BEAUTY

Beauty Community Public Company Limited

ANNUAL REPORT 2017

รายงานประจำปี 2560

BEAUTY COMMUNITY

Live a Beautiful Life

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Annual Report 2017

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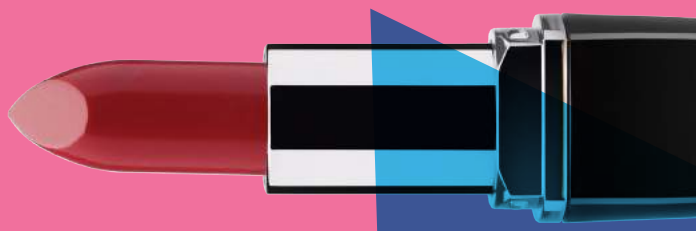
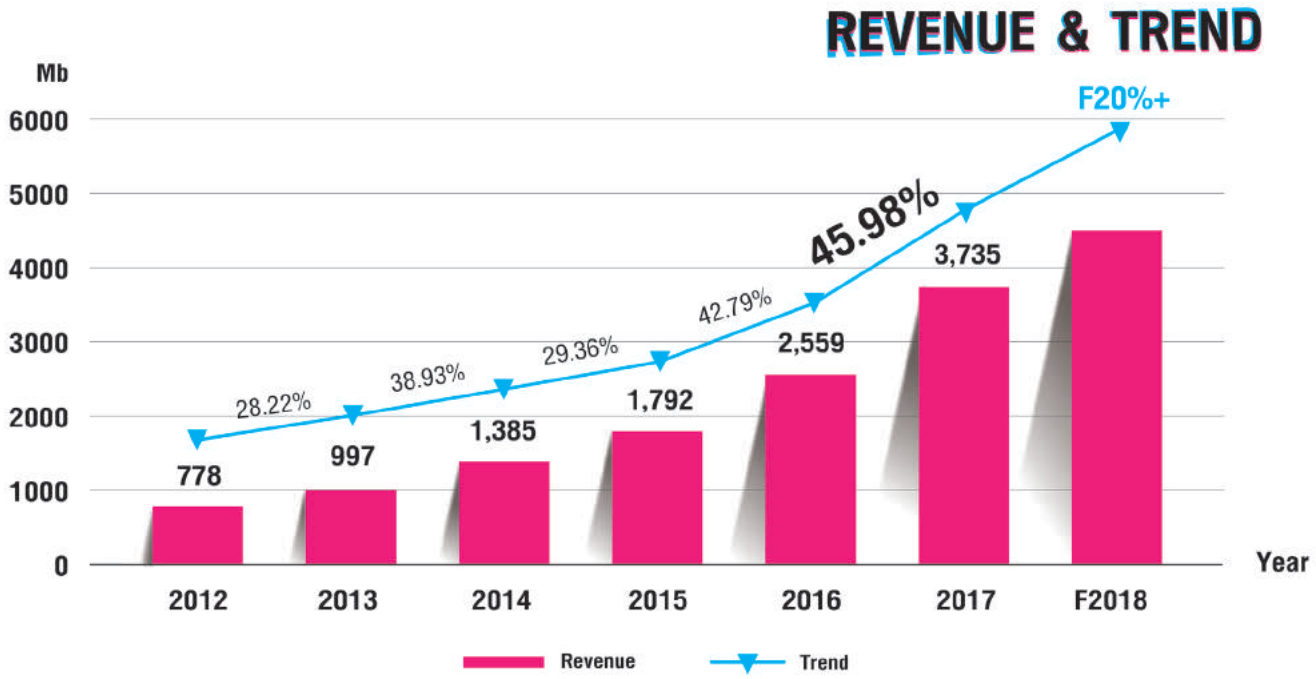




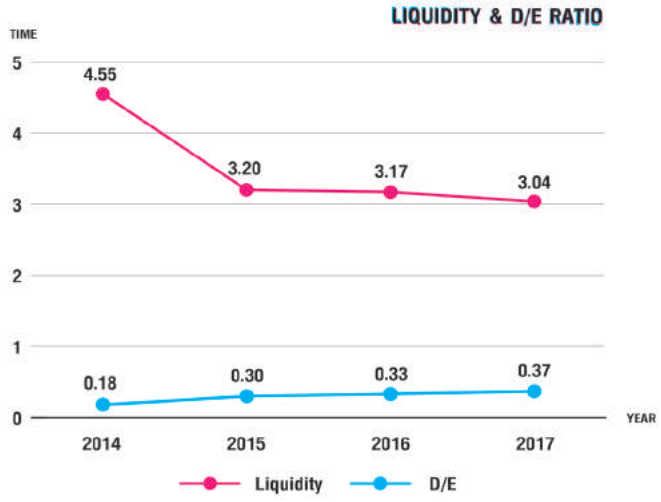
P&L 2017 HIGHLIGHT

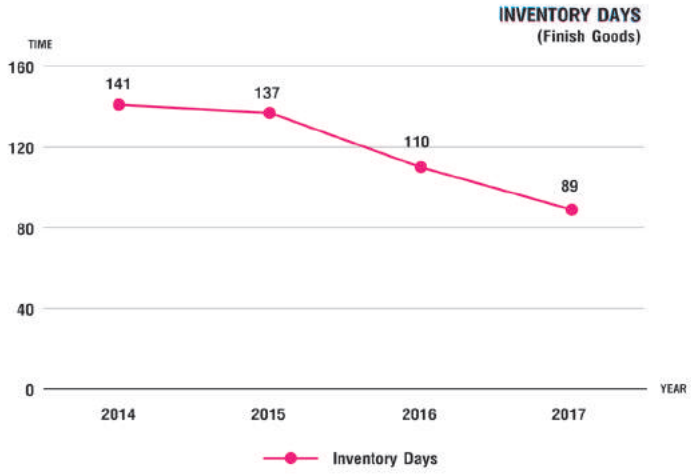
Profit & Loss (MB.)	2017	2016	YoY (%)
Revenue	3,735.37	2,558.84	45.98%
NPAT	1,229.32	656.01	87.39%
%NPAT	32.91%	25.64%	7.27%
%GP	67.74%	67.19%	0.55%
%SG&A	26.88%	35.35%	-8.47%
%EBITDA	42.64%	34.36%	8.28%

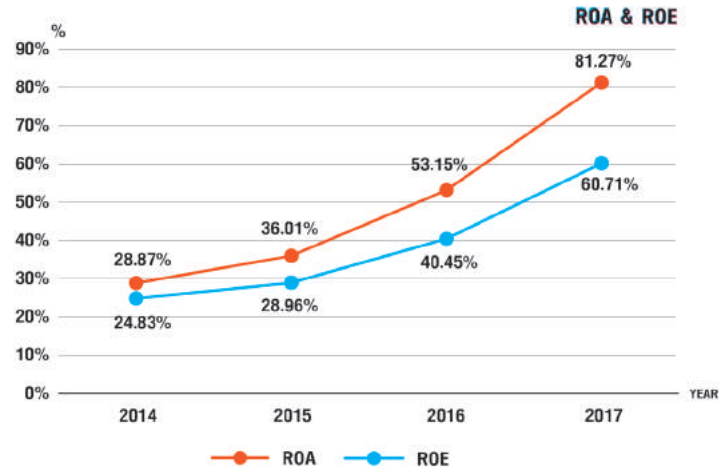
BALANCE SHEET

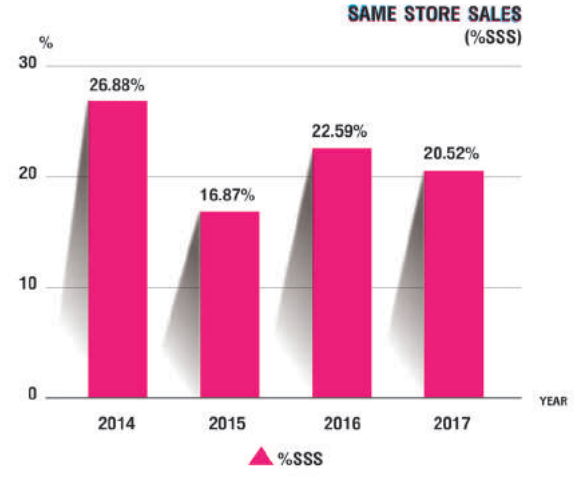
ASSETS	2017	YoY
Cash and Temporary Investments	1,305.86	45.60%
Inventories	409.74	9.59%
Total Current Assets	**1,861.24**	**41.81%**
Property, Plant and Equipment	288.57	-5.01%
Total Assets	**2,335.49**	**33.42%**

LIABILITIES & EQUITY	2017	YoY
Trade and other payables	433.92	37.44%
Total current liabilities	**611.76**	**47.95%**
Total liabilities	**630.33**	**46.50%**
Authorized share capital	300.27	0.09%
Ratained earnings	823.85	79.46%
Total shareholder's equity	**1,705.16**	**29.15%**

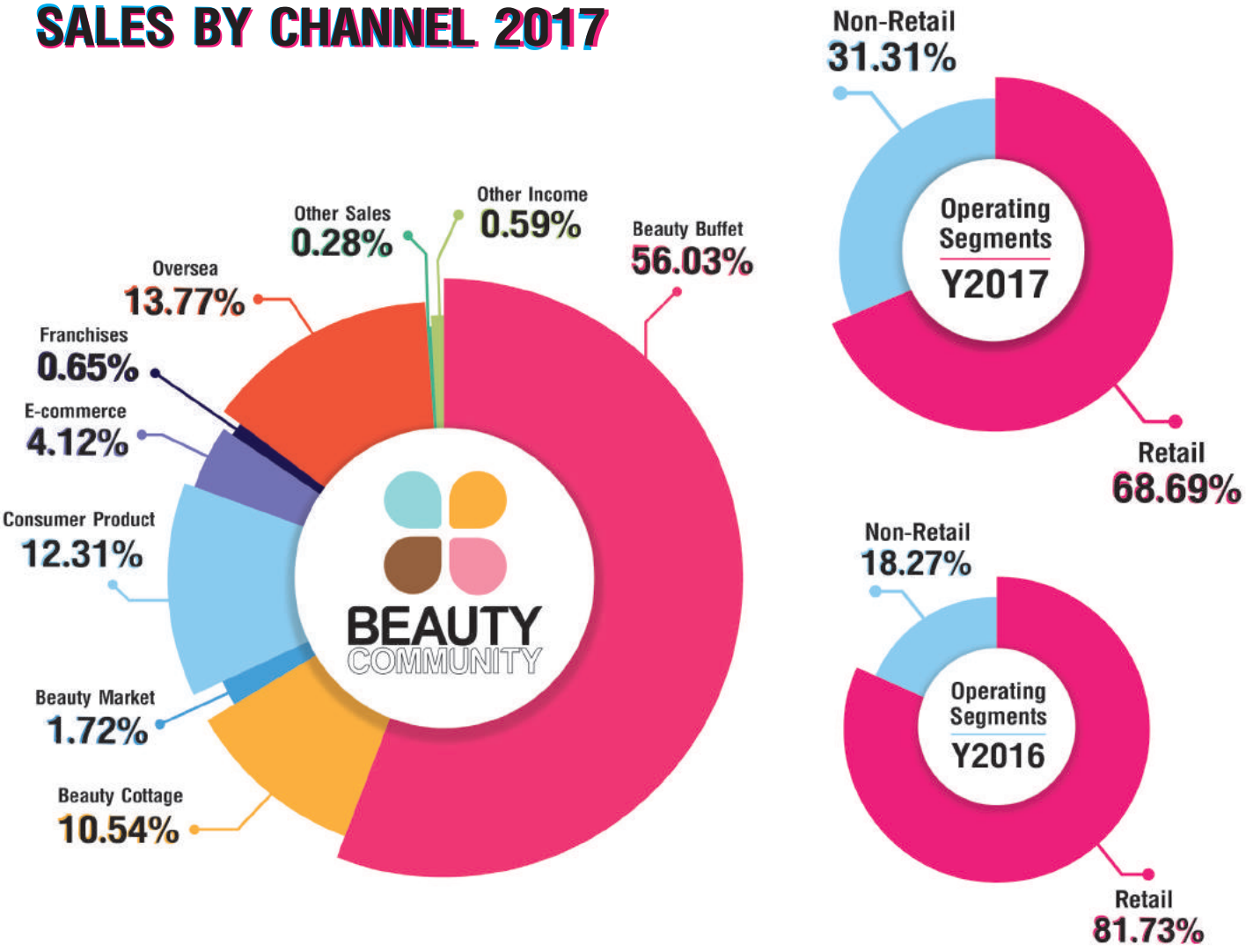




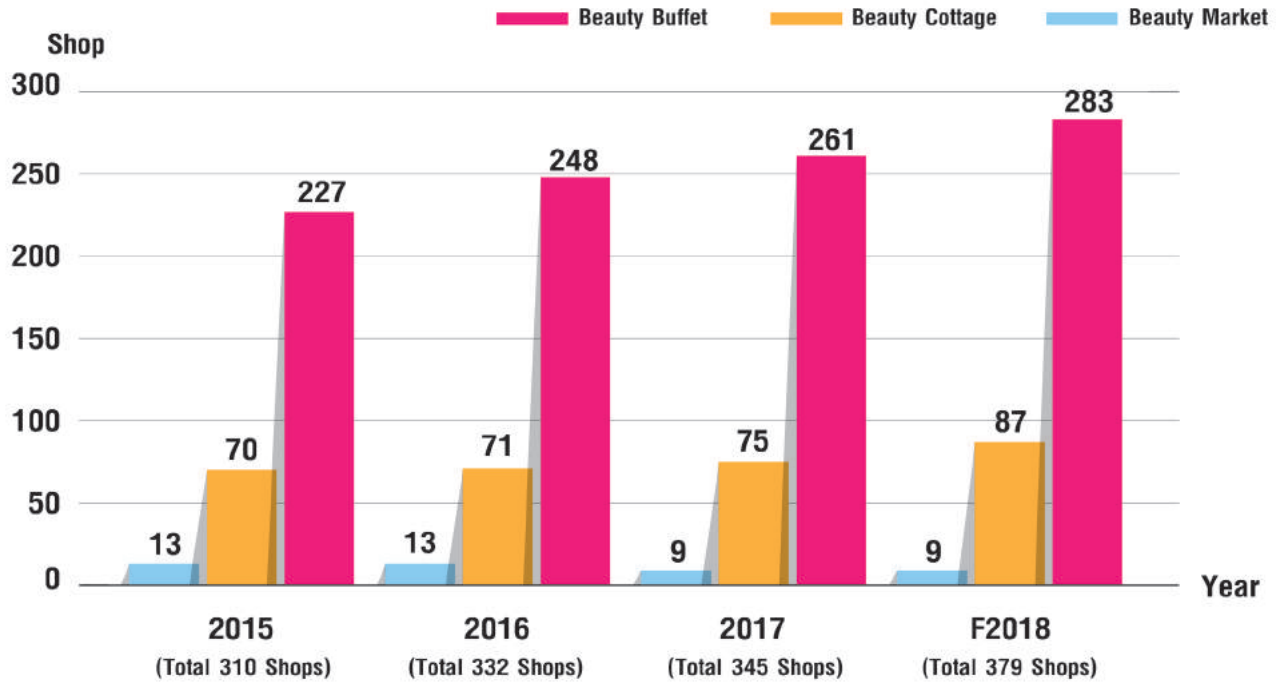




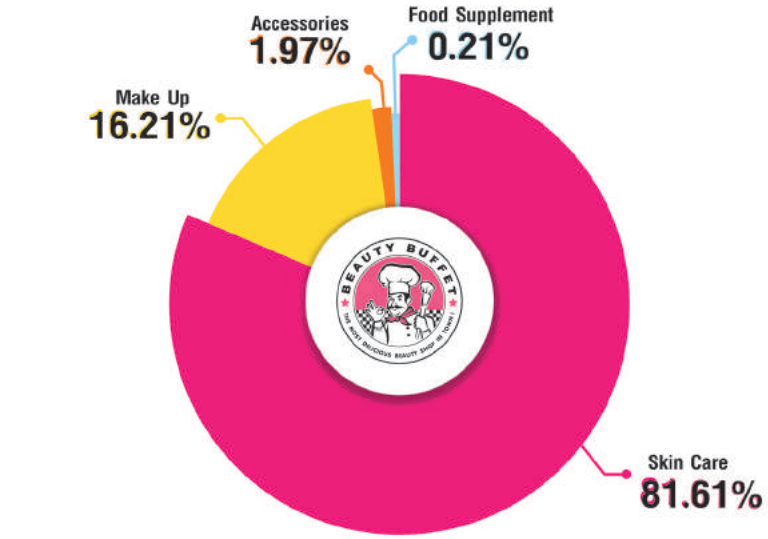
SALES BY CHANNEL 2017

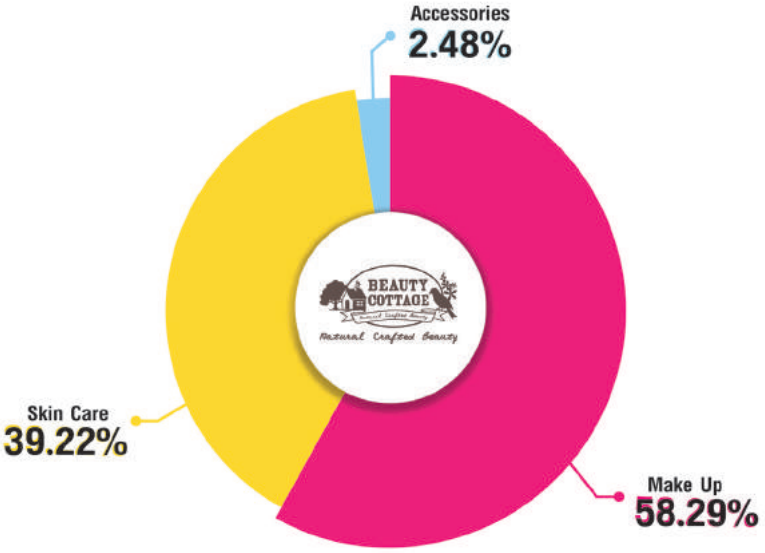


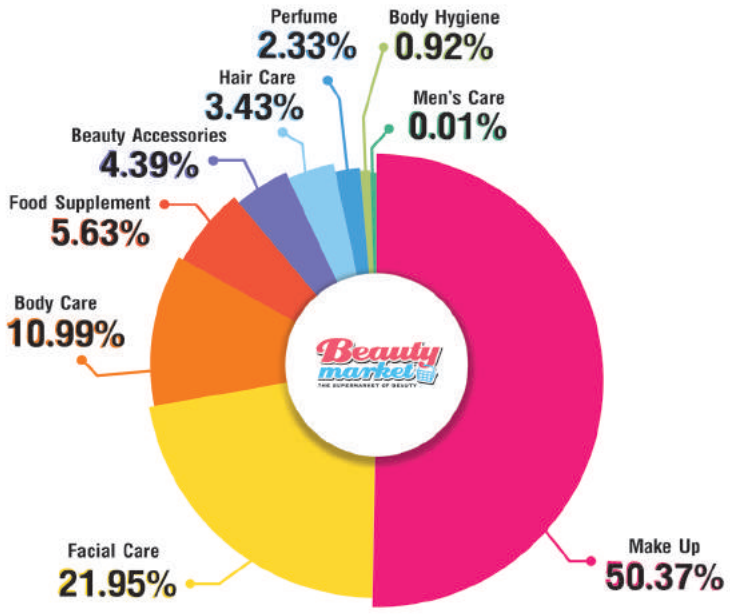
SHOP EXPANSION HIGHLIGHTS



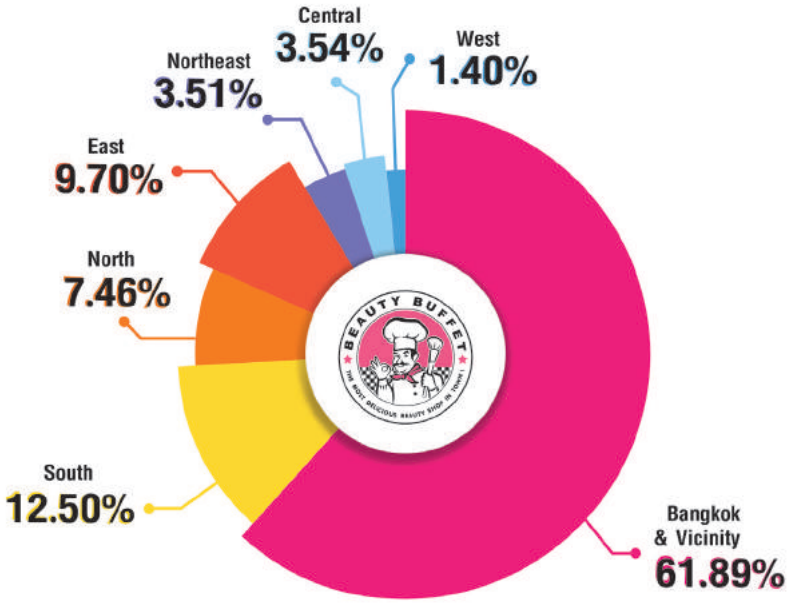
SALES BY PRODUCTS 2017

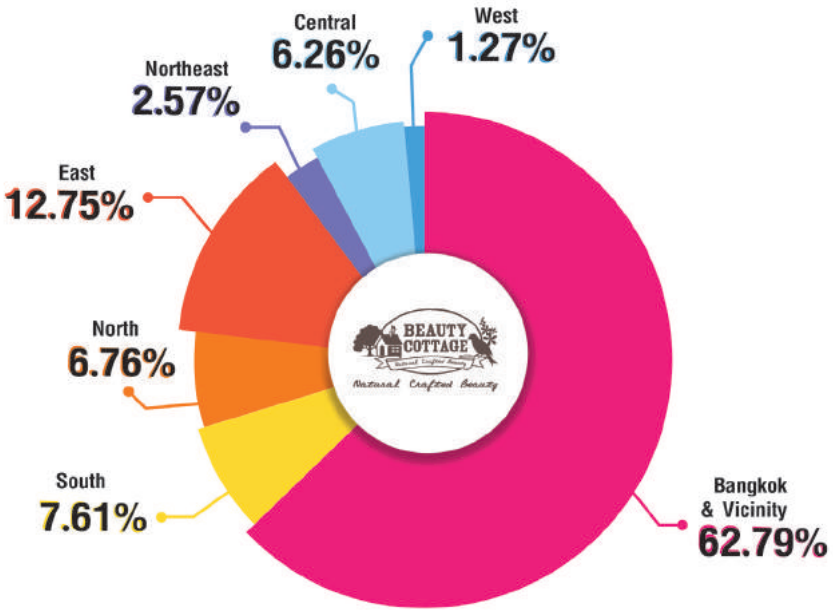


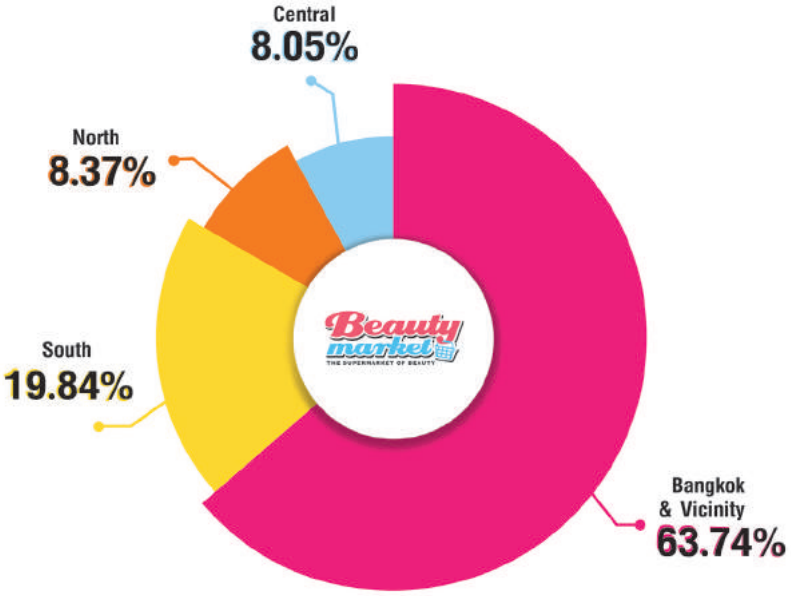




SALES BY GEOGRAPHIC 2017







SHOP BY GEOGRAPHIC

BEAUTY BUFFET
THE MOST DELICIOUS BEAUTY SHOP IN TOWN!
Beauty market
MADE IN NATURE
Live a natural life
BEAUTY COTTAGE
Natural Crafted Beauty
Natural Crafted Beauty
BEAUTY PLAZA

MULTI BRANDS

Meets the needs of various target groups.

MULTI PRODUCTS

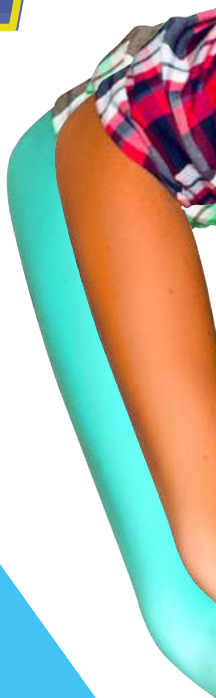
Cover all customer needs with different price levels to meet purchasing power and lifestyle.

MULTI CHANNELS

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

Executive SUMMARY

Beauty Community Public Company Limited



BEAUTY COMMUNITY
PUBLIC COMPANY LIMITED

Formerly known as Monapolitan Company Limited, Beauty Community Public Company Limited (“Company”or “Beauty”) was established on October 19, 2000 by Dr. Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes with the registered capital of 1 million baht. The “Company” conducts the business of retail sales of cosmetics and skincare products that aims to offer consumers alternative beauty products of premium quality from carefully selected raw materials to excellent product image. The “Company” has a total registered capital of 300,484,126.50 baht on February 28, 2018 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. ”

“บิวตี้ บุฟเฟต์”

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

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.

GINO McCRAY®
The Professional Make Up

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

THE BAKERY®
SWEET & DELICIOUS

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

SCENTIO®
Inspired by nature

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

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. On 31 December 2017, Beauty Buffet had 261 retail branches nationwide and separate to independent shop 16 retail branches in oversea (Vietnam 12 branches and Philippines 4 branches) which type of Counter Sales has 10 point of sales (Laos 5 point of sales and Myanmar 5 point of sales)and which type of Shop in Shop Beauty Buffet had 131 point of sales (Indonesia 19 point of sales, Hong Kong 93 point of sales and Taiwan 19 point of sales.

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 !

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. On December 31, 2017, Beauty Cottage had 75 retail branches

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

BEAUTY COTTAGE

Natural Crafted Beauty

Natural Crafted Beauty

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 December 31, 2017, Beauty Market had 9 retail branches nationwide. "Beauty Market" aims at expanding its business by launching new branches in major shopping centers and trade areas such as department stores and large community.

Beauty market

THE SUPERMARKET OF BEAUTY

MADE IN NATURE

Live a natural life

"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" on December 31,2017 a total of 10 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 13 places, 685 point of sales such as Big C Supercenter 136 branches, Tesco Lotus 172 branches Tops Supermarket and Central Food Hall 110 branches.

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 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.

Hokkaido Milk
Shower Cream
DONKEY MILK
REBORN
DEEP WHITE
Milk
FACIAL FOAM
MILK PLUS
GOAT MILK
Foam Cleanser
Hand Cream
PEARL & ROSE
MASK SHEET
BEAUTY COTTAGE
GINO McCRAY
BEAUTY PLAZA
NEW ARRIVALS

Summary of Overall Operation and Financial Status

Products of Beauty Buffet, Beauty Cottage and Beauty Market are distributed through retail shops, 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 product through modern trade and traditional trade. This resulted in overall income of the company that continually grew up to 3,735.37 million baht in 2017 from 2,558.84 million Baht in 2016 or it's accounted for 45.98% growth.

Revenue from main sales of the company was derived from distributing products through retail shop for 68.69% of total income. Retail shop under brand "Beauty Buffet" had turnover in 2017 and 2016 for 2,092.81 million baht and 1,771.68 million Baht accounted for 56.03% and 69.24% of total income respectively. Its growth was 18.13% as a result of the branch expansion in every region of the country to access more customers. As of the end of year 2017, total amount of branches in Thailand and neighbor countries was 277 branches (261 domestic branches and 16 international branches) decreasing for 8 branches from year 2016 that had only 285 branches (248 domestic branches and 37 international branches). However, skincare products, makeup, food supplement and beauty accessories had average ratio of distribution for approximately 81.61%, 16.21%, 0.21% and 1.97% respectively.

For retail shop under the brand "Beauty Cottage", as of the end of year 2017, there were total 75 branches (75 domestic branches) increasing for a branch from 2016 with only 74 branches (71 domestic branches and 3 international branches). In 2017 and 2016, total income was 393.57 million Baht and 238.88 million Baht respectively accounted for 64.76% 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 58.29% while average ratio of cosmetic and beauty accessories was at 39.32% and 2.48% respectively.

Retail shop under the brand "Beauty Market". as of the end of 2017 and 2016, there were 9 branches and 13 branches (all domestic branches) and in 2017 and 2016, total income was 64.38 million Baht and 64.94 million Baht respectively accounted for the decreasing growth at 0.86%. However, ratio of sales of each product was as follows, cosmetics at 50.37%, facial care product at 21.95%, body care product at 10.99%, perfume at 2.33%, beauty accessories at 4.39%, hair product at 3.43%, food supplement at 5.63%, shower product at 0.92% and men product at 0.001%. Beauty Market shops had ratio of sales of its own brands at 24.00% and 3rd party brands at 76.00%.

Distribution through franchise in 2017 and 2016 had total income of 24.43 million Baht and 22.94 million Baht respectively and it was accounted for the decreasing growth at 6.50%. Distribution through domestic and international wholesale channel in 2017 and 2016 had total income of 514.26 million Baht and 178.06 million Baht respectively or accounted for the growth at 188.81%. Distribution through consumer products channel in 2017 and 2016 had total income of 459.71 million baht and 182.82 million baht accounted for the growth of 151.46% and distribution through E-commerce in 2017 and 2016 had total income of 153.95 million Baht and 74.00 million Baht accounted for the growth at 108.05%

Cost of goods sold (COGS) in 2017 and 2016 was 1,197.96 million Baht and 833.11 million Baht respectively accounted for the gross profit at 67.74 % and 67.19% respectively. Gross profit in 2017 was slightly higher than in 2016 because the Company managed inventories effectively which was in accordance with inventory day at 89 days in 2017 and 110 days in 2016. It included better bargaining power for production as a result of economy of scale leading to higher gross profit in 2017 when compared with 2016.

The company had net profit in 2017 and 2016 for 1,229.32 million Baht and 656.01 million baht respectively accounted for net profit of 33.10% and 25.83% 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 2017 and 2016, the company had total assets of 2,335.49 and 1,750.55 million baht respectively. In 2017, current assets was 1,861.24 million Baht accounted for 79.69% of total assets such as cash and cash equivalent in amount of 505.86 million baht accounted for 21.66% of total assets and temporary investment of 800.00 million Baht accounted for 34.25%, inventories at 409.74 million Baht accounted for 17.54% of total assets with inventory day 89 days. Account receivable and others were 145.65 million Baht which was very low because almost products were distributed with cash and there were no trade and other receivables that made overdue payment more than 1 year. The company had non-current assets of 474.25 million baht accounted for 20.31% of total assets such as property, plant and equipment which contained net value of 288.57 million Baht accounted for 12.36% of total assets.

Total liability as of 31 December 2017 was 630.33 million Baht and the company relied on liquidity from cash and credit term from trade payables. Therefore, almost liability of the company was in format of current liability in amount of 611.76 million Baht. The majority was trade and other payables in amount of 433.92 million baht and the company had shareholder's equity as of 31 December 2017 in amount of 1,705.16 million baht accounted for debt to equity at 0.37 times. 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.

LIFE
STYLE
BEAUTY

Report of the Board of Directors

The business trend of cosmetics and beauty has continuously grown, expanded and highly competitive from market entry of large number of both large and small new entrepreneurs. The executives of the Company have foreseen both opportunity and risk. Thus, the key three strategies of the Company's business operation are: 1. Multi-Brand: brands are various for customer choices. Each brand is distinguished in Brand Character, Price Positioning and Brand positioning; 2. Multi-Product: products are various in type and price level, and complete for demands and all usability functions; 3. Multi-Channel: distribution channels are various both in form of Retail Store, Modern Trade, convenience store, Traditional Trade, foreign selling channel, and E-Commerce channel for easier, more rapid and extensive accessibility of the customers to products. All of three strategies are considered as strategy which is flexible to rapid changing business environment, consumer behavior and marketing both in present and future. The aforesaid strategies are subject to the policies of good quality products, beautiful design, real reasonable price level, targeting MID END customer groups, resulting in more market shares as seen that the Company's current revenue and profit are the number one of domestic cosmetics retail store business.

According to turnover throughout 5 years period, both revenue and profit of the Company has outstandingly grown by annual average growth of revenue at 33%, and annual average growth of profit at 44%. In 2018, the Company has targeted the revenue not below 4,290 million Baht or not below 20% in growth, maintained net profit not below 20% and planned investment for 120 million Baht, classified into investment in new branch opening for 80 million Baht and use for improvement of infrastructure and Business Intelligence (BI) for 40 million Baht used in sale and customer data analysis in every channel. The executives can use in-depth data to monitor and manage marketing, sales and CRM strategies for maximum business operation advantage, increase in efficiency in sales volume generation, and support future growth of the Company.

Moreover, in 2017, BEAUTY was computed in many indexes whether SET 50 Index SET 100 Index, MSCI Global Small Cap Indexes, and FTSE SET Mid Cap Index, indicating that it is the stock of which the fundamental factors are satisfactorily and continuously growing and the Company with operating potential, effective cost management, firm financial structure, outstanding growing overall operations, and generation of high rate of return to the investors.

Finally, on behalf of the Board of Directors, we would like to deliver our gratitude to the shareholders, customers, business alliances, and all employees who have well pooled your efforts and supported the Company all the time. The Management therefore has assured that they will operate the Company for continuous sustainable and strong growth in the future through maintenance of transparency, adherence to good governance, awareness on social responsibility and main concern on maximum common interest.

The Board of Directors
Beauty Community Public Company Limited

Message from Chief Executive Officer

Year 2017 marked as the remarkable growth year of the Company from numerous awards of achievements granted to the Company such as excellent top executive, and excellent performance of the listed companies awards in the event of SET Awards 2017, The Best Brand Performance Award on Instagram 2017 and Top 3 : The Best Brand Performance 2017 from the event of Thailand Zocial Awards 2017 which is the event that grants awards to the most outstanding brand and organization with marketing success on online community and social media. Moreover, the Company's products were awarded for OK! Beauty Choice 2017 from OK! Magazine which is the national leading magazine.

According to turnover for 2017, the Company's turnover has been remarkable and the statistics of the highest growing turnover in 5 years period since entry into Stock Market. The Company earned total revenue of 3,735.37 million Baht, increasing from the same period of last year total revenue of 2,558.84 million Baht for 1,176.53 million Baht or an increase of 45.98%. Net profit of 1,229.32 million Baht was increasingly earned from last year net profit of 656 million Baht for 573.31 million Baht or an increase of 87.39%. The turnover of BEAUTY in increasing growth rate has been due to the popularity of products of various brands in the group of nationwide customers and foreign customers, resulting in increase in circulations in all channels, branch expansion extending to the group of both domestic and foreign customers. As at the end of 2017, total of 345 domestic branches have been classified into 261 branches of BEAUTY BUFFET, 71 branches of BEAUTY COTTAGE and 9 branches of BEAUTY MARKET. Foreign branches have been 16 branches of Independent shop, 10 points of sale of Counter Sales, and 131 points of sale of Shop in shop. In addition, the additional distribution channels have been satisfactorily accepted by the customers.

For 2018, the Company has formulated the business operation strategy under "Fast & Smart" policy under five major factors consisting of: 1. O2O (Online to Offline synchronization) marketing strategy using all platforms of online media including Influencers both in domestic and foreign countries, and all levels of employees for customer engagement in the wide area as power of sales volume generation to offline and online channels for significant growth; 2. Product Driven Strategy – growth of sales volume is driven through Product Hero Creation Strategy both on existing products and new products, and focused on innovative products according to rapid change in fashion trend and customer lifestyle. This shall be worked in parallel to O2O Strategy; 3. Investment and development of Business Intelligence (BI) System used in sale and customer information analysis in all channels so that the executives can use in-depth information in monitoring and maneuvering marketing, sale and CRM strategies for maximum advantages in business operation, 4. development of personnel to be potential in selling and marketing, and enhancement of self-professional knowledge and competency for sustainable growth, 5. extension of distribution channels with opportunity of high growth and increase in efficiency of both domestic and foreign existing distribution channels.

Ultimately, I, on behalf of the representative of the executives and team of the Company, am convinced to firmly and sustainably lead the Company toward established target, and hereby have delivered my gratitude to all shareholders, customers, business alliances, and employees for united actions and spirits and well consistent supports on the Company.

Dr. Suwin Kraibhubes
Chief Executive Officer
Beauty Community Public Company Limited

Lt.Gen. PADET CHARUCHINDA

Lt.Gen. PADET CHARUCHINDA

Position Independent Director and Chairman of Board Director
Age (year) 78 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-

ASSOC.PROF.DR. VICHIT U-ON

ASSOC.PROF.DR.VICHIT U-ON

Position Independent Director and Chairman of Audit Committee.
Age (year) 51 years old
Educational Qualifications
- Bachelor, Kasetsart Univesity
- Master of Arts Program in Agribusiness, Kasetsart Univesity
- Doctor of DBA.(Marketing), The University of Sarasota< USA
- Doctor of D.I.B.A – Nova Southeastern University, Frorida, USA
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2017 – Present	Chairman of Audit Committee and Independent Director of Beauty Community PCL
2013 – Present	Dean of Graduate College of Management, Sripatum University
2009 – 2012	Board of Directors and the working group, WPORT
2007 – 2012	Former Director of Center Research Consumer Behavior, Sripatum University
2012 – 2013	Marketing Consultant of Chokdee International Franchise Co.,Ltd.
2010 – 2011	Marketing Consultant of Bathroom Design Co.,Ltd.
2010 – 2011	Marketing Consultant of A.S. ASSOCIATED ENGINEERING (1964) CO., LTD.
2010 – 2011	Marketing Consultant of Princessbra Co.,Ltd.
2009 – 2010	Marketing Consultant of Triads Networks Co.,Ltd.
2009 - 2010	Marketing Consultant of B.J.BROTHERS&SON CORP.,LTD.
2009 – 2010	Marketing Consultant of T.G.B International Trading Co.,Ltd.

% of Shareholding - None–

VIBOON POJANALAI

Mr. VIBOON POJANALAI

Position Independent Director and Audit Committee
Age (year) 42 years old
Educational Qualifications
- Bachelor of Accounting, Thammasart University
- Master of Science in Risk Management and Financial Derivatives, Georgia State University
- Certificate Public Accountant (CPA)
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2016 – Present	Director of Thai Enger PCL
2015 – Present	Audit Committee and Independent Director of Dental Corporation Co.,Ltd
2011 – Present	Audit Committee and Independent Director of Beauty Community PCL
2008 – Present	Director of Asia Mineral Processing Co., Ltd.
2004 – 2013	Senior Account Audit Manager of AST Master Co., Ltd.

% of Shareholding - None -

Col. ATTAPON SRISANGWARN

Col. ATTAPON SRISANGWARN

Position Independent Director and Audit Committee
Age (year) 51 years old
Educational Qualifications
- Bachelor of Laws , Ramkhamhaeng University
- Student of Royal Thai Army War College, 58th class
- Lawyer Government of Office of the Council of State.
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2017 – Present	Special Operations of staff officer, the Provost Marshal General
2017 – Present	Head of legal department, Army United F.C.
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 –

Dr. SUWIN KRAIBHUBES

Dr. SUWIN KRAIBHUBES

Position Director / Chief Executive Officer
Age (year) 50 years old
Educational Qualifications
- Bachelor of Science, Faculty of Medicine, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors
- Executives Capital Market Academy Program (CMA.) 18th class
- Global Business Leaders Program (GBL) from LEAD Business and Cornell University

Work Experiences

2017 – Present	CEO / Director / Deputy 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%

TANYAPON KRIBHUBES

Mrs. TANYAPON KRAIBHUBES

Position Director
Age (year) 49 years old
Educational Qualifications
- Certificate in Nursing, Baromarajonani 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

Work Experiences

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

% of Shareholding 8.47%

MONSOOTHATIP MALAUKCARANUN

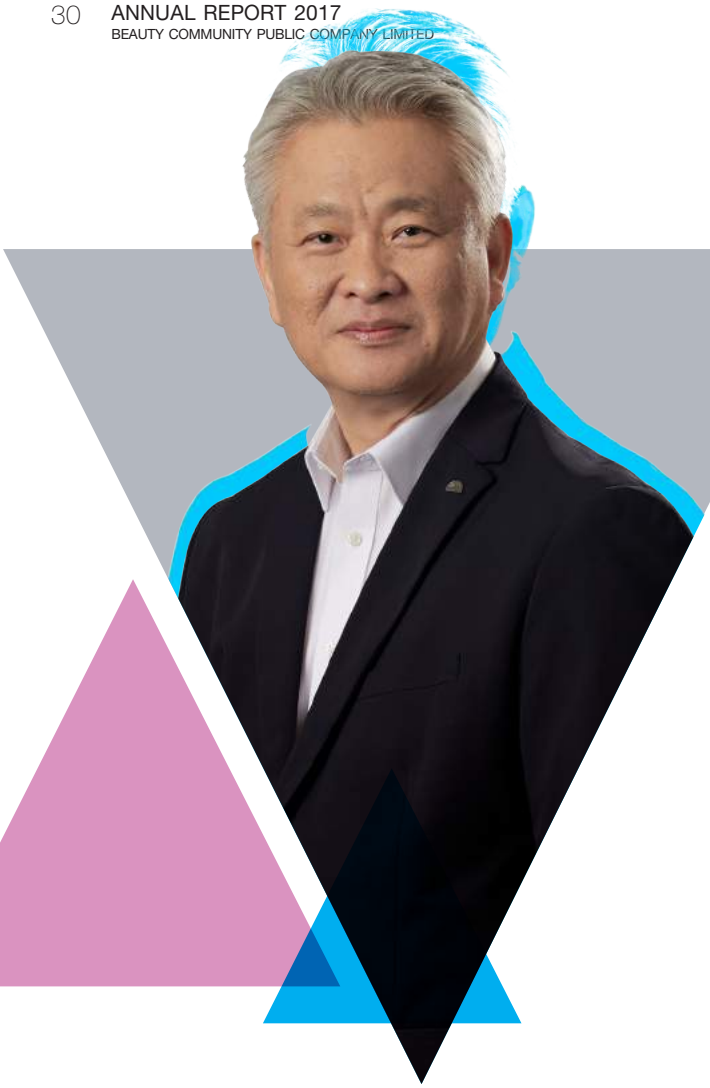
Ms. Monsoothatip Malaukcaranun

Position Director
Age (year) 42 years old
Educational Qualifications
- Bachelor of Science, Associated Medical Sciences, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

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

% of Shareholding 0.67 %



Dr. PEERAPONG KITIVESHPOKAWAT

Dr. PEERAPONG KITIVESHPOKAWAT

Position Independent Director and Chairman of Audit Committee.
Age (year) 56 years old
Educational Qualifications
- Bachelor, Chiangmai University
- Master of Business Administration Program in Marketing, Thammasat University And Gothenberg University, Sweden
- Master of Business Administration Program in Retail Business, University of Sterling United Kingdom
- Doctor of Management, Sripatum University
- Mini MBA in Franchise Nova Southeastern University, USA.
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

Work Experiences

2017 – Present	Deputy chief executive officer/ Director
2011 – 2017	Chairman of Audit Committee and Independent Director of Beauty Community PCL
2007 – Present	Director of Business Coach & Consulting Co., Ltd.
1995 – Present	Director of B.T.C. Parts Center Co., Ltd.
% of Shareholding	0.001%

SURAPON PHETKUENG

Mr. SURAPON PHETKLUENG

Position Executive Director / Finance Director
Age (year) 53 years old
Educational Qualifications
- Master of Business Administration , Kasetsart University
- Bachelor of Accountancy (Accounting), Chiangmai University
- Stategic CFO in Capital Markets Program, TheStock Exchange of Thailand

Work Experiences

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 %

SIRIKAN PHATTIVERANON

Ms. SIRIKAN PHATTIVERANON

Position Executive Director / Director of Operations Department/ Deputy Director of Marketing Division
Age (year) 52 years old
Educational Qualifications
- Bachelor of Business Administration (Second Class Honours),
- Faculty of Commerce and Accountancy Chulalongkorn University
- DIGITAL MARKETING CERTIFICATE PROGRAM – DMP, Thammasat University
- Strategies and Innovation Creation, Thammasat University

Work Experiences

2017 – Present	Executive Director / Director Of Operations Department / Deputy Director of Marketing Division, Beauty Community PCL
2012 – 2016	Executive Director / Director Of Operations Department, Beauty Community PCL
2010 – 2011	Sales Division Manager, Areeya Property PCL
2009 – 2010	Operation Division Manager, K D N Co., Ltd. (Krispy Kreme Thailand)
2004 – 2009	Franchise Operation Division Manager, Swensen's (Thai) Co., Ltd.

% of Shareholding 0.01 %

NATTAPONG KHUENPHAN

Mr. NATTAPONG KHUEANPHAN

Position Executive Director/ Business Productivity Development Unit / Deputy Director of Inventory & Office Management Division
Age (year) 43 years old
Educational Qualifications
- Bachelor of Science, Faculty of Food Science and Technology, Chiangmai University

Work Experiences

2017 – Present	Executive Director/ Business Productivity Development Unit / Deputy 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 %

NORARIT KEETANON

Mr.NORARIT KEETANON

Position Executive Director/ Director of Information Technology
Age (year) 47 years old
Educational Qualifications
- Master of MBA, OKLAHOMA CITY UNIVERSITY Major: Management Information System
- Professional Certification Program NORTHWESTERN UNIVERSITY Major: E-Commerce
- Bachelor of Engineering (B.E.), ASSUMPTION UNIVERSITY Major: Electronics

Work Experiences

2017 – Present	Executive Director/ Director of Information Technology , Beauty Community PCL
2011 – 2016	Executive Director, Manager of Information Technology and Executive Director of Business Continuity Plan, Reed Tradex Co.,Ltd
2002 – 2016	Manager of Information Technology, U City CPL

% of Shareholding 0.001%

Nomination and Remuneration Committee

1. ASSOC.PROF.DR.VICHIT U-ON
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. ASSOC.PROF.DR.VICHIT U-ON
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. Dr. PEERAPONG KITIVESHPOKAWAT
DEPUTY CHIEF EXECUTIVE OFFICER

3. Mr. SURAPON PHETKLUENG
EXECUTIVE DIRECTOR

4. Mr. NATTAPONG KHUEANPHAN
EXECUTIVE DIRECTOR

5. Ms. SIRIKAN PHATTIVERANON
EXECUTIVE DIRECTOR

6. Mr.NORARIT KEETANON
EXECUTIVE DIRECTOR

Manager of Beauty community PCL.,

Vision & Mission

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 PRODUCT , 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.beautyplazaonline.com www.facebook.com/Beautyplazaonline

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. Risk of Business Management

● *Risk from the dependence of Beauty Buffet*

In the past, the main income of the Company was from the distribution of the goods under Beauty Buffet concept. In 2017 and 2016, the Company had the income from the distribution of Beauty Buffet's goods in total amount of 2,092.81 million Baht and 1,771.68 million Baht, equal to 56.03 percent and 69.24 percent of total income, accordingly. Almost of the income was the income earned from the distribution of retail goods to consumers all over the country under the mark, Beauty Buffet. Cosmetic and skin care products are specific product sensitive to the consumption, especially, the facial products. Customers would rather be sensitive to information perceived in both positive and negative. Therefore, if any event with a negative effect is arising to the image of Beauty Buffet such as a consumer is allergic to cosmetic or skin care, etc., it may substantially affect to the sales and performance of the Company.

Beauty Buffet is a concept of a development of cosmetic product store which have its own unique (shop brand). This is only deemed it has opened a channel for distribution. The Company can develop the concept of shop brand to replace of it all the time along with the nature of fashion products such as Beauty Cottage which is a kind of the shop brand and aims for distributing products under its trademark. Furthermore, under the Beauty Buffet shop brand, there are several brands allotted for selling and each brand has its own clear marketing position according to a customer target group. The Company can develop newly replacing brand all the time along with the nature of fashion products. Also, in 2013, the Company has opened the Beauty Market in the form of retail store of big multi-brands which is a beauty specialty store. This store has combined the concept of selling several products in a supermarket, convenient store, and excitement of shopping cosmetics, aiming for selling beauty products in particular. There are almost 300 brands of the beauty products since 4,000 - 9,000 SKU and also the Company has opened new products under the name of Made In Nature brand which is the premium mass in the group of skin care, aiming for raw materials derived from nature and can be usable by all genders and ages. The design of containers is lovely, modern, attractive, and accessible by consumers and such brand is sold in convenient stores, modern trades, and online channels.

In 2017, the Company has developed distributing channels in the full form of e-commerce such as Facebook: Beautyplazaonline, website: Beautyplazaonline.com, and Line@ Furthermore, there are additionally distributing channels in overseas: CLMV, AEC และ Asia region such as China, Hong Kong, Taiwan, Vietnam, Philippines, Burma, and Indonesia.

Therefore, the Company is confident that the dependence of distributing the products under Beauty Buffet concept will be accordingly reduced upon the products under other shop brands: Beauty Cottage, Beauty Market or Made In Nature are more growing and there will be a development of additionally new product in future according to the strategy and marketing target.

In addition, the Company firmly believes that the risk from image of the negative impact will less occur. The said occurrence has never happened from the past because the Company has prioritized the product's quality. All ordered lots of products has to be really tested and the Company has the policy of the customer satisfaction guarantee in order to make the customers confident with the quality and safety thereof. If any customer has not satisfied with a purchased product, he/she can return it within 14 days (Customer Satisfaction Guarantee Project has begun 2008 onwards. In the past, the returned products value was least or approximately 0.01 percent of total sales. Furthermore, the Company has continuously communicated with consumers through online and advertising media in any types and if any event has a negative effect to the Company's image, the executive expects that it will be a short-term impact because the Company can communicate and explain the consumers of such fact rapidly through many channels.

● *Risk from copying the goods*

The Company has no policy to do the self-manufacture, but the Company uses the method of ordering expertise manufacturers to produce the goods and the manufacturers shall supply all raw materials for the manufacture and control the formula of the manufacture in details. Furthermore, some manufacturers has produced both product and its container from the origin until finished product, this causes the risk from copying the goods and may affect to the operation of the Company.

The Company is aware of the said risk Therefore, the Company therefore has entered into contracts with all manufacturers controlling the formula of the Company's products with the subject matter that the manufacturer shall not disclose or disseminate other persons the formula or ingredients of the goods and the manufacturing procedure and shall not manufacture the dais goods to sell by itself. The said condition shall be effective at the time the manufacturer remains produce the products for the Company and shall continue effective for another 1 – 3 years after the Company has terminated the order with the said manufacturer.

The Company's products are various. Currently, there are more than 3,000 items and new products are always released to the market and, in the aforementioned number of such items, there are mare than 30 manufacturers producing different products. Therefore, this has made any of such manufacturers cannot know the formula or copy the products in whole. Furthermore, the Company strongly believes in the creation of concepts to products and building the service quality to be equivalent to the cosmetics for customers in high level in order to make the customer having the loyalty in the brand of the Company. This can be uncopied.

● *Risk from the dependence of goods manufacturers*

For a new product development, even the Company has designed active ingredients and properties of the products preliminarily and will collaborate with a factory to design details and develop the formula and procedure of the manufacturing in some step. In general, the factory will procure all raw materials. If the factory suspends to produce the product for the Company, it will affect the Company unable to provide similar products which if the said product is popular and has high sales, it may result the Company's performance.

The suspension of production by a manufacturer has never occurred from the past. However, the Company has the policy to manage the said risk by ordering such products from many manufacturers, avoiding to depend on any of them. The proportion of the orders from the biggest manufacturer in 2017 and 2016 were at 24.00 percent and 15.46 percent of total sales, accordingly. If it is a popular product, the Company will procure 2 manufacturers. Furthermore, for the development of such product, the Company has known the formula and raw materials preliminarily. If there is any manufacturer's cancellation of manufacturing, the Company can improve the formula and release a new product which is equivalent to or better than the previous one in order for responding the consumers' need.

Furthermore, at the present, the Company has a high volume of orders, this has given the Company an economy of scales and has made the Company be able to negotiate with the manufacturer and control the cost of such product well.

● *Risk from the impairment of inventories*

Cosmetics and skin care products are classified into fashion goods which usually change based on the popularity in the products and containers all the time. However, for the business operation, the Company needs to order for manufacturing in the sufficient amount and to keep sufficient inventory for distributing to branches all over the country. During 2017 to 2016, the Company kept the inventories approximately 18 and 21 percent of total asset at average, accordingly, and there was the term for selling the finished products for 89 and 110 days, accordingly (calculated from the finished products and the term for selling all inventories including the containers were approximately 118-128 days). Therefore, the Company had the risk from the impairment of inventories in the event where the trend was changed and has affected the inventories unsellable or impaired.

The Company expects that the impact of this risk would rather be slight because the Company has continuously surveyed the market and the consumers' behave and there is the IT system to store the selling information all items so it can analyze the statics of the sales such as the speed rate of selling each product, life cycle, etc. This has resulted to be able to plan the order for manufacturing goods to be in correspondence with the demand of the market. The Company has the term for selling goods for long time averagely because the stock of goods is required to be sufficient for distributing to lots of branches and the stock for emergency such as flood, fire, etc. Also, it must have stocks for releasing new products and solving the shortage problem. However, the Company has the policy to check the shelf life of the products regularly and has the inventory management appropriate thereto, for example: In the event where the product's shelf life is approximately 15 months, it will be watched by the marketing division and sale operation division to communicate the staff at the store to encourage the said goods to be bought and in the event where the product's shelf life is approximately 8 - 12 months, it shall have the sale promotion for making an acceleration, etc.

● *Risk from operating the business in high competitive industry*

The cosmetic and skin care retail business is a high competitive business as its starting investment is not in the big amount and the business structure is not complicated at the beginning. This has easily led new competitive entrepreneurs and there are entrepreneurs in the country and international companies coming to open their branches or franchises in Thailand, especially, cosmetics from countries in Asia such as Korea and Japan which have target customers similar to the Company's. This has affected the Company encountering highly competitive situation and it may affected the performance of the Company. Furthermore, the Company remains having the risk from copied goods and illegal imported cosmetics from small entrepreneurs and this mat affected the Company's sales.

However, even new competitors can come to this business easily, building an unforgettable brand, increasing sales, and maintaining the customer base in the long run are not easy because it has to have higher working capital for public relations and expansion of branches. Almost of new competitors are lack of the power of negotiation for a good location so their competitive potential is not comparable to the previous ones. Therefore, the Company expects that the risk of the decreasing of the sales caused by the new competitors is at low level. Furthermore, the Company has not aimed for selling only products, but has given an importance on the presentation of the concept of the products, benefits, directions for using the products to be proficient, the interestedness of the containers, decoration style of the store, good service, development of the brand to be well-known and popularized as well as to be in correspondence with the popularity of the customer target and to maintain the customer base continuously in order for confidence and brand loyalty. These concepts are things that cannot find from those who sell copied and illegal imported goods. Therefore, the groups of customers buying the said goods and the Company's goods are different and it has not affected to the Company's sales.

Furthermore, some of the Company's products have been produced by a factory in Korea such as the products under the brands of Beauty Buffet, GINO McCray: Heritage series, etc. Some of the Company's products have been produced by a factory having Japanese nationality which its factory is located in Thailand. The Company therefore is confident in the products' quality that they are comparable and competitive with those products imported from Korea and Japan which are more popular in the cosmetic market, currently.

● *Risk from the termination of lease agreements*

The Company has opened a lot of retail stores for selling cosmetics under the concepts of Beauty Buffet, Beauty Cottage, and Beauty Market. As of December 2017, there are 345 branches all over the country (including 4 branches of the franchise). Almost of the branches have entered into the short-term lease agreement which are 1 – 3 years (except for MBK 1, it is a long-term lease). Therefore, if any of the landlords has terminated the lease agreement, it may affect the Company unable to sell the goods and it may affect to the Company's performance.

Almost of the landlords the Company has leased the premise are malls and big supermarket such as Tesco Lotus, Big C, Central Plaza, The Mall, Robinson, etc. The Company is classified in the key account of the said landlords. In the past, the landlords have renewed the lease agreement continuously if it is requested by the Company and have presented the Company new areas before retail customers in order that the Company can lease the areas for opening branches before the malls and super markets, as the owners, will open their new branches. Therefore, the Company firmly believes that the impact from this risk is at low level.

● *Risk from the dependence of the computer system in the business operation*

The Company has depended on the computer system for managing the Point of Sales (POS) at all branches of Beauty Buffet Beauty Cottage and Beauty Market retail stores and they are connecting with the inventory management system of the Company and the information of inventories, customers, and others are stored therein. Therefore, if the said computer system is failed, it may affect the business.

The Point of Sales (POS) management of each store is separately processed by connecting with the inventory database of the Company at the end of the day. If any failure in any store, other stores shall not be affected. Furthermore, the Company has the supporting standard in the event where any failure by training staff to be able to sell the products and issue bills without passing the computer system. In the past, there were some failure of the POS system, but the Company could solve the problem in short time and it did not affect to the sale. In the head office, the inventory management system has been using the C-Smile system and the information are always backed up as well as there is an alternating server for recovering the information in the event of the failure of the main system. Also, at the present, the Company has developed a new ERP system that is the Microsoft Dynamic AX system which can support the information management and issue reports. Currently, it is in process of Run Parallel together with the previous C-Smile system. The Company will use the Microsoft Dynamic AX system in the full form within quarter 1 of year 2018.

• *Risk from exchange rate*

The Company ordered some of goods manufacture from manufacturers in overseas such as Korea, China, Taiwan, Indonesia, and Austria, etc. and has paid the goods price in US Dollar. While the Company sells all goods in Baht, this has caused the risk from loss from the exchange rate in the event where the Baht depreciated. However, all value of order is in foreign currency. In the past 2017 and 2016, there was approximately 6-9 million Baht per year, calculating into the proportion not exceed 2 percent comparing with the total cost and the tendency has no increase. It is deemed that the Company has the risk from the exchange rate at low level, the Company therefore does not need to specify the policy on the risk management from the exchange rate at the present. However, if the value of the goods order from overseas is more increasing in future, the Company shall consider to do forward contracts as appropriate on a case-by-case basis.

2. Risk from shareholding of the major shareholder of the Company more than 50 percent

As of 15 August 2012, Dr.Suwin Kraibhubes's group held the shares in the number of 212,499,800 shares, equal to 97.90 percent of total amount of paid shares of the Company at the present. After IPO, the proportion of Dr.Suwin Kraibhubes's group was reduced to 64.06 percent of total amount of paid shares of the Company (Source: Thailand Securities Depository Company Limited as of 12 March 2014). As of 30 December 2014, the proportion of Dr.Suwin Kraibhubes's group was reduced to 47.19 percent of total amount of paid shares of the Company. As of 30 December 2016, the proportion of Dr.Suwin Kraibhubes's group was reduced to 26.61 percent of total amount of paid shares of the Company and, the latest, as of 30 December 2017, the proportion of Dr.Suwin Kraibhubes's group was reduced to 17.45 percent, it therefore has affected the Company having the risk from the shareholding of the major shareholder of the Company more than 50 percent.

However, the Company has become aware of the said risk, committees from third persons, were established as follows: 4 of independent committees which are in charge of the president including an audit committee for 3 persons from total members of 8 to be in charge of check-and-balance of the performance of the board and executives of the Company. In addition, the board has the working policy regarding to the highest interest of the shareholders. The scope of power and duty of the board, the executive board, and the audit committee were clearly specified and if the Company requires to make a transaction with a person who may have conflict of interest, the Company shall comply with the approval procedure of the transaction and the rules of the Stock Exchange of Thailand strictly and the person who may have the conflict of interest shall not have the voting right on the said transaction.

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.

Important changes and developments

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 was100 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 in vited 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 who The	In January 2012, the company made the distributorship contract of Beauty Buffet with a distributor had the right to sell products of beauty buffet in Cambodia in accordance with company standard. 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.
November 2013	We launched the new products under the brand named Girly Girl which was the "fighting brand" in the market of skincare and cosmetics products for teenagers. With the concept "White&Baby", the packaging design

	was more modern and the size of product was smaller, also the price was lower. The products were placed in convenient stores, catalogues and available in traditional trade.
May 2014	Groundbreaking ceremony of warehouse and training center at Soi Nuanchan 34 on the land size 3-0-15 rai to support the growth of the business in the future. The construction is expected to be complete within the quarter 1/2016.
14 May 2015	The company changed the share value (stock split) from 1 baht to 0.10 baht per share. The total number of shares was 3,000,000,000.
Quarter 3/2558	We launched the website Beautyplazaonline.com with our sophisticated development and intention to broaden the experience in cosmetics product shopping. We have products from leading brands such as Gino McCRAY, The Bakery, Scentio, Lansley , Beauty Cottage , Made in Nature and Girly Girl. We sold products in 9 categories; Make-up, Facial care, Body Hygiene, Body care, Hair Care, Perfume, Beauty Drink & Food supplement, Beauty Accessories and Men's care.
March 2016	The company has access to the company's new offices, warehouses and training centers. (Beauty 2)
May 2017	Won the award of the Best Brand Performance 2017 on Instagram, and the second runner-up award of the Best Brand Performance 2017 in the cosmetic business group in Thailand Zocial Awards 2017.
November 2017	SET Awards 2017 Won the Outstanding CEO Award and the Outstanding Company Performance Award in "SET Awards 2017" arranged by the Stock Exchange of Thailand with Money&Banking Magazine.

News and Events of the Company 2017

1. *Presenting to the public at fairs*

In 2017, the Company joined domestic and international fairs totaling 4 as follows:

- Asean Beauty 2017 during 27 – 29 April 2017 at Bitec Bangna;
- Beauty World วันที่ 14 – 16 May 2017 in Dubai, the United Arab Emirates;
- TOP THAI BRANDS 2017 Top Thai brands in Vietnam during 17 – 20 August 2017 arranged by the Department of International Trade Promotion;
- Beyond Beauty Asean 2017 during 21 – 23 September 2017 at IMPACT Muang Thong Thani.

Beyond Beauty Asean 2017

2. *Executives of the Company traveled to do Road Shows in both Thailand and overseas*

In 2017, the executives of the Company traveled to do Road Shows in both Thailand and overseas in order to provide information and confidence to funds and investors for 12 times with the following details:

- "Asia ASEAN Corporate Day" in Singapore during 1 - 2 March 2017 with the Bank of America Merrill Lynch by Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department, and Khun Nawaphinon Worramad, Human Resource and Administration Manager;

● Opportunity Day on 14 March 2017, Performance Report 2016 at the Stock Exchange of Thailand building'
● "SET Korea Roadshow 2017" in Korea during 30 – 31 March 2017 with SET and KTB Securities (Thailand) by Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department, and Khun Nawaphinon Worramad, Human Resource and Administration Manager;
● Road show: Scotland- England -Netherland during 15 - 19 May 2017 with Phillip Securities (Thailand) Plc. by Miss Sirikan Phattiveranon, Director of Operations Department;
● Road to the Star seminar of KTB Securities (Thailand) Co., Ltd. on 31 May 2017 at Novotel Ploenchit Hotel by Dr.Suwin Kraibhubes, Chief Executive Officer;
● "Thailand Corporate Day" in Singapore on 27 June 2017 with Bualuang Securities Plc. by Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department;
● Road show : Hong kong during 17 – 18 July 2017 with Phillip Securities (Thailand) Plc. by Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department;
● "Thailand Focus 2017" of Phatra Securities Plc. on 30 August 2017 at Anantara Siam Bangkok Hotel by Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department;
● Opportunity Day on 30 August 2017, Performance Report of Quarter 2/2017 at the Stock Exchange of Thailand building;
● Analyst Meeting 2017 on 27 September 2017 by Dr. Suwin Kraibhubes, Chief Executive Officer, Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department, at the head office of Beauty Community Plc.;
● "BLS Consumer Day 2017" on 28 September 2017 of Bualuang Securities Plc. by Mr.Surapon Phetklueng, Financial Director and Mrs. Daranee Pathetang, The Company secretary;
● "Thailand Major Forum 2017" on 6 October 2017 of Thanachart Securities Plc. at Four Seasons Bangkok Hotel by Dr. Suwin Kraibhubes, Chief Executive Officer, Mr.Surapon Phetklueng, Financial Director, Miss Sirikan Phattiveranon, Director of Operations Department.

Road Show 2017

3. News of BEAUTY

3.1 Zocial Awards 2017

● The Best Brand Performance 2017 on Instagram in Thailand Zocial Awards 2017 No. 5 on 23 May 2017 at KBank Siam Pic-Ganesha Center of Performing Art 7th floor, Siam Square One;
● BEAUTY BUFFET won the second runner-up award of the Best Brand Performance 2017 in the cosmetic business group. This was a fair giving awards to the most outstanding and success brands and organizations online and social media in order to select the top brands and agencies that use social media on 20 June 2017 at the head office of Beauty Community Plc.

3.2 SET Awards 2017

- Outstanding CEO Award;
- Outstanding Company Performance Award.

In "SET Awards 2017" arranged by the Stock Exchange of Thailand with Money&Banking Magazine on Tuesday 28 November 2017 at Sukree Kaewcharoen Auditorium in the Stock Exchange of Thailand building, Ratchadapisek road.

3.3 BEAUTY entered into SET 50 index

BEAUTY was passed the security selection rules and has entered into SET 50 index and ranked by the security value in average market price in the rank of 1 – 50 which are securities having the elements of SET 50 index, the securities with high market price, high flexibility, and the free float not less than 20 percent of paid capital.

3.4 TIME TO CHANGE

BEAUTY arranged the Beauty Culture Project in order to improve and change the organizational tradition to be perfect in cor respondence with the business target and to build a sustainable foundation to the organization, and in order to make all ex ecutives, teams, and staff obtain knowledge and understanding in the concept on value and tradition of the organization. This project has been well cooperated by all in the organization on 6 July 2017 at the head office of Beauty Community Plc.

3.5 BEAUTY Thank Press 2018

BEAUTY opened the house to welcome mass media joining the BEAUTY Thank Press 2018 and presented the 5-year business strategic plan and operation plan year 2018 and was honored from them among informally warm environment during 27-28 January 2018 at the villa, Amphawa Sub-District, Samut Songkhram Province.

3.6 Beauty Community Plc. was a co-host in the merit-making for the Royal Cremation Ceremony of His Majesty the Late King Bhumibol

BEAUTY was granted the royal assent to be a co-host in the merit-making for the Royal Cremation Ceremony of His Majesty the Late King Bhumibol in the remembrance and merit-making. The executives, broad and staff of the Company joined the ceremony on 25 August 2017 at Dusit Maha Prasat Throne Hall in the Grand Palace.

3.7 OK! Beauty Choice 2017

Goods of BEAUTY won the best beauty products of the year in each aspects arranged on 26 September 2017 from the an nouncement of "OK! Beauty Choice 2017" for 4 awards:

- Best Drugstore Liquid Lipstick : Beauty Cottage Semi-Matte Lipstick;
- Beauty Spotlight : Beauty Buffet Scentio Double Milk Triple white facial Emulsion;
- Beauty Spotlight : Beauty Buffet Scentio Skin Refining & Whitening Scrub;
- Beauty Spotlight : Beauty Cottage Ping Rose Placenta water Drop Essence.

3.8 Beauty arranged the thank you party for Top Spender customers

BEAUTY arranged the BEAUTY Thank You Party for Wholesalers which are Top Spender customers. In the party, there were an introduction of BEAUTY new products and activities among joyful and informally warm on Friday 4 August 2017 at Mandarin Oriental Bangrak Hotel.

3.9 Open House for selling discount products in the rain season

"Open House" (for selling discount products in the rain season) arranged on 29 August 2017 to 1 September 2017 at Beauty Community Plc. to sell all famous brands.

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.

Business Operations of the Company By Product Line

Products and Services

The Company operates its retail business on cosmetics and skin care products that compose of natural extracts under the concepts of Beauty Buffet, Beauty Cottage, Beauty Market, Made In Nature, and Girly Girl. The concepts of Beauty Buffet and Beauty Cottage are presented in retail shops with different products, packaging, and shop design. Their products are also placed in different market position, pricing, and target group and building large scale customer base that covers all beauty-product customer levels as follows:

BEAUTY BUFFET

"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.

SCENTIO®

Inspired by nature

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

LANSLEY®

BEAUTY AND WELL-BEING

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

GINO McCRAY®

The Professional Make Up

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

THE BAKERY®

SWEET & DELICIOUS

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

Product Hero 2017

Beauty Buffet

SERIES

GINO McCRAY PRO MAKE-UP / GINO McCRAY HERITAGE /
THE BAKERY / SCENTIO MILK PLUS / SCENTIO DOUBLE MILK / LANSLEY AQUA COMPLEX /
LANSLEY GOLD PERFECT / LANSLEY VITAMIN C/ LANSLEY DIET COFFEE PLUS

Product Hero 2017

Beauty Buffet

SERIES

GINO McCRAY PRO MAKE-UP / GINO MCCRAY PINK PASSION /
GINO MCCRAY THE ARTIST / SCENTIO MILK PLUS /
LANSLEY BUST LIFTING / BEAUTY IDOL

New Product
Beauty Buffet
2017

GINO McCRAY

Product Recommend 2017

Beauty Buffet

SCENTIO Inspired by nature

LANSLEY BEAUTY AND WELL-BEING

THE BAKERY
ISFAHAN MAGIC BLUR
TONE UP BASE
Tone up provides a flawless skin base by correcting the skin to give a blurring and brightening effect
NET WT. 40 g
THE BAKERY
ISFAHAN MAGIC BLUR
TONE UP BASE
Tone up provides a flawless skin base by correcting the skin to give a blurring and brightening effect
NET WT. 40 g

New Product
Beauty Buffet
2017

LANSLEY
BEAUTY AND WELL-BEING

THE BAKERY
SWEET & DELICIOUS

Beauty
Cottage
"Beauty Cottage" is a concept to present products which composed of natural extracts in vintage shop and package by focusing on balancing between art & craft. Beauty Cottage's shops and products are designed in natural art style mix with gentle of western lady in Victorian age under the slogan of "Natural Crafted Beauty" which cause classy and luxury style.
All products under Beauty Cottage's concept are sold in the single brand of "Beauty Cottage" and categorized into 3 types of make-up, skin care, and accessories. The key focus is on raw materials selection i.e. extracts of flower, fruit, vegetable, herbal, and other plants, which have good properties of skin nourishing, skin moisturizing, skin firming, stretch mark reducing, including skin brightening. Beauty Cottage is outstanding in selling of skin care products by grouping them based on extracts compositions. One sample group is the product with milk protein and wall nut extracts, i.e. body bath, body scrub, body care, and body spray, which help in body firming and whitening. Another example is the group of products with olive extracts, i.e. facial cream, face and eye serum, and facial massage cream, which help in skin nourishing, skin moisturizing, stretch mark reducing. The product grouping can help customer to

BEAUTY COTTAGE

Natural Crafted Beauty

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 2017
Beauty Cottage

SERIES
SEMI - MATTE / PINK ROSE / ALOE VERA

Product Recommend 2017

Beauty Cottage

SERIES
FOREVER BEAUTY / VICTORIAN SENSATION /
VICTORIAN ROMANCE / WHITE STRAWBERRY

Asian Beauty Spa
Citrus & Mint
Natural Body Scrub
BRIGHTENING & REFRESHING
Net WT. 240 g
Asian Beauty Spa
Citrus & Mint
Body Soft Cleansing
BRIGHTENING & REFRESHING
A total relaxing day for you!
Asian Beauty Spa
Citrus & Mint
Hand Butter
BRIGHTENING & REFRESHING
A total relaxing day for you!
30 ml = 1.01 fl.oz
Asian Beauty Spa
Citrus & Mint
Essence Oil
BRIGHTENING & REFRESHING

New Product
Beauty Cottage
2017

New Product
Beauty Cottage
2017

New Product
Beauty Cottage
2017

BEAUTY MARKET

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

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 2017

Beauty Market

Made In Nature

"Made in Nature" concept of natural products, under the slogan of "Live a Natural life". with natural color containing premium mass products which are sold in large retail shops or modern trade stores. Made in Nature's product under the concept of "Collagen & Q10".The product's package comes.The active ingredients of these series were imported from Korea to completely fulfil customer need. Made in Nature Product consists of 10 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&Bright Foam Cleanser
7. Made In Nature Collagen&Q10 Mineral Water Spray
8. Made In Nature Hokkaido Milk Body Lotion
9. Made In Nature Hokkaido Milk Shower Cream
10. Made In Nature Hokkaido Milk Whipping Foam

MADE IN NATURE
Live a natural life

Ingredi

Product Hero 2017

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

• *BEAUTY's Overseas Investment Policy*

BEAUTY's products receive very good response from international customers, to continuously expanding and opening up our products to overseas markets, in 2015, the company set up overseas department to drive and facilitate international market growth. The company has a policy to stretch out the distribution of it's 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 loosing 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, 2017 and 2016 , there were the finished goods that had been stored for longer than 1 year at 24.41 and 3.58 million baht respectively (exclude defected inventory). In 2017 , there were the finished goods that had been stored for longer than 2 years at 2.84 million baht. Regarding packages, which have longer life than finished goods, as of December 31, 2017 and 2016 there were the packages that been stored for longer than 2 years at 7.43 and 4.04 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 0.1 % of total sale.

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

Marketing and Competition

1. Distribution channel

The company has two main distribution channels:

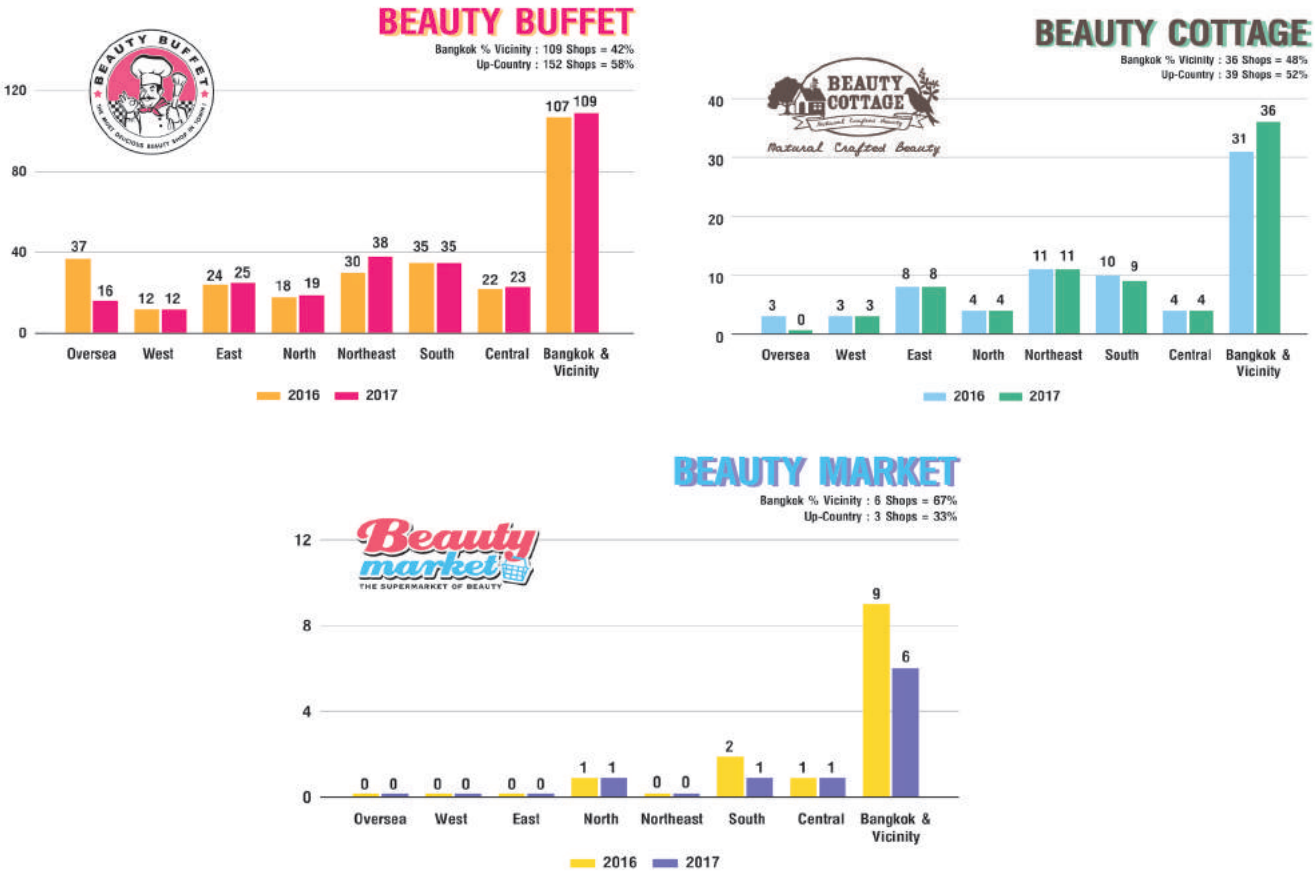
(1) Retail shops

The products main channel distribution are conducted through the branches of the retail shop, which focuses on direct selling to consumers through these local branches. The company has the proportion of the branch revenue distribution for 2017 and 2016 were total at 68.69 and 81.73 percent respectively.

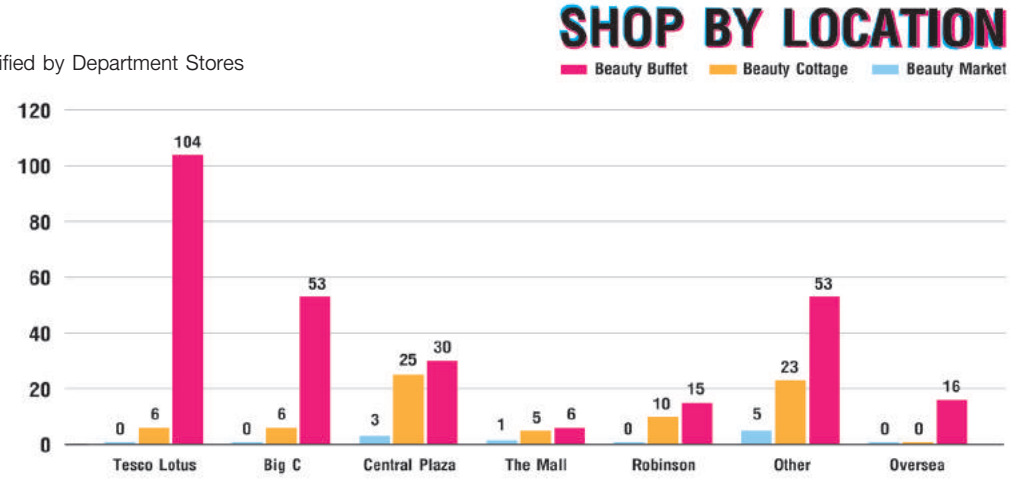
(1.1) Local Branch Sales

The products main channel distribution, under the concept of beauty buffet, beauty cottages and beauty markets, are spread throughout the country and expanded continuously with the number of branches at the end of 2017 and 2016, as indicated in the figure.

Shops Classified by Region



Shops Classified by Department Stores



(2) Nonretail shop

Non-retail shop is a channel to help distribute the company's products to covering all areas of Thailand, as well as other parts of the world such as China, Vietnam, Myanmar, Laos, Cambodia, Philippines, Indonesia, Hong Kong, Taiwan, Asia, Middle East, and in other regions in the future. It will be conducted through various agents, such as franchise, distribution through overseas representatives, modern trade, ecommerce, and other distribution channels to enhance sales capacities of nonretail shop for the year 2017 and 2016, from 31.31 percent and 18.27 percent, respectively.

(2.1) Franchise

In the past, the company had plan to expand the Beauty Buffet retail shop, by selling franchise to interested parties. Today, the company plans to expand its branches and has no plan to open any national franchise. Currently, there are only 4 franchises. However, the company continues to provide ongoing distribution rights for the former franchisees, by making a written franchise agreement in order to have management clarity. The company has the proportion of the franchise revenue were total at 0.65 percent and 0.90 percent, respectively.

(2.2) Overseas Distribution

The company al distribution of products in the overseas market. The company has a plan to recruit distributors who has regional expertise to distribute our products. Furthermore, the company lacks expertise in the region, including procedures and rules for setting up overseas branches. In 2012, the company started to distributed products through representatives in Cambodia, for the first year. This was conduct through as a retail store. The company has controlled the design and quality of the shop's service in order to have the same standard, as in Thailand. Now, it has a total number of 16 overseas distributors: 14 branches in Vietnam, and 2 branches in the Philippines. The company has the proportion of the overseas revenue distribution for 2017 and 2016, at of 13.77 and 6.96 percent, respectively. In addition, the company has set up an additional distributors in the ASEAN region, located in Indonesia. It is in the form of shop in shop, with the total number of 19 branches in 2017 and established agencies in Hong Kong and Taiwan. In 2017, there are 93 branches in Hong Kong and 19 branches in Taiwan. and has been selling through the cosmetic brand counter through a dealer in Myanmar 5 point of Sale

(2.3) Modern Trade

Large retail stores or modern trade is the channels that the company starts the distribution of made in nature products, in the mid of 2012. It focuses on the distribution in big superstores, such as Big C, Lotus, Villa Market, Top Supermarket, Foodland, Gourmet Market (The Mall), Golden Place, Fuji supermarket, 7 catalog, etc. The products are positioned as premium mass, namely, quality products that suited much wider market at competitive price. In 2017.

The company has consumer product distribution channel as of the end of 2017, as below:

(2.3.1) Modern Trade

As of the end of 2012, the company's products are distributed in modern trade, and leading supermarket total 36 locations, 728 points of Sales. They includes 155 branches of Big C supercenters, 172 branches of TescoLotus, 113 branches of Top Supermarket and 8 branches of King Power. As of the December 31, 2017 King Power distributed beauty buffet and beauty cottage, total 40 SKUs and 2 SKUs, respectively.

(2.3.2) Traditional Trade

The company has signed a buy-sell agreement for distribution of goods with CP consumer products, and these products were well received by the customers. As of the December 31, 2017 there were 448 shops, and delivered products total 28 SKUs.

(2.3.3) Catalogues And Convenience Store

There are 2 catalog and convenient store: Friday catalog and 24 shopping Co., Ltd, as well as in the form of catalog on shelf store, at 7-11, the total of 560 branches, and 15 SKUs. It received good response from both Thai and international customers. It has expanded to Chinese Premium store together with the 2 branches of 7-11, in Lido (Siam) and Gaysorn Plaza.

In 2017 and 2016, The company has the proportion of the modern trade revenue distribution were total at 12.31 and 7.14 percent respectively.

(3) E-Commerce

The company is distributed through e-commerce in response to the customer's lifestyle. This distribution channel has an increasing demand in order to provide more convenience to customers. They can place orders at anytime and anywhere. The main e-commerce's channel incudes Beauty Plaza (www.beautyplazaonline.com) and in the form of S-commerce, such as Facebook, Instagram, Line @ and WeChat. These channels offer a wide range of products available on the website, that offers a full selection of products like Beauty Buffet, Beauty Cottages and Beauty Markets, which the customers can make their purchase. Moreover, there're 13 popular third party websites available to provide customers with the convenience. It made up of 11 local E-commerce such as Lazada, Shopee, Konvy, Shopat24, Craze, We love Shopping, Beauticool, ABC Point, Buzzebees, Orami, Krungsri First Choice. Also, there are foreign E-commerce such as Ailbaba and Amazon to increase the distribution channel for all customers

In In 2017, and 2016, the company has the proportion of e-commerce revenue distribution were total at 4.12 and 2.89 percent respectively.

(4) Others

Others distribution channels includes selling products at employee discount prices. Also, it includes beauty open house, which it offers special events discount prices such as end of year sales, etc.

In In 2017, and 2016, the company has the proportion of other revenue distribution were total at 0.28 and 0.24 percent respectively.

Marketing Strategies

The company has established the concept of market strategies primarily based on customer's behaviors at present. Nowadays more and more consumers tend to expose to online media and prefer convenience, and buy products online. Therefore, it leads the competition of online cosmetic market to become more aggressive. There are a large number of manufacturers to create brands for directly selling the online products. Moreover, there are plenty of new online merchandisers. As a result, the company focuses the O2O strategies to reach the target as many as possible from online to branches, including public relations and promotion online and to attract the customers from the shops to buy online products as well.

● *Branding Strategies*

At present, the company has succeeded in conceptualizing or branding Beauty Buffet, Beauty Cottage and Beauty Market to be recognized and well-known among the target consumers and obtain the primary incomes from product distribution through the retail stores. Moreover, there are a total of 10 SKUs under the Made In Nature concept to present the products to a broader group of consumers through modern trade channels, convenience stores and catalogs, such as, 7-Eleven, 7-Catalog, Friday Catalog and traditional trade channels by the company's branding as follows:

o *Creating Brand Identity*

The main factor which the company focuses on branding to be recognized among the consumers is to create brand identity, such as Beauty Buffet having identity of buffet diversity, Beauty Cottage having elegant identity or Beauty Market having identity of beauty supermarket. These are beauty specialty stores or Made In Nature stores having identity in conveying the nature. The company has designed the product, packaging and decorating the shop in accordance with each product's identity, which is an important factor in determining the target group, price, marketing strategies for those brands. Thus, the company has a policy to develop new concepts and brands with different conceptualization to attract the target group differing from the existing customer group. That is to distribute risks in depending on any brands and it is expected to strengthen the company with more stability in the future.

o *Creating Service Differentiation*

Beauty Buffet, Beauty Cottage and Beauty Market do not only focus on distributing the products but also presents the concept of comprehensive beauty. The customers in the shop will receive the cordial service. The employees receiving the training according to the company's standard are able to give a make-up advice suitable for respective customers as well as the appropriate products with skin conditions with the aims for the customers to feel comfortable when choosing the products, have reliability and reach more products of the company. The service characteristics which the consumers receive will differ from the services of cosmetic retail shops in the similar price.

● *Creating Brand to Capture the Market in Other Distribution Channels*

Creating a new brand to market in a new distribution channel is another marketing strategy of the company. In 2012, the company began to develop the products under the Made In Nature brand and now there are a total of 12 SKUs for distributing in the modern trade, convenience stores and catalogs, such as, 7-Eleven, 7-Catalog, Friday Catalog and traditional trade channels to increase the customer base. However, in the future, the company has a policy to create a brand for distributing more beauty products in order to continually market in other distribution channels.

● *Strategy of Customer Base Maintenance*

Apart from developing new concept or brand to penetrate various levels of the target groups, maintaining the existing customer base or creating continuous repurchasing is considered a vital factor for the business survival and creating income stability. Therefore, the company puts emphasis on the strategy of customer base maintenance as follows

o *Increasing the Channel to Reach the Products*

The company has a policy to continuously expand branches by starting from opening the branches in the Bangkok metropolitan region to be well-known among the consumers and then distributing to other regions. At present, Beauty Buffet has branches all over the regions of the country, whereas Beauty Cottage has expanded to large cities of the regions for the customers to reach the products and make a repurchase conveniently, as well as recognize the product image. Beauty Market has planned to expand to the Bangkok metropolitan region and large cities. The products under the Made In Nature brand have planned to distribute in modern trade, convenience stores and catalogs, such as, 7-Eleven, 7-Catalog, Friday Catalog and traditional trade channels. Besides, the company has provided the distributions e-commerce and s-commerce for the company's products to increase convenience for the customers and increase channels to reach the products.

o Maintaining the Product Quality along with Continuously Developing New Products

The product quality is an important factor in creating the rate of customers' repurchasing. If the products are in good quality and in reasonable price, the consumers will have satisfaction and good attitudes with the company's brand. Therefore, the company focuses on developing and maintaining the product quality suitable for skin conditions and complexion of Thai people by testing the products every time of manufacturing to assure of quality and suitability specified for the users. Moreover, the company puts emphasis on continuously creating new products to respond to the consumers' trends because the cosmetic market trends have always changed and there are new cosmetic foreign brands, especially from Korea and Japan, which have targeted the customer groups similar to the company. This leads the company to create the strategies in developing the products by consistently surveying the preference of both domestic and foreign markets to develop the products to catch up with the need of the consumers. The company has an open policy for recruiting both the domestic manufacturers which are Thailand's potential companies and foreign manufacturers, such as, Japanese companies which have established the factories in Thailand, including making manufacturing orders from the factories located in Foreign countries, such as Korea to enable to develop the product quality suitable for the competition and respond to the consumers' needs more quickly and comprehensively.

o Customer Relationship Management

The company has developed the information technology system for maintaining the customer's database with the aim of Customer Relationship Management (CRM) which can specifically respond the customers' needs. The Customer Relationship Management will begin with promoting the customers to register for the membership by giving discounts for the members, free membership registration during the branch opening or when buying at the specified value (not very high value) to encourage the customers to register for the membership. When the customer registers for the membership, the company will collect personal information in the database, i.e., address, age, sex, education, etc., including collecting the information on purchasing products of each customer, such as, purchasing types, frequency, frequently purchased products, opinion towards products, specific needs, etc.

According to the above information, the company can create marketing activities and promotions in accordance with the needs of the target group, such as, in 2015 the company launched

1. Rewards points of Beauty Buffet and Beauty Cottage (start from March 2014) for the members to exchange them as discounts for purchasing products and receive their favorite gifts;
2. Special for Privilege Member, i.e., new product, special price, etc.;
3. Surprise gift, i.e., giving a new product for the customers with brand loyalty who consistently have purchased the products for a long time so that the customers have brand loyalty and have a feeling of a part of brand.
4. Birthday gift by getting 25% discount for normal price product not over 5000 baht (20% discount for Beauty Cottage Birthday Promotion);
5. Privilege for Member by coordinating with other organizations to add value for the membership of Beauty Buffet and Beauty Cottage to receive products, discounts and services in several places, such as, hotels, spas, restaurants, hospitals, beauty centers, entertainment venues, etc. Besides, the shop salespeople can view the purchase records of members immediately which can boost the sales volume from their frequently purchased products or recommending them to try the similar products to enhance their experiences of using the products.;
6. Activities to hand on beauty for the customers at the shop so that the members and the target group participate with the shop and have experience with the products to build brand loyalty and try the product which are easy for purchasing, recommending the products in need or solve the problems for the customers immediately through several channels, such as, Customer Service 02 96 0700 -6 and Facebook of each brand.

o Creating " Beauty Community "

Nowadays, online media has played more and more roles in communicating between one another. The company has seen the marketing opportunities to reach the target group of the company through various kinds of the internet, which enable them to respond to the customers conveniently and quickly, as well as understand needs of each person and the problems of products and services. Moreover, the company has designed the Content Marketing to be attractive and appealing, including public relations of the online trendy platform. The company has created the online media as follows:

Privilege For Member

Beauty Buffet
- Website : www.beautybuffetshop.com
- Facebook : www.facebook.com/beautybuffetfanpage
- Youtube channel : Beautybuffet live
- Instagram : BEAUTYBUFFETSHOP
- Twitter : beautybuffet_bb
- Line@ : @beautybuffetshop

Beauty Cottage
- Website : www.beautycottageshop.com
- Facebook : www.facebook.com/beautycottageshop
- Youtube channel : Beautybuffetcottageshop
- Instagram : BEAUTYCOTTAGESHOP
- Line@ : @beautycottage

Beauty Market
- Website : www.beautymarket-shop.com
- Facebook : www.facebook.com/beautymarketfanpage
- Instagram : BEAUTYMARKETSHOP
- Line@ : @beautymarket
- Twitter : beautymarketTh

Made in Nature
- Website : www.made-in-nature.com
- Facebook : www.facebook.com/madeinnaturefanpage
- Instagram : Madeinnature_official

Creating the above media does not only conveying the message to advertise the products and making promotion, but also present various lifestyles in line with the brand concept to create attraction and let the customers participate in presenting new concepts, such as, methods of trendy make-up, wearing clothes suitable for modern personality, trendy information, popular restaurants and favorite travelling places among the target group, etc. Moreover, there are events, such as make-up photo contest, doing jigsaws of product photos, and contest of feeling description towards the product so that the customers follow the online beauty community, in which the company acts as a host and the customers as guests with the aim of creating two-way communications and good relationships with customer in the long-term.

The company has consistently attended the exhibitions and organized the workshop activities with external organizations to publicize every brand of the company and provide knowledge on skin nourishment and a variety of make-up to organization's staff to apply with their daily life and let the target group have experience in using the brand's products to increase the member base and brand's sales volume. It is considered another channel in creating "Beauty Community" which receives well responses.

• *Continuous Sales Promotion*

The company has sales promotions in every distribution channel of the company to receive the product information and reach a larger group of consumers through various kinds of traditional media and digital media so that the consumers recognize company's brand at most. Besides, the company has organized internal promotion activities of each brand every festival and publicized new products by advertising in various media which can reach the company's target group as follows:

- Free TV advertising media - VTR –Pakpong – Kik-Duu Songkram Pleng, Tang Khon Tang Kid, Tub Toh Khao – Amarin Morning news which is very popular in watching news
- Magazine Media focusing the target magazines and the accepted magazines in Thailand: CLEO, In Style, Praew, TV Pool, OK, In Flight Madam Figaro
- Publicizing in magazines and various channels, such as, www.facebook.com/ejan2016/?ref=br_rs, www.pantip.com, www.jeban.com, www.sanook.com, Lisa, CLEO, Marie Claire, Instyle , Ray's, S Cawaii , Lips, etc.
- Receiving awards from accepted magazines with well-known and accepted beauty editor, beauty bloggers, and makeup artist from CLEO, In Style, and Lips magazines
- Advertising through digital media for quickness and repeating brands and products to be recognized the bloggers who are accepted and actual product users, including Micro Agencies which are actual product users and hand on other consumers through other digital media.

At present, the company has created the brand to be recognized through traditional media and digital media for every brand of

Promotion

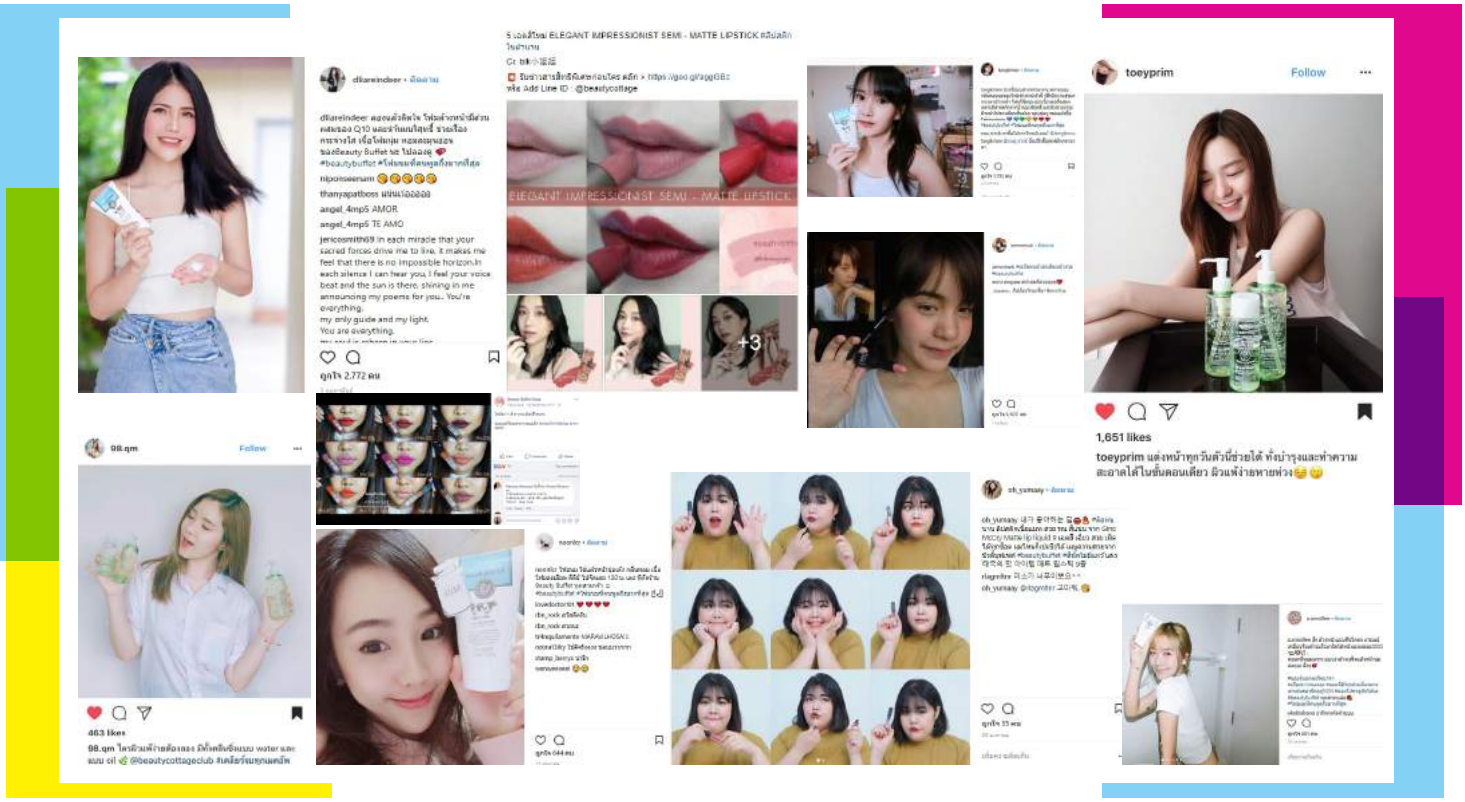
BEAUTY BUFFET
The Most Delicious Beauty Shop In Town !

BEAUTY COTTAGE
Natural Crafted Beauty

Beauty market
THE SUPERMARKET OF BEAUTY

Traditional PR & TIE IN

Viral Marketing : Bloggers & Micro Agencies



Target Group

Company's products are consumer products and with the concept of business conduct based on retail distribution, the company's target group is the end-user consumer group, especially women who have tendencies and characteristics of using cosmetic skin nourishment products more than men. The products distributed through Beauty Buffet, Beauty Cottage, Beauty Market, modern trade channels, convenience stores, catalogs, and traditional trade have different marketing positions. Therefore they have targeted the different customer groups as follows:

• *Beauty Buffet's Target Groups*

The products distributed in Beauty Buffet have diversity, bright colors, reasonable price compared to the cosmetics distributed through the retail shops in the marketplace. Therefore, the target groups are the adolescents from junior high school to working age which requires using the cosmetics to nourish themselves and enhance modern personality.

• *Beauty Cottage's Target Group*

The products distributed in Beauty Cottage focus on skin nourishing products from natural extracts and present in beautiful and attractive packaging. Therefore, the target groups are university students and working age people who require more skin nourishment together with creating elegant personality.

• *Beauty Market's Target Group*

The products distributed in Beauty Market are multi-brands cosmetics consisting of make-up, facial care, body hygiene, body care, hair Care, perfume, beauty drink & food supplement, beauty accessories, men's care and other beauty products. Therefore, the target groups are all ages of male and female who require cosmetics and skin nourishing products to take care of themselves and creating modern personality.

• *Made In Nature's Target Group*

Made In Nature products distributed through modern trade are daily products creating differentiation by using good quality and natural raw materials. Therefore, the target groups are male and female who gives importance to take care of themselves and are general customers of supermarkets.

The conditions and competition of industry

1. Industry condition

● *Opportunity in Thailand*

Cosmetic and beauty business is the business that have consistent growth rate and expansion every year. Nowadays, cosmetic consumption has been expanding continuously from the past, for every man and woman from all ages pays more attention to their health, beauty, skin, and self-care because of the need of better looks. Accordingly, the reason of industry's growth is cosmetic and skincare products are one of popular consumable products for everyday life. The behaviors of consumers are also showed that they are interested in their appearances, particularly, women desire to develop their personalities and keep their skin looking good. The range of woman consumers is between pre-teenagers to elders. The consumptions of cosmetic and skincare products are also widely spread in men. Moreover, it can be seen that the import products tend to increase in low and mid-level marketing. The high popularity of using advertisement and public relations through social media makes consumers access and perceive information about the products easily. Besides, there are more minor manufacturers in this business as seen in advertising through different medias because of the high profit rate and low production cost. As a result, cosmetic and skincare product marketing have more opportunity to grow as much as the consumer's needs.

From the cosmetic marketing trends above, the marketing in Thailand still tend to grow continuously and effectively. However, producers and distributors have to adapt their strategies according to the consumers' trends which can be changed rapidly as described below:

- There should be development in manufacturing technology and modern innovation to meet the consumers' needs
- To create unique features for the outstanding and various products to raise products' value
- There should be an adaptation in marketing strategy in different ways, the sales promotion, public relations through different medias, and the product trademark which made to be accepted by consumers to handle with risky factors about economic conditions.
- If there are the cosmetics sold by retail stores and expanding by increasing the number of branches, there should be good sales management to support the business growth.
- There must be extensive and comprehensive distribution channels to widely access consumers. Trends of the expanding of cosmetic industry and important factors above must accompany with the business's belief that they can grow and expand continuously.

● *Opportunity in foreign countries*

The opening of ASEAN Economic Community (AEC) in 31st December 2015 caused cosmetic marketing gain more new manufacturers, on the other hand, the import and export in ASEAN countries are more independent. ASEAN is the huge production base market with very high competitiveness and it is the area with equal economic development. Accordingly, Thailand, the country with good skilled workers and suitable locations comparing to other countries, is now the center of the region that gains more benefits in many fields such as effective ground and air transportation. In addition, AEC and FTA (Free Trade Area) reduce taxes in cosmetic import and export to zero per hundred since early 2010th, so it increases the price of cosmetic import and export consistently every year.

Thailand is said to be the cosmetic business hub by comparing to other ASEAN countries because Thailand is the center country having cosmetic production for domestic sales and export sales. There are both Thai and foreign cosmetic manufacturing companies in Thailand. Thailand also gains benefit of cosmetic production knowledge because of being long-term production base which produce world-class cosmetics for many countries. AEC countries have good attitude toward Thai products in terms of good quality, beautiful designs, and reasonable prices. However, the opening of AEC will force entrepreneurs to adapt their competitive ability limit due to having more competitors.

Although the trends of cosmetic marketing in the future will be more competitive, the marketing is still growing consistently. Therefore, in 2016 our company has prepared ourselves for many readiness's. First, we established international operation sales department to support the growth of the company. We prepared documents concerning cosmetic import and export that are different in each country such as MOF and CFS. Furthermore, we have studied each country's behaviors of using products and services to monitor and develop our products to meet their needs. We still continue our policy with good quality, beautiful designs, and reasonable prices, so it makes our products acceptable by foreign consumers. Our company still develops the products for our business partners regarding life culture, skin types, and skin colors. We also prepare ourselves for English communication which plays important roles in business. Moreover, we need to study and understand the process in official organization contact, rules, and regulations that some countries especially in CLMV (Cambodia, Laos, Myanmar and Vietnam) still rely on interpretation which is the obstacle in expanding business. As a result, we prepare the solutions by seeking expert businesses who have good correlation with official system and understand local official culture. Finally, the company will expand rapidly by the distributors, and it will also reduce the risks in investment of the company.

At the end of 2016, there are 40 branches which are 7 in Cambodia, 29 in Vietnam, 2 in Laos, and 2 in Myanmar, and at the end of 2017, the total branches are 16 which are 12 in Vietnam and 4 in the Philippines. We plan to expand various distributions through different potential countries in the future. Our company believe that the unique of our brand, the quality and standard of our products, the understanding of foreign countries' skin colors and marketing culture will provide us the opportunities and advantages for competition in foreign market well.

2. The condition of competitions

Cosmetic and skincare sale business is the high competitive marketing both in cosmetic import marketing that get the trademark right from abroad and trademark cosmetic in Thailand. It is the business with high value marketing and it tends to grow continuously. Moreover, minor entrepreneurs can start the business easily by opening a few branches or distribution centers because there is no need in investments and revolving funds much. As a result, it causes many new entrepreneurs access and invest in this competitive business. E-commerce is a frequent way that they access because it can access consumers easily and fast with low investment. However, the long-term survival in this business is such a challenging thing for new entrepreneurs that they have to compete against old entrepreneurs. The beneficial factors in competitions are locations and remarkable brands that old entrepreneurs have already owned good locations and created unique products for their customers. Hence, it makes many minor entrepreneurs in cosmetic and skincare sale industry own only small businesses with limited distribution areas.

The direct competitors of our company are entrepreneurs who have cosmetic and skincare sales through common retail stores. These entrepreneurs are both foreigners and Thai. The competitors that we pay attention to are those who distribute similar products and price level, aim at similar target groups that are teenagers to workers, own remarkable brands, and has wide distribution that access customers easily which are:

Brand	Oriental Princess	BEAUTY	Karmarts	Cute Press	Skin Food	Yves Rocher	The Body Shop	Etude House
Distributor	O.P. Natural Products Co.,Ltd.	Beauty Community Pub Co., Ltd.	Karmarts Pub Co Ltd.	SSUP Bangkok 1991 Co., Ltd.	Malachi Co.,Ltd.	Yves Rocher Co., Ltd. (Thailand)	Earth Care Co., Ltd.	Cosmega Co., Ltd.
Established year	1985	2000	1994 (1)	1976	2005	1992	1993	2000
Operating years	33 years	18 years	24 years	42 years	13 years	26 years	25 years	18 years
Paid-in capital(2)	78	300	396	70	160	12.5	55	1
Total income(2)	2,553.32	2,558.84	1,450.02	1,235.33	629.06	579.94	345.18	10.98

Note : (1) Karmarts Public Company Limited established in 1994, but it started the cosmetic distribution business in 2011.
(2) Million-baht unit according to financial statements ended on 31st December 2016

Because the income and branches of the company are expanding quite fast, the director then realize that potentiality in competition and advantages in the company comes from:

- The company has various brands such as Beauty Buffet, Beauty Cottage, Beauty Market, including other brands whose concept are having their own shop brands' uniqueness that make their products and identity more interesting.
- Monitoring marketing trends both in Thailand and foreign countries continuously to use them as product development approaches for consumers' needs.
- Products quality is equivalent to foreign products and has been developed for Thai people because of the unique nesses of skin types and colors
- Remarkable designs and packaging make consumers more interested.
- Ordering products from various manufacturing company who are expert in different productions cause more flexibility in producing and releasing new products.
- There are management system by using sales control and warehouse management program and customer data storage system to develop customer relationship management and to access customers' needs.
- The status of being a key account for many shopping centers provides bargaining power for branches expanding, so the opening branch offers are approved faster.

In the past few years, online social media has grown rapidly and continuously that makes cosmetic and skincare product has higher competition. It is because the changing of consumers' behaviors that they often buy products online. To respond to the consumers' needs, the company has started to sell products from various brands through Facebook and other websites which we receive good feedback. We also fully develop online sales approaches by developing programs and websites for our customers to choose, order, and buy products effectively through Facebook: beautyplazaonline and www.beautyplazaonline.com.

In summarize, although there are high competitions in cosmetic and skincare product marketing from domestic and international competitors that are increasing from the opening of AEC and FTA, we believe that the potentiality in competition together with long term experience in operating business will help us adapt for any advantages in domestic and international industry and grow consistently and effectively in the future.

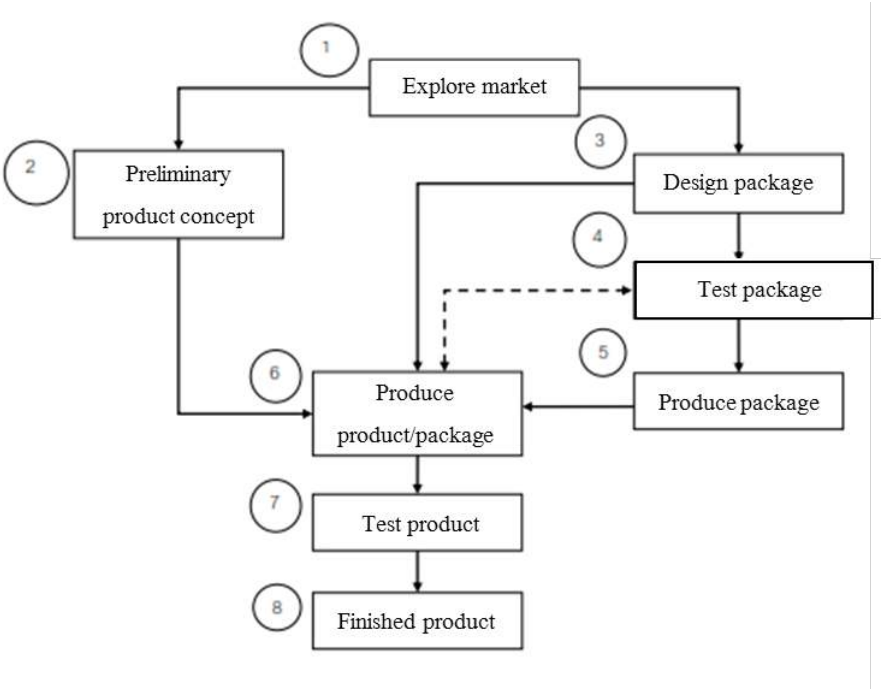
Competitive advantage

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

Product 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.



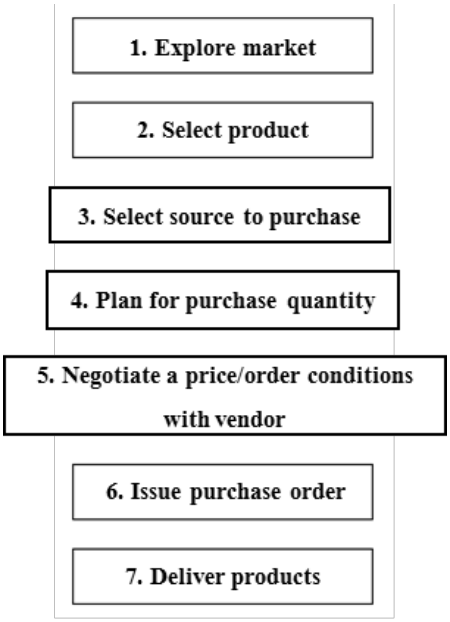
New product development will be performed by department of product development. It will cooperate with marketing department and sales department in the purchasing. The process start with (1) market trend exploring in local and foreign countries, then (2) build a preliminary product concept which means 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.

Criterions 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). Criterions for the evaluation of manufacturer and distributor were firstly focused on the quality. The criterions 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 for Business Operation

● *"Beauty Buffet" Franchise Agreement*

The Company distributes products in the nature of franchise to the distributors for 4 branches and has no policy to grant additional domestic franchises. However, in case where franchise shop in any branch is shut down, the franchisee can relocate the shop. The Company enters into written franchise agreement for management clarity. The essence can be summarized as follows.

Party of the Agreement ("Franchisee")

Party of the Agreement ("Franchisee")

No.	Party of the Agreement	Franchise Location	Signing Date
1	C&N International Ordinary Partnership by Mr. Pratya Levan	Big C Bangna	1 April 2011
2	V&P Ordinary Partnership by Mr. Wasan Khorcharoen	Big C Phrae	1 April 2011
3	Mrs. Nanporn Siriwattanalerd	Central Udon Thani	2 July 2011

Relation — Mr. Pratya Levan held the office of the director and executive of the Company since Quarter 2 of 2012 and resigned from the office of the director and executive of the Company since 10 November 2017 onwards. The other parties of the agreement have no relation with the Company or the director and executive of the Company.

Agreement Term — The agreement term is 5 years from signing date and can be renewed whereas the franchisee breaches none of the agreement and properly and completely complies with the agreement.

Essence
- Franchisee is granted for doing the business of Beauty Buffet Franchise Shop in the specified branch.
- Franchisee shall use "Beauty Buffet Franchise System" prescribed by the Company, including shop decoration, pricing, staff training, product quality control and service, computer system application in selling control, etc., so that franchise shop shall have the same standard as branch shops operated by the Company.
- Operating expenses such as shop decoration expense, labor cost of staff, rental of premise, etc., are responsible by the franchisee.
- The Company shall arrange periodic assessment to maintain brand standard of the Company.
- The franchisee is unable to transfer the franchise right to other persons unless upon consent of the Company. In addition, the Company shall give consent on change in shareholding or investment proportion in juristic person of the franchisee.
- Throughout the agreement term and within 5 years period from expiration of the agreement, the franchisee shall keep secret and not operate the business in the nature which is competitive with the Company.
- Term of product cost payment is line with the term determined by the Company.

Expenses of the Franchisee — A certain amount of entrance fee is paid for one time on the entering date of the agreement. The franchisee can purchase products in the discount rate as agreed in the agreement. In case where the franchisee requires, the franchiser can supply necessary instruments or equipment for business operation and deliver branch staffs for the franchisee. The franchisee shall pay the price to the franchiser based on actual expenses plus a certain amount of operating expenses. The franchisee shall pay transport cost and other monthly operating fees in the mutual agreed rate.

The Company shall consider and determine the same conditions in the franchise agreement for all franchisees.

● *"Beauty Buffet" & "Beauty Cottage" Distribution Agreement*

In 2012, the Company commenced to expand product distributions to foreign countries under the policy of product distribution through the local skillful distributors by starting at Cambodia due to the farseeing on the potential of the market and of the distributors. The agreement of the product distribution shall be entered with the essence summarized as follows.

Country	Distributor	Company Relation	Duration
Vietnam	SAYAM INTERNATIONAL VIETNAM COMPANY LIMITED	None	3 Years
Myanmar	MAJESTY FAMILY INTERNATIONAL COMPANY LIMITED	None	3 Years
Indonesia	PT. NATURAL ALAM ABADI	None	3 Years
Hong Kong	COLOURMIX COSMETICS COMPANY LIMITED	None	3 Years
Taiwan	MIHO INTERNATIONAL COSMETIC CO., LTD	None	3 Years
Philippines	LIMNOLASCO BEAUTY TRADING CORPORATION	None	3 Years
Lao	Under appointment of dealer	-	-
Cambodia	Under appointment of dealer	-	-

● *Product Sale Contract for Distribution*

In 2015, the Company commenced to expand more product distributions to the regions through retail channels under the policy of product distribution through the local skillful distributors due to the farseeing on the potential of the market and of the distributors. The agreement of the product distribution shall be entered with the essence summarized as follows.

Party of Agreement C.P. Consumer Products Company Limited ("Distributor")

Relation The distributor has no relation with the Company.

Term of Agreement The term of the agreement is 3 years from 1 July 2015. When it is expired and if the party of the agreement does not notify to cancel the agreement in writing prior to the expiration of the agreement for 90 days in advance, it shall be deemed that the agreement is continually effective for another 1 year until the agreement is cancelled.

Essence
- The distributor is entitle to distribute the Company's products under "Made In Nature", "Girly Girl" and "Scentio" Trademarks in selling the beauty group products in each region unless the distributions in the shops which have already been the channels of the Company. The distributor shall not distribute or be the dealer of any other products which are the same types of the Company's products.
- The Company shall distribute products to the distributor in the retail price together with discount in the agreed rate. The distributor shall set market price of product as agreed. The prior-approval shall be given by the Company if there is any revision.
- The distributor shall be responsible for transport expense and cost of insurance, and transport products to the selling zone of the distributor.
- The distributor shall pay product cost in Thai Baht by paying full value amount when it is due for 60 days after product delivery date, after deduction of expenses firstly executed by the distributor in lieu of the Company. The distributor shall prepare monthly summary report of advertising and sales promotion activity expenses to the Company.
- The distributor shall claim for damage not more than the agreed market price and must claim within 30 days period from the date of which the cause of the said damage appears.

● *Cosmetic Production Order Agreement (Confidentiality Agreement of Production Formula)*

Normally, the Company orders products from the factories which are skillful in manufacturing the products of the Company and enters into the agreement with all manufacturers that are involved in control of the production formula under the essence that the manufacturer shall not disclose or publicize formula or ingredient of products and production procedure to other persons for acknowledgement. Such products are not manufactured for distribution by the factories. However, such condition is effective at the time that the manufacturer has still manufactured for the Company and continually effective for another 1 - 3 years period (each manufacturer shall negotiate different continual effective period but generally it is in the period of 1 – 3 years period.) after the Company cancels the said production.

Undelivered Works

As the business of the Company is not the production which is made to the customer order, undelivered works were unavailable.

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, and MADE IN NATURE. 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.

B E A U T Y 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

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. Fire 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.

4. 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 thoroughly 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.

Activity for in-house relationship

New Year Party year 2017

Fire Support rehearsal year 2017

Songkran year 2017

Seminar year 2017

Leader training

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 gibes 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 02 963 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 Care

Due to rapid growth of the Company, the lines and number of personnel have been increased, resulting in the trend of higher accident occurrences and public utility consumptions. The Safety, Occupational Health and Working Environment Committee, the site work safety officer, and Administration Division therefore have organized the projects that include safety promotion and expense saving activities as campaign together with organizing S2S (SAFETY & SAVE COST) Projects under the objective of S2S Project as follows.

1. To provide the employee the knowledge on guideline of practice and prevention of occupational accident occurrence.
2. To reduce expenses and saving of energy consumption.
3. To promote good organizational image.

7. Joint Development of Community or Society

In addition, the Company also joined various activities of community or society development as follows.

- Supported donation of cosmetics and shrouds at Wat Phrabatnampu, Lopburi Province.
- Supported donation of drinking water for Relief Fund Disaster Victims by Navy Confederacy Project.
- Supported donation for Aluminum for Conferring Prosthesis Production Project for 2017.
- Supported donation to the Desk Calendar Project to produce braille for the Visually Handicapped Children at Educational Technology for the Blind Center, Foundation for the Blind in Thailand under thunder the Royal Patronage of Her Majesty the Queen, Pak Kret District, Nonthaburi Province.
- Supported donation of office equipment at Wat Luang Ta Noi, Sakon Nakhon Province and Addiction Treatment Center.
- Participated in Public Mind Project for Sandalwood Flower Invention to offer as the royal merit-making for the Late King Rama IX.
- Supported donation money for Phayakong - Phayaphan The Musical Project of Music Business Subject, Mahidol University
- Supported donation money for 9 Marathon Walk and Run Charity Project.
- Supported donation money to Utokapat Foundation Under the Royal Patronage of H.M. The King for Every Cloud Has A Silver Lining Concert.
- Supported donation money to contribute fund of medical instrument purchase, Verterans General Hospital
- Supported donation money for "Suandok Charity Run For Life", Suandok Hospital Foundation, Faculty of Medicine of Chiang Mai University.
- Supported donation money to Charity Concert for Lyrics written by the Late King Bhumibol Adulyadej in "Gospel from the Royal Heart to People" for honor to the Late King Bhumibol Adulyadej.
- Supported donation money for 2017 Contest of Flower, Joss Stick and Candle Footed Tray Arrangement at Suankularb Wittayalai Nonthaburi for 2017
- Supported donation money to Maharaj Nakorn Chiang Mai Hospital Foundation, Palliative Care and Terminal Stage Care Project
- Joined merit making in presenting robes to monks at the end of Buddhist Lent at Wat Thang Khlang

Supported Donation of Year 2017

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 and Development

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

Main Fixed Assets

The assets used by the Company in business as at December 31, 2017 consist of the following.

● *Property*

The company owns a plot of land, Title Deed No. 1699 in the area of 1 rai 1 ngan and 20 square wah, located at Nuan Chan Sub-district, Bueng Kum District, Bangkok Metropolis. At present, such land is located at the head office of the Company at net book value as at December 31, 2017 and 2016 for 19.24 million Baht and free from obligation.

● *Leasehold Rights*

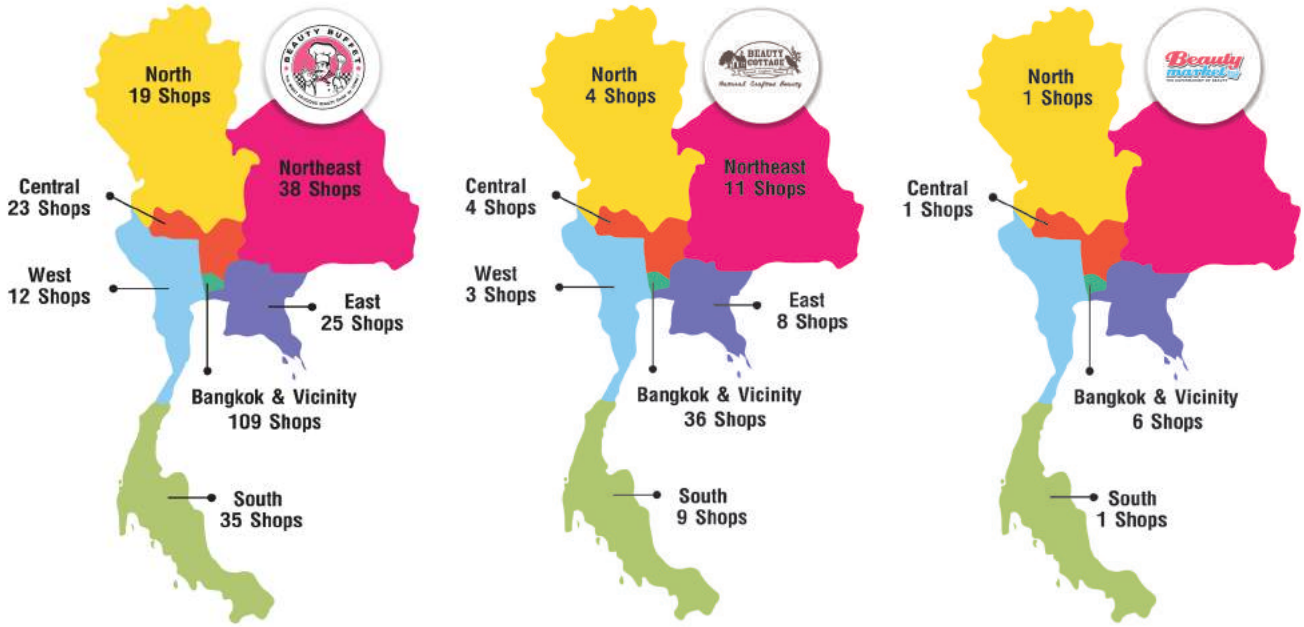
The Company has leasehold rights of the building for business operation of Beauty Buffet retail shop, Mahboonkrong 1 Branch, which is presented in cost price deducted with accumulated amortization. Straight-Line Method is applied in amortization based on lease contract term. The Company has had no obligation of additional lease fee payment in part of leasehold right since it is the type of payment in single entering into the contract. The remaining leasehold right is from the leasehold right of other branch. Total obligation of additional lease fee payment is presented in notes to financial statements, note 11. As at December 31, 2017 and 2016, the net book value of leasehold rights was 6.11 million Baht and 7.32 million Baht, respectively.

The leasehold rights of other areas where are located nearby the head office have the objective of rent for parking area and general office equipment storage as per the following details.

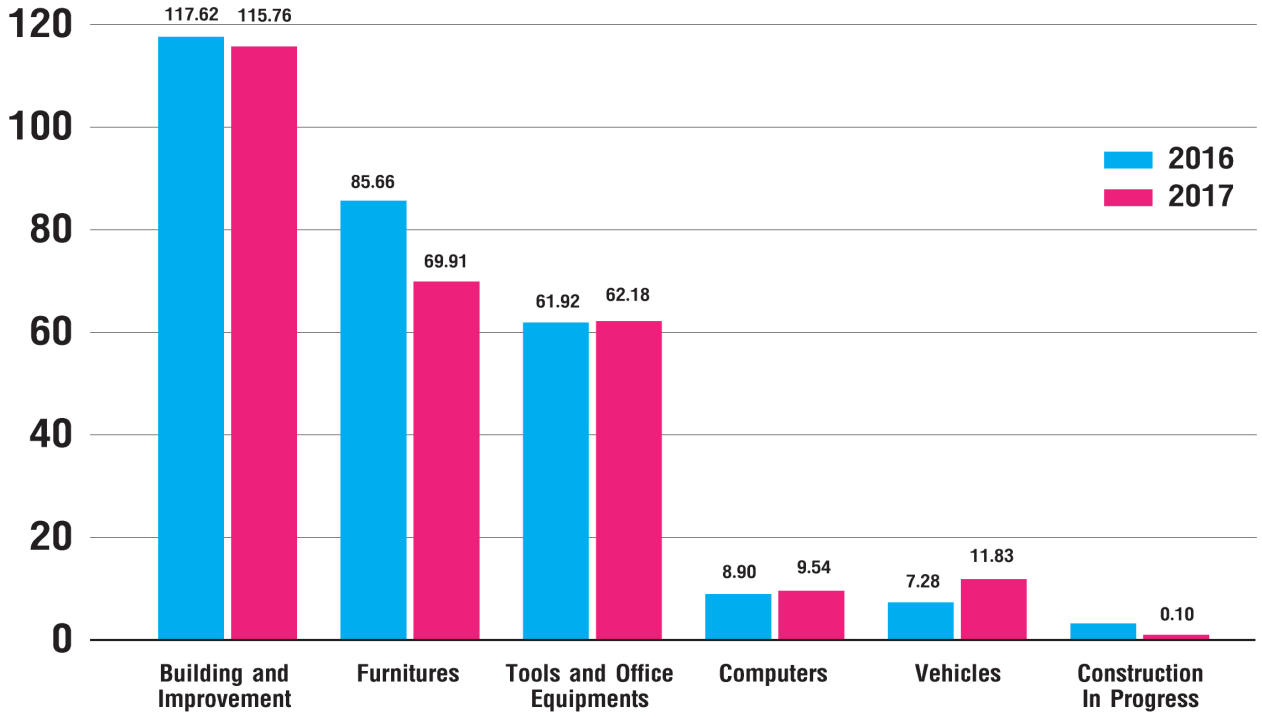
Rent Area	Location	Lessor	Duration	Start-End
Property	50/1 ,50/2 ,50/3 Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok Metropolis	Mrs. Tanyapon Kraibhubes	30 Years	1 January 2014-31 December 2043
Property and Plant	10/833 Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok Metropolis	Mrs. Tanyapon Kraibhubes	3 Years	1 January 2016-31 December 2018
Property	Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok Metropolis	Miss Pitchayada Piripan	3 Years	1 October 2016-30 September 2019
Property	Nuan Chan 34 Alley, Nuan Chan Road, Nuan Chan Sub-district, Bueng Kum District, Bangkok Metropolis	Mr. Chalit Srisuwan	3 Years	18 January 2018-17 January 2021
Warehouse	289/1 Liap Khlong Lam Ko Phai Road, Lam Pla Thiew Sub-district, Lat Krabang District, Bangkok Metropolis	Virgin Transport Company Limited	3 Years	1 November 2017-31 October 2020

• *Operating Lease Contract*

The Company enters into short-term operating lease contract for 1 – 3 years to operate retail business by opening the Company's branches to reduce burden of investment in purchase of asset and for flexibility in expansion and change in retail shop areas. As at December 31, 2017, the Company has entered into short-term area lease contracts with the non-related parties as follows.



• *Other Fixed Assets*



Other fixed assets in graph are owned by the Company and free from any obligation.

• *Intangible Assets*

The Company has invested in C-Smile and Point of Sales (POS) computer programs and invested in development of new computer system such as Microsoft Dynamic AX 2012 for good internal management and they can be commenced for application within this 2018. Cost price of total intangible assets has been 31.56 million Baht and net book value as at December 31, 2017 and 2016 were 20.96 and 15.91 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 PLAZAThere are 9 registered trademarks and 1 trademark under consideration of the registrar.

Despite the above trademark, the Company has owned more than 56 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, to avoid the infringement. The application will be handle to 18 countries, including Vietnam, Cambodia, Lao PDR, Myanmar, China, Indonesia, and Malaysia, Hong Kong, Singapore, Taiwan, Korea, Norway, United Arab Emirates, Oman, Bahrain, Kuwait, Philippine, and India, There are 61 registered. and trademark are in the process of being considered and there are registered trademarks in the target countries to protect against copyright infringement.

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 during the past 1-3 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 of 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

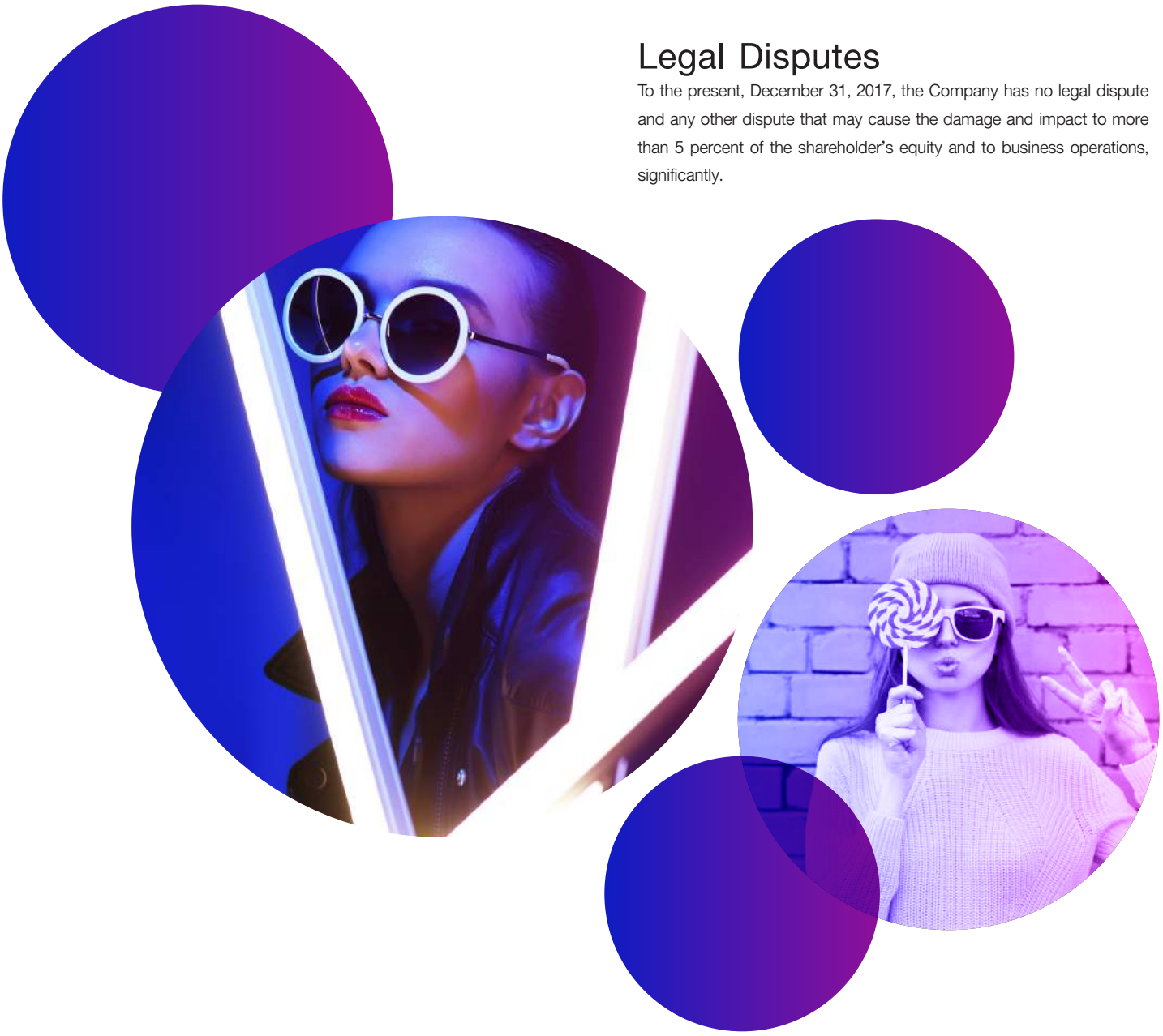
The distribution through retailer shop is the main income and the most important distribution channel of the Company in the present days. Therefore, the Company always keeps on increasing the number of branches of Beauty Buffet, Beauty Cottage, and Beauty Market throughout the Country, in order to distribute more products. The Company plan to open 283 more branches for Beauty Buffet, 87 more branches for Beauty Cottage and 87 more branches for Beauty Market in the end of year 2018, with the estimate cost of 80 Million Baht.

(4) The investment aiming to improve the operation system for business expansion

The investment aiming to improve the operation system for business expansion rapidly and continuously makes the company need to invest more to support branches and distribution expansion in the future. In 2018, there are investments to improve information technology system, point of sales system, enterprise resource planning system, and warehouse management system. In addition, it will be used to improve the basic structure and business intelligence for 40 million baht.

Legal Disputes

To the present, December 31, 2017, 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 29, 2017 the registered capital of the Company was 302,261,000.00 Baht, with 3,022,610,000.00 ordinary shares par value of 0.10 Baht per share. The issued and paid up ordinary shares are 300,273,458.50 Baht, with 3,002,734,585.00 ordinary shares par value of 0.10 Baht per share.

• *Shareholders*

List of 10 major shareholders, at 29 December, 2017, are as follows:

List of Shareholders	At December 29, 2017	
	Number of Shares	Percentage
1. Mr. Suwin Kraibhubes Group consists of:		
Mr. Suwin Kraibhubes	523,974,000	17.45
Mrs. Tanyapon Kraibhubes	254,098,000	8.46
Miss Monsoothatip Malaukcaranun	19,120,000	0.64
Mrs. Thurian Sriyong	113,400	0.00
Total of Mr. Suwin Kraibhubes Group	797,305,400	26.55
2. Thai NVDR CO., LTD.	278,032.746	9.26
3. STATE STREET BANK EUROPE LIMITED	274,170,995	9.13
4. KRUNKSRI DIVIDEND STOCK LTF	72,041,600	2.40
5. Mr. JIRADECH JONGWATTANASILPKUL	70,000,000	2.33
6. Mr. PRACHA DAMRONGSUTHIPONG	44,050,000	1.47
7. SCB DIVIDEND STOCK 70/30 LONG TERM EQUITY FUND	42,851,400	1.43
8. Mr. SOONTHORN KOORATTANAPISARN	41,990,000	1.40
9. THAI LIFE INSURANCE CO., LTD.	36,076,000	1.20
10. KRUNGSRI DIVIDENG STOCK	32,133,700	1.07

Source : Thailand Securities Deposite Company Limited at December 29,2017

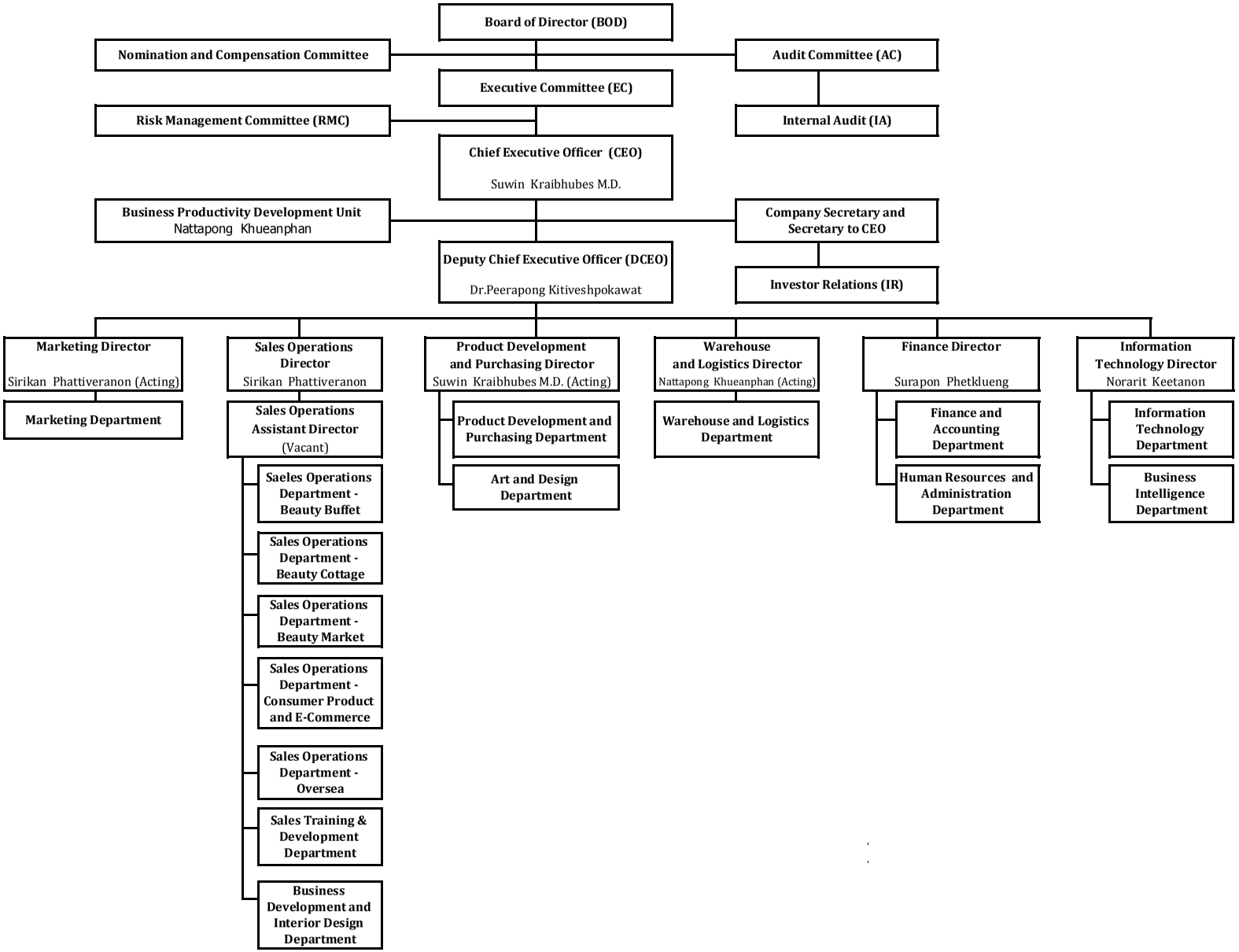
• *Dividend Payment Policy*

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.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

Organization Chart

Effective 1 January 2018



Management Structure

As of 31 December 2017, The management structure has constituted 5 sets of boards/committees including Board of Directors, Executive Board, Audit Committee, Nomination and Remuneration Committee, and Risk Management Committee as per below details constitutes.

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. ASSOC.PROF.DR.Vichit	U-on	Independent Director and Chairman of Audit Committee
3. Col.Attapon	Srisangwarn	Independent Director and Audit Committee
4. Mr. Viboon	Pojanalai	Independent Director and Audit Committee
5. Dr. Suwin	Kraibhubes	Director
6. Mrs. Tanyapon	Kraibhubes	Director
7. Ms. Monsoothatip	Malaukcaranun	Director
8. Dr. Peerapong	Kittiveshpokawat	Director

Mrs. Daranee Pathetang has acted as Company Secretary.

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

● *Term for Holding the Post of Director*

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

● *Scope of Duties and Responsibilities of Board of Directors*

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

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

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

6. Determine target, guideline, policy, program and budget of the Company; control and govern the administration and management of the Executive Board in accordance with the assigned policy unless in the following matters, the Board of Directors must gain the approval resolution from the Shareholders' Meeting before any actions including the matter required by law for approval resolution from the Shareholders' Meeting such as increase in stock capital, decrease in stock capital, debenture issuance, selling or transfer of the entire or some important parts of business to other persons or buying or accepting of business transfers of other Company to belong to the Company, and amendment of Memorandum of Association or Articles of Association, etc.
   Moreover, the scope of duties of the Board also includes the governance of the Company according to the Securities and Exchange Law, the regulations of the Stock Exchange such as connected transaction execution, and buying or selling the important assets pursuant to the rule of the Stock Exchange of Thailand or laws relevant to the Company's business.
7. Consider management structure, appoint Executive Board, Chief Executive Officer and other Committees as appropriate.
8. Continuously follow the operating performance according to the program and budget.
9. The directors must not engage in the same nature of business being competitive with the Company's business or involved as the partner in ordinary partnership or the general partner in limited partnership or the director of private Company or other companies engaged in the same nature of business being competitive to the Company's businesses either for self interest or for other people's interests unless notified to the Shareholders' Meeting for acknowledgement before any appointment resolutions.
10. The director shall notify the Company for acknowledgement without delay if any direct or indirect interests are available in the contract made by the Company or on increase or decrease in holding of shares or other securities in the Company or associate Company.

2. Audit Committee

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

1. ASSOC.PROF.DR.Vichit	U-on	Independent Director and Chairman of Audit Committee
2. Col. Attapon	Srisangwarn	Independent Director and Member of Audit Committee
3. Mr. Viboon	Pojanalai	Independent Director and Member of Audit Committee who is adequately intellectual and experienced to perform the review of reliability of financial statements.

Ms. Supicha Sadsara has acted as the Secretary of Audit Committee

● *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

(j) 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. Dr. Peerapong	Kittiveshpokawat	Deputy Chief Executive Officer
3. Mr. Surapon	Phetklueng	Executive Director
4. Ms. Sirikan	Phattiveranon	Executive Director
5. Mr. Nattapong	Khueanphan	Executive Director
6. Mr. Norarit	Keetanon	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 bythe 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, ap proval 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 with drawal 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 2018, the Company's executives have constituted 6 persons as follows.

1.	Dr. Suwin	Kraibhubes	Chief Executive Officer, Acting for Product Development Department
2.	Dr. Peerapong	Kittiveshpokawat	Deputy Chief Executive Officer
3.	Mr. Surapon	Phetklueng	Director of 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 Business Productivity Development Unit
6.	Mr. Norarit	Keetanon	Director of Information Technology

● *Scope of Duties and Responsibilities of Chief Executive Officer*

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

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

4. Nomination and Remuneration Committee

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

1.	ASSOC.PROF.DR.Vichit	U-on	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.

5. Risk Management Committee

The Risk Management Committee of the Company constitutes 9 persons as follows

1.	Col.Attapon	Srisangwarn	Chairman of Risk Management Committee
2.	Mr. Viboon	Pojanalai	Risk Management Committee
3.	Dr. Suwin	Kraibhubes	Risk Management Committee
4.	Dr. Peerapong	Kittiveshpokawat	Risk Management Committee
5.	Ms. Sirikan	Phattiveranon	Risk Management Committee
6.	Mr. Nattapong	Khueanphan	Risk Management Committee
7.	Mr. Surapon	Phetklueng	Risk Management Committee
8.	Mr. Norarit	Keetanon	Risk Management Committee
9.	Mr. Thitiphat	Wongsriphuak	Risk Management Committee

● *Term for Holding the Post of the Risk Management Committee*

1. The term of Risk Management Committee shall be 3 years per term.
2. The risk management committee member who retires by rotation may be appointed from the Board of Directors to resume the post of the risk management committee member again.
3. In case of the vacancy of the post of risk management committee member due to other reason apart from retirement by rotation, the Board of Directors shall appoint the complete qualified person to be risk management committee for complete number members of the Risk Management Committee as prescribed in this regulation. The person who is entered to be the risk management committee member shall be in the office for just remaining term of the risk management committee replaced by him/her.
4. The risk management committee member who intends to resign his/her post before expiration of term shall notify and submit resignation letter to the Chairman of the Board at least 30 days in advance.
5. The risk management committee member shall retire from the post upon:
   - Expiration of term
   - Death
   - Resignation
   - Resolution of the Board of Directors to retire from the post
   - Being punished for imprisonment according to final judgment or lawful order for imprisonment unless in the offence committed by negligence or minor offence
   - Being a incapacitated person or person under disability
   - Being a bankrupt

● *Scope of Powers, Duties and Responsibilities of the Risk Management Committee*

1. Determine, review, and give consent on risk management policy, master plan of risk management, as well as facilitate and manage to systemize risk management system of the Company, and consider and review risk management plan to be effectively in line, consistent and proper for situation.
2. Assess, monitor and control risk level of the Company to be in proper level.
3. Govern, supervise, as well as monitor all internal work units to continuously comply with the risk management policy.
4. Consider and approve operating budgets and expenses for risk management as well as supervise the adequacy of resources utilized in risk management.
5. Monitor and report risk status of the Company to the Board of Directors and the Audit Committee.
6. Appoint the working group as deemed appropriate.
7. Perform any other acts related to risk management as entrusted by the Board of Directors.

• *Criteria for Selection and Appointment of the Risk Management Committee*

The Board of Directors shall appoint the Risk Management Committee to formulate risk management policy for companywide extension, and govern to have system or process of risk management for appropriate abatement of business impact of the Company. The elements and scope of powers, duties and responsibilities are determined so that the Risk Management Committee can efficiently function as entrusted by the Board of Directors under the summary of the consideration criteria as follows.

1. The Risk Management Committee consists of the committee member who is appointed from the Board of Directors and consists of at least 2 committee members.
2. The Board of Directors shall select the Chairman of the Risk Management Committee.
3. The Chairman of the Risk Management Committee shall be an independent director.
4. The qualification of the risk management committee member
5. Have knowledge, expert and understanding related to business risk.
6. Able to devote sufficient time in function and comment in working on behalf of the Risk Management Committee.
7. Have knowledge, expert and understanding related to business risks.
8. Able to devote sufficient time in function and comments in working on behalf of the Risk Management Committee.

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

Nomination of Directors and Executives

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

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

1. Posses the qualification corresponding to Public Limited Company Act, Securities and Exchange Act, rule of Stock of Exchange of Thailand and Office of Securities and Exchange Commission including the principle of good corporate governance of the Company.
2. Possess knowledge, competence and experience in different professional fields proper for the lines that will be useful and create value addition to the Company.
3. Possess the characteristic supporting and promoting the corporate governance operation in order to build value to the Company; perform duty with accountability, care and loyalty; and enable to fully dedicate time.

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

1. A shareholder has the vote equal to 1 share per 1 vote according to the number of his holding shares.
2. In election of Company's directors, the voting method may be used to vote the nominated person one by one or several persons in one time, depending on what will be viewed as proper by the Shareholders' Meeting. However, every shareholder shall exercise their rights according to total existing votes in Item 1 in voting or resolving but more or less votes must not be shared to other people anymore.
3. The voting for director election should be in accordance with the majority vote. If there are equal votes, the Chairman of the Meeting shall have one vote added as the casting vote.

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

● *Criteria for Selection and Appointment of Independent Director*

The Nomination and Remuneration Committee will primarily consider the qualifications of the person who will hold the post of independent director and then propose to the Board of Directors by considering from the qualifications according to Public Limited Company Act, Securities and Exchange Law, Notification of the Securities and Exchange Commission, Notification of Capital Market Supervisory Board including other relevant notifications, regulations and/or other rules in ac Companying 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 in terests 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 himself/herself sufficiently in working for the Audit Committee's responsibilities.
4. The Auditor should not be a director in more than 5 listed companies because it may cause him/her unable to make full effort in working for each Company, except in the case that such auditor is a key person in providing the Company's guidelines and can make suitable time allocation.
5. At least one of Auditors must have enough knowledge or experience in accounting or financial to responsible for reviewing financial statement's reliability.

Directors and Management Remuneration

(1) Financial Compensation

• *Total remuneration of Directors*

The Board of Directors, Audit Committee, and Nomination and Remuneration Committee will receive remuneration in term of meeting fees. The Company shall start paying meeting fees when the Audit Committee is nominated pursuant to the resolution of 2017 Shareholders' Meeting dated April 25, 2017. The details of meeting fees payable for Directors and Audit Committee are as follows;

Position	Meeting fees (Baht/time)
Board of Directors' Meeting	
Chairman of the Board of Directors	25,527
Director	19,145
Audit Committee's Meeting	
Chairman of the Audit Committee	25,527
Auditor	19,145
Nomination and Remuneration Committee's Meeting	
Chairman of the Nomination and Remuneration Committee	25,527
Nomination and Remuneration Director	19,145

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 2017 (until December 31, 2017) are shown in the below table.

Name- Surname	Meeting Attendance (times)*	Total remunerations (Baht)
Lt.Gen. Padet Charuchinda	6/6	150,730
ASSOC.PROF.DR.Vichit U-on	2/6	38,290
Dr.Peerapong Kittiveshpokawat	6/6	131,279
Dr. Suwin Kraibhubes	6/6	-
Mrs. Tanyapon Kraibhubes	5/6	112,134
Ms.Monsoothatip Malaukcaranun	6/6	131,279
Mr. Pratya Levan	4/6	19,145
Col. Attapon Srisangwarn	6/6	131,279
Mr. Viboon Pojanalai	6/6	131,279

* Mr. Pratya Levan, retired from the post on 10 October 2017 and appointed Assoc. Prof. Vichit U-on to assume the post in replacement on 11 November 2017.

Summary of remuneration payment to the Audit Committee in 2017 and 2016 (until December 31, 2017) are shown in the below table.

Name- Surname	2016		2017	
	Meeting Attendance (times)	Total remunerations (Baht)	Meeting Attendance (times)	Total remunerations (Baht)
Dr.Peerapong Kitiveshpokawat	4/4	97,244	4/5	125,203
ASSOC.PROF.DR.Vichit U-on	-	-	1/5	25,527
Col.Attapon Srisangwarn	4/4	72,932	5/5	93,901
Mr.Viboon Pojanalai	4/4	72,932	5/5	93,901

*Dr. Peerapong Kittiveshpokawat, retired from the post on 10 November 2017 and appointed Assoc. Prof. Vichit U-on to assume the post in replacement on 11 November 2017.

Company paid remuneration for Nomination and Remuneration Committee and the remuneration for 2016 and 2017 (until 31 December 2017) can be summarized in below table.

Name- Surname	Meeting Attendance (times)	Total remunerations (Baht)	Meeting Attendance (times)	Total remunerations (Baht)
Dr.Peerapong Kitiveshpokawat	2/2	48,622	1/3	24,311
ASSOC.PROF.DR.Vichit U-on	-	-	2/3	25,527
Mr.Viboon Pojanalai	2/2	36,466	3/3	56,523
Dr.Suwin Kraibhubes	2/2	-	3/3	-

*Dr. Peerapong Kittiveshpokawat, retired from the post on 10 November 2017 and appointed Assoc. Prof. Vichit U-on to assume the post in replacement on 11 November 2017.

• *Management Remuneration*

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

(1) Management Remuneration

Description	2017	2016
Number of management	6 persons	6 persons
Total Management Remuneration (Million Baht)	29.64	23.89

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

Section 4 Disclosure and Transparency

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

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

1. Audit Fee

In 2017 The company paid audit fees to DIA International Co.,Ltd in the amount of 1,300,000 Bath. And the member of auditor team consist of

1. Mrs. Suwimol Krittayakean Permit no. 2982
2. Mr. Nopphayak Phitsanuwong Permit no. 7764
3. Ms. Supaporn Mangchit Permit no. 8115

2. Non-audit Service

In 2017 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;

ลำดับ	Key function	Number of employees (persons)	
		As of December 31, 2017	2016
1	Operation (at branches) BB,BC,BM	818	710
2	Operations (Office section) OP-BB,OP-BC,OP-BM	51	44
3	Consumer Product	18	14
4	Operations Oversea Section	8	5
5	Marketing	23	20
6	Sale Training and Development	21	17
7	Business Development and interior design	14	13
8	Development and Purchasing	26	21
9	Human Resources and Administration	46	36
10	Finance and Accounting	50	49
11	Warehouse and Logistics	143	135
12	Information Technology	18	14
13	Graphic and Design	15	12
14	The Company's secretary and Chief Executive Officer's secretary	6	5
	Total (persons)	**1,257**	**1,095**

Remarks : In 2017 the company has modified the new structure of organization effective on January 1, 2017.

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 2017 and 2016, there were 1,257 employees and 1,095 employees were paid in monetary form for 388.66million Baht and 308.08million Baht respectively.

2. Provident Fund

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

3. Employees Training and Development Policy

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

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

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

Internal Control

The company gives importance to having a good and effective internal control system in order to achieve the target. It focuses on a comprehensive internal control for all activities to ensure that it is sufficient and appropriate for the business operation. Therefore it will have enhance operational efficiency and effectiveness, resources utilization and assets management, as well as the creditable and correct accounting and financial reporting system, comply with laws, rules and regulations relating to the company's business operations as well independent internal audit system to assess the effectiveness and adequacy of the internal control system. The Board of Directors has assigned to the Audit Committee to ensure that the company's internal control assessment results, provide consultation and develop constant internal control.

In the Board of Directors ' Meeting No. 2/2560, on February 24, B.E. 2560 (2017), the audit Committee attended the meeting. Also, the Board of Directors has evaluated the internal control system by inquiring the management of information about the adequacy of the internal control system in all 5 areas.

(1) Organization and Environment
(2) Risk Management
(3) Management Operation Control
(4) Information Technology System and Data
(5) Monitoring System

After the assessment, the Board of Directors has the opinion that the company has sufficient internal control system related to transaction with major shareholders, committee, executive management or those related to such persons and have appropriate and sufficient internal control system in all 5 areas in order to protect the property from illicit and unauthorized conducts of the management. Further, the company has an internal audit system that provides independent monitoring and evaluation of internal control. In addition, the company has document storage system for important that makes the director, auditor and the authorized persons can check within the suitable period.

Auditors Note on Company's Internal Control System

-None-

Internal Audit Policy

The company gives importance to having a good and sufficient internal control system and it can manage business risks at acceptable levels. The company has formulated policy, regulations and comprehensive written work guidelines that cover all the key functions, as well as separation of powers through principle of checks and balances. However, to ensure t the more perfect company's internal control system, including for long-term continuous improvement.

In 2017 The Company has appointed IA Signature Co., Ltd., which has the experience internal auditor for many registered companies to conduct the company internal audit and presents the results to the Audit committee for at least every 3 months.

Notice of the Internal Auditor

In 2017, IA Signature Co., Ltd., has evaluated the risks of the system of company operations and present the findings to the Audit Committee, as well as to set the internal audit plan, by audit based on the order of impact on businesses operations. Those that have significant impact on the operation were audited first. The audit plan has been approved by the Audit Committee. During this period, the internal auditor has performed check on the sufficiency of the company's internal control system and the audit 2 main processes of internal control system in two processes, included

(1) Risks assessment from internal control system of 6 the main process in March 2017

(2) Examine the purchase management process for raw materials and finished goods. (Local and international) and general purchase (Assets and Office Supplies) in June 2017

(3) Examine the human resources management process in October 2017

The internal audit has the opinion that the company has set its internal control guidelines which can help ensure efficiency work performances.

However, the internal auditor has evaluated the areas that have not been manage appropriately and gives recommendations for improvement to the company. It has given the importance to corrections based on the said recommendations. The internal auditor reported the results of the internal audit, as well as the progressive report on correction to the Audit Committee. The details are as follows:

1. Result of Risks Evaluation
   The result of the company's overall risk evaluations is at moderate levels, by evaluating six main processes of the company:
   1.1. Perform works at storefronts , Low risk
   1.2. Shipping and Distribution, Low risk
   1.3. Management of warehouses for finished goods and raw materials, Low risk
   1.4. purchase management process for raw materials and finished goods (local and international) and general purchasing (Asset and office supplies), Moderate Level
   1.5. Human Resource Management, Moderate Level
   1.6. General Controls on Information Technology, High Level (This is due to the information Technology department is developing the new ERP system, which is scheduled for inspection in March 2018).
2. Results of Internal Audit on purchase management process for raw materials and finished goods (local and international) and general purchasing (Asset and office supplies)
   2.1 Process of Purchasing Raw Materials and finished goods (local and international), medium risk level
      2.1.1 New vendor selection
         The company determines responsible parties for reviewing the completeness of documentation of the seller and set vendor code clearly.
      2.1.2 Purchase of Raw Materials and Finished Goods
         The company determines responsible parties for monitoring any outstanding orders, and set a clear monitoring cycle.
         2.1.3 Vendor Quality Assessment
         The company updates the work guidelines related to vendor evaluation and the number of vendors delivery clearly, and it must be able to out in real practices.
   2.2 General Purchasing (Asset and Office Supplies).
      2.2.1. Selection of New Producers and Suppliers.
         The company determines responsible parties for reviewing the completeness of documentation of the seller.
      2.2.2. Receipt for Asset and Office Supplies
         The company determines the delivery period for the receipt of office supplies to the receiver clearly.
3. Results of internal audit - Human Resource Management Process
   3.1 Salaries and Compensation
      The company set responsible parties for checking the calculation of payment compensations based on types of transaction before the payment, as well as prepare audit checklist
   3.2 Analysis of Salaries and other Compensations
      The Company assigned the human resources department to prepare monthly salary and compensations report and analyzes the changes compared to the previous month.

Related Party Transactions of the Company

Person/Juristic Person that may have conflict of interestsv	Relationv	Nature of Transactionv	Transaction Value (Baht)w		Balancev(Baht)ww		Necessity and Reasonabilityv	The Audit Committee's Opinionv
			2017 v	2016v	31vDec 17v	31vDec 16v		
Mrs. Tanyapon Kraibhubes	The shareholder and director of the Company	Rent of land and structures	348,000.00	348,000.00	- 87,000.00	- 87,000.00	The Company has rented land and structures for 203 square wah from the juristic body of Thanapoom owned by Mrs. Tanyapon Kraibhubes in the rental of 29,000 Baht per month for use as warehouse of the Company. The term of Rent Contract is 3 years from 1 Jan 16 – 31 Dec 18 under 3 months of deposit. The rental price has been in line with the price appraised by independent appraiser.	Such land rent is reasonable and necessary for business operation and rental price has been fair price appraised by the independent appraiser. However, the Audit Committee's Meeting No. 5/2012 on 5 October 2012 resolved to approve the Company to change the contractual party of the said land rent contract from Juristic Body of Thanyapoom to be Mrs. Tanyaporn Kraibhubes. It is effective from 1 October 2012 whereas the condition has still been in line with the former Rent Contract.
		Land rental	1,276,293.00	1,276,293.00	3,161,172.00	2,856,879.00	The Company has been obliged based on Rent Contract of Land for Warehouse Construction according to the Contract dated 11 June 2013 and recorded to be annexed to Rent Contract. The term of rent is 30 years and rental is defined equaling to the independent appraiser. The rent has been started from 1 January 2014 and the value throughout the term of Rent Contract is 38.28 million Baht.	

Person/Juristic Person that may have conflict of interestsv	Relationv	Nature of Transactionv	Transaction Value (Baht)v		Balancev(Baht)v		Necessity and Reasonabilityv	The Audit Committee's Opinionv
			2017 v	2016v	31vDec 17v	31vDec 16v		
C&N International Ordinary Partnership	Mr. Pratya Levan* is the director and shareholder of the Company for 20% in the Ordinary Partnership	Purchase of product	10,870,316.55	6,910,983.73	1,030,398.97	378,971.36	C&N International Ordinary Partnership is the owner of Beauty Buffet franchise, Big C Bang Na Branch whereas the condition of the said franchise distribution has been the same as the condition granted by the Company to other franchise owners.	It has been the normal transaction under reasonable trade condition.
		Other incomes	27,428.66	20,475.00	-	-	The Company has charged operating fee based on the condition in Franchise Agreement such as transportation cost and product inspection, etc. which has been the same as the condition granted by the Company to other franchise owners.	
B Vita International Co., Ltd. ("B Vita")	Mrs. Rakchanok Chiengthong is the director, shareholder and kinsfolk of Mr. Pratya Levan	Purchase of product	17,710,280.36	5,549,065.43	2,060,000.00	1,190,000.00	The Company has ordered Instant Coffee Product, Lansley from B Vita which is the distributor. The price distributed by B Vita to the Company has been the price cheaper than other customers due to the Company's big volume of ordering. In addition, it has been the price cheaper than the price of which the Company has been quoted from other distributors. Moreover, gross profit margin gained by the Company from distribution of such instant coffee has been in the similar level to some types of the Company's products.	It has been the normal transaction under reasonable trade condition.

*Mr. Pratya Levan resigned from the director and the executive of Beauty Community Public Company Limited and it is effective from 10 November 2017 onwards.

Measure or procedure of approval for related party transaction

The Company has the policy in performing the related party transaction with transparency under concern on fairness and maximum benefit of the Company. In entering to perform transaction with the party who may have conflict of interests, such issue shall be proposed to the Audit Committee for consideration and approval on performing such related party transaction for maximum benefit of the Company and for protection of the investors and the related parties of the Company. Such related party transaction shall comply with rules, regulations, announcements, orders, or requirements of SEC, Stock Exchange of Thailand, or relevant laws. The party who may have conflict of interests or gain and loss in performing the related party transaction has no right to participate in approving such transaction.

In case of the related party transactions in ordinary trade such as purchase of product and sale of product, etc., the Company has the policy to define the conditions according to the nature of normal trade operation in market price which is comparable with price sold to the third party. The Audit Committee of the Company shall consider and remark opinions to the Board of Directors every quarter. The reasonability of the transactions shall be considered from market price including condition and necessity that affect the operation mainly for maximum benefit of the Company.

Tendency of related party transactions in the future

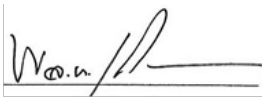
In the contingent related party transaction in the future, the conditions shall be in line with the nature of general trade by referring to the appropriate market price and conditions. The Company and/or Group of Companies shall allow the Audit Committee and/or independent director to remark their opinions about the commission rate as well as necessity and appropriateness of such transaction. If any transaction occurs with the party that may have conflict of interests in the future, the Company shall comply with rules, announcements and/or regulations of the Office of Securities and Exchange Commission and/or Stock Exchange of Thailand. The Company may assign the independent expert or the auditor of the Company to remark the opinions on such related party transaction for use as decision making support of the Board of Directors or the shareholders as the case may be. The Company shall disclose the related party transaction in notes to financial statements audited by the auditor and in Annual Registration Statement 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, 2017 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 on January 31, 2018 is consisted of 3 persons as follows:

1.	ASSOC.PROF.DR.Vichit	U-on	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 2017, the Audit Committee had conducted 5 meetings and the Audit Committee had performed their duty with prudence, and used their knowledge and capabilities according to the scopes, duties, and responsibilities to perform the given mission independently. The Audit Committee had performed their duties such as, being the co-manager, internal auditor, and auditor for the benefits of all stakeholders, which can be summarized as follows:

1. Verify the accuracy and the adequacy of disclosure of the quarterly and annual financial statement year 2017 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 share holders' 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.

(ASSOC.PROF.DR.Vichit U-on)
Chairman of Audit Committee

Financial Position and Overall Operation

Report of the Auditor

Financial Statement for the year ended December 31, 2017

The opinion of Miss Suvimol Krittayakiern, Certified Public Accountant No.2982 from DIA International Audit Co., Ltd., presented that financial statement present fairy, in all material respects, the financial position of the Company as at December 31, 2017, the financial performance and cash flows for the year then ended in accordance with The Financial Reporting Standards.

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 fairy, 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.

Summarized of financial statement of Beauty Community Public Company Limited

Statement of Financial Position

For the year ended December 31, 2017 ,2016 and 2015

(Unit: THB million)

STATEMENTS OF FINANCIAL POSITION	December 31, 2017	%	December 31, 2016	%	December 31, 2015	%
Current assets						
Cash and cash equivalents	505.86	21.66%	216.87	12.39%	119.01	7.97%
Current investments	800.00	34.25%	680.00	38.85%	620.00	41.53%
Trade and other current receivables	145.65	6.24%	41.77	2.39%	40.93	2.74%
Inventories	409.74	17.54%	373.89	21.36%	290.11	19.43%
Total current assets	**1,861.24**	**79.69%**	**1,312.53**	**74.98%**	**1,070.05**	**71.67%**
Non-current assets						
Deposits at financial institutions with obligations	-	0.00%	10.00	0.57%	10.00	0.67%
Other long-term investments	50.00	2.14%	-	0.00%	-	0.00%
Property, plant and equipment	288.57	12.36%	303.80	17.35%	292.53	19.59%
Leasehold rights	6.11	0.26%	7.32	0.42%	8.70	0.58%
Other intangible assets	20.96	0.90%	15.97	0.91%	14.78	0.99%
Deferred tax assets	10.72	0.46%	9.21	0.53%	8.22	0.55%
Other non-current assets	97.89	4.19%	91.71	5.24%	88.65	5.94%
Total non-current assets	**474.25**	**20.31%**	**438.02**	**25.02%**	**422.87**	**28.33%**
Total assets	**2,335.49**	**100.00%**	**1,750.55**	**100.00%**	**1,492.92**	**100.00%**
Current liabilities						
Trade and other current payables	433.92	18.58%	315.71	18.03%	272.96	18.28%
Accrued income tax	177.84	7.61%	97.78	5.59%	61.60	4.13%
Total current liabilities	**611.76**	**26.19%**	**413.48**	**23.62%**	**334.55**	**22.41%**
Non-current liabilities						
Non-current provisions for employee benefit	9.33	0.40%	7.78	0.44%	6.90	0.46%
Other non-current provisions	5.10	0.22%	5.10	0.29%	-	0.00%
Other non-current liabilities	4.14	0.18%	3.90	0.22%	3.46	0.23%
Total non-current liabilities	**18.57**	**0.80%**	**16.78**	**0.96%**	**10.36**	**0.69%**
Total liabilities	**630.33**	**26.99%**	**430.26**	**24.58%**	**344.92**	**23.10%**
Shareholders' equity						
Share capital						
Authorized share capital						
3,022,610,000 common shares of Baht 0.10 each	302.26		302.26		-	
3,000,000,000 common shares of Baht 0.10 each	-		-		300.00	
Issued and paid-up share capital						
3,022,610,000 common shares of Baht 0.10 each	300.27		-		-	
3,000,000,000 common shares of Baht 0.10 each	-		300.00		300.00	
Premium on share capital	570.73	24.44%	556.44	31.79%	556.44	37.27%
Equity-settled share-based payment	10.31	0.44%	4.77	0.27%	-	
Retained earnings						
Appropriated						
Legal reserve	30.23	1.29%	30.00	1.71%	30.00	2.01%
Unappropriated	793.63	33.98%	429.08	24.51%	261.56	17.52%
Total shareholders' equity	**1,705.16**	**73.01%**	**1,320.29**	**75.42%**	**1,148.00**	**76.90%**
Total liabilities and shareholders' equity	**2,335.49**	**100.00%**	**1,750.55**	**100.00%**	**1,492.92**	**100.00%**

Statement of Comprehensive Income

For the year ended December 31, 2017 ,2016 and 2015

(Unit: million)

STATEMENTS OF COMPREHENSIVE INCOME	2017	%	2016	%	2015	%
Revenues from sales	3,713.40	99.41%	2,539.45	99.24%	1,773.02	98.94%
Cost of sales	(1,197.96)	(32.07%)	(833.11)	(32.56%)	(586.42)	(32.72%)
Gross profit *	**2,515.44**	**67.74%**	**1,706.34**	**67.19%**	**1,186.60**	**66.93%**
Other income						
Interest income	15.89	0.43%	13.15	0.51%	13.67	0.76%
Others	6.08	0.16%	6.24	0.24%	5.34	0.30%
Total other income	**21.97**	**0.59%**	**19.39**	**0.76%**	**19.01**	**1.06%**
Total revenue	**3,735.37**	**100.00%**	**2,558.84**	**100.00%**	**1,792.03**	**100.00%**
Selling expenses	(723.90)	(19.38%)	(674.48)	(26.36%)	(543.56)	(30.33%)
Administrative expenses	(280.09)	(7.50%)	(230.07)	(8.99%)	(159.23)	(8.89%)
Finance costs	-	-	-	-	-	-
Profit before income tax	**1,533.43**	**41.05%**	**821.18**	**32.09%**	**502.82**	**28.06%**
Income tax	(304.11)	(8.14%)	(165.18)	(6.46%)	(100.32)	(5.60%)
Profit for the year	**1,229.32**	**32.91%**	**656.01**	**25.64%**	**402.49**	**22.46%**
Other comprehensive income :						
Component of other comprehensive income to profit or loss						
Gains on remeasurement of defined benefit plans	-		0.64		-	
Less Taxable effects	-	-	(0.13)	(0.00%)	-	-
Other comprehensive income for the year	**-**	**-**	**0.51**	**0.02%**	**-**	**-**
Total comprehensive income for the year	**1,229.32**	**32.91%**	**656.52**	**25.66%**	**402.49**	**22.46%**

* Percentage rate of gross profit is calculated from dividing gross profit value with main sales 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, 2017 ,2016 and 2015

(Unit: THB million)

STATEMENTS OF CASH FLOWS	2017	2016	2015
Cash flows from operating activities			
Profit before income tax expenses	1,533.43	821.18	502.82
Adjustment profit before income tax to cash receipt (disbursement)			
from operating activities			
Depreciation and amortization	60.61	59.40	48.70
Doubtful accounts	0.47	0.11	-
Loss on devaluation of inventories	4.63	0.31	1.55
Loss on devaluation of asset	-	-	4.93
Loss on goods destruction	4.74	2.89	-
(Gain) loss on sales of assets	0.03	(0.03)	(0.02)
Loss on write off assets	4.36	2.99	3.10
Loss on amortized other intangible assets	-	0.42	-
Deferred (income) for reward points	(5.40)	(5.65)	(6.32)
Non-current provisions for employee benefit	1.56	1.51	1.18
Expenses from share-based payments	6.43	4.77	-
Interest expenses	-	-	-
Profit from operation before changes in			
operating assets and liabilities	1,610.85	887.91	555.93
(Increase) Decrease in changes of operating assets			
Trade and other current receivables	(104.35)	(0.95)	(18.20)
Inventories	(45.21)	(86.99)	(3.17)
Other non-current assets	(6.17)	(3.06)	(9.67)
(Increase) Decrease in changes of operating assets	(155.74)	(91.00)	(31.04)

(Unit: THB million)

STATEMENTS OF CASH FLOWS	2017	2016	2015
Increase (Decrease) in changes of operating liabilities			
Trade and other current payables	106.73	35.90	124.40
Other non-current liabilities	0.24	0.44	0.13
Increase (Decrease) in changes of operating liabilities	106.97	36.33	124.52
Cash generated (paid) from operation	1,562.08	833.24	649.42
Interest paid	-	-	-
Income tax paid	(225.56)	(130.12)	(91.10)
Net cash provided by (used in) operating activities	**1,336.53**	**703.13**	**558.32**
Cash flows from investing activities			
(Increase) Decrease in current investments	(120.00)	(60.00)	(240.00)
(Increase) Decrease in deposits at financial institutions with obligations	10.00	-	-
(Increase) Decrease in other long-term investments	(50.00)	-	100.00
Building and equipment acquisition	(32.52)	(53.48)	(130.56)
Proceeds from sales of equipment	0.09	0.08	0.04
Leasehold rights acquisition	-	-	-
Other intangible assets acquisition	(4.34)	(2.91)	(1.36)
Net cash provided by (used in) investing activities	**(196.77)**	**(116.30)**	**(271.87)**
Cash flows from financing activities			
Payments for financial lease liabilities	-	-	-
Repayments for long-term loans from financial institutions	-	-	-
Dividend paid	(864.45)	(488.97)	(342.00)
Proceeds from exercise right of warrants to purchase of ordinary shares	13.67	-	-
Net cash provided by (used in) financing activities	**(850.77)**	**(488.97)**	**(342.00)**
Net increase (decrease) in cash and cash equivalents	**288.99**	**97.86**	**(55.55)**
Cash and cash equivalents as at the beginning of the year	216.87	119.01	174.56
Cash and cash equivalents as at the end of the year	**505.86**	**216.87**	**119.01**

Significant Financial Ratio

For the year ended December 31, 2017 ,2016 and 2015

INANCIAL RATIO		2017	2016	2015
Liquidity ratio				
Current ratio / Liquidity ratio	(Time)	3.04	3.17	3.20
Quick ratio	(Time)	2.37	2.27	2.33
Cash ratio	(Time)	2.61	1.88	2.13
Account receivable turnover (A/R)	(Time)	61.37	85.20	91.38
Account Receivable (A/R) days	(Day)	6	4	4
Inventory turnover	(Time)	3.06	2.51	2.03
Inventory days	(Day)	118	143	178
Finished goods turnover	(Time)	4.05	3.26	2.63
Finished goods days	(Day)	89	110	137
Account payable turnover (A/P)	(Time)	7.82	6.66	5.50
Account Payable (A/P) days	(Day)	46	54	65
Cash cycle	(Day)	78	94	116
Profitability ratio				
Gross profit margin (GP)	(%)	67.44%	67.37%	66.93%
Operating profit margin	(%)	41.05%	32.34%	28.06%
Operating cash flow margin	(%)	87.16%	85.62%	111.04%
Net profit margin	(%)	32.91%	25.64%	22.46%
Return on equity (ROE)	(%)	81.27%	53.15%	36.01%
Efficiency ratio				
Return on assets (ROA)	(%)	60.17%	40.45%	28.96%
Return on fixed assets	(%)	434.63%	239.05%	182.62%
Total assets turnover	(Time)	1.83	1.05	1.29
Financial policy ratio				
Debt to equity ratio (D/E)	(Time)	0.37	0.33	0.30
Interest coverage ratio	(Time)	-	-	-
Coverage ratio	(Time)	2.00	1.16	0.91
Dividend payout ratio	(%)	70.33%	74.54%	84.97%
Earning per share (EPS)*	(Baht)	0.41	0.22	0.13

Note: * EPS In 2017 and 2016 Calculated from authorized capital for 3,003 million shares, its value is 0.10 Baht/share.In 2015 Calculated from authorized capital for 3,000 million shares, its value is 0.10 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 is a product brand. our products are bring distributed through Modern Trade, Supermarket, Convenience Store, Catalog, E-Commerce and Traditional Trade.

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, Focuses on distributing natural products for skin care. Made in Nature 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 for Beauty Market are naturally made daily used products such as shower cream and skin lotion 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 2,558.84 million Baht in 2016 to 3,735.37 million Baht in 2017 or about 45.98% growth. The net profit of the Company in 2017 and 2016 was 1,229.32 million Baht and 656.01 million Baht or 32.91% and 25.64% 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 2017 and 2016*

Company's operation analysis in 2017 and 2016 are as follows:

Revenues

Revenue Structure by channel

Unit : Million baht

Revenue Structure by channel	2017			2016			2015		
	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales
Retail shops :									
- Beauty Buffet	2,092.81	56.03%	56.36%	1,771.68	69.24%	69.77%	1,343.86	74.99%	75.79%
- Beauty Cottage	393.57	10.54%	10.60%	238.88	9.34%	9.41%	202.60	11.31%	11.43%
- Beauty Market	64.38	1.72%	1.73%	64.94	2.54%	2.56%	65.77	3.67%	3.71%
Total sales from retail shops	2,550.76	68.29%	68.69%	2,075.49	81.11%	81.73%	1,612.24	89.97%	90.93%
Franchises	24.43	0.65%	0.66%	22.94	0.90%	0.90%	26.04	1.45%	1.47%
Oversea	514.26	13.77%	13.85%	178.06	6.96%	7.01%	51.17	2.86%	2.89%
Ecommerce	459.71	12.31%	12.38%	182.82	7.14%	7.20%	40.81	2.28%	2.30%
Consumer Product	153.95	4.12%	4.15%	74.00	2.89%	2.91%	34.94	1.95%	1.97%
Other Sales	10.29	0.28%	0.28%	6.15	0.24%	0.24%	7.83	0.44%	0.44%
Total sales	**3,713.40**	**99.41%**	**100.00%**	**2,539.45**	**99.24%**	**100.00%**	**1,773.02**	**98.94%**	**100.00%**
Other revenue	21.97	0.59%	0.59%	19.39	0.76%		19.01	1.06%	
Total revenue	**3,735.37**	**100.00%**		**2,558.84**	**100.00%**		**1,792.03**	**100.00%**	

Total revenue of the Company in 2017 and 2016 was 3,735.37 Million Baht and 2,558.84 million Baht respectively or it was 45.98% 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 2,550.76 million Baht or 68.29% to total revenue, franchises around 24.43 million Baht or 0.65% to total revenue, oversea channel around 514.26 million Baht or 13.77% to total revenue, consumer product channel around 459.71 million Baht or 12.31% to total revenue, E-Commerce channel around 153.95 million Baht or 4.12% to total revenue, other channel around 10.29 million Baht or 0.28% to total revenue, and other revenue around 21.97 million Baht or 0.59% 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, Taiwan, Asian countries and middle east as well.

Unit : Million baht

Revenue Structure by product group	2017			2016			2015			Changed	
	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	% to total revenue	% to each product	Amount	%
Beauty Buffet Shop											
Make up	339.27	9.08%	16.21%	479.23	18.73%	27.05%	386.57	21.57%	28.77%	(139.96)	(29.20%)
Skin care	1,707.86	45.72%	81.61%	1,243.29	48.59%	70.18%	917.85	51.22%	68.30%	464.57	37.37%
Food Supplement	4.44	0.12%	0.21%	2.77	0.11%	0.16%	2.75	0.15%	0.20%	1.68	60.57%
Accessories	41.24	1.10%	1.97%	46.39	1.81%	2.62%	36.69	2.05%	2.73%	(5.15)	(11.11%)
Total Beauty Buffet	**2,092.81**	**56.03%**	**100.00%**	**1,771.68**	**69.24%**	**100.00%**	**1,343.86**	**74.99%**	**100.00%**	**321.13**	**18.13%**
Beauty Cottage Shop											
Make up	229.43	6.14%	58.29%	96.11	3.76%	40.24%	77.33	4.32%	38.17%	133.32	138.71%
Skin care	154.37	4.13%	39.22%	134.01	5.24%	56.10%	117.03	6.53%	57.76%	20.36	15.20%
Accessories	9.77	0.26%	2.48%	8.75	0.34%	3.66%	8.25	0.46%	4.07%	1.02	11.61%
Total Beauty Cottage	**393.57**	**10.54%**	**100.00%**	**238.88**	**9.34%**	**100.00%**	**202.60**	**11.31%**	**100.00%**	**154.70**	**64.76%**
Beauty Market Shop											
Make up	32.43	0.87%	50.37%	30.90	1.21%	47.59%	32.10	1.79%	48.80%	1.53	4.95%
Facial care	14.13	0.38%	21.95%	14.70	0.57%	22.64%	14.22	0.79%	21.62%	(0.57)	(3.86%)
Body care	7.07	0.19%	10.99%	6.57	0.26%	10.11%	7.19	0.40%	10.93%	0.51	7.71%
Beauty accessories	2.82	0.08%	4.39%	4.03	0.16%	6.21%	3.22	0.18%	4.90%	(1.21)	(30.01%)
Hair care	2.21	0.06%	3.43%	2.30	0.09%	3.55%	3.03	0.17%	4.61%	(0.10)	(4.19%)
Perfume	1.50	0.04%	2.33%	3.19	0.12%	4.92%	3.84	0.21%	5.84%	(1.69)	(53.07%)
Beauty drink & food supplement	3.62	0.10%	5.63%	2.77	0.11%	4.27%	1.22	0.07%	1.85%	0.85	30.78%
Body hygiene	0.59	0.02%	0.92%	0.43	0.02%	0.67%	0.77	0.04%	1.18%	0.16	36.99%
Men's care	0.00	0.00%	0.00%	0.04	0.00%	0.05%	0.18	0.01%	0.28%	(0.03)	(98.22%)
Total Beauty Market	**64.38**	**1.72%**	**100.00%**	**64.94**	**2.54%**	**100.00%**	**65.77**	**3.67%**	**100.00%**	**(0.56)**	**(0.86%)**
Franchises	24.43	0.65%	100.00%	22.94	0.90%	100.00%	26.04	1.45%	100.00%	1.49	6.50%
Oversea & Wholesales	514.26	13.77%	100.00%	178.06	6.96%	100.00%	51.17	2.86%	100.00%	336.20	188.81%
Consumer Product	459.71	12.31%	100.00%	182.82	7.14%	100.00%	75.75	4.23%	100.00%	276.89	151.46%
Ecommerce	153.95	4.12%	100.00%	74.00	2.89%	100.00%	-	-	-	79.95	108.05%
Other Sales	10.29	0.28%	100.00%	6.15	0.24%	100.00%	7.83	0.44%	100.00%	4.14	67.37%
Other revenue	21.97	0.59%	100.00%	19.39	0.76%	100.00%	19.01	1.06%	100.00%	2.58	13.29%
Total revenue	**3,735.37**	**100.00%**		**2,558.84**	**100.00%**		**1,792.03**	**100.00%**		**1,176.53**	**45.98%**

Revenue structure by channel and by brand

(Unit : THB Million)

Brand / Channel	Y2017											
	Brand Beauty Buffet		Brand Beauty Cottage		3rd party brands		Brand Made in Nature		Other Brands		Oth. income	Total	
Beauty Buffet shop	2,013.85	64.43%	-	0.00%	-	0.00%	28.93	47.82%	50.03	79.01%	-	2,092.81	56.03%
	96.23%		0.00%		0.00%		1.38%		2.39%		-	100.00%	
Beauty Cottage shop	-	0.00%	393.57	94.96%	-	0.00%	-	0.00%	-	0.00%	-	393.57	10.54%
	0.00%		100.00%		0.00%		0.00%		0.00%		-	100.00%	
Beauty Market shop	10.32	0.33%	2.98	0.72%	48.86	98.87%	0.68	1.12%	1.54	2.44%	-	64.38	1.72%
	16.02%		4.64%		75.89%		1.05%		2.40%		-	100.00%	
Franchise shop	23.42	0.75%	-	0.00%	-	0.00%	0.43	0.72%	0.57	0.90%	-	24.43	0.65%
	95.88%		0.00%		0.00%		1.78%		2.34%		-	100.00%	
Consumer Product	423.80	13.56%	6.76	1.63%	-	0.00%	24.45	40.42%	4.70	7.42%	-	459.71	12.31%
	92.19%		1.47%		0.00%		5.32%		1.02%		-	100.00%	
Ecommerce	146.97	4.70%	2.81	0.68%	-	0.00%	2.70	4.47%	1.47	2.32%	-	153.95	4.12%
	95.46%		1.83%		0.00%		1.76%		0.95%		-	100.00%	
Oversea , Wholesales & Other	507.36	16.23%	8.32	2.01%	0.56	1.13%	3.30	5.46%	5.01	7.91%	-	524.55	14.04%
	96.72%		1.59%		0.11%		0.63%		0.95%		-	100.00%	
Total sales	**3,125.72**	**100.00%**	**414.45**	**100.00%**	**49.42**	**100.00%**	**60.49**	**100.00%**	**63.32**	**100.00%**	**-**	**3,713.40**	**99.41%**
	84.17%		11.16%		1.33%		1.63%		1.71%		-	100.00%	
Other income	-		-		-		-		-		21.97	21.97	
Total revenue	**3,125.72**	**100.00%**	**414.45**	**100.00%**	**49.42**	**100.00%**	**60.49**	**100.00%**	**63.32**	**100.00%**	**21.97**	**3,735.37**	**100.00%**
	83.68%		11.10%		1.32%		1.62%		1.70%		0.59%	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, Retail shop and wholesalers (Traditional trade) as follows.

(1) Revenue from Beauty Buffet

In 2017 and 2016, the income was 2,092.81 million Baht and 1,771.68 million Baht or 56.03% and 69.24% of total income respectively. The growth rate was estimated for 18.13% which resulted from branch expansion in every region of Thailand. At the end of 2017, there were 261, increasing 13 shops from 248 shops at the end of 2016. Shops in CLMV was 16 shops in year 2017 decreasing 24 shops from 40 shops at the end of 2016. Total revenue by product of Beauty Buffet for Skin Care, make-up, food Supplement and accessories, the average distribution proportions were 45.72%, 9.08%, 0.21% and 1.97% 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 0.75% (franchises) and the rest was 34.82% of total turnover respectively.

(2) Revenue from Beauty Cottage

Beauty Cottage by the end of 2017, the Company has already opened 75 branches of Beauty Cottage increasing 4 shops from the end of 2016 with 71 branches. In 2017 and 2016, the income was 393.57 million Baht and 238.88 million Baht. The growth rate was estimated for 64.76%. 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 39.22% compared to total turnover of Beauty Cottage while the average proportions of Make-Up and Accessories were 58.29 % and 2.48% 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 5.04% 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 2017 and 2016, the revenues were 64.38 million Baht and 64.94 million Baht in respective order, which is decrease about 0.86% of growth rate. This is due to the Company's branching expansion in order to access larger customer scale. By the end of 2017, there are a total of 9 branches established nationwide which same as. Meanwhile, the total sales of make-up products, facial care, body care, beauty accessories, perfume, food supplements, hair care and body hygiene were approximately 50.37%, 21.95%, 10.99%, 4.39%, 0.04%, 0.10%, 0.06%, and 0.02% in respective order. By the way, Beauty Market had revenue from the own brands were 24.11% and 3rd party brands were 75.89%.

(4) Revenue from franchises

The total revenues of products under the franchise channel by 2017 and 2016 were 24.43 million Baht and 22.94 million Baht in respective order, or approximately 6.50% of growth rate. In present there are 4 branches and the Company has not had any policy of additional franchising.

(5) Revenue from oversea

Oversea, by 2017 and 2016 were 514.26 million Baht and 178.26 million Baht in respective order, or approximately 188.81% of growth rate. The distribution through overseas wholesalers. due to the company has a policy to sell abroad through agents in wholesale term. Including the assignment of distributors in that country to sell products under the company's brands.

(6) Revenue from consumer product

consumer product. by 2017 and 2016 were 459.71 million Baht and 182.82 million Baht in respective order, or approximately 151.46% of growth rate. The Company debuted products through the channel of big-sized super stores or modern trade such as Big C Supercenter, Tesco Lotus, and Tops Supermarket, including distributed through convenient stores, catalogs, traditional trade and duty free shop such as king power as well.

(7) Revenue from E-commerce

E-commerce. by 2017 and 2016 were 153.95 million Baht and 74.00 million Baht in respective order, or approximately 108.05% of growth rate. The distribution through (www.beautyplazaonline.com), which is our own website and distribution through 3rd party website such as Lazada, Shopee, , Konvy, Shopat24, Craze, We love Shopping, Beauticool, Abc Point, Buzzebees, Orami, Krungsri First Choice addition we are selling through social media such as Facebook, Instagram, Line@, Wechat, Alibaba and Amazon

(8) Revenue from other channel,

mainly came from sales for staff in welfare condition but the proportion was low compared to total revernue 2017 and 2016 was 10.29 million Baht and 6.15 million Baht

(9) Other incomes

Other incomes in 2017 and 2016 were 21.97 million Baht and 19.39 million Baht, respectively. Other incomes mainly came from interest received.

Cost of Goods Sold and Gross Profit

The cost of sales in 2017 and 2016 were 1,197.96 million Baht and 833.11 million Baht in respective order, or approximately 67.74% and 67.19% of gross profit margin, respectively. It can be noticed that the gross profit margin in 2017 is relatively higher than in 2016. Due to the effectiveness of inventory control which was in accordance with inventory day at 89 days in 2017 and 110 days It included better bargaining power for production as a result of economy of scale leading to higher gross profit in 2017 when compared with 2016.

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 0.14% 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 2017 and 2016 BEAUTY distributed product in the term of consignment with both catalog and online channels such as King Power, 24Shopping, Friday Catalog and web Lazada, Konvy , etc. The product price is in same rate with sales through consumer product channel. These revenue was approximately 9.55% to total revenue.

Selling and Administrative Expense

Selling expense in 2017 and 2016 was 723.90 million Baht and 674.48 million Baht respectively or its proportion of 19.38 % and 26.36 % of total revenue respectively. The selling expense mainly was rental fee for branch operation of retail shops, in 2017 and 2016, rental expense was 7.26% and 10.39% of total revenue respectively. Other important selling expenses included employee expenses included commission of sales-persons, in 2017 and 2016 estimated for the average proportion of 6.32% and 9.08% of total income respectively. The proportion of selling expense to total income in 2017 decreased from 2016 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 2017 and 2016 were 280.09 million Baht and 230.07 million Baht respectively or its proportion was 7.50% and 8.99% of total revenue respectively. The administrative expense mainly was employee expenses. In 2017 and 2016, this expense proportion is 5.49% and 6.64% of total income. Other administrative expenses included travelling cost, training cost, bank charge, office expense, and other expenses. Anyhow, in 2017, such proportion decreased due to total income growth while some administrative expense was stable or grew in less proportion than income. Depreciation expense in 2017 and 2016 was 22.43 million Baht and 18.7 million Baht. Increased 3.72 million Baht or 19.87%. 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 2017 and 2016 were 1,229.32 million Baht and 656.01 million Baht respectively or the proportion was 32.91% and 25.64% respectively. The net profit continue increasing due to increase in sales turnover and cost saving effective.

Financial Position Analysis for 2017 and 2016

Asset

Total assets of the Company at the end of year 2017 and 2016 was 2,335.49 million Baht and 1,750.55 million Baht respectively or its growth rate proportion was 33.42%. The main reason from total asset growth in 2017 was because of sales growth form every channels : Beauty Buffet and Beauty Cottage concepts including the roll-out of Beauty Market concept, Moreover, consumer product channel, E-commerce and oversea, 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 2017 and 2016 was 1,861.24 million Baht and 1,312.53 million Baht respectively or its proportion was 79.69% and 74.98% of total assets respectively. The company's current assets consisted of following main assets;

(1) Cash and cash equivalent at the end of year 2017 and 2016 was 505.86 million Baht and 216.87 million Baht respectively or its proportion was 21.66% and 12.39% of total asset respectively.

(2) At the end of 2017 and 2016, the Company had temporary investments for 800 million Baht and 680 million Baht respectively or 34.25% and 38.85% 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 2017 and 2016 were 91.34 million Baht and 28.99 million Baht respectively or its proportion was 3.91% and 1.66% 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 6 days. The Company has granted trade credit to franchise receivable, oversea wholesale receivable, consumer product receivable and company employees. However, the collection period still remained at the level of 6 days. Moreover, over than 1 year overdue account receivables were unavailable for the Company.

Trade accounts receivable	**31/12/2017**		**31/12/2016**	
	MB.	**%**	**MB.**	**%**
Trade accounts receivable not due	87.51	95.20%	24.77	85.12%
Overdue trade accounts receivable :				
- Less than 3 months	4.04	4.40%	4.30	14.78%
- Over 3 months but less than 1 year	0.37	0.40%	0.03	0.10%
Total trade accoutns receivable	91.92		29.10	

(4) Inventories at the end of 2017 and 2016 were 409.74 million Baht and 373.89 million Baht respectively or it was 17.54% and 21.36% of total assets respectively. The Company's inventories could be separated into finished goods, packages and supplies as shown in following table.

Inventory	**2017**		**< 1 Year**		**1-3 Year**		**> 3 Year**	
	MB	**%**	**MB**	**%**	**MB**	**%**	**MB**	**%**
Finished goods	306.71	73.62%	278.78	90.89%	27.85	9.08%	0.08	3.15%
Packaging	61.95	14.87%	37.15	59.97%	22.37	36.11%	2.43	3.92%
Work in process	43.51	10.44%	43.51	100.00%	-	0.00%	-	0.00%
Supplies	4.47	1.07%	4.15	92.84%	0.29	6.49%	0.03	0.67%
Total	**416.64**	**100.00%**	**363.59**	**87.27%**	**50.51**	**12.12%**	**2.54**	**0.61%**
Allowance for devaluation of inventories	(6.90)	-	0.00	-	0.00	-	0.00	-
Net	**409.74**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 98.93% 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 sales 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 discontinued product as well as damaged finished goods will be separated as damaged warehouse. In 2017 and 2016, the Company set the allowance reserve in part of damaged product warehouse for 0.80 million Baht and 0.17 million Baht respectively. These amount was not so much 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 2017 and 2016, the Company had average inventory days for 118 days and 143 days respectively, However, if calculating inventory days only for finished goods by the end of 2017 and 2016, it will be 89 days and 110 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, 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 90.89% 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 2017 and 2016 was 474.25 million Baht and 438.02 million Baht respectively or its proportion was 20.31% and 25.02% of total asset respectively. Major non-current asset of the Company included property, plant and equipment, by the end of 2017 and 2016 were 288.57 million baht and 303.80 million baht respectively

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 public 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 Y2016. 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 2018.

Liquidity

(1) Cash Flow Liquidity

Cash flow from operating activity of the Company in 2017 and 2016 was 1,336.53 million Baht and 703.13 million Baht respectively. Cash flow from investment activity in 2017 and 2016 was used in 196.77 million baht and 116.30 million baht respectively due to the use of money to increase in temporary investments for 120.00 million baht more in 2017 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 2017 and 2016, it was used in 850.77 million Baht and 488.97 million Baht respectively and payment of dividend

(2) Liquidity Ratio

In 2017 and 2016, the Company had liquidity ratio for 3.04 times and 3.17 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 2017 and 2016, the Company had cash cycle for 78 days and 94 days respectively with main cause from decrease 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 fund

Total liability of the Company by the end of 2017 and 2016 was 630.33 million Baht and 430.26 million Baht respectively. The important current liability has been as follows.

(1) Trade Account payable by the end of 2017 and 2016 was 191.03 million baht and 115.49 million baht respectively or its proportion was 8.18% and 6.60% of total assets respectively. The account payable days was 46 days and 54 days respectively. Account payable decreased in 2017 due to production plan was consistent with product ordering in 4th quarter 2017 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 2017 and 2016, it was 242.89 million baht and 200.22 million Baht respectively or its proportion for 10.40% and 11.44% of total assets respectively.

(3) Shareholder's equity by the end of 2017 and 2016 was 1,705.16 million baht and 1,320.29 million Baht respectively. In 2017, shareholder's equity increased from 2016 since profitable turnover caused higher retained earnings.

Authorized share capital 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 to the directors and management/employees of the Company (ESOP Warrant-1). On January 16, 2017, the ESOP Warrant-1 No.1 were exercised to be ordinary shares 0.97 million shares and the Company has registered these shares with the Ministry of Commerce on January 25, 2017. The total of the ordinary shares is 3,000.97 million shares.

On July 17, 2017 the ESOP Warrant-1 No.2 were exercised to be ordinary shares 1.77 million shares and the Company has registered these shares with the Ministry of Commerce on July 26, 2017. The total of the ordinary shares is 3,002.73 million shares.
On January 16, 2018 the ESOP Warrant-1 No.3 were exercised to be ordinary shares 2.11 million shares and the Company has registered these shares with the Ministry of Commerce on January 26, 2018. The total of the ordinary shares is 3,004.84 million shares.

On 22 February 2018, the Board of Directors Meeting approved the 2017 dividend payment be paid rate of THB 0.408 per share, amount of Baht 1,225.66 million or 99.70% of net profit, for which the interim dividend was paid on 9 September 2017 at Baht 0.15 per share, amount of Baht 450.41 million, the remaining dividend to be paid at Baht 0.258 per share which will be paid on 18 May 2018 and will propose to the general shareholders' meeting on 25 April 2018 to approve this payment.

(4) Debt to Equity Ratio at the end of 2017 and 2016 was 0.37 times and 0.33 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 2017 and 2016 for 1.30 million Baht and 1.15 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, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters included Auditing Procedures are as follows:

Presentation of valuation of inventories

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

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

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

Revenue recognition from consignment

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

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

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

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

D I A International Audit Co., Ltd.

(Mrs. Suvimol Chrityakierne)
C.P.A. (Thailand)
Registration No. 2982
February 22, 2018

Appendix 1

Detail of Executive and Regulator of the Company on December 29, 2017

Biography of Director and Executive of Beauty Community Public Company Limited on December 29, 2017

Name - Surname / Citizen Identity No.	Age (year)	Education Qualification	Family Relationship among Excutive	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's name	Type of Business
Lt.Gen. PADET CHARUCHINDA	78	- Bachelor of Science, Chulachomkloa Royal Military - Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-	-	2012 – Present 2000 – Present	Chairman of the Board and Independent Director Advisor of Royal Thai Army, Director of the Provost Marchal General	Beauty Community PCL Amy	Distribution of skin Care and Cosmetics Products Government Sector
ASSOC.PROF.DR.VICHIT U-ON	51	- Bachelor, Kasetsart Univesity - Master of Arts Program in Agribusiness, Kasetsart Univesity - Doctor of DBA.(Marketing), The University of Sarasota< USA - Doctor of D.I.B.A – Nova Southeastern University, Frorida, USA - Certificate of Director Accreditation Program (DAP), Thai Institute of	-	-	2017 – Present 2013 – Present 2009 – 2012 2007 – 2012 2012 – 2013 2010 – 2011 2010 – 2011 2010 – 2011 2009 – 2010 2009 - 2010 2009 – 2010	Chairman of Audit Committee and Independent Director Dean of Graduate College of Management Board of Directors and the working group Former Director of Center Research Consumer Behavior Marketing Consultant Marketing Consultant Marketing Consultant Marketing Consultant Marketing Consultant Marketing Consultant Marketing Consultant	Beauty Community PCL Sripatum University The Wisdom Society for Public Opinion Research of Thailand Sripatum University Chokdee International Franchise Co.,Ltd. Bathroom Design Co.,Ltd. A.S. ASSOCIATED ENGINEERING (1964) CO., LTD. Princessbra Co.,Ltd. Triads Networks Co.,Ltd. B.J.BROTHERS&SON CORP.,LTD. T.G.B International Trading Co.,Ltd.	Distribution of skin Care and Cosmetics Products Education Survey of Thai People's Opinion on Social and Economic Issues Education Produce and distribute food and beverages. Furniture & Furnishings Production and distribution of rubber. And all kinds of sponges. Produce and distribute lingerie Advertising and Public Relations Distribution of traffic equipment and safety equipment. Chemicals business activities
Dr. SUWIN KRAIBHUBES	50	- 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	Mrs.TANYAPON KRAIBHUBES's Husband	17.47%	2017 – Present 2000 – 2016	CEO / Director / Deputy Director of Product Development & Purchasing Division CEO / Director / Deputy Director of Marketing Division and Deputy Director of Product Development & Purchasing Division, Beauty Community PCL	Beauty Community PCL Beauty Community PCL	Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products

Name - Surname / Citizen Identity No.	Age (year)	Education Qualification	Family Relationship among Excutive	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's name	Type of Business
Mrs. TANYAPON KRAIBHUBES	49	- Certificate in Nursing, Baromarajonani 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	Dr.SUWIN KRAIBHUBES's Wife	8.47%	2000 –Present 2000 – 2014	Director Deputy Chief Executive Officer and Director	Beauty Community PCL Beauty Community PCL	Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products
Ms. MONSOOTHATIP MALAUKCARANUN	42	- Bachelor of Science, Associated Medical Sciences, Chiang Mai University - Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	Young sisiter of Mrs.TANYAPON KRAIBHUBES	0.67%	2012 – Present 2012 - 2013 2010 – 2011 2009 – 2010 2005 – 2009	Director Executive Director and Director of Business Development and Corporate Communications Division Assistant Manager of Products Division Assistant Manager of Sales Division, Assistant Manager of Sales Division,	Beauty Community PCL Beauty Community PCL Beauty Community PCL Beauty Community PCL Beauty Community PCL	Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products
Dr. PEERAPONG KITIVESHPOKAWAT	56	- Bachelor, Chiangmai University - Master of Business Administration Program in Marketing, Thammasat University And Gothenberg - Master of Business Administration Program in Retail Business, University of Sterling United Kingdom - Doctor of Management, Sripatum University - Mini MBA in Franchise Nova Southeastern University, USA. - Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-	0.001%	2017 – Present 2011 – 2017 2007 – Present 1995 – Present	Deputy chief executive officer/ Director Chairman of Audit Committee and Independent Director Director Director	Beauty Community PCL Beauty Community PCL Business Coach & Consulting Co., Ltd. B.T.C. Parts Center Co., Ltd.	Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products consultant to advise commercial work Distribution of Motorcycle Parts

Name - Surname / Citizen Identity No.	Age (year)	Education Qualification	Family Relationship among Excutive	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's name	Type of Business
Col. ATTAPON SRISANGWARN	51	- 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	-	-	2017 – Present 2017 – Present 2016 – Present 2015 - Present 2011 – Present 2011 – 2012 2006 – 2011	Special Operations of staff officer, the Provost Marshal General Head of legal department, Army United F.C. Assistant Attached to the Member Executive Committee of the ruling army. Audit Committee and Independent Director Chief of Staff Officer to the Royal Thai Army Commander Division, the Provost Marshal Chief of Investigation Department	the Provost Marshal General Army United the National Legislative Assembly Army Beauty Community PCL the Provost Marshal General the Provost Marshal General	Government ector Football club Government ector Government ector Distribution of skin Care and Cosmetics Products Government ector Government ector
Mr. VIBOON POJANALAI	42	- Bachelor of Accounting, Thammasart University - Master of Science in Risk Management and Financial Derivatives, - Certificate Public Accountant (CPA) - Certificate of Director Accreditation Program (DAP), Thai Institute of	-	-	2016 – Present 2015 – Present 2011 – Present 2008 – Present 2004 – 2013	Director Audit Committee and Independent Director Audit Committee and Independent Director Director Senior Account Audit Manager	Thai Enger PCL Dental Corporation Co.,Ltd Beauty Community PCL Asia Mineral Processing Co., Ltd. AST Master Co., Ltd.	Construction Medical Care Distribution of skin Care and Cosmetics Products Accounting audit service Manufacturing and Distribution of Feldspar
Mr. SURAPON PHETKLUENG	53	- Master of Business Administration , Kasetsart University - Bachelor of Accountancy (Accounting), Chiangmai University - Stategic CFO in Capital Markets Program, TheStock Exchange of Thailand	-	0.03%	2017 – Present 2011 – 2016 2005 – 2011	Executive Director / Finance Director, Beauty Community PCL Executive Director / Director of Account & Finance Division, Beauty Community PCL Account & Finance Division Manager, Thai-Scandic Steel Co., Ltd.	Beauty Community PCL Beauty Community PCL Thai-Scandic Steel Co.,Ltd.	Distribution of skin Care and Cosmetics Products Distribution of skin Care and Cosmetics Products Producing galvanized steel structure

Name - Surname / Citizen Identity No.	Age (year)	Education Qualification	Family Relationship among	Shareholding in the Company	Working Experience in the Past 5 Years			
					Period of Time	Position	Institute / Company's name	Type of Business
Ms. SIRIKAN PHATTIVERANON	52	- Bachelor of Business Administration (Second Class Honours),	-	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
		- Faculty of Commerce and Accountancy Chulalongkorn University			2012 – 2016	Executive Director / Director Of Operations Department	Beauty Community PCL	Distribution of skin Care and Cosmetics Products
		- DIGITAL MARKETING CERTIFICATE PROGRAM – DMP, Thammasat University			2010 – 2011	Sales Division Manager	Areeya Property PCL	Real estate and home builder
		- Strategies and Innovation Creation, Thammasat University						
Mr. NATTAPONG KHUEANPHAN	43	- Bachelor of Science, Faculty of Food Science and Technology, Chiangmai 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
Mr.NORARIT KEETANON	47	- Master of MBA, OKLAHOMA CITY UNIVERSITY Major: Management Information System	-	0.001%	2017 – Present	Executive Director/ Director of Information Technology	Beauty Community PCL	Distribution of skin Care and Cosmetics Products
		- Professional Certification Program NORTHWESTERN UNIVERSITY Major: E-Commerce			2011 – 2016	Executive Director, Manager of Information Technology and Executive Director of Business Continuity Plan	Reed Tradex Co.,Ltd	Reed Tradex Co.,Ltd
		- Bachelor of Engineering (B.E.), ASSUMPTION UNIVERSITY Major: Electronics			2002 – 2016	Manager of Information Technology	U City CPL	Real Estate and Construction
Mrs.DARANEE PATHETANG	39	- Bachelor, Faculty of Economic, Kasetsart University	-	0.002%	2012 - Present	Company Secretary and Secretary of CEO	Beauty Community PCL	Distribution of skin Care and Cosmetics Products
		- Company Secretary Program (csp) Thai Institute of Directors			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 / Related Companies	Lt.Gen.PADET CHARUCHINDA	ASSOC.PROF.DR.Vichit U-on	Mr. SUWIN KRAIBHUBES	Ms. TANYAPON KRAIBHUBES	Ms. MONSOOTHATIP MALAUKCARANUN	Dr. PEERAPONG KITIVESHPOKAWAT	Col. ATTAPON SRISANGWARN	Mr.VIBOON POJANALAI	Mr. SURAPON PHETKLUENG	Ms. SIRIKRAN PHATTIVERANON	Mr. NATTAPONG KHUEANPHAN	Mr.NORARIT KEETANON
BAUTY COMMUNITY PCL.	A,Z	X,Z	B,C,D	B	B	B,C,D	Y,Z	Y,Z	C,D	C,D	C,D	C,D
BUSINESS COACH AND CONSULTING CO., LTD.						B						
B.T.C.PARTS CENTER CO., LTD.						B						
ASIA MINIERAL PROCESSING CO., LTD.								B				
THAI ENGER PCL								B				
DENTAL CORPORATION PCL								Y,Z				

APPENDIX 3

Assessment of sufficiency of internal Control System

Beauty Community Public Company Limited

Date : December 31, 2017

This assessment is commissioned by the Company committee.

The Committee's comment is about

The Sufficiency of Control Environment System

Internal Control Adequacy Evaluation Form

Concept and Objectives

Good internal control is vital for listed companies and public companies and the good system will enable to protect and manage risks or any damages potentially occurring with the company and stakeholders very well. Therefore, it is the responsibility of the board of directors to assure that the company has the internal control appropriate and adequate to monitor the performance in accordance with goals, objectives, laws, regulations related efficiently, can protect properties from misconducts and damages, as well as do accounting and reports correctly and reliably.

The Securities and Exchange Commission (SEC) has been cooperated very well from PricewaterhouseCoopers, Thailand (PwC Thailand) in developing this internal control adequacy evaluation form ("evaluation form") to be an instrument for the company to use it as a guideline to evaluate the internal control adequacy of the company by itself.

This evaluation form has been conducted according to the concept of COSO[1] (The Committee of Sponsoring Organizations of the Treadway Commission) with the framework revision in May 2013 and adaptation for more easily understanding, as well as suitability with Thai listed companies. The major questions are divided into 5 parts the same as the previous concept of COSO but extended explanations of each part into 17 sub-principles to understand and visualize each part more clearly.

Application

The company should apply this evaluation form as a guideline to evaluate or review the internal control adequacy at least once a year and probably make an additional revision in case of the incidence significantly affecting the company's performance. The evaluation should be approved by the Audit Committees and the Board of Directors to exchange opinions, have mutual understanding, and establish the best practices of the company.

Each item of the evaluation form should be responded on the basis of the actual practice. If evaluated and found that the company lacks any of the internal control adequacy (whether there is not the system of that item or there is a system but it is not suitable), the company should provide the reasons and resolutions to the problem.

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[1] the co-committees of the five professional institutes, i.e., American Institute of Certified Public Accountants (AICPA), Institute of Internal Auditors (IIA), Financial Executives Institute (FEI), American Accounting Association (AAA) and Institute of Management Accountants (IMA)

This assessment is commissioned by the Company committee.
The committee's comment is about
The Sufficiency of Control Environment System

Internal Control

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

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

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

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

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

Question	Yes	No
3.1 The top management determines organization's structure, which supports achievement of the Company's goals, with the consideration of suitability of both business and law and efficient control environment, such as the distribution of duties in the major tasks generating checks and balances between each other, internal inspection unit directly reporting to the inspection committee, and obvious reporting lines. *n*	✓	
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.	✓	
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.	✓	*n*
11.2 The Company should suitably indicate the control of basic information system structure.	✓	*n*
11.3 The Company should appropriately identify the control of information system security.	✓	*n*
11.4 The Company should properly specify the control of acquisition , development, and maintenance of the information system.	✓	*n*

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) *n*	✓	
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.	✓	
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 2017

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

(Unit:: Baht)

Assets	*Note*	December 31, 2017	December 31, 2016
Current assets			
Cash and cash equivalents	*4*	505,856,612.84	216,869,708.41
Current investments	*5*	800,000,000.00	680,000,000.00
Trade and other current receivables	*6,: 17*	145,650,461.68	41,768,525.58
Inventories	*7*	409,735,398.05	373,892,191.11
Total current assets		1,861,242,472.57	1,312,530,425.10
Non-current assets			
Deposits at financial institutions with obligations	*8*	-	10,000,000.00
Other long-term investments	*9*	50,000,000.00	-
Property, plant and equipment	*10*	288,565,795.71	303,795,350.35
Leasehold rights	*11*	6,113,950.07	7,323,308.15
Other intangible assets	*12*	20,960,259.37	15,971,843.37
Deferred tax assets	*13*	10,723,227.55	9,211,493.90
Other non-current assets	*14*	97,888,635.34	91,714,308.98
Total non-current assets		474,251,868.04	438,016,304.75
Total assets		2,335,494,340.61	1,750,546,729.85

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2017

(Unit: Baht)

Liabilities and shareholders' equity	*Note*	December 31, 2017	December 31, 2016
Current liabilities			
Trade and other current payables	*15, 17*	433,917,361.07	315,706,356.16
Accrued income tax		177,839,471.27	97,775,103.17
Total current liabilities		611,756,832.34	413,481,459.33
Non-current liabilities			
Non-current provisions for employee benefit	*16*	9,332,873.99	7,775,216.03
Other non-current provisions		5,103,350.00	5,103,350.00
Other non-current liabilities		4,136,572.13	3,899,050.00
Total non-current liabilities		18,572,796.12	16,777,616.03
Total liabilities		630,329,628.46	430,259,075.36
Shareholders' equity			
Share capital			
Authorized share capital			
3,022,610,000 common shares of Baht 0.10 each		302,261,000.00	302,261,000.00
Issued and paid-up share capital			
3,022,610,000 common shares of Baht 0.10 each	*18*	300,273,458.50	
3,000,000,000 common shares of Baht 0.10 each			300,000,000.00
Premium on share capital	*18*	570,726,071.12	556,439,628.87
Equity-settled share-based payment		10,311,302.69	4,768,867.48
Retained earnings			
Appropriated			
Legal reserve	*19*	30,226,100.00	30,000,000.00
Unappropriated		793,627,779.84	429,079,158.14
Total shareholders' equity		1,705,164,712.15	1,320,287,654.49
Total liabilities and shareholders' equity		2,335,494,340.61	1,750,546,729.85

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit: Baht)

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

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit: Baht)

	Note	Paid-up share capital	Premium on share capital	Equity-settled share-based payment transactions	Retained earnings: Appropriated Legal reserve	Retained earnings: Unappropriated	Total shareholders' equity
Balance as at January 1, 2016		300,000,000.00	556,439,628.87	-	30,000,000.00	261,562,009.95	1,148,001,638.82
Total comprehensive income for the year		-	-	-	-	656,517,148.19	656,517,148.19
Share-Based payments		-	-	4,768,867.48	-	-	4,768,867.48
Dividend paid		-	-	-	-	(249,000,000.00)	(249,000,000.00)
Payments for interim dividend		-	-	-	-	(240,000,000.00)	(240,000,000.00)
Balance as at December 31, 2016		300,000,000.00	556,439,628.87	4,768,867.48	30,000,000.00	429,079,158.14	1,320,287,654.49
Balance as at January 1, 2017		300,000,000.00	556,439,628.87	4,768,867.48	30,000,000.00	429,079,158.14	1,320,287,654.49
Total comprehensive income for the year		-	-	-	-	1,229,318,162.50	1,229,318,162.50
Share-Based payments	*20*	-	-	6,429,410.96	-	-	6,429,410.96
Exercise right of warrants to purchase ordinary shares	*18*	273,458.50	14,286,442.25	(886,975.75)	-	-	13,672,925.00
Appropriated as legal reserve	*19*	-	-	-	226,100.00	(226,100.00)	-
Dividend paid	*21*	-	-	-	-	(414,133,253.05)	(414,133,253.05)
Payments for interim dividend	*21*	-	-	-	-	(450,410,187.75)	(450,410,187.75)
Balance as at December 31, 2017		300,273,458.50	570,726,071.12	10,311,302.69	30,226,100.00	793,627,779.84	1,705,164,712.15

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit:: Baht)

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

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2017

(Unit:: Baht)

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

Notes to financial statements are parts of these financial statements.

BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

2.1 Preparation of financial statements

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

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

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

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

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after January 1, 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

2.3 Financial reporting standards that will become effective in the future

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenues and expenses recognition

Revenues from sales

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

Revenues from sale with consignment

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

Sales of goods - Customer Loyalty programmers

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

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

Other income and expenses

Other income and expenses are recognized on accrual basis.

3.2 Cash and cash equivalents

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

3.3 Temporary investments

Temporary investments consist of short-term deposit with financial institution due over three months

but not over 1 year and are not subject to withdrawal restrictions.

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

3.4 Trade and other current receivables

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

3.5 Inventories

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

3.6 Other long-term investments

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

3.7 Property, plant and equipment

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

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

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	Number of years
Building and improvement	30, 20, 5
Furniture	5
Office tools and equipment	5
Computer	3
Vehicles	5

Land and construction in progress were not depreciated.

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

3.8 Leasehold rights

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

3.9 Other intangible assets

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

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

3.10 Deferred tax asset

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

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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.

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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.

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

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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 entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

3.23 Significant accounting judgements and estimates

The preparation of financial statements in conformity with Thai Financial Reporting Standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These

judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for diminution in value of inventory

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

Leases

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

Property, plant and equipment/Depreciation

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

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

Intangible assets

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

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be

utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate future taxable profits.

Post-employment benefits under defined benefit plans

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

Deferred income for reward points

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

3.24 Basic earnings per share

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

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

4. CASH AND CASH EQUIVALENTS

(Unit: Baht)

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

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5. CURRENT INVESTMENTS

The Company has current investments consisted of : -

(Unit:: Baht):

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

6. TRADE AND OTHER CURRENT RECEIVABLES

(Unit:: Baht):

	December 31, 2017	**December 31, 2016**
Trade accounts receivable		
Related parties	1,030,398.97	378,971.36
Other parties		
Franchise receivable	904,996.87	1,930,384.70
Employees receivable	259,253.41	274,831.67
Other parties receivable	25,711,090.50	9,817,924.50
Sale with consignment agreement receivables	64,011,682.25	16,693,977.49
Total other parties receivable	90,887,023.03	28,717,118.36
Total trade accounts receivable	91,917,422.00	29,096,089.72
Less Allowance for doubtful accounts	(574,731.49)	(106,598.40)
Trade accounts receivable - net	91,342,690.51	28,989,491.32
Other current receivables		
Prepaid expenses	34,324,055.92	2,920,479.30
Accrued interest	3,001,286.84	2,513,755.78
Goods deposit	-	926,517.76
Advance payment	869,918.00	1,280,335.00

-

Non-refund input tax	10,700,374.41	4,761,996.06
Prepaid value added tax	4,916,820.31	-
Others	495,315.69	375,950.36
Total other current receivables	54,307,771.17	12,779,034.26
Total trade and other current receivables	145,650,461.68	41,768,525.58

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

(Unit:: Baht)

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

7. INVENTORIES

(Unit:: Baht):

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

8. DEPOSITS AT FINANCIAL INSTITUTIONS WITH OBLIGATIONS

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

9. OTHER LONG-TERM INVESTMENTS

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

(Unit:: Baht):

	At interest rate per annum			*:*
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Fixed deposits	1.60	-	50,000,000.00	-

10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2017 and 2016

(Unit: Baht)

	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
Cost:								
As at December 31, 2015	19,240,000.00	30,728,020.50	211,638,113.23	26,693,247.77	21,495,015.56	14,785,113.09	131,156,754.33	455,736,264.48
Acquisition	-	2,089,151.36	23,394,238.18	15,978,865.09	7,790,551.88	511,000.00	21,317,542.40	71,081,348.91
Disposal	-	-	-	(261,372.04)	(89,717.66)	-	-	(351,089.70)
Transfer in (out)	-	102,658,683.88	1,922,250.00	44,718,544.83	-	-	(149,299,478.71)	-
Write off/adjustment	-	(248,700.00)	(9,284,191.92)	(1,360,836.57)	(1,552,838.13)	-	-	(12,446,566.62)
As at December 31, 2016	19,240,000.00	135,227,155.74	227,670,409.49	85,768,449.08	27,643,011.65	15,296,113.09	3,174,818.02	514,019,957.07
Acquisition	-	645,050.00	21,239,001.63	10,896,737.08	6,161,391.85	6,054,700.00	2,239,198.55	47,236,079.11
Disposal	-	-	(190,790.05)	(139,694.65)	(19,950.00)	-	-	(350,434.70)
Transfer in (out)	-	4,253,684.57	-	1,225,512.00	-	-	(5,479,196.57)	-
Write off/adjustment	-	(837,000.00)	(17,003,095.60)	(2,327,747.90)	(1,605,571.30)	-	164,000.00	(21,609,414.80)
As at December 31, 2017	19,240,000.00	139,288,890.31	231,715,525.47	95,423,255.61	32,178,882.20	21,350,813.09	98,820.00	539,296,186.68
Accumulated depreciation:								
As at December 31, 2015	-	(13,102,156.82)	(112,624,054.60)	(15,889,966.87)	(15,400,525.76)	(6,192,763.71)	-	(163,209,467.76)
Depreciation for the year	-	(4,725,935.65)	(35,986,882.72)	(9,275,154.71)	(4,926,117.71)	(1,822,596.06)	-	(56,736,686.85)
Depreciation for disposal	-	-	-	218,692.84	73,372.00	-	-	292,064.84
Write off/adjustment	-	222,650.68	6,595,782.26	1,098,260.18	1,512,789.93	-	-	9,429,483.05
As at December 31, 2016	-	(17,605,441.79)	(142,015,155.06)	(23,848,168.56)	(18,740,481.54)	(8,015,359.77)	-	(210,224,606.72)
Depreciation for the year	-	(6,043,611.17)	(33,463,931.41)	(11,549,706.96)	(5,420,968.52)	(1,503,409.34)	-	(57,981,627.40)
Depreciation for disposal	-	-	103,895.36	120,322.72	2,290.96	-	-	226,509.04
Write off/adjustment	-	121,009.51	13,565,731.35	2,038,775.49	1,523,817.76	-	-	17,249,334.11
As at December 31, 2017	-	(23,528,043.45)	(161,809,459.76)	(33,238,777.31)	(22,635,341.34)	(9,518,769.11)	-	(250,730,390.97)
Net book value:								
As at December 31, 2017	19,240,000.00	115,760,846.86	69,906,065.71	62,184,478.30	9,543,540.86	11,832,043.98	98,820.00	288,565,795.71
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

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

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

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

11. LEASEHOLD RIGHTS

(Unit:: Baht):

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

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

12. OTHER INTANGIBLE ASSETS

(Unit:: Baht):

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

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

13. DEFERRED TAX ASSETS

(Unit::Baht):

	December 31, 2017	December 31, 2016
Deferred tax assets	10,723,227.55	9,211,493.90
Deferred tax liabilities	-	-
Net	10,723,227.55	9,211,493.90

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

(Unit :Baht)

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

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

(Unit :Baht)

	2017	**2016**
Current tax:		
Income tax for the year	305,619,656.35	166,294,646.08
Deferred tax :		
Deferred tax (income) derived from temporary differences and reversal of temporary differences presented in statement of comprehensive income	(1,511,733.65)	(1,119,301.33)
Income tax expenses in statements of comprehensive income	304,107,922.70	165,175,344.75
Income tax expenses related to actuarial gains directly recorded to other comprehensive income	-	127,674.00
Total	-	127,674.00

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Reconciliation amount between income tax expenses and multiplication of accounting profits and tax rates used for the year ended December 31, 2017 and 2016 can be presented as follows:

(Unit :Baht)

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

14. OTHER NON-CURRENT ASSETS

(Unit: Baht)

	December 31, 2017	December 31, 2016
Rental and services deposit	95,150,108.22	88,110,440.36
Others	2,738,527.12	3,603,868.62
Total	97,888,635.34	91,714,308.98

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15. TRADE AND OTHER CURRENT PAYABLES

(Unit:: Baht):

	December 31, 2017	December 31, 2016
Trade accounts payable		
Related parties	2,060,000.00	1,190,000.00
Other parties	188,970,759.05	114,298,927.28
Total trade accounts payable	191,030,759.05	115,488,927.28
Other current payables		
Accrued expenses	165,077,136.42	133,585,932.63
Revenue Department payable	22,256,242.69	14,819,952.99
Assets payables	19,896,807.61	15,668,200.60
Amount received advance for goods	2,594,566.89	4,665,764.61
Deferred income for reward points	26,409,871.08	23,770,306.38
Others	6,651,977.33	7,707,271.67
Total other current payables	242,886,602.02	200,217,428.88
Total trade and other current payables	433,917,361.07	315,706,356.16

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

16. NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFIT

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

: : (Unit:: Baht):

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

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

(Unit: Baht)

	2017	2016
Selling expenses	126,393.48	61,414.08
Administrative expenses	1,431,264.48	1,452,303.95
Total	1,557,657.96	1,513,718.03

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

(Unit : Baht)

	2016
Financial assumptions	1,315,424.00
Demographic assumptions	(2,021,486.00)
Experience adjustment	67,692.00
Total	(638,370.00)

Significant actuarial assumptions are summarized below:

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

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

(Unit : Baht)

	Increase	Decrease
Discount rate (0.5% movement)	(355,208.00)	379,133.00
Future salary increase rate (0.5% movement)	409,318.00	(384,760.00)
Turnover rate (1% movement)	(970,662.00)	1,136,562.00

17. TRANSACTION WITH RELATED PERSONS AND PARTIES

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

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

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

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

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

(Unit:: Baht)

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

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

(Unit:: Baht)

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

17.3 Lease agreement obligations

17.3.1 The Company has commitment under land lease agreement dated June 11, 2013 for a period of 20 years. The rental is determined equal to the independent appraiser and according to the minutes of shareholders' general meeting for the year 2014 held on April 25, 2014, passed the resolution to ament agreement by making memorandum attached agreement by entending the lease period for another 10 years in the amount of Baht 16.44 million to total period of 30 years in the amount of Baht 38.28 million in accordance with agreement dated July 23, 2014. The lease agreement period is commenced on January 1, 2014 - December 31, 2043 (the counterparties agreed to collect rental since the completion of buildings and others constrction or since January 1, 2016 whichever is earlier until the maturity of lease period). However, the Company started to record rental since January 1, 2014 onwards. The construction structured on such lease land was not transferred the ownership to the lessor, the lessee should dismantled such construction when the Company ceased the lease.

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

	*(Unit:Baht)***A**
Payment within	
1 year	874,800.00
Over 1 year not exceed 5 years	4,024,080.00
Over 5 years (to 30 years)	29,890,710.00
Total	34,789,590.00

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

	*(Unit:Baht)***A**
Payment within	
1 year	348,000.00
Over 1 year not exceed 5 years	-
Total	348,000.00

18. SHARE CAPITAL / PREMIUM ON SHARE CAPITAL

The Company's fully paid share capital has increased from Baht 300,000,000.00 (3,000,000,000 ordinary shares with a par value of Baht 0.10 each) to Baht 300,273,458.50 (3,002,734,585 ordinary shares with a par value of Baht 0.10 each) as a result of the exercise of the warrants (ESOP Warrant-1) to ordinary shares amounting to Baht 273,458.50 (2,734,585 ordinary shares with a value of Baht 0.10 each), resulting in an increase in total share premium to Baht 14,286,442.25 (including adjustment to transfer amounting to Baht 886,975.75 of capital reserve for share-based payment transaction to share premium).

The Company has registered the increase share capital with the Ministry of Commerce on July 26, 2017.

19. LEGAL RESERVE

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

20. WARRANTS TO PURCHASE ORDINARY SHARES

The Company's warrants are as follows: -

Type of warrants	Exercise price per share	Exercise ratio per 1 unit	Number of unused warrants as at January 1, 2017 (unit)	Warrants exercised during the years (unit)	Warrants remaining as at December 31, 2017 (unit)
ESOP Warrant-1	5.00	1:1	22,610,000	2,734,585	19,875,415

ESOP Warrant-1

On April 25, 2016, the Annual General Meeting of shareholders for the year 2017 of the Company, passed a resolution to approve the issuance and offering 22,610,000 units of warrants to purchase ordinary shares the Company to the directors and management/ employees of the Company.

Details are as follows:

-

Type : Specific name of the holders

Offering price per unit : Baht 0.00

Term of warrants : not over 5 years from the date of issuance and offering of warrants

Exercise ratio : 1 unit of warrant for 1 ordinary share

Exercise price : Baht 5.00 per share

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

: The directors and a member of the Executive Committee who directly manages the Company's activities on the allocation date of warrants

: Employee who work for the Company not less than 1 year on the allocation date of warrants

Conditions and period of exercise :

1) Exercise date is on the 16th of January and July of each year. The first exercise date shall be on January 16, 2017 and the last exercise date shall be the expiration date of warrants, which is 5 years from the issue and offering date.

2) Warrant holders can excerise right to purchase new ordinary share in each year are detailed as follows :

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

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

Restrictions on the right of warrants

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

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

The Company recorded expenses of the ESOP Warrant-1 for the year ended December 31, 2017 amounting to Baht 6.43 million as employee expenses and recognized "Equity-Settled Share-Based Payment" in shareholders' equity by the same amount.

21. DIVIDEND

Dividend

According to the Annual General Meeting of shareholders for the year 2017 held on April 25, 2017, passed the resolution to pay dividend from the result of operation for the year 2016 to the shareholders for 3,001 million shares at Baht 0.218 each, totally amount of Baht 654.13 million which was made interim dividend payment at Baht 0.080 per share, totally amount of Baht 240 million, the remaining dividend to be paid at Baht 0.138 per share, amount of Baht 414.13 million. The Company has already paid such dividend on May 18, 2017.

Interim dividend

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

22. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES

22.1 Directors' remuneration

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

22.2 Management benefit expenses

Management benefit expenses focus salaries, remunerations and other benefits paid to their directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission.

Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels and includes the accounting and financial executive officer, the manager level above or persons in position comparable.

23. PROVIDENT FUND

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

The Company has paid the contribution to the fund for the year ended December 31, 2017 amount of Baht 4.86 million.

24. EXPENSES ANALYZED BY NATURE

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

(Unit:Baht)

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

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25. EARINGS PER SHARE

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

(Unit:: Baht):

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

26. FINANCIAL INFORMATION BY SEGMENT

26.1 The core operating segment information is to distribute cosmetic by retail and non-retail channel. This operating segment information is reported corresponding with the internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to make decision about the allocation of resources to the segment and assess its performance. The chief operating decision makes of the Company has been identified as the President of executive management.

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

(Unit:: Baht):

	2017	2016
Retail	2,550,764,652.71	2,075,492,732.10
Non-retail	1,162,632,937.89	463,957,284.56
Total	3,713,397,590.60	2,539,450,016.66

26.2 For the purpose of management, the Company restructured the organization as domestic and overseas geographical segment by separating into retail and non-retail distribution. Besides, the Company has overseas income, and selling to franchise and business centre lower than 10 % of total sale volumn, so therefore, the Company did not present financial information by segment.

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27. COMMITMENT AND CONTINGENT LIABILITIES

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

(Unit:Baht)

Payment within	
1 year	204,867,245.17
Over 1 year but less than 3 years	159,510,493.62
Total	364,377,738.79

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

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

27.4 Commitment under lease agreement with related person

27.4.1 Commitment under lease land agreement for warehouse building construction.

(Unit:Baht)

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

27.4.2 Commitment under lease land and with its construction.

(Unit:Baht)

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

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28. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

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

28.1 Management risk policy

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

Credit risk

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

Interest rate risk

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

Exchange rate risk

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

28.2 Fair value of financial instruments

Most of the Company's financial assets and liabilities are classified as short-term, and the rates of loan interest are based on the market value. The book value of financial assets and liabilities shown in statements of financial position are close to their fair value. Fair value is the amount for which an asset could be exchanged between knowledgeble, 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.

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29. CAPITAL MANAGEMENT

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

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

30. EVENTS AFTER THE REPORTING PERIOD

30.1 The Company's fully paid share capital has increased from Baht 300,273,458.50 (3,002,734,585 ordinary shares with a par value of Baht 0.10 each) to Baht 300,484,126.50 (3,004,841,265 ordinary shares with a par value of Baht 0.10 each) as a result of the exercise of the warrants (ESOP Warrant-1) to ordinary shares amounting to Baht 210,688 (2,106,680 ordinary shares with a value of Baht 0.10 each). The Company has registered the increase share capital with the Ministry of Commerce on January 26, 2018.

30.2 According to the minutes of Board of directors' meeting No. 2/2018 held on February 22, 2018, passed the resolution as follows:

30.2.1 Propose to the shareholders' general meeting for payment the dividend from the 2016 results of operations to the shareholders for 3,005 million shares at Baht 0.408 each, amounting to Baht 1,226 million. The Company has already paid interim dividend in 2017 at Baht 0.15 per share amounting to Baht 451 million, the remaining dividend to be paid of Baht 0.258 per share amounting to 775 million.

30.2.2 Propose to the shareholders' general meeting to allocate warrants (ESOP Warrant-1) which were recovered of 1,000,000 units from the resigned employees to the directors who are the executive management of the Company without offering price.

31. FINANCIAL STATEMENTS APPROVAL

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