access products of the Company more. This kind of service that customers will receive is different from services in cosmetic retails shops with similar price.

● *Branding to capture market share through other distribution channels*

Creating a new brand to capture market is a new distribution channel as another market strategy of the company. In 2016, the Company started developing products under brand "Made in nature" until today, there are 12 SKUs products to be distributed in modern trade, convenience store, catalogs such as Seven-Eleven, Seven Catalog, Friday Catalog and traditional trade to increase customer base. In the future, the company has a policy of branding to distribute more products about beauty to capture market in different distribution channels continually.

● *Customer Base Maintenance Strategy*

Apart from developing concepts or new brands to market with target groups at different level, maintaining the same customer base or creating repetitive purchase is a very essential factor of business existence and income stability. Thus, the company emphasizes on customer base maintenance strategy as follows

o Increasing Product Access channel

The Company has a policy to expand branches continually starting branches in Bangkok and vicinity to make the brands known among consumers and to distribute them to other regions. Currently, Beauty Buffet has branches in every region of Thailand while Beauty Cottage is expanded to big cities. Nevertheless, it is to enable customers to access products and to stimulate repurchasing as well as to make them remember product appearance. For Beauty market, it is planned to expand in Bangkok, vicinity and big cities while Made in Nature products are distributed in modern trade, convenience store, catalogs such as Seven-Eleven, Seven Catalog, Friday Catalog and Traditional Trade. In addition, the company also distributes products though E-commerce System to facilitate customers and to increase more channels for product access.

o Product quality maintenance together with new product development

Product quality is an important factor in creating repurchase rate of customers in case the products have good quality and reasonable price. The consumers will have satisfaction and good attitude toward brands of the Company. Therefore, the Company is determined to focus on developing and maintaining product quality that is suitable for skin type and color of Thai people by testing products regularly to ensure quality and suitability specified by users. In addition, the Company also gives precedence to launching new products continually to respond trends of consumers

because cosmetics market is always changing in term of popular format and there are many foreign-brand cosmetics especially from Korea and Japan that come to market with similar target group of the Company. Therefore, it is necessary for the Company to define strategies of developing products by surveying popularity in both domestic and international markets constantly to develop the format to catch up with trends of consumers. The Company has an open policy in recruiting manufacturers including domestic companies that have potentials and international companies such as Japanese firm that established the factory in Thailand. It includes ordering for production from international factories such as in Korea etc. in order to develop product quality to be competitive and to respond needs of consumers more quickly and completely.

o Customer Relationship management

The Company develops information technology system to store database of customers with purpose of Customer Relationship Management (CRM) that plays a role in responding specific needs of customers. Customer relationship management system will start from promoting customers to apply for a membership, motivating them with discount and promotion of member application without any charges during the branch opening or when purchasing products with specified value which is not so high. It is to stimulate customers to exercise their rights in such application. When the customer becomes a member, the company will keep some general information in database such as address, age, gender and education etc. along with purchase information of each customer such as format of purchase, frequency, frequently-bought products, opinions on products and specification etc.

From above information, the company can create marketing and sale promotion activities to be consistent with needs of target group. In 2015, the company launched

1. The program of point collection of Beauty Buffet and Beauty Cottage (started from March 2014) for member customers that they can use the collected points as a discount in next buying and to exchange with products they like.
 2. Special for Privilege Member only new members to use special discount before anybody
 3. Surprise gift: presenting new products for customers who have brand loyalty that they purchase products for long time in order to make customer feel attached to the brand and feel like they are a part of the brand.
 4. Birthday: Enjoy shopping on birthday, the birthday owner will receive 25% discount for normal products with price not over 5,000 Baht (20% discount for Beauty Cottage Birthday Promotion)
 5. Privilege for Member: Coordinate with other organizations to have Value Added for members who bear Beauty Buffet and Beauty Cottage member card to get product, discount and services in many places such as hotel, spa, restaurant, hospital, beauty center, entertainment venue etc.
- Besides, on-shop sale representatives can take a look at purchase record of customers who are members immediately in order to stimulate sales from products list they regularly purchase or to suggest or invite members to test similar products to broaden experience with product use
6. Activity to forward beauty to customers on shop that members and target group can participate in on-shop business and have experience with products to be bound with the brand and to test products to make it easy for purchasing.

Present products to meet the needs or to solve problems of the customers promptly through Customer Service 02 96 0700 -6 and on Facebook of each brand

Customer Relationship Management (CRM)



o “Beauty Community” Creation

Currently, social media play a great role in intercommunication. So, the company realizes this marketing opportunity to access consumers that are target group of the company through various formats of internet media that the company can communicate with customers and respond to them conveniently and quickly and it can recognize needs of each person and perceive the issues about products and services. Furthermore, it also designs Content Marketing to be more interesting and attractive. The Company creates online media in following formats

Privilege for Member



For Beauty Buffet

Website : www.beautybuffetshop.com

Facebook : www.facebook.com/beautybuffetfanpage

Youtube channel : Beautybuffet live

Instagram : BEAUTYBUFFETSHOP

Twitter : beautybuffet_bb

Line@ : @beautybuffetshop

For Beauty Cottage

Website : www.beautycottageshop.com

Facebook : www.facebook.com/beautycottageshop

Youtube channel: Beautybuffetcottageshop

Instagram : BEAUTYCOTTAGESHOP

Line@ : @beautycottage

For Beauty Market

Website : www.beautymarket-shop.com

Facebook : www.facebook.com/beautymarketfanpage

Instagram : BEAUTYMARKETSHOP

Line@ : @beautymarket

For Made in Nature

Website : www.made-in-nature.com

Facebook : www.facebook.com/madeinnaturefanpage

Instagram : Madeinnature_official

Building such social media does not only aim to send messages to publicize products and promote sale but it also presents concepts of lifestyle that are compatible with brand concept to bring interest to customers and to let them take part in presenting new concepts such as new trendy makeup style, proper and fashionable dressing, current information, popular restaurants and tourist attractions that the target group is interested in etc. Moreover, it also arranges many activities such as makeup photo contest, product jigsaw playing, and expression on product contest etc. so that the customer will follow and become “Beauty Community”. The company seems to be a host while customers are like visitors with objectives to have two-way communication and to build up long-term relationship with customers.

The Company arranges the booth and workshop activities with external organizations regularly to do public relation for every brand of the company and to give knowledge about skin care and makeup in different patterns to personnel of such organizations so that they can apply it in their daily life and to target group in order to have experiences about products use. This comes with an opportunity to expand customer base and increase sales for the brand and it is another channel to create “Beauty Community” to be well accepted.



Co Branding Workshop



● Continual Sale Promotion

The Company provides ale promotion in every distribution channel continually so that information about products can be widely accessed by consumers through traditional media and digital media in various formats to reiterate that consumers can mostly remember the brands of the company. Furthermore, the Company also arranges sale promotion activities in each brand and in every festival to publicize new products. The Company does public relation through many media that target customers of the company can access as follows

- Free TV commercial - VTR -Pakpog - Kik-Du Songkrampeng, Tangkhon Tangkhid, Tubthokhao- Amarin Morning News which are TV programs that are highly popular for catching up with news and current situations
- Magazines especially the magazines that the target group are interested in and that are highly accepted in Thailand such as CLEO, In Style, Praew, TV Pool, OK, In Flight Madam Figaro
- Doing public relation through magazines in various channels such as www.pantip.com, www.jeban.com, www.sanook.com, Lisa Magazine, CLEO, Marie Claire, Instyle ,Ray's, S Cawaii , Lips and others
- Being granted “Best Product Award” by highly accepted magazines with Beauty Editor, Beauty Bloggers, Makeup Artist that are well-known and gratefully accepted by CLEO , In Style, Lips Magazines.
- Public relation through digital media to speed up publicizing and to reiterate the brands and products to be known through accepted bloggers who really use products as well as Micro Agencies who use real products and refer them to other consumers through digital media.

Nevertheless, currently, the company creates memorable brands through media such as Traditional media and Digital media for every brand so that customers can easily access and that makes advertisement efficient.

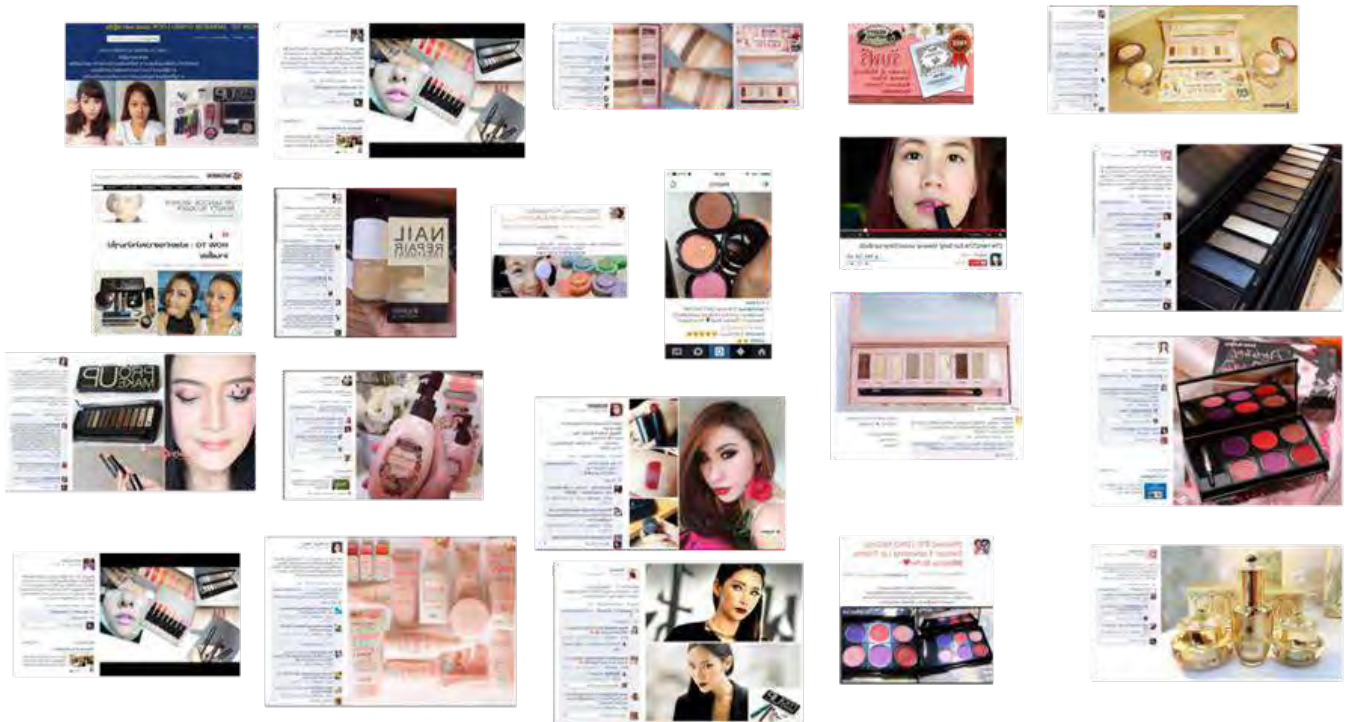
Promotion



Traditional PR & TIE IN



Viral Marketing : Bloggers & Micro Agencies



Target Customer

Products of the company are consumer goods. With the approach of business operation focused on distribution by retail, target customers of the company are end-users especially women who are more likely to use cosmetics and skin care products than men. Products distributed in Beauty Buffet, Beauty Cottage, Beauty Market, Modern Trade, convenience store, catalog and traditional trade are positioned with different marketing. Therefore, there are different target customers as follows

● Target customer of Beauty Buffet

Products distributed in Beauty Buffet are various, colorful and reasonable price compared with other cosmetics distributed in general retail shops. So, the target customers are such as teenagers in lower secondary school to working people who need to use cosmetics to take care of their skin and create vivacious and charismatic personality.

● Target customer of Beauty Cottage

Products distributed in Beauty Cottage are focused on skin care with various natural extracts presented in attractive and interesting packages. Therefore, target customers are such as university students and working people who need to nourish their skin in more advanced level together with creating elegant personality.

● Target customer of Beauty Market

Products distributed in Beauty Market are multi-brand cosmetics that are divided as make-up product, facial care product, body hygiene product, body care product, hair care product, perfume, beauty drink & food supplement, beauty accessories and men's care products along with other groups of beauty products. The target customers include both males and females in all age range that need to use cosmetics and skin care products to create good personality and to look good and modern.

● Target customer of Made In Nature

Made In Nature is distributed through modern trade and it is a product generally used in routine life. It creates difference by using high-quality natural raw materials. Thus, the target customers can be both males and females that emphasize on taking care of themselves and can be general customers of the supermarket.

Industry and Competition Circumstances

1. Industry Circumstance

● *Prospect in Thailand Market*

The business about cosmetic and beauty is continue rising and expanding annually. Recently, cosmetic consumption is still increased continuously because modern peoples, all genders and ages, are more care about their health, beauty, and skin. All of those reasons are to have a good appearance. The main factor that leads the cosmetic business growing is because cosmetic and skincare products are more popular to present peoples, which are more focusing on their appearances especially the good appearance addict ladies. Female cosmetic consumers cover the age of teenage to elderly people. However, cosmetic and skincare products for men are more widespread in recent day as seen by the import of those to domestic mid-market and low-level market. Consumers are more easily reaching the advertisement via social media. The number of retailers in cosmetic businesses is increased as seen in the advertising through a lot of media. Because of high return of an investment, low cost of production, and nominal risk to economic circumstance, cosmetic and skincare product are more likely to grow with the increasing of consumers.

From the above mentioned about the trend of cosmetic market, it tends to grow continuously and stable in Thailand. However, manufacturer and distributor should adapt to catch up the consumer demanding trend to survive in this kind of business as listed below.

- Technology and innovation for the production should be improved and updated to answer wide range of consumer requirements.
- The products should be produced with dominant and distinguished appearance to compete with other brand and to add the value.
- Marketing strategies must be revised upon the risk of economic circumstance. Product announcing and encouraging activity should be performed to be acknowledged.
- The management should be carefully managed in case of increase the number of branches in the distribution of products via retail store.
- Product distribution channels must cover wide range of consumers.

Through this tendency of the cosmetic industry expansion and the factors for the accomplishment in this business as mentioned above, the company can be grown and expanded continuously as the cosmetic industry did.

● *Prospect in the International Market*

After the grand opening of ASIEN Economy Community (AEC) since 31 Dec 2015, the cosmetic market is gained more manufactures, but the import and export between ASEAN countries are more freely. This AEC leads to the larger in cosmetic market and production base, high competitive, and equally economic improvement area. Thailand was known to be the source of skilled workers compared with other countries in ASEAN, and appropriated location to become the center of the area. Its effective and wide covering land/air transportations is also advantageous over the others. AEC and Free Trade Area (FTA) agreements lead to the decrease of mainly import and export cosmetic products of Thailand to be 0% since the beginning of 2010, and also rise the import and export value of cosmetic products.

Thailand was acknowledged to be center or “HUB” of cosmetic business when compared to other countries in ASESN for both domestic usage and export. Cosmetic production plants in Thailand are local and foreign investors. Thailand also gain the advanced in cosmetic production knowledge because of it has been the production base for long time and has been produced world-class cosmetic products for other countries. The ASEAN countries gave the positive attitudes to Thailand products because of their good-quality, beautiful design, appropriated price, and suitable transportation. However, AEC agreement will force the entrepreneur to adapt and increase the product competitive because of the higher competitor.

Although the cosmetic market competition tends to be higher in the future, the market also grows too. Therefore, in 2010 the company prepared to cope up with these changes by the following methods. The company established the international sales executor department to support this international growing. Preparing the related paperwork about product import and export which is different among countries, such as MOF and CFS. The product and service consuming behaviors of the consumers in each country were also studied to develop the corresponding products while they still possess good-quality, beautiful design, and appropriated price, which are made the product of the company be acknowledged. The company still developing products based on lifestyle, nature of skin, and skin tone of the partner country. Languages also be improved, especially English, to study their affair systems and regulations. Some countries, especially CLMV group (Cambodia, Laos, Myanmar, and Vietnam) still guessing which would be the barrier of market expanding. However, the company solved this problem by finding the partner which is professional or has a good relationship to affair systems and regulations in that countries, these means help the company expand faster in the aspect of agent which decreases the risk of investment.

The company have been started to invest in cosmetic market in foreign countries since 2012 in Cambodia, by the end of 2016 the company have 40 branches; 7 branches in Cambodia, 29 branches in Vietnam, 2 branches in Myanmar, and 2 branches in Laos. The company plan to expand to other potential countries in the future. The company believed that the unique brand, product standard, and the understanding about culture and skin tone of foreign countries will support the prospect and advantage in the foreign market competition.

Competition Circumstance

The business about cosmetic and skincare product distribution is a high competition market, including right-reserved importing brand and local brand market, because it is a high-value market and tend to grow continuously. Retailers also be able to start their brand easily, which would start with a few number of branches or production distribution center and a few amount of working capital. These reasons lead to a large number of the new entrepreneur in this market, especially via E-commerce because the consumers are easy to reach and the investment is pretty low. However, a big challenge for new entrepreneur is keeping the business still alive. The main potentials for the competition are the advantage of selling location and the building of unique brand to be recognized by the consumers. In the present day, most of the interesting locations were occupied by the old entrepreneurs. In addition, in the branch expansion for the wide range consumer covering need a large amount of working capital, and the building of product interesting also need experience and expertise in that business. Therefore, most of the retailers in the cosmetic and skincare distribution industry pretty small and the distribution of product is limited.

The entrepreneurs in the distribution market of cosmetic and skincare product via retailers is the direct competitor of the company, they are owned by multinational company and Thai company. The competitors that the company concern are the entrepreneurs who sale the structure-related product, sale at the same price, easy recognize brand, and distribute product covering the wide range of consumers. The above mentioned entrepreneurs are:

Brand	Oriental Princess	BEAUTY	Karmarts	Cute Press	Skin Food	Yves Rocher	The Body Shop	Etude House
Distributor	OP Natural Products Co., Ltd.	Beauty Community PCL.	Karmarts PCL.	SSUP Bangkok 1991 Co., Ltd.	Malachi Co., Ltd.	Yves Rocher (Thailand) Co., Ltd.	Earth care (The Body Shop) Co., Ltd.	Cosmega Co., Ltd.
Year of founded	2528	2543	2537 ⁽¹⁾	2519	2548	2535	2536	2543
Running year (year)	32	17	23	41	12	25	24	17 11
Paid-in capital ⁽²⁾	78	300	396	70	160	12.5	55	1
Total income ⁽³⁾	2,608.03	1,792.03	1,204.97	1,198.39	560.42	539.48	392.68	164.38

Note :

(1) Karmarts PLC. Founded in 1994 but run the cosmetic business in 2011

(2) Million baht unit, referred to financial statement ended at 31 Dec 2015, excluding SSUP Bangkok 1991 Co., Ltd. which referred to financial statement ended at 31 Mar 2015

(3) Million baht unit referred to financial statement ended at 31 Dec 2015.

As the company income is pretty fast increase, the manager though that competition potential and business advantage resulted from:

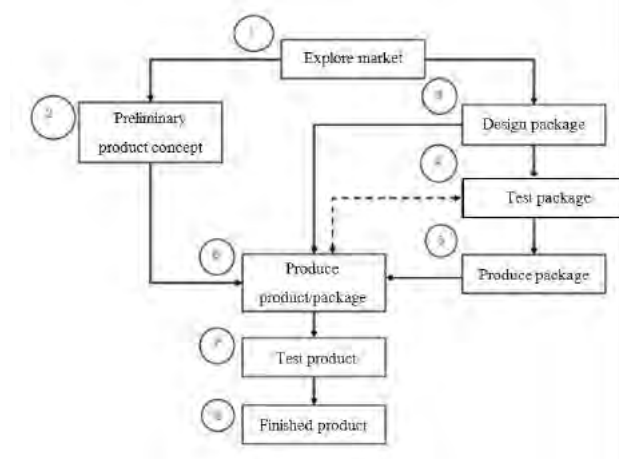
- The company have many brand including Shop Brand concept, i.e. Beauty Buffet, Beauty Cottage, Beauty Market, and other unique brands under Shop Brand concept. These are giving an interest to image and product of the company.
- The company continuously following market trend either domestic or foreign country to build the pathway for the development of product, which is corresponded to consumer demand.
 - Product quality comparable to foreign brand, but it was adjusted to suit Thai skin.
 - Beauty package design attracts the consumers.
 - Due to the ordering from various production plants which specializing in different products, the production of old product and new product is flexible.
 - Using computer software to control and manage stock, including collect data in order to improve customer relationship system and approach consumer demand.
 - As a Key Account of various department stores, the company gained more bargaining power in the branch expansion and faster operation than general accounts. A couple years ago, online society has grown quickly and continuously leading to the high com

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	High end price, high positioning and high target group make it difficult to expand the retail channel to the upcountry

Product Procuring

1. Process of Product Procuring

The company has no self-producing policy, all of the products will be manufactured by many manufacturers



which are specializing in different types of products. The product procuring process is show in the following flow diagram.

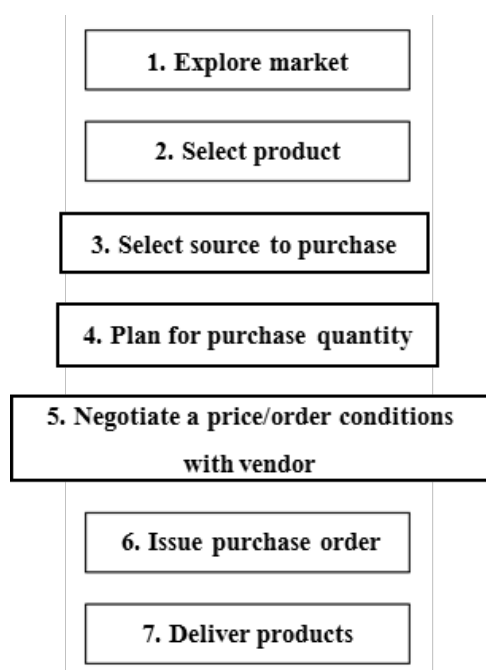
New product development will be performed by department of product development. It will cooperate with marketing department and sales department in the purchasing. The process start with (1) market trend exploring in local and foreign countries, then (2) build a preliminary product concept which means the defining of product structure corresponded to market demand, such as color, smell, viscosity, and specific properties (i.e. anti-oxidation ability and anti-wrinkle ability), including define active ingredient which is providing specific requiring property. (3) Design package for the above product.

In the manufacturing, the company mostly using other manufacturers to manufacture product materials which are did not identical to package producing manufacturer. (4) The package designed by the company will be sent to package manufacturer in local and foreign country to produce prototype package. Then the prototype package will be sent to the product material manufacturer in order to test the compatibility between material and package, leakage, and other defects. (5) The whole packages will be produced and sent to product material manufacturer. (6) Department of product development will order the local and foreign country manufacturers which are specialized in different types of product to manufacture product material with preliminary concept. These manufacturers will procure the ingredients themselves, while some of them would manufacture product package depends on its expertise. (7) Product materials will be tested their chemical and physical properties by the manufacturers. Some of them will be tested their specific chemical properties by external laboratory in order to ensure the required properties. In addition, the company always test product performance itself before (8) distributing finished product to the consumers.

Price of manufacturing, the company pay to the manufacturer, usually a bit fluctuates. If the manufacturer need to increase the price the negotiation will be done in advance. The order of product manufacturing and new product issuing are annually, thus, the company can estimate product price flexibly.

2. Product Purchasing Process

The company has launched Beauty Market in the 3rd quarter of 2013 under the concept of "large-scale Multi-Brands retail store". It is a beauty specialty store, which focuses on beauty products with about 300 well-known brands ranged from 4,000-9,000 SKUs. The beauty products are house brands and inter brands, i.e. USA, Europe, Korea, Japan, etc. It also has alternative brand only available in itself, which is the product of



Beauty Cuisine brand. Purchasing process is important to the operation of the company, it has the processes as followed.

The product purchasing will be operated by department of product development. It will cooperate with marketing department and sales department in the purchasing. The process start with (1) market trend exploring in local and foreign countries, then (2) selecting product that will be purchased which means the defining of product structure corresponded to market demand. (3) Selecting source of product purchasing, which is owned by brand owner or standard source. After product selecting and source selecting, (4) the ordering quantity will be planned because Beauty Market has a lot of products ranged from 4,000-9,000 SKUs to maintain the safety stock. The company will order at the minimum items which keep the appropriate conditions and manage working stock effectively while adequate for the selling quantity to avoid losing selling opportunity. The product purchasing policy of Beauty Market focus on small amount of orders in order to encourage the product rotation. (5) Negotiation of price and ordering conditions will be effectively executed in order to keep the minimum benefit as the company have set. (6) The issuing of purchases order will be issued corresponding to price and ordering conditions (7) In the process of product delivery, vendor will deliver products to the company warehouse. The company concern about delivering date. Because of a small amount of inventory, the delivery must on time in order to manage inventory effectively.

Customer Satisfaction Guarantee

Since 2008, if the customers did not satisfy with product they can return within 14 days in order to assure the customer satisfaction and safety. In addition, the company also received recommendations which will benefit new products. The number of returning products is below 0.01% of total sales. Moreover, the company never got the complaint about product quality neither customers nor government office (i.e. FDA) in the return of those products.

Cosmetic and skincare products (exclude beauty accessories) are the product that must got an approval to manufacture from Food and Drug Administration (FDA) corresponded to Notification of the Ministry of Public Health, which are categorized into 2 classifications:

- Controlled cosmetics; Ministry of Public Health set all kinds of cosmetic as controlled cosmetics, effective since 26 September, 2008. The cosmetics must apply for the permission and registration certificate number then printed on their packages (label). Most of cosmetic products are under this classification.

- Specially controlled cosmetics; It contains specially controlled substances. Presently, the company has only one product under this classification, which is "Lansley White Cream Body Hair Invisible" (bleaching cream). Product labels must contain registration certificate number and FDA number.

The manufacturers or importers of specially controlled cosmetics required to register the product to FDA while the company participate in checking the product label that contain necessary words to make legitimate. In addition, all of the company products are approved by FDA.

Criteria for Manufacturer Selecting

The company prioritize the quality of manufacturer and distributor. All of them must be legally authorized by Food and Drug Administration (FDA). Criteria for the evaluation of manufacturer and distributor were firstly focused on the quality. The criteria were divided into the following.

Product quality	Priority/Score	Percent 50
Price	Priority/Score	Percent 20
Deliver on time	Priority/Score	Percent 10
Service	Priority/Score	Percent 10
The duration of crediting	Priority/Score	Percent 10

Almost all of the company major manufacturers had been certified their standards by Good Manufacturing Practice (GMP) (some of them are under the operation). The company evaluates manufacturers and vendors annually to ensure that all of them still in the appropriate quality and standard. In addition, the company have made the orders for product material manufacturing form about 36 manufacturers at present. These manufacturers manufacture different types of products which they are specialized in. The company do not solely significant rely on anyone. Moreover, the popular products will be manufactured concurrently by 2 manufacturers.

Impact on Environment ---No---

Important Agreements in the Business

• Beauty Buffet Franchise Agreement

The company selling products in the kind of franchise to 5 sellers (branches), more than 5 branches in the domestic is not allowed. The franchisee can relocate their branches in case of the shutting down of the other branches. The franchisee need signing the agreement for the explicit management. The short essences are listed below.

Contract parties ("Franchisee")

Number	Contract parties	Location	Signing date
1	Ordinary partnership C&N International by Mr. Praty Levan	Big C Bangna	1 April, 2013
2	Ordinary partnership V&P by Mr. Wasan Khojareon	Big C Phrae	1 April, 2013
3	Group of person Chanakarn Trading by Mr. Weerapon Nantaniran	Central Khon Kaen	1 April, 2013
4	Mrs. Nonthaporn Siri Wattanalerd	Central Udonthani	2 July, 2013
5	Ordinary partnership S&V by Mr. Wasan Khojareon	Lotus Uutaradit	11 July, 2014

Relationship Mr. Praty Levan working as company director and manager since the 2nd quarter of 2012. Other contract parties do not have a relationship to company, company director, or company manager.

Duration of Agreement The agreement last for 5 years since the signing date. The agreement is renewable in case of completely follow the agreement regulations.

Essences

- Franchisee is authorized to run its Beauty Buffet in the defined branch.
 - Franchisee must use "Beauty Buffet Franchise System" set by the company, including shop decoration, pricing, quality control of product and service, using computer in the selling management, and etc. to keep franchise shops under the same standard as the shop conducted by the company.
 - All of operation expenses, i.e. shop decoration expense, employee wage, and rent are under the responsibility of franchisee.
 - The company will periodically evaluate to maintain the standard of the company brand.
 - Franchisee cannot transfer the ownership to others, except when the company approve. In addition, changing percentage of shareholders or the investment in juristic person must be approved by the company.
 - Franchisee must keep the agreement in secret and do not conduct other business in the way as the company competitor through the duration of agreement and 5 years after the agreement lasted.
 - Pay conditions will be set by the company.
- Franchisee Expense Admission fee will be paid only once in the signing date.
- Franchisee can purchase the products under the discount rate as defined in the agreement.
- In case of franchisee need franchisor, the company can provide tools or equipment which are needed for the business including provides branch staff to franchisee. Franchisee need to pay franchisor renew referred to the actual cost plus the operating cost.
- Franchise will be paid the transport cost and other operating cost monthly following the agreed rate.
- The company set the franchise agreement into identical the conditions and agreements of the in all franchisee
- Beauty Buffet Distribution Agreement
- In 2012, the company have started to distribute the products to foreign countries. The company policy is based on the distribution via the experienced local distributors. Starting with Cambodia due to the potential of the distributor. The agreement was prepared, and the short essences of are listed below.

Contract Parties

Contract Party	COMPANY MARKET FIVE LIMITED (“Distributor”)
Relationship	The distributor does not have a relationship with the company.
Duration of Agreement	The agreement last for 3 years since 1 January, 2015. The agreement is renewable via the submission of demand document not less than 30 days in advance.
Essences	<ul style="list-style-type: none"> • The distributor got a right to selling the company products under the trademark “by BEAUTY BUFFET” and “by BEAUTY BUFFET” in Thailand, Cambodia, Laos, and Khmer (“sales area”). During the agreement duration, the company will not have assigned or approved the others to distribute in the sales area and the distributors will not distribute or be an agent of other product which is the same type as the company product. • The distributors must build and decorate their shops under the approval of the company. • The company sell products to the distributors in retail price with the agreed discount rate. The distributor can price the product themselves under the approval of the company. • The distributors will be responsible to delivery transport cost, insurance cost, and transport the products to their sales area. • The distributor pays the products in Thai Baht Unit. The distributors pay in full amount of product value after 30 days of the product delivering date in case of have a bank guarantee from Siam Commercial Bank not less than 2,000,000 Baht. In case of have no bank guarantee from Siam Commercial Bank, the distributors pay in full amount of product value before delivering date. • The claim for damages, the distributor can claim not more than the agreed price and must claim within 30 days after the date of that damage emerged.
Contract Party	PT. NATURAL ALAM ABADI (“Distributor”)
Relationship	The Distributor has none of relationship with the Company
Term of Contract	Valid two (2) years from the date of January 1st, 2015. When it is matured, the contract renewal can be made by both contract parties through the written consent for not less than ninety (90) days in advance before its termination.
Summary	<ul style="list-style-type: none"> • The Distributor will be the sole distributor in selling the Company’s products under the trademark “by BEAUTY BUFFET” in the Republic of China or generally known as Taiwan (“Distribution Zone”). • The Distributor will sell the Company’s products by placing on the shelf of its own shop (COPIA Shop), the shelf in the shop where the product owner puts on sales shall be constructed or decorated in line with the stylishness approved by the Company. • The Company will sell its products to the Distributor in retail price with discount as agreed rate and the Distributor is allowed to set up its own selling price under the condition of getting approval from the Company in advance. • The Distributor shall take responsibility in all expenses relating the transportation, insurance, transportation ad ministratation incurred from the port in Thailand to the Distribution Zone. • The Distributor shall make payment of full amount in Thai Baht currency prior the delivery of products. • The Distributor can claim damages in the amount not exceeding the agreed trading price within thirty (30) days after such damage occurred.
Contract Party	COLOURMIX COSMETICS COMPANY LIMITED (“Distributor”)
Relationship	The Distributor has none of relationship with the Company
Term of Contract	The contract is valid three (3) years s from the date of January 1st, 2016. When it is matured, the contract renewal can be made by both contract parties through the written consent for not less than ninety (90) days in advance before its termination.
Summary	<ul style="list-style-type: none"> • The Distributor will be the sole distributor in selling the Company’s products under the trademark “by BEAUTY BUFFET” and “BEAUTY COTTAGE” in the Hong Kong Special Administrative Region of the People's Republic of China and the Macao Special Administrative Region of the People's Republic of China (“Distribution Zone”). • The Distributor will sell the Company’s products by placing on the shelf of its own shop and the shelf in the shop where the product owner puts on sales shall be constructed or decorated in line with the stylishness approved by the Company. • The Company will sell its products to the Distributor in retail price with discount as agreed rate and the Distributor is allowed to set up its own selling price under the condition of getting approval from the Company in advance. • The Distributor shall take responsibility in all expenses relating the transportation, insurance, transportation ad ministratation incurred from the port in Thailand to the Distribution Zone. • The Distributor shall make payment of full amount in US Dollar currency by L/C on sight. • The Distributor can claim damages in the amount not exceeding the agreed trading price within thirty (30) days after such damage occurred.

Contract Party	MIHO INTERNATIONAL COSMETIC COMPANY LIMITED (“Distributor”)
Relationship	The Distributor has none of relationship with the Company
Term of Contract	The contract is valid three (3) years from the date of April 1st, 2016. When it is matured, the contract renewal can be made by both contract parties through the written consent for not less than thirty (30) days in advance before its termination.
Summary	<ul style="list-style-type: none"> • The Distributor will be the sole distributor in selling the Company’s products under the trademark “by BEAUTY BUFFET” in the Republic of China or generally known as Taiwan (“Distribution Zone”). • The Distributor will sell the Company’s products by placing on the shelf of its own shop and via online selling channel (Inside the Territory of Distribution Zone), the shelf in the shop where the product owner puts on sales shall be constructed or decorated in line with the stylishness approved by the Company. • The Company will sell its products to the Distributor in retail price with discount as agreed rate and the Distributor is allowed to set up its own selling price under the condition of getting approval from the Company in advance. • The Distributor shall take responsibility in all expenses relating the transportation, insurance, transportation administration incurred from the port in Thailand to the Distribution Zone. • The Distributor shall make payment of full amount in US Dollar currency when being due of thirty (30) days after the product delivery date. • The Distributor shall make payment of full amount in US Dollar currency prior the delivery of products. • The Distributor can claim damages in the amount not exceeding the agreed trading price within fifteen (15) days after such damage occurred.

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.

In 2015, the company have started to expand the product distribution to provincial part via retail method. The company policy is based on the distribution via the experienced local distributors. The agreement was prepared, and the short essences of are listed below.

Contract Parties	COMPANY CP CONSUMER PRODUCTS LIMITED (“Distributor”)
Relationship	The distributor does not have a relationship with the company.
Duration of Agreement	The agreement last for 3 years since 1 July 2015. If the distributor does not terminate the agreement in advance before not less than 90 days before the agreement last, the agreement will be automatically renewing for 1 year a time till the termination is applied.
Essences	<ul style="list-style-type: none"> • The distributor got a right to selling the company products under the trademark “Made In Nature”, “Girly Girl”, and “Scentio” in the beauty shop in each provincial parts, except the old shop of the company, and the distributors will not distribute or be an agent of other product which is the same type as the company product. • The company sell products to the distributors in retail price with the agreed discount rate. The distributor must price the product with the agreed price. If the distributors need to change product price, they must be approved by the company. • The distributors will be responsible to delivery transport cost, insurance cost, and transport the products to their sales area. • The distributor pays the products in Thai Baht Unit. The distributors pay in full amount of product value after 60 days of the product delivering date after subtracted with the advanced expenses that they paid for the company. The distributor might list total expense, advertising activities, and sales promotion monthly. • The claim for damages, the distributor can claim not more than the agreed price and must claim with in 30 day safter the date of that damage emerged.

Corporate Social Responsibility (CSR)

Beauty Community Public Company limited was established in 2000 and registered in Stock Exchange of Thailand in December 2012 with total authorized capital of 300,000,000 Baht. It operates the business of retailing cosmetic and skin care products under 5 concepts including BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE and Beauty Plaza. Previously, the company had good turnover and grew continually and it was stick to business operations based on following approaches

Corporate Philosophy

“Creative Dynamic Sustainable “

Vision

“ We Create Beauty Products for a Beautiful Life “

Mission :

1. Creating beauty products with good quality and modernity to respond needs of modern lifestyle
2. Providing access for products to target group by expanding distribution channels to cover every area of Thailand and expand to regional level
3. Developing organization's competitiveness to support changes leading to sustainable growth
4. Operating business with principles of corporate governance by recognizing returns and impacts on shareholders, employees and the society.

BEAUTY Core Values

B Beyond customer's Expectation	Service beyond customer's expectation
E Endless Creativity	Endless creativity
A Accountability	Responsible for works for themselves and others
U Undertake 100 % result	100% work guarantee focused on achievement
T Trustworthy Teamwork	Trustworthy and good teamwork
Y Young lifestyle	Young and trendy lifestyle

Meanings of color of Company's emblem



No. 1 Blue = LIFE STYLE

No. 2 Orange = COMMUNITY

No. 3 Brown= ECO FRIENDLY

No. 4 Pink = BEAUTY

We will create new things to respond dynamic lifestyles α

Beauty community, customers are important part that we should know

And beauty tips to be shared with continual cooperative activities

Selecting natural and environmentally-friendly materials and ingredients

We believe that beauty is happiness. We would like to be the one creating external and internal beauty for you with good health

According to organization's philosophy, vision, mission, value and color meaning of the company's emblem, we could see that the Company realized roles, duties and responsibilities for shareholders, trade partners, employees, customers, community, society and environment. It's also determined to show corporate social responsibility by exercising corporate governance principles as the policy of company's management to be effective, transparent and auditable. In addition, the Company also implemented 8 principles of practices as guideline for business operation for sustainable development and growth as follows

1. Fair business operation
2. Anti-corruption
3. Human right respect
4. Fair labor treatment
5. Consumer responsibility
6. Environmental maintenance
7. Community or social development
8. Innovation from business operation and its propagation

1. Fair business operation

The Company gives precedence to rights of all stakeholder groups and has a policy to treat each group as follows

- Shareholder : The Company is determined to operate business with full management knowledge and skill in every case with integrity and fairness to major shareholders and minor shareholders and for ultimate benefit of shareholders in general. It includes disclosing complete and true data regularly.
- Employee : The Company will provide fair returns to employees, maintain work environment to be safe for lives and properties, emphasize on developing potentials of employees thoroughly and regularly, strictly comply with rules, laws and regulations related to employees and avoid any unfair actions that may affect work stability of employees as well as treating employees politely, listening to opinions and suggestions of employees at every level equally.
- Customer : The Company is determined to bring satisfaction and confidence to customers, take care of them and be responsible for them. The customers will receive quality and safe products with good service and reasonable price meeting specified standard. It includes complying with terms and conditions along with agreements with customers and developing and upgrading product and service standard continually.
- Trade partner and creditor: The Company will not take any corrupting actions in transactions with trade partners and creditors and will strictly comply with terms and conditions with creditors including objective of money use, reimbursement, collateral quality maintenance and others as agreed with creditors to achieve mutual benefit.
- Trading opponent: The Company will practice under rules of good competition without seeking confidential information of the opponents in dishonest and improper way and it will not defame the opponent by alleging it without facts.
- Society : The Company will not take any actions that prejudice society, natural resources and environment and it will seek for a chance to support creative activities in the society, to implant conscience about social responsibility among employees at every level continually and seriously. It includes executing and controlling strict compliance according to intention of laws and regulations issued by supervisory institute.+

2. Anti-corruption

The Company defines in code of conduct leading to honest and legal operation with right respect with each other and external and internal environmental maintenance. Emphasizing on virtue of operation will result in trustworthy operation and effective internal control leading to confidence about capital market and reliability for investors. Furthermore, the Company also determines it as a policy about conflict of interest covering 2 matters including (1) transaction: the company will consider suitability of every transaction cautiously and set the prices and conditions of transactions as if they are doing with third party (Arm's Length Basis). There will be audit committee to consider necessity and rationale of that transaction and (2) other circumstances that may cause conflict of interest. That is not claiming, accepting or paying any dishonest benefits from those who are related to business. In 2015, the Company showed its intention by participating in Collective Action Coalition of Thai private sector for anti-corruption operations.

3. Human Right Respect

The Company focuses on and realizes human right respect and support equality in the society. The company will appoint welfare committee from direct election of employees to represent them in claiming and talking to executives about welfares and rights of the employees in many aspects.

Welfare committee in the establishment contains 5 committees with objectives to represent employees in consulting, monitoring, supervising and proposing opinions about welfares so that they are provided for employees. The committee has following duties

1. Discussing with employer to provide welfare for employees
2. Consulting and suggesting opinions for employer to provide welfares for the employees
3. Monitoring, controlling and supervising welfare provided for employer
4. Suggesting and proposing guidelines of providing welfares for employees to labor welfare commission.
5. Fair Labor Treatment

The Company defines in good corporate governance principle in section : roles of stakeholders that the company will provide fair remuneration to employees, maintain work environment to be safe to lives and properties, emphasize on developing potentials of employees thor-



oughly and regularly, strictly comply with rules, laws and regulations about employees and avoid any unfair actions that may affect work stability of employees as well as treating employees politely, and accepting opinions and suggestions from employees at every level equally and fairly.

The company pays monetary return to employees fairly by considering qualification, experience with wage adjustment every year. it also considers paying bonus from turnover of the company and other remunerations such as OT wage, allowance, commission, branch management allowance, and product maintenance cost etc. it also provide special prizes for employees based on their ability and performance regularly. In addition, the Company holds labor provisions as minimum requirement that every employee will receive to show human right respect and to be fair for them.

The company sets up provident fund named "Sin Sataporn Registered Provident Fund" administrated by BBL Asset management Co., Ltd. The Company and employees will pay contribution to the fund in month basis for 3-5% of salary. Such fund is aimed to build up morale for employees and to motivate them to work with the Company for long time.

The Company also has a policy to develop human resource continually with main objectives to develop and encourage human resource to have knowledge and understanding about duties that they should perform effectively. It's the way to develop personnel to have progress in career path and it is focused on strengthening the organization to be able to compete with other opponents with business advantages.

5. Consumer Responsibility

The Company operates the business of retailing cosmetics and skincare products to respond needs of consumers comprehensively and thoroughly. The Company is determined to bring highest satisfaction to customers, care about them and be responsible for them. The customers must receive products with good quality and safety along with good service at reasonable price meeting specified standard. It also complies with conditions and agreements made with customers strictly and develop and upgrade product and service standard continually.

- Cosmetic and skincare product (excluding beauty equipment) are permitted production by Thai Food and Drug Administration (FDA)

in accordance with notice of Ministry of Public Health. It is categorized as 2 types including controlled cosmetic which requires registration request and display of number of registration certificate on the product's label of every list and specially controlled cosmetic which contains specially controlled ingredients. On the label, there must be number of registration certificate along with FDA number.

- Products contain instructions in detail for ultimate benefit of consumers

• Products are defined a policy of return or retrieval in case of problems to be guideline of practices. In other words, if the customer is not satisfied with the purchased product, he/she can return it within 14 days (Customer Satisfaction Guarantee Program starting from 2008). Previously, the value of product return was little accounted for 0.01% of total sales.

• It accepts opinions on products from sale representatives and customers through online channels such as Website, Web board, Call Center, Social Media regularly for product improvement.

- There are various channels to give product information to consumers such as Website, Web board, Call Center, Social Media.
- The Company gives precedence to quality of product manufacturer and seller so that the customers gain highest benefit. The company defines regulations of assessing manufacturers and sellers by prioritizing quality followed by price, punctuality of product delivery, service and credit term respectively.

- The Company does not have a policy to manufacture products by itself thus, it emphasizes on manufacturer selection. Products of the company shall be produced by many companies that specialize in different kinds of products in order to obtain highest quality products from proficient and standard manufacturers.

- The company focuses on customers and members that it arranges marketing activities and sale promotion event regularly such as.
 - The program of point collection of Beauty Buffet and Beauty Cottage (started from March 2014) for member customers that they can use the collected points as a discount in next buying and to exchange with products they like.
 - Special for Privilege Member only new members to use special discount before anybody
 - Surprise gift: presenting new products for customers who have brand loyalty that they purchase products for long time in order to make customer feel attached to the brand and feel like they are a part of the brand.

Birthday: Enjoy shopping on birthday, the birthday owner will receive 25% discount for normal products with price not over 5,000 Baht (20% discount for Beauty Cottage Birthday Promotion).

- Privilege for Member: Coordinate with other organizations to have Value Added for members who bear Beauty Buffet and Beauty Cottage member card to get product, discount and services in many places such as hotel, spa, restaurant, hospital, beauty center, entertainment venue etc. Besides, on-shop sale representatives can take a look at purchase record of customers who are members immediately in order to stimulate sales from products list they regularly purchase or to suggest or invite members to test similar products to broaden experience with product use.

- Activity to forward beauty to customers on shop that members and target group can participate in on-shop business and have experience with products to be bound with the brand and to test products to make it easy for purchasing.

- Present products to meet the needs or to solve problems of the customers promptly through Customer Service 02 96 0700 -6 and on Facebook of each brand



Workshop with education about how to nourish skin and make up correctly in interesting organizations or shops

6.Environmental maintenance

The Company will not take any actions that damage society, natural resources and environment and it will seek for a chance to support creative activities with the society to implant conscience about social responsibility for employees at every level continually and seriously. It includes practicing or controlling strict compliance with purpose of laws and regulations issued by supervisory institutes. In addition, the Company also realizes importance of environmental maintenance starting from the organization that is arranging “ Waen Wiset” program with following objectives

1. To create conscience for employees to participate in saving energy and expenses of the company
2. To promote good teamwork and to achieve common goal
3. To bring joy in working and to let employees do activities together
4. To give a chance to employees to show their ways of saving energy that affect their routine lives inside and outside the organization
5. To promote good image of environmentally-and-socially friendly organization

This program has been well responded in the entire organization and it achieves the specified objectives

7. Community or social development



Besides, the Company also participated in activities to develop the community or society such as

- Supporting the donation in Asia Summer Program 2016, Bangkok University
- Subsidizing “Generosity for Children” Program, Nation University, Nation Bangna Campus
- Supporting donations for “Her Majesty the Queen glorification Building” project, Phramongkutklao College of Medicine Foundation Under Her Royal Highness Princess
- Subsidizing donations for Community Children Foundation
- Supporting donations from charity bowling, Bangna Sports Club for “Petch Nai Tom” Project for youths and elder people in Bangna District

8. Innovation from Business Operation and Propagation

The company propagates knowledge about business operation for third parties such as knowledge about cosmetics, principle of make-up by place and occasion through Website, Call Center, and Social Media regularly





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, 2016 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, 2016 and 2013 of 19.24 Million Baht, without any obligation.

• Leasehold

The Leasehold Assets of the Company are as follows :

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, 2016 and 2015, the book value of leasehold was 7.32 million Baht and 8.70 Million Baht, respectively.

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 1,224 Square Wah, Located at 50/1,50/2,50/3 Nuan Chan Road, Nuan Chan Sub-district, Bung Kum District, Bangkok Metropolis	Lessor : Mrs. Tanyapon Kraibhubes Duration : 1 January 2014– 31 December 2043 Rental Fees : Year 1 - 5 72,900.00 Baht per month Year 6 - 10 83,835.00 Baht per month Year 11 - 15 96,410.25 Baht per month Year 16 - 20 110,871.79 Baht per month Year 21 - 25 127,502.10 Baht per month Year 26 - 30 146,627.41 Baht per month
Land and Building, total area 203.5 Square Wah, located at 10/833 Nuan Chan 34, Nuan Chan Sub-district, Bung Kum District, Bangkok Metropolis	Lessor : Mrs. Tanyapon Kraibhubes Duration : 1 January 2016 – 31 December 2018 Rental : 29,000 Baht per month
Land and Building, total area 203.5 Square Wah, located at Nuan Chan 34, Nuan Chan Sub-district, Bung Kum District, Bangkok Metropolis	Lessor : Mrs. Jinda Piriparn Duration : 1 October 2016– 30 December 2019 Rental : 17,000 Baht per month
Logistic total area 1,000 Square Wah, Located at 68/1 Soi, Chimpoyphol Phattana Chonnabot 3 Road, Klongsongtonnoon Sub-district, Ladkrabang District, Bangkok Metropolis	Lessor : Virgin Transport Co.,Ltd Duration : 1 June 2016–31 May 2020 Rental : 136,842.11 Baht per month
Logistic total area 1,000 Square Wah, Located at 68 Soi, Chimpoyphol Phattana Chonnabot 3 Road, Klongsongtonnoon Sub-district, Ladkrabang District, Bangkok Metropolis	Lessor : Virgin Transport Co.,Ltd Duration : 1 August 2016–31 July 2020 Rental : 157,894.74 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, 2016, 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 31December 2016 of 248 Branch

No.	Branch	Operation Date
Domestic Branch		
1	MBK Center Branch	7-Sep-04
2	Central Lat Phrao Branch	15-Sep-04
3	Lotus Bang Na Branch	4-Jan-05
4	The Mall Tha Phra Branch	1-Feb-05
5	Central Rama 2 Branch	23-Mar-05
6	Lotus Charoen Phon Branch	21-Oct-05
7	The Mall Ngam Wong Wan Branch	21-Oct-05
8	Lotus Bang Plee Branch	19-Nov-05
9	The Mall Ramkamhaeng Branch	30-Dec-05
10	Central Pinklao Branch	6-May-06
11	Lotus Lak Si Branch	4-Sep-06
12	Century Branch	9-Oct-06
13	BTS Sala Daeng Station Branch	8-Dec-06
14	Big C Bang Na Branch	1-Dec-08
15	Secon 2 Branch	28-Mar-09
16	Lotus Klong 7 Branch	23-Jun-09
17	Big C Phrae Branch	13-Jul-09
18	Ayutthaya Park Branch	1-Aug-09
19	Big C Nakhon Sawan Branch	15-Aug-09
20	Lotus Lam Luk Ka	26-Aug-09
21	Big C Rat Damri Branch	25-Sep-09
22	Lotus Samui Lamai 2 Branch	1-Oct-09
23	Lotus Kanchana Buri Branch	19-Oct-09
24	Big C Chaeng Watthana Branch	20-Oct-09
25	Lotus Amata Nakhon Branch	20-Oct-09
26	Lotus Ban Pong Branch	6-Nov-09
27	Lotus Sukhaphiban 1 Branch	10-Nov-09
28	Lotus Pranburi Branch	15-Nov-09
29	Central KhonKaen Branch	3-Dec-09
30	The Mall Khorat Branch	12-Dec-09

No.	Branch	Operation Date
31	Lotus Aranyaprathet Branch	17-Dec-09
32	Big C Ratchada Branch	18-Dec-09
33	Big C Srinakarindra Branch	19-Dec-09
34	Sahathai Plaza Thung Song Branch	23-Dec-09
35	Lotus Phuket Branch	24-Dec-09
36	Big C Phuket Branch	25-Dec-09
37	Lotus Pinklao Branch	16-Feb-10
38	Big C Ubon Ratchathani Branch	16-Feb-10
39	Central Rama 3 Branch	26-Feb-10
40	Lotus Nawa Nakhon Branch	27-Mar-10
41	Imperial World Samrong Branch 2	30-Mar-10
42	Big C Mahachai Branch	1-Apr-10
43	Hua Hin Market Village Branch	1-Apr-10
44	The Mall Bang Kae Branch	12-Apr-10
45	Big C Chang Watthana 2 Branch	1-May-10
46	Big C Lam Luk Ka Branch	12-May-10
47	Big C Rama 2 Branch	22-May-10
48	BTS Station at Paragon Branch	21-Jun-10
49	Big C Petchaburi Branch	1-Jul-10
50	Lotus North Pattaya Branch	1-Jul-10
51	Big C Nakhon Pathom Branch	20-Jul-10
52	Big C Chon Buri	24-Jul-10
53	Big C Rattathibet (Bang Yai) Branch	14-Aug-10
54	Lotus Central Pattaya Branch	14-Sep-10
55	Lotus Rama 2 Branch	14-Sep-10
56	Lotus Sukaphiban 3 Branch	30-Sep-10
57	Central Phatthaya Beach Branch	1-Oct-10
58	Big C Rama 4 Branch	3-Oct-10
59	Big C Lam Luk Ka Branch 2	8-Oct-10
60	Robinson Chanthaburi Branch	10-Oct-10
61	MBK Center Branch 2	16-Oct-10

No.	Branch	Operation Date
62	Future Park Rangsit Branch	17-Oct-10
63	Lotus Krathumban Branch	21-Oct-10
64	Lotus Chumphon Branch	29-Oct-10
65	Pacific Park Sri Racha Branch	1-Nov-10
66	Big C Samut Prakan Branch	1-Nov-10
67	Lotus Sri Nakarin Branch	1-Nov-10
68	Laem Chabang Bang Saen Branch	1-Nov-10
69	Major Ciniplex Phahon Yothin Branch	1-Nov-10
70	The Mall Bang Kapi Branch	1-Nov-10
71	Robinson Trang Branch	11-Nov-10
72	Fortune Branch	11-Nov-10
73	Major Hollywood Pakkret Branch	11-Nov-10
74	Lotus Bang Kapi Branch	12-Nov-10
75	Union Mall Branch	12-Nov-10
76	Central Wongsawang Branch	12-Nov-10
77	Major Hollywood Ram Branch	12-Nov-10
78	Central Chon Buri Branch	13-Nov-10
79	Central Rattana Thibet Branch	15-Nov-10
80	Lotus Krabi Branch	16-Nov-10
81	Central Airport Plaza Chiang Mai Branch	16-Nov-10
82	Big C Hua Mak Branch	16-Nov-10
83	Robinson Ratchaburi Branch	17-Nov-10
84	Big C Lampang Branch	17-Nov-10
85	Lotus Samui 1 Branch	17-Nov-10
86	Lotus Rayong Branch	22-Nov-10
87	Diana Hat Yai Branch	22-Nov-10
88	Lotus Laem Chabang Branch	22-Nov-10
89	Fashion Island 2 Branch	24-Nov-10
90	Big C Rangsit Branch	24-Nov-10
91	Central Chaeng Watthana Branch	24-Nov-10
92	China World Branch	24-Nov-10
93	Major Ciniplex Pinklao Branch	24-Nov-10
94	Lotus Bo win Branch	25-Nov-10

No.	Branch	Operation Date
95	Big C Kamphaengphet Branch	2-Dec-10
96	Big C Phisanulok Branch	16-Dec-10
97	Lotus Nongchok Branch	12-Jan-11
98	Lotus Prachuab Branch	13-Jan-11
99	Lotus Chumphae Branch	16-Feb-11
100	Lotus Salaya Branch	28-Feb-11
101	Center One Branch	9-Mar-11
102	Big C Hat Yai 2 Branch	15-Mar-11
103	Central Chiang Rai Branch	28-Mar-11
104	Big C Suksawat Branch	1-May-11
105	Lotus Kalasin Branch	5-May-11
106	Big C Hat Yai Branch	20-May-11
107	Lotus Rama 4 Branch	1-Jul-11
108	Lotus Trat Branch	10-Aug-11
109	Lotus Chanthaburi Branch	15-Aug-11
110	Lotus Buengkan Branch	29-Sep-11
111	Lotus Thalang Branch	5-Oct-11
112	Lotus Tak Branch	6-Oct-11
113	Central Phitsanulok Branch	20-Oct-11
114	Lotus Kabinburi Branch	30-Nov-11
115	Lotus Khon Kaen 2 Branch	1-Dec-11
116	Big C Hang Dong Branch	3-Dec-11
117	Robinson Bang Rak Branch	5-Dec-11
118	Central Rama 9 Branch	14-Dec-11
119	Lotus Thayang Branch	22-Dec-11
120	Lotus Prachinburi Branch	10-Jan-12
121	Central Udon Thani Branch	27-Mar-12
122	Big C Si Sa Ket Branch	9-Apr-12
123	Mega Bang Na Branch	3-May-12
124	Sia Rangsit Branch	9-May-12
125	Lotus Ban Bueng Branch	25-May-12
126	Lotus Phayao Branch	25-Jul-12
127	Big C Satun Branch	15-Aug-12

No.	Branch	Operation Date
128	Laem Chabang Rayong Branch	21-Aug-12
129	Fairy Khon Kaen Branch	21-Aug-12
130	Lotus Warin Branch	5-Sep-12
131	Lotus Nakhon In Branch	27-Sep-12
132	Central Surat Thani Branch	11-Oct-12
133	Lotus Sadao Branch	18-Oct-12
134	Secon Square Bang Khae Branch	1-Nov-12
135	Central Lampang Branch	29-Nov-12
136	Big C Chiang Rai Branch	1-Dec-12
137	Lotus Kumphawapi Branch	6-Dec-12
138	Lotus Utaradit Branch	16-Dec-12
139	Big C Saphan Khwai Branch	25-Dec-12
140	Lotus Bang Lamphu Branch	26-Dec-12
141	Lotus Serm Thai Mahasarakham Branch	27-Dec-12
142	Lotus Phisanulok Branch 2	27-Dec-12
143	Lotus Mae Sot Branch	10-Jan-13
144	Big C Ramintra Branch	29-Jan-13
145	Big C Roi Et Branch	31-Jan-13
146	Lotus Nakhon Sawan Branch	21-Feb-13
147	Terminal 21 Branch	26-Feb-13
148	Robison Kanchanaburi Branch	28-Feb-13
149	Siriban Shopping Center Branch	5-Mar-13
150	IT Square Lak Si Branch	5-Apr-13
151	Central Ubon Ratchathani Branch	5-Apr-13
152	Lotus Bang Prakong Branch	14-May-13
153	Big C Ang Thong Branch	28-May-13
154	Jungcelon Phuket Branch	16-Jun-13
155	Lotus Chiang Khon Branch	25-Jul-13
156	Big C Kalasin Branch	31-Jul-13
157	Lotus Ruam Chok Chiang Mai Branch	1-Aug-13
158	Big C Lampoon Branch	17-Aug-13
159	Big C Issaraphap Branch	23-Aug-13
160	Lotus Min Buri Branch	1-Sep-13
161	Lotus Lat Phrao Branch	16-Sep-13

No.	Branch	Operation Date
162	Big C Suphan Buri Branch	27-Sep-13
163	Lotus Klang Branch	3-Oct-13
164	Lotus Wiang Sa Branch	10-Oct-13
165	Saha Thai Plaza Nakhon Si Thammarat B	20-Oct-13
166	Central Chiang Mai Branch	14-Nov-13
167	Robinson Saraburi Branch	22-Nov-13
168	Lotus Song Khla Branch	28-Nov-13
169	Lotus Chalong Branch	12-Dec-13
170	Central Festival Hat Yai Branch	14-Dec-13
171	Robinson Surin Branch	20-Dec-13
172	Lotus Phatthalung Branch	20-Dec-13
173	Big C Khon Kaen Branch	27-Dec-13
174	Lotus Lomsak Branch	14-Jan-14
175	Meya Branch	23-Jan-14
176	Lotus The Walk Nakhon Sawan Branch	12-Feb-14
177	Central Ramintra Branch	3-Mar-14
178	Big C Nakhon Phanom Branch	26-Mar-14
179	Central Samui Branch	29-Mar-14
180	Big C Kallapaphruk Branch	25-Apr-14
181	Lotus Sukhumvit 50 Branch	3-May-14
182	Lotus Nakhon Nayok Branch	22-May-14
183	Siam Square One Branch	5-Jun-14
184	Lotus Mae Kari Branch	3-Jul-14
185	Lotus Bang Yai Branch	24-Jul-14
186	Lotus Mahachai 2 Branch	24-Jul-14
187	BTS Thonglor Station Branch	26-Jul-14
188	Lotus Charansanitwong Branch	1-Aug-14
189	Central Salaya Branch	12-Aug-14
190	Lotus Bang Len Branch	11-Sep-14
191	Robinson Chachoengsao Branch	12-Sep-14
192	Ploeng Nari Branch	26-Sep-14
193	Robinson Roi Et Branch	3-Oct-14
194	Lotus Nan Branch	21-Oct-14
195	Robinson Samut Prakan Branch	31-Oct-14

No.	Branch	Operation Date
196	Walk Krabi	1-Nov-14
197	SC Plaza Branch	4-Dec-14
198	Sermthai Mahasarakham	12-Dec-14
199	Lotus Khlong Luang	18-Dec-14
200	Robinson Mukdahan	19-Dec-14
201	Aswin Nongkhai	20-Dec-14
202	Lotus Nakhon Si Thammarat Branch	6-Feb-15
203	Big C Sakhon Nakhon Branch	1-Mar-15
204	Lotus Sangkha Surin Branch	14-May-15
205	Big C Bang Pakok Branch	15-May-15
206	Lotus Chandi Branch	21-May-15
207	Central Rayong Branch	27-May-15
208	Saha Thai Surat Thani Branch	6-Jun-15
209	Lotus Sichon Branch	11-Jun-15
210	Lotus Rotjana Branch	27-Jun-15
211	Robinson Buriram Branch	29-Jul-15
212	Central West Gate Branch	28-Aug-15
213	Lotus Saraburi Branch	3-Sep-15
214	Lotus Khamthiang Chiang Mai Branch	8-Sep-15
215	Lotus Hat Yai Branch	28-Sep-15
216	Lotus Phetchabun Branch	16-Oct-15
217	Lotus Surat Thani Branch	22-Oct-15
218	Lotus Nakhon Pathom Branch	22-Oct-15
219	Lotus Prachachuen Branch	28-Oct-15
220	Robinson Si Saman Branch	11-Nov-15
221	Big C Suwinthawong Branch	27-Nov-15
222	Supreme Complex Branch	1-Dec-15
223	BTS Udomsuk Branch	14-Dec-15
224	Central Festival East Ville Branch	17-Dec-15
225	Robinson Mae Sot Branch	18-Dec-15
226	Big C Om Yai Branch	26-Dec-15
227	Lotus Samut Songkhram Branch	28-Dec-15
228	Lotus Pak Chong Branch	20-Jan-16

No.	Branch	Operation Date
229	Hong Fah Plaza Branch	5-Feb-16
230	Big C Lop Buri 1 Branch	15-Feb-16
231	Harbour Mall Pattaya Branch	1-Apr-16
232	Big C Ranong Branch	13-May-16
233	Big C Bang Bon Branch	1-Jun-16
234	Big C Tiwanon Branch	17-Jun-16
235	Big C Bang Plee Branch	22-Jul-16
236	Central Nakhon Si Thammarat Branch	28-Jul-16
237	Lotus Bueng Sam Phan Branch	10-Aug-16
238	Happy Plaza Phichit Branch	11-Aug-16
239	NK Phangnga Branch	26-Aug-16
240	Lotus Ta Klee Branch	15-Sep-16
241	Platinum Water Gate Branch	15-Sep-16
242	Lotus Pathum Branch	16-Oct-16
243	Lotus Phimai Branch	26-Oct-16
244	Lotus Chiang Kham Branch	25-Nov-16
245	Robinson Lop Buri Branch	16-Dec-16
246	Terminal Korat Branch	19-Dec-16
247	Lotus Bang Khae Branch	23-Dec-16
248	Platform Wongwianyai Branch	24-Dec-16
International Branch		
1	Cambodia 1 (Sorya) PHN	25-Feb-12
2	Cambodia 2 (Hong Kong) PHN	11-Dec-13
3	Cambodia 3 (Paster) PHNN	11-Dec-13
4	Myanmar	06-Jan-14
5	Lao	27-Jun-14
6	Vietnam- Coop Phan Van Tri	27-Oct-14
7	Vietnam-Coop Ly Thuong Kiet	27-Oct-14
8	Vietnam-Coop Vinh Long	27-Oct-14
9	Vietnam Robinson Q.7	27-Oct-14
10	Vietnam-Big C Pandora	27-Oct-14
11	Vietnam- Robinson Hogimin	03-Dec-14
12	Cambodia 4 Battambang	26-Dec-14

No.	Branch	Operation Date
13	Vietnam-Coop Thang Loi	23-Jan-15
14	Vietnam-Coop XLHN	23-Jan-15
15	Vietnam-Maxxi mart cong hoa	23-Jan-15
16	Vietnam-PARKSON_HUNG VUONG	10-Feb-15
17	Vietnam-5 Takhmao	13-Feb-15
18	Vietnam-aeon-narita-mall	01-May-15
19	Cambodia-Royo phnom-penh	12-May-15
20	Vietnam-BEN TRE	06-Jun-15
21	Vietnam-Coop DINH TIEN HOANG	06-Jun-15
22	Vietnam-BigC Hoang Van Thu	05-Jul-15
23	Vietnam-BigC Go Vap	05-Jul-15
24	Vietnam-Lotte Da Nang	07-Jul-15
25	Vietnam-Lotte Nam Sai Gon	27-Aug-15

No.	Branch	Operation Date
26	Vietnam-Lotte Can Tho	15-Oct-15
27	Vietnam-Lotte Phu Tho	06-Dec-15
28	Vietnam-Big C City Land	06-Dec-15
29	Vietnam-Parkson Cantivil	18-Mar-16
30	Vietnam--Copmartbienhoa	12-Apr-16
31	Vietnam-Coopmart Danung	19-Apr-16
32	Vietnam-Lotte Go Vap	28-Apr-16
33	Vietnam-Parkson Saigon	25-May-16
34	Vietnam-Parkson city	15-Jun-16
35	Vietnam-Aeon Bin tah	01-Jul-16
36	Vietnam-Lotte Nha Tran	25-Jul-16
37	Vietnam-MM MEGA MARKET (VIETNAM)	20-Oct-16

Operating leases for Beauty Cottage Branches at 31 December 2016 for 71 Branches

No.	Branch	Operation Date
<u>Domestic Branch</u>		
1	Fashion Island Branch	23-Sep-09
2	Central Lat Phrao Branch	28-Aug-11
3	Terminal 21 Branch	11-Oct-11
4	Lotus Khon Kaen 2 Branch	1-Dec-11
5	Central Rama 9 Branch	14-Dec-11
6	Central Pattaya Beach Branch	29-Dec-11
7	The Mall Bang Kapi Branch	27-Dec-11
8	The Mall Bang Khae Branch	21-Dec-11
9	Robinson Suphan Buri Branch	2-Mar-12
10	Central Chaeng Watthana Branch	11-Feb-12
11	Big C Chanthaburi Branch	18-Dec-11
12	Big C Ratchadamri Branch	28-Apr-12
13	Mega Bang Na Branch	3-May-12
14	Central Rattanathibet Branch	22-Mar-12
15	Diaba Hat Yai Branch	21-Jan-12
16	Central World Branch	7-Feb-12

No.	Branch	Operation Date
17	Central Udon Thani Branch	27-Mar-12
18	Central Chiang Rai Branch	7-Jul-12
19	Hua Hin Market Village Branch	28-May-12
20	Laem Thong Rayong Branch	21-Aug-12
21	Secon Square Bang Khae Branch	10-Sep-12
22	Central Surat Thani Branch	11-Oct-12
23	Central Lop Buri Branch	18-Oct-12
24	Serm Thai Maha Sarakham Branch	21-Dec-12
25	The Mall Ngam Wong Wan Branch	4-Dec-12
26	Big C Nakhon Sawan Branch	24-Dec-12
27	Central Chiang Mai Branch	13-Feb-13
28	Robinson Kanchanaburi Branch	28-Feb-13
29	Lotus Ramintra Branch	14-Mar-13
30	The Mall Korat Branch	28-Nov-12
31	Central Pinklao Branch	12-Mar-13

No.	Branch	Operation Date
32	Central Ubon Ratchathani Branch	5-Apr-13
33	Big C Hua Mak Branch	19-Mar-13
34	Central Rama 2 Branch	22-Mar-13
35	Jungcelon Branch	16-Jun-13
36	Robinson Sakhon Nakhon Branch	27-Jun-13
37	Central Chiang Mai Branch	14-Nov-13
38	Robinson Saraburi Branch	22-Nov-13
39	Center One Branch	27-Nov-13
40	Lotus Songkhla Branch	29-Nov-13
41	Big C Trang Branch	4-Dec-13
42	Robinson Bang Rak Branch	5-Dec-13
43	Central Festival Hat Yai Branch	14-Dec-13
44	Meya Branch	23-Jan-14
45	Lotus Nakhon Phanom Branch	21-Feb-14
46	Central Samui Branch	29-Mar-14
47	Big C Kanchanaburi Branch	28-Mar-14
48	Saha Thai Plaza Nakhon Si Thammarat	19-May-14
49	Siam Square One Branch	5-Jun-14
50	Lotus Bang Yai Branch	24-Jul-14
51	Robinson Chachoengsao Branch	12-Sep-14
52	Ploennari-BC Branch	26-Sep-14
53	Robinson Roi Et-BC Branch	3-Oct-14
54	Robinson Samut Prakan-BC Branch	31-Oct-14

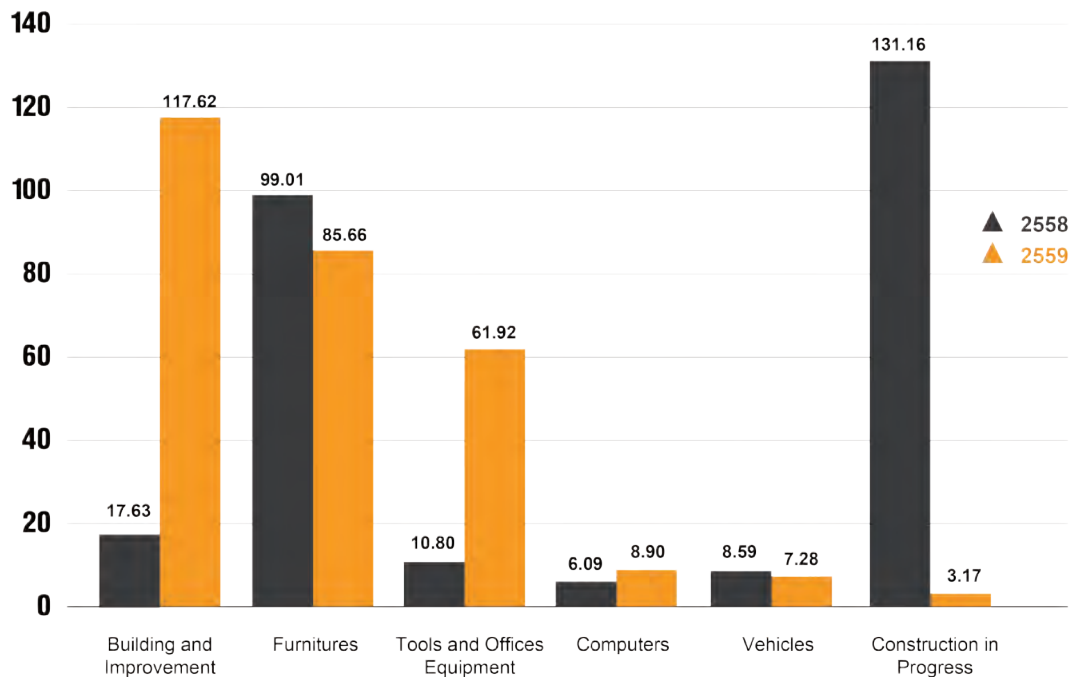
No.	Branch	Operation Date
55	Robinson Prachinburi Branch	4-Dec-14
56	Robinson Mukdahan Branch	19-Dec-14
57	Asawin Branch	20-Dec-14
58	Secon Sri Nakharin Branch	1-Feb-15
59	Market Village Suwannabhumi Branch	1-Mar-15
60	Lotus Sri Nakharin Branch	24-Apr-15
61	Lotus Mahachai 2 Branch	22-May-15
62	Central West Gate Branch	28-Aug-15
63	Lotus Tha Sala Branch	22-Jan-16
64	Silom Complex Branch	1-Mar-16
65	Harbour Mall Pattaya Branch	1-Apr-16
66	Future Park Rangsit Branch	30-Apr-16
67	Central Bang Na Branch	1-Jun-16
68	Big C Lop Buri Branch	28-Jul-16
69	Central Plaza Nakhon Si Thammarat	28-Jul-16
70	Terminal Korat-BC Branch	19-Dec-16
71	Central Pattaya Center-BC Branch	19-Dec-16
International Branch		
1	(Hong Kong) PHN Cambodia BC	11-Dec-13
2	Myanmar Branch	6-Jan-14
3	Vientiane, Laos Branch	27-Jun-14

Operating leases for Beauty Market Branches at 31 December 2016 for 13 Branches

No.	Branch	Operation Date
Domestic Branch		
1	Seacon Square Branch	15-Jul-13
2	Future Park Rangsit Branch	18-Oct-13
3	Central Chiang Mai Airport Branch	26-Nov-13
4	Fashion Island Branch	15-Mar-14
5	Central Samui Branch	29-Mar-14
6	Central Plaza Surat Thani Branch	2-May-14

No.	Branch	Operation Date
7	Lotus Bang Yai Branch	20-Jul-14
8	Ayuthaya Park 2 Branch	25-Jul-14
9	Central Salaya Branch	12-Aug-14
10	Sri Yan Branch	28-Aug-14
11	Central West Gate Branch	28-Aug-15
12	The Mall Ngamwongwan Branch	29-Jan-16
13	Market Suwannabhumi Branch	26-Feb-16

● 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 2017, the intangible assets will be 20.23 million baht and net value at december 31, 2016 and 2015 are 15.91 and 14.78 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 included to BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE, GINO MCCRAY, SCENTIO, LANSLEY, THE BAKERY, and Beauty Plaza There are 8 registered trademarks and 1 trademark under consideration of the registrar.

Despite the above trademark, the Company has owned more than 53 trademarks, which were used in the past products, including some trademarks that will be used as future brand of the Company.

In year 2013, the Company has filled the application to register the international trademark of the Company and the Company's products: to BEAUTY BUFFET, BEAUTY COTTAGE, BEAUTY MARKET, MADE IN NATURE, GINO MCCRAY, SCENTIO, LANSLEY, THE BAKERY, and Beauty Plaza to avoid the infringement. The application will be handle to 17 countries, including Vietnam, Cambodia, Lao PDR, Myanmar, China, Indonesia, and Malaysia, Hong Kong, Singapore, Taiwan, Korea, Norway, United Arab Emirates, Oman, Bahrain, Kuwait, and Philippine. Both had registered and trademark are in the process of being considered and in year 2017, there are registered trademarks in the target countries to protect against copyright infringement.

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 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: Website: www.beautyplazaonline.com in order to facilitate those customers who are not in the range of Beauty's Stores. Moreover we have also expanded the modern trade and convenience store channels so that the products can approach to customers more.

(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 278 more branches for Beauty Buffet, 86 more branches for Beauty Cottage and 18 more branches for Beauty Market in the end of year 2017, with the estimate cost of 100-110 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. We develop for office Beauty 1 for convenience working and enhancing the working atmosphere to be Happy Work Place, the project is on process and will complete in quarter 2 of 2017. The Company has constructed the Inventory Building, to support more product, and Employee Training Center.. Moreover, the Company has invested in developing of Information Technology System, Point of Sales (POS), Enterprise Resource Planning (ERP) , which on the process of Parallel Run which will complete of this project in 2017 . The Company expects to invest for 50 million baht for developing the operational system to support business expansion in the upcoming future.

Legal Disputes

To the present, December 31, 2016, the Company has no legal dispute and any other dispute that may cause the damage and impact to more than 5 percent of the shareholder's equity and to business operations, significantly.



Capital Structure

Company's Securities

As at December 30, 2016 the registered capital of the Company was 302,261,000 Baht, with 3,022,610,000 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 30 December, 2016, are as follows:

List of Shareholders	At December 30, 2016	
	Number of Shares	Percentage
1. Mr. Suwin Kraibhubes Group consists of:		
Mr. Suwin Kraibhubes	523,974,000	17.47
Mrs. Tanyapon Kraibhubes	254,098,000	8.47
Miss Monsoothatip Malaukcaranun	20,000,000	0.67
Mrs. Thurian Sriyong	102,400	0.00
Mr. Boonchuai Yokkrabut	100,000	0.00
Total of Mr. Suwin Kraibhubes Group	798,274,400	26.61
2. STATE STREET BANK EUROPE LIMITED	271,489,016	9.05
3. Thai NVDR CO., LTD.	229,851,636	7.66
4. KRUNKSRI DIVIDEND STOCK LTF	72,282,800	2.41
5. SCB DIVIDEND STOCK 70/30 LONG TERM EQUITY FUND	45,379,200	1.51
6. Mr. SOONTHORN KOORATTANAPISARN	43,590,000	1.45
7. Mr. JIRADECH JONGWATTANASILPKUL	42,000,000	1.40
8. K 20 Select LTF	36,639,700	1.22
9. KRUNGSRI DIVIDEND STOCK	36,386,600	1.21
10. MR. SORNSARN KOORATTANAPISARN	33,300,000	1.11

Source : Thailand Securities Deposit Company Limited at December 30, 2016

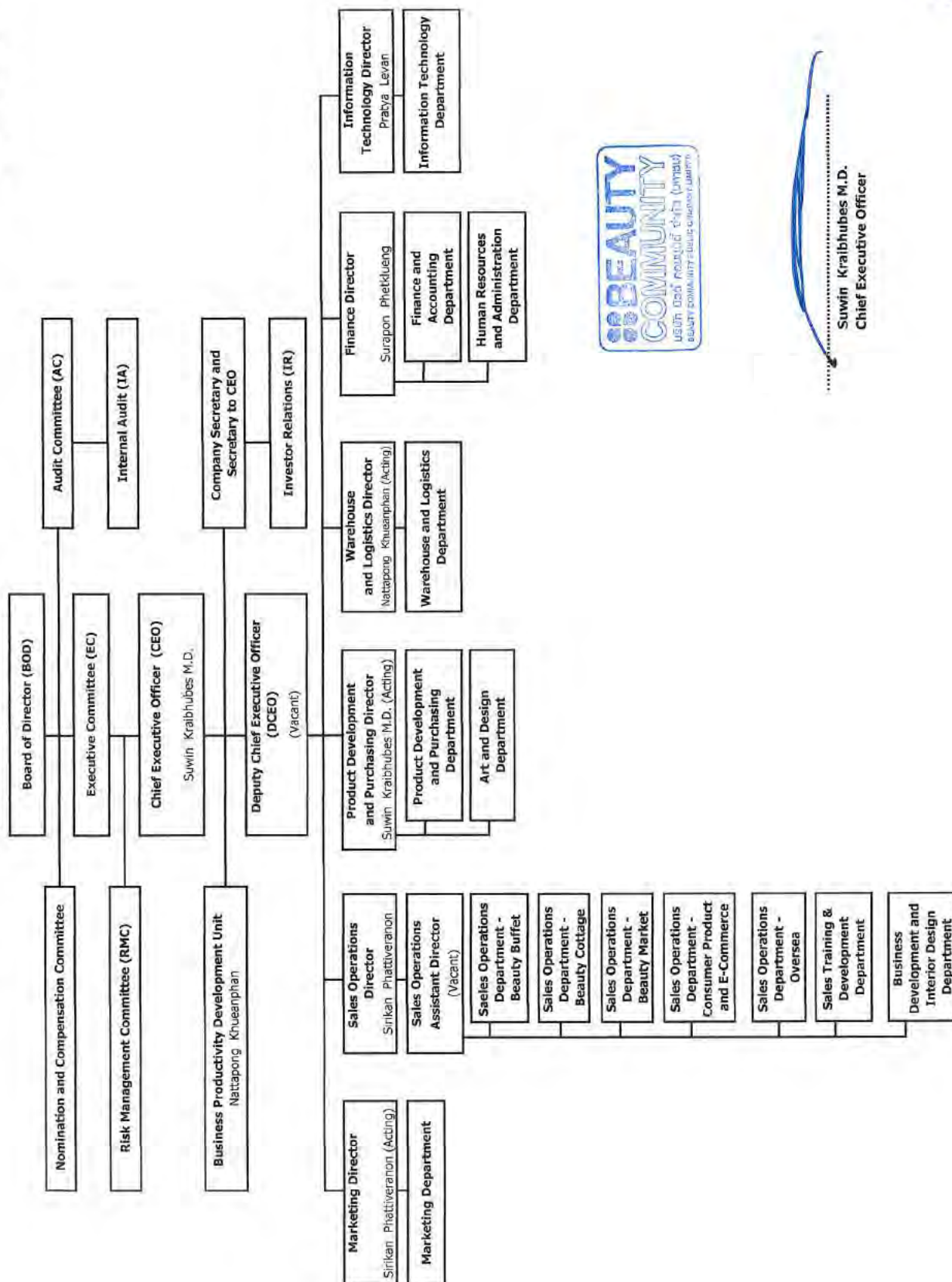
● Dividend Payment Policy

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

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED Organization Chart

Effective 1 January 2017



Suwin Kraibhubes M.D.
Chief Executive Officer

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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	Kitiveshpokawat	Independent Director and Chairman of Audit Committee
7. Col.Attapon	Srisangwarn	Independent Director and Audit Committee
8. Mr. Viboon	Pojanalai	Independent Director and Audit Committee

Mrs. Daranee Pathetang has acted as Company Secretary.

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

Term for Holding the Post of Director

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

Scope of Duties and Responsibilities of Board of Directors

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

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

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

6. Determine target, guideline, policy, program and budget of the Company; control and govern the administration and management of the Executive Board in accordance with the assigned policy unless in the following matters, the Board of Directors must gain the approval resolution from the Shareholders' Meeting before any actions including the matter required by law for approval resolution from the Shareholders' Meeting such as increase in stock capital, decrease in stock capital, debenture issuance, selling or transfer of the entire or some important parts of business to other persons or buying or accepting of business transfers of other Company to belong to the Company, and amendment of Memorandum of Association or Articles of Association, etc.

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

7. Consider management structure, appoint Executive Board, Chief Executive Officer and other Committees as appropriate.
8. Continuously follow the operating performance according to the program and budget.
9. The directors must not engage in the same nature of business being competitive with the Company's business or involved as the partner in ordinary partnership or the general partner in limited partnership or the director of private Company or other companies engaged in the same nature of business being competitive to the Company's businesses either for self interest or for other people's interests unless notified to the Shareholders' Meeting for acknowledgement before any appointment resolutions.
10. The director shall notify the Company for acknowledgement without delay if any direct or indirect interests are available in the contract made by the Company or on increase or decrease in holding of shares or other securities in the Company or associate Company.

2. Audit Committee

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

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

Ms. Supicha Sadsara has acted as the Secretary of Audit Committee according to the resolution of the Meeting of Audit Committee No. 2/2016 on 10 May 2016

● Term for Holding the Post of Audit Committee

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

● Scope of Duties and Responsibilities of Audit Committee

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

1. Review the accuracy and adequacy of the Company's financial statements;
2. Review the appropriateness and efficiency of internal control and internal audit system; and consider the independence of internal audit unit as well as confirm the consideration on appointment, removal and dismissal of Chief of Internal Audit or other units responsible for internal audit.
3. Review the Company's compliance with Securities and Exchange Law, the Stock Exchange's regulation or any laws relevant to Company's business.
4. Consider, select and nominate for appointment of independent person to act as the Company's business auditor and propose the remuneration of such person as well as attend the meeting with auditor without the meeting attendance of the management for at least once a year.
5. Consider connected transaction or transaction that may have conflict of interest in accordance with law and regulation of the Stock Exchange so as to assure that such transaction is reasonable and extremely beneficial to the Company.
6. Prepare Audit Committee's report for disclosure in the Company's Annual Report. Such report must be signed by the Chairman of Audit Committee and must at least comprise of following data.
 - (a) Opinion on accuracy, completeness and reliability of the Company's financial reports
 - (b) Opinion on adequacy of the Company's internal control system
 - (c) Opinion on compliance with the Securities and Exchange Law

- (d) Requirement of Stock Exchange of Thailand or laws relevant to the Company's business
 - (e) Opinion on appropriateness of the auditor
 - (f) Opinion on transaction that may have conflict of interest
 - (g) Number of meetings of Audit Committee and meeting attendance of each member of Audit Committee
 - (h) Overall opinion or observation acquired from function according to the charter
 - (i) Other transactions deemed to be recognized by shareholders and general investors under scope of duties and responsibilities gained from the Board of Directors
7. Perform any actions according to the assignment of the Board of Directors with consent from Audit Committee.

3. Executive Board

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

1. 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 1 January 2017, the Company's executives have constituted 6 persons as follows.

- | | | | |
|---|---------------|---------------|--------------------------------------------------------------------------------------------------------------|
| 1 | Dr. Suwin | Kraibhubes | Chief Executive Officer, Acting for Product Development Department |
| 2 | Mr. Pratya | 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 and Acting for Director of Marketing Department |
| 5 | Mr. Nattapong | Khueanphan | Acting for Director Warehouse and Logistic Department and Director of Business Productivity Development Unit |

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 himself 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 400 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 | Kitiveshpokawat | 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
 - f) Perform any other actions in accordance with the rules prescribed by the Securities and Exchange.

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.

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 share holder 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 accordance with the consideration on other qualifications such as working experience and wisdom, and then propose to the Shareholders' Meeting for consideration on appointment of such person to be the Company's director. At least one-third of total number of directors and not less than 3 persons shall be appointed according to the Company's independent committee appointment policy.

● *Qualification of Independent Director*

1. Hold the shares not exceeding 1% of total number of voting stocks of the Company, holding Company, its subsidiary, corporation, major shareholders, and Company's regulator by counting in the shareholdings of the people concerned as well.
2. Not be or ever be the director involved in the employee management; consultant officer who gained regular salary; the regulator of the Company, its subsidiary, holding Company, same level of subsidiary; the major shareholder or Company's regulator unless free from aforesaid characteristic for at least 2 years ago before holding the post. Such prohibited characteristic shall exclude the case that the independent director used to be the government officer or consultant of the government office and has been the major shareholders or the Company's regulator.
3. Not be the person with consanguinity or legal registration in type of parents, spouse, relatives, and children as well as spouse of the children of major shareholder, regulator or person who is going to be nominated as the executive or the regulator of the Company or its subsidiary.
4. Not be or ever have business relationship with the Company, holding Company, subsidiary, corporation, major shareholder or Company's regulator in type that may hinder the use of his own independent discretion; never be or ever be the tacit shareholder or the regulator of the person who has the relationship with the business of the Company, holding Company, subsidiary, corporation, major shareholders, or Company's regulator unless free from such characteristics for at least less than 2 years before holding the post.

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

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

7. Not be the director getting appointed as the representative of the director of the major shareholder's Company or the shareholder who is the person related to the major shareholder such as agreement made in Shareholders Agreement on director appointment to be the representative and oversee the benefit of any groups of shareholders.
8. Not engage in the business with the same nature and tacitly competitive with the business of the Company, its subsidiary; or not be the tacit partner in partnership or the director who is involved in management, customer, employee and consultant with regular salary receipt; or hold the shares exceeding 1 percent of total number of voting stocks of other Company which engages in the same nature of business and is tacitly competitive to the business of the Company or its subsidiary.
9. Does not possess any other characteristics incapable for independent opinion expression on Company operation. Generally, the independent opinion expression means opinion expression or reporting according to the assigned mission irrespective of any interests relating to properties or positions and not fall under the influence of the individual or any group of individuals as well as not be under any situations that may coerce for inability to straightforwardly express the opinion.

● *Guidelines in selection and appointment of Audit Committee*

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

1. Is not the Director who is authorized by the Board of Directors to make decision in business operation of the Company, its parent Company, subsidiaries, associates, same-level subsidiaries, major shareholders, or controlling parties.
2. Is not the Director of the parent Company, subsidiaries, associates, same-level subsidiaries that is the listed Company.
3. Has enough knowledge and experience to responsible for assigned mission as an auditor. The Auditor must delicate him self/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, 2016. 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	24,311
Director	18,233
<u>Audit Committee's Meeting</u>	
Chairman of the Audit Committee	24,311
Auditor	18,233
<u>Nomination and Remuneration Committee's Meeting</u>	
Chairman of the Nomination and Remuneration Committee	24,311
Nomination and Remuneration Director	18,233

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 2016 (until December 31, 2016) are shown in the below table.

Name- Surname	Meeting Attendance (times)*	Total remunerations (Baht)
Lt.Gen. Padet Charuchinda	5/5	121,555
Mr. Suwin Kraibhubes	5/5	-
Mrs. Tanyapon Kraibhubes	5/5	91,165
Ms.Monsoothatip Malaukcaranun	5/5	91,165
Mr. Pratya Levan	5/5	-
Dr. Peerapong Kitiveshpokawat	5/5	91,165
Col. Attapon Srisangwarn	5/5	91,165
Mr. Viboon Pojanalai	5/5	91,165

Summary of remuneration payment to the Audit Committee in 2016 and 2015 (until December 31, 2016) are shown in the below table

Name- Surname	2015		2016	
	Meeting Attendance (times)	Total remunerations (Baht)	Meeting Attendance (times)	Total remunerations (Baht)
Dr.Peerapong Kitiveshpokawat	4/4	92,612	4/4	97,244
Col.Attapon Srisangwarn	4/4	69,460	4/4	74,932
Mr.Viboon Pojanalai	4/4	69,460	4/4	74,932

● Management Remuneration

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

Description	2016	2015
Number of management	6 persons	6 persons
Total Management Remuneration (Million Baht)	23.89	17.09

(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.

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.
Partners and creditor :	The Company will not practice corruption in dealing businesses with its partners and creditors and is committed to comply with conditions strictly prescribed with creditors, e.g. the purposes of payment, reimbursement, the regulations of the quality of collateral and any other agreements with creditors to achieve mutual benefits.
Competitors :	The Company will conduct operations under the rules of good competition, will not seek competitors' confidential information by dishonest or improper means, and will not damage the reputation of its alleged competitors without unfounded grounds.
Society :	The Company will not take any action that may result in damage to society, natural resources, and environment. Instead, it seeks opportunities to support creative social activities and social responsibility among employees at all levels continuously and seriously as well as to control the practice strictly in accordance with the spirit of the law and regulations issued by regulatory agencies.

Section 4 Disclosure and Transparency

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

The Board of Directors is responsibly aware of the significance of the accurate and reasonable financial report. The statement of the Company was prepared in accordance with the well-accepted accounting standard by the selection of appropriate accounting policies and accounting records which have enough accuracy to maintain the property. This is to identify the weaknesses in order to prevent fraud or irregularities of the material which is consistently implemented and to make sure that the key information is adequately disclosed in the notes to financial statements. Furthermore, the Board has appointed the Audit Committee to review financial reports, transactions and internal control system. The Audit Committee will report the audit results to the Board in every meeting. The Board of Directors, the Audit Committee and the Auditor' reports are detailed in the annual report. As for the investor relations, the Company has no plan to establish an investor relation section in nearly future. However, the Company has assigned 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 Stock Exchange of Thailand.
 - 3 Nomination and Remuneration Committees who provide suggestion about remuneration of the Directors, appointment of the Board of Directors and sub-committee, nominate and propose the person whose qualification is suitable for being the Director; including follow up and operate human resource activities, e.g. evaluation for bonus and salary increment, etc.
- However, the Company may recruit other sub-committees to perform their assigned tasks to alleviate the administrative burden of the Board of Directors in the future.

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

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

Business Code of Conduct

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

The Policy on Conflicts of Interest

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

- Transactions:

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

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

1. General investment: The Company will not allow its employees who are also shareholders, or those who benefit from its competitors, or vendors/suppliers who are in business contact with the Company to take part in any decision making regarding business relationship, unless approved by the Board of Directors.
2. Receiving gifts: Personnel of all levels should not receive gifts, transportation tickets, sport tickets, travel offers, accommodation or personal offers, etc., if such action can lead the Company to any binding conditions or make the Company lose profit.
3. Accepting work in academia or public service, a lecturer post, or any position: Personnel of all levels can ask the head of their department to approve the acceptance of work in academic institutions or public service, or a lecturer post or any position such as Company director or adviser that will help broaden their vision and offer them experience. However, all personnel are not allowed to involve the Company or their positions in the Company with any external activity, unless approved by the Board of Directors.

Internal Control

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

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

(4) The Board of Directors' Meeting

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

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

(5) Remuneration

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

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

(6) The Board of Directors and Executives' development

The Board of Directors supports and provides training and workshops to all employees who are involved in the Corporate Governance system, such as the Directors, Audit Committees, and Executives, in order to continuously help improve their performance. Training and workshops may be arranged in the office or at other external institutes. If there is any change in the Board of Directors, the Company's secretary will provide useful documents to the new members, as well as arrange for advice on the business type and model to be given to the new Boards of Directors.

Insider Trading Policy

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

1. To provide knowledge for the Directors and other managements about their responsibilities to report changes in securities holding of them, their spouse, and minor children to The Securities and Exchange Commission and Stock Exchange of Thailand. This complies with Section 59 and the announcement of The Securities and Exchange Commission No. SorChor. 12/2552 prescribed "Preparation and Disclosure of Report on Securities Holding of Director, Executive and Auditor", and the penalty stated in Section 275 of the Securities and Exchange Act B.E. 2535.
2. The Company assigns the Executives to report changes in securities holding of them, their spouse, and minor children to The Securities and Exchange Commission and Stock Exchange of Thailand. This complies with Section 59 and the announcement of The Securities and Exchange Commission No. SorChor. 12/2552 prescribed "Preparation and Disclosure of Report on Securities Holding of Director, Executive and Auditor". Thus, the Company is able to monitor shares selling/buying of all Executives.
3. The Executives who are informed any material inside information, which has some impact on securities' price change, must stop their securities buying/selling for 1 month before publishing such financial statement or inside information. They must not exploit such material information to others. If any person in the Board of Directors or Executive Committee uses the inside information to cause some damages to the Company or the Shareholders, The Board of Directors will consider the penalty appropriately. If the person in other level exploited the inside information, the penalty will be considered by the Executive Committee.

Auditor's Remuneration

1. Audit Fee

In 2016 The company paid audit fees to DIA International Co.,Ltd in the amount of 1,150,000 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. Supaporn Mangjith | Permit no. 8152 |

2. Non-audit Service

In 2016 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, 2016	2015
1	Marketing	20	13
2	Operation (at branches) BB,BC,BM	710	677
3	Development and Purchasing	21	19
4	Warehouse and Logistics	135	113
5	Finance and Accounting	49	39
6	Information Technology	14	10
7	The Company's secretary and Chief Executive Officer's secretary	5	3
8	Consumer Product	14	12
9	Graphic and Design	12	10
10	Human Resources and Administration	36	23
11	Operations (Office section) OP-BB,OP-BC,OP-BM	44	39
12	Sale Training and Development	17	15
13	Business Development and interior design	13	10
14	Operations Oversea Section	5	2
	Total (persons)	1,095	985

Remarks: In 2016 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, ESOP and others such as OT, allowance, commission, Branch management fee, product maintenance fee etc. in the beginning of 2016 and 2015, there were 1,095 employees and 985 employees were paid in monetary form for 308.08 million baht and 240.75 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 emphasizes on management with functional and effective internal control system to support operations and to achieve the targets. It is focused on providing internal control to cover every activity sufficiently and suitable with business operations to increase effectiveness and efficiency of work execution, resource use and property maintenance. It also includes the reliable and accurate accounting system and financial report, compliance with rules, laws and regulations about business operation of the Company. The Company has independent internal control system where the assessment is effective and adequate in various terms. The company's committee assigns the audit committee to verify internal control assessment of the company and consider giving consults and suggestions for regular internal control system development.

In the meeting of company's committee 2/2016 arranged on 24 February 2016 together with the audit committee, the committee assessed internal control system by inquiring the management about sufficiency of internal control system consisting of 5 parts including

- (1) Organization and Environment
- (2) Risk Management
- (3) Management's performance control
- (4) Information system and communication
- (5) Tracking system

After the assessment, the committee had opinions that the company had adequate internal control system about transactions with major shareholders, committee, executives or relevant people and it was suitable and sufficient for 5 terms that could prevent executives to unrightfully utilize properties. The internal control system was also independent in term of monitoring and assessing internal control. In addition, the Company also had the system for storing essential documents that were verifiable by the committee, auditor and legal authority in proper time.

Observation of auditor for company's internal control system

--None--

Policy of internal audit operation

The Company gives precedence to good and sufficient internal control system that can control risks from business operations to be at acceptable level. Thus, the Company provides the policy, regulations and operation manuals that cover every essential work procedure and also allocates power, duty and responsibility in accordance with check and balance principles. However, to make internal control system of the company more complete and valid and to improve it in long term, in the end of 2010, the Company appointed an institute that had knowledge and proficiency which was Well Planning Solution Co., Ltd with long experiences being the internal auditor for many registered corporations to be the internal auditor of the company. Furthermore, it also appointed Miss Woraluck Limsukprasert, the executive of Well Planning Solution Co., Ltd to present the internal audit result to the audit committee for at least in every 3 months.

Observation of the auditor

In 2016, Well Planning Solution Co., Ltd assessed risks of the operation system of the company, presented it to the audit committee and planned about internal audit that it would do an audit by orders if impacts on operations. It audited the main process that significantly affected business operations. Such audit plan was approved by the audit committee. In the meantime, the internal auditors assessed sufficiency of internal control system of the company by inspecting 3 main processes including

- (1) risk assessment process in February 2016
- (2) Money receive payment control process in July 2016
- (3) Money payment control process in September 2016

The auditor had opinions that the Company determined the approaches of internal control that could make operations effective and efficient

However, the internal auditor also assessed the points that had not been properly managed and it had suggestions of improvement for the company. Of course, the Company highlighted the resolution according to such suggestion. The internal auditor reported the result of internal audit and progress of improvement of the Company to audit committee continually with following details

1. Risk assessment results

The company's risk appraisal results is low.

2. Result of internal audit- money receipt control process

2.1 Payment acceptance from store-based sale

2.1.1 Process of checking income from store-based sale was made in writing [Low]

- The Company provided methods of inspection for payment acceptance from store-based sale in writing and finished.

2.1.2 Risk from deposit receipt at store- in case of cash (Low)

- The operation of the company was that it defined a policy for customers to pay deposit.

2.2 Payment acceptance from consignment

2.2.1 There must be providing procedures for consignment in writing [Low]

- The operation of the Company was that it provided more obvious consignment procedures especially in case of return from satisfaction guarantee

2.3 Return - debt reduction

2.3.1 Operation procedures about product return shall be in done in writing (Moderate)

- The operation that the company conducts is making procedures of product return in writing and appointing a person who has authority to approve return list and it's completed.

3. Result of internal audit – payment control system

3.1 Controlling check book is not consistent with specified procedures [Moderate]

- Operations of the company has practice and improved

3.2 Stamping "PAID" on incomplete payment documents [High]

- Operations of the company included stamping "PAID" immediately when the last executive signs or immediately after receiving advance clearance documents. It's valid from October 2016

3.3 Finding difference of expense withdrawal for external operations of each division [Moderate]

- The operations of the Company: Human resource department adjusted principles and procedures of withdrawing transport cost and defined the standard form.

3.4 Finding the advance withdrawal and clearance list that should be improved and created understanding with employees [Moderate]

- Operation of the Company: Improving operating procedures about advance withdrawal and improving the expense summary form by categorizing it as expenditure with and without receipt

3.5 Not deducting monthly money of the employees to be submitted to Legal Execution Department for August 2016 [Moderate]

- Operation of the company: increase topics of deducting employee's money to be submitted to Legal Execution Department in the checklist form for salary calculation.

Related Party Transaction of the Company

Person/ juristic person with potential conflict	Relationship	Type	Value (Baht)		Remainder (baht)		Necessity and Rationale	Opinion of Audit committee
			2016	2015	As of 31 December 2016	As of 31 December 2015		
Mrs. Tanyapon Kraibhubes	Shareholder and committee	Lease of land and premise	348,000.00	348,000.00	-	-	The company leases land and premises with space of 203 square Wah from Thanaphoom commission. Such property is owned by Mrs. Tanyapon Kraibhubes and rental rate is 29,000 Baht/ month. The lease purpose is to be storage of the company and contract term is 3 years from 1 January 2016- 31 December 2018. The 3- month collateral is paid and the rental is estimated by the independent estimator	Such land rental is reasonable and necessary for business operation. The rental price is fair estimated by the independent estimator. However, the audit committee's meeting 5/2012 on 5 October 2012 had a resolution approving the company to change the signatory in lease agreement from Thanaphoom commission to Mrs. Tanyapon Kraibhubes with validity starting from 1 October 2012 with same conditions according to the original land agreement
		Rental deposit			87,000.00	87,000.00		
		Land rental	1,276,293.00	1,276,293.00	2,856,879.00	2,552,586.00	The company has obligation according to land lease agreement for constructing the warehouse with reference to agreement dated 11 June 2013 and notes to lease agreement with lease term of 30 years. The rental is equal to value estimated by the independent estimator. The lease starts from 1 January 2014 with value throughout the lease agreement of 38.28 million Baht	
C and N International Ordinary Partnership	Mr. Praty Levan, committee and shareholder of the company holding share for 20% in OP	Product sale	6,910,983.73	8,431,832.08	378,971.36	2,372,218.72	C and N International ordinary partnership is the owner franchise "Beauty Buffet" at Big C Bangna branch with condition to distribute such franchised products as same as the conditions the company provides for other franchisees.	It's normal trade list with reasonable commercial conditions

Inter-Transactions for the Year Ended 31 December 2016
Beauty Community Public Company Limited

Person/ juristic person with potential conflict	Relationship	Type	Value (Baht)		Remainder (baht)		Necessity and Rationale	Opinion of Audit committee
			2016	2015	As of 31 December 2016	As of 31 December 2015		
		Other incomes	20,475.00	14,805.00	-	-	The Company charges operating cost according to conditions in franchise agreement such as transport cost, product check cost etc. that are the same conditions the company provides for other franchisees	
Bevita International Co., Ltd ("Bevita")	Mrs. Ratchanok Chiangthong, the committee and shareholder and the sister of Mr. Praty Levan	Product purchase	5,549,065.43	12,355,140.18	1,190,000.00	2,500,000.00	The Company orders Lansley Instant Coffee from Bevita, the distributor and the price of products distributed by Bevita is lower than other clients because the company orders a large amount of product and the price is also lower than the price quoted by other distributors. In addition, gross profit margin the company receives from distributing such instant coffee is similar to some types of products of the Company	It's normal trade list with reasonable commercial conditions

Measures or procedures of transaction approval

The Company has a policy of doing transparent transactions by recognizing justice and ultimate benefit to the Company. To do transactions with persons that may have conflicts, there must be proposing such matter to audit committee to consider and approve transactions for ultimate benefits to the business and to protect investors and those who are related to the Company. Such transactions need to be performed in accordance with regulations, rules, notices, orders or requirements of SEC, Stock Exchange of Thailand or relevant laws. Those who may have conflict of interest or stakes in the transaction will not have rights to participate in approving such transaction.

For transactions of normal trading such as purchasing and distributing products, the Company has a policy to define any conditions to be in accordance with characteristics of normal trading operation with market price that is comparable to price with outsiders. The audit committee of the company will consider and give opinions on such transaction and report to company's committee in quarterly basis. The validity of transaction will be considered from market price along with conditions and necessity that may affect such transaction. Nevertheless, it is focused on prioritizing the benefit of the Company.

Tendency of transaction in the future

In doing transactions that may happen in the future, any conditions shall be in accordance with general trading principles with reference to the reasonable price suitable and market condition. However, the company and/or consortium will let the audit committee and/or independent committee to give opinions about price, return long with necessity and suitability of that transaction. If there are any transactions done with people who may have conflict of interest in the future, the Company will operate in accordance with rules, notices and /or regulations of Office of Securities and Exchange Commission and/ or Stock Exchange of Thailand. The company may appoint the independent expert or an auditor of the company to give opinions about such transactions to support decision of the committee or shareholders as the case may be. Nevertheless, the company will reveal transactions in notes to financial budget verified by the auditor and in annual list form of the Company.

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, 2016 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 Srisangwarn | Audit Committee |
| 3. Mr. Viboon Pojanalai | Audit Committee |

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

In year 2016, 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 2016 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, 2016

The opinion of Miss Suvimol Krittayakiern, Certified Public Accountant No.2982 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, 2016, 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, 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.



Summarized of financial statement of Beauty Community Public Company Limited

Statement of Financial Position

For the year ended December 31, 2016 ,2015 and 2014

STATEMENTS OF FINANCIAL POSITION	December 31, 2016	%	December 31, 2015	%	December 31, 2014	%
					(Adjustment)	
Current assets						
Cash and cash equivalents	216.87	12.39%	119.01	7.97%	174.56	13.56%
Temporary investments	680.00	38.85%	620.00	41.53%	380.00	29.53%
Trade and other receivables	41.77	2.39%	40.93	2.74%	22.26	1.73%
Inventories	373.89	21.36%	290.11	19.43%	288.49	22.42%
Total current assets	1,312.53	74.98%	1,070.05	71.67%	865.31	67.24%
Non-current assets						
Pledged deposits with financial institutions	10.00	0.57%	10.00	0.67%	10.00	0.78%
Long-term investments	-	0.00%	-	0.00%	100.00	7.77%
Property, plant and equipment	303.80	17.35%	292.53	19.59%	198.43	15.42%
Leasehold rights	7.32	0.42%	8.70	0.58%	10.60	0.82%
Intangible assets	15.97	0.91%	14.78	0.99%	20.08	1.56%
Deferred tax assets	9.21	0.53%	8.22	0.55%	3.54	0.28%
Other non-current assets	91.71	5.24%	88.65	5.94%	78.99	6.14%
Total non-current assets	438.01	25.02%	422.87	28.33%	421.64	32.76%
Total assets	1,750.55	100.00%	1,492.92	100.00%	1,286.95	100.00%
Current liabilities						
Trade and other payables	315.71	18.03%	272.96	18.28%	142.69	11.09%
Accrued income tax	97.78	5.59%	61.60	4.13%	47.69	3.71%
Total current liabilities	413.48	23.62%	334.55	22.41%	190.38	14.79%
Non-current liabilities						
Employee benefit obligations	7.78	0.44%	6.90	0.46%	5.72	0.44%
Provisions	5.10					
Other non-current liabilities	3.90	0.22%	3.46	0.23%	3.34	0.26%
Total non-current liabilities	16.78	0.96%	10.36	0.69%	9.06	0.70%
Total liabilities	430.26	24.58%	344.92	23.10%	199.44	15.50%
Shareholders' equity						
Share capital						
Authorized share capital						
3,000,000,000 common shares of Baht 0.10 each	302.26		300.00		-	
300,000,000 common shares of Baht 1.00 each	-		-		300.00	
Paid-up share capital						
3,000,000,000 common shares of Baht 0.10 each	300.00		300.00		-	
300,000,000 common shares of Baht 1.00 each	-		-		300.00	
Premium on share capital	556.44	31.79%	556.44	37.27%	556.44	43.24%
Equity-settled share-based payment	4.77		-		-	
Retained earnings						
Appropriated						
Legal reserve	30.00	1.71%	30.00	2.01%	30.00	2.33%
Unappropriated	429.08	24.51%	261.56	17.52%	201.07	15.62%
Total shareholders' equity	1,320.29	75.42%	1,148.00	76.90%	1,087.51	84.50%
Total liabilities and shareholders' equity	1,750.55	100.00%	1,492.92	100.00%	1,286.95	100.00%

Profit and Loss Statement

For the year ended December 31, 2016 ,2015 and 2014

(Unit: million)

STATEMENTS OF COMPREHENSIVE INCOME	2016	%	2015	%	2014	%
					(Adjustment)	
Revenues from sales	2,539.45	99.24%	1,773.02	98.94%	1,359.45	98.14%
Cost of sales	(833.11)	-32.56%	(586.42)	-32.72%	(444.58)	-32.09%
Gross profit *	1,706.34	67.19%	1,186.60	66.93%	914.87	67.30%
Other income						
Interest income	13.15	0.51%	13.67	0.76%	18.28	1.32%
Others	6.24	0.24%	5.34	0.30%	7.54	0.54%
Total other income	19.39	0.76%	19.01	1.06%	25.82	1.86%
Total revenue	2,558.84	100.00%	1,792.03	100.00%	1,385.27	100.00%
Selling expenses	(674.48)	-26.36%	(543.56)	-30.33%	(439.53)	-31.73%
Administrative expenses	(230.07)	-8.99%	(159.23)	-8.89%	(124.37)	-8.98%
Finance costs	-	0.00%	-	0.00%	-	0.00%
Profit before income tax	821.18	32.09%	502.82	28.06%	376.79	27.20%
Income tax	(165.18)	-6.46%	(100.32)	-5.60%	(75.63)	-5.46%
Profit for the year	656.01	25.64%	402.49	22.46%	301.16	21.74%
Other comprehensive income :						
Actuarial gain (loss) on defined employee benefits plan	0.64		-		-	
Less Taxable effects	(0.13)	-0.01%	-	0.00%	(2.43)	-0.18%
Other comprehensive income for the year	0.51	0.02%	-	0.00%	(2.43)	-0.18%
Total comprehensive income for the year	656.52	25.66%	402.49	22.46%	298.73	21.56%

* 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, 2016 ,2015 and 2014

(Unit: THB million)

STATEMENTS OF CASH FLOWS	2016	2015	2014
Cash flows from operating activities			(Adjustment)
Profit before income tax	821.18	502.82	376.79
Adjustment profit before income tax to cash receipt (disbursement)			
from operating activities			
Depreciation and amortization	59.40	48.70	43.98
Doubtful accounts	0.11	-	-
Loss on devaluation of inventories	0.31	1.55	0.17
Loss on devaluation of asset	-	4.93	-
(Gain) loss on sales of assets	(0.03)	(0.02)	(0.64)
Loss on write off assets	2.99	3.10	1.23
Deferred (income) for reward points	(5.65)	(6.32)	(4.32)
Employee benefit expenses	1.51	1.18	1.08
Interest expenses	-	-	-
Profit from operation before changes of operating assets and liabilities	887.91	555.93	418.30
(Increase) Decrease in changes of operating assets			
Trade and other receivables	(0.95)	(18.20)	3.58
Inventories	(86.99)	(3.17)	(112.89)
Other non-current assets	(3.06)	(9.67)	(13.97)
(Increase) Decrease in changes of operating assets	(91.00)	(31.04)	(123.27)
Increase (Decrease) in changes of operating liabilities			
Trade and other payables	35.90	124.40	26.59
Other non-current liabilities	0.44	0.13	0.79
Increase (Decrease) in changes of operating liabilities	36.33	124.52	27.39
Cash generated (paid) from operation	833.24	649.42	322.41
Interest paid	-	-	-
Income tax paid	(130.12)	(91.10)	(54.84)
Net cash provided by (used in) operating activities	703.13	558.32	267.57
Cash flows from investing activities			
(Increase) Decrease in changes of temporary investments	(60.00)	(240.00)	110.00
(Increase) Decrease in long-term investments	-	100.00	
Building and equipment acquisition	(53.48)	(130.56)	(74.25)
Proceeds from sales of equipment	0.08	0.04	1.62
Leasehold rights acquisition	-	-	(1.37)
Intangible assets acquisition	(2.91)	(1.36)	(11.15)
Net cash provided by (used in) investing activities	(116.30)	(271.87)	(75.14)
Cash flows from financing activities			
Payments for financial lease liabilities	-	-	-
Repayments for long-term loans from financial institutions	-	-	-
Dividend paid	(488.97)	(342.00)	(210.00)
Net cash provided by (used in) financing activities	(488.97)	(342.00)	(210.00)
Net increase (decrease) in cash and cash equivalents	97.86	(55.55)	(17.57)
Cash and cash equivalents as at the beginning of year	119.01	174.56	192.14
Cash and cash equivalents as at the end of year	216.87	119.01	174.56

Significant Financial Ratio

For the year ended December 31, 2016 ,2015 and 2014

Financial ratio		2016	2015	2014
<u>Liquidity ratio</u>				
Current ratio / Liquidity ratio	(Time)	3.17	3.20	4.55
Quick ratio	(Time)	2.27	2.33	3.08
Cash ratio	(Time)	1.88	2.13	1.64
Account receivable turnover (A/R)	(Time)	85.35	91.38	148.35
Account Receivable (A/R) days	(Day)	4	4	2
Inventory turnover	(Time)	2.51	2.03	1.92
Inventory days	(Day)	143	178	188
Finished goods turnover	(Time)	3.26	2.63	2.55
Finished goods days	(Day)	110	137	141
Account payable turnover (A/P)	(Time)	6.66	5.50	6.75
Account Payable (A/P) days	(Day)	54	65	53
Cash cycle	(Day)	94	116	137
<u>Profitability ratio</u>				
Gross profit margin (GP)	(%)	67.37%	66.93%	67.30%
Operating profit margin	(%)	32.34%	28.06%	27.20%
Operating cash flow margin	(%)	85.62%	111.04%	71.01%
Net profit margin	(%)	25.64%	22.46%	21.56%
Return on equity (ROE)	(%)	53.15%	36.01%	28.87%
<u>Efficiency ratio</u>				
Return on assets (ROA)	(%)	40.45%	28.96%	24.83%
Return on fixed assets	(%)	239.05%	182.62%	195.29%
Total assets turnover	(Time)	1.05	1.29	1.14
<u>Financial policy ratio</u>				
Debt to equity ratio (D/E)	(Time)	0.33	0.30	0.18
Interest coverage ratio	(Time)	-	-	-
Coverage ratio	(Time)	1.16	0.91	0.94
Dividend payout ratio	(%)	74.54%	84.97%	69.73%
Earning per share (EPS)*	(Baht)	0.22	0.13	1.00

Note: * EPS In 2016 and 2015 Calculated from authorized capital for 3,000 million shares, its value is 0.10 Baht/share. In 2014 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 are being distributed through Modern Trade, Supermarket, Convenience Store, Catalog, E-Commerce 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, , Supermarket, Convenience Store, Catalog, E-Commerce 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.

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 1,792.03 million baht in 2015 to 2,558.84 million baht in 2016 or about 42.79% growth. The net profit of the Company in 2016 and 2015 was 656.01 million baht and 402.49 million baht or 25.64% and 22.46% 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 2016 and 2015

Company's operation analysis in 2016 and 2015 are as follows :

Revenues

Revenue Structure by channel

Unit : Million baht

Revenue structure by channel	2016			2015			2014			Changed	
	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	%
Retail shops :											
- Beauty Buffet	1,771.68	69.24%	69.77%	1,343.86	74.99%	75.79%	1,080.72	78.02%	79.50%	427.82	31.83%
- Beauty Cottage	238.88	9.34%	9.41%	202.60	11.31%	11.43%	156.83	11.32%	11.54%	36.27	17.90%
- Beauty Market	64.94	2.54%	2.56%	65.77	3.67%	3.71%	56.51	4.08%	4.16%	(0.83)	(1.27%)
Total sales from retail shops	2,075.49	81.11%	81.73%	1,612.24	89.97%	90.93%	1,294.06	93.42%	95.19%	463.26	28.73%
Franchises	22.94	0.90%	0.90%	26.04	1.45%	1.47%	22.41	1.62%	1.65%	(3.11)	(11.93%)
Oversea, Wholesales & Other	184.21	7.20%	7.25%	59.00	3.29%	3.33%	17.82	1.29%	1.31%	125.21	212.24%
Ecommerce	74.00	2.89%								74.00	100.00%
Consumer Product	182.82	7.14%	7.20%	75.75	4.23%	4.27%	25.16	1.82%	1.85%	107.07	141.34%
Total sales	2,539.45	99.24%	100.00%	1,773.02	98.94%	100.00%	1,359.45	98.14%	100.00%	766.43	43.23%
Other revenue	19.39	0.76%		19.01	1.06%		25.82	1.86%		0.38	2.02%
Total revenue	2,558.84	100.00%		1,792.03	100.00%		1,385.27	100.00%		766.81	42.79%

Total revenue of the Company in 2016 and 2015 was 2,558.84 Million baht and 1,792.03 million baht respectively or it was 42.79% 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 2,075.49 million baht or 81.11% to total revenue, franchises around 22.94 million baht or 0.90% to total revenue, oversea and other around 184.21 million baht or 7.20% to total revenue, consumer product channel around 182.82 million baht or 7.14% to total revenue, E-Commerce Channel around 74.00 million baht or 2.89% to total revenue and other revenue around 19.39 million baht or 0.76% 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, Hong Kong, and middle east.

Revenue Structure by brand

Unit : Million baht

Revenue Structure by product group	2016			2015			2014			Changed	
	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	%
<u>Beauty Buffet Shop</u>											
Make up	479.23	18.73%	27.05%	386.57	21.57%	28.77%	364.93	26.34%	33.77%	92.66	23.97%
Skin care	1,243.29	48.59%	70.18%	917.85	51.22%	68.30%	664.81	47.99%	61.52%	325.44	35.46%
Food Supplement	2.77	0.11%	0.16%	2.75	0.15%	0.20%	7.27	0.52%	0.67%	0.02	0.57%
Accessories	46.39	1.81%	2.62%	36.69	2.05%	2.73%	43.71	3.16%	4.04%	9.70	26.45%
Total Beauty Buffet	1,771.68	69.24%	100.00%	1,343.86	74.99%	100.00%	1,080.72	78.02%	100.00%	427.82	31.83%
<u>Beauty Cottage Shop</u>											
Make up	96.11	3.76%	40.24%	77.33	4.32%	38.17%	63.71	4.60%	40.62%	18.79	24.30%
Skin care	134.01	5.24%	56.10%	117.03	6.53%	57.76%	85.21	6.15%	54.33%	16.98	14.51%
Food Supplement	-	-	-	-	-	-	-	-	-	-	-
Accessories	8.75	0.34%	3.66%	8.25	0.46%	4.07%	7.91	0.57%	5.04%	0.50	6.12%
Total Beauty Cottage	238.88	9.34%	100.00%	202.60	11.31%	100.00%	156.83	11.32%	100.00%	36.27	17.90%
<u>Beauty Market Shop</u>											
Make up	30.90	1.21%	47.59%	32.10	1.79%	48.80%	27.61	1.99%	48.86%	1.20	-3.72%
Facial care	14.70	0.57%	22.64%	14.22	0.79%	21.62%	10.49	0.76%	18.56%	0.48	3.40%
Body care	6.57	0.26%	10.11%	7.19	0.40%	10.93%	7.41	0.53%	13.11%	0.62	-8.63%
Beauty accessories	4.03	0.16%	6.21%	3.22	0.18%	4.90%	4.33	0.31%	7.66%	0.81	25.14%
Hair care	2.30	0.09%	3.55%	3.03	0.17%	4.61%	2.52	0.18%	4.46%	0.73	-24.02%
Perfume	3.19	0.12%	4.92%	3.84	0.21%	5.84%	2.08	0.15%	3.68%	0.65	-16.85%
Beauty drink & food supplement	2.77	0.11%	4.27%	1.22	0.07%	1.85%	1.05	0.08%	1.86%	1.55	127.60%
Body hygiene	0.43	0.02%	0.67%	0.77	0.04%	1.18%	0.77	0.06%	1.37%	0.34	-44.08%
Men's care	0.04	0.00%	0.05%	0.18	0.01%	0.28%	0.24	0.02%	0.43%	0.15	-80.95%
Total Beauty Market	64.94	2.54%	100.00%	65.77	3.67%	100.00%	56.51	4.08%	100.00%	0.83	-1.27%
Franchises	22.94	0.90%	88.07%	26.04	1.45%	100.00%	22.41	1.62%	86.05%	3.11	-11.93%
Oversea, Wholesales & Other	184.21	7.20%	312.24%	59.00	3.29%	100.00%	17.82	1.29%	30.21%	125.21	212.24%
Consumer Product	182.82	7.14%	241.34%	75.75	4.23%	100.00%	25.16	1.82%	33.21%	107.07	141.34%
Ecommerce	74.00									74.00	100.00%
Other revenue	19.39	0.76%	102.02%	19.01	1.06%	100.00%	25.82	1.86%	135.85%	0.38	2.02%
Total revenue	2,558.84	100.00%		1,792.03	100.00%		1,385.27	100.00%		766.81	42.79%

Revenue structure by channel and by brand

(Unit : THB Million)

Brand Channel		Y2016													
		Brand Beauty Buffet		Brand Beauty Cottage		3rd party brands		Brand Beauty Cuisine		Brand Made in Nature		Other Brands		Oth. income	Total
Beauty Buffet shop	1,694.70	80.23%	-	0.00%	-	0.00%	-	0.00%	31.88	44.91%	45.10	79.11%	-	1,771.68	69.24%
	95.66%		0.00%		0.00%		0.00%		1.80%		2.55%		0.00%	100.00%	
Beauty Cottage shop	-	0.00%	238.88	96.36%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	238.88	9.34%
	0.00%		100.00%		0.00%		0.00%		0.00%		0.00%		0.00%	100.00%	
Beauty Market shop	9.35	0.44%	2.92	1.18%	50.23	99.28%	0.67	97.48%	1.10	1.55%	0.66	1.16%	-	64.94	2.54%
	14.40%		4.50%		77.36%		1.03%		1.69%		1.02%		0.00%	100.00%	
Franchise shop	21.54	1.02%	-	0.00%	-	0.00%	-	0.00%	0.62	0.88%	0.78	1.36%	-	22.94	0.90%
	93.89%		0.00%		0.00%		0.00%		2.72%		3.39%		0.00%	100.00%	
Consumer Product	138.27	6.55%	0.86	0.35%	-	0.00%	0.00	0.64%	34.75	48.95%	8.94	15.68%	-	182.82	7.14%
	75.64%		0.47%		0.00%		0.00%		19.01%		4.89%		0.00%	100.00%	
Ecommerce	71.11	3.37%	0.42	0.17%	-	0.00%	0.01	1.16%	1.85	2.61%	0.62	1.08%	-	74.00	2.89%
	96.09%		0.56%		0.00%		0.01%		2.50%		0.83%		0.00%	100.00%	
Oversea , Wholesales & Other	177.31	8.39%	4.84	1.95%	0.36	0.72%	0.00	0.71%	0.78	1.10%	0.91	1.60%	-	184.21	7.20%
	96.25%		2.63%		0.20%		0.00%		0.42%		0.50%		0.00%	100.00%	
Total sales	2,112.27	100.00%	247.91	100.00%	50.60	100.00%	0.69	100.00%	70.98	100.00%	57.01	100.00%	-	2,539.46	99.24%
	83.18%		9.76%				0.03%		2.80%		2.24%		0.00%	100.00%	
Other income	-		-		-		-		-		-		19.39	19.39	
Total revenue	2,112.27	100.00%	247.91	100.00%	50.60	100.00%	0.69	100.00%	70.98	100.00%	57.01	100.00%	19.39	2,558.84	100.0%
	82.55%		9.69%		1.98%		0.03%		2.77%		2.23%		0.76%	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, Supermarket, Convenience Store, Catalog, E-Commerce

(1) Revenue from Beauty Buffet

In 2016 and 2015, the income was 1,771.68 million baht and 1,343.86 million baht or 69.24% and 74.99% of total income respectively. The growth rate was estimated for 31.83% which resulted from branch expansion in every region of Thailand. At the end of 2016, there were 248, increasing 21 shops from 227 shops at the end of 2015. Shops in CLMV was 37 shops in year 2016 increasing 8 shops from 29 shops at the end of 2015. Total revenue by product of Beauty Buffet for Skin Care, make-up, Food Supplement and Accessories, the average distribution proportions were 70.18%, 27.05%, 0.16% and 2.62% 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, consumer product, E-commerce 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 1.02% (franchises) and the rest was 18.75% of total turnover respectively.

(2) Revenue from Beauty Cottage

Beauty Cottage by the end of 2016, the Company has already opened 71 branches of Beauty Cottage increasing 1 shops from the end of 2015 with 70 branches International branches selling through distributor was 3 shops in year 2016 which was equal to year 2015. In 2016 and 2015, the income was 238.88 million baht and 202.60 million baht. The growth rate was estimated for 17.90%. 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 56.10% compared to total turnover of Beauty Cottage while the average proportions of Make-Up and Accessories were 40.24 % and 3.66% respectively. Beauty Cottage products have also distributed to Beauty Market, consumer product, E-commerce and wholesalers same as Beauty Buffet with the proportion of distribution about 3.66% 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 2016 and 2015, the revenues were 64.94 million baht and 65.77 million baht in respective order, which is decrease about -1.27% of growth rate. This is due to the Company's branching expansion in order to access larger customer scale. By the end of 2016, there are a total of 13 branches established nationwide which same as. 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 47.59%, 22.64%, 10.11%, 6.21%, 6.76%, 3.99%, 3.55%, 0.66% and 0.05% in respective order. By the way, Beauty Market had revenue from the own brands were 19.43% and 3rd party brands were 80.57%.

(4) Revenue from franchises

The total revenues of products under the franchise channel by 2016 and 2015 were 22.94 million baht and 26.04 million baht in respective order, or approximately 11.93% of growth rate. In present, the Company has not had any policy of additional franchising.

(5) Revenue from oversea

Oversea, by 2016 and 2015 were 184.21 million baht and 59.00 million baht in respective order, or approximately 212.24% 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

(6) Revenue from consumer product

By 2016 and 2015 were 182.82 million baht and 40.81 million baht in respective order, or approximately 348.02% 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.

(7) Revenue from E-commerce

By 2016 and 2015 were 74.00 million baht and 34.94 million baht in respective order, or approximately 111.76 of growth rate. The distribution through (www.beautypiazzaonline.com), which is our own website and distribution through 3rd party website such as Zalora, Shop at 7, Konvy, Lazada, etc. In addition we are selling through social media such as Facebook, Instagram, Line@, Wechat, Alibaba as well.

(8) Revenue from other channel,

mainly came from sales for staff in welfare condition but the proportion was low compared to total revenue 2016 and 2015 was 6.15 million baht and 7.83 million baht

(9) Other incomes

Other incomes in 2016 and 2015 were 19.39 million baht and 19.01 million baht, respectively. Other incomes mainly came from interest received.

Cost of Goods Sold and Gross Profit

The cost of sales in 2016 and 2015 were 833.11 million baht and 586.42 million baht in respective order, or approximately 67.19% and 66.93% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2016 is relatively higher than in 2015. Due to the effectiveness of inventory control which was in accordance with inventory day at 110 days in 2016 and 137 days in 2015. It included better bargaining power for production as a result of economy of scale leading to higher gross profit in 2016 when compared with 2015.

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 0.30% of total cost of sales.

In part of Made in Nature products, their cost structure has been different from other types of products due to the distribution of the Company through modern trade 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 by item (book keeping as sales expense) and profit share from sales for around 25-40% (book keeping as deduction amount from turnover). Such expense has been different depending on the terms of each department store.

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

Moreover, in 2016 and 2015 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. These revenue was approximately 3.72% to total revenue.

Selling and Administrative Expense

Selling expense in 2016 and 2015 was 674.48 million baht and 543.56 million baht respectively or its proportion of 26.36 % and 30.33 % of total revenue respectively. The selling expense mainly was rental fee for branch operation of retail shops, in 2016 and 2015, rental expense was 10.39% and 13.34% of total revenue respectively. Other important selling expenses included employee expenses included commission of salespersons, in 2016 and 2015 estimated for the average proportion of 9.08% and 10.40% of total income respectively. The proportion of selling expense to total income in 2016 decreased from 2015 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 2016 and 2015 were 230.07 million baht and 159.23 million baht respectively or its proportion was 8.99% and 8.89% of total revenue respectively. The administrative expense mainly was employee expenses. In 2016 and 2015, this expense proportion is 6.64% and 6.52% of total income. Other administrative expenses included travelling cost, training cost, bank charge, office expense, depreciation expense, and other expenses. Anyhow, in 2016, 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 2016 and 2015 were 656.01 million baht and 402.49 million baht respectively or the proportion was 25.64% and 22.46% respectively. The net profit continue increasing due to increase in sales turnover and cost saving effective.

Financial Position Analysis for 2016 and 2015

Asset

Total assets of the Company at the end of year 2016 and 2015 was 1,750.55 million baht and 1,492.90 million baht respectively or its growth rate proportion was 17.26%. The main reason from total asset growth in 2016 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 assets at the end of year 2016 and 2015 was 1,312.53 million baht and 1,070.05 million baht respectively or its proportion was 74.98% and 71.67% of total assets respectively. The company's current assets consisted of following main assets;

(1) Cash and cash equivalent at the end of year 2016 and 2015 was 216.87 million baht and 119.01 million baht respectively or its proportion was 12.39% and 7.97% of total asset respectively.

(2) At the end of 2016 and 2015, the Company had current investments for 680 million baht and 620 million baht respectively or 38.85% and 41.53% of total assets 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 2016 and 2015 were 29.10 million baht and 30.52 million baht respectively or its proportion was 1.66% and 2.04% 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 and the account receivable day was 4 days. 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	31/12/2016		31/12/2015		31/12/2014	
	MB.	%	MB.	%	MB.	%
Trade accounts receivable due in term	24.77	81.16%	25.02	81.98%	7.45	89.87%
Overdue trade accounts receivable :						
- Less than 3 months	4.30	14.09%	4.98	16.32%	0.81	9.77%
- Over 3 months but less than 1 year	0.03	0.10%	0.52	1.70%	0.03	0.36%
Total trade accountns receivable	29.1		30.52		8.29	

(4) Inventories at the end of 2016 and 2015 were 373.89 million Baht and 290.11 million Baht respectively or it was 21.36% and 19.43% of total assets respectively. The Company's inventories could be separated into finished goods, packages and supplies as shown in following table.

Inventory	2016		< 1 Year		1-3 Year		> 3 Year	
	MB	%	MB	%	MB	%	MB	%
Finished goods	285.37	75.86%	283.23	99.25%	2.14	0.75%	-	0.00%
Packaging	66.42	17.66%	57.20	86.12%	8.35	12.57%	0.87	1.31%
Work in process	22.54	5.99%	22.54	100.00%	-	0.00%	-	0.00%
Supplies	1.83	0.49%	1.72	93.99%	0.11	6.01%	-	0.00%
Total	376.16	100.00%	364.69	96.95%	10.60	2.82%	0.87	0.23%
Allowance for devaluation of inventories	(2.27)	-	0.00	-	0.00	-	0.00	-
Net	373.89	-	-	-	-	-	-	-

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 2016 and 2015, the Company set the allowance reserve in part of damaged product warehouse for 0.17 million baht and 0.28 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 2016 and 2015, the Company had average inventory days for 143 days and 178 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 2016 and 2015, it will be 110 days and 137 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 99.92% 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 2016 and 2015 was 438.02 million baht and 422.87 million baht respectively or its proportion was 25.02% and 28.33% of total asset respectively. Major non-current asset of the Company included property, plant and equipment, by the end of 2016 and 2015 were 303.80 million baht and 292.53 million baht respectively or 3.85% 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 new warehouse and new training center has been completed at 1st quarter. 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 2017.

Liquidity

(1) Cash Flow Liquidity

Cash flow from operating activity of the Company in 2016 and 2015 was 703.13 million baht and 558.32 million baht respectively. Cash flow from investment activity in 2016 and 2015 was used in 116.30 million baht and 271.87 million baht respectively due to the use of money to increase in temporary investments for 60.00 million baht more in 2016 and fixed assets 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 2016 and 2015, it was used in 488.97 million baht and 342.00 million baht respectively and payment of dividend

(2) Liquidity Ratio

In 2016 and 2015, the Company had liquidity ratio for 3.17 times and 3.20 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 2016 and 2015, the Company had cash cycle for 94 days and 116 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 2016 and 2015 was 430.26 million baht and 344.92 million baht respectively. The important current liability has been as follows.

(1) Trade Account payable by the end of 2016 and 2015 was 115.49 million baht and 134.66 million baht respectively or its proportion was 6.60% and 9.02% of total assets respectively. The account payable days was 54 days and 65 days respectively. Account payable decreased in 2016 due to production plan was consistent with product ordering in 4th quarter 2016 including to produce of demand.

(2) Other Account payable consisted of accrued expense, Revenue Department payable, assets payable and deferred income for reward points. By the end of 2016 and 2015, it was 200.22 million baht and 138.30 million Baht respectively or its proportion for 11.44% and 9.26% of total assets respectively.

(3) Shareholder's equity by the end of 2016 and 2015 was 1,320.29 million baht and 1,148.00 million baht respectively. In 2016, shareholder's equity increased from 2015 since profitable turnover caused higher retained earnings. On 24 February 2017, the Board of Directors Meeting approved the 2016 dividend payment be paid rate of THB 0.218 per share, amount of baht 654.13 million baht or 99.75% of net profit, for which the interim dividend was paid on 9 September 2016 at Baht 0.08 per share, amount of baht 240.00 million baht, the remaining dividend to be paid at baht 0.138 per share which be paid on 19 May 2017 and will propose to the general shareholders' meeting on 25 April 2017 to approve this payment.

(4) Debt to Equity Ratio at the end of 2016 and 2015 was 0.33 times and 0.30 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 Suvimol Krittayakiern the Certified Public Account with license no. 5599 from D.I.A International Auditing Co., Ltd. with total expense in 2016 and 2015 for 1.15 million baht and 1.06 million baht respectively.

Factors Affecting Future Operation or Financial Position of the Company

Effect from Change of Distribution Channel

Made in Nature 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.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

Opinion

I have audited the accompanying financial statements of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters included Auditing Procedures are as follows:

Presentation of valuation of inventories

As stated in notes 3.5 and 7 to financial statements, the Company has material amount of inventories in the financial statements as at December 31, 2016 for the amount of Baht 373.89 million presented at the lower of cost or net realizable value. The Company's products are classified as goods in fashion and popularity in products and packaging has been rapidly changed with high competition. As a result, the inventories presented at the lower of cost or net realizable value must be made the significant substantive judgment and estimation by the Management in measurement. The significant judgment of the Management comprise the consideration of inventories aging analysis report, determination of selling price, discount or sale promotion estimates in order to stimulate sales volume in the future. The assumption for such matter used by the Management may affect to the presentation of inventories and expenses arose from providing allowance for devaluation of inventories in statement of comprehensive income (if applicable).

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

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

Other Information

Management is responsible for the other information. The other information comprises information in the annual report of the Company. The annual report of the Group is expected to be made available to me after that date.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

D I A International Audit Co., Ltd.

(Mrs. Suvimol Chrityakierne)
C.P.A. (Thailand)
Registration No. 2982

February 24, 2017

APPENDIX 1

Detail of Board of Director and Company Executives

Biography of Director and Executive of Beauty Community Public Company Limited

Name-Surname / Citizen Identity No.	Age (Year)	Education Qualification	Family Relationship among Executive	Shareholding in the Company	Working Experience in the Past 5 Year			
					Period of Time	Position	Institute / Company's Name	Type of Business
LT. GEN. PADET CHARUCHINDA	77	<ul style="list-style-type: none"> - Bachelor of Science, Chulachomkiew Royal Military Academy - Certificate of Director Accreditation Program (DAP), 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	Advisor of Royal Thai Army, Director of the Provost Marshal General	Amy	Cosmetics Government Sector
Dr. SUWIN KRAIBHUBES	49	<ul style="list-style-type: none"> - Bachelor of Science, Faculty of Medicine, Chiang Mai University - Executives Capital Market Academy Program (CMA) 18th class - Global Business Leaders Program (GBL) from LEAD Business and Cornell University 	Mrs. TANYAPON KRAIBHUBES 's Husband	17.47%	2017 – Present	CEO / Director / Deputy Director of Product Development & Purchasing Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2000 – 2016	CEO / Director / Deputy Director of Marketing Division and Deputy Director of Product Development & Purchasing Division	Beauty Community PCL	
Mrs. TANYAPON KRAIBHUBES	48	<ul style="list-style-type: none"> - Certificate in Nursing, Baromrajongkol College of Nursing, Phayao - Certificate of Director Accreditation Program (DAP), Thai Institute of Directors - Academy of Business Creativity (ABC), Institutional development of creative business, Sripatum University 	Dr. SUWIN KRAIBHUBES's Wife	8.47%	2000 –Present	Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
MS. MONSOOTHATIP MALAUKARANUN	41	<ul style="list-style-type: none"> - Bachelor of Science, Associated Medical Sciences, Chiang Mai University - Certificate of Director Accreditation Program (DAP), Thai Institute of Directors 	Younger Sister of Mrs. TANYAPON KRAIBHUBES	0.67%	2012 – Present	Director		Distribution of Skin Care and Cosmetics Products
					2012 –2013	Executive Director and Director of Business Development and Corporate Communications Division		Distribution of Skin Care and Cosmetics Products
					2010 – 2011	Assistant Manager of Products Division		Distribution of Skin Care and Cosmetics Products
					2009 – 2010	Assistant Manager of Sales Division		Distribution of Skin Care and Cosmetics Products

Name-Surname / Citizen Identity No.	Age (Year)	Education Qualification	Family Relationship among Executive	Shareholding in the Company	Working Experience in the Past 5 Year			
					Period of Time	Position	Institute / Company's Name	Type of Business
Mr. PRATYA LEVAN	48	<ul style="list-style-type: none"> - 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 	-	0.83%	2012 – Present	Director / Executive Director / Director of Information Technology System Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2005 – 2011	Deputy Director of Information Technology System Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
Dr. PEERAPONG KITIVESHPOKAWAT	56	<ul style="list-style-type: none"> - Bachelor of Science, Chiangmai University - Master of Business Administration Program in Retail Business, University of Sterling United Kingdom - Master of Business Administration Program in Marketing, Thammasat University 	-	-	2011 – Present	Chairman of Audit Committee and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2007 – Present	Managing Director	Business Coach & Consulting Co., Ltd.	Service provision as the consultant to advise commercial work
					1995 – Present	Director	B.T.C. Parts Center Co., Ltd.	Distribution of Motorcycle Parts

Name-Surname / Citizen Identity No.	Age (Year)	Education Qualification	Family Relationship among Executive	Shareholding in the Company	Working Experience in the Past 5 Year			
					Period of Time	Position	Institute / Company's Name	Type of Business
Col. ATTAPON SRISANGWARN	50	<ul style="list-style-type: none"> - 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 	-	-	2016 – Present	Assistant Attached to the Member of the National Legislative Assembly	Executive Director of Grand Audit Co., Ltd.	Government Sector
					2015 - Present	Executive Committee of the ruling army.	Executive Committee of the ruling army.	Government Sector
					2011 – Present	Audit Committee and Independent Director of Beauty Community PCL	Audit Committee and Independent Director of Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2011 – 2012	Chief of Staff Officer to the Royal Thai Army Commander Division, the Provost Marshal General	Chief of Staff Officer to the Royal Thai Army Commander Division, the Provost Marshal General	Government Sector
					2006 – 2011	Chief of Investigation Department, the Provost Marshal General	Chief of Investigation Department, the Provost Marshal General	Government Sector
Mr. VIBOON POJANALAI	41	<ul style="list-style-type: none"> - 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 	-	-	2014 - Present	Executive Director	Grand Audit Co., Ltd.	Service for Dentistry
					2015 – Present	Audit Committee and Independent Director	Dental Corporation Co.,Ltd	Medical Care
					2013 – Present	Executive Director	BRP Audit and Advisory Co., Ltd	Service for accounting audit, internal audit, tax and accounting
					2011 – Present	Audit Committee and Independent Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2008 – Present	Director	Asia Mineral Processing Co., Ltd.	Accounting audit service
Mr. SURAPON PHETKLUENG	52	<ul style="list-style-type: none"> - Master of Business Administration , Kasetsart University - Bachelor of Accountancy (Accounting), Chiangmai University - Strategic CFO in Capital Markets Program, TheStock Exchange of Thailand 	-	0.03%	2004 – 2013	Senior Account Audit Manager	AST Master Co., Ltd.	Manufacturing and Distribution of Feldspar
					2017 – Present	Executive Director / Finance Director	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2011 – 2016	Executive Director / Director of Account & Finance Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2005 – 2011	Account & Finance Division Manager	Thai-Scandic Steel Co.,Ltd.	

Name-Surname / Citizen Identity No.	Age (Year)	Education Qualification	Family Relationship among Executive	Shareholding in the Company	Working Experience in the Past 5 Year			
					Period of Time	Position	Institute / Company's Name	Type of Business
Ms. SIRIKAN PHATTIVERANON	51	- Bachelor of Business Administration (Second Class Honours), Faculty of Commerce and Accountancy Chulalongkorn University	-	0.01%	2017 – Present	Executive Director / Director Of Operations Department / Deputy Director of Marketing Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2012 – 2016	Executive Director / Director Of Operations Department	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2010 – 2011	Sales Division Manager	Areeya Property PCL	Buying and Selling of Real Estate and Serving for Hire in House Construction
Mr. NATTAPONG KHUEANPHAN	42	- Bachelor of Science, Faculty of Food Science and Technology, Chiangmai University - Kaset Mini Financial Business Management, Kasetsart University	-	0.04%	2017 – Present	Executive Director/ Business Productivity Development Unit / Deputy Director of Inventory & Office Management Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2012 – 2016	Executive Director / Director of Inventory & Office Management Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2006 – 2012	Inventory and Delivery Division Manager, and Advisor of Human Resources and Administration Division	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
Mrs.Daranee Pathetang	38	- Bachelor, Faculty of Economic Kasetsart University - Company Secretary Program (csp) .Thai Institute of Directors	-	-	2012 - Present	Company's Secretary and Secretary of CEO	Beauty Community PCL	Distribution of Skin Care and Cosmetics Products
					2002 - Present	Secretary of CEO	Beauty Community PCL	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= Chairman of the Audit Committee, Y= Audit Committee, Z= Independent Director

Name	Lt.Gen.PADET CHARUCHINDA	Mr. SUWIN KRAIBHUBES	Ms. TANYAPON KRAIBHUBES	Ms. MONSOOTHATIP MALAUKCARANUN	Mr. PRATYA LEVAN	Dr. PEERAPONG KITIVESHPOKAWAT	Col. ATTAPON SRISANGWARN	Mr.VIBOON POJANALAI	Mr. SURAPON PHETKLUENG	Ms. SIRIKRAN PHATTIVERANON	Mr. NATTAPONG KHUEANPHAN
Related Companies											
BAUTY COMMUNITY PCL.	A,Z	B,C,D	B	B	B,C,D	B,X,Z	B,Y,Z	B,Y,Z	C,D	C,D	C,D
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

Internal Controlling System Adequacy Assessment
Form Beauty Community Public Company Limited

Date : December 31, 2016

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. ¹</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.	✓	

APPENDIX 4

Beauty Community Public Company Limited
Statement of Financial Position as at 31 December 2016

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

(Unit: Baht)

Assets	Note	December 31, 2016	December 31, 2015
Current assets			
Cash and cash equivalents	4	216,869,708.41	119,014,136.48
Temporary investments	5	680,000,000.00	620,000,000.00
Trade and other receivables	6, 16	41,768,525.58	40,926,531.69
Inventories	7	373,892,191.11	290,105,336.84
Total current assets		<u>1,312,530,425.10</u>	<u>1,070,046,005.01</u>
Non-current assets			
Pledged deposits with financial institutions	8	10,000,000.00	10,000,000.00
Property, plant and equipment	9	303,795,350.35	292,526,796.72
Leasehold rights	10	7,323,308.15	8,697,380.26
Intangible assets	11	15,971,843.37	14,775,170.69
Deferred tax assets	12	9,211,493.90	8,219,866.57
Other non-current assets	13	91,714,308.98	88,651,604.50
Total non-current assets		<u>438,016,304.75</u>	<u>422,870,818.74</u>
Total assets		<u>1,750,546,729.85</u>	<u>1,492,916,823.75</u>

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2016

(Unit: Baht)

Liabilities and shareholders' equity	Note	December 31, 2016	December 31, 2015
Current liabilities			
Trade and other payables	14, 16	315,706,356.16	272,956,981.37
Accrued income tax		<u>97,775,103.17</u>	<u>61,595,543.56</u>
Total current liabilities		<u>413,481,459.33</u>	<u>334,552,524.93</u>
Non-current liabilities			
Employee benefit obligations	15	7,775,216.03	6,899,868.00
Provisions		5,103,350.00	-
Other non-current liabilities		<u>3,899,050.00</u>	<u>3,462,792.00</u>
Total non-current liabilities		<u>16,777,616.03</u>	<u>10,362,660.00</u>
Total liabilities		<u>430,259,075.36</u>	<u>344,915,184.93</u>
Shareholders' equity			
Share capital			
Authorized share capital			
3,022,610,000 common shares of Baht 0.10 each	17	<u>302,261,000.00</u>	
3,000,000,000 common shares of Baht 0.10 each			<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	300,000,000.00
Premium on share capital		556,439,628.87	556,439,628.87
Equity-settled share-based payment	19	4,768,867.48	-
Retained earnings			
Appropriated			
Legal reserve	18	30,000,000.00	30,000,000.00
Unappropriated		<u>429,079,158.14</u>	<u>261,562,009.95</u>
Total shareholders' equity		<u>1,320,287,654.49</u>	<u>1,148,001,638.82</u>
Total liabilities and shareholders' equity		<u>1,750,546,729.85</u>	<u>1,492,916,823.75</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, 2016

(Unit: Baht)

	<i>Note</i>	2016	2015
Revenues from sales		2,539,450,016.66	1,773,023,245.33
Cost of sales		<u>(833,112,768.47)</u>	<u>(586,424,608.59)</u>
Gross profit		<u>1,706,337,248.19</u>	<u>1,186,598,636.74</u>
Other income			
Interest income		13,151,752.03	13,665,003.24
Others		<u>6,239,422.41</u>	<u>5,342,904.71</u>
Total other income		<u>19,391,174.44</u>	<u>19,007,907.95</u>
Selling expenses		(674,477,634.39)	(543,558,886.26)
Administrative expenses		<u>(230,068,991.30)</u>	<u>(159,230,081.68)</u>
Profit before income tax expenses		821,181,796.94	502,817,576.75
Income tax expenses	12	<u>(165,175,344.75)</u>	<u>(100,324,400.43)</u>
Profit for the year		<u>656,006,452.19</u>	<u>402,493,176.32</u>
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains		638,370.00	-
Less Taxable effects		<u>(127,674.00)</u>	<u>-</u>
Other comprehensive income for the year		<u>510,696.00</u>	<u>-</u>
Total comprehensive income for the year		<u>656,517,148.19</u>	<u>402,493,176.32</u>
Earnings per share			
Basic earnings per share (Baht/share)		0.22	0.13

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, 2016

	<i>Note</i>	<i>(Unit: Baht)</i>					
		Paid-up share capital	Premium on share capital	Equity-settled share-based payment transactions	Retained earnings		Total shareholders' equity
					Appropriated Legal reserve	Unappropriated	
Balance as at January 1, 2015		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
Dividend paid		-	-	-	-	(192,000,000.00)	(192,000,000.00)
Payments for interim dividend		-	-	-	-	(150,000,000.00)	(150,000,000.00)
Balance as at December 31, 2015		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>-</u>	<u>30,000,000.00</u>	<u>261,562,009.95</u>	<u>1,148,001,638.82</u>
Balance as at December 31, 2015		300,000,000.00	556,439,628.87	-	30,000,000.00	261,562,009.95	1,148,001,638.82
Total comprehensive income for the year		-	-	-	-	656,517,148.19	656,517,148.19
Share-Based payments	19	-	-	4,768,867.48	-	-	4,768,867.48
Dividend paid	20.1	-	-	-	-	(249,000,000.00)	(249,000,000.00)
Payments for interim dividend	20.2	-	-	-	-	(240,000,000.00)	(240,000,000.00)
Balance as at December 31, 2016		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>4,768,867.48</u>	<u>30,000,000.00</u>	<u>429,079,158.14</u>	<u>1,320,287,654.49</u>

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, 2016

(Unit: Baht)

	2016	2015
Cash flows from operating activities		
Profit before income tax expenses	821,181,796.94	502,817,576.75
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	59,403,901.04	48,695,904.52
Doubtful accounts	106,598.40	-
Loss on devaluation of inventories	312,147.12	1,552,190.80
Loss on devaluation of intangible asset	-	4,925,130.00
Loss on goods destruction	2,888,701.89	-
(Gain) loss on sales of assets	(25,350.64)	(23,148.91)
Loss on write off assets	2,992,993.24	3,104,617.98
Loss on amortized intangible assets	419,335.24	-
Deferred (income) for reward points	(5,654,720.00)	(6,316,700.00)
Employee benefit expenses	1,513,718.03	1,175,857.00
Expenses from share-based payments	<u>4,768,867.48</u>	<u>-</u>
Profit from operation before changes in		
operating assets and liabilities	887,907,988.74	555,931,428.14
(Increase) Decrease in changes of operating assets		
Trade and other receivables	(948,592.29)	(18,200,658.00)
Inventories	(86,987,703.28)	(3,169,567.64)
Other non-current assets	<u>(3,062,704.48)</u>	<u>(9,665,946.91)</u>
(Increase) Decrease in changes of operating assets	<u>(90,999,000.05)</u>	<u>(31,036,172.55)</u>
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	35,895,568.08	124,398,138.83
Other non-current liabilities	<u>436,258.00</u>	<u>126,122.00</u>
Increase (Decrease) in changes of operating liabilities	<u>36,331,826.08</u>	<u>124,524,260.83</u>
Cash generated (paid) from operation	833,240,814.77	649,419,516.42
Income tax paid	<u>(130,115,086.47)</u>	<u>(91,095,146.29)</u>
Net cash provided by (used in) operating activities	<u>703,125,728.30</u>	<u>558,324,370.13</u>

Notes to financial statements are parts of these financial statements.

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STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

(Unit: Baht)

	2016	2015
Cash flows from investing activities		
(Increase) Decrease in temporary investments	(60,000,000.00)	(240,000,000.00)
(Increase) Decrease in long-term investments	-	100,000,000.00
Building and equipment acquisition	(53,475,211.16)	(130,556,360.23)
Proceeds from sales of equipment	84,375.50	40,570.09
Intangible assets acquisition	<u>(2,909,150.00)</u>	<u>(1,356,652.00)</u>
Net cash provided by (used in) investing activities	<u>(116,299,985.66)</u>	<u>(271,872,442.14)</u>
Cash flows from financing activities		
Dividend paid	<u>(488,970,170.71)</u>	<u>(342,000,000.00)</u>
Net cash provided by (used in) financing activities	<u>(488,970,170.71)</u>	<u>(342,000,000.00)</u>
Net increase (decrease) in cash and cash equivalents	97,855,571.93	(55,548,072.01)
Cash and cash equivalents as at the beginning of the year	<u>119,014,136.48</u>	<u>174,562,208.49</u>
Cash and cash equivalents as at the end of the year	<u><u>216,869,708.41</u></u>	<u><u>119,014,136.48</u></u>

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL INFORMATION

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

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

	Percentage of shareholding (based on paid-up capital)
Mr. Suwin Kraiphubet	24.13
Mrs. Tanyapon Kraibhubes	12.92
STATE STREET BANK EUROPE LIMITED	9.88
Thai NVDR Company Limited	7.63

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

2.1 Preparation of financial statements

The financial statements have been prepared in conformity with Thai Financial Reporting Standards, enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development, the Ministry of Commerce dated 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 The financial reporting standards that are effective for the current year

The Federation of Accounting Professions issued accounting standards, financial reporting standards, standing interpretations committee and financial reporting interpretations committee, which are expected to be effective for the financial statements beginning on or after January 1, 2016 as follows:

Contents

Accounting 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
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

ContentsAccounting Standards

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
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

Contents

Standing Interpretations Committee

TSIC 10 (Revised 2015)	Government Assistance - No Specific Relation to Operating Activities
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
TFRIC 7 (Revised 2015)	Applying the Restatement Approach under TAS 29 (Revised 2015) <i>Financial Reporting in Hyperinflationary Economies</i>
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) <i>Employee Benefits</i>

ContentsFinancial Reporting Interpretations Committee

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

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

Financial Reporting Standards issued and revised which will be effective in the future

The Federation of Accounting Professions has issued the Notifications regarding Thai Financial Reporting Standards (TFRSs), which are effective for the financial statements for the periods beginning on or after January 1, 2017 onwards, as follows:

ContentsThai Accounting Standards (“TAS”)

TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes

Contents

Thai Accounting Standards (“TAS”)

TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (Revised 2016)	Accounting for Troubled Debt Restructuring
TAS 105 (Revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (Revised 2016)	Financial Instruments Disclosure and Presentation

ContentsThai Accounting Standards (“TAS”)

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

Thai Accounting Standard Interpretations (“TSIC”)

TSIC 10 (revised 2016)	Government Assistance - No Specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases – Incentives
TSIC 25 (revised 2016)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements: Disclosures
TSIC 31 (revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs

Contents

Thai Financial Reporting Standard Interpretations (“TFRIC”)

TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2016)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2016)	Applying the Restatement Approach under TAS 29 (Revised 2016) <i>Financial Reporting in Hyperinflationary Economies</i>
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2016)	Service Concession Arrangements
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction for TAS 19 (Revised 2016) <i>Employee Benefits</i>
TFRIC 15 (revised 2016)	Agreements for the Construction of Real Estate
TFRIC 17 (revised 2016)	Distributions of Non-cash Assets to Owners
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
TFRIC 20 (revised 2016)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2016)	Levies

The Company still has not a plan to adopt such financial reporting standards early application and expected that they will have no material impacts on the financial statements in the year in which they are applied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenues and expenses recognition

Revenues from sales

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

Sales of goods - Customer Loyalty programmers

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

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

Other income and expenses

Other income and expenses are recognized on accrual basis.

3.2 Cash and cash equivalents

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

3.3 Temporary investments

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

3.4 Trade and other receivables

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

3.5 Inventories

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

3.6 Long-term investments

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

3.7 Property, plant and equipment

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

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

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

Land and construction in progress were not depreciated.

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

3.8 Leasehold rights

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

3.9 Intangible assets

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

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

3.10 Deferred tax asset

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

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

3.11 Deferred income for reward points

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

3.12 Impairment of assets

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

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

3.13 Related parties

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

3.14 Long-term lease

Operating lease

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

Finance lease

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

3.15 Transactions in foreign currencies

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

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

3.16 Employee benefits and provident fund

3.16.1 Employee benefits

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

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

3.16.2 Provident fund

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

3.17 Income tax

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

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

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

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

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

3.18 Financial instruments

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

3.19 Accounting estimates

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

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

3.20 Provisions

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

3.21 Share - Based Payments by equity instruments

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

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

3.22 Measurement of fair values

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

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

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

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

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

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

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

3.23 Significant accounting judgements and estimates

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

Allowance for diminution in value of inventory

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

Leases

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

Property, plant and equipment/Depreciation

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

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

-

Intangible assets

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

Deferred tax assets

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

Post-employment benefits under defined benefit plans

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

Deferred income for reward points

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

3.24 Basic earnings per share

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

4. CASH AND CASH EQUIVALENTS*(Unit: Baht)*

	December 31, 2016	December 31, 2015
Cash	4,787,978.00	4,829,554.00
Current accounts	51,778,608.53	14,956,563.02
Savings deposit	159,521,724.63	98,391,864.71
Unbilled credit card slip	781,397.25	836,154.75
Total	<u>216,869,708.41</u>	<u>119,014,136.48</u>

5. TEMPORARY INVESTMENTS

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

(Unit: Baht)

	<u>At interest rate per annum</u>			
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Fixed deposits	1.70 - 1.85	2.00 - 3.00	680,000,000.00	620,000,000.00

6. TRADE AND OTHER RECEIVABLES

(Unit: Baht)

	December 31, 2016	December 31, 2015
Trade accounts receivable		
Related parties	378,971.36	2,372,218.72
Other parties		
Franchise receivable	1,930,384.70	2,568,502.29
Employees receivable	274,831.67	249,678.89
Other parties receivable	9,817,924.50	20,623,080.56
Sale with right of redemption agreement receivables	16,693,977.49	4,705,308.87
Total other parties receivable	28,717,118.36	28,146,570.61
Total trade accounts receivable	29,096,089.72	30,518,789.33
Less Allowance for doubtful accounts	(106,598.40)	-
Trade accounts receivable - net	28,989,491.32	30,518,789.33
Other receivables		
Prepaid expenses	2,920,479.30	2,821,650.84
Accrued interest	2,513,755.78	984,444.78
Goods deposit	926,517.76	2,210,050.67
Advance payment	1,280,335.00	1,073,646.00
Non-refund input tax	4,761,996.06	3,026,572.40
Others	375,950.36	291,377.67
Total other receivables	12,779,034.26	10,407,742.36
Total trade and other receivables	41,768,525.58	40,926,531.69

As at December 31, 2016 and 2015 the Company has outstanding trade accounts receivable classified by aging as follows:

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Trade accounts receivable due in term	24,772,213.81	25,024,272.55
Overdue trade accounts receivable		
- Less than 3 months	4,298,710.05	4,976,676.45
- Over 3 months but less than 1 year	25,165.86	517,840.33
Total trade accounts receivable	<u>29,096,089.72</u>	<u>30,518,789.33</u>

7. INVENTORIES

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Finished goods	285,369,276.47	225,032,557.55
Packaging	66,423,383.94	46,135,403.56
Work in process	22,540,384.62	19,169,181.46
Supplies	<u>1,833,868.66</u>	<u>1,730,769.73</u>
Total	376,166,913.69	292,067,912.30
Less Allowance for devaluation of inventories	<u>(2,274,722.58)</u>	<u>(1,962,575.46)</u>
Net	<u>373,892,191.11</u>	<u>290,105,336.84</u>

8. RESTRICTED DEPOSITS WITH FINANCIAL INSTITUTIONS

As at December 31, 2016 and 2015, the Company had fixed deposits maturity in the amount of Baht 10 million at the interest rate of 1.70% per annum and 2.00% per annum respectively which is restricted on withdrawal due to guarantee against letters of credit line, trust receipts, foreign currency forward contracts with financial institutions.

9. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2016 and 2015 :

	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
<i>(Unit: Baht)</i>								
Cost:								
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
Acquisition	-	2,089,151.36	23,394,238.18	15,978,865.09	7,790,551.88	511,000.00	21,317,542.40	71,081,348.91
Disposal	-	-	-	(261,372.04)	(89,717.66)	-	-	(351,089.70)
Transfer in (out)	-	102,658,683.88	1,922,250.00	44,718,544.83	-	-	(149,299,478.71)	-
Write off/adjustment	-	(248,700.00)	(9,284,191.92)	(1,360,836.57)	(1,552,838.13)	-	-	(12,446,566.62)
As at December 31, 2016	19,240,000.00	135,227,155.74	227,670,409.49	85,768,449.08	27,643,011.65	15,296,113.09	3,174,818.02	514,019,957.07
Accumulated depreciation:								
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)
Depreciation for the year	-	(4,725,935.65)	(35,986,882.72)	(9,275,154.71)	(4,926,117.71)	(1,822,596.06)	-	(56,736,686.85)
Depreciation for disposal	-	-	-	218,692.84	73,372.00	-	-	292,064.84
Write off/adjustment	-	222,650.68	6,595,782.26	1,098,260.18	1,512,789.93	-	-	9,429,483.05
As at December 31, 2016	-	(17,605,441.79)	(142,015,155.06)	(23,848,168.56)	(18,740,481.54)	(8,015,359.77)	-	(210,224,606.72)
Net book value:								
As at December 31, 2016	19,240,000.00	117,621,713.95	85,655,254.43	61,920,280.52	8,902,530.11	7,280,753.32	3,174,818.02	303,795,350.35
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

Part of buildings at net book value amount of Baht 99.95 million are constructed on land leased from director as stated in note 16.3.

Depreciation for the year ended December 31, 2016 and 2015 amounted to Baht 56.74 million and Baht 45.80 million respectively.

As at December 31, 2016 and 2015 the Company has fixed assets at cost amount of Baht 74.69 million and Baht 50.77 million respectively which have been fully depreciated but are still in use.

10. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Cost:		
Beginning balance as at January 1	12,726,380.80	22,075,486.48
Adjustment/ write off	(580,000.00)	(9,349,105.68)
At the end of the year	12,146,380.80	12,726,380.80
Accumulated amortization:		
Beginning balance as at January 1	4,029,000.54	11,474,906.29
Amortization	1,374,072.11	1,439,135.06
Adjustment/ write off	(580,000.00)	(8,885,040.81)
At the end of the year	4,823,072.65	4,029,000.54
Net book value	7,323,308.15	8,697,380.26

Amortization of leasehold right for the year ended December 31, 2016 and 2015 amounted to Baht 1.37 million and Baht 1.44 million respectively.

11. INTANGIBLE ASSETS

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Computer software		
Cost:		
Beginning balance as at January 1	14,652,741.44	14,650,394.44
Acquisition	980,200.00	465,372.00
Write off	(972,000.00)	(463,025.00)
Ending balance	14,660,941.44	14,652,741.44
Accumulated amortization:		
Beginning balance as at January 1	3,521,220.75	2,523,950.61
Amortization	1,293,142.08	1,460,285.14
Write off	(552,664.76)	(463,015.00)
Ending balance	4,261,698.07	3,521,220.75
Net book value	10,399,243.37	11,131,520.69
Software under installation		
Beginning balance as at January 1	8,568,780.00	7,949,000.00
Acquisition	1,928,950.00	891,280.00
Write off	-	(271,500.00)
At the end of the period	10,497,730.00	8,568,780.00
Less Allowance for devaluation of assets	(4,925,130.00)	(4,925,130.00)
Net	5,572,600.00	3,643,650.00
Total	15,971,843.37	14,775,170.69

Amortization of intangible assets for the year ended December 31, 2016 and 2015 amounted to Baht 1.29 million and Baht 1.46 million respectively.

12. DEFERRED TAX ASSETS

	<i>(Unit :Baht)</i>	
	December 31, 2016	December 31, 2015
Deferred tax assets	9,211,493.90	8,219,866.57
Deferred tax liabilities	-	-
Net	9,211,493.90	8,219,866.57

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

	<i>(Unit :Baht)</i>				
	As at	Expense	As at	Expense	As at
	December	(income) in	December	(income) in	December
	31, 2014	statement of	31, 2015	statement of	31, 2016
		income		income	
Deferred tax assets					
Allowance for devaluation of goods	82,076.94	310,438.15	392,515.09	62,429.42	454,944.51
Allowance for devaluation of assets	-	985,026.00	985,026.00	-	985,026.00
Employee benefit obligations	1,144,802.20	235,171.40	1,379,973.60	175,069.60	1,555,043.20
Deferred income for reward points	2,317,144.82	2,455,567.12	4,772,711.94	(18,650.66)	4,754,061.28
Dismantling provisions	-	-	-	26,957.58	26,957.58
Accrued expenses	-	689,639.94	689,639.94	745,821.39	1,435,461.33
Total	<u>3,544,023.96</u>	<u>4,675,842.61</u>	<u>8,219,866.57</u>	<u>991,627.33</u>	<u>9,211,493.90</u>

Income tax expenses for the year ended December 31, 2016 and 2015 can be summarized as follows:

	<i>(Unit :Baht)</i>	
	2016	2015
<i>Current tax:</i>		
Income tax for the year	166,294,646.08	105,000,243.04
<i>Deferred tax :</i>		
Deferred tax (income) derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	<u>(1,119,301.33)</u>	<u>(4,675,842.61)</u>
Income tax expenses in statements of comprehensive income	<u>165,175,344.75</u>	<u>100,324,400.43</u>
Income tax expenses related to actuarial gains directly recorded to other comprehensive income	<u>127,674.00</u>	<u>-</u>
Total	<u>127,674.00</u>	<u>-</u>

-

Reconciliation amount between income tax expenses and multiplication of accounting profits and tax rates used for the year ended December 31, 2016 and 2015 can be presented as follows:

	<i>(Unit :Baht)</i>	
	2016	2015
Accounting profit before income tax	821,181,796.94	502,817,576.75
Income tax rates	20%	20%
Accounting profit before income tax multiply by tax rates	164,236,359.39	100,563,515.35
<i>Taxable effects for :</i>		
Accounting base differ from tax base		
different from expenses	938,985.36	(239,114.92)
Total	938,985.36	(239,114.92)
Income tax expenses presented in statements of		
comprehensive income	165,175,344.75	100,324,400.43
Effective income tax rate	20.11%	19.95%

13. OTHER NON-CURRENT ASSETS

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Rental and services deposit	88,110,440.36	83,907,391.66
Others	3,603,868.62	4,744,212.84
Total	91,714,308.98	88,651,604.50

14. TRADE AND OTHER PAYABLES

	<i>(Unit: Baht)</i>	
	December 31, 2016	December 31, 2015
Trade accounts payable		
Related parties	1,190,000.00	2,500,000.00
Other parties	114,298,927.28	132,158,251.38
Total trade accounts payable	<u>115,488,927.28</u>	<u>134,658,251.38</u>
Other payables		
Accrued expenses	133,585,932.63	64,857,338.17
Revenue Department payable	14,819,952.99	9,660,069.58
Assets payables	15,668,200.60	19,525,491.72
Amount received advance for goods	4,665,764.61	16,804,787.33
Deferred income for reward points	23,770,306.38	23,863,559.69
Others	7,707,271.67	3,587,483.50
Total other payables	<u>200,217,428.88</u>	<u>138,298,729.99</u>
Total trade and other payables	<u>315,706,356.16</u>	<u>272,956,981.37</u>

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

15. EMPLOYEE BENEFIT OBLIGATIONS

Long-term employee benefit obligations are compensation paid to employees when they retired for the year ended December 31, 2016 and 2015, are as follows:

	<i>(Unit: Baht)</i>	
	2016	2015
Employee benefit obligations as at January 1	6,899,868.00	5,724,011.00
Current costs of services and interest	1,513,718.03	1,175,857.00
Actuarial loss recognized in statement of other comprehensive income during the year	<u>(638,370.00)</u>	<u>-</u>
Employee benefit obligations as at December 31	<u>7,775,216.03</u>	<u>6,899,868.00</u>

Long-term employee benefit expenses for the year ended December 31, 2016 and 2015 recognized in comprehensive income are summarized below:

	<i>(Unit: Baht)</i>	
	2016	2015
Selling expenses	61,414.08	211,357.61
Administrative expenses	1,452,303.95	964,499.39
Total	<u>1,513,718.03</u>	<u>1,175,857.00</u>

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

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

Significant actuarial assumptions are summarized below:

	2016	2015
Discount rate	% per annum	% per annum
For monthly staff	3.21	4.76
For daily staff	3.45	4.92
Salary increase rate		
For monthly staff	6	7.05
For daily staff	6	4.94
Turnover rate		
For monthly staff	0 - 64	0 - 63
For daily staff	0 - 57	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, 2016 are summarized below:

	(Unit : Baht)	
	Increase	Decrease
Discount rate (0.5% movement)	(6,215,851.00)	6,845,952.00
Future salary increase rate (0.5% movement)	6,857,171.00	(6,202,693.00)
Turnover rate (1% movement)	(5,780,128.00)	7,376,983.00

16. TRANSACTION WITH RELATED PERSONS AND PARTIES

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

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

<u>Related parties and persons</u> <u>name</u>	<u>Relationship</u>	<u>Related transactions</u>
1. <i>Persons consist of:-</i>		
Mrs. Tanyapon Kraibhubes	Shareholder and director	Rental deposit, land with its construction rental, land rental, obligations under land lease agreement
Mr. Praty Levan	Shareholder and director	Sale of goods (franchise), purchase of goods
2. <i>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>
Rental deposit	Rental rates for three months
Revenues from sales (franchise)	Market price as applicable to other franchises
Other income	As indicated in agreement
Purchase of goods	Market price as applicable to major customers
Land with its construction rental	As indicated in agreement
Land rental	As indicated in agreement
Land lease agreement obligations	As indicated in agreement

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

(Unit: Baht)

	For the year ended 31 December	
	2016	2015
Revenues from sales		
C&N International Ordinary Partnership	6,910,983.73	8,431,832.08
Other income		
C&N International Ordinary Partnership	20,475.00	14,805.00
Purchase of goods		
Bevita International Co., Ltd.	5,549,065.43	12,355,140.18
Land with its construction rental		
Mrs. Tanyapon Kraibhubes	348,000.00	348,000.00
Land rental		
Mrs. Tanyapon Kraibhubes	1,276,293.00	1,276,293.00

16.2 The balance with its related persons and parties as at December 31, 2016 and 2015 are as follow:

(Unit: Baht)

	2016	2015
Trade accounts receivable		
C&N International Ordinary Partnership	378,971.36	2,372,218.72
Non-current assets-rental deposit		
Mrs. Tanyapon Kraibhubes	87,000.00	87,000.00
Trade accounts payable		
Bevita International Co., Ltd.	1,190,000.00	2,500,000.00
Accrued rental		
Mrs. Tanyapon Kraibhubes	2,856,879.00	2,552,586.00

16.3 Lease agreement obligations

16.3.1 The Company has commitment under land lease agreement for warehouse construction in accordance with agreement period of 30 years in the amount of Baht 38.28 million. The lease agreement period is commenced on January 1, 2014 - December 31, 2043 (the counterparties agreed to collect rental since the completion of buildings and others construction or since January 1, 2016 whichever is earlier until the maturity of lease period). However, the Company started to record rental since January 1, 2014 onwards. The construction structured on such lease land was not transferred the ownership to the lessor, the lessee should dismantled such construction when the Company ceased the lease.

As at December 31, 2016 the Company is liable on payment the remaining rental under lease agreement as follows:

	<i>(Unit: Baht)</i>
Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	3,892,860.00
Over 5 years (to 30 years)	<u>30,896,730.00</u>
Total	<u>35,664,390.00</u>

16.3.2 As at December 31, 2016 the Company is liable on payment the remaining rental as follows:

	<i>(Unit: Baht)</i>
Payment within	
1 year	348,000.00
Over 1 year not exceed 5 years	<u>348,000.00</u>
Total	<u>696,000.00</u>

17. SHARE CAPITAL

According to the minutes of annual shareholders' general meeting for the year 2016 held on April 25, 2016, passed the resolution, to approve the increase share capital for another Baht 2,261,000.00 dividend into 22,610,000 ordinary shares at par of Baht 0.10 each from 3,000,000,000 shares amounting to Baht 300 million to 3,022,610,000 shares amounting to Baht 302.26 million to reserve the exercise right of warrants issuance. The Company has registered the increase share capital with the Ministry of Commerce on May 12, 2016.

18. LEGAL RESERVE

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

19. WARRANTS TO PURCHASE ORDINARY SHARES

The Company's warrants are as follows: -

Type of warrants	Exercise price per share	Exercise ratio per 1 unit	Number of unused warrants as at January 1, 2016	Number of warrants issued and offered during the year	Number of warrants exercised during the year	Number of warrants remaining as at December 31, 2016
ESOP Warrant-1	5.00	1:1	-	22,610,000	-	22,610,000

ESOP Warrant-1

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

Details are as follows:

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

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

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

Conditions and period of exercise :

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

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

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

Restrictions on the right of warrants

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

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

The Company recorded expenses of the ESOP Warrant-1 amounting to Baht 3.03 million as employee expenses and recognized “Equity-Settled Share-Based Payment” in shareholders' equity by the same amount.

20. DIVIDEND

20.1 Dividend

According to the Annual General Meeting of shareholders for the year 2016 held on April 25, 2016, passed the resolution to pay dividend from the result of operation for the year 2015 to the shareholders for 3,000 million shares at Baht 0.133 each, totally amount of Baht 399 million which was made interim dividend payment at Baht 0.05 per share, totally amount of Baht 150 million, the remaining dividend to be paid at Baht 0.083 per share, amount of Baht 249 million. The Company has already paid such dividend on May 18, 2016.

20.2 Interim dividend

According to the minutes of Board of directors No. 4/2016 held on August 10, 2016, passed the resolution to pay interim dividend from the results of operation for the six-month periods ended June 30, 2016 to the shareholders whose the name listed in the register as at August 25, 2016 for 3,000 million shares 0.08 amounting to Baht 240 million. The Company has already paid such dividend on September 9, 2016.

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 SITA PORN REGISTERED PROVIDENT FUND" in accordance with the Provident Fund Act B.E. 2530. The Company and employees have to contribute to the fund at the same rate 3-5% of employees' salaries. The provident fund is managed by BBL Asset Management Co., Ltd. The employees will entitle the accumulation and benefit when they retired according to the provident fund regulation.

The Company has paid the contribution to the fund for the year ended December 31, 2016 amount of Baht 3.19 million.

23. EXPENSES ANALYZED BY NATURE

The significant expenses analyzed by nature for the year ended December 31, 2016 and 2015 are as follows:

	<i>(Unit: Baht)</i>	
	2016	2015
Changes in finished goods		
and work in progress	(63,707,922.08)	5,068,359.37
Purchase of goods	924,765,228.53	591,729,748.53
Employee benefit expenses	365,665,436.28	269,434,168.84
Management benefit expenses	29,852,552.96	21,193,679.90
Directors' remuneration	2,150,847.60	1,846,228.92
Depreciation and amortization	59,403,901.04	48,695,904.52
Rental and services	242,702,055.01	218,992,869.58
Advertising and sale promotion expenses	59,857,857.52	27,337,850.38
Loss on devaluation of inventories	312,147.12	1,552,190.80
Loss on goods destruction	2,888,701.89	-
Loss on devaluation of inventories	-	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 volume, 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, 2016 as follows:

(Unit: Baht)

Payment within	
1 year	196,455,141.19
Over 1 year but less than 3 years	<u>132,557,606.78</u>
Total	<u><u>329,012,747.97</u></u>

- 25.2 The Company is liable on payment for the capital expenditure as at December 31, 2016, amount of Baht 0.94 million.

- 25.3 The Company is liable on payment for computer software installation as at December 31, 2016, amount of Baht 2.67 million.

- 25.4 The Company is liable on payment under lease of vehicle as at December 31, 2016, amount of Baht 1.16 million.

- 25.5 Commitment under lease agreement with related person

- 25.5.1 Commitment under lease land agreement for warehouse building construction.

(Unit: Baht)

Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	3,892,860.00
Over 5 year (to 30 years)	<u>30,896,730.00</u>
Total	<u><u>35,664,390.00</u></u>

- 25.5.2 Commitment under lease land and with its construction.

(Unit: Baht)

Payment within	
1 year	348,000.00
Over 1 year not exceed 3 years	<u>348,000.00</u>
Total	<u><u>696,000.00</u></u>

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, 2016, the Company has debt to equity ratio equal to 0.33 fold.

28. EVENTS AFTER THE REPORTING PERIOD

According to the minutes of Board of directors' meeting No. 2/2017 held on February 24, 2017, passed the resolution as follows:

Propose to the shareholders' general meeting for payment the dividend from the 2016 results of operations to the shareholders for 3,001 million shares at Baht 0.218 each, amounting to Baht 654.21 The Company has already paid interim dividend in 2016 at Baht 0.080 per share amounting to Baht 240.00, the remaining dividend to be paid of Baht 0.138 per share amounting to 414.13 million.

29. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Company's Board of directors on February 24, 2017.



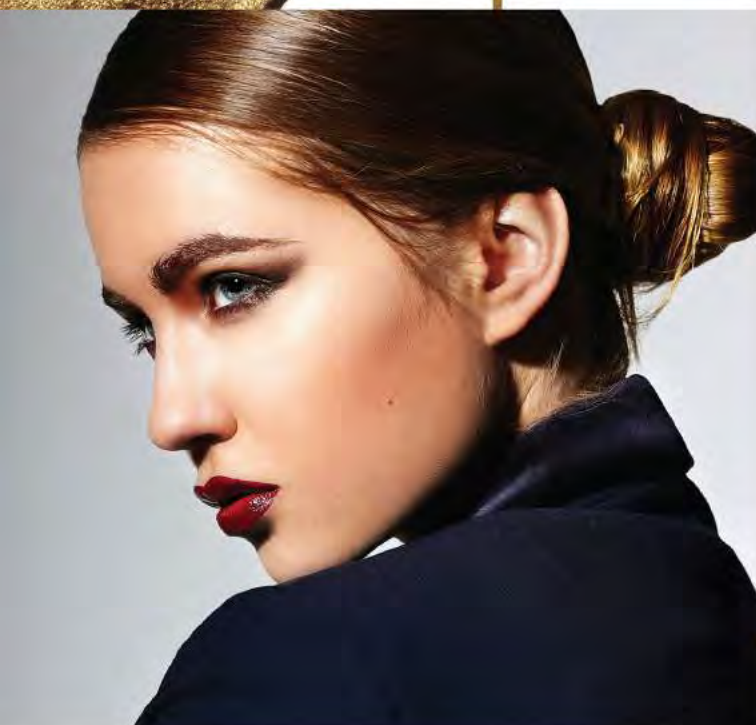
COMPANY'S PHILOSOPHY

- Creative
- Dynamic
- Sustainable



VISION

" We Create Beauty Products
For a Beautiful Life "



PRO-SKIN
Skin Healthy Glow
DD CUSHION
City Miracle



GINO McCRAY
The Professional Make Up