



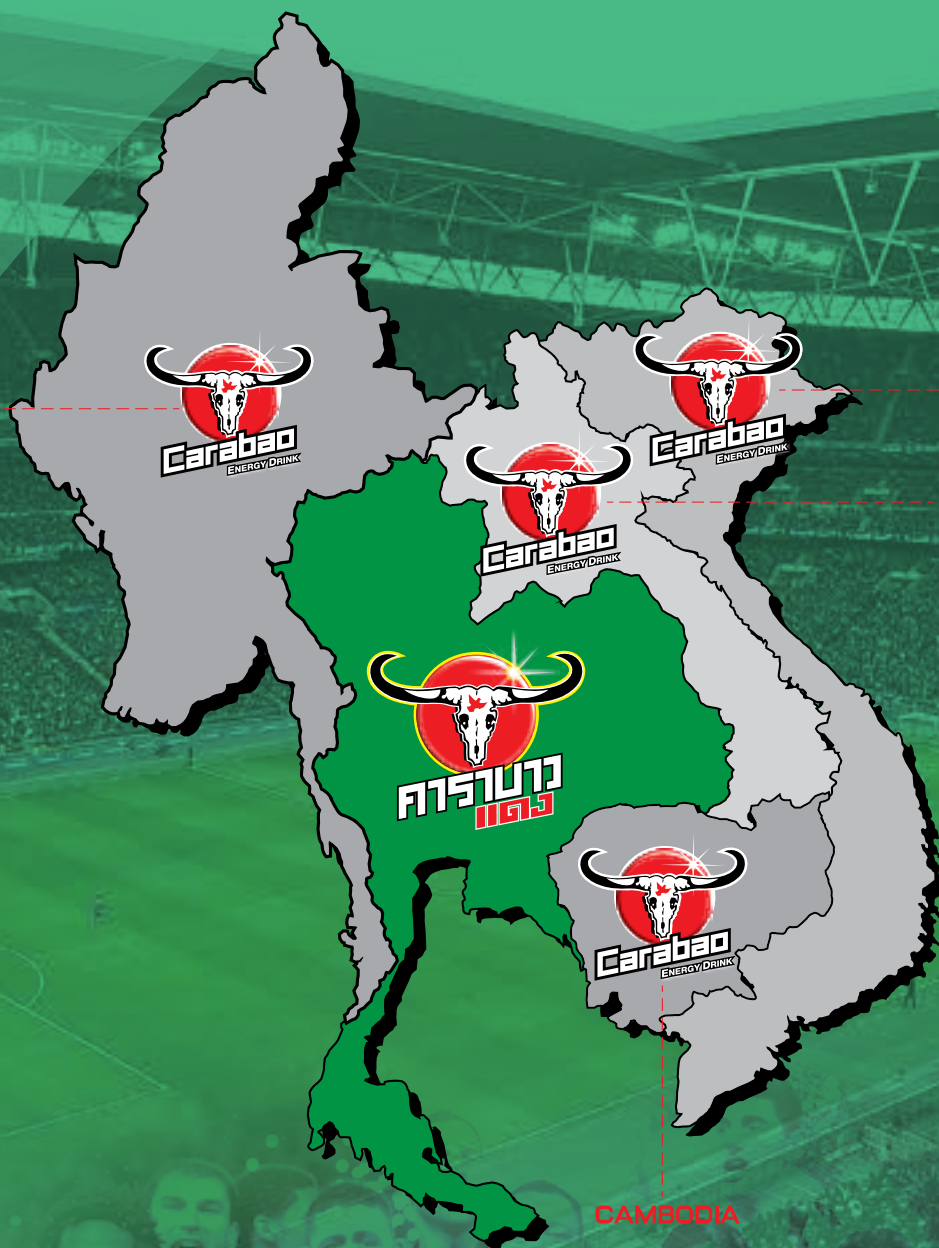
# ANNUAL REPORT 2016







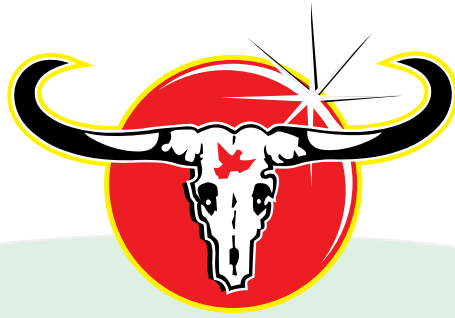
MYANMAR



VIETNAM

LAOS

CAMBODIA



## **CARABAO GROUP**

### **Vision**

To be a leading energy drink business in Thailand  
and the CLMV region.

(Cambodia, Laos, Myanmar and Vietnam)

### **Mission**

The Company seeks to create customer satisfaction through  
proactive marketing innovations.

The Company seeks to maintain a quality management system,  
using know-how to drive its business as well as being responsible  
towards its community and society.

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For international energy drink market in 2016, the Group focuses its approach to expand worldwide under a practical concept of “**World Class Team. World Class Product**”, through an affiliation with world class football club to boost our brand recognition worldwide. The Group sponsored English Premier League team, Chelsea Football Club, as a principal sponsor, and appointed a distributor in the United Kingdom and European zone, as well as signed a contract to become a sponsor of English Football Cup (EFL) under the title “Carabao Cup” for a period of 3 years (2017-2020), starting from next season 2017/2018 onwards. This is our strategy to introduce Thai brand worldwide, resulting in Carabao brand recognition internationally, which is in line to our strategy and our determination to expand our overseas sales via sport marketing to bring revenue to the country.



# MESSAGE FROM CHAIRMAN

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In 2016, Carabao Group Public Company Limited reveals a growing revenue of THB 10,112 million, an increase of THB 300 million or 28 per cent compared to previous year, and a growing net profit of THB 1,489 million, an increase of THB 234 million or 18 per cent compared to previous year. The Group successfully delivered solid growth, revealing double digit growth in top and bottom line, driven by undertaking strategic adjustment and proactive planning. As a result, the Group are able to thrive in adverse economic condition, in both domestic and oversea market, through capitalizing on our continuous efficient management.

For domestic energy drink market in 2016, the Group undertakes strategic change in selling and distribution management in order to increase the firm's competitiveness. The Group achieved organic domestic growth via increasing distribution centers (DC) on a regional scale up to 31 DC, which we believe will reach 300,000 outlets nationwide. While in the meantime, the Group strive to create synergy together with the help of our proactive marketing activation team "Bao Dang Girls" to communicate key message and promotion activities to reach our target consumers regularly, with accuracy, and in line to the

Group's goals and vision. As a result, 2016 marked the Group's best year for domestic market with an all-time highest energy drink market share of 24 per cent (according to Nielsen market research).

For international energy drink market in 2016, the Group focuses its approach to expand worldwide under a practical concept of "World Class Team. World Class Product", through an affiliation with world class football club to boost our brand recognition worldwide. The Group sponsored English Premier League team, Chelsea Football Club, as a principal sponsor, and appointed a distributor in the United Kingdom and European zone, as well as signed a contract to become a sponsor of English Football Cup (EFL) under the title "Carabao Cup" for a period of 3 years (2017-2020), starting from next season 2017/2018 onwards. This is our strategy to introduce Thai brand worldwide, resulting in Carabao brand recognition internationally, which is in line to our strategy and our determination to expand our oversea sales via sport marketing to bring revenue to the country.

On behalf of the board of directors, I would like to express our deepest gratitude towards the shareholders, customers, business partners, and other agencies for your support on Carabao Group's business operation, and sincerest gratitude to our executive committee and our employees for your cooperation, hard work, and dedication, in order to steer the company towards sustainable growth. This made it possible for us to work together in synergy towards our vision, direction, policy into fulfilling our commitment and goals.



Mr. Sathien Setthasit  
Chairman of the Board of Director  
Carabao Group Public Company Limited



# Director of the company



## 1. Mr. Sathien Setthasit

Chairman of the Board of Director / Chief Executive Officer

### Educational Qualifications/Training

- B.A. (Political Science), Sukhothai Thammathirat Open University
- Director Accreditation Program (DAP), Thai Institute of Directors (IOD)

### Work Experience

- |                |  |
|----------------|--|
| 2014 – Present | Chairman of the Executive Committee / Chairman of the Nomination and Remuneration Committee / and Chief Executive Officer Carabao Group Public Company Limited |
| 2014 – Present | Chairman of the Board of Directors Asia Pacific Glass Co., Ltd.  |
| 2012 – Present | Chairman of the Board of Directors Tawandang DCM Co., Ltd.   |
| 2013 – Present | Chairman of the Board of Directors Carabao Group Public Company Limited  |
| 2002 – Present | Chairman of the Board of Directors Carabao Tawandang Co., Ltd.   |
| 1999- Present  | Director and member of the Executive Committee Tawandang Brewery Co., Ltd.   |

## 2. Miss Nutchamai Thanombooncharoen

Director / Managing Director

### Educational Qualifications/Training

- B.A. (Social Sciences), Silpakorn University
- M.A. (Commerce and Accountancy), Thammasat University
- Director Certification Program (DCP), Thai Institute of Directors (IOD)
- Financial Statements for Directors (FSD), Thai Institute of Directors (IOD)
- Risk Management Committee Program (RMP), Thai Institute of Directors (IOD)
- Transformative HR System, Panyapiwat Institute of Management (PIM)
- Top Management Program, Capital Market Academy (CMA)
- Top Executive Program in Commerce and Trade (TEPCot)

### Work Experience

- |                |  |
|----------------|--|
| 2014 – Present | Vice Chairman of the Executive Committee / Vice Chairman of the Risk Management Committee / Member of the Nomination and Remuneration Committee and Managing Director Carabao Group Public Company Limited |
| 2014 – Present | Vice Chairman of the Board of Directors Asia Pacific Glass Co., Ltd.   |
| 2013 – Present | Vice Chairman of the Board of Directors Carabao Group Public Company Limited   |
| 2013 – Present | Managing Director Carabao Tawandang Co., Ltd.  |
| 2012 – Present | Managing Director Tawandang DCM Co., Ltd.  |
| 2002 – Present | Director Carabao Tawandang Co., Ltd.   |
| 2002 – 2013    | Deputy Managing Director Carabao Tawandang Co., Ltd.   |
| 1999- Present  | Director and member of the Executive Committee Tawandang Brewery Co., Ltd.   |
| 2005- Present  | Director and member of the Executive Committee Tawandang German Brewery Co., Ltd.  |





### 3. Mr. Yuenyong Opakul

Director / Senior Deputy Managing Director

#### Educational Qualifications/Training

- Honorary Doctorate (Liberal Arts), Bangkok Thonburi University
- Honorary Doctorate (Thai Popular Music), Thammasat University
- Director Accreditation Program (DAP), Thai Institute of Directors (IOD)

#### Work Experience

2014 – Present	Senior Deputy Managing Director Carabao Group Public Company Limited
2014 – Present	Director Asia Pacific Glass Co., Ltd.
2014 – Present	Director Tawandang DCM Co., Ltd.
2013 – Present	Director Carabao Group Public Company Limited
2002 – Present	Director / Senior Deputy Managing Director Carabao Tawandang Co., Ltd.



### 4. Mr. Kamoldist Smuthkochorn

Director / Deputy Managing Director - Marketing

#### Educational Qualifications/Training

- Bachelor of Technology (Hons.), Computing Studies, University of Bradford

#### Work Experience

2015 - Present	Director Carabao Group Public Company Limited
2015 - Present	Director Carabao Tawandang Co., Ltd.
2015 - Present	Director Asia Pacific Glass Co., Ltd.
2015 - Present	Director Tawandang DCM Co., Ltd.
2014 - Present	Member of the Executive Committee / Member of the Risk Management Committee and Deputy Managing Director / Marketing Carabao Group Public Company Limited
2014 - Present	Deputy Managing Director, Marketing Asia Pacific Glass Co., Ltd.
2014 - Present	Deputy Managing Director, Marketing Tawandang DCM Co., Ltd.
2002 – 2013	Director, Marketing Carabao Tawandang Co., Ltd.





## 5. Mr. Romtham Setthasit

Director

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### Educational Qualifications/Training

- Bachelor of Marketing, University of Wollongong, NSW, Australia
- Master of International Business, University of Queensland, QLD, Australia

### Work Experience

2016 – Present	Director / Assistant Managing Director CEO's Office, Carabao Group Public Company Limited
2014 – 2015	Department Director, CJ Express Group Company Limited
2012 – 2013	Department Director, Tawandang Singapore Company Limited



## 7. Mr. Sanchai Jullamon

Independent Director

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### Educational Qualifications/Training

- B.A. (Law), Ramkamhaeng University
- M.A. (Law), Ramkamhaeng University

### Work Experience

2014 – Present	Independent Director Carabao Group Public Company Limited
2013 – Present	Legal Consultant Thai Food Group Public Company Limited
Present	Legal Consultant B and W Cases Company Limited (Double A Group)
Present	Vice President of volunteer lawyers for government service
2013 – Present	Lawyer, Legal Consultant and Independent Lawyer
2014 – 2013	Director of the Zoological Park Organization under the Royal Patronage of His Majesty the King Ministry of Natural Resources and Environment

## 6. Mrs. Saowanee Kamolbutr

### Chairman of the Audit Committee / Independent Director

#### Educational Qualifications/Training

- Bachelor of Arts in Political Science (Public Administration), Thammasat University
- Master of Political Science (Public Administration) (M.Pol.Sc.), Thammasat University, Bangkok
- National Defense College (NDC 2015)
- Certificate (Class 7), Top Management Program, Capital Market Academy (CMA)
- Senior Executive Program (Kellogg – Sasin)
- The Management Development Program, Wharton School
- Director Certification Program (DCP), Institute of Directors (IOD), Class 69
- Advance Audit Committee Program (ACP), Institute of Directors (IOD)
- Role of the Compensation Committee (RCC), Institute of Directors (IOD)
- Role of the Chairman Program (RCP), Institute of Directors (IOD)
- Financial Institutions Governance Program (FGP), Institute of Directors (IOD)
- Advanced Security Management Program Alumni (ASMA.) Class No.4, The Association National Defense College of Thailand under the Royal Patronage of His Majesty the King

#### Work Experience (until 2010)

2016 - Present	Independent Director / Member of Audit Committee : Glow Energy Public Company Limited
2016 - Present	Independent Director / Member of Audit Committee / Chairman of Good Corporate Governance Committee / Member of Risk Management Committee : FN Factory Outlet Public Company Limited
Aug.2014 - Present	Honorary Director, Rajapark Institute
Aug.2014 – Present	Director, Small and Medium Enterprise Development Bank of Thailand (SME Bank)
July 2014 - Present	Advisor, The Committee on Economics, Monetary Affairs and Finance, The Committee of the National Legislative Assembly
Apr.2014 – Present	Independent Director, Chairman of the Audit Committee and Vice Chairman of the Nomination and Remuneration Committee Carabao Group Public Company Limited
Apr.2013 – Present	Independent Director, and member of the Audit Committee Interlink Communication Co., Ltd
Nov.2012 – Present	Independent Director and Chairman of the Audit Committee T.K.S. Technology Public Company Limited
Oct. 2012 – Sep. 2013	Chairman of the Executive Director, Retail Business Unit, Thai Yarnyon Company Limited
Dec. 2009 – May 2013	Chairman of the Board of Directors, TMB Bank Public Company Limited
Apr. 2009 – May 2013	Director, Don Muang Tollway Public Company Limited
2009 – Oct. 2012	Deputy Permanent Secretary, Ministry of Finance





## 8. Mr. Kanit Patsaman

### Independent Director

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#### Educational Qualifications/Training

- Bachelor of Economics, Ramkhamhaeng University
- MBA, National Institute of Development Administration
- Director Certification Program (DCP), Thai Institute of Directors (IOD)
- Audit Committee Program (ACP) Thai Institute of Director (IOD)
- Corporate Governance for Board of Directors and Top Management of State Enterprise and Public Organization by King Prajadhipok's Institute

#### Work Experience

- |                |   |
|----------------|---|
| 2016 - present | Member of Audit Committee, Member of Nomination and Remuneration, Member of Risk Management Committee, Carabao Group Public Company Limited |
| 2014 – 2016    | Independent Director, Carabao Group Public Company Limited  |
| 2013 – 2014    | Director, Bank for Agriculture and Agricultural Co-operatives   |
| 2013           | Director, Thai Credit Guarantee Corporation   |
| 2012 – 2014    | Director, National Housing Authority  |
| 2005 - 2013    | Advisor to Liquidation directors and authorized representative of liquidation directors, Thai Asset Management Corporation                  |

## 9. LT. GEN. Siripong Wongskhunti

### Independent Director

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#### Educational Qualifications/Training

- Bachelor of Science, Chulachomklao Royal Military Academy
- Master of Arts, Thammasat University

#### Work Experience

- |                |   |
|----------------|---|
| 2016 – Present | Independent Director, Carabao Group Public Company Limited                                  |
| 2015 – Present | Director – General, Defense Energy Department, Defense Industry and Energy Centre           |
| 2013           | Deputy Director – General, Defense Energy Department, Defense Industry and Energy Centre    |
| 2013           | Deputy Director – General, Defense Mobilization Department, Defense Mobilization Department |
| 2010           | Deputy Commandant, Army Intelligence School, Directorate of Intelligence                    |

# Executive Committee



1



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1 Mr. Sathien Setthasit

Chairman of Executive Committee

2 Miss Nutchamai Thanombooncharoen

Vice Chairman of Executive Committee

3 Mrs. Wongdao Thanombooncharoen

Member of Executive Committee

4 Mr. Kamoldist Smuthkochorn

Member of Executive Committee

5 Mr. Paiboon Kujareevanich

Member of Executive Committee

6 Mr. Pongsarn Klongwathanakith

Member of Executive Committee

# Audit Committee

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1

Mrs. Saowanee Kamolbutr

Chairman of the Audit Committee



2.

Mr. Sanchai Jullamon

Member of the Audit Committee



3.

Mr. Kanit Patsaman

Member of the Audit Committee

# Risk Management Committee

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## 1. Mrs. Saowanee Kamolbutr

Chairman of Risk Management Committee

## 2. Miss Nutchamai Thanombooncharoen

Vice Chairman of Risk Management Committee

## 3. Mr. Kanit Patsaman

Member of Risk Management Committee

## 4. Mr. Kamoldist Smuthkochorn

Member of Risk Management Committee

## 5. Mr. Paiboon Kujareevanich

Member of Risk Management Committee

## 6. Mr. Pongsarn Klongwathanakith

Member of Risk Management Committee

## 7. Mr. Anupong Pongsuwan

Member of Risk Management Committee



# Nomination and Remuneration Committee

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## 1. Mr. Sathien Setthasit

Chairman of Nomination and Remuneration Committee

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## 2. Mrs. Saowanee Kamolbutr

Vice Chairman of Nomination and Remuneration Committee

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## 3. Miss Nutchamai Thanombooncharoen

Member of Nomination and Remuneration Committee

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## 4. Mr. Sanchai Jullamon

Member of Nomination and Remuneration Committee

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## 5. Mr. Kanit Patsaman

Member of Nomination and Remuneration Committee

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# Management

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## 1. Mr. Sathien Setthasit

Chief Executive Officer

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## 2. Miss Nutchamai Thanombooncharoen

Managing Director

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## 3. Mr. Yuenyong Opakul

Senior Deputy Managing Director

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## 4. Mr. Kamoldist Smuthkochorn

Deputy Managing Director - Marketing

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## 5. Mr. Paiboon Kujareewanich

Deputy Managing Director - Production

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## 6. Mr. Pongsarn Klongwathanakith

Chief Financial Officer

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In 2016 we derived total revenue from sales of Baht 9,965 million, increasing by Baht 2,212 million or 28.5%, as we experienced growth from market perspective i.e. domestic and export sales as well as product perspective i.e. existing products and new products we launched commercially during the year. Gross profits amounted to Baht 3,577 million, increasing by Baht 717 million or 25.1%. Gross profits margin was 35.9%. On the other hand, SG&A expenses amounted to Baht 1,995 million, increasing by Baht 515 million or 34.8%. Such a considerable increase in SG&A expenses was due mainly to sponsorship fees paid to Chelsea FC and ICUK's marketing expenses that we started to recognize through the consolidated financial statements since May and October 2016, respectively. Net profits attributed to shareholders of the Company amounted to Baht 1,490 million, increasing by Baht 234 million or 18.7%

# Summary of Financial Highlight

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The Thai economy expanded by 3.2% in 2016, compared to a 2.9% growth in the previous year. This was attributed to improvements particularly in domestic consumption, tourism industry and the government's infrastructure investment projects. The National Economic and Social Development Board (NESDB) expects the economy to grow by 3-4% in 2017, subject to export growth, improved market price and outputs in the agricultural sector. These factors in turn will altogether function as a driver to private investments, and disposable income and household spending respectively.

Consumers have become increasingly health conscious towards the Asian beverage markets. Such behavioral phenomena serve as a strong motivation among the RTD non-alcohol beverage companies to make continuous effort to push forward with product variety in terms of size, packaging, taste, and more substance of vitamin, mineral, amino acid and fruit for the benefits of living a good life. Nevertheless, due to geographic factors that cause a rather hot weather to Thailand throughout the year as well as a shift in social developments by and large whereby Thai people have tendency to spend the considerable amount of time outside their residence, the Thai consumer still have sizable demands for refreshing and tasty drinks.

The Thai energy drink market declined by 3% in 2016, compared to a 1% increase in the previous year. We believed that slowdown in advertising and promotional expenditures overall was among the market headwinds that came to lower demands for the products. Despite what being said, our market share grew to approximately 24%, in accordance with the market survey by A.C. Nielsen.

Our energy drinks grew by 12.1% in volume terms due to our continuous implementations of marketing strategies for the benefits of building acceptance of product quality and recognition of Carabao brand among target consumers (Pull strategies) through a variety of advertising media and promotional activities, and growing distribution coverage (Push strategy) effectively. We have strengthened our distribution capabilities by rolling out distribution centers across major provinces in the country, starting from February 2015 and completing as planned with 30 distribution centers in October 2016, which in turn allows us to gain access, concrete business dealing relationships and sell the products directly to approximately 320,000 retailers with our own fleet of 337 cash vans. Establishments of distribution centers are of importance to our growth strategies in Thailand as they provide a window of opportunities for not only increasing revenue from sales of our branded products but also bringing about a long-term source of additional revenue from sales of 3rd party products for distributions. In 2016, there were 13 products we distributed for 3rd parties and derived revenue from sales of Baht 197 million respectively.

In order to mitigate business risks arising from our reliance on the Thai's energy drink market, we leverage our Carabao brand to develop and launch a series of new products including Carabao drinking water, Carabao 3 in 1 coffee and Carabao RTD coffee. We believe our brand is widely accepted and associated with good taste and refreshing beverages among target markets in Thailand. In 2016, revenue from sales of our branded products in Thailand amounted to Baht 6,401 million, representing an increase of Baht 925 million or 16.9% and including bottled Carabao Dang of Baht 6,015 million, up by Baht 636 million or 11.8%, Star Plus of Baht 148 million, up by Baht 51 million or 53.1% and new products commercially launched during the year of Baht 238 million. In addition, we also tap and extend our reach to new





markets outside Thailand progressively. In 2016, revenue of export sales amounted to Baht 3,362 million, representing an increase of Baht 1,086 million or 47.7%. Export sales accounted for 33.7% of total revenue from sales, up from 29.4% in the previous year. We derived export sales mainly from our bottled and canned energy drinks under Carabao brand with CLMV region, Afghanistan and Yemen being the existing main markets.

Our new chapter of promoting our energy drinks under Carabao trademark started in November 2015 where we successfully entered into a 3-year principal partnership deal with Chelsea Football Club Limited for 3 seasons. Such a marketing platform will be used to communicate and position our products in a uniquely differentiated way under the concept “World class team World class product” to target consumers across various countries. In October 2016, we have decided to invest in partnership with Intercarabao Private Limited (“ICSG”), a business partner unrelated to the Company, and hold shares in Intercarabao Limited (“ICUK”) to principally engage in marketing, sales and distributions of our energy drinks under Carabao trademark in the United Kingdom. As a consequence, we have recognized financial performance of ICUK through the consolidated financial statements of the Company and subsidiaries in accordance with the applicable financial reporting standards from October 2016 onwards. In November 2016, we managed to sign a 3-year sponsorship agreement with English Football League in the United Kingdom, which in turn has paved the way to change the title from “EFL Cup” to “Carabao Cup” for 3 seasons.

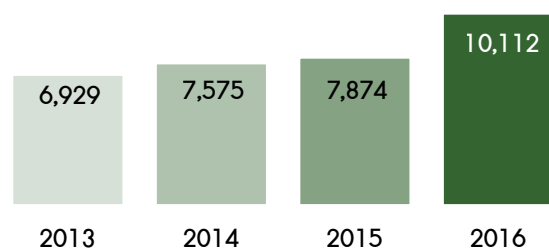
For financial performance in 2016, we derived total revenue from sales of Baht 9,965 million, increasing by Baht 2,212 million or 28.5%, as we experienced growth from market perspective i.e. domestic and export sales as well as product perspective i.e. existing products and new products we launched commercially during the year. Gross profits amounted to Baht 3,577 million, increasing by Baht 717 million or 25.1%. Gross profits margin was 35.9%. On the other hand, SG&A expenses amounted to Baht 1,995 million, increasing by Baht 515 million or 34.8%. Such a considerable increase in SG&A expenses was due mainly to sponsorship fees paid to Chelsea FC and ICUK’s marketing expenses that we started to recognize through the consolidated financial statements since May and October 2016, respectively. Net profits amounted to Baht 1,405 million, increasing by Baht 149 million or 11.9%. Net profits margin was 13.9%. Net profits attributed to shareholders of the Company amounted to Baht 1,490 million, increasing by Baht 234 million or 18.7%.

As of 31 December 2016, total assets were Baht 9,778 million whereas total liabilities and shareholders’ equity were Baht 2,679 million and Baht 7,100 million, respectively. Debt to equity ratio was 0.38 time, compared to 0.16 time as of 31 December 2015, since we started to record the drawdown of loans from financial institutions in order to help fund the Bangkok can filling project of CBD and the amber glass production capacity expansion project of APG. Both projects have been considered on purpose to support demands for our energy drinks that have tendency to increase in the future, both domestically and internationally.

# Financial Highlight

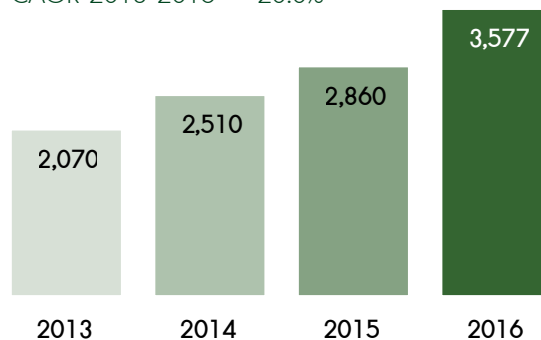
## Total Revenues (Baht Million)

CAGR 2013-2016 13.4%



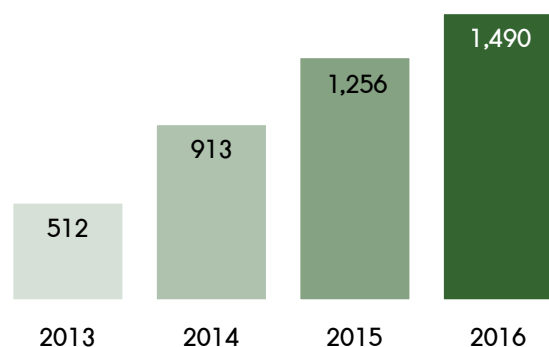
## Gross Profit (Baht Million)

CAGR 2013-2016 20.0%



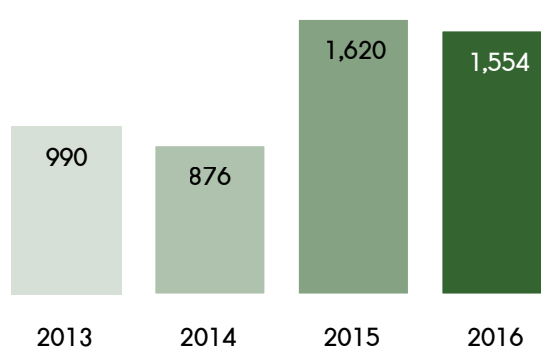
## Net Profit (Baht Million)

CAGR 2013-2016 42.8%



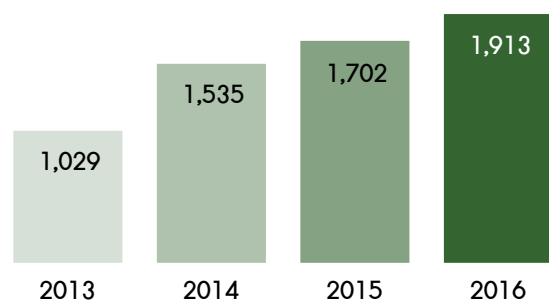
## Cash flow from operating activities (Baht Million)

CAGR 2013-2016 16.2%



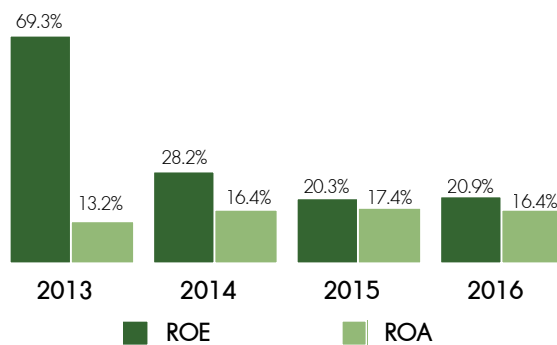
## EBITDA (Baht Million)

CAGR 2013-2016 23.0%



## Return on equity (ROE)

## Return on assets (ROA)







# 1. General Information

<b>Name of Issuer</b>	<b>Carabao Group Public Company Limited</b>
<b>Type of Business</b>	Engage as a holding company to hold and invest in companies that operate vertically integrated business activities of manufacturing, marketing, selling and managing distribution of energy drinks and other beverages
<b>Principle place of business</b>	393, 393 Building, 7 - 10th floor, Silom Sub-District, Bangrak District, Bangkok
<b>Company Registration Number</b>	0107557000268
<b>Telephone</b>	02-636-6111
<b>Fax</b>	02-636-7951
<b>Website</b>	www.carabaogroup.com
<b>Securities Class</b>	Ordinary share
<b>Registered capital</b>	Baht 1,000,000,000 at par value of Baht 1.00 per share

## The Company's subsidiary as of December 31, 2016

<b>1. Company's Name</b>	<b>Carabao Tawandang Co., Ltd ("CBD")</b>
<b>Type of Business</b>	Principally engage in manufacturing, marketing, and selling energy drinks under Carabao Dang trademark, electrolyte drinks under Start Plus trademark and other beverages the Group plans to manufacture and sell in the future
<b>Principle place of business</b>	393, 393 Building, 7 - 10th floor, Silom Sub-District, Bangrak District, Bangkok
<b>Company Registration Number</b>	0105544081165
<b>Securities Class</b>	Ordinary share
<b>Registered Capital (baht)</b>	300,000,000
<b>Number of Shares (Shares)</b>	3,000,000
<b>CBG's Shareholding (Shares)</b>	2,999,990
<b>Shareholding Percentage</b>	99.99 %

<b>2. Company's Name</b>	<b>Tawandang DCM Co., Ltd. ("DCM")</b>
<b>Type of Business</b>	Principally engage in managing distribution of the Group's products through traditional trade and modern trade channels in domestic markets
<b>Principle place of business</b>	393, 393 Building, 7 - 10th floor, Silom Sub-District, Bangrak District, Bangkok
<b>Company Registration Number</b>	0105555092457
<b>Securities Class</b>	Ordinary share
<b>Registered Capital (baht)</b>	100,000,000
<b>Number of Shares (Shares)</b>	1,000,000
<b>CBG's Shareholding (Shares)</b>	999,980
<b>Shareholding Percentage</b>	99.99 %

<b>3. Company's Name</b>		<b>Asia Pacific Glass Co., Ltd. ("APG")</b>
Type of Business	Principally engage in manufacturing and procuring glass bottles as packaging materials production of energy drinks and other beverages	
Principle place of business	393, 393 Building, 7 - 10th floor, Silom Sub-District, Bangrak District, Bangkok	
Company Registration Number	0105548125787	
Securities Class	Ordinary share	
Registered Capital (baht)	1,300,000,000	
Number of Shares (Shares)	13,000,000	
CBG's Shareholding (Shares)	12,999,980	
Shareholding Percentage	99.99 %	
<b>4. Company's Name</b>		<b>INTERCARABAO LIMITED ("ICUK")</b>
Type of Business	Principally engage in marketing, sales and distribution of energy drinks under Carabao trademark in the United Kingdom	
Principle place of business	51 Clarke Grove Road, Sheffield, South Yorkshire, S10 2NH, United Kingdom	
Securities Class	Ordinary share	
Registered Capital	GBP 14,500,000	
Shareholding Percentage	100% held by CVHLUX	
<b>5. Company's Name</b>		<b>Carabao Holdings (Hong Kong) Limited ("CHHK")</b>
Type of Business	Principally engage as an overseas holding company for the Group	
Principle place of business	RM 2101 Hong Kong Trade CTR, 161-7 Des Voeux Road Central, Hong Kong	
Securities Class	Ordinary share	
Registered Capital	USD 10,000,000	
Shareholding Percentage	100% by the Company	
<b>6. Company's Name</b>		<b>CARABAO VENTURE HOLDINGS (LUXEMBOURG) LIMITED S.À R.L. ("CVHLUX")</b>
Type of Business	Principally engage as an overseas holding company	
Principle place of business	412F, route d'Esch, L-086 Luxembourg, Grand-Duché de Luxembourg	
Securities Class	Ordinary share	
Registered Capital	EUR 16,883,881	
Shareholding Percentage	51% by CHHK (the remaining 49% held by ICSG)	
<b>7. Company's Name</b>		<b>CARABAO TRADING (HONG KONG) LIMITED ("CTHK")</b>
Type of Business	Principally engage as an international trading company	
Principle place of business	RM 2101 Hong Kong Trade CTR, 161-7 Des Voeux Road Central, Hong Kong	
Securities Class	Ordinary share	
Registered Capital	USD 50,000	
Shareholding Percentage	100% by the Company	

## Securities Registration

### Thailand Securities Depository Co., Ltd.

62 The Stock Exchange of Thailand Building, Rachadapisek Road, Klongtoey,

Bangkok 10110, Thailand

Tel: +66 2229 2800

## Auditor

### E Y OFFICE COMPANY LIMITED

33ND FLOOR, LAKE RAJADA OFFICE COMPLEX,193/136-137 NEW RAJADAPISEK ROAD, KHLONG TOEI, BANGKOK 10110, Thailand

Telephone : +66 2264 0777

## Lawyer

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# HISTORY OF CARABAO

1977



Carabao Band

1981



The First Album of Carabao Was Launched

2002



- Carabao Dang Energy Drink Was Launched
- 25<sup>th</sup> Anniversary Album

2004



Began to Export to 15 Countries

2015



Carabao UK Was Launched

2014



Carabao Group started Trading in Stock Exchange of Thailand

2013



APG Manufactured Glass Bottles for Carabao Product

2012



OCM Established as a Distributor for Carabao Products

2015



Carabao Expanded the Market in Europe by Becoming Partner with Reading Football Club

2016



Principal Partner with Chelsea Football Club

2016



25<sup>th</sup> Carabao Anniversary

2016



Official Partner of EFL



## 2. Company's History

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### Major Development of the Group

#### Year 2002

- CBD was established as a joint investment company among Mr. Sathien Setthasit, Miss Nutchamai Thanombooncharoen and Mr. Yuenyong Opakul (Aed Carabao) to engage in manufacturing, marketing and selling energy drinks
- The factory being located in Bangpriang Sub-district, Bangbo District, Samut Prakan Province commenced operations with installed capacities of 275 million bottles per year
- In October, CBD launched an energy drink under "Carabao Dang" trademark

#### Year 2012

- DCM was incorporated in order to engage in managing domestic distribution and appointed as an official distributor of CBD's all products

#### Year 2013

- CBD expanded its installed capacities, up from 548 million bottles to 850 million bottles per year
- Carabao Group Company Limited (the "Company" or "CBG") was incorporated as a holding company. Subsequently, the Company attempted a group restructuring exercise and share acquisitions in all 3 subsidiaries, namely CBD, DCM, and APG

#### Year 2014

- CBD launched its electrolyte drinks under "Start Plus" trademark in Thailand
- Carabao Group Company Limited was converted and renamed into "Carabao Group Public Company Limited"
- In August, APG's amber glass bottle factory commenced operations with installed capacities of 650 million bottles per year
- In November 21, Carabao Group began the first trading day in Stock Exchange of Thailand (SET) under the ticker "CBG", offering 250 million shares for sales at the IPO price of Baht 28 per share for the issue size of Baht 7,000 million
- CBG won the "Best Equity Deal of The Year in Southeast Asia" from the 8th Annual Alpha Southeast Asia Deal and Solution Awards 2014

#### Year 2015

- In May 12, CBG was selected as part of the MSCI Global Small Cap Indexes (effective May 29, 2015)
- In July 7, CBG received the "Most Improved Investor Relations" from Alpha South East Asia in the event of the 9th Annual Best Financial Institution Awards & the 5th Annual Corporate Awards 2015
- CBG was added to the SET50 Index of the SET
- In November, CBG signed an agreement to become a Principal Partner with Chelsea FC, the world's premiere league football club, among other 2 global Principal Partners i.e. Adidas's sports wears and Yokohama's automobile tyre. Such a 3-season agreement started from 2016 and lifted the Group's trademark to worldwide recognition in line with the Group's business strategies to increase export revenue from sales
- DCM established provincial distribution centers in pursuit of cash van commencement. The Group opened and operated 9 distribution centers as of year end

## Year 2016

- CBD built a new can filling factory at Bangpakong, Chachoengsao province pursuant to the Executive Committee's meeting held on 11 August 2016. The can filling factory was expected to accommodate up to 6 production lines. CBD in this respect invested to install 2 new production lines and consequently expanded its can filling production capacities to approximately 800 cans per annum in the initial phase
- APG expanded the amber glass factory at Bangpakong district, Chachoengsao province pursuant to the Executive Committee's meeting held on 11 August 2016. Such expansion allowed APG to lift its installed capacities to 620 tons of molten glass per day or equivalent to the amber glass container of energy drinks under Carabao Dang trademark of approximately 1,300 million bottles per annum.
- CBG made investments in partnership with ICSG to invest and hold shares in ICUK, a company principally engaged in marketing, selling and distributing energy drinks under Carabao trademark in the United Kingdom as a result of the Executive Committee's meeting held on 11 August 2016. Such equity investments were made indirectly through the 2 newly established subsidiaries of the Company, namely CHHK and CVHLUX
- CVHLUX entered into a contract to sponsor the English Football League in the United Kingdom for 3 seasons starting from 2017 in strategic move to further brand association of the products in terms of quality and image with sports and world class football club
- The number of distribution centers reached 30 units with a fleet of 337 cash vans in operations





# 3. Risks Factors

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**Risk factors associated with the Group are as follows:**

## **3.1 Risk resulting from the operation as a holding company**

The Group operates as a holding company in which its revenues mainly derived from the shares held in its subsidiaries and do not have any business operation of its own that can generate material income. Therefore, the Group's turnover depends upon the performance and the capability to pay dividends of its subsidiaries. Consequently, potential risks are those relating to the business operation and capability to pay dividends of its subsidiaries. At present, the revenues from its subsidiaries account for 100% of the Group's net income. As a result, the performance of its subsidiaries is material to the Group's overall profits. Therefore, if the subsidiaries experience operating difficulties, the Group's overall operation results will also be directly affected. The subsidiaries of the Group have a policy to pay dividend to shareholders at the rate of no less than 40.0 percent of net profit after income tax under the separate financial statements of the subsidiaries and the allotment of a legal reserve. The rate of dividend payment is subject to their operating results, financial conditions, liquidity, investment requirements, additional investments, business expansion, conditions and restrictions provided under loan agreements and other factors relating to their management as their Board of Directors and/or shareholders may consider appropriate. However, the dividend payment must not be in excess of the retained earnings under the subsidiaries' separate financial statements, and must be in accordance with the relevant law.

Furthermore, the dividends, which the Group will pay to its shareholders, will be paid out of its net profit shown in its non-consolidated financial statements, which depend upon its subsidiaries' ability to pay dividends. Due to the fact that the dividends paid by its subsidiaries account for substantially all income in the Group's non-consolidated financial statements, if the subsidiaries are unable to pay dividends to the Group according to their dividend policies due to their negative operation results during that period of time or any other business reasons, such as the need for a capital reserve for business expansion or loan repayment, etc., the Group's ability to pay dividend will be affected.

At present, it is the Group's policy to pay dividends of no less than 40 percent of the net profit, under the consolidated financial statements, after the deduction of income tax, but not including unrealized profits or loss from the exchange rate, and after the allocation of capital reserves. In this regard, the dividend payment rate depends on the investment plan, conditions and limitations under loan agreements or other relevant agreements (if any), financial condition and operation results, and other related factors. The board of directors may review and revise the dividends payment policy from time to time in order to reflect the Group's future plan of business growth, demand for investment fund and working capital, and other factors as deemed appropriate. Payment of dividends shall not exceed the accumulated profits that appear in the Group's separate financial statements, and shall be in accordance with relevant laws, namely the Public Limited Companies Act, and other conditions such as actual cash flow, profit, financial condition, and demand for capital of the Group, and other factors that the board of directors may deem relevant. However, the Group cannot give a warranty whether it will make profits in any given year or whether the board of directors will pay dividends despite the Group making profits. Pursuant to the Public Limited Companies Act, if a Group still suffers accumulated loss, the Group cannot pay dividends even if it has net profit in that year.

### **3.2 Risk relating to the competition in the business of energy drinks and other beverages**

Energy drinks and electrolyte drinks are highly competitive products among both existing market players and newcomers. Due to significantly high competition in the energy drinks market in Thailand, there has been no significant price adjustment in the past. At present, a 150 ml energy drink is sold at a retail price of Baht 10 per bottle. Therefore, in order to maintain or increase their market shares, each market players, including CBD, need to conduct marketing activities as well as utilizing budget allocated for advertising and public relations in a regular and continuous manner. These material competitors of CBD may have better capital capacity and more efficiency in their production and in conducting successful marketing activities than CBD does. As a result of this intense competition, CBD might be unable to maintain its market share or may incur significant marketing expenses, which could have a material adverse effect on the businesses, operation results and financial condition of the Group.

### **3.3 Risk resulting from the commercial launch of new products**

CBD anticipates the importance of launching new products in the market. In launching a new product each time, CBD has to invest substantial amounts of funding for product development, design, manufacturing and marketing, including advertisement, public relations and sales promotion to make the products well known, attract consumers' positive response, and achieve a satisfactory sales volume for such new products. CBD has potential risk from such investment if the new product is not well accepted or favored by consumers especially in a highly competitive business environment. If CBD is not successful in launching a new product, there could be material adverse impact on the Group's businesses, operation results and financial condition.

### **3.4 Risk relating to the reliance on Mr. Yuenyong Opakul (Aed Carabao) as the presenter and brand ambassador for the Group's products and the reliance of the image of the Carabao Band**

At present, CBD has an agreement to engage Mr. Yuenyong Opakul to be an exclusive presenter and brand ambassador of CBD to perform the duties of public relations and promotion of image for the "Carabao Dang" trademark or products. Such public relations and advertising agreement has a term of 5 years and can be automatically extended for another 5 years. The fee for the first 5 years is fixed at Baht 10 million per year and for the extended five-year period is at Baht 12 million per year. In this regard, the Group can propose an adjustment of the fee as to be appropriate and conform to the market price

Therefore, CBD relies on the good image and reputation of Mr. Yuenyong Opakul in its marketing activities. As a result, should there be any significant change the in image and reputation of Mr. Yuenyong Opakul, the image of "Carabao Dang" brand might be materially affected and CBD may lose its existing target customers. These could have a material adverse impact on the Group's businesses, operation results and financial condition.

In addition, as the "Carabao Dang" trademark is associated with the Carabao songs-for-life band, it thus has to rely on the good image and reputation of the Carabao songs-for-life band. As a result, should there be any significant change in the image and reputation of Carabao songs-for-life band, the image and products of "Carabao Dang" brand might be materially affected and CBD may lose its existing target customers. These could have a material adverse impact on the Group's businesses, operation results and financial condition.

### 3.5 Risk relating to CBD's using importers, agents and/or local distributors to advantages of selling its products outside Thailand

In exporting its products to foreign countries, CBD must rely on importers, agents and/or local distributors in each country where CBD export to. CBD has no policies to enter into long-term agreements with these importers, agents and/or local distributors, although CBD has extensive business relationship with such importers, agents and/or local distributors. The conduct of business model in this manner is regarded as general practice in the industry CBD operates in.

Therefore, CBD cannot assure that all of its importers, agent and local distributors will maintain its business relationship with CBD in the future. In addition, CBD cannot assure that these importers, agents and/or local distributors will distribute the products according to the targets set by CBD. If several importers, agents and/ or local distributors decide to terminate their business relationship with CBD or fail to meet the targets, CBD may be adversely affected by the delay in its negotiations and agreements with other importers, agents and/ or local distributors, or there may be difficulties in operating business or distributing products abroad. In addition, CBD cannot assure that the importers, agents and/or local distributors will be able to fully comply with the local government rules and regulations applicable to the operation of business abroad, and CBD may not be able to reach an agreement with new importers, agents and/or local distributors within appropriate timing, or may not be able to find new importers, agents and/or local distributors altogether. In such case, there could be a material adverse effect on the Group's businesses, business opportunities, operation results and financial condition.

### 3.6 Risk resulting from volatility of raw material prices and shortage of raw materials

The main materials used in manufacturing CBD's products are glass bottles (approximately 90% are supplied by APG) and sugar, for APG are glass cullet and natural gas.

#### (1) Sugar

Sugar is a commodity product with price volatility depending on the market demand and supply and the government policies. If there is any increase in the price of such raw material, CBD cannot assure that it will be able to pass on the increased costs to its consumers, which may create material adverse effect on the Group's businesses, operation results and financial condition.

CBD uses 2 kinds of sugar for its products:

#### (a) Sugar for products sold domestically

The price of sugar used for products sold in Thailand is controlled by the Ministry of Commerce. If the Ministry of Commerce changes its policy and increases the price of sugar, there could be a material adverse effect on the Group's businesses, operation results and financial condition.

Furthermore, should the Government change sugar pricing policy or decide to remove pricing restrictions in relation to sugar in the future to support the liberalization of the ASEAN Economic Community (AEC), the price of sugar could be volatile and this may affect the production cost for CBD.

**(b) Sugar for exported products**

The price of sugar used for manufacturing export products is subject to sugar prices in global markets, which are, in turn, subject to the demand and supply of sugar. The demand and supply of sugar are affected by weather condition which could be favorable or unfavorable to cultivation in each country, government's promotion, intervention, export and import policies of the sugar industry, especially in developed countries. In addition, sugar prices are also correlated with fuel prices, because cane juice and molasses are used to produce ethanol for use in blending automotive fuel. As a result, sugar prices in global market are highly volatile and may have an impact on the production cost of CBD.

**(2) Glass cullet**

Glass cullet is the main material for manufacturing amber glass bottles. APG has entered into a short-term agreement with a term of approximately one year to source glass cullet from cullet suppliers. APG also plans to issue purchase orders to source glass cullet from at least two or three cullet suppliers, in accordance to a common market practice. However, APG cannot assure that the suppliers will be able to supply sufficient quantity of glass cullet and at reasonable price. Hence, APG may incur higher production cost for the glass bottles as APG may have to adjust its production formula by using other materials with higher cost than glass cullet such as increased use of glass sand and soda ash etc. This may cause adverse material impact on the Group's businesses, operation results and financial condition.

**(3) Natural gas**

Natural gas is an important raw material used in the production of amber glass bottles of APG. APG has entered into a gas supply agreement with PTT Public Company Limited ("PTT") for a term of approximately five years. The price structure consists of (1) gas price which is variable according to the price of fuel oil in Singapore, currency exchange rates of Baht per US dollar and estimated use of natural gas per day and (2) the demand charge which is a fixed cost, specified according to the agreed quantity of natural gas and to be adjusted according to the actual use in every six months.

Therefore, there is a risk where the price of natural gas could increase according to the change of the fuel oil price in Singapore, the USD-THB exchange rates volatility and the quantity of natural gas used per day. The increase of natural gas prices may result in the higher cost for APG.

In addition, if PTT does not have sufficient amounts of natural gas, PTT may not be able to supply the gas to APG in the agreed amount. This may result in insufficient gas for APG in the production of amber glass bottles to meet the amount in the production plan, and APG may have to stop the operation of the amber glass bottle manufacturing factory. Warming furnace after the cessation of manufacturing in order to resume operations could incur high cost. If the above risks or uncertainties materialize, there could be an adverse impact on the Group's businesses, operation results and financial condition.

### **3.7 Risk arising from changes in government's policies, rules and regulations relating to the Group's businesses**

The business of producing, marketing and selling "Carabao Dang" of CBD is governed by certain statutes and regulations of concerned agencies, i.e. Food Act B.E. 2522 (1979) (as amended) and relevant notifications and rules of the Ministry of Public Health. These statutes impose restrictions on advertisement and marketing of energy drink products, for example, restrictions on the advertisement of product properties and sale promotion activities and the requirement of daily consumption limit warning on labels. In addition, the business of producing energy drinks of CBD is subject to



the requirements of the laws and regulations relating to environments such as the Factory Act, B.E. 2535, the Act on the Promotion and Preservation of Environment Quality, B.E. 2535. These restrictions and requirement are significant factors which CBD must take into account when making decisions relating to its marketing and sales promotion activities. Therefore, if the government authorities change the policies, rules or regulations relating to energy drink business to be more stringent, there could be an impact on the marketing activities and strategies of CBD. If CBD is unable to change these policies and strategies to comply with the relevant rules and regulations, or incur increased burden in complying with the changed rules, there could be a material adverse effect on the Group's businesses, operation results and financial condition.

### **3.8 Risk in relation to CBD's inability to register and renew registration of its products in the countries where they are sold**

To sell its products both domestically and internationally, CBD has to register such products with the relevant regulatory authorities. If CBD is unable to register or renew registration of its products in any country, CBD might be unable to sell its products in that country and there could be material adverse impact on the competitiveness, operation results, financial condition and business opportunities of the Group.

### **3.9 Risk relating to safety consumption of and confidence in the Group's products**

#### **(1) Risk from productions**

CBD is exposed to certain risks in the production, packaging and sale of products. These risks may arise from (1) products of inferior quality, (2) defective products, (3) contaminated products, or (4) mislabeling or inadequate or incorrect product warning, thereby causing consumers to suffer damage and exercise a claim against CBD for its liability and compensation thereafter, or resulting in recall of CBD's products or suspension or stoppage of its operations by an order of the concerned regulatory authority. As a result, there could be a material adverse effect on the Group's businesses, operation results and financial condition.

#### **(2) Risk from product consumptions**

Although CBD has provided warnings as prescribed in Notification of the Ministry of Public Health (No. 194) B.E. 2543 (2000) re: Labels, and Notification of the Ministry of Public Health (No. 182) B.E. 2541 (1998) re: Nutritional Labels, such as, for Carabao Dang, "Do not drink more than 2 bottles a day to avoid heart palpitation or sleeplessness", "Children and pregnant women should not consume", "If you have a medical condition, consult your doctor before use", on product labels, CBD remains exposed to risks relating to consumption of "Carabao Dang" energy drinks if the consumers fail to comply with the warning on labels. This may cause the injured consumers to exercise a claim against CBD, or CBD's products may be recalled from the market or its operations may be suspended or stopped by an order of the concerned authority. Such circumstance, if any, could materially and adversely affect the Group's businesses, operation results and financial condition.

In addition, if there is an allegation that CBD's products are harmful, although such allegation is not based on facts, CBD may suffer a decrease in consumers' demand for the products under its trademarks and a recall of these products.

A recall of any products, irrespective of whether it is lawful, could have material adverse impact of the Group's reputation, businesses, operation results and financial condition.

### **3.10 Risks from reliance upon personnel, especially key management**

The Group's operation of business requires the knowledge, expertise and experience of key personnel, particularly of high-level management. If the Company is unable to retain such key management, or cannot find a replacement that is equally qualified, this could materially and adversely affect the Group's businesses, operation results, and financial condition.

### **3.11 Financial risks from fluctuation in exchange rates**

CBD generates revenue from the sales of Carabao Dang in foreign countries. Some of the exports are sales in US dollars currency, while almost all raw materials are procured domestically which, at present, the Group does not use any financial instruments to prevent such exchange rate fluctuation, posing risks from fluctuation in exchange rates for CBD. If the exchange rate is volatile, CBD's pricing and sales may be affected. If the Baht has the tendency to appreciate, CBD's export revenue, when converted to Baht, would decrease. This may cause material adversely effect on the businesses, operation results, and financial condition of the Group.

In addition, if in the future the Group has additional investment in foreign currency such as Great British Pound and EURO, the Group could be exposed to the risk associated with such currency exchange rates.

### **3.12 Risk from insufficient coverage under the Group's insurance**

Although it is the Group's policy to take up insurance related to the operation of the Group's businesses, in order to reduce risks arising from loss of and/or damage to the Group's core assets, and the Group still faces risks arising from the policies not covering all consequential loss and/or damage such as damage from wars and terrorist acts, or if the value of the damage is higher than the sum insured. The Group also risks the insurance Group's inability to pay the claim specified in the insurance policy. Moreover, The Group may face the risk from its inability to renew the insurance policy at a reasonable price if the price of the insurance policy increases. These risks may affect the operation results and financial condition of the Group.

### **3.13 Risks from interruption of the Group's business operation**

The Group uses its factories and warehouses for producing, marketing, and distributing energy drinks and other beverages. In the events of natural disasters such as storms, fires, earthquakes, or other serious events not expected by the Group, such as a disruption to the electrical system, shortage of water supply, terrorist acts, and wars, such events may significantly affect the ability of the Group to produce products and operate the business, which may create material adverse impact on the business, operation results, and financial condition of the Group.

### 3.14 Risks from the vote control of major shareholders in the general meeting of shareholders

As of August 30, 2016, Mr. Sathien Setthasit Group, Miss Nutchamai Thanombooncharoen Group and Mr. Yuenyong Opakul Group will hold approximately 34.3 percent, 22.8 percent, and 9.65 percent of total issued shares of the Company, respectively.

In addition, Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen will hold the positions of management and authorized directors of the Group. These 2 major shareholders have the control over the management of the Group and can jointly control voting at the general meeting of shareholders in almost all matters such as the appointment of directors, or matters which require majority votes from shareholders. Furthermore, the shareholding percentage of Mr. Sathien Setthasit Group or Miss Nutchamai Thanombooncharoen Group will be sufficient to constitute a veto against important matters which, pursuant to the law or the Group's Articles of Association, which requires at least three-fourths approval from shareholders who are present and are entitled to vote at the general meeting of shareholders.

### 3.15 Risk from fluctuations in market interest rates

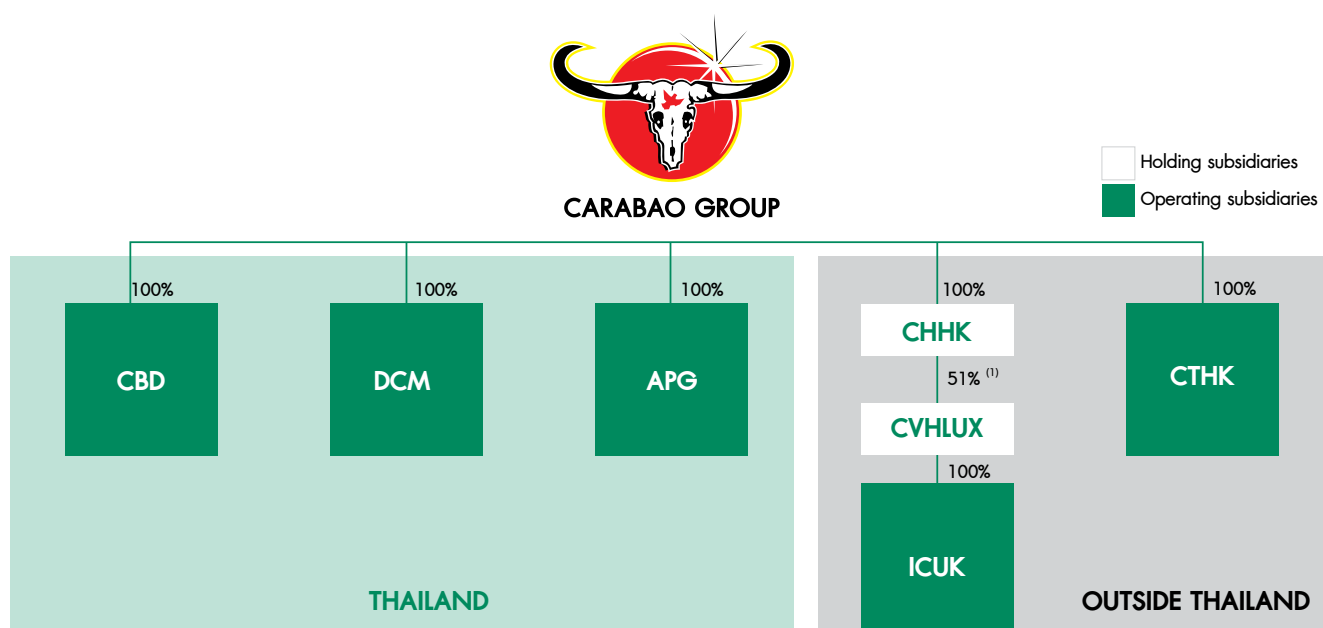
According to the consolidated financial statements of the Company and subsidiaries for the fiscal year ending 31 December 2016, loans from financial institutions amounted to THB 1,000 million representing the interest-bearing debt to equity ratio of 0.14 times. Such borrowings were made in a funding attempt for CBD and APG to support the expansion of can filling and amber glass production capacities, respectively. Any increase in the market interest rates may expose the Company and subsidiaries to higher financial costs and in turn cause negative effects to financial performance and position of the Company and subsidiaries significantly.





## 4. Nature of Business Operation for Individual Product Line

Carabao Public Company Limited is principally engaged as a holding company to invest and hold shares in other companies. Shareholding structure and the investee companies are as follows:



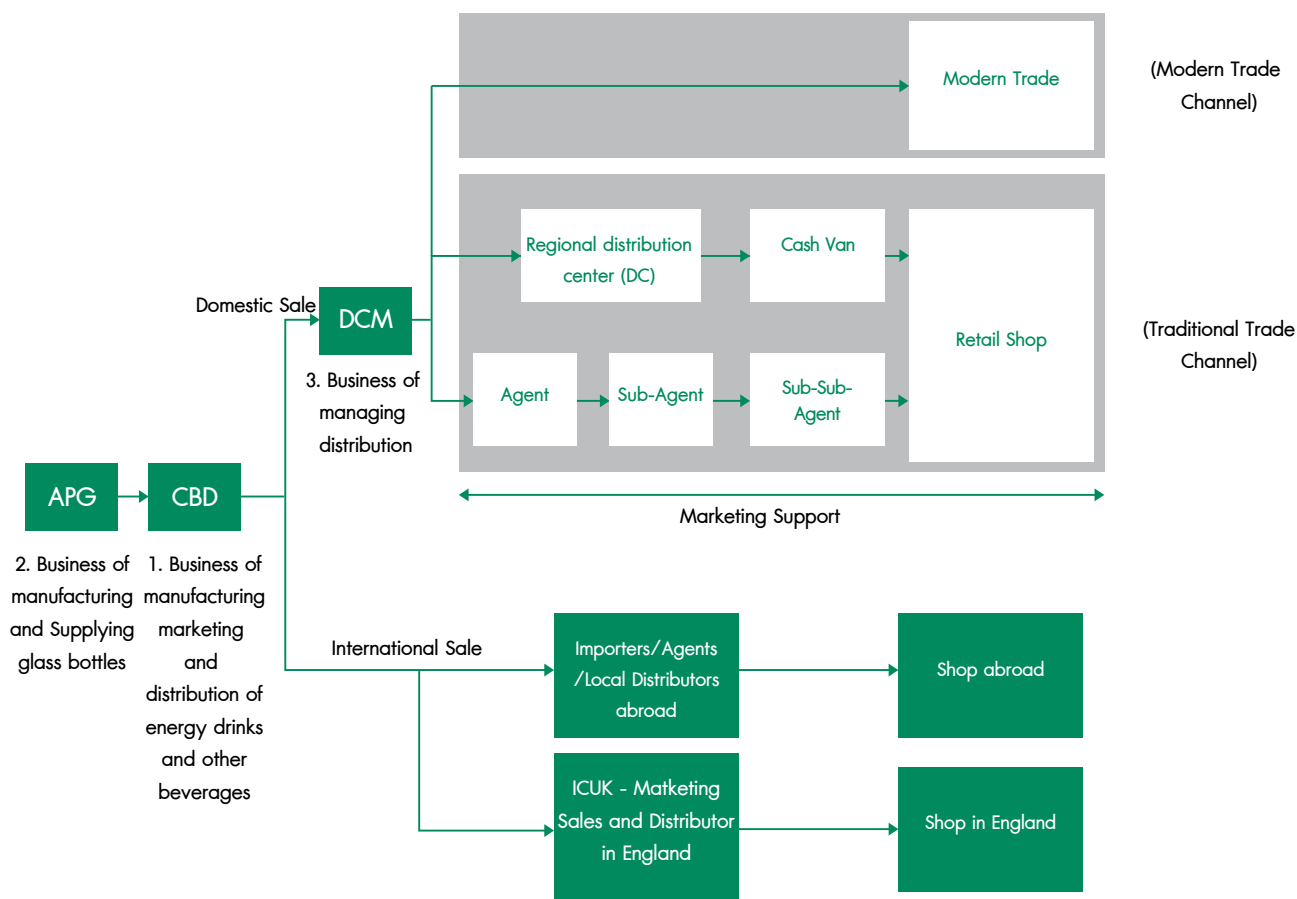
Remark: Information as of 31 December 2016

(1) The remaining 49% equity interest is held by Intercarabao Private Limited ("ICSG"), a non-related party to the Company and subsidiaries

### 4.1 Business operations engaged by the subsidiaries in which the Company makes investments and holds shares are summarized as follows:

#### 4.1.1 The subsidiaries duly incorporated in Thailand

The group of subsidiaries duly incorporated in Thailand is established to reinforce the "Carabao Dang creating value for life" policy and in doing so engaged in a vertically business operations of manufacturing, marketing, selling and managing distribution of energy drinks and other beverages. Energy drinks are under Carabao Dang trademark. The Group's business operations can be summarized as follows:



The Group's business operations can be categorized into 3 core units as follows:

## (1) Business of manufacturing, marketing, selling and distributing energy drinks and other beverages

Carabao Tawandang Co., Ltd., or CBD, which is a wholly owned subsidiary of the Group, manufactures, markets, sells and distributes energy drinks under Carabao Dang trademark, electrolyte drinks under Start Plus trademark, 3 in 1 coffee under Carabao 3 in 1 Rick Aroma and Carabao 3 in 1 Espresso trademarks, RTD coffee under Carabao Robusta and Carabao Espresso trademarks, drinking water under Carabao trademark as well as other beverages the Group plans to manufacture and sell in the future. Note that the productions of 3 in 1 coffee, RTD coffee and drinking water are outsourced to the respective 3rd parties (OEM).

CBD manufactures energy drinks in 2 distinct formats including a 150ml bottle format under the Carabao Dang trademark and a can format under Carabao trademark, both 250ml non-carbonated and 325ml carbonated versions. In 2016, CBD managed its installed filling capacities of 1,080 million bottles and 350 million cans. The bottled energy drinks are marketed, sold and distributed locally whereas the majority of energy drinks made available in other countries are customary in can to match market conditions and consumer preference in those countries.

The present filling productions managed under CBD has difficulties in modifying and installing new machines due to limitation of spaces available in the area. Such a physical constraint has caused CBD's considerations to build a new production site at Bangpakong, Chacheungsao province, comprising two factories that are designed to accommodate up to 10 bottle filling machines and 6 canning filling machines. CBD is expected to lift its capacities to approximately 1,535 million bottles and 800 million cans per year, respectively, upon completion of such expansion projects.

On the other hand, CBD has its installed capacities of approximately 110 million bottles per year for electrolyte drinks under Start Plus trademark. The product is entirely sold in the Thai market.

For distributions of the branded energy drinks and electrolyte drinks in Thailand, CBD first sells to DCM and DCM in turn will manage to distribute the products for sales to certain 1) agents in traditional trade channels 2) retailers directly through its own fleet of cash vans and 3) modern trade. For export sales of energy drinks under Carabao trademark, CBD sells to the importers, agents or local distributors and they will subsequently distribute the products to retailers in their respected countries.

## **(2) Business of manufacturing and procuring glass bottles**

Asia Pacific Glass Co., Ltd. or APG, which is a wholly owned subsidiary of the Group, manufactures and procures glass bottles for the manufacturing of energy drinks and other beverages of the Group. APG procures glass bottles from third party suppliers as well as owns an amber glass bottle manufacturing plant with a furnace capable of manufacturing up to 310 tons of molten glass per day. Thus, APG manages its installed capacities of approximately 650 million bottles of energy drinks under Carabao Dang trademark per year.

In order to support demands for the bottled energy drinks that have tendency to grow, both domestically and internationally, APG started to expand its installed capacities of amble glass bottles. The expansion is expected to be commercially operational by early 2018 and allow APG to lift its installed capacities to 620 molten glass per day or approximately equivalent to 1,300 million bottles of energy drinks under Carabao Dang trademark per year.

## **(3) Business of managing distribution channels**

Tawandang DCM Co., Ltd. or DCM, which is a wholly owned subsidiary of the Group, manages product distributions for the Group through various channels in Thailand i.e. traditional trade and modern trade as well as the provincial distribution centres with 337 cash vans and over 500 dedicated headcounts across the country as at year ended 2016. DCM also provides distribution services for the 3rd parties since November 2015. In 2016, there were 13 products DCM distributed for the 3rd parties. Details are set out in the 3rd-party products for distributions section.

### **4.1.2 The subsidiaries duly incorporated outside Thailand**

The Company joint venture with Intercarabao Private Limited ("ICSG"), which has no association of any kind with the company and their sub-companies for making investments by holding share in ICUK indirectly through 2 subsidiaries namely CHHK and CVHLUX. ICUK has a strategic business plan along with proficient management team with international experience in the food & beverage industry from leading global companies. ICUK has the objective of taking energy drink under Carabao trademark to overseas market, starting with the United Kingdom, one of the five world's largest energy drink market.

In the future, ICUK might consider further opportunities to expand the business in to European markets. ICUK will begin its marketing activities with the objective of raising brand awareness and building brand saliency among target consumer. One of the way it has sought to differentiate from others is through the partnership with Chelsea Football club and Carabao Club. At the same time, ICUK are working to increase its distribution channel coverage.

In the end of 2016, ICUK has distributed energy drink under Carabao trademark through over 8,000 stores in London and South East of the United Kingdom and has future plan to increase distribution channel to leading Modern trade in the United Kingdom.

## 4.2 The Group's Products

The Group has 2 types of main products, (1) Branded Products under own brand, (2) The 3rd Party products. About Branded Products, the Group has both producing itself and outsourcing (OEM). The Revenues structure can be summarized as follow:

Total Revenues	2014		2015		2016	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>Domestic markets</b>						
<b>The Group's branded products from its own manufacture</b>						
Bottled Carabao Dang	5,276	70.83%	5,379	69.38%	6,015	60.36%
Start Plus	82	1.10%	97	1.28%	148	1.48%
<b>Subtotal</b>	<b>5,358</b>	<b>71.93%</b>	<b>5,475</b>	<b>70.62%</b>	<b>6,163</b>	<b>61.84%</b>
<b>The Group's branded products from the manufacture of respective outsourced parties</b>						
Carabao drinking water	-	-	-	-	102	1.02%
Carabao 3-in-1 Coffee	-	-	-	-	56	0.66%
Carabao RTD Coffee	-	-	-	-	80	0.80%
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238</b>	<b>2.38%</b>
<b>Total branded products</b>	<b>5,358</b>	<b>71.93%</b>	<b>5,475</b>	<b>70.26%</b>	<b>6,401</b>	<b>64.23%</b>
<b>Total Third party products for distribution</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0.02%</b>	<b>197</b>	<b>2.04%</b>
<b>Total Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>0.1%</b>
<b>Total domestic sales</b>	<b>5,358</b>	<b>71.93%</b>	<b>5,477</b>	<b>70.65%</b>	<b>6,604</b>	<b>66.27%</b>
<b>Export markets</b>						
<b>The Group's branded products</b>						
Bottled Carabao Dang	90	1.21%	86	1.11%	123	1.24%
Canned Carabao (non- carbonated)	2,001	26.86%	2,094	27.01%	3,048	30.58%
Canned Carabao (Carbonated)	-	-	94	1.22%	185	1.86%
Start Plus	-	-	1	0.01%	-	0.00%
Others	-	-	-	0.00%	5	0.05%
<b>Total export sales</b>	<b>2,091</b>	<b>28.07%</b>	<b>2,276</b>	<b>29.35%</b>	<b>3,362</b>	<b>33.73%</b>
<b>Total revenue from sales</b>	<b>7,449</b>	<b>100.0%</b>	<b>7,753</b>	<b>100.0%</b>	<b>9,965</b>	<b>100.0%</b>

### (1) Bottled Carabao Dang



Bottled Carabao Dang is a non-carbonated energy drink made available in a 150ml bottle format. The Group sells bottled Carabao Dang mainly in the Thai markets with the retail price of Baht 10.0 per bottle. The product is also exported to certain countries where bottled energy drinks are popular among consumers.

Bottled Carabao Dang has been the first of energy drink in Thailand to spell out vitamin B12 clearly on the product label so as to differentiate bottled Carabao Dang. Such a marketing communication strategy was believed to form part of the contributing factors to the successful launch of bottled Carabao Dang in Thailand.

### (2) Canned Carabao (Non-carbonated)



Canned Carabao is a non-carbonated energy drink made available in a 250ml can format. The Group mainly sells canned Carabao in other countries such as Cambodia, Afghanistan, Yemen, Myanmar, Vietnam and other countries. The ratio of main ingredients in canned Carabao varies from one country to other, depending on consumer behavior and preference as well as the applicable regulations.

### (3) Canned Carabao (Carbonated)



Canned Carabao is a carbonated energy drink made available in a 325ml can format. It was first launched in Cambodia since May 2015 and has been exported to many countries including but not limited to Yemen, Kenya and United Kingdom in the present and other countries where the carbonated version is preferred among consumers in the future.



#### (4) Start Plus



Start Plus is an electrolyte drink made available in a 250ml glass bottle at the retail price of Baht 10.0 in Thailand. It was first introduced to the Thai markets in May 2014. The Group commenced the marketing and selling of Start Plus in Thailand through highlighting Zinc as a key ingredient to distinguish Start Plus from its competitors.

#### (5) Carabao Drinking Water



Carabao drinking water is packaged and sold in clear PET bottle size 600 ml and 1,500 ml in Thailand with a retail price of THB 10 and THB 15. In February 2105, the Group commenced the marketing and selling of Carabao drinking water in Thailand. Carabao drinking water offers to consumers a natural underground water that is contaminant free, in which it uses 4 high standards technology process: (1) Filtration, (2) R.O., (3) UV and (4) Ozone, in order to achieve quality Carabao Drinking water.

## (6) Carabao instant powder 3-in-1 coffee



Carabao instant powder 3-in-1 coffee has 2 flavors: (1) Carabao Rich aroma (red sachet) 1 packet of 19 grams contains up to 30 sachets, (2) Carabao Espresso (green sachet) 1 packet of 18 grams contains up to 30 sachets, price THB 90 per pack. In July 2016, the Group first launched Carabao instant powder 3-in-1 coffee, and differentiate its product through highlighting the delicious smooth flavor as key taste of Carabao Rich Aroma while emphasizing the intense coffee flavor as key taste of Carabao Espresso.

## (7) Carabao Ready-To-Drink Coffee



Carabao ready-to-drink coffee has 2 flavors: (1) Espresso (Green can), and (2) Robusta (Red can) package size of 180 ml. with a general retail price of THB 10, which is lower priced than the competitor by THB 3. In November 2016, the Group launched Carabao ready-to-drink coffee in Thailand and differentiate its product through highlighting the intense coffee flavor as key taste of Carabao ready-to-drink coffee.

## (8) Third party products




By the end of 2016, the Group manages the distribution of 13 products for third party entities via cash van channel. The third party products under the Group's cash van distribution are divided into (1) Food category (e.g. salted peanuts, salted broad beans, green peas "Racha", fish Snacks "Ginda"), and (2) Non-Food category (e.g. toothbrush "Big Smile", dish washing liquid "Wow", tissue roll "So Soft", fabric softener "Soft D", detergent "Champ", razor "X power", and toilet cleanser "Big gun").

4.3 Marketing and Competition

(1) Target Customer

Target customer for all products of the company can be summarized as follows:

Product	Characteristics of Target Customer
<div>Carabao Dang</div> <div></div>	<ul style="list-style-type: none"><li>For domestic market, the Group's target customers is the working population across all occupational groups, who are in need of energy and refreshment during work, and are mainly in the low to moderate income bracket.</li><li>For international market, the Group's target customers vary depending on the country's consumer behavior among other factors.</li><li>At present, the major revenue of Carabao Dang comes from domestic sales. Nevertheless, the Group has a plan to increase its revenue from international sales as well.</li></ul>
<div>Start Plus</div> <div></div>	<ul style="list-style-type: none"><li>The Group's target consumer ranges from teenagers to middle-aged demographic, who likes taking care of themselves, while needing to feel recharged from work and outdoor activities, and replenishing perspiration loss from exercise.</li><li>At present, the target customer of Start Plus is aimed at domestic market only.</li></ul>
<div>Carabao Mineral Water</div> <div></div>	<ul style="list-style-type: none"><li>The Group's target consumer for drinking water are un-segmented mass consumer who have personal preference towards branded drinking bottled water for its quality and cleanliness over the local bottled water.</li></ul>
<div>Carabao Instant Coffee 3 in 1</div> <div></div>	<ul style="list-style-type: none"><li>The Group's target customers for Carabao instant coffee 3-in-1 are identical to the energy drink demographic, aiming towards consumers who are in need of an energy boost to kick-start their day in the morning.</li><li>The primary target customers of Carabao instant coffee 3-in-1 will be the domestic consumers</li></ul>

Product	Characteristics of Target Customer
<p>Carabao Ready to Drink Coffee</p> 	<ul style="list-style-type: none"> <li>The Group's target customers are identical to Carabao Dang and Carabao Instant Coffee 3-in-1, with an exception that majority of the consumer will consume each product at different times of the day. The second target customers are the group that do not consume energy drink on a regular basis, but drinks coffee, within a low and moderate income bracket.</li> <li>At present, the target customer of Carabao Ready-to-drink coffee is only domestic consumers.</li> </ul>

## (2) Marketing Policy and Sales Promotion

For domestic market, the Group will engage in marketing activities aiming towards increasing consumer demand among the target audience via a variety of media channels. The Group's marketing operation focuses on above-the-line marketing (marketing through mass media channels) and below-the-line marketing (marketing through targeting a specific group of people with focus). Details are as follows:

### A. Above-the-line marketing (marketing through mass media channels)

Above-the-line marketing comprises of advertising through a variety of mass media channels that has a wider consumer coverage, such as: television, printed media, commercial billboards, and etc.

The Group presents Carabao Dang trademark along with the image of the Group's presenter and brand ambassador, Mr. Yuenyong Opakul or "Add Carabao", who is the lead singer of Carabao, the most famous musical group in Thailand over the last 30 years.



Sample of the media advertising of the Group with  
Mr. Yuenyong Opakul as the presenter and brand ambassador

### B. Below-the-line marketing (marketing through targeting a specific group of people with focus)

Below-the-line marketing consists of marketing activities that directly engage consumers through activities such as: product sample trial, circulating leaflets, promotional games, and arranging on-site product exhibitions for public relation purposes.

Moreover, the Group conducts on-ground marketing activities through "Bao Dang Girls", a brand activation team who have been trained to familiarize, understand, and possess the expertise and relationship building skills with various levels of agents, retail shops, and target audience in each focused area. The objectives of Bao Dang



Girls Team's marketing activities are to directly promote the Group's products to the target consumers as well as to reach the group of consumers who have not yet tried the Group's products. There are more than 500 members or more than 70 teams of Bao Dang Girls who activate the brand by covering strategic areas all over Thailand. The Group believes that the Bao Dang Girls Team is the largest energy drinks brand activation team in Thailand. As a result of the Group's training and development of Bao Dang Girls Team, the team will gain the right knowledge, and confidence in the products and nurture loyalty towards the organization and the Group's products.



Example of marketing activities of the Group to reach specific group of consumers

For international market, the Group will select agents who are industry experts and have experience in selling consumer goods overseas, while possess the ability to distribute the Group's products nationwide in the particular market. In this regard, the marketing strategy and sales promotion activities will be adjusted to adapt to each selected country demographic.

The Group and agents, focus on conducting above-the-line marketing activities to create demand for the Group's products. In the past, the Group participated in joint marketing in Cambodia with the local distributor by adopting similar marketing activities used in Thailand. Such activities included sponsoring boxing competitions, organizing concert tours for Carabao music band, together with providing the Group's product samples to target consumers. Moreover, Carabao concerts are also broadcasted on television for the purpose of advertising the Group's products, to indirectly raise brand awareness of Carabao Dang trademark and the musical group Carabao.

The Group started to tap the United Kingdom, which is one of the world's 5 largest energy drink markets, and other European countries, since September 2016. The Group market and differentiate product positioning from the competitors through a strong sense of product association in terms of both quality and image with football sports. A football heritage via posters and various social media platforms is promoted as an effective means to approaching the target consumers. Having Carabao and Chelsea logo appeared side by side on the training jersey and the label of products is believed to build and further brand awareness



## The Group has entered into sponsorship arrangements with certain football clubs and league as follows :

### (1) Reading Fc.

Carabao and Reading FC has agreed on becoming a global principle partner for 3 consecutive seasons from 2016 through to 2020. Carabao logo will appear not only on the field for advertising purposes but also on Reading jerseys both in the game match and on practice as well.



### (2) Chelsea Football Club

Carabao has agreed to partner with Chelsea Football Club as their global principle partner for 3 consecutive seasons since the start of the 2016-2019. Carabao in-stadium branding will include: Stamford Bridge LED screen that runs around the field, the logo will be visible on the headrests of the seats situated within the home and away dugouts at the Stadium; on the inside of the players' tunnel; and on Club Team drinks bottles and bottle carriers. Furthermore, Chelsea has permitted Carabao group the use of Chelsea crest, images and footage in any/all promotional materials in all forms of media; the use of Chelsea FC, Chelsea players, and Chelsea kit images on products and packaging to indicate sponsorship relationship.



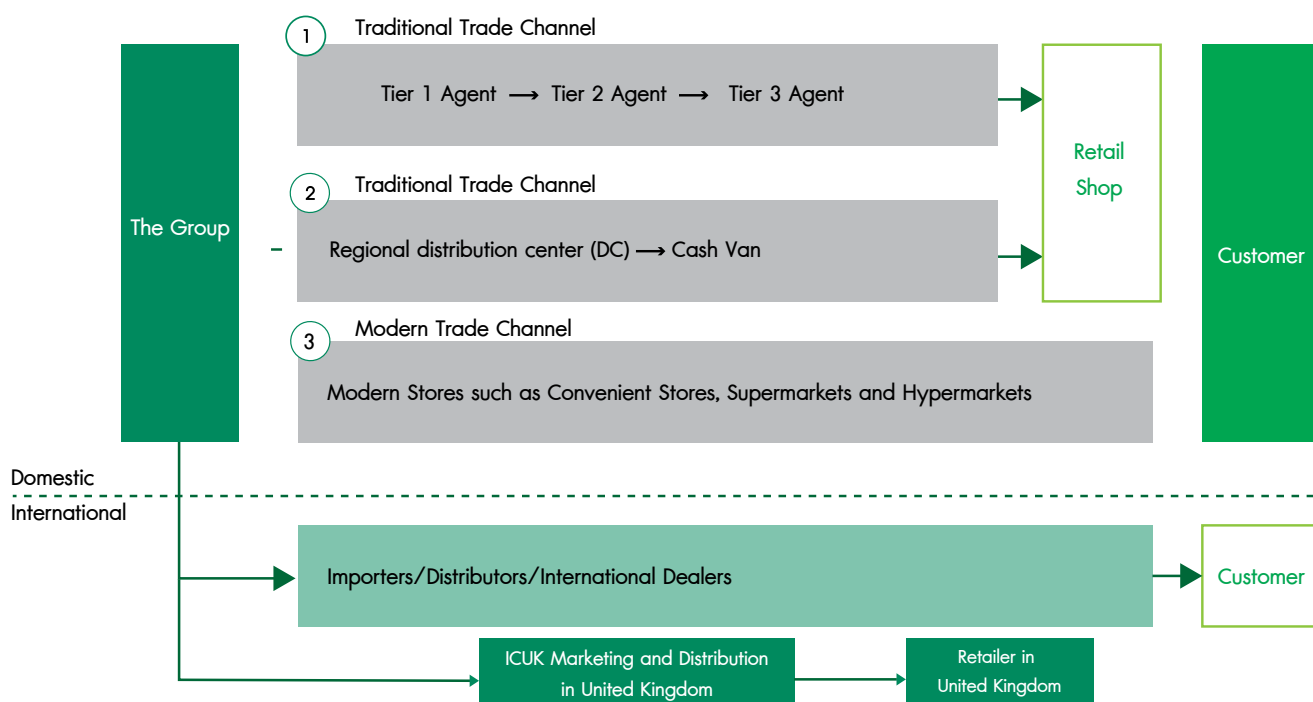
### (3) English Football League

Carabao is the official title sponsor of the English Football League Cup (EFL) for 3 consecutive seasons starting from 2017 - 2020. The Football League competition consists of 92 football clubs, and will become known as "Carabao Cup" from the start of 2017. The company logo will be shown, apart from the cup, on promotional media, on football fields, and on football jerseys as well.



### C. Distribution Channels

The Group's channels of distribution for its domestic and international products are as follow:



#### Domestic Market

The Group sells its products domestically through 2 distributing channels which are traditional trade and modern trade.

Traditional Trade: the Group place an emphasis on product distribution to fully cover the targeted areas in Thailand. In that regard, the Group aims to distribute its products through a network of agents that are managed by the Group.

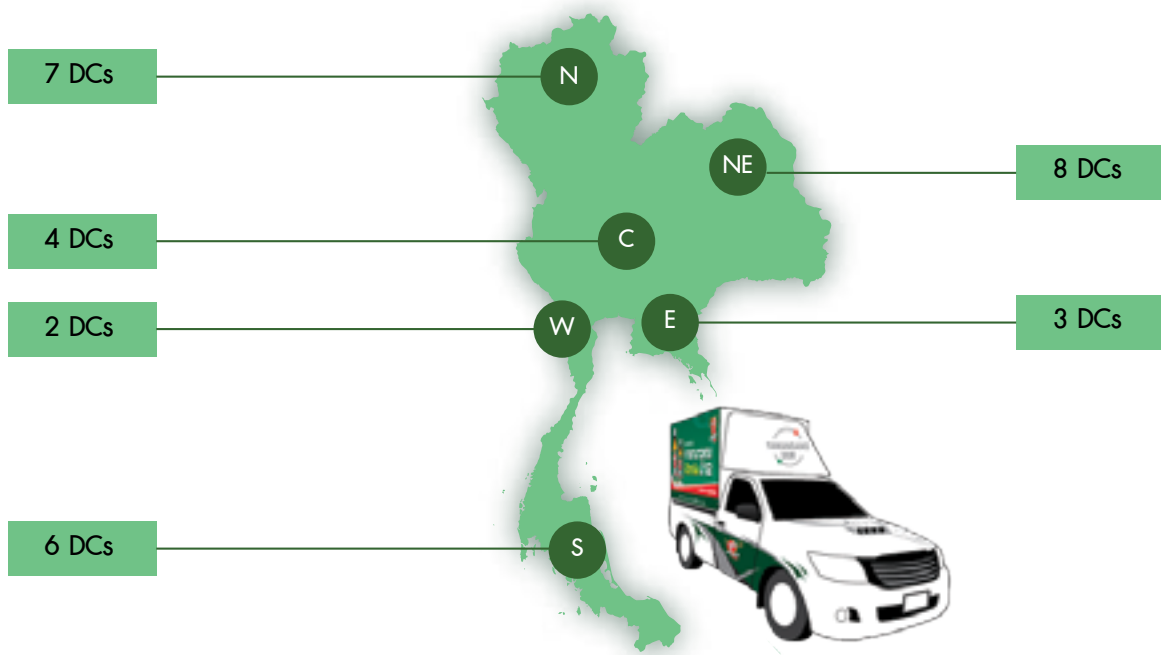
The Group will select an agent in each province and select efficient Tier 2 Agent and Tier 3 Agent to be parts of network of the Group's product distribution. The structure of network of the Group's product distribution can be summarized as follows:

- The Group will select efficient Agent in each province;
- Together, the Group and Agent will select efficient Tier 2 Agent to distribute products on a district level;
- Together, the Group and Tier 2 Agent will select efficient Tier 3 Agent to distribute products in each target area and thoroughly distribute the products to retail shops at sub-district level;
- Sales teams and Bao Dang Girls Team will conduct marketing activities to introduce the products to retail shops.



For distribution through traditional trade, the Group will sell the products to the Agents without a buy back policy. In addition, the Group has a policy where the Agent has to make advance payment before the delivery of the products.

Moreover, DCM has expanded the business into distribution centers (DC) in order to facilitate cash van business, which will provide advantage for DCM to distribute its core products as well as new products to the consumers on time. Currently, there are 30 DC nationwide and 337 cash vans. In that regard, the Group are able to reach up to 320,000 retail shops across Thailand.



**Modern Trade:** at present, the Group directly sells its products to modern trade such as convenience stores, supermarkets, and hypermarkets.

### International Market

The Group distributes its products internationally through trading partners which are importers, agents or local distributors to distribute the products to consumers in the countries that are the Group's primary market. In that respect, the Group has established a policy to trade with only one partner, if such partner can effectively distribute the Group's products. For countries that are not the Group's primary market, the Group will consider selling the products to multiple importers, agents or local distributors subjected to the Group's discretion of business conduct in each market. In this regard, the Group has appointed an international sales team to be specifically responsible for managing and creating good relationships with overseas trading partners.

For overseas distribution, the Group will sell the products to importers, agents or overseas distributors without a buy back policy. In addition, the Group has a policy where the importers, agents or overseas distributors are required to make advance payment before the delivery of the products. In 2016, the group have sold the products to many countries, the top 5 Countries that are key contributors to the Group's revenues are: Cambodia, Afghanistan, Myanmar, Yemen and Vietnam. Moreover, the group has a plan to expand to new market with larger market size and growth opportunity, for example: the Greater China and Brazil.

In 2016, the group undertake joint venture with ICUK for marketing, selling and distributions of energy drink under Carabao trademark through the Traditional Trade over 8,000 shops. Moreover, the Group plans to increase the number of Traditional Trade it sells to as well increase distribution into Modern Trade. The products currently being sold in the United Kingdom is a carbonated cans in 3 flavors: Original, Sugar free and Green Apple.

## 4.4 Overview of the energy drinks market

### (1) Domestic Market

According to Nielsen, between 2012 — 2015, energy drinks volume growth in Thailand has grown at a rate of 2.6 per cent CAGR however, in 2016 the growth rate has declined by -3 %, compared to the previous year. In that regard, energy drinks in Thailand are commonly distributed via two major distribution channels, traditional trade, which represents the largest route-to-market and accounted for 73 per cent of total sales volume of energy drinks in 2016, while the remaining sales volume of 27 per cent comes from modern trade. In 2016, the Group ranked number 2 in energy drink market and controls 24 per cent of market share.

The characteristics of energy drinks consumer in Thailand are clearly notable, lower to middle income gaps, and in the range of 26-45 years old age group, who prefers non-carbonated energy drinks that are slightly sweeter than energy drinks consumed in other countries. Furthermore, according to the consumer research, Thai energy drink consumers prefer bottle over can packaging. Therefore, the Group believes that these unique characteristics of Thai consumers will make it challenging for international companies to compete against local firms. Evidently, the competitive landscape of energy drinks in Thailand are dominated by Thai companies who are able retain majority of market share due to the competitive advantage in understanding the aforementioned characteristics of Thai energy drink consumers.

The Group has started its operation to manufacture, market, and sell energy drink products in 2002, although the competitors have been around longer, Carabao energy drink trademarks are able to retain the second place on top-of-mind among Thai energy drink consumer, as well as the second most sought after brand of energy drink in Thailand.

Thailand energy drink market is highly competitive. Thus, effective marketing activities and advertisement campaigns have become an important tool in gaining consumers loyalty, stimulate sales volumes and capture market share. In general, the firm will deploy marketing activities and advertisement such as sales promotion, and marketing through Above-The-Line channels and Below-The-Line channels.

In addition, the Group believes that Carabao energy drink trademark are connected to the image of a leader and corporate social responsibility. Therefore, the Group place an importance in marketing activities under the motto “Carabao energy drink create value for life” and on the continuous involvement in social activities.

### (2) International Market

The global energy drink market (except South East Asia region) is considered a premium product since its average price per ml is higher compared to soft drink products. The target consumers of energy drink are teenagers, high-school to university students, and oriented towards male than female.

The world's top 5 energy drink market share are China, Japan, United Kingdom and Brazil, respectively. In consequence, this is why many companies are interested in entering China energy drink market due to its growing population size. Moreover, many companies also place an importance in product differentiation in terms of product varieties and product innovation, (e.g. Low sugar, zero calorie, green coffee bean, tea, and fruit pulps).





## 4.5 Procurement of Product or Service

### (1) Manufacturing Factory and Production Capacity

#### (a) Manufacturing Factory

The Group owns 2 manufacturing plants, (a) Carabao Dang and Start Plus manufacturing and packaging factory, and (b) amber glass bottle manufacturing plant. Details of these two factories are as follow:

#### **Carabao Dang and Start Plus manufacturing and packaging factory**

At present, CBD manages the operation of manufacturing and packaging of Carabao Dang and Start Plus, the factory is located at 261-263 Moo 2, Panwithee Road, Bang Priang, Bangbo, Samut Prakan. The manufacturing lines of the factory are as follows: (1) 9 production lines for bottled Carabao Dang consisting of 8 normal production lines and 1 express production line (Krones), which is the leading packaging technology from Germany, with a maximum production capacity of 1,080 million bottles per annum; (2) 2 production lines for Start Plus, with a maximum production capacity of 120 million bottles per annum; and (3) 3 production lines for canned Carabao Dang, with a maximum production capacity of 350 million cans per annum.

#### **Amber glass bottle manufacturing factory:**

In August 2014, APG commenced its commercial operation of its amber glass bottle manufacturing plant located at 88, 88/1 Moo 2, Pimpavas-Sanpudas Road, Pimpa Sub-District, Bangpakong District, Chachoengsao Province. The factory manufactures 150 ml bottles to be used to fill Carabao Dang energy drink.

APG's factory owns a molten glass furnace that has a maximum production capacity of 310 tonnes of molten glass per day. The Group expects that APG will be able to manufacture amber glass bottles, which will be used to fill Carabao Dang energy drink, with maximum production capacity of 650 million bottles per annum.

#### **New factory project**

CBD has commenced its construction on the new facilities, which includes bottle filling lines and can filling lines, at Bangpakong, Chachoengsao, and expected to accommodate up to 10 bottle filling machines and 6 can

filling machines. CBD is expected to operate bottle filling capacity to approximately 1,535 million bottles per annum and can filling capacity to approximately 800 million cans per annum, respectively. The new factory project is planned to finish by the end of 2017.

APG will increase its production capacity for amber glass bottle in which it planned to begin the commercial operation in the beginning of 2018, whereby the maximum production capacity will become 1.3 billion amber glass bottles per annum in order to facilitate demand growth of bottled energy drink that are increasingly popular domestically and internationally.

The project to develop new CBD's facility and the expansion of amber glass bottle facility of APG, once completed, will result in the machinery and equipment, and the Group's and its subsidiaries' main beverage production supporting system to be relocated to Bangpakong, Chacheongsao.

### (b) Production Capacity

The maximum production capacity and the actual production for Carabao Dang manufacturing and packaging factory for the fiscal years ended 31 December 2013, 2014, 2015 and 2016, is as follows:

Bottled Carabao Dang	Fiscal years ended 31 December			
	2013	2014	2015	2016
Maximum production capacity <sup>1</sup> (million bottles per year)	850	1,080	1,080	1,080
Actual production (million bottles per year)	754	743	756	845
Percentage of use of capacity <sup>2</sup> (percent)	89	69	70	78

Remarks <sup>1</sup> The maximum production capacity is calculated based on the maximum production capacity of machinery for 20.5 hours per day and 300 days per year less an estimated typical loss from production.

<sup>2</sup> The percentage of use of capacity is calculated based on the ratio of actual production to the production capacity.

Canned Carabao Dang	Fiscal years ended 31 December			
	2013	2014	2015	2016
Maximum production capacity <sup>1</sup> (million cans per year)	350	350	350	350
Actual production (million cans per year)	183	253	282	357
Percentage of use of capacity <sup>2</sup> (percent)	52	72	81	102

Remarks <sup>1</sup> The maximum production capacity is calculated based on the maximum production capacity of machinery for 20.5 hours per day and 300 days per year less an estimated typical loss from production.

<sup>2</sup> The percentage of use of capacity is calculated based on the ratio of actual production to the production capacity.

## (2) Raw Material Procurement

The Group's policy is to procure its main raw materials from at least two to three suppliers, in order to reduce dependency on one particular supplier and to increase its bargaining power. The Group planned to purchase raw materials in accordance with the annual sale and production plan. The central procurement department has a duty to

contact raw material suppliers in order to purchase raw materials for production. Generally, the Group enters into short-term agreements with the suppliers with a term of approximately 12 months. The Group visits each supplier on a yearly basis to inspect the major raw material suppliers' production process and to ensure the raw materials procured meet the Group's quality standards.

### **Raw materials used for the production of Carabao Dang and Start Plus**

The main raw materials used in manufacturing Carabao Dang and Start Plus are: (1) white refined sugar, (2) glass bottles, (3) cans and lids, and (4) other raw materials, as follows:

#### **(a) White refined sugar**

White refined sugar is the main ingredient for manufacturing Carabao Dang and Start Plus, accounted to approximately 10.0-15.0 per cent of the production cost of Carabao Dang and Start Plus. The Group prepares an annual purchase plan for white refined sugar based on the annual production plan and enters into short-term agreements for a term of approximately one year. The agreement specifies the amount purchased and the initial price in Thai Baht. The price is subjected to change according to the governmental regulation to increase or reduce the price of sugar. The Group facilitate a longstanding and good relationships with sugar suppliers and has yet to experience a shortage of such raw material.

#### **(b) Glass bottles**

Glass bottles are the main raw materials used for filling the Company's beverages, including its 150 ml amber glass bottles for bottled Carabao Dang and its 250 ml clear glass bottles for Start Plus, accounting to approximately 30.0-40.0 per cent of the production cost of Carabao Dang and Start Plus. The Group prepares an annual purchase plan for glass bottles based on the annual production plan. The glass bottles are purchased from three domestic suppliers under short-term agreements, each with a term of one year, with a specified amount of purchase and a fixed price in Thai Baht. At present, APG procures glass bottles for CBD. However, APG's amber glass bottle manufacturing factory commenced its commercial operation in August 2014.

APG's amber glass bottle manufacturing plant was established to mainly supply glass bottle to fill Carabao Dang. Therefore, the preparation of purchase plan of raw materials and production of glass bottles of APG is in accordance with the annual production plan of CBD. APG's production department purchases raw materials through the central procurement department to contact and order raw materials from raw materials suppliers in which the central procurement department procures raw materials from various suppliers. APG reserves the main raw materials for production for a period of seven to 10 days as per the size of the warehouse. Such reserved raw materials are sufficient to ensure the continuous operation of the manufacture of amber glass bottles.

The main raw materials used for manufacturing glass bottles are (1) glass cullet, (2) glass sand, (3) soda ash, (4) natural gas and (5) other raw materials, as follows:

#### **Glass cullet**

Glass cullet is the main raw material for manufacturing amber glass bottles, accounting to approximately 20.0 - 25.0 per cent of the production cost of amber glass bottles. Normally, the Group purchases glass cullet from local cullet sorting plant, who gather an assortment of used glass containers, ground them into cullet, sort and remove contaminants, and deliver the cullet to glass bottle manufacturers. APG purchases glass cullet from glass cullet suppliers by entering into short-term agreements with a term of one year.

### **Glass sand**

Glass sand is the second main raw material for manufacturing glass bottles after glass cullet, accounting to approximately 1.0 – 2.0 per cent of the production cost of amber glass bottles. After being melted, glass sand turns into the main structure of glass. APG purchases most of its glass sand from glass sand suppliers in Rayong through issuing purchase orders which stipulate purchase price and order quantity in advance for a period of approximately six months.

### **Soda ash**

Soda ash is the main raw material for manufacturing amber glass bottles, accounting to approximately 5.0 – 7.0 per cent of the production cost of amber glass bottles. It is used to reduce the temperature in the glass melting process. Soda ash is mostly found in Kenya and China. APG purchases soda ash from various importers through issuing purchase order which is in-line with normal market practice.

### **Natural gas**

Natural gas is the main fuel used for manufacturing APG's amber glass, accounting to approximately 30.0 – 35.0 per cent of the production cost of amber glass bottles. APG has entered into a natural gas supply agreement with PTT Public Company Limited ("PTT") for a period of five years.

### **Other raw materials**

Other raw materials in the manufacturing of an amber glass bottles include limestone, feldspar, sodium sulfate, charcoal powder, selenium, rust, and other raw materials. Generally, APG purchases these raw materials from local suppliers. The procurement department has a policy to purchase each raw material from two to three suppliers in order to avoid high dependency on one particular supplier and to increase bargaining power in terms of the price and quality of the raw materials.

The proportion of raw materials for manufacturing amber glass bottles may be adjusted and one material may replace another as deem suitable, depending on the ability to procure each type of raw material at a particular time.

#### **(c) Cans and lids**

Cans and lids are main raw materials used in packaging of 250 ml canned Carabao Dang. The costs of cans and lids accounted to approximately 55.0 – 60.0 per cent of the production cost of Carabao Dang. The Group prepare an annual purchase plan for cans and lids based on the annual production plan. The Group purchase the cans from two to three suppliers through issuing purchase orders specifying a fixed price and the number of cans for a period of one year in advance.

#### **(d) Other raw materials**

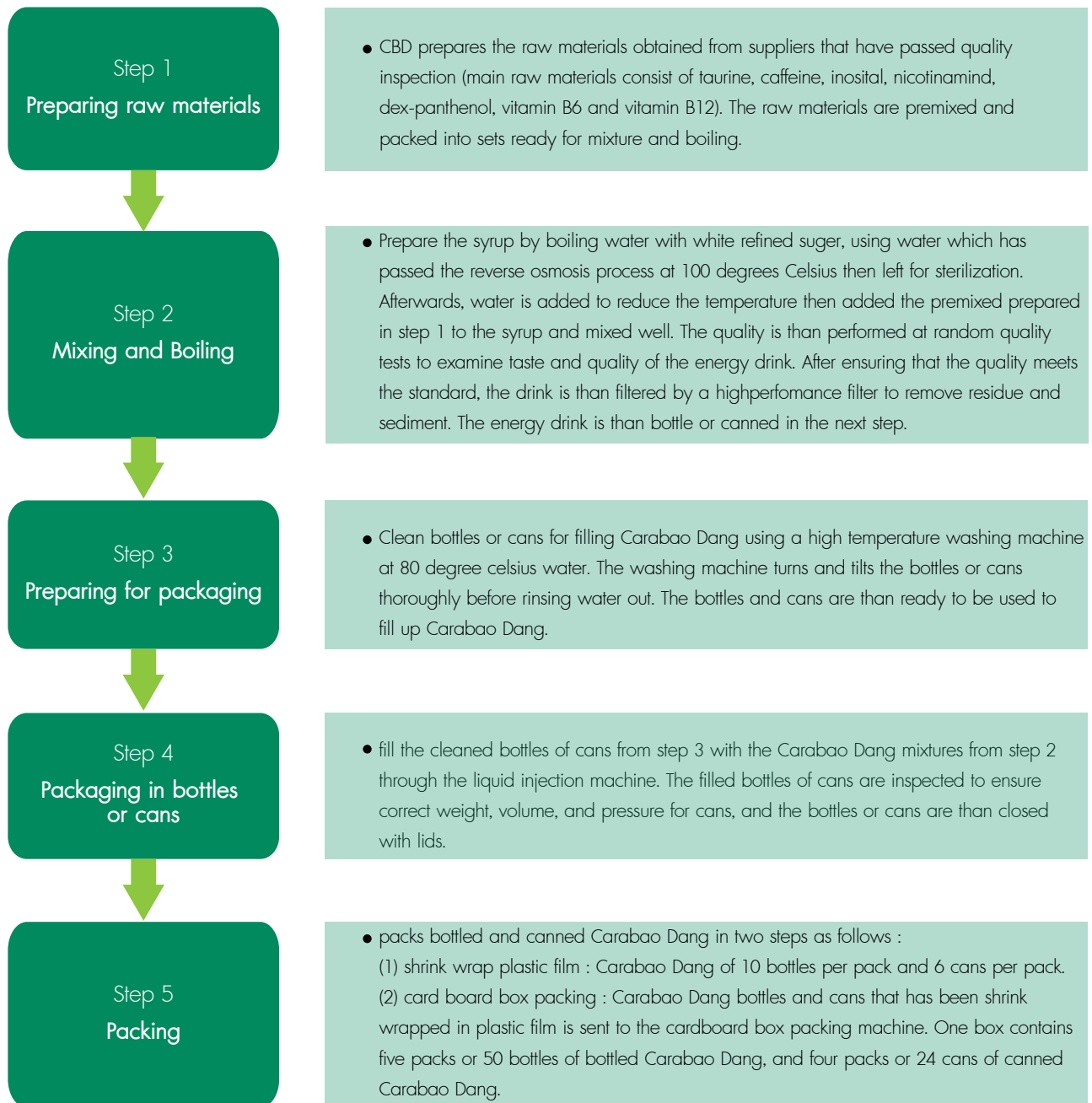
Other raw materials used for manufacturing Carabao Dang include taurine, caffeine, inositol, nicotinamide, dexpanthenol, vitamin B6, and vitamin B12. Other raw materials used for manufacturing Start Plus include sodium chloride, potassium chloride, and zinc gluconate. The Group generally prepares an annual raw material purchase plan with their raw material suppliers based on the annual production plan in order to determine the tentative quantity of raw materials required for the year. After the production department prepares a monthly production plan, the procurement department purchases raw materials on a monthly basis. Other raw materials are purchased from raw material suppliers through issuing purchase orders which specified a fixed price and quantity.

## 4.6 Production Process

The Group's production process can be summarized as follows:

### (a) Carabao Dang Production Process (operates by CBD)

CBD manufacture Carabao Dang with the production process presented in the following diagram:





## Quality Management

CBD manages and controls the quality of each production process in accordance with good manufacturing practice (GMP) certified by the Thai Food and Drug Administration. CBD has obtained certification for its production process and quality control in accordance to the standard of quality management system as follows:

1. HACCP (Hazard Analysis and Critical Control Point): This certification, given by the Thai Industrial Standards Institute and the Thai Food and Drug Administration, is used as a quality management system in terms of safety, to ensure a food production process which is free of risks from microorganisms, chemicals and contaminants.
2. Halal: This certification, given by the Central Islamic Council of Thailand, is to certify that the production process complies with Islamic principles.
3. ISO 22000:2005 (E): This certification, given by Bureau Veritas Certification (Thailand) Limited, is a food safety management certification which meets international standard.

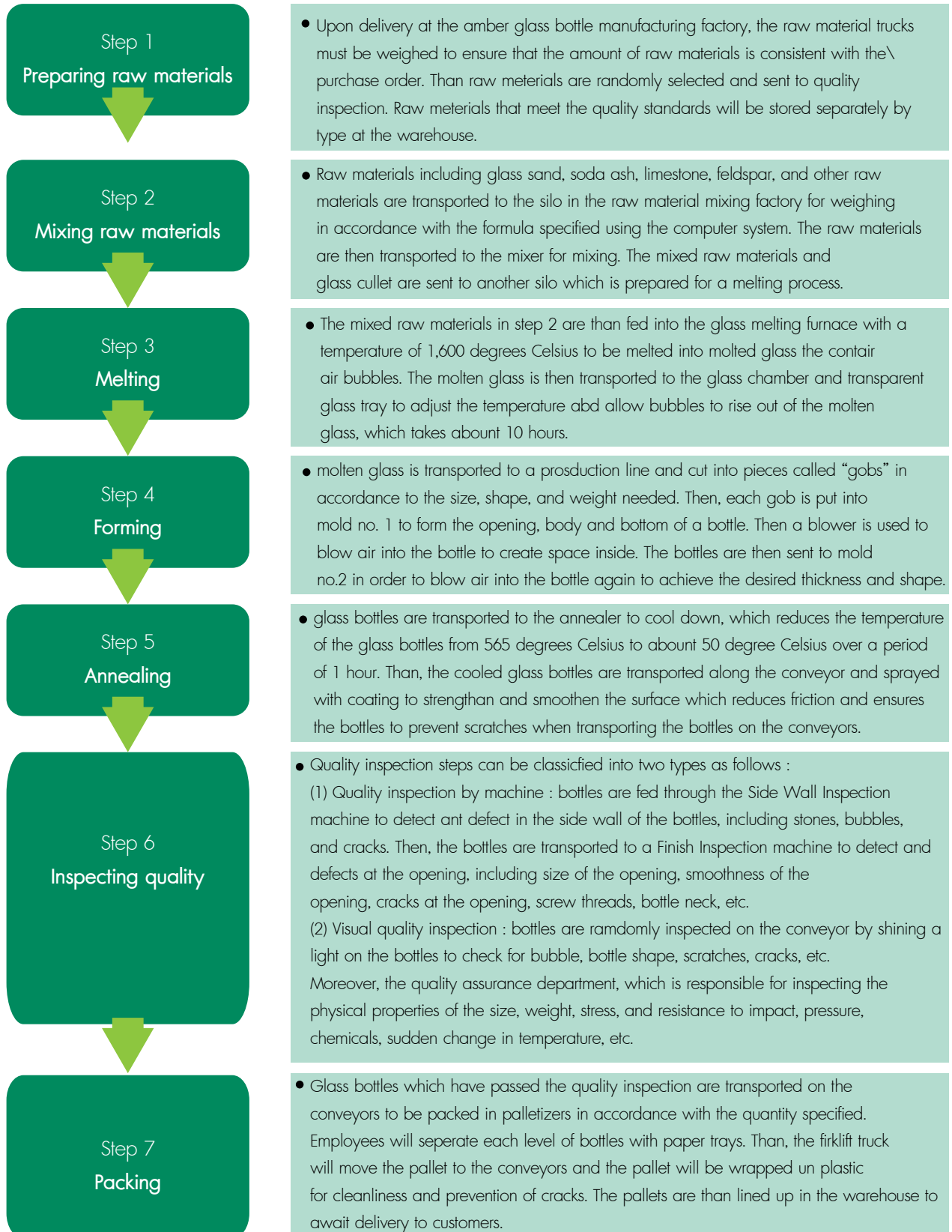
### (b) Start plus Production Process

The production process of Start Plus is similar to that of Carabao Dang, consisting of preparing raw materials, mixing/boiling, preparing for packaging, packaging in bottles, and packing. However, the packaging process of Start Plus takes longer time as the volume of Start Plus is 250 ml per bottle compared to the volume of Carabao Dang of 150 ml per bottle.



### (c) Glass Bottle Production Process

The glass bottle production process is a continuous process of 24 hours a day throughout the year. The production process is presented in the following diagram:



## 4.7 Environmental Impact

The production of CBD's beverages and APG's amber glass bottles are governed by laws, rules and regulations relating to environment, which are applicable at the national, provincial and district levels. Laws, rules and regulations relating to the environment which are applicable to manufacturers of beverages and amber glass bottles include provisions relating to the control of air emissions, water pollutions, prevention and treatment of waste water and gas emissions, including management and disposal of hazard substances and wastes. However, the volume of air emission, waste water and other wastes from the manufacture of CBD's beverages and APG's amber glass bottles are complied with prescribed standards and is in accordance with all applicable laws, rules and regulations relating to environment.

The Company believes that to date CBD and APG have complied with all laws, rules and regulations relating to environment that are applicable to manufacturing factories of CBD and APG at the national, provincial and district level.

CBD and APG have never encountered legal actions pertaining to non-compliance issues with environmental law (both in the past and at prvesent). However, the Company cannot anticipate whether the Group would be impacted by any unpredictable environmental events, or by any new or amendment to laws, rules and regulations which could have an impact on the Group or on the manufacturing factories of CBD and APG in the future.

## 4.8 Work in Progress

- None —

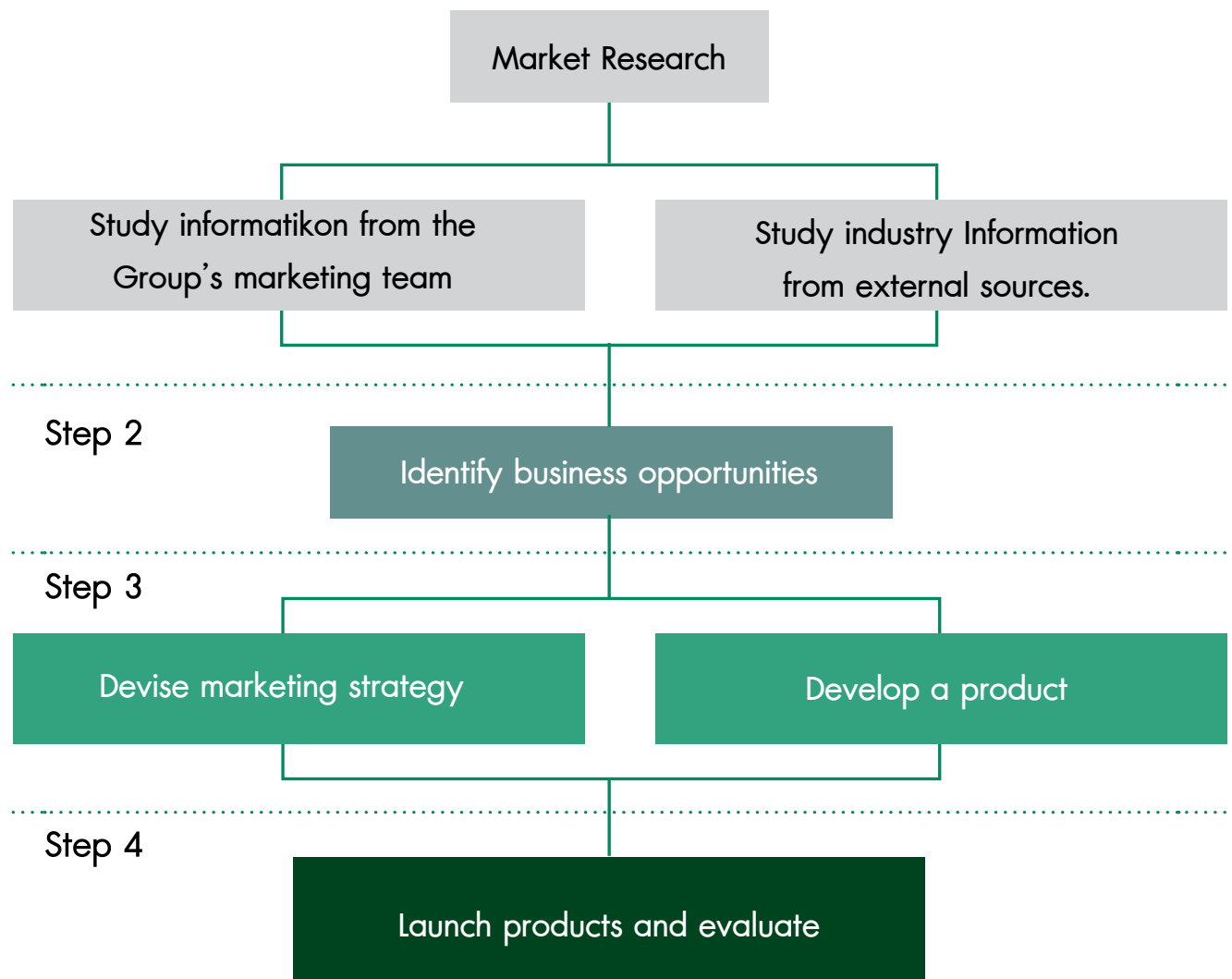


# 5. Research and Development

The Group continually conducts research and development in its products with focus on the research and development of new types of products in response to the consumers' demands among the target markets. The Group also recognizes the importance of expanding production lines for existing products to ensure products diversification. The major part of the research and development expenses was spent on the energy drinks and electrolyte drinks market research and consumers research. The group typically budgets approximately no greater than Baht 10 million per year for research and development.

Research and development process of the Group can be described as follows:

## Step 1



## Step 1: Market Research



The marketing team, the marketing operation team and the sales team of the Group conduct market research to identify business opportunities by:

- (1) Studying information, provided by the Group's marketing team, in relation to products which present business opportunities and by analyzing consumer demand and behavior in order to assess market conditions.
- (2) Studying information of the industry from external sources using information in relation to market conditions from research reports of reliable external institutions to assess competitions and analyze consumer behavior trends.

## Step 2: Identify business opportunities



Following the market research, the Group's marketing team, marketing operation team and the sales team will work together to identify business opportunities such as the potential target consumers, and product, which the Group anticipates that it could respond to the demand of such target consumers.

## Step 3: Devise marketing strategies and develop products

The Group devises its marketing strategies, pricing strategies, sales promotion plans, and distribution plans via distribution channels, along with product development to prepare for the launch of new products to target market.

#### **Step 4: Launch new products**

Subsequently to devising marketing strategies and product development phase, the Group launches new products to the market and evaluates the sales of such products whereby the Group will set a timeframe for such evaluation.

The Group will analyze responses from target consumers and assesses sales of such products which are launched via distribution channels. If the Group finds that the response for such products does not meet the Group's estimation, the Group's Executive Committee may delay or suspend the sale of new products and emphasize on the development of new products instead.



# 6. Information on the Securities and Shareholders

## 6.1 Capital

As of 31 December 2016, the registered capital and paid-up capital of the company is Baht 1,000 million (Par value baht 1). Total of shares are traded in Stock Exchange of Thailand.

## 6.2 Shareholder

**6.2.1 The shareholding and percentage of Top 11 of shareholders as of August 30, 2016 are as follows;**

No.	Shareholders' name	Number of share	Shareholding Percentage
1.	Sathientham Holding Co.,Ltd.	250,064,500	25.01%
2.	Ms. Nutchamai Thanombooncharoen	210,000,000	21.00%
3.	Mr. Yuenyong Opakul	70,480,000	7.05%
4.	Mr. Sathien Setthasit	47,974,100	4.80%
5.	Thai NVDR Co., Ltd.	45,317,651	4.53%
6.	UBS AG SINGAPORE BRANCH*	45,161,400	4.52%
7.	Mrs. Linjong Opakul	26,145,800	2.62%
8.	Mrs. Wongdao Thanombooncharoen	18,152,700	1.82%
9.	Ms. Niesha Opakul	15,000,000	1.50%
10.	Ms. Natcha Opakul	15,000,000	1.50%
11.	Mr. Voramun Opakul	15,000,000	1.50%

**6.2.2 Holding companies that are the Group's major shareholders and have significant impact for company's policies and operations are as follows:**

6.2.2.1 The shareholding structure of Sathientham Holding Co., Ltd. is as follows: Mr. Sathien Setthasit holds shares at 55.0 percent, Mrs. Dararat Setthasit holds shares at 15.0, Mr. Veeratham Setthasit holds shares at 10.0 percent, Mr. Romtham Setthasit holds shares at 10.0 percent, and Miss Tientham Setthasit holds shares at 10.0 percent of the total paid-up capital of Sathientham Holding Co., Ltd.

6.2.2.2 A shareholder of Northend Investment Ltd. is Autumn Gold Capital Ltd. (incorporated under the law of the British Virgin Islands). A shareholder of Autumn Gold Capital Ltd. is Allshores Corporation Pte. Ltd. (incorporated under the law of Singapore), which operates business of providing service of processing and liaising in order to incorporate companies under various countries' law with Mr. Sathien Setthasit as a beneficiary.

Note: \* UBS AG SINGAPORE BRANCH is appointed to serve as a custodian for and on behalf of Northend.



### 6.2.3 Summary of Directors and Managements' Shareholding Year 2016

Director / Management	Relation	Number of Shares (Beginning)	Increase / (Decrease) During Year	Number of Shares (Ending)
<b>1. Sathien's Group</b>				
1.1 Mr. Sathien Setthasit		47,974,100	-	47,974,100
1.2 Sathientham Holding Co.,Ltd.		250,064,500	-	250,064,500
1.3 UBS AG SINGAPORE BRANCH		45,161,400	-	45,161,400
<b>2. Nutchamai's Group</b>				
2.1 Ms. Nutchamai Thanombooncharoen		210,000,000	-	210,000,000
2.3 Mrs. Wongdao Thanombooncharoen	Ms. Nutchamai's Sister	26,152,700	(8,000,000) <sup>1</sup>	18,152,700
<b>3. Yuenyong's Group</b>				
3.1 Mr. Yuenyong Opakul		115,480,000	(45,000,000) <sup>2</sup>	70,480,000
3.2 Mrs. Linjong Opakul	Mr. Yuenyong's Wife	26,145,800	-	26,145,800

Remark : <sup>1</sup> Transfer shares to Miss Phoogkwan Smuthkochorn (Daughter) 3,000,000 shares and Mr. Charlee Smuthkochorn (Son) 5,000,000 shares

<sup>2</sup> Transfer shares to Miss Niesha Opakul (Daughter) and Miss Natcha Opakul (Daughter) and Mr. Voramun Opakul (Son) 15,000,000 shares each



## 6.3 The Subsidiaries

At present, the shareholding structure of the Group's subsidiaries could be summarized as follows.

### 6.3.1 Carabao Tawandang Company Limited (CBD)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. The Company	2,999,990	99.9
2. Mr. Sathien Setthasit	5	0.0
3. Mr. Veeratham Setthasit	5	0.0
Total	3,000,000	100.0

### 6.3.2 Tawandang DCM Company Limited (DCM)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. The Company	999,980	99.9
2. Mr. Sathien Setthasit	10	0.0
3. Miss Nutchamai Thanombooncharoen	10	0.0
Total	1,000,000	100.0

### 6.3.3 Asia Pacific Glass Company Limited (APG)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. The Company	12,999,980	99.9
2. Mr. Sathien Setthasit	10	0.0
3. Miss Nutchamai Thanombooncharoen	10	0.0
Total	13,000,000	100.0

Remark : Asia Pacific Glass Co.,Ltd. had registered capital increase refer to resolution of Board of Director Meeting of CBG no. 4/2016 and registered on December 7,2016.

### 6.3.4 Intercarabao Limited (ICUK)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. CVHLUX	14,500,000	100.0
Total	14,500,000	100.0

### 6.3.5 CARABAO HOLDINGS (HONG KONG) LIMITED (“CHHK”)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. The Company	10,000,000	100.0
Total	10,000,000	100.0

### 6.3.6 CARABAO VENTURE HOLDINGS (LUXEMBOURG) LIMITED S.À R.L. (“CVHLUX”)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. CHHK	8,611,207	51.0
2. INTERCARABAO PRIVATE LIMITED	8,272,674	49.0
Total	16,883,881	100.0

### 6.3.7 CARABAO TRADING (HONG KONG) LIMITED (“CTHK”)

Name of Major Shareholder	Number of Shares	Shareholding Percentage
1. The Company	50,000	100.0
Total	50,000	100.0

## 6.4 Shareholders Agreement

- None —

# 7. Dividend Policy

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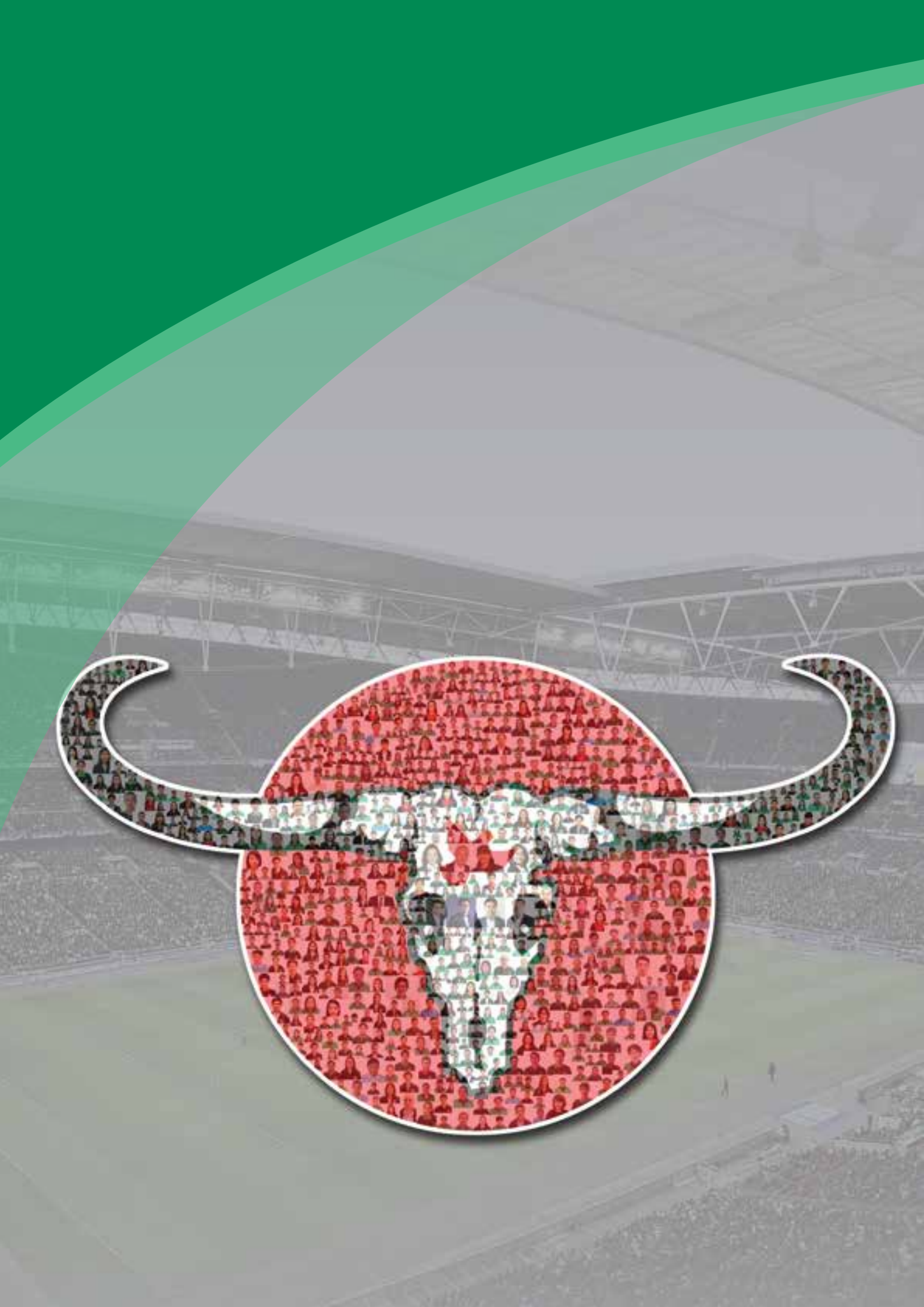
## 7.1 Dividend Policy of the Company

The Company has a policy to pay dividends at the rate of not less than 40.0 percent of net profit after income tax under the consolidated financial statements and the allotment of a legal reserve. The rate of dividend payment is subject to the investment plan, the conditions and restrictions as specified in the loan agreements, or other relevant agreements (if any), the financial condition and operating results as well as other relevant factors of the Company and its subsidiaries. The Board of Directors may reconsider and amend the dividend policy from time to time to be consistent with the Company's and its subsidiaries' future business growth plans, investment capital and working capital requirements, and other factors as considered appropriate. However, the dividend payment must not be in excess of the retained earnings under the Company's separate financial statements, and must be in accordance with the relevant law.

The Company is a holding company and its main assets are investments in its subsidiaries. Therefore, the Company's ability to pay dividends is dependent upon the operating results of and dividend payment of its subsidiaries.

## 7.2 Dividend Policy of the Subsidiaries

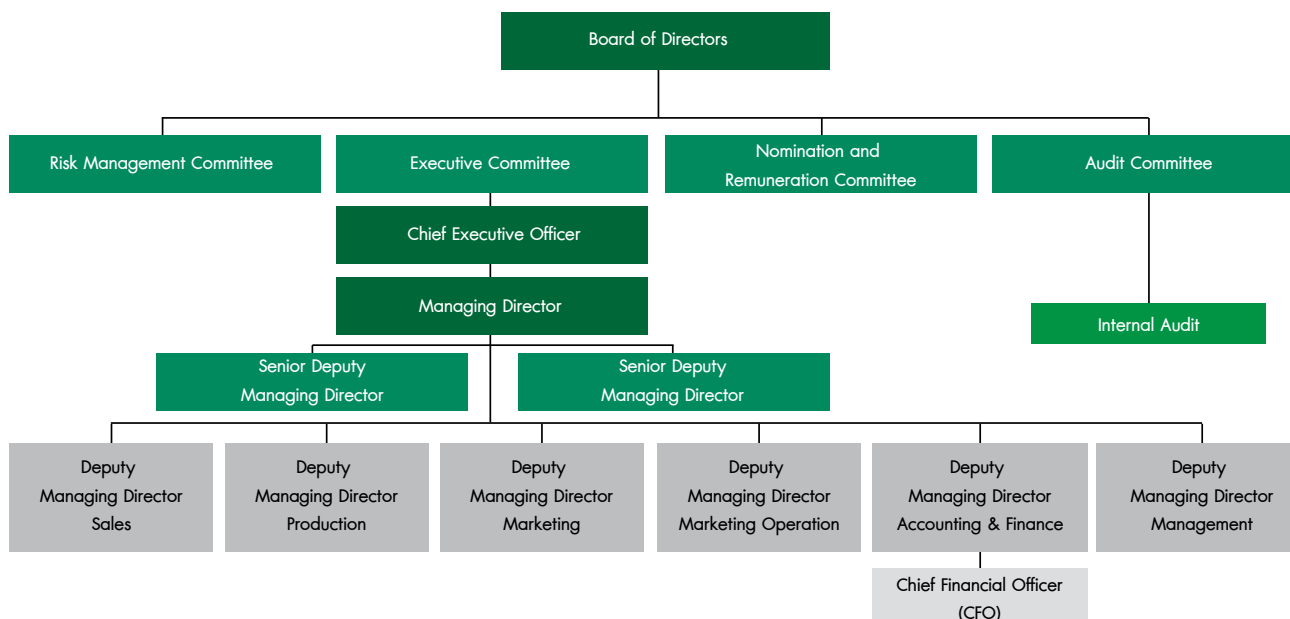
The subsidiaries of the Company have a policy to pay dividend to shareholders at the rate of not less than 40.0 percent of net profit after income tax under the separate financial statements of the subsidiaries and the allotment of a legal reserve. The rate of dividend payment is subject to their operating results, financial conditions, liquidity, investment requirements, additional investments, business expansion, conditions and restrictions provided under loan agreements and other factors relating to their management as their Board of Directors and/or shareholders may consider appropriate. The dividend payment shall be in accordance with the Company's policy. However, the dividend payment must not be in excess of the retained earnings under the subsidiaries' separate financial statements, and must be in accordance with the relevant law.



# 8. Management Structure

## 8.1 Management Structure of the Company

### 8.1.1 Organization Structure



### 8.1.2 Board of Directors

Board of Directors of the Company

The Board of Directors of the Company comprises of 9 directors as follows:

Name	Position
1. Mr. Sathien Setthasit	Chairman of the Board of Directors / Chairman of Executive Committee / Chairman of Nomination and Remuneration Committee
2. Miss Nutchamai Thanombooncharoen	Vice-Chairman of the Board of Directors / Vice-Chairman of Executive Committee / Vice-Chairman of Risk Management Committee / Member of Nomination and Remuneration Committee
3. Mr. Yuenyong Opakul	Director
4. Mr. Kamoldist Smuthkochorn	Director / Member of Executive Committee / Member of Risk Management Committee
5. Mrs. Saowanee Kamolbutr	Director / Chairman of Audit Committee / Chairman of Risk Management Committee / Vice Chairman of Nomination and Remuneration Committee / Independent Director
6. Mr. Distorn Vajarodaya <sup>1</sup>	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director



Name	Position
7. Mr. Boonnaris Suwannapool <sup>2</sup>	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director
8. Mr. Kanit Patsaman <sup>3</sup>	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Member of Risk Management Committee / Independent Director
9. Mr. Sanchai Jullamon <sup>4</sup>	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director
10. LT.GEN. Siripong Wongskhunti <sup>5</sup>	Director / Independent Director
11. Mr. Romtham Setthasit <sup>6</sup>	Director

Remark: Miss Raewadee Rassameesangpetch acts as the secretary to the Board of Directors.

<sup>1</sup> Mr. Distorn Vajarodaya resigned from directorship on August 16, 2016.

<sup>2</sup> Mr. Boonnaris Suwannapool passed away on December 11, 2016.

<sup>3</sup> Mr. Kanit Patsaman were appointed to be a Member of Risk Management committee by resolution of the Board of Directors No. 2/2016 on May 13, 2016 and were appointed to be a Member of Audit Committee and Member of Nomination and Remuneration Committee by resolution of the Board of Directors No. 4/2016 on November 11, 2016

<sup>4</sup> Mr. Sanchai Jullamon were appointed to be a Member of Audit Committee and Member of Nomination and Remuneration Committee by resolution of the Board of Directors No. 5/2016 on December 21, 2016

<sup>5</sup> LT.GEN. Siripong Wongskhunti were appointed by resolution of the Board of Directors No. 4/2016 on November 11, 2016 to be Director.

<sup>6</sup> Mr. Romtham Setthasit were appointed by resolution of the Board of Directors No. 5/2016 on December 21, 2016 to be Director.

## (1) Authorized Director

The Company's authorized directors to sign to bind the Company are Mr. Sathien Setthasit, or Mr. Yuenyong Opakul, or Miss Nutchamai Thanombooncharoen, or Mr. Kamoldist Smuthkochorn. Any two out of four of such authorized directors jointly sign with the Company's seal affixed in order to bind the Company, except for certification of documents or copies of documents, which shall require the signature of any one of these four authorized directors with the Company's seal affixed.

## (2) Board of Directors meetings

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
1. Mr. Sathien Setthasit	Chairman of the Board of Directors	7 / 7	5 / 5
2. Miss Nutchamai Thanombooncharoen	Vice Chairman of the Board of Directors	7 / 7	5 / 5
3. Mr. Yuenyong Opakul	Director	4 / 7	4 / 5
4. Mr. Paiboon Kujareevanich <sup>1</sup>	Director	4 / 4	-
5. Mr. Kamoldist Smuthkochorn <sup>2</sup>	Director	2 / 2	5 / 5

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
6. Mrs. Saowanee Kamolbutr	Director	7 / 7	5 / 5
7. Mr. Boonnaris Suwannapool <sup>3</sup>	Director	7 / 7	4 / 4
8. Mr. Distorn Vajarodaya <sup>4</sup>	Director	5 / 7	3 / 3
9. LT.GEN. Siripong Wongskhunti <sup>5</sup>	Director	-	- / 1
10. Mr. Kanit Patsaman	Director	7 / 7	5 / 5
11. Mr. Sanchai Jullamon	Director	7 / 7	5 / 5
12. Mr. Romtham Setthasit <sup>6</sup>	Director	-	-

Remark: Miss Raewadee Rassameesangpetch acts as the secretary to the Board of Directors.

<sup>1</sup> Mr. Paiboon Kujareevanich resigned from directorship on August 7, 2015.

<sup>2</sup> Mr. Kamoldist Smuthkochorn were appointed by resolution of the Board of Directors No. 7/2015 on December 21, 2015 to be Director.

<sup>3</sup> Mr. Boonnaris Suwannapool passed away on December 11, 2016.

<sup>4</sup> Mr. Distorn Vajarodaya resigned from directorship on August 16, 2016.

<sup>5</sup> LT.GEN. Siripong Wongskhunti were appointed by resolution of the Board of Directors No. 4/2016 on November 11, 2016 to be Director.

<sup>6</sup> Mr. Romtham Setthasit were appointed by resolution of the Board of Directors No. 5/2016 on December 21, 2016 to be Director.

### 8.1.3 Sub – Committee

The Company has 3 sub-committee such as Audit Committee, Nomination and Remuneration Committee and Risk Management Committee

Audit Committee compose of 3 Independent Directors

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
1. Mrs. Saowanee Kamolbutr	Chairman of the Audit Committee	5 / 5	5 / 5
2. Mr. Boonnaris Suwannapool <sup>1</sup>	Vice Chairman of the Audit Committee	5 / 5	4 / 4
3. Mr. Sanchai Jullamon <sup>2</sup>	Member of the Audit Committee	-	-
4. Mr. Distorn Vajarodaya <sup>3</sup>	Member of the Audit Committee	4 / 5	3 / 3
5. Mr. Kanit Patsaman <sup>4</sup>	Member of the Audit Committee	-	1 / 1

Remark: <sup>1</sup> Mr. Boonnaris Suwannapool passed away on December 11, 2016.

<sup>2</sup> Mr. Sanchai Jullamon were appointed to be a Member of Audit Committee by resolution of the Board of Directors No. 5/2016 on December 21, 2016

<sup>3</sup> Mr. Distorn Vajarodaya resigned from directorship on August 16, 2016.

<sup>4</sup> Mr. Kanit Patsaman were appointed to be a Member of Audit Committee by resolution of the Board of Directors No. 4/2016 on November 11, 2016

Nomination and Remuneration Committee compose of 5 Directors

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
1. Mr. Sathien Setthasit	Chairman of the Nomination Remuneration Committee	5 / 5	3 / 3
2. Mrs. Saowanee Kamolbutr	Vice Chairman of the Nomination Remuneration Committee	5 / 5	3 / 3
3. Ms. Nutchamai Thanombooncharoen	Member of the Nomination Remuneration Committee	5 / 5	3 / 3
4. Mr. Boonnaris Suwannapool <sup>1</sup>	Member of the Nomination Remuneration Committee	5 / 5	2 / 2
5. Mr. Distorn Vajarodaya <sup>2</sup>	Member of the Nomination Remuneration Committee	5 / 5	1 / 1
6. Mr. Kanit Patsaman <sup>3</sup>	Member of the Nomination Remuneration Committee	-	1 / 1
7. Mr. Sanchai Jullamon <sup>4</sup>	Member of the Nomination Remuneration Committee	-	-

Remark: <sup>1</sup> Mr. Boonnaris Suwannapool passed away on December 11, 2016.

<sup>2</sup> Mr. Distorn Vajarodaya resigned from directorship on August 16, 2016.

<sup>3</sup> Mr. Kanit Patsaman were appointed to be a Member of Nomination and Remuneration Committee by resolution of the Board of Directors No. 4/2016 on November 11, 2016

<sup>4</sup> Mr. Sanchai Jullamon were appointed to be a Member of Nomination and Remuneration Committee by resolution of the Board of Directors No. 5/2016 on December 21, 2016

Risk Management Committee compose of 7 Directors

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
1. Mrs. Saowanee Kamolbutr	Chairman of the Risk Management Committee	4 / 4	4 / 4
2. Miss Nutchamai Thanombooncharoen	Vice Chairman of the Risk Management Committee	3 / 4	4 / 4
3. Mrs. Wongdao Thanombooncharoen <sup>1</sup>	Member of the Risk Management Committee	4 / 4	4 / 4

Name of Director	Position	Number of Meetings Attended/ Total Number of Meetings	
		For the fiscal year ended 31 December 2015	For the fiscal year ended 31 December 2016
4. Mr. Kamoldist Smuthkochorn	Member of the Risk Management Committee	4 / 4	4 / 4
5. Mr. Paiboon Kujareevanich <sup>2</sup>	Member of the Risk Management Committee	3 / 3	-
6. Mr. Pongsarn Klongwathanakith	Member of the Risk Management Committee	1 / 1	4 / 4
7. Mr. Anupong Pongsuwan	Member of the Risk Management Committee	4 / 4	4 / 4
8. Mr. Surasak Prokati <sup>3</sup>	Member of the Risk Management Committee	4 / 4	-
9. Mr. Yingyong Sae-sueng <sup>4</sup>	Member of the Risk Management Committee	-	4 / 4
10. Mr. Kanit Patsaman <sup>5</sup>	Member of the Risk Management Committee	-	2 / 2

Remark: <sup>1</sup> Mrs. Wongdao Thanombooncharoen resigned from member of the Risk Management Committee on November 11, 2016.

<sup>2</sup> Mr. Paiboon Kujareevanich resigned from member of the Risk Management Committee on August 7, 2015 and were appointed by resolution of the Board of Directors No. 5/2016 on December 21, 2016.

<sup>3</sup> Mr. Surasak Prokati resigned from member of the Risk Management Committee on December 31, 2015.

<sup>4</sup> Mr. Yingyong Sae-sueng were appointed by resolution of the Board of Directors No. 7/2015 on December 21, 2015 to be member of the Risk Management Committee.

<sup>5</sup> Mr. Kanit Patsaman were appointed to be a member of Risk Management Committee by resolution of the Board of Directors No. 2/2016 on May 13, 2016.

### 8.1.4 Executives

Executive Management of the Company consists 8 executives as follows:

Name	Position
1. Mr. Sathien Setthasit	Chief Executive Officer
2. Miss Nutchamai Thanombooncharoen	Managing Director
3. Mr. Yuenyong Opakul	Senior Deputy Managing Director
4. Mrs. Wongdao Thanombooncharoen <sup>1</sup>	Senior Deputy Managing Director
5. Mr. Kamoldist Smuthkochorn	Deputy Managing Director, Marketing
6. Mr. Paiboon Kujareevanich	Deputy Managing Director, Accounting and Finance
7. Mr. Yingyong Sae-Sueng <sup>2</sup>	Deputy Managing Director, Sales
8. Mr. Pongsarn Klongwathanakith	Chief Financial Officer

Remark: <sup>1</sup> Mrs. Wongdao Thanombooncharoen resigned from Senior Deputy Managing Director on January 1, 2017

<sup>2</sup> Mr. Yingyong Sae-Sueng resigned from Deputy Managing Director on January 16, 2017

### 8.1.5 Company Secretary

Board of Directors Meeting No. 5/2015, held on August 7, 2015, was approved the appointment of Mr. Waranchai Jensiriwanich as the Company secretary, in order to comply with section 89/15 of the Securities and Exchange Act. The duties and responsibilities of the Company secretary are as follows:

- (1) to prepare and keep the following documents:
  - (a) directors register;
  - (b) notices of Board of Directors meetings, minutes of Board of Directors meetings, annual reports of the Company, and preparing supporting details and documents for Board of Directors meetings; and
  - (c) notices of shareholders meetings, minutes of shareholders meeting, and preparing supporting details and documents for shareholders meetings;
- (2) to keep reports on the interests as reported by the directors and executives;
- (3) to perform other acts as prescribed by the Capital Market Supervisory Board; and
- (4) to send copies of reports on the interests under section 89/14, as prepared by the directors and executives, to the chairman of the Board of Directors and the chairman of the Audit Committee within seven business days from the receipt thereof by the Company.

The Company Secretary must perform the aforementioned duties in a responsible, careful, and honest manner, and comply with the laws, the Company's objectives and Articles of Associations, and the resolutions of the Board of Directors and shareholders meetings.

### 8.1.6 Remuneration of the directors and executives

- (1) Remuneration of the directors

- (a) Monetary remuneration

Monetary remuneration of the company consist that salary, meeting allowance and bonus.

Refer to resolution of Annual General Meeting Year 2016, held on April 26, 2016 was approved monetary remuneration for non-executive directors not more than THB 5.0 million per year the details as follows:

	Salary	Meeting allowance
Chairman of the Board of Directors or chairman of committee	THB 45,000 / person / month	THB 20,000 / person / time
Director	THB 30,000 / person / month	THB 20,000 / person / time

In considering bonus payments to non-executive directors, it is at the discretion of the Chairman of the Board of Director, but not more than the amount approved by the shareholders.

### For the Year 2016, the Company has director remuneration expenses as follows.

Name	Position	Monetary remuneration	Bonus
1. Mr. Sathien Setthasit	Chairman of the Board of Director / Chief Executive Officer	None	None
2. Miss Nutchamai Thanombooncharoen	Vice Chairman of the Board of Director / Managing Director	None	None
3. Mr. Yuenyong Opakul	Director / Senior Deputy Managing Director	None	None
4. Mr. Kamoldist Smuthkochorn	Director / Deputy Managing Director	None	None
5. Mr. Romtham Setthasit	Director / Assistant Managing Director	None	None



Name		Position	Monetary remuneration	Bonus
6.	Mrs. Saowanee Kamolbutr	Director / Chairman of Audit Committee / Chairman of Risk Management Committee / Vice Chairman of Nomination and Remuneration Committee / Independent Director Committee / independent director	900,000	300,000
7.	Mr. Boonnaris Suwannapool	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director	580,000	170,000
8.	Mr. Distorn Vajarodaya	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director	400,000	170,000
9.	Mr. Kanit Patsaman	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Member of Risk Management Committee Independent Director	600,000	90,000
10.	Mr. Sanchai Jullamon	Director / Member of Audit Committee / Member of Nomination and Remuneration Committee / Independent Director	480,000	90,000
11.	LT.GEN Siripong Wongskhunti	Director / Independent Director	60,000	-
Total			3,020,000	820,000

(b) Non-monetary remuneration

- None -

(2) Management remuneration

(a) Monetary remuneration

Type of Remuneration	For the fiscal year ended 31 December 2015		For the fiscal year ended 31 December 2016	
	No. of Executives	Amount (Baht)	No. of Executives	Amount (Baht)
Salary and bonus	9	148,082,900	8	165,401,500
Provident fund and social security contributions	9	2,917,750	8	3,243,656
Total		151,000,650		168,645,156

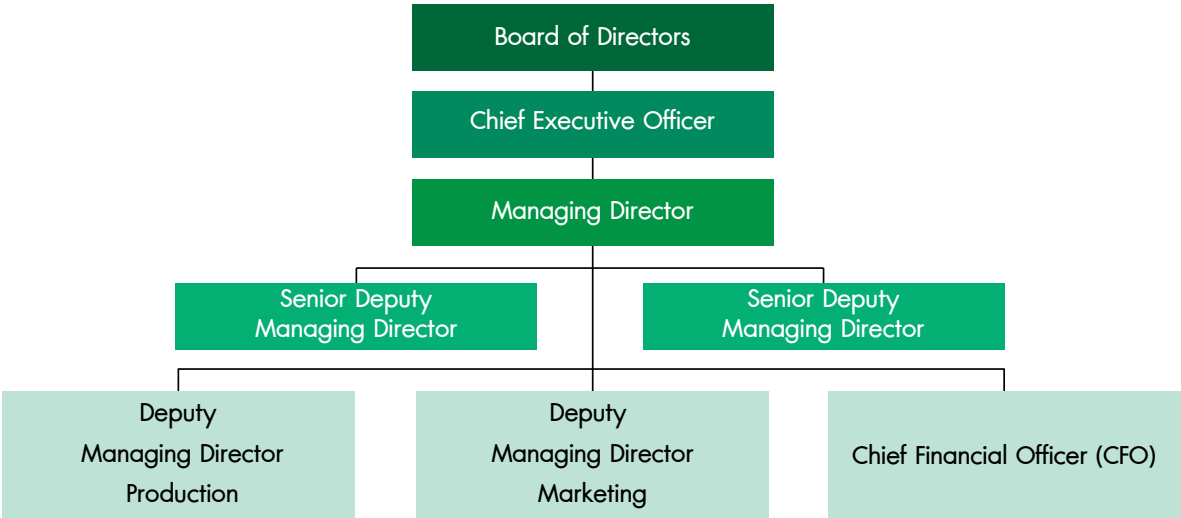
(b) Non-monetary remuneration

- None —

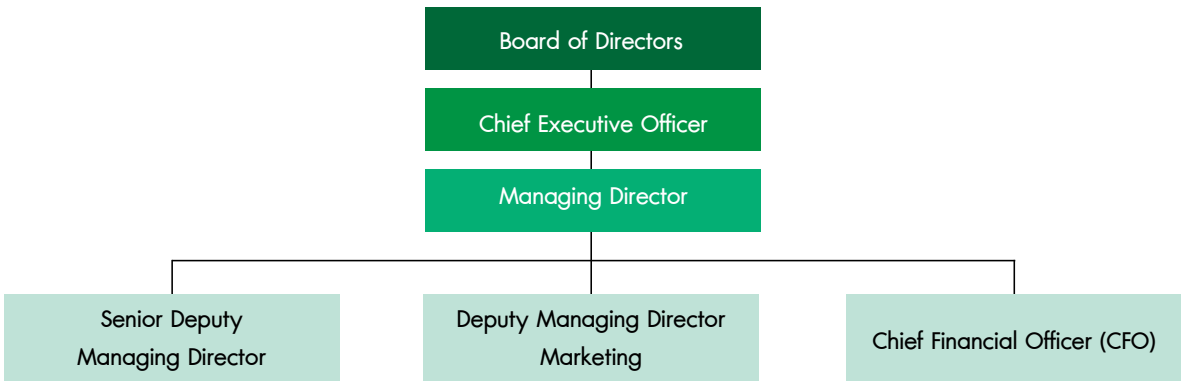
8.2 Management Structures of the Subsidiaries

8.2.1 Organization Structure of the Subsidiaries

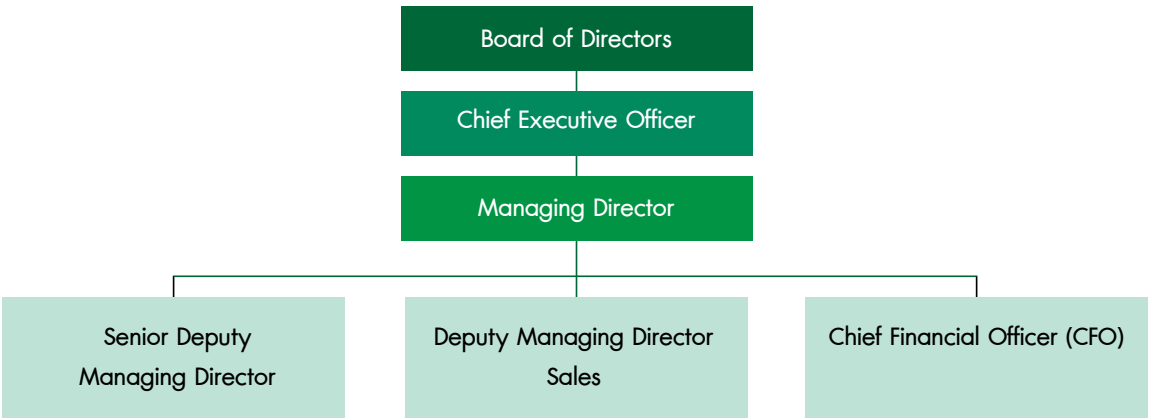
(1) Carabao Tawandang Company Limited (“CBD”)



(2) Asia Pacific Glass Company Limited (“APG”)



(3) Tawandang DCM Company Limited (“DCM”)



## 8.2.2 Board of Directors of the Subsidiaries

### (1) Boards of Directors of CBD, APG, and DCM

As of 31 December 2015, the Boards of Directors of the 3 subsidiaries, viz. CBD, APG and DCM, consist of five directors as follows:

	Name	Position
1.	Mr. Sathien Setthasit	Chairman of the Board of Directors
2.	Miss Nutchamai Thanombooncharoen	Vice Chairman of the Board of Directors
3.	Mr. Yuenyong Opakul	Director
4.	Mrs. Wongdao Thanombooncharoen	Director
5.	Mr. Kamoldist Smuthkochorn	Director
6.	Mr. Pongsarn Klongwathanakith	Director

### (2) Authorized director of the subsidiaries

The authorized directors of the three subsidiaries, i.e. CBD, APG, and DCM are any two directors, who shall jointly sign with the seal affixed in order to bind such three subsidiaries, except for certification of documents and/or copies of documents, which shall require the signature of any one director with each subsidiary's seal affixed.

## 8.2.3 Management of the subsidiaries

As of 31 December 2016, the management of the three subsidiaries, i.e. CBD, APG, and DCM, consists of eight executives as follows:

	Name	Position	Company		
			CBD	APG	DCM
1.	Mr. Sathien Setthasit	Chief Executive Director	✓	✓	✓
2.	Miss Nutchamai Thanombooncharoen	Managing director	✓	✓	✓
3.	Mr. Yuenyong Opakul	Senior Deputy Managing Director	✓	-	-
4.	Mrs. Wongdao Thanombooncharoen	Senior Deputy Managing Director, Marketing Operations	✓	✓	✓
5.	Mr. Kamoldist Smuthkochorn	Deputy Managing Director, Marketing	✓	✓	-
6.	Mr. Paiboon Kujareevanich	Deputy Managing Director, Management	✓	✓	✓
7.	Mr. Yingyong Sae-sueng <sup>1</sup>	Deputy Managing Director, Sales	-	-	✓
8.	Mr. Pongsarn Klongwathanakith	Chief Financial Officer	✓	✓	✓

Remark: <sup>1</sup> Mr. Yingyong Sae-sueng resigned from executive management on January 16, 2017.

## 8.3 Personnel of the Group

### 8.3.1 Number of personnel and remuneration

For the fiscal year ended 31 December 2015 and 2016 the Group had a total number of employees (excluding management) of 2,101 persons and 2,692 persons, respectively.

Company	Number of Employer year 2015	Number of Employer year 2016
CBG	13	14
CBD	1,374	1,406
DCM	497	1,051
APG	217	221
<b>Total</b>	<b>2,101</b>	<b>2,692</b>

### Summary of employees' remuneration.

Type of Remuneration	For the fiscal year ended 31 December 2015		For the fiscal year ended 31 December 2016	
	No. of Employee	Amount (Baht)	No. of Employee	Amount (Baht)
Salary and bonus	2,101	500,348,803	2,692	670,859,879
Provident fund and social security contributions	2,101	20,541,320	2,692	26,217,298
<b>Total</b>		<b>520,890,123</b>		<b>697,077,177</b>

### 8.3.2 Dispute on laboring issues

During the past 3 years ended 31 December 2016, the Group was not a party to any legal dispute on laboring issues that may have materially affected their business operation.

### 8.3.3 Personnel development policy

The Group emphasizes development of knowledge and the capabilities of all employees. As all employees are considered to be part of the Group's success, personnel development is a long-term investment and must be done on a consistent basis. Personnel are the most valuable resources of an organization. Therefore, personnel development is necessary for all employees to be able to apply knowledge to their responsible functions and become part of the Group's business success, and for the Group to be able to achieve its goals and sustainable growth in business.

The Group has designed a personnel development structure that consists of 5 programs as set out below.

#### (1) Orientation Program

This program is organized for new employees with a view to introducing the Group, the nature of the work, and other information necessary for the performance of duties. New employees will be proud to become part of the Group, and will become familiar with their work and colleagues.

**(2) Core Competency Training Program**

The purpose of this program is to develop employees' core competency, to enable them to maximize their efficiency in supporting the organization's businesses, and driving its achievement and sustainable growth.

**(3) Job Competency Development Program**

This program is intended to develop employees' knowledge and capabilities that are necessary for their job, as well as their ability to use such knowledge in the performance of duties in an efficient manner.

**(4) Functional Competency Development Program**

This program is intended for developing specific skills, capabilities, or techniques that employees must possess in the performance of their duties, so as to achieve targets, such as knowledge in the production process, specific techniques, or field of work, etc.

**(5) Managerial Competency Development Program**

The purpose of this program is to enhance knowledge, skills, managerial characteristics, and leadership of management personnel, to enable them to achieve goals.

The Group categorizes their employees for personnel development purposes into four groups, i.e. Sales Team, Sao Bao Dang Team, Factory Team and Supporting Team, based on the nature of the organization and development structure.

**(1) Sales Team**

The Group has a training system to provide its Sales Team with knowledge in the management of agents, extensive distribution of products, and sales management techniques.

**(2) Bao Dang Girls Team**

The Bao Dang Girls Team is in charge of communications, sales promotion activities, and introduction of the Group's new products to target groups for testing. To ensure the achievement of these objectives, the Group provide to its team with the development of various skills, such as hosting, acting, attracting consumers, and communicating skills.

**(3) Factory Team**

In developing the Factory Team, the Group emphasizes on production, product quality, cost reduction, increase in productivity, and work process, to be consistent with the main objectives of the factory, i.e. increase in productivity, cost reduction, and management of the quality systems, such as GMP system, HACCP system, and ISO 22000 system. Employees are also provided with training on techniques and development of other soft skills.

**(4) Supporting Team**

Development of the Supporting Team is significant for business operations in order to achieve the organization's goals. The Group provides development to their Supporting Team as if they were business partners. Supporting Team is provided with development of knowledge and abilities from its actual work, in-house training, the advice of experienced persons in each field, and training by third-party organizations.





CARABAO GROUP

# 9. Corporate Governance Policy

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The Company, through its directors, executives, and staff, commits and adheres to good corporate governance principles in operating the Company, and regards good corporate governance principles as an important factor in promoting the overall success of the Company. The Company's good corporate governance policy is in line with the Principles of Good Corporate Governance for Listed Companies, 2012, specified by the SET. The policy, covering principles related to rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency, and responsibilities of the board of directors, can be categorized into five categories as follows:

## Category 1: The Rights of Shareholders

The Company recognizes and values basic rights of shareholders, namely rights to sell, buy, or transfer shares, right to shares in the business profit, rights to sufficiently receive information about the business, rights to attend shareholders meetings to exercise the rights to vote in the appointment or removal of directors, appointment of auditors, and matters affecting the Company such as allocation of dividends, specification or amendment of Articles of Association and Memorandum of Association, reduction or increase of capital, and approval of special transactions, etc.

A shareholders meeting is an important channel where the Company's shareholders can exercise their rights as shareholders. For this reason, the Company holds shareholders meetings in accordance with the guidelines specified by the SET in order to promote and facilitate the exercise of rights of shareholders, as follows:

(a) In order to provide the shareholders with an opportunity to study the Company's information related to shareholders meetings, the Company will send the notice of shareholders meeting and supporting documents to the shareholders at least seven days in advance (or such other period required by law). The notice shall contain the details on the date, time, venue, and agenda of the meeting, with explanation and reason for each agenda item or each resolution sought, as well as the opinion of the board of directors, proxy form specified by the Ministry of Commerce and list of independent directors to allow shareholders to authorize proxies to attend the meeting, and map of the meeting location.

(b) The Company allows shareholders to send their questions to the Company prior to the meeting date. The criteria for advance questions will be clearly determined and the shareholders will be notified of the same in the notice of shareholders meeting. Also, the Company will publish the criteria for submitting the questions on the Company's website.

(c) The Company allows shareholders to propose agenda and to nominate candidate to the Company prior to the Board of Directors' meeting date, 3 months in advance.

(d) If a shareholder cannot attend the meeting, the Company allows the shareholder to appoint an independent director or any person as their proxy to attend the meeting on their behalf by submitting a proxy form sent with the notice of shareholders meeting by the Company.

(e) In each meeting, the chairman will notify the meeting of the rules applicable to the meeting and the voting process, and allocate sufficient time for the meeting.

(f) During the meeting, the chairman will give equal opportunity to each shareholder to fully ask questions, and give opinions and suggestions. The relevant directors and executives will attend the meeting to answer questions and listen to opinions and suggestions of shareholders for appropriate consideration or further process.

(g) The Company will appoint an independent party to count and validate votes at a shareholders meeting. The votes will be disclosed to the meeting and recorded in the minutes.

(h) The Company will use voting cards for important agenda items such as related party transactions, or acquisition or disposal of assets, for the sake of transparency and traceability in the case of subsequent objection.

(i) When the meeting ends, the Company will prepare accurate and complete minutes of the meeting within fourteen days from the date of the meeting and send the same to the relevant agency within the period specified.

## Category 2: Equitable Treatment for Shareholders

It is the Company's policy to equitably and fairly treat and protect the rights of all shareholders, whether executive or non-executive shareholders, Thai or non-Thai, major or minor. The Company aims to provide additional channels for shareholders who cannot attend the meeting themselves to authorize independent directors or other persons as proxies who may attend the meeting and vote on behalf of the shareholders. Minor shareholders will also be given the opportunity to nominate candidates for directors in advance at reasonable time and to add any agenda item before the date of the shareholders meeting in accordance with the rules to be specified by the board of directors and notified to the shareholders.

The meeting will be conducted in accordance with the Company's Articles of Association based on the order of the agenda. The details and supporting information for each agenda item will be presented fully. Unless necessary, no agenda item shall be added without prior notice to the shareholders, especially important one which requires considerable time for the shareholders to consider the matter before making a decision.

The board of directors has determined the procedures to prevent the improper use of inside information (insider trading) by related persons, including directors, executives, staff and employees, as well as a spouse and minor children of such persons. Disciplinary measures with regard to disclosure or use of information of the Company for personal interest have also been determined in accordance with the policy on prevention of exploitation of inside information. Directors and executives of the Company have also been informed of their duties and responsibilities in reporting the holding of the Company's securities by them, their spouses, and their minor children, as well as the change in such holdings, to the Office of the SEC in accordance with section 59 and penalties under the SEC Act.

## Category 3: Roles of Stakeholders

The Company values the rights of stakeholders and treats all relevant parties equitably. The Company's stakeholders are shareholders, staff, customers, trade competitors, community, and society.

### (a) Shareholders

The Company is committed to being a good representative of the shareholders in operating the business for the highest benefit of shareholders and will transparently and credibly disclose information to shareholders.

### (b) Staff

The Company recognizes the importance of all staff of the Company, whose roles are to drive the Company to develop the Company's business operation. Therefore, the Company is committed to continuously develop capacity,

knowledge, ability, and skills of the staff, including to consider appropriate remuneration in accordance with knowledge and ability of each staff, and to maintain good working environment, taking into account the quality of life and occupational safety. The Company treats all staff equitably and fairly.

The Company is always responsible for maintaining a working environment to ensure safety of life and property of the staff and strictly adheres to the labor laws.

The Company values privacy of staff and does not disclose personal data such as salary, medical history, and family to third parties or irrelevant persons, unless such data is required to be disclosed to a relevant third party in accordance with the law.

### **(c) Customers and trade competitors**

The Company operates its business in accordance with the relevant laws and adheres to code of conduct and good corporate governance principles in order for the Company's customers to gain the best interest from the Company's goods and products. The Company also follows good competition rules and the relevant laws, maintains the norm of competition best practices, and avoids using dishonest methods to harm competitors.

### **(d) Partner**

The Company is committed to fair and equitable treatment of its trading partners and builds credibility with each other. And provide a system of control not to disclose or use the partner's information to conduct business in an illegal manner. Include a transparent and fair trading partner selection process.

### **(e) Creditor**

The Company is committed to the conditions. Terms of Contract and strictly financial obligations. In terms of debt repayment, loan interest, and not to break the terms of repayment to trade creditors.

### **(f) Competitor**

The Company operates in accordance with good competition rules and regulations. Maintain the norms of the competition requirements. And avoid the dishonest way to destroy competitors.

### **(g) Community and society**

As a Thai company, the Company recognizes and appreciates the generosity of the nation and its part in society. The Company is committed to social responsibility by helping society, supporting activities of the localities in which the Company operates its business, taking into account the effect on the environment. Furthermore, the Company consistently focuses on instilling awareness of responsibility toward community and society in the Company, supports activities beneficial to society as a whole, as well as avoids any illegal or unlawful action.

In order to effect the policy on equitable treatment of stakeholders set out above, the Company will adhere to best practices of the SET, as follows:

(1) the Company will clearly determine the policy on treatment of each group of stakeholders covering at least the principles specified in the SET's Principles of Good Corporate Governance for Listed Companies, 2012; and

(2) the Company will implement procedures and channels for accepting and managing complaints of stakeholders, which will be published on the Company's website and in the Company's annual report.

## Category 4: Disclosure and Transparency

The Company is committed to disclosing accurate, complete, and transparent information, both in terms of financial reports and general information, in accordance with the rules of the SEC and the SET, as well as essential information that impacts the price of the Company's shares, which affects the decision-making process of investors and stakeholders of the Company so that all relevant persons equally acknowledge such information. After this public offering and after being listed on the SET, the Company will disclose information to shareholders and the public through the channels and media of the SET through a mechanism that ensures that all information disclosed to investors is accurate, would not cause any misunderstanding and is adequate for decision-making by the investors.

Apart from disclosure of information in accordance with the rules specified and through the channels of the SET, the annual registration statement (Form 56-1), and the annual report, the Company will disclose the information, in Thai and English, through other channels, such as the Company's website, consistently and regularly, and present up-to-date information. The information on the Company's website will contain at least the information specified in the SET's Principles of Good Corporate Governance for Listed Companies, 2012.

The board of directors recognizes its responsibility in providing accurate, complete, true, and reasonable financial statements which are prepared in accordance with generally accepted accounting standards. The Company regularly applies appropriate accounting policies and carefully exercises its discretion. The Company also provides adequate information in the notes to the financial statements. The Company will prepare Management Discussion and Analysis (MD&A) to support the disclosure of financial statements for every quarter so that the investors are aware and understand changes in the financial status and operating results of the Company in each quarter more clearly than looking at only the figures in the financial statements.

Furthermore, the board of directors arranges maintenance of effective internal control to reasonably ensure that accounting data is accurately, completely, and adequately recorded to maintain assets, and to determine weaknesses in order to prevent misconduct or significantly irregular practices. The Company will also appoint an audit committee consisting of directors not holding managerial positions, whose duty is to examine the financial reports, related party transactions, and internal control system. The audit committee will report directly to the board of directors.

## Category 5: Responsibilities of the Board of Directors

### (a) Board structure

The Company's board of directors is comprised of directors who possess management-level knowledge, ability, and experience from a variety of organizations so that they can apply the experience, knowledge, and ability in effectively developing and determining the direction of the Company's business operation for the best interests of the Company and its shareholders. The board of directors has an important role in determining the policies and overall image of the organization and in governing, inspecting, and monitoring the performance of the management, and evaluating the Company's operation based on the plan set.

Not less than one-third of the Company's board of directors shall be independent directors. As of 1 October 2014, the Company has nine directors, consisting of four executive directors, and five non-executive directors, including three audit committee directors. Such board structure allows for balance in voting in the consideration of matters. The board of directors also appoints committees to supervise the Company's business, as follows:



## **(b) Committees**

### **Executive committee**

The Company's executive committee consists of five members. The executive committee determines the policy and strategy in operating the business in accordance with the goal set by the board of directors to ensure effective management.

### **Audit committee**

The Company's audit committee, consisting of three members, is appointed to perform specific tasks and propose matters to the board of directors for consideration and acknowledgement. The audit committee's rights and duties are specified in the audit committee charter. At least one audit committee member shall possess sufficient knowledge and experience in accounting to be able to inspect the credibility of the Company's financial statements.

### **Risk management committee**

The Company's risk management committee, consisting of six members, has the duty of identifying risks related to operation of the Company's business, determining preventive measures, and monitoring appropriate compliance with such measures.

### **Nomination and remuneration committee**

The Company's nomination and remuneration committee, consisting of five members, has the duties of determining policies with respect to nomination of directors and top-level executives, and screening persons with appropriate qualifications before proposing the list to the board of directors or the shareholders meeting for appointment. The nomination and remuneration committee also plays an important role in considering the criteria for determining the appropriate remuneration of the directors and top-level executives that are appropriate and reflect performance of directors and executives based on the goals specified.

The board of directors has appointed the Company's secretary, whose duties and responsibilities are in accordance with the SEC Act.

## **(c) Roles, duties, and responsibilities of the board of directors**

The Company requires the board of directors to comply with the code of best practice in accordance with the guidelines of the SET. The directors must understand and recognize their roles, duties, and responsibilities, and perform their duties in accordance with the law, the Company's objectives and the Articles of Association, shareholders' resolutions, the charter of the board of directors, and the Company's corporate governance policy with integrity and honesty, with priority given to the best interests of the Company and its shareholders. The board of directors determines the policies, business goals, business plans, and the budget of the Company, and governs the management division to ensure compliance with the policies, plans, and budget specified with efficiency and effectiveness, for the best interests of the Company and its shareholders.

## **(d) Board of directors meeting**

The Company follows the rules regarding board of directors meetings specified in the PLCA and the Company's Articles of Association. The Company sets its meeting schedule and agenda in advance and notifies each director of such schedule and sends supporting documents to the directors at least 5 working days before the date of the meeting.

The number of board meetings will depend on the duties and responsibilities of the board of directors and the nature of operation of the Company's business, at least 3 months a time.

### **(e) Board of directors self-evaluations**

The Company will require the board of directors and committees to conduct self-evaluation at least once a year to jointly consider the performance and problems in order to determine appropriate improvement and solution. The self-evaluation will be conducted both on the group and individual basis. The Company will appoint an external consultant to set a guideline and advice on a board assessment at least once every 3 years.

The evaluation result for past 3 years : year 2014 represent 86%, year 2015 represent 90%, year 2016 represent 97%, respectively.

### **(f) Remuneration**

The remuneration for the board of directors will be comparable to the industry level in which the company operates and reflect the experience, duties, accountability and responsibility, and expected contribution of each director. The remuneration of the managing director and the top-level executives will be in accordance with the principles and policies specified by the board of directors, taking into account the best interests of the Company. The salaries, bonuses, and incentives will correspond to the performance of each executive, taking into consideration the benefits obtained by the shareholders.

The Company will require the nomination and remuneration committee to determine the remuneration of the managing directors and top-level executives, both in monetary and non-monetary form, for appropriateness and fairness, and propose the same to the board of directors meeting.

### **(g) Development of directors and executives**

The Company encourages training and knowledge sharing for all parties related to corporate governance such as directors, members of the audit committee, executives, company secretary, etc. to promote continuous performance improvement. Trainings and knowledge sharing may be held internally by the Company or provided by external institutions such as courses provided by Thai Institute of Directors Association (IOD).

In 2016, the Company provided training for directors. And the management of the company "Good Corporate Governance" by Mr. Yuth Vorachattarn

## **Social Responsibility**

The Group operates their business with morality and ethics, taking into account the stakeholders, economy, society, and the environment. In order to secure the confidence of shareholders, investors, employees, customers, stakeholders, and all relevant persons, the Group also adheres to good corporate governance principles to ensure the integrity, transparency, and equitability of the business, recognizing the negative effects on the economy, society, natural resources, and the environment. The Group's corporate social responsibility policy is as follows:

### **(1) Fair business operation**

The Group places emphasis on honest and fair business operation in accordance with the competition rules under relevant laws and regulations, taking into account the benefits and the effect of the operation of the business by the Group on stakeholders, namely shareholders, employees, customers, partners, investors, creditors, and the surrounding community. The Group has determined the relevant guidelines as follows:

(a) to operate the business strictly in accordance with the applicable laws, regulations, and rules, and to cooperate with the authorities; and

- (b) to create awareness among employees regarding the importance of compliance and fair competition.

## **(2) Anti-corruption efforts**

It is the Group's policy to combat corruption by promoting morality, ethics, and transparency in operating the business, in accordance with the Group's code of conduct, and to operate the business using effective management systems with transparency and traceability. The Group also encourages training and creating awareness among employees of possible corruption, and supervises anti-corruption efforts in accordance with the following guidelines:

Employees shall avoid accepting gifts, rewards, entertainment, and other benefits of distributors, to ensure independence in procuring goods from distributors. If an employee is found to accept benefits that exceed customary practice, or takes any action that compromises the employee's independence in performing his or her duty, the employee may be subject to investigation or allegation, and punishment in accordance with the work regulations or other rules of the Group.

## **(3) Respect for human rights**

The Group operates their business in respect of human rights, by promoting and protecting rights, freedom, and equitable treatment, which is the foundation of human resources management and development. It is not the Group's policy to discriminate on the grounds of race, gender, age, or disability. The Group has determined the following guidelines in this regard:

The Group hires persons with disability to perform work for the Group, with commitment to equitable treatment, in order to create job opportunities and income for such persons.

## **(4) Equitable treatment of employees**

The Group believes that personnel are the heart of sustainable development. With commitment to the quality of life of employees, the Group provides a good working environment, implement a human resources management system that is based on fairness, and promote development of personnel by providing training and on-the-job trainings based on the needs and suitability of each staff member, in order to increase work efficiency and create career progress. The Group has determined the following guidelines in this regard:

- (a) The Group categorizes their employees into four groups, namely the Sales Team, Sao Bao Dang Team, Factory Team, and the support staff, and provide training to each group as appropriate for their duties;

- (b) The Group focuses on providing an orderly working environment for occupational safety, and implement systems for a hygienic cafeteria, clean toilets, safe transportation, and efficient infirmary, in accordance with the law; and

- (c) The Group will ensure fairness in hiring new employees, transferring employees, and determining remuneration for employees, taking into account qualifications, suitability for the position, nature of work, and performance.

## **(5) Responsibility toward consumers**

The Group is committed to producing and developing quality products to satisfy the needs of consumers, from choosing quality raw materials to using manufacturing processes with advanced standardized technology for cleanliness and safety, with GMP certification, HACCP certification, and approval by food and drug administrations at an international level. The Group has already obtained ISO 22000.

## **(6) Maintenance of the environment**

The Group strictly complies with the laws and regulations concerning environmental management, and implement preventive and corrective measures for environmental impact caused by the operation of the Group. The Group also uses resources efficiently and economically, implements an effective production waste treatment system, and assesses their environmental management system. The Group has determined the following guidelines in this regard:

(a) The Group manages factory waste by engaging a third-party juristic person to manage waste in the factory. The Group's employees place waste in designated areas. Then, the juristic person disposes of the waste outside the factory. The Group will apply for permission from the Department of Industrial Works to remove waste from the factory.

(b) The Group engages a third-party juristic person to measure environment quality, in terms of particulate matter, noise level within the factory, heat, sufficiency of lighting, and quality of water and air, and prepare an environmental monitoring report.



## **(7) Development of community and society**

Recognizing the importance of contributing to society, the Group regularly conducts projects for development of society, focusing on music activities, education, creating occupations, and encouraging self-reliance. The Group has held the following activities for the benefit of the community and society.

Moreover, the Group expanded its business operation of cash vans through increasing its regional distribution centers, thus creating local job hiring within the communities that the Group operates its distribution center in. For the year ended 2016, DCM has opened a total of 31 regional distribution centers, whereby each distribution center will create 20-30 job positions for the local communities.

The Company provides guidelines for inform the clues or non-ethical complaint (Whistleblower) or offense or behaviors that may imply fraud or the misconduct of the person in the organization. Including defects of internal control system from employees and other stakeholders. By sending the message via email : [info@carabao.co.th](mailto:info@carabao.co.th) or the letter to Mr.Sathien Setthasit Chief Executive Officer of the Company, Carabao Group Public Company Limited, 393 Building Silom 10th floor, No.393 Silom Road, Silom Sub-district, Bangrak District, Bangkok 10500





# Carabao



# Carabao

# 10. Nomination and Appointment of Directors and Top-Level Executives

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## **Qualifications of Board of Directors and Sub Committees**

### **(1) Board of directors**

The composition, nomination, appointment, removal or retirement of directors of the Company are specified in the charter of the board of directors approved by Board of Directors Meeting No. 3/2014 held on 22 April 2014. The charter specifies the qualifications of the Company's directors, which can be summarized as follows:

(a) The Company's directors need not hold shares in the Company. A director must possess knowledge, ability, experience beneficial to the operation of the Company's business, honesty, integrity, morality in operating the business, and sufficient time to dedicate his or her knowledge and ability, and must be able to fully perform their duties for the Company. Furthermore, a director must possess all qualifications required and must not possess any prohibited characteristics under the law governing public limited companies and the law governing securities and exchange. A director must not possess any trait that reflects lack of suitability to be trusted with managing a business of which the public hold the shares, as specified by the SEC. A director must be listed in the database of directors and executives of securities issuing companies under Notification of the Capital Market Supervisory Board Re: Rules for Listing Names of Persons on Database of Directors and Executives of Securities Issuing Companies.

(b) The board of directors shall consist of no fewer than five directors and at least one half of the total number of directors shall be domiciled in Thailand.

(c) There shall be at least three independent directors and the number of independent directors shall constitute at least one-third of the Company's board of directors. Independent directors must be independent from the control of major shareholders and shall not have any financial or operational relation or interest. Independent directors shall also possess all qualifications under the rules prescribing qualifications of independent directors prescribed in Notification of the Capital Market Supervisory Board No. TorJor. 28/2551 Re: Application and Approval for New Shares ("Notification TorJor. 28/2551") as amended.

(d) The board of directors shall include no fewer than three audit directors. The audit directors must possess all qualifications required under Notification TorJor. 28/2551, and shall have the authority, duty and responsibility in accordance with the scope specified by the SET.

(e) The board of directors may elect one director to be the chairman of the board of directors. If the board of directors deems it appropriate, they may appoint one or more directors as vice chairman.

### **(2) Independent directors**

The nomination and remuneration committee will consider the qualifications of the persons appointed as independent directors by considering the qualifications and prohibited characteristics prescribed in the PLCA, the SEC Act, notifications of the Capital Market Supervisory Board, and other relevant notifications, regulations and/or rules. Furthermore, the board of directors will consider selecting persons with qualifications, experience and suitability to be the Company's independent directors and propose them to the shareholders meeting for consideration and appointment as

Company's directors. It is the Company's policy to ensure that the number of independent directors shall constitute at least one-third of the Company's board of directors and not fewer than three members. The board of directors has specified the qualifications of an independent director, as follows:

(a) an independent director must not hold shares exceeding one percent of the total shares with voting rights of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company. Such percentage shall include shares held by related persons of such independent director;

(b) an independent director shall not be or have been an executive director, employee, staff and consultant who receives a regular salary or a controlling person of the Company, the parent company, the subsidiaries, the associate companies, the same-level subsidiaries, major shareholders, or controlling persons of the Company, unless the director has not held such position for at least two years before the date of submission of the application to the Office of the SEC;

(c) an independent director shall not be related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of a child of another director, executive, major shareholder, controlling person to be nominated as an executive director or controlling person of the Company or the subsidiaries;

(d) an independent director shall not have or have had a business relationship with the Company, the parent company, the subsidiaries, the associate companies, major shareholders or controlling persons of the Company in the manner that may prevent free judgment, and shall not be or have been a significant shareholder or controlling person of a person related to the business of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, unless such relationship ended at least two years before the date of submission of the application to the Office of the SEC;

(e) an independent director shall not be or have been an auditor of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, and shall not be a significant shareholder, controlling person of or a partner in the auditing office in which the auditor of the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company works, unless the director has not held such position for at least two years before the date of submission of the application to the Office of the SEC;

(f) an independent director shall not be or have been a provider of any professional service, including legal advisory or financial advisory service receiving more than Baht two million of service charges per year from the Company, the parent company, the subsidiaries, the associate companies, major shareholders, or controlling persons of the Company, and shall not be a significant shareholder, controlling person or a partner of the service provider, unless the director has not held such position for at least two years before the date of submission of the application to the Office of the SEC;

(g) an independent director shall not be a director appointed as the agent of the directors of the Company, major shareholders, or shareholders related to a major shareholder;

(h) an independent director shall not operate a business of the same nature with and in competition with the business of the Company or the subsidiaries and shall not be a significant partner in a partnership, or be an executive director, employee, staff and consultant who receives a regular salary, or hold shares exceeding one percent of the total shares with voting rights, of another company operating a business of the same nature with and in competition with the business of the Company or the subsidiaries.

(i) an independent director shall not possess any other characteristics that prevent them from freely giving an opinion regarding the Company's operation.

### **(3) Audit committee**

The components and nomination, appointment, removal, or retirement of audit directors are specified in the charter of the audit committee approved by Board of Directors Meeting No. 2/2014, held on 10 March 2014.

(a) The board of directors selects and appoints the Company's audit committee, which shall consist of at

least three members. An audit director shall be an independent director of the Company who possesses the qualifications required under the law governing securities and exchange and the notifications, regulations and/or rules of the SET.

(b) At least one member of the audit committee shall possess knowledge and experience in verifying the accuracy of the financial statements, and such qualifications shall be set out in the certificate and biography of audit committee members to be submitted to the SET and in the filing forms, Form 56-1 and Form 56-2.

(c) Upon expiration of the term of an audit committee member or if an audit committee member vacates the office before the term expires, causing the number of members to be lower than three, the board of directors will appoint replacement members within three months from the date on which the number of members becomes lower than three for continuity in the performance of the audit committee.

(d) The Company's head of audit shall be the secretary of the audit committee.

(e) The term of each member of the audit committee is three years.

#### **(4) Executive committee**

The components and nomination, appointment, removal, or retirement of executive directors are specified in the charter of the executive committee approved by Board of Directors Meeting No. 3/2014, held on 22 April 2014, which can be summarized as follows:

(a) The executive committee consists of at least three members.

(b) The board of directors will appoint one member as the chairman of the executive committee. If the board of directors deems it appropriate, they may appoint one or more members as vice chairman of the executive committee.

#### **(5) Risk management committee**

Board of Directors Meeting No. 3/2014, held on 22 April 2014, passed a resolution appointing a risk management committee, consisting of directors and/or executives who possess appropriate qualifications, in order to determine policies related to risk management covering the whole organization, ensure that the company implements risk management systems or processes to control risks and minimize impact on the Company's business. The main duties of the risk management committee include identification of risks related to the operation of the business of the Company, determination of preventive measures, and monitoring compliance with such measures. The purpose of the charter is to ensure that the risk management committee members understand their roles, duties, and responsibilities and use the charter as a guideline for their performance.

The risk management committee is appointed by the board of directors. The term of office is three years from the date of appointment. A retiring member of risk management committee is eligible for reappointment.

#### **(6) Nomination and remuneration committee**

Board of Directors Meeting No. 3/2014, held on 22 April 2014, passed a resolution appointing a nomination and remuneration committee consisting of directors and executives who possess appropriate qualifications, in order to determine policies related to nomination of persons to be directors and top-level executives, and screening of persons with appropriate qualifications and proposing the same to the board of directors or shareholders meeting for appointment. The nomination and remuneration committee also plays an important role in considering criteria in determining appropriate remuneration of directors and top-level executives that reflect the performance of directors and top-level executives, based on the goals specified.

The nomination and remuneration committee consists of no fewer than three directors and executives.

The board of directors will appoint one member as the chairman of the nomination and remuneration committee. The term of the nomination and remuneration committee, appointed by the board of directors, is three years from the date of appointment. A retiring member of nomination and remuneration committee is eligible for reappointment.

## **Governance of Operation of Subsidiaries and Associate Companies**

The Company is a holding company with no significant business of its own. Therefore, in order for the Company to govern and be responsible for the operation of the subsidiaries as though they are a part of the Company and in order to maintain the interest of the Company's investment, Board of Directors Meeting No. 3/2014, held on 22 April 2014, passed a resolution approving the policy on control of and mechanism for governing the business in which the Company invests in order to determine the mechanism for governing subsidiaries and the measures for monitoring the operation of the subsidiaries to ensure compliance with the rules prescribed in Notification TorJor. 28/2551. Furthermore, the Extraordinary General Meeting of Shareholders No. 3/2014, held on 1 October 2014, passed a resolution approving the amendment of the Articles of Association of The Company and the subsidiaries to be in compliance with the rules prescribed in Notification TorJor. 28/2551.

The details of governing the operation of the subsidiaries and associate companies in accordance with the policy on control of and mechanism for governing the business in which the Company invests are as follows.

### **1 Exercise of voting rights by the Company's representative in the shareholders meetings of the subsidiaries and associate companies**

The Company has determined the guidelines on exercise of voting rights by the Company's representative in the shareholders meetings of the subsidiaries with respect to certification of minutes of ordinary and/or extraordinary general meetings of shareholders, certification of annual financial statements, election of directors and determination of remuneration, appointment of auditors and determination of remuneration, allocation of profit, approval of other matters, and consideration of other matters not specified in advance in the agenda in order to comply with the guidelines on good corporate governance and to maintain the best interests of the Company, the subsidiaries and other shareholders as a whole.

### **2 Structure of management of subsidiaries**

The Company has determined the structure of management of subsidiaries in order to control the management and be responsible for the operation of the subsidiaries as though they are a part of the Company. The Company also implements measures for monitoring management of the subsidiaries in order to maintain the interest of the Company's investment, as follows.

#### **(1) Nomination of directors of subsidiaries**

The Company will nominate persons approved by the board of directors meeting as directors of the subsidiaries in a number reflecting the shareholding proportion of the Company in the respective subsidiary. The nominated director shall have the required qualifications, role, duty, and responsibility, and shall not possess untrustworthy characteristics as prescribed in the notifications of the SEC concerning determination of untrustworthy characteristics of directors and executives of a company.

#### **(2) Determination of scope of duty and responsibility of directors and executives of subsidiaries**

The directors appointed by the resolution of the board of directors meeting as a director of subsidiaries shall observe the scope of duty and responsibility specified in the Articles of Association of the subsidiaries specified by a resolution passed by the Extraordinary General Meeting of Shareholders of the Company No. 3/2014, held on 1 October 2014. The objective of the Articles of Association is to ensure that the boards of directors of the Company and the subsidiaries understand their roles, duties, and responsibilities toward the shareholders of the Company and the subsidiaries, and that they will perform their duties efficiently and effectively with transparency. More importantly, the board



of directors of the subsidiaries must perform their duties in accordance with the policy on control of and mechanism for governing the business in which the Company invests, and the policy of corporate governance specified by the Company.

The Company shall ensure that the subsidiaries have internal control system, risk management system, fraud prevention system which are appropriate, efficient and adequate, ensuring that the operations of the subsidiaries are in compliance with the Company's policy, the Articles of Association of the subsidiaries, Chapter 5: "the management for the compliance with the controlling policy and corporate governance mechanism of the company in which the Company invests", as well as, law and notifications regarding good corporate governance of listed companies, including relevant notifications, regulations and rules of the Capital Market Supervisory Board, the Office of the SEC and the SET. The Company shall also procure a clear arrangement to demonstrate that the subsidiaries have a sufficient system for disclosing significant transactions in accordance with prescribed rules with continuity and accountability, allowing directors and executives of the Company to have access to the information of the subsidiaries for the purpose of effectively monitoring operating results and financial conditions, related party transactions between the subsidiaries and directors and executives of subsidiaries and significant transactions of the subsidiaries. In addition, the Company shall have mechanism for auditing the said system of the subsidiaries by ensuring that the internal audit team and independent directors of the Company have direct access to such information and also the result of the system audit is reported to directors and executives of the Company, ensuring that the subsidiaries constantly comply with the system.

### **(3) Disclosure of data of directors and executives of the subsidiaries**

(a) A director and executive of a subsidiary must disclose and submit data on their interest and involvement in any transaction that can be expected to create a conflict of interest with the Company and a subsidiary to the board of directors of the subsidiary or the person assigned by the board of directors of the subsidiary within the period specified by the subsidiary. The board of directors of the subsidiary has the duty to notify the board of directors of the Company of the matter within the period specified by the Company so that such data can be used to support any consideration or approval. The board of directors will consider the matter, taking into account the best interest of the subsidiary and the Company. The directors and executives of the subsidiary shall not be involved in the approval of any matter in which they have an interest or conflict of interest.

(b) A director and executive of a subsidiary, including persons related to the director and executive, have the duty to notify the board of directors of the subsidiary of their relationship and transaction with the subsidiary in a manner that may cause a conflict of interest, and shall avoid making any transaction that may create a conflict of interest with such subsidiary. The board of directors of the subsidiary has the duty to notify the Company of such matter.

The following actions, which cause a director, executive, or person related to the director or executive to gain other financial interests apart from those normally receivable by them, or cause damage to the subsidiary shall be assumed as actions that materially conflict with the interest of the subsidiary:

- a transaction made between the subsidiary and a director, executive, or related person not in accordance with the rules concerning related party transactions;
- use of data of the Company and the subsidiary which such person has obtained, unless such data has been disclosed to the public; or
- use of property or a business opportunity of the Company and the subsidiaries in a manner that violates the rules or general practices prescribed by the Capital Market Supervisory Board.

### **(4) Disclosure of information of subsidiaries**

(a) It is the duty of a subsidiary to disclose accurate and complete information on its financial status and operating results, transactions made between the subsidiary and a connected person, acquisition or disposal of assets, or other important transactions of the subsidiary, and to apply the rules concerning disclosure and transactions of a nature



similar to the rules of the Company.

(b) A subsidiary must report its business operation plan, business expansion, investment in large projects, and joint investment with other business operators to the Company through a monthly performance report. The Company is entitled to invite the subsidiary to provide an explanation or submit supporting documents for consideration, and the subsidiary shall strictly comply with such request immediately. If the Company finds any significant issue, the company may request that the subsidiary provide an explanation and/or submit documents for consideration by the Company.

#### **(5) Use of inside information of subsidiaries**

No director, executive, staff, employee, or designated persons of the subsidiaries, including spouse or minor child of the aforementioned persons shall use the inside information of the Company and the subsidiaries, whether obtained in accordance with their duty or otherwise, in a manner that significantly affects or may affect the Company and/or the subsidiaries for their own or others' interest whether directly or indirectly, or whether any benefit is gained from such use.

#### **(6) Transactions made by the directors, executives, or persons related to subsidiaries**

The director, executive, or related person of a subsidiary may enter a transaction only when such transaction has been approved by the Company's board of directors or shareholders meeting, depending on the size of the transaction, calculated based on the rules prescribed in the related party transaction notification, unless such transaction is a commercial agreement of a nature which a reasonable person would enter with a general party under similar circumstances without any influence as a director, executive, or related person, as the case may be. The commercial terms of such transactions must be approved by the board of directors or in accordance with the criteria previously approved by the board of directors.

### **3 Financial control of subsidiaries**

(1) A subsidiary has the duty to submit monthly operating results and reviewed quarterly financial statements, as well as data supporting the preparation of such financial statements of the subsidiary and associate company to the Company, and agrees that the Company may use such data for preparation of financial statements or annual or quarterly reports of the Company's operating results, as the case may be.

(2) A subsidiary has the duty to prepare estimates of operating results and a summary of comparison of operating results with the actual operation plan on a quarterly basis, monitor the operating results to ensure compliance with the plan, and notify the Company of the same.

(3) A subsidiary has the duty to report significant financial issues to the Company upon discovery or request by the Company to investigate and report such issues.

#### **Control of Internal Information**

The Company operates its business based on good corporate governance practices, taking into account the importance of and responsibility toward its shareholders and stakeholders. The Company supervises the use of inside information in accordance with good corporate governance principles and sets out rules concerning use of internal information in its corporate governance policy approved by the resolution of Board of Directors Meeting No. 3/2016 held on August 11, 2016 which can be summarized as follows.

#### **Guidelines on disclosure of inside information**

The Company has determined the confidentiality level of trade secrets, disclosure of which to third parties must be prevented. Confidentiality level is determined based on its importance, i.e. non-confidential data, concealed data, confidential data, and strictly confidential data. Use of inside information shall be under the scope of duty and responsibility assigned.

Confidential information may be disclosed to the public only when consent is given by the managing director, subject to consideration by the executive committee. Significant data may be disclosed to the public by the unit responsible for disclosure as assigned by the Company. Data related to third parties or other stakeholders may be disclosed upon consent of the third parties or stakeholders. The center with duty to disclose information to the public is the investor relations and business development section under the investment management department.

With respect to giving an opinion to third parties, the Company's personnel shall not answer questions or give opinions to any third parties unless appointed or assigned to do so.

### **Guidelines on use of insider trading**

The Company recognizes the importance and responsibility towards shareholder and stakeholders of the Company in accordance with the principles of good corporate governance. Therefore, to improve the confidence of shareholders, investors and relevant parties, the Company has determined the procedures to prevent the improper use of inside information (insider trading) by personnel of the Company, including board of directors, management, secretary of directors and management, account and financial officer, IR, Internal Audit officer and company secretary department and spouse and minor children of such persons. The purpose of this measure is to create equality and fairness in using inside information of the Company in order to create confidence for shareholders, investors and relevant parties. The Company prohibits the aforesaid persons of the Company, including family members of such persons who obtain inside information of the Company which is significant for the change of the price of shares and has not been disclosed to the public, to sell or purchase the shares or persuade others to purchase, sell, make an offer, or offer for sales of the Company's shares, whether directly or through a broker and whether for their own or others' interest.

In addition, the Company also prohibits the aforesaid persons and their family members from disclosing the information which is significant for the change of the price of shares and has not been disclosed to the public to other persons to use the information on their behalf for the benefit of the person disclosing the information.

The Company and the SET will consider the wrongful use of inside information to sell or purchase the securities in the Company as the sale or purchase of securities in order to speculate or create advantages for specific groups which is a wrongful act pursuant to the law of securities and exchange. In this regards, the Company has set a policy and informed the directors and executives of the period during which the securities in the Company ceased to be sold or purchased, i.e. 21 days before each of the meeting of the board of directors.

### **Guidelines on prevention of insider trading**

The Company limits access to non-disclosed data by reserving access for top-level executives as much as possible, and disclosing the same to the Company's staff to the extent necessary, and informing the staff of its confidentiality and restriction on use. The Company has implemented a workplace security system to protect data files and confidential documents. The owner of data that has not been disclosed to the public shall instruct relevant persons to strictly observe the security process.

Moreover, the Company imposes regulations that prohibit directors, executives, employees, staff, or persons authorized by the Company, and spouses and minor children of such person, from using the inside information of the Company and the subsidiaries obtained in the course of their duty or otherwise that has or may have a significant impact on the Company and the subsidiaries, for their own or others' business, directly or indirectly, and whether or not benefits are obtained. Those violating the regulations will be subject to disciplinary action, including written warning, allowance cut, pay cut, suspension without pay, or dismissal, depending on the seriousness of the violation, and may be subject to legal punishment, on a case-by-case basis.





# 11. Internal Control and Risk Management

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## 11.1 Board of Directors' and Audit Committee's Opinions on the Group's Internal Control System

The Board of Directors has assigned the Audit Committee to review the appropriateness and efficiency of the internal control system, so as to ensure that the Group's internal control system is appropriate and adequate and complies with the internal control principles of the Committee of Sponsoring Organization of the Treadway Commission (COSO), and covers management control, operational control, accounting and financial control and compliance control.

### Board of Directors

The Board of Directors arranges that the Internal Control Department, at the level of department, has power and duty to conduct an independent audit and directly report the audit outcome to the Audit Committee. The Board of Directors has prescribed the duties and responsibilities of the Internal Control Department in the Company's regulations. Such duties and responsibilities have already been considered and approved by the Audit Committee.

In Audit Committee Meeting No. 5/2016, held on December 21, 2016, at which all the three Audit Committee members were in attendance, the adequacy of the Company's and its subsidiaries' internal control system was evaluated by the Audit Committee using the adequacy assessment form for internal control system (including risk management), and information from inquiries with the management in order to evaluate the internal control system of the Company in five areas, namely:

1. Organization Control and Environment Measures;
2. Risk Management Measures;
3. Management Control Activities;
4. Information and Communication Measures; and
5. Monitoring.

The Audit Committee and the Board of Directors were of the view that the Company had adequate internal control system and number of personnel to efficiently comply therewith, including the monitoring of its subsidiaries' operations to prevent exploitation of the Company's and its subsidiaries' assets through improper or unauthorized use thereof by the directors or executives. The Board of Directors was also of the view that the Company had adequate and appropriate internal control in other areas.

## 11.2 Operation in Relation to the Company's Internal Control System

The Company has the Audit Committee which has the duty to review the internal control system and internal audit system to ensure their appropriateness and efficiency, as well as to audit the Company's operations to ensure its compliance with the law on securities and exchange, the regulations of the SET, and the laws relating to the Company's business. The Audit Committee will hold meetings at least on a quarterly basis to consider and ensure the existence of an accurate financial report as well as complete and adequate disclosure of information, including the consideration of related party transactions or transactions that may cause conflict of interest to ensure compliance with the laws and regulations of the Office of the SEC and the SET.







# BACK YOUNG BLOOD SEASON 3



# 12. Corporate Social Responsibility

“Building values in life” is the philosophy behind the Group’s corporate action that aims to give back values to society. In that regard, the Group also establishes social projects as a mean of providing a valuable and sustainable foundation of life to the public community.

## (a) Music for Life Project

Carabao Foundation together with Carabao Tawandang Co., Ltd., who jointly formed the “Music for Life” Project, continued to deliver creative social activities relentlessly as part of its CSR program. Since year 2014, they co-created a TV show with Work Point TV called “Bao Young Blood — Music for Life Project” to host a musical talent show that has been running for three seasons since. The TV show offers an opportunity for Thai youth, who are pursuing secondary to higher education, to showcase their musical talent through performing an improvised version of Carabao music in their own style, which ensues the project’s objective in promoting the use of free time to benefit the youth themselves, through developing musical skills. The nationwide application submission period lasted well over 8 weeks (from 1 July — 15 September, 2016) on its website [www.carabao.co.th](http://www.carabao.co.th) inviting the youth to participate.

Those applicants who pass the screening phase will go on to audition on stage on the provincial level to showcase their talent in front of the panel of judges. Afterwards, those who pass the provincial audition level will go on to compete on the regional level, consists of 5 regions of Thailand which are North, Central, North-East, South, and Greater Bangkok. Only 80 bands of contestant will be nominated to join the Semi-Final level, in which there will only be 20 bands left to progress to the next level. The next level is where the contestants will get an opportunity to participate in a workshop with 8 of Carabao band members, including Add Carabao (Yuenyong Opakul), Lek Carabao (Preecha Chanapai), Thierry Carabao (Thierry Mekwattana), Odd Carabao (Kreakkamphon Pathomatta), Duke Carabao (Luechai Ngarmsom), Mhee Carabao (Kajornsak Hutawattana), Ko Carabao (Chuchart Nduang), and Uan Carabao (Thanasith Panpongthai). The Carabao band members will offer advice in music to the contestants before the elimination stage where only 5 bands will be selected to compete in the Final round. The winner will win a scholarship worth of 100,000 Baht for their education and will receive a medal of honor from Carabao Foundation. Moreover, the winner will get to perform on the stage alongside with the Carabao band members in a charity concert organized by Music for Life Project. The revenue from the charity tickets sold will go towards funding Thailand’s elderly artists who are in need.







## (b) My Tambon Project

“My Tambon” project was established since year 2004 until today with the purpose to instill, support, and encourage Thai youth towards preserving nature and environment in their own local communities. The participants of the program are targeted at primary education students by which they must submit an essay to “Uncle Add Carabao” under the topic ideas surrounding “How good nature and environment creates quality living in my district”. The project also encourage and preserve the proper usage of Thai language through essay writing as well as help creating values in life and unify the community that is being written about. In 2016, my Tambon’s topic has changed to “The material goods from my district”, whereby this topic will help encourage kids to write about goods from their district and to describe how valuable the goods are to themselves and to the others. The central role of this project will be on igniting ways of thinking and inspiring Thai youth to become more conscious of nature and environment surrounding their communities.

The panel of judges will select the best essays of the month in which the winner of the outstanding essay will receive a scholarship worth Baht 5,000.0 for their education and a certificate of achievement. The district in which the student writes about will receive Baht 10,000.0 in support of nature and environmental preservation activities. Moreover, the winning essay from the project will be published on various medium such as online, radio, and television, which will feature a length of 2 minutes through the broadcasting channels every week in order to promote the essay of the students among the public.







# 13. Related Party Transactions

## 13.1. Person Who May Have Conflict of Interest

### 13.1.1 Mongol Co., Ltd.

Nature of Business	Engaging in the businesses of manufacturing and selling audio tapes, CDs and VCDs, and composing music
Nature of Relationship with the Company	<ul style="list-style-type: none"><li>- One joint director, Mr. Yuenyong Opakul</li><li>- Two joint shareholders, Mr. Yuenyong Opakul and Mrs. Linjong Opakul who hold 40.0% and 7.5% of shares, respectively, in Mongol Co., Ltd.</li></ul>

### 13.1.2 Tawandang Brewery Co., Ltd.

Nature of Business	Engaging in the business of (1) producing and selling beer; and (2) selling food and beverages
Nature of Relationship with the Company	<ul style="list-style-type: none"><li>- Two joint directors, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen</li><li>- Two joint shareholders, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen who hold 30.0% and 15.0% of shares, respectively, in Tawandang Brewery Co., Ltd.</li></ul>

### 13.1.3 Tawandang German Brewery Co., Ltd.

Nature of Business	Engaging in the business of (1) producing and selling beer; and (2) selling food and beverages
Nature of Relationship with the Company	<ul style="list-style-type: none"><li>- Two joint directors, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen</li><li>- Two joint shareholders, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen who hold 40.0% and 40.0% of shares, respectively, in Tawandang German Brewery Co., Ltd.</li></ul>

### 13.1.4 Tawandang German Brewery 1999 Co., Ltd.

Nature of Business	Engaging in the business of (1) producing and selling beer; and (2) selling food and beverages
Nature of Relationship with the Company	<ul style="list-style-type: none"><li>- Two joint directors, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen</li><li>- Two joint shareholders, i.e. Mr. Sathien Setthasit and Miss Nutchamai Thanombooncharoen who hold 40.0% and 20.0% of shares, respectively, in Tawandang German Brewery 1999 Co., Ltd.</li></ul>



### 13.1.5 C.J. Express Group Co., Ltd.

Nature of Business	Engaging in the business of wholesale stores and convenience stores
Nature of Relationship with the Company	<ul style="list-style-type: none"> <li>- One joint director, i.e. Mr. Sathien Setthasit</li> <li>- Four joint shareholders, i.e. Mr. Sathien Setthasit, Miss Nutchamai Thanombooncharoen, Mr. Yuenyong Opakul and Mrs. Wongdao Thanombooncharoen who holds 40.0%, 20.0%, 10.0% and 10.0% of shares, respectively, in C.J. Express Group Co., Ltd.</li> </ul>

### 13.1.6 Sahamitr Products Co., Ltd.

Nature of Business	Trading
Nature of Relationship with the Company	Two directors of the company related to the company such as Miss Nuchanok Vongswat (Miss Nutchamai Thanombooncharoen's Daughter) and Miss Phoogkwan Smuthkochorn (Mr. Kamoldist Smuthkochorn's Daughter) who holds 50.0% and 50.0% of shares, respectively, in Sahamitr Products Co., Ltd.

### 13.1.7 Coco Foods Co., Ltd.

Nature of Business	Trading
Nature of Relationship with the Company	Two directors of the company related to the company such as Miss Kwansuda Treethammakul (Mr. Sathien Setthasit's Daughter in laws) and Miss Kornthong Wilai (Mr. Sathien Setthasit's Daughter in laws) who holds 50.0% and 50.0% of shares, respectively, in Coco Foods Co., Ltd.

## 13.2 Related Party Transactions

Below is a summary of the related party transactions between the Group and persons who may have conflicts of interest during the fiscal year ended 31 December 2015 and 2016.

### 13.2.1 Mongol Co., Ltd.

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016
<ul style="list-style-type: none"> <li>• Advertising expense</li> </ul>		
CBD entered into an agreement with Mongol Co., Ltd. to engage Mr. Yuenyong Opakul to be a presenter of Carabao Dang energy drink.	10,000,000	10,000,000

### Necessity and Reasonableness

- On 1 January 2014, CBD entered an agreement with Mongol Co., Ltd. to engage Mr. Yuenyong Opakul to be a presenter of Carabao Dang energy drink (the same conditions as the agreement which the Company previously made with Mongol Co., Ltd.).

- On 1 July 2014, CBD amended the conditions of the agreement and entered a long-term agreement with Mongol Co., Ltd. Below is a summary of its conditions.

CBD engages Mongol Co., Ltd. to hire Mr. Yuenyong Opakul to be a presenter of Carabao Dang energy drink

as well as other beverages and products of CBD. The term of the agreement is five years, from 1 January 2014 to 31 December 2018. The remuneration is Baht 10.0 million per annum, whereby the payment will be made on 31 December of every year.

Such agreement will be automatically renewed for another five years, from 1 January 2019 to 31 December 2023, with remuneration of Baht 12.0 million per annum. CBD has the right adjust the remuneration as suitable and consistent with the market price, as well as to terminate the agreement if the image of Mr. Yuenyong Opakul fails to meet the intent of the agreement.

### Audit Committee's Opinion

This transaction supported the Company's normal business operation. The engagement was on an arm's-length basis.

## 13.2.2 Tawandang Brewery Co., Ltd.

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016
<b>Other expenses</b>		
CBD paid the prices of food and beverages and gift cards to Tawandang Brewery Co., Ltd.	1,476,849	699,851
<b>Other payable</b>		
Tawandang Brewery Co., Ltd. was CBD's other payable on account of the prices of food and beverages and gift cards.	275,427	238,025

### Necessity and Reasonableness

- CBD entertained its business partners, organized sales promotion events, and organized activities for employees of the Group at Tawandang Brewhouse, with a discount of 20% for food and beverages, with prices and commercial terms as normally offered to other special customers.

- CBD purchased food and beverage gift cards from Tawandang Brewhouse as New Year presents for its business partners, with prices and commercial terms as normally offered to other special customers.

### Audit Committee's Opinion

These transactions were done on an arm's-length basis. A 20% discount was normally offered to other special customers of Tawandang Brewery Co., Ltd.

## 13.2.3 Tawandang German Brewery Co., Ltd.

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016
<b>Other expenses</b>		
CBD paid the cost of its employees' New Year party, organizing sales promotion events, and entertaining its business partners, to Tawandang German Brewery Co., Ltd.	3,293,604	4,453,226

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016

**Other payable**

Tawandang German Brewery Co., Ltd. was CBD's other payable on account of the cost of CBD's New Year party, organizing sales promotion events, and entertaining its business partners.

453,800

800,000

**Necessity and Reasonableness**

- CBD organized its employees' and executives' New Year party, organized sales promotion events, and entertained its business partners, at Tawandang German Brewhouse, with a discount of 20% on food and beverages with prices and commercial terms as normally offered to other special customers.

**Audit Committee's Opinion**

These transactions were done on an arm's-length basis. A 20% discount was normally offered to other special customers of Tawandang German Brewery Co., Ltd.

**13.2.4 Tawandang German Brewery 1999 Co., Ltd.**

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016

**Other expenses**

CBD paid for a meal to Tawandang German Brewery 1999 Co. Ltd. in entertaining its business partners

137,015

143,001

**Other payable**

Tawandang German Brewery 1999 Co., Ltd. was CBD's other payable on account of the cost of CBD's entertaining its business partners

37,250

38,928

**Necessity and Reasonableness**

- CBD organized its business partners, at Tawandang German Brewhouse 1999, with a discount of 20% on food and beverages with prices and commercial terms as normally offered to other special customers.

**Audit Committee's Opinion**

This transaction was done on an arm's-length basis. A 20% discount was normally offered to a special customers of Tawandang German Brewery (1999) Co., Ltd.

**13.2.5 C.J. Express Group Co., Ltd.**

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016

**Income from sale of product**

DCM supplied products to C.J. Express Group Co., Ltd. for sales in its convenience stores.

25,226,858

73,648,478

**Trade account receivable**

5,729,600

13,594,959

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016
<b>Sales promotion expenses</b>		
DCM paid sales promotion expenses to C.J. Express Group Co., Ltd.	849,555	3,525,727
<b>Other payable</b>		
C.J. Express Group Co., Ltd. was DCM's other payable on account of DCM's sales promotion expense	164,717	828,205
<b>Office rent and service</b>		
CBD leased office space on the 5th and 6th floor of the 393 Silom Building and 2th and 3th floor of the 4th Building including the right to use the car park to C.J. Express Group Co., Ltd. to use as its office.	6,749,392	10,827,049
<b>Other receivable</b>		
C.J. Express Group Co., Ltd. was CBD's other receivable on account of CBD's office rental and service.	1,013,243	187,233
<b>Other payable</b>		
C.J. Express Group Co., Ltd. was CBD's other payable on account of CBD's office rental deposit.	1,358,178	1,528,348
<b>Other expenses</b>		
CBD paid office supplies expenses to C.J. Express Group Co., Ltd.	-	124,228

### Necessity and Reasonableness

- DCM supplied product to C.J. Express Group Co., Ltd. for sale in its convenience stores in Thailand, based on the market price and commercial term.

- DCM paid sales promotion expenses to C.J. Express Group Co., Ltd. for organizing a sales promotion campaign and preparing public relations leaflets, based on the market price and commercial term.

- C.J. Express Group Co., Ltd. leased office space on 5th and 6th floor of the 393 Silom Building and 2th and 3th floor of the 4th Building with a total space of 1,626.54 square meters in the building owned by CBD to be used as its office including the right to use the car park at the rental rate with service fee included of Baht 350.0-450.0 per square meter whereby such rental rate and conditions are based on the same rates and conditions as offered on the market. Rental and service fee of the other buildings in the nearby area are between Baht 400.0-480.0 per square meter.

### Audit Committee's Opinion

These transactions were done on an arm's-length basis of normal business transaction of DCM. The leased office space was also done an arm's-length basis with fair market price.

### 13.2.6 Sahamitr Products Co., Ltd.

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016
<b>Purchase of products</b>		
DCM is a distributor of Sahamitr Products Co., Ltd.	-	90,745,944



Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016

**Account payable**

Sahamitr Product Co., Ltd. is a trader- payable of DCM regarding the purchasing of goods. - 12,032,356

**Necessity and Reasonableness**

- DCM as a distributor of Sahamitr's products Co., Ltd., distributes their products through multiple channels, based on the market price and commercial term.

**Audit Committee's Opinion**

These transactions were done on an arm's-length basis of normal business transaction of DCM.

**13.2.7 Coco Foods Co., Ltd.**

Nature of Transaction	Transaction Value (Baht)	
	Fiscal Year Ended 31 December 2015	Fiscal Year Ended 31 December 2016

**Purchase of products**

DCM is a distributor of Coco Foods Co., Ltd. - 24,053,802

**Account payable**

Coco Foods Co., Ltd. is a trader- payable of DCM regarding the purchasing of goods. - 512,935

**Necessity and Reasonableness**

- DCM as a distributor of Coco Foods Co., Ltd., distributes their products through multiple channels, based on the market price and commercial term.

**Audit Committee's Opinion**

These transactions were done on an arm's-length basis of normal business transaction of DCM.

**13.3 Guarantees and Mortgages**

-None-

**13.4 Necessity and Reasonableness of the Related Party Transactions**

Audit Committee Meeting No. 1/2015, held on 25 February 2015 and No. 1/2016, held on 25 February 2016 considered the Company's related party transactions for the fiscal year ended 31 December 2014 and 2015 as well as information obtained from the Company's management, reviewed the information in the notes to financial statements audited by the Company's auditor, and was of the view that these related party transactions for the fiscal year ended 31 December 2015 and 2016 were for the Company's normal business operation and on an arm's-length basis.



### 13.5 Related Party Transaction Approval Measures or Process

Board of Directors Meeting No. 4/2014, held on 29 May 2014, has considered and approved the related party transaction approval policy and process in order to ensure that related party transactions between the Group and persons or juristic persons who may have conflict of interest are transparent and in the interest of the Company. Below is a summary of such policy and process.

The Group's related or connected transactions must be in accordance with the rules under the Securities and Exchange Act, Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 re: Rules on Connected Transactions, and Notification of the Board of Governors of the Exchange re: Disclosure of Information and other Acts of a Listed Company Concerning Connected Transactions, including the relevant rules of the Office of the SEC and/or the SET. These transactions are also subject to compulsory disclosure in the notes to financial statements audited by the Company's auditor and the annual registration statement (form 56-1).

If the law provides that the Company must obtain approval from its board meeting or shareholders meeting before entering a related party transaction, the Company must cause its Audit Committee to audit and give an opinion on such transaction. The Audit Committee's opinion will be submitted to the Company's board meeting or shareholders meeting, as the case may be, in order to ensure that the proposed transaction is in the best interest of the Company.

If there are related party transactions between the Group and persons who may have interest or conflict of interest, either for the time being or in the future, the Audit Committee will provide an opinion on the necessity of these transactions and the reasonableness of their prices, based on various conditions according to the nature of normal business operation in the industry and a comparison with third-party or market prices. If the Audit Committee has no expertise on any related party transaction that may take place, the Company may ask an independent specialist or the Company's auditor to provide an opinion on such related party transaction to support decision-making by the Board of Directors, the Audit Committee, or shareholders, as the case may be. Directors who have an interest in such transactions may not vote thereon. Related party transactions must also be disclosed in the notes to financial statements audited or reviewed by the Company's auditor.

In principle, management may approve these transactions if they are on an arm's-length basis and free of their influence in their capacity as directors, executives or related persons, provided that the Company must prepare a summary report on these transactions and make a report to the next board meeting.

### 13.6 Policy on or Likelihood of Future Related Party Transactions

After the public offering of shares in the Company, connected transactions or transactions between the Group and persons who may have interest or conflict of interest, either for the time being or in the future, must be in accordance with the applicable rules of the SET or the SEC.

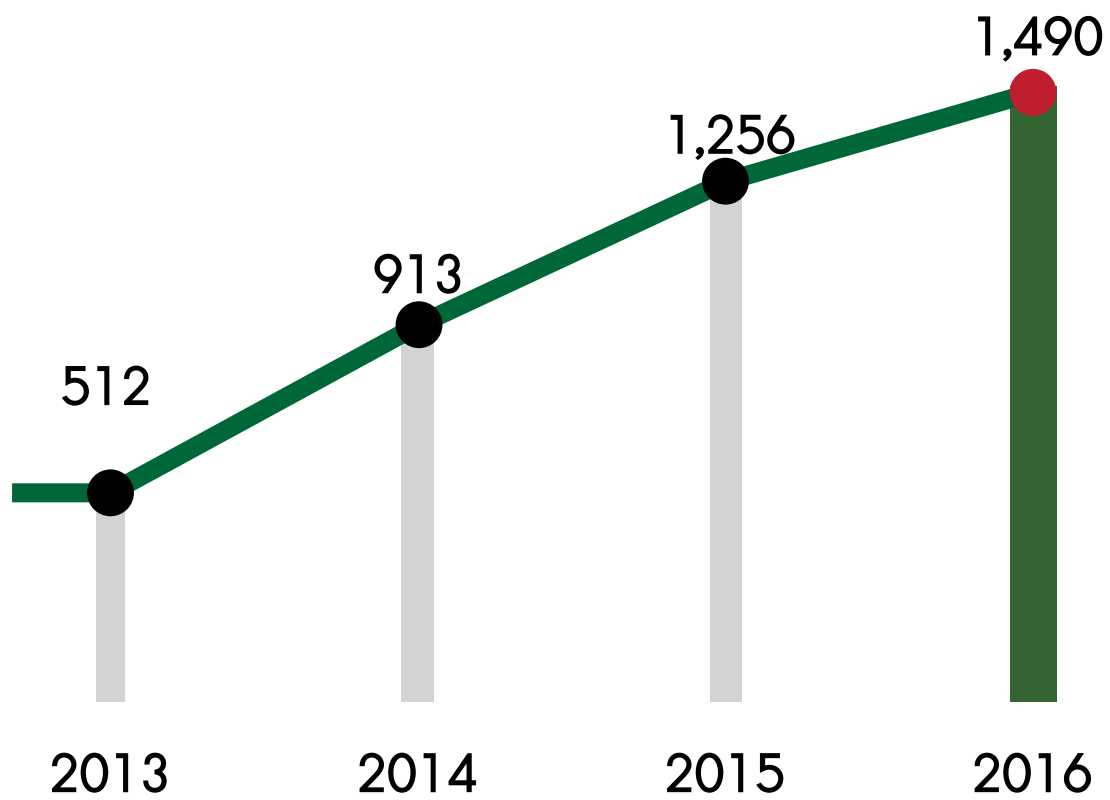
If the Company wishes to enter any connected or related party transactions between the Group and persons who may have interest or conflict of interest either for the time being or in the future, the Company must strictly adhere to the foregoing policy and process. The Audit Committee will provide guidelines for the consideration of these transactions, based on their necessity for the Company's operation, the prices of comparable transactions made with third parties (if any), and the significance of the transaction sizes.

If the Company will enter a related party transaction, the Company will cause its Audit Committee to provide an opinion on the reasonableness of such transaction. If the Audit Committee has no expertise on the transaction, the Company will seek an opinion from a knowledgeable person or specialist, such as an independent auditor or valuer. The opinion of the Audit Committee or such knowledgeable person or specialist will be used to support decision-making by the Board of Directors or shareholders, as the case may be, so as to ensure that such transaction is not a manipulation or transfer of benefits by the Company or its shareholders, but is in the best interest of all shareholders.



CARABAO GROUP

Net Profit (Million Baht)



Year

# 14. Financial Position and Financial Performance

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## 14.1 Financial Statement

### Summary of the auditor's report

The independent auditor's report for consolidated financial statement of year ended 2015 audited by Wichart Lokatekrawee, CPA, from EY Office Limited, expressed an unqualified audit opinion that the financial statements for the year ended 2015, financial position of the same period of consolidated Carabao Group Public Company Limited and its subsidiaries and for non-consolidated Carabao Group Public Company Limited, present fairly, in all material respects, and in accordance to the Thai Financial Reporting Standards.

## 14.2 The auditor's fee

- **Audit fee**

The company and subsidiaries pay audit fee Baht 2,995,000 in 2016

- **Non-Audit fee**

Non-Audit fees are Baht 140,000

## 14.3 17.3 Financial highlight

### Statement of financial position

Unit: (Thousand Baht)	Consolidated statement of financial position		
	2016	2015	2014
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	745,060	1,377,484	528,084
Current investments	604,282	473,363	900,100
Trade and other receivables	561,576	425,028	308,444
Inventories	433,504	248,974	317,990
Other current assets	110,483	16,812	65,282
<b>Total current assets</b>	<b>2,454,905</b>	<b>2,541,661</b>	<b>2,119,900</b>
<b>Non-current assets</b>			
Restricted bank deposits	-	-	7,567
Investment properties	103,848	107,793	135,661
Property, plant and equipment	6,626,891	4,667,010	4,753,772
Goodwill	536,065	-	-
Intangible assets	15,151	15,655	17,343
Deferred tax assets	33,696	25,423	25,409
Other non-current assets	7,935	3,918	3,859
<b>Total non-current assets</b>	<b>7,323,586</b>	<b>4,819,799</b>	<b>4,943,611</b>
<b>Total assets</b>	<b>9,778,491</b>	<b>7,361,460</b>	<b>7,063,511</b>

Unit: (Thousand Baht)	Consolidated statement of financial position		
	2016	2015	2014
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdrafts and short-term loans from financial institutions	750,000	-	-
Trade and other payables	1,301,898	801,525	797,133
Income tax payable	183,067	98,525	105,294
Liabilities under cross currency interest rate swap contracts	-	-	30,444
Other current liabilities	90,175	51,317	38,291
<b>Total current liabilities</b>	<b>2,325,140</b>	<b>951,367</b>	<b>971,162</b>
<b>Non-current liabilities</b>			
Long-term loans - net of current portion	250,000	-	-
Provision for long-term employee benefits	89,752	65,561	52,914
Deposits received for rental	14,056	11,184	10,814
<b>Total non-current liabilities</b>	<b>353,808</b>	<b>76,745</b>	<b>63,728</b>
<b>Total liabilities</b>	<b>2,678,948</b>	<b>1,028,112</b>	<b>1,034,890</b>
<b>Shareholders' equity</b>			
Share capital			
Registered	1,000,000	1,000,000	1,000,000
Issued and fully paid up	1,000,000	1,000,000	1,000,000
Share premium	3,962,980	3,962,980	3,962,980
Retained earnings			
Appropriated - statutory reserve	100,000	94,000	51,000
Unappropriated	1,377,500	844,193	582,466
Other components of shareholders' equity	432,559	432,175	432,175
Equity attributable to owners of the Company	6,873,039	6,333,348	6,028,621
Non-controlling interest of the subsidiaries	226,504	-	-
<b>Total shareholders' equity</b>	<b>7,099,543</b>	<b>6,333,348</b>	<b>6,028,621</b>
<b>Total liabilities and shareholders' equity</b>	<b>9,778,491</b>	<b>7,361,460</b>	<b>7,063,511</b>



## Income Statement

Unit: (Thousand Baht)	Consolidated income statement		
	2016	2015	2014
<b>Revenues</b>			
Sales	9,965,398	7,753,017	7,448,434
<b>Other income</b>	<u>146,748</u>	<u>121,301</u>	<u>126,209</u>
<b>Total revenues</b>	<u>10,112,146</u>	<u>7,874,318</u>	<u>7,574,643</u>
<b>Expenses</b>			
Cost of sales	6,388,248	4,892,859	4,938,649
Selling expenses	1,484,163	1,120,068	972,852
Administrative expenses	510,791	359,888	301,737
Other expenses	<u>42,177</u>	<u>35,182</u>	<u>-</u>
<b>Total expenses</b>	<u>8,425,379</u>	<u>6,407,997</u>	<u>6,213,238</u>
<b>Profit before finance cost and income tax expenses</b>	<u>1,686,767</u>	<u>1,466,321</u>	<u>1,361,405</u>
Finance cost	<u>(3,678)</u>	<u>(1,639)</u>	<u>(111,622)</u>
<b>Profit before income tax expenses</b>	<u>1,683,089</u>	<u>1,464,682</u>	<u>1,249,783</u>
Income tax expenses	<u>(278,213)</u>	<u>(209,148)</u>	<u>(238,130)</u>
<b>Profit for the year</b>	<u>1,404,876</u>	<u>1,255,534</u>	<u>1,011,653</u>
<b>Profit attribution to</b>			
Equity holders of the Company	1,489,756	1,255,534	913,142
Non-controlling interest of the subsidiaries	<u>(84,880)</u>	<u>-</u>	<u>98,511</u>
	<u>1,404,876</u>	<u>1,255,534</u>	<u>1,011,653</u>
<b>Earnings per share</b>			
Basic earnings per share			
Profit after business restructuring	1.49	1.26	1.22
Weighted average number of ordinary shares (share)	1,000,000	1,000,000	749,616

## Statement of Cash Flows

Unit: (Thousand Baht)	Consolidated Cashflow Statement		
	2016	2015	2014
Net cash flows from operating activities	1,554,150	1,619,757	876,456
Net cash flows used in investing activities	(2,244,491)	239,943	(1,768,842)
Net cash flows from financing activities	60,083	(1,010,300)	934,904
Net increase (decrease) in cash and cash equivalents	(630,258)	849,400	42,518

## Important Financial Ratio

		2016	2015	2014
<b>Liquidity Ratio</b>				
Current ratio	Time	1.1	2.7	2.2
Quick ratio	Time	0.8	2.4	1.8
Cash flow liquidity ratio	Time	0.9	1.7	0.6
Account receivables turnover ratio	Time	24.5	23.1	29.1
Collection period	Days	14.7	15.6	12.4
Inventory turnover ratio	Time	36.0	34.8	41.6
Average day sales	Days	10.0	10.3	8.7
Account payables turnover ratio	Time	9.6	9.3	8.6
Payment period	Days	37.4	38.9	41.9
Cash cycle	Days	(12.7)	(13.0)	(20.8)
<b>Profitability Ratio</b>				
Gross profits	%	35.9	36.9	33.7
Operating profits	%	15.9	17.8	16.6
Other profits	%	1.0	1.1	1.7
Cash to earning	%	98.2	117.4	71.0
Net profits	%	13.9	15.9	13.4
<b>Efficiency Ratio</b>				
Earning per share (EPS)	%	20.9	20.3	28.2
Return on assets	%	16.4	17.4	16.4
Return on fixed assets	%	26.7	30.5	26.5
Assets cycle	Time	1.2	1.1	1.2
<b>Financial Policy Ratio</b>				
Debts to equity ratio	Time	0.4	0.2	0.2
Interest Bearing Debt to Equity	Time	0.1	-	-

		2016	2015	2014
<b>Liquidity Ratio</b>				
Interest coverage ratio	Time	467.4	1,100.2	10.7
Dividend payout ratio	%	67.1	70.9	96.3

## Consolidated financial performance the year ended 31 December 2016

### 1. Sales Revenue

The total revenue from sales for the financial year ended 31 December 2016 and 2015 was THB 9,965 million and THB 7,753 million, respectively, an increasing by THB 2,212 million or 28.5 %. Domestic sales contribution was THB 6,603 million, increasing by THB 1,126 million or 20.6% and Export sales contribution was THB 3,362 million, increasing by THB 1,086 million or 47.7%, as a result of the continuation of growth in the existing products are consist of the Carabao Dang, Start Plus, canned Carabao and Carabao Carbonated Can that increased THB 1,768 million in sales. The remaining portion was derived from domestic sales of our new products, that increasing by THB 444 million, are consist of the Carabao Drinking water increasing by THB 102 million, which have launched in January 2016, Carabao 3 in 1 coffee increasing by THB 56 million, which have launched in July 2016, canned Carabao coffee increasing by THB 80 million, which have launched in October 2016, and lastly, from distribution of 3rd parties' products and other products increasing by THB 206 million that began in November 2015.

Revenue from sales by	Year ended Period		YoY change	
Domestic and Export markets (Million Baht)	2015	2016	Amount	(%)
Revenue from domestic sales	5,477	6,604	1,127	20.6%
Revenue from export sales	2,276	3,361	1,085	47.7%
<b>Total revenue from sales</b>	<b>7,753</b>	<b>9,965</b>	<b>2,212</b>	<b>28.5%</b>

#### 1.1 Revenue from domestic sales

For the financial year ended 31 December 2016 and 2015, revenue from domestic sales was THB 6,604 million and THB 5,477 million, respectively, increasing by THB 1,127 million or 20.6%, with that being Carabao brand sales of THB 6,401 million or 97% and THB 5,475 million or 100% from sales, respectively, and the distribution of 3rd parties' products sales and other products was THB 202 million and THB 2 million, respectively, due to the variety of product that increased from 1 product in 2015 to 13 products in 2016.

The main contribution of this increased was due to the implementation of our strategy to increased our distribution coverage (push strategy) and to create product demands (pull strategy). Whilst our pull strategy is through marketing and promotional campaigns, in terms of push strategy, we increased our distribution coverage through building our own cash vans and distribution centers which have started since March 2015. As of 31 December 2016, we have established 30 distribution centers across the nation and we have the Cash van 337 vans increased from the 9 distribution centers and 113 vans in 2015. This result in an effective increased of distribution coverage in the traditional trade market. In addition, up to 15% of domestic sales contribution was from our cash vans system in 2016.

#### 1.2 Revenue from export sales

For the financial year ended 31 December 2016 and 2015, revenue from export sales was THB 3,361 million and THB 2,276 million, respectively, increasing by THB 1,085 million or 47.7%, with that being Carabao Can sales of THB 3,048 million, increasing by THB 954 million or 45.5%, Carabao Carbonated Can sales of THB 185 million,

increasing by THB 91 million or 95.9 %. The main contribution of this increase was due to the continuation of growth in all overseas markets, especially in Cambodia where growth remains to continue and the recovery of sales in Afghanistan. Overall, revenue from export sales as a percentage of revenue from sales increased to 33.7 % from 29.4%.

The remaining portion was derived from Intercarabao Limited (“ICUK”) THB 16 million that consist of the revenue from UK THB 8 million and outside UK THB 8 million. In addition, ICUK started for the marketing, sale and distribution the Carabao Carbonated Can in September 2016.

## 2. Cost of sales

The cost of sales for the financial year ended 31 December 2016 and 2015 was THB 6,388 million and THB 4,893 million, respectively, increasing by THB 1,495 million or 30.6%, with that being cost of sales for domestic market amounted THB 4,143 million and THB 3,354 million, respectively, increasing by THB 790 million or 23.5% and the cost of sales of Export market amounted THB 2,245 million and THB 1,539 million, respectively, increasing by THB 706 million or 45.9%.

The main contribution of this increased was due to the following

**1. Raw materials and packaging materials** for the year ended 31 December 2016 was approximately 80% to 85% of cost of sales as follow

1.1 Raw materials and packaging for Carabao Dang and Start Plus are consist of the sugar, bottles, bottle caps that including tax, can and other materials.

1.2 Raw materials for glass bottles are consist of the glass, sand, Soda ash and other material.

**2. Conversion cost** for the year ended 31 December 2016 was approximately 15% to 20% of cost of sales that are consist of the labor cost and overhead cost.

Furthermore, the current can filling production capacity is insufficient to meet the demands of consumers in overseas market, therefore, the Company is currently outsourcing a portion of the can filling productions (OEM) to meet the demands arising from overseas consumers that started from March 2016. For this reason, the Company has built a new factory and expect to test run and operate in first quarter in 2016.

## 3. Gross profit and gross margin

Gross profit for the year ended 31 December 2016 and 2015 was THB 3,577 million and THB 2,860 million, respectively, increasing by THB 717 million or 25.1%. The gross margin amounted 35.9%, resulting in a decreased from 36.9% of the corresponding period last year.

Gross profit and gross margin	Year ended Period		YoY Change	
	2015	2016	Amount	(%)
<b>Gross profit (THB million)</b>				
Domestic	2,124	2,461	337	15.9%
Export	736	1,116	380	51.6%
<b>Total</b>	<b>2,860</b>	<b>3,577</b>	<b>717</b>	<b>25.1%</b>

Gross profit and gross margin	Year ended Period		YoY Change	
	2015	2016	Amount	(%)
<b>Gross margin (%)</b>				
Domestic	38.8%	37.3%		
Export	32.4%	33.2%		
<b>Total</b>	<b>36.9%</b>	<b>35.9%</b>		

### 3.1 Domestic market

For the year ended 31 December 2016 and 2015, Gross profit for domestic market was THB 2,461 million and THB 2,124 million, respectively, increasing by 337 million or 15.9%. The gross margin amounted 37.3%, decreased from 38.8 % in the corresponding period last year. The main contribution of the decreased in gross profit margin was due to cost of amble glass since the Company was dealing with insufficient amble glass production capacities, causing the Company to buy more units of amble glass from the outside parties and incur higher packaging costs of energy drink products. However, the Company plans to invest and expand amble glass production capacities as a result of the Furnace#2 project located in Bangpakong district, Chachoengsao province. Decrease in gross profit margin was also due to relatively higher portion of distribution service income that generated gross profit margin of approximately 15% on average.

### 3.2 Export market

For the year ended 31 December 2016 and 2015, gross profit for export market was THB 1,116 million and THB 736 million, respectively, increasing by 380 million or 51.6%. The gross margin amounted 33.2%, resulting in an Increased from 32.4 % of the corresponding period last year. The main contribution of the increased in gross profit margin for export market was due to the average selling price for each products are increased and the cost of sales did not change materially during the period. The average selling price that increased from sales revenue of the export market which has the higher price than other.

## 4. Other income

The other income for the financial year ended 31 December 2016 and 2015 was THB 147 million and THB 121 million, respectively, increasing by THB 26 million or 21.0%. The other income margin amounted 1.5% and 1.5%, respectively. The main contribution for this increase was due to the following

4.1 Interest income for the financial year ended 31 December 2016 and 2015 was THB 28 million and THB 35 million, respectively, decreasing by THB 7 million or 21.4%. The main contribution for this decreased was due to the decreased in cash & cash equivalents and current investments

4.2 Rental and service income for the financial year ended 31 December 2016 and 2015 was THB 59 million and THB 51 million, respectively, increasing by THB 8 million or 15.7%. The main contribution for this increase was due to the rising up the rental fees and service fees during the year 2016.

4.3 Gain on sale of equipment for the financial year ended 31 December 2016 and 2015 was THB 16 million and THB 4 million, respectively, increasing by THB 12 million. The main contribution for this increase was due to gain on sale of vehicles used in the operation due to last for a long time.



## 5. Selling Expenses

The selling expense for the financial year ended 31 December 2016 and 2015 was THB 1,484 million and THB 1,120 million, respectively, increasing by THB 364 million or 32.5%. The selling expense margin amounted 14.9% and 14.4%, respectively. The main contribution for this increase was due to the following

### 5.1 Advertising and promotion expenses

for the financial year ended 31 December 2016 and 2015 was THB 563 million and THB 493 million, respectively, increasing by THB 70 million or 14.2%. The main contribution for this increase was due to the promotion and advertising costs of export market amounted THB 92 million and sales promotion activities increased in modern trade channel. The Company also has sponsorship fees for the Football club in England amounted 150 million to make the Carabao brand known worldwide and expansion in export markets.

### 5.2 Logistics expenses

for the financial year ended 31 December 2016 and 2015 was THB 206 million and THB 166 million, respectively, increasing by THB 40 million or 24.1%. The main contribution for this increase was due to the revenue from domestic sales that increased and revenue from sales to Afghanistan and Yemen was increased also.

### 5.3 Employees expenses

for the financial year ended 31 December 2016 and 2015 was THB 418 million and THB 273 million, respectively, increasing by THB 145 million or 53.1%. The main contribution for this increase was due to the building our own cash vans and distribution centers to coverage in the market and support more diverse products.

## 6. Administration expenses

The administration expenses for the financial year ended 31 December 2016 and 2015 was THB 511 million and THB 359 million, respectively, increasing by THB 152 million or 41.9%. The main contribution for this increase was due to the following

### 6.1 Management and employees salary

for the financial year ended 31 December 2016 and 2015 was THB 325 million and THB 247 million, respectively, increasing by THB 78 million or 31.6%. The main contribution for this increase was due to the increased in based annual salary and increase the number of employees to support the expansion of business.

### 6.2 Depreciation and amortization

for the financial year ended 31 December 2016 and 2015 was THB 226 million and THB 236 million, respectively, decreasing by THB 10 million or 4.1%. The main contribution for this decrease was due to the increase of equipment to support the employees that increase the number of employees to support the expansion of business during year 2016.

## 7. Other expenses

The other expenses for the financial year ended 31 December 2016 and 2015 was THB 42 million and THB 35 million, respectively, decrease by THB 7 million. The main contribution for this increase was due to the following

### **7.1 Loss from exchange rate**

for the financial year ended 31 December 2016 and 2015 was THB 22 million and THB 5 million, increasing by THB 17 million. The main contribution for this increase was due to the payment of foreign currency in subsidiaries.

### **7.2 Loss from derivative contract**

for the financial year ended 31 December 2016 and 2015 was THB 0 million and THB 30 million, respectively, decreasing by THB 30 million. The main contribution for this decrease was due to the Company termination of cross currency interest rate swap contract, as resulted the Company is no obligation in the future.

### **7.3 Losses from changes in value of forward contracts**

for the financial year ended 31 December 2016 and 2015 was THB 21 million and THB 1 million, respectively. The main contribution for this increase was the losses from changes in value of unexpired forward contracts.

## **8. Financial costs**

The financial costs for the financial year ended 31 December 2016 and 2015 was THB 4 million and THB 2 million, respectively, increasing by THB 2 million or 100%. The main contribution for this increase was due to the increased of loan to support new projects during the end of 2016.

## **9 Corporate income tax**

Corporate income tax for the financial year ended 31 December 2016 and 2015 was THB 278 million and THB 209 million, respectively, increasing by THB 69 million or 33.0%. The main contribution for this increase was due to the increased of Earning before tax THB 218 million and the Company bought more units of Packaging materials from the outside parties that are the non-promotional privileges under Investment Promotion (BOI). As a result, the effective tax rate increased from 14.3% to 16.5%.

## **10. Net profit and net profit margin**

Net profit for the financial year ended 31 December 2016 and 2015 was THB 1,490 million and 1,256 million, respectively, increasing by THB 234 million or 18.6%. The net profit margin amounted 14.7%, resulting in a slight decrease from 15.9% during the corresponding period last year. The main contribution for this decreased was due to the decreased in gross profit margin from advertising and promotion expenses, increased in SG&A for selling and distribution and increasing in the labor cost for new distribution channels as the growth of revenue.

Furthermore, the other comprehensive income was THB 10 million and THB 1 million, respectively, increasing by THB 9 million. The main contribution for this increase was due to the actuarial assumption of provision for long-term employee benefit that loss amounted THB 10 million.

## **Consolidated financial position as of 31 December 2016**

### **Assets**

Total assets as of 31 December 2016 and 2015 were THB 9,778 million and THB 7,361 million, respectively, increasing by THB 2,417 million or 32.8%. The main contribution for this increase was due to the following

### **1. Cash & cash equivalents and current investments**

Cash & cash equivalents and current investments as of 31 December 2016 and 2015 were THB 1,349 million and THB 1,851 million, respectively, decreasing by THB 502 million or 27.1%. The main contribution for this decreased was due to the decreasing of cash flow from operation amounted THB 66 million. The dividends paid amounted THB 940

million. And lastly, the Company has bought the property, plant and equipment amounted THB 2,142 million.

## **2. Trade and other receivables**

Trade and other receivables as of 31 December 2016 and 2015 were THB 562 million and THB 425 million, respectively, increasing by THB 137 million or 32.1%. The main contribution for this increase due to the increasing of sales and due to the economy was slowing, the Company was considered a short-term credit to the low-risk stores to boost sales.

## **3. Inventories**

Inventories as of 31 December 2016 and 2015 was THB 434 million and THB 249 million, respectively, increasing by THB 185 million or 74.1%. The main contribution was due to the increasing of cash vans and 21 distribution centers in 2016 and increased the distribution of 3rd parties' products. Furthermore, the increasing of main raw materials that were purchased sufficiently with the production plan.

## **4. Property, plant and equipment**

Property, plant and equipment as of 31 December 2016 and 2015 were THB 6,627 million and THB 4,667 million, respectively, increasing by THB 1,960 million or 42.0%. The main contribution was the New Factory Project for Can Filling Production and the New Factory Project for bottling Production amounted THB 1,884 million. The remaining portion was derived from purchasing of lands and land improvements amounted THB 213 million. And lastly, the purchasing of other assets amounted 81 million.

## **5. Goodwill**

During year 2016, CVHLUX invest and hold shares in Intercarabao Limited ("ICUK"). The initial investment is equivalent to GBP 7.3 million with 7.3 million shares at par value as 1 GBP. As this result, the Company has acquisition of control, planning and policy in ICUK that the classification of investments in ICUK as an investment in a subsidiary from the acquisition date. And lastly, the Company has evaluated fair value of identifiable assets and liabilities as at the acquisition date. Difference between the fair value of net identifiable assets and acquisition costs is considered a goodwill as THB 539 million.

## **Liabilities**

Liabilities as of 31 December 2016 and 2015 was THB 2,679 million and THB 1,028 million, respectively, increasing by THB 1,651 million or 160.6%. Consist of the current liabilities THB 2,325 million, increasing by THB 1,374 million, and non-current liabilities THB 354 million, increasing by THB 277 million. The main contribution for this increase was due to the following

### **1. Short-term loan from financial institutions**

During the end of 2016, the Company drawdown the short-term loan from financial institutions increasing by THB 750 million.

### **2. Trade and other payables**

Trade and other payables as of 31 December 2016 and 2015 were THB 1,302 million and THB 802 million, respectively, increasing by THB 500 million or 62.4%. The main contribution for this increase was due to the purchasing and sales that in line with the increasing of revenue. The Company also has sponsorship fees for the Football club in England. And lastly, unearned income increased mainly as a result of cash receipt from the overseas customer. The Company was in the process of physical product deliver toward the end of 2016.

### 3. Long-term loan from financial institutions

During the end of 2016, the Company drawdown the long-term loan from financial institutions increasing by THB 250 million.

### Shareholders' equity

Shareholders' equity as of 31 December 2016 and 2015 was THB 7,100 million and THB 6,333 million, respectively, increasing by THB 767 million or 12.1%. The main contribution was the net profit in 2016 and 2015 by THB 1,490 million and THB 1,256 million, respectively, increasing by THB 234 million or 18.7%. After dividends paid, the earning increased to THB 539 million.

## Financial ratio

### 1. Current ratio

for the financial year ended 31 December 2016 and 2015 was 1.1 time and 2.7 time, respectively, decreasing by 1.6 time. Most of increase was due to the short-term loan from financial institutions and trade and other payables as the Company was invest the new projects to expand business by the capital increase from IPO in 21 November 2015 and some of loan from financial institutions.

### 2. Cash cycle

for the financial year ended 31 December 2016 and 2015 was -3.5 days and -2.4 days, respectively, decreasing by 1.1 days. This result was due to the ability to manage working capital of the Company. However, cash cycle was decreased was due to the faster collection period 0.9 days compared with the corresponding period last year and sales from cash vans and distribution centers channel increasing with cash collection basis, this result was due to the faster collection period 1.6 days compared with the corresponding period last year while the average inventory turnover ratio increased due to the stock of new products.

### 3. Return on equity (ROE)

for the year ended 31 December 2016 and 2015 was 20.9% and 20.3%, respectively, increasing by 0.6% due to the increasing of operating income.

### 4. Return on assets (ROA)

for the year ended 31 December 2016 and 2015 was 16.4% and 17.4%, respectively, decreasing by 1.0% due to the New Factory Project for Can Filling Production and the New Factory Project for bottling Production are under construction.

### 5. Debt to Equity ratio

for the year ended 31 December 2016 and 2015 was 0.4 time and 0.2 time, respectively, this result was due to the increasing of loan from financial institutions.

### 6. Interest bearing debt to equity ratio

for the year ended 31 December 2016 and 2015 was 0.1 time and 0.0 time, respectively, this result was due to increasing of loan from financial institutions.

## 14.4 Key drivers which could affect future operations and financial position

None

# **Carabao Group Public Company Limited and its Subsidiaries**

Report and consolidated financial statements  
For the year ended 31 December 2016





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## Independent Auditor's Report

To the Shareholders of Carabao Group Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Carabao Group Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Carabao Group Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carabao Group Public Company Limited and its subsidiaries and of Carabao Group Public Company Limited as at 31 December 2016, their financial performance and 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 under the Royal Patronage of His Majesty the King 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 judgement, 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.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### *Revenue recognition*

Sales of goods are significant accounting transactions as the amounts recorded are material and directly affect profit or loss of the Group. In addition, the sales transactions of the Group are made with a large number of customers such as overseas customers, traditional trade customers, modern trade customers and cash van customers, pertaining to matters such as sales promotions, discounts and special discounts to boost sales. As a result, the Group's recognition of revenue from sales and recording of sale promotions and discounts are complex. I therefore focused my audit on the revenue recognition of the Group.

I examined the Group's revenue recognition by assessing and testing the Group's IT system and internal controls with respect to the revenue cycle by making enquiries of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I applied a sampling method to select sales transactions occurring during the year and near the end of the accounting period to examine the supporting documents and reviewed credit notes that the Group issued after the period-end. I also performed analytical procedures of disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.



*Business combinations and impairment of goodwill*

As discussed in Note 12.5 to the financial statements, Carabao Holdings (Hong Kong) Limited (a subsidiary) entered into a joint-venture agreement with Intercarabao Private Limited, to establish Carabao Venture Holdings (Luxembourg) S.à r.l. and had control over Intercarabao Limited. As at the date of acquisition, the Company recognised and measured the assets acquired and liabilities assumed at their fair value and recognised goodwill from the business combination by applying the acquisition method. I have focused on this business acquisition since it is material to the financial statements as a whole, and management was required to exercise substantial judgment when appraising the fair value of the assets acquired and liabilities assumed. Therefore, there is a risk with respect to the recognition and measurement of the assets acquired and liabilities assumed, including recognised goodwill.

In addition, I have focused my audit on the impairment of goodwill, as disclosed in Note 12.6 to the financial statements, because the assessment of impairment of goodwill is a significant accounting estimate requiring management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate. There are thus risks with respect to the amount of goodwill.

I reviewed the terms and conditions of the joint-venture agreement and inquired with management as to the nature and objectives of the acquisitions in order to determine whether the acquisitions met the definition of a business combination under Thai Financial Reporting Standard No. 3 (revised 2015) Business Combinations. In addition, I assessed the fair value of assets acquired and liabilities assumed as prepared by management, by considering the methods and significant assumptions used by the management in calculating the fair value of assets and liabilities and goodwill and also reviewed the disclosures related to the business combination in the notes to financial statements.



In addition, I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. I also tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the average costs of the Group and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosure made with respect to impairment assessment for goodwill.

#### **Other Information**

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

My opinion on the financial statements does not cover the other information and I do 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 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 Group, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wichart Lokatekrawee.

Wichart Lokatekrawee

Certified Public Accountant (Thailand) No. 4451

EY Office Limited

Bangkok, 22 February 2017

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of financial position

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	745,060,243	1,377,483,940	428,753,984	1,273,766,773
Current investments	8	604,282,308	473,363,474	604,282,308	473,363,474
Trade and other receivables	6, 9	561,575,798	425,028,488	43,378,607	16,276,449
Short-term loans to related parties	6	-	-	3,268,000,000	2,625,000,000
Dividend receivable from related parties	6, 29	-	-	726,996,730	422,997,040
Inventories	10	433,504,355	248,973,951	-	-
Other current assets	11	110,482,301	16,810,729	2,877	39
<b>Total current assets</b>		<b>2,454,905,005</b>	<b>2,541,660,582</b>	<b>5,071,414,506</b>	<b>4,811,403,775</b>
<b>Non-current assets</b>					
Investment in subsidiaries	12	-	-	1,959,012,611	958,954,056
Investment properties	13	103,847,726	107,793,236	-	-
Property, plant and equipment	14	6,626,890,871	4,667,009,577	-	-
Goodwill	12	536,064,842	-	-	-
Intangible assets	15	15,151,465	15,655,233	-	-
Deferred tax assets	24	33,696,130	25,422,686	4,305,686	2,740,137
Other long-term receivable - related party	6	-	-	26,172,146	26,172,146
Other non-current assets	6	7,935,009	3,918,400	-	-
<b>Total non-current assets</b>		<b>7,323,586,043</b>	<b>4,819,799,132</b>	<b>1,989,490,443</b>	<b>987,866,339</b>
<b>Total assets</b>		<b>9,778,491,048</b>	<b>7,361,459,714</b>	<b>7,060,904,949</b>	<b>5,799,270,114</b>

The accompanying notes are an integral part of the financial statements.

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	16	750,000,000	-	750,000,000	-
Trade and other payables	6, 17	1,301,898,328	801,524,803	55,393,471	34,368,596
Income tax payable		183,067,160	98,525,038	1,456,170	1,774,145
Other current liabilities	18	<u>90,174,940</u>	<u>51,316,317</u>	<u>20,455,649</u>	<u>16,157,461</u>
<b>Total current liabilities</b>		<u>2,325,140,428</u>	<u>951,366,158</u>	<u>827,305,290</u>	<u>52,300,202</u>
<b>Non-current liabilities</b>					
Long-term loan from financial institution	19	250,000,000	-	250,000,000	-
Provision for long-term employee benefits	20	89,751,688	65,561,345	47,700,578	39,872,831
Deposits received for rental	6	<u>14,056,105</u>	<u>11,183,978</u>	<u>-</u>	<u>-</u>
<b>Total non-current liabilities</b>		<u>353,807,793</u>	<u>76,745,323</u>	<u>297,700,578</u>	<u>39,872,831</u>
<b>Total liabilities</b>		2,678,948,221	1,028,111,481	1,125,005,868	92,173,033

The accompanying notes are an integral part of the financial statements.

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of financial position (continued)

As at 31 December 2016

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2016	2015	2016	2015
Liabilities and shareholders' equity (continued)					
Shareholders' equity					
Share capital					
Registered					
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up					
1,000,000,000 ordinary shares of Baht 1 each		1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Share premium		3,962,980,492	3,962,980,492	3,962,980,492	3,962,980,492
Retained earnings					
Appropriated - statutory reserve	21	100,000,000	94,000,000	100,000,000	94,000,000
Unappropriated		1,377,500,411	844,192,897	763,959,533	541,157,533
Other components of shareholders' equity		432,558,430	432,174,844	108,959,056	108,959,056
Equity attributable to owners of the Company		6,873,039,333	6,333,348,233	5,935,899,081	5,707,097,081
Non-controlling interests of the subsidiary		226,503,494	-	-	-
Total shareholders' equity		7,099,542,827	6,333,348,233	5,935,899,081	5,707,097,081
Total liabilities and shareholders' equity		9,778,491,048	7,361,459,714	7,060,904,949	5,799,270,114

The accompanying notes are an integral part of the financial statements.

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Directors

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## Carabao Group Public Company Limited and its subsidiaries

## Consolidated income statement

For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit or loss</b>					
<b>Revenues</b>					
Sales		9,965,398,044	7,753,016,785	-	-
Dividend income from subsidiaries	6, 12	-	-	1,136,994,530	802,994,440
Other income	22.1	146,748,039	121,300,787	259,924,487	240,470,490
<b>Total revenues</b>		<u>10,112,146,083</u>	<u>7,874,317,572</u>	<u>1,396,919,017</u>	<u>1,043,464,930</u>
<b>Expenses</b>					
Cost of sales		6,388,247,905	4,892,858,950	-	-
Selling expenses		1,484,162,697	1,120,068,124	-	-
Administrative expenses		510,790,665	359,888,201	214,205,043	179,436,923
Other expenses	22.2	42,177,371	35,180,979	2,029,465	-
<b>Total expenses</b>		<u>8,425,378,638</u>	<u>6,407,996,254</u>	<u>216,234,508</u>	<u>179,436,923</u>
<b>Profit before finance cost and income tax expenses</b>		<u>1,686,767,445</u>	<u>1,466,321,318</u>	<u>1,180,684,509</u>	<u>864,028,007</u>
Finance cost		(3,678,598)	(1,639,411)	(771,798)	(69,961)
<b>Profit before income tax expenses</b>		<u>1,683,088,847</u>	<u>1,464,681,907</u>	<u>1,179,912,711</u>	<u>863,958,046</u>
Income tax expenses	24	(278,212,728)	(209,147,633)	(8,932,070)	(12,152,432)
<b>Profit for the year</b>		<u>1,404,876,119</u>	<u>1,255,534,274</u>	<u>1,170,980,641</u>	<u>851,805,614</u>
<b>Profit attribution to</b>					
Equity holders of the Company		1,489,755,815	1,255,534,274	1,170,980,641	851,805,614
Non-controlling interest of the subsidiaries		(84,879,696)	-	-	-
		<u>1,404,876,119</u>	<u>1,255,534,274</u>		
<b>Earnings per share</b>	26				
Basic earnings per share					
Profit attributable to equity holders of the Company		<u>1.49</u>	<u>1.26</u>	<u>1.17</u>	<u>0.85</u>
Weighted average number of ordinary shares (share)		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

The accompanying notes are an integral part of the financial statements.

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of comprehensive income

For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
<b>Profit for the year</b>		<u>1,404,876,119</u>	<u>1,255,534,274</u>	<u>1,170,980,641</u>	<u>851,805,614</u>
<b>Other comprehensive income:</b>					
Exchange differences on transaction of financial statements					
in foreign currencies		(13,869,979)	-	-	-
Actuarial losses	20	(13,060,376)	(1,008,755)	(2,723,301)	(4,475,730)
Income tax effect	24	2,612,075	201,751	544,660	895,146
<b>Other comprehensive income for the year</b>		<u>(24,318,280)</u>	<u>(807,004)</u>	<u>(2,178,641)</u>	<u>(3,580,584)</u>
<b>Total comprehensive income for the year</b>		<u><u>1,380,557,839</u></u>	<u><u>1,254,727,270</u></u>	<u><u>1,168,802,000</u></u>	<u><u>848,225,030</u></u>
<b>Total comprehensive income attribution to</b>					
Equity holders of the Company		1,479,691,100	1,254,727,270	<u>1,168,802,000</u>	<u>848,225,030</u>
Non-controlling interest of the subsidiaries		<u>(99,133,261)</u>	-		
<b>Total comprehensive income for the year</b>		<u><u>1,380,557,839</u></u>	<u><u>1,254,727,270</u></u>		

The accompanying notes are an integral part of the financial statements.

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of cash flows

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Profit before tax	1,683,088,847	1,464,681,907	1,179,912,711	863,958,046
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities				
Dividend income from subsidiaries	-	-	(1,136,994,530)	(802,994,440)
Depreciation and amortisation	226,286,301	235,847,901	-	-
Gain on sales of short-term investment in trading securities	(582,061)	(67,994)	(582,061)	(67,994)
Gain on changes in value of short-term investments in trading securities	(3,703,269)	(252,930)	(3,703,269)	(252,930)
Reduction cost of inventory to net realisable value	2,720,286	1,785,009	-	-
Gain on sales of equipment	(15,759,035)	(4,103,815)	-	-
Provision for long-term employee benefits	12,261,967	11,946,093	5,104,446	4,578,933
Loss on early termination of cross currency interest rate swap contracts	-	29,855,557	-	-
Unrealised loss on exchange	15,129,036	5,154,524	341,697	-
Interest income	(27,562,317)	(35,078,149)	(75,593,877)	(120,061,167)
Interest expenses	392,877	-	654,110	-
<b>Profit (loss) from operating activities before changes in operating assets and liabilities</b>	<b>1,892,272,632</b>	<b>1,709,768,103</b>	<b>(30,860,773)</b>	<b>(54,839,552)</b>
Operating assets (increase) decrease				
Trade and other receivables	(125,573,732)	(113,667,415)	1,688,478	99,878,637
Inventories	(150,610,793)	67,230,692	-	-
Other current assets	(75,807,338)	48,471,696	(2,838)	9,011
Other non-current assets	(4,016,609)	(59,632)	-	-
Operating liabilities increase (decrease)				
Trade and other payables	159,293,031	79,572,885	9,386,481	(34,538,787)
Other current liabilities	22,132,414	12,312,773	4,298,188	6,579,046
Other non-current liabilities	2,872,127	-	-	-
Cash paid for long-term employee benefits	(1,132,000)	(307,600)	-	-
<b>Cash flows from (used in) operating activities</b>	<b>1,719,429,732</b>	<b>1,803,321,502</b>	<b>(15,490,464)</b>	<b>17,088,355</b>
Cash received from interest income	34,141,221	32,163,440	46,803,241	111,462,497
Cash paid for interest expenses	(88,798)	-	(88,798)	-
Cash paid for corporate income tax	(199,331,975)	(215,728,297)	(10,270,934)	(12,724,429)
<b>Net cash flows from operating activities</b>	<b>1,554,150,180</b>	<b>1,619,756,645</b>	<b>20,953,045</b>	<b>115,826,423</b>

The accompanying notes are an integral part of the financial statements.

## Carabao Group Public Company Limited and its subsidiaries

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<b>Cash flows from investing activities</b>				
Decrease in restricted bank deposits	-	7,566,916	-	-
Decrease (increase) in current investments	(126,633,504)	427,057,450	(126,633,504)	426,957,450
Increase in short-term loans to related parties	-	-	(3,561,000,000)	(2,253,497,803)
Cash received from repayment of short-term loans to related parties	-	-	2,918,000,000	2,571,497,803
Cash paid for investment in subsidiaries	-	-	(989,410,490)	-
Dividend income from subsidiaries	-	-	832,994,840	969,993,100
Cash received from joint investment of subsidiary	10,997,715	-	-	-
Proceeds from sales of equipment	17,499,716	7,024,963	-	-
Increase in investment properties	(27,965)	(467,291)	-	-
Cash paid for acquisition of plant and equipment	(2,142,387,872)	(199,145,995)	-	-
Cash paid for acquisition of intangible assets	(3,939,226)	(2,462,833)	-	-
Proceeds from deposits for rental	-	369,978	-	-
<b>Net cash flows from (used in) investing activities</b>	<b>(2,244,491,136)</b>	<b>239,943,188</b>	<b>(926,049,154)</b>	<b>1,714,950,550</b>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from financial institutions	750,000,000	-	750,000,000	-
Increase in long-term loan from financial institution	250,000,000	-	250,000,000	-
Cash paid for early termination of cross currency interest rate swap contracts	-	(60,300,000)	-	-
Dividend paid	(939,916,680)	(950,000,000)	(939,916,680)	(950,000,000)
<b>Net cash flows from (used in) financing activities</b>	<b>60,083,320</b>	<b>(1,010,300,000)</b>	<b>60,083,320</b>	<b>(950,000,000)</b>
<b>Decrease in translation adjustments</b>	<b>(2,166,061)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(632,423,697)</b>	<b>849,399,833</b>	<b>(845,012,789)</b>	<b>880,776,973</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,377,483,940</b>	<b>528,084,107</b>	<b>1,273,766,773</b>	<b>392,989,800</b>
<b>Cash and cash equivalents at end of year</b>	<b>745,060,243</b>	<b>1,377,483,940</b>	<b>428,753,984</b>	<b>1,273,766,773</b>
<b>Supplemental disclosures of cash flows information</b>				
Non-cash related transactions				
Increase in non-controlling interest of subsidiary from joint investment of subsidiary	(325,636,755)	-	-	-
Increase (decrease) in plant and equipment payable	35,130,996	(79,624,949)	-	-
Dividend paid	83,320	-	83,320	-
Transfer investment properties to property, plant and equipment	-	24,304,200	-	-

The accompanying notes are an integral part of the financial statements.

## Statement of changes in shareholders' equity

(Unit: Baht)

The accompanying notes are an integral part of the financial statements.



**Carabao Group Public Company Limited and its subsidiaries**  
**Statement of changes in shareholders' equity (continued)**  
**For the year ended 31 December 2016**

Separate financial statements							(Unit: Baht)
	Note	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of equity	Total
				Appropriated - statutory reserve	Unappropriated	Surplus on changes in percentage of shareholding in a subsidiary	
<b>Balance as at 1 January 2015</b>		1,000,000,000	3,962,980,492	51,000,000	685,932,503	108,959,056	5,808,872,051
Profit for the year		-	-	-	851,805,614	-	851,805,614
Other comprehensive income for the year		-	-	-	(3,580,584)	-	(3,580,584)
Total comprehensive income for the year		-	-	-	848,225,030	-	848,225,030
Appropriated - statutory reserve	21	-	-	43,000,000	(43,000,000)	-	-
Dividend paid	29	-	-	-	(950,000,000)	-	(950,000,000)
<b>Balance as at 31 December 2015</b>		1,000,000,000	3,962,980,492	94,000,000	541,157,533	108,959,056	5,707,097,081
<b>Balance as at 1 January 2016</b>		1,000,000,000	3,962,980,492	94,000,000	541,157,533	108,959,056	5,707,097,081
Profit for the year		-	-	-	1,170,980,641	-	1,170,980,641
Other comprehensive income for the year		-	-	-	(2,178,641)	-	(2,178,641)
Total comprehensive income for the year		-	-	-	1,168,802,000	-	1,168,802,000
Appropriated - statutory reserve	21	-	-	6,000,000	(6,000,000)	-	-
Dividend paid	29	-	-	-	(940,000,000)	-	(940,000,000)
<b>Balance as at 31 December 2016</b>		1,000,000,000	3,962,980,492	100,000,000	763,959,533	108,959,056	5,935,899,081

The accompanying notes are an integral part of the financial statements.

**Carabao Group Public Company Limited and its subsidiaries****Notes to financial statements****For the year ended 31 December 2016****1. General information****Corporate information**

Carabao Group Public Company Limited (“the Company”) is incorporated as a limited company on 28 August 2013 and domiciled in Thailand, and registered the change of its status to a public limited company under The Public Limited companies Act on 8 July 2014. The Company is principally engaged in the investment in subsidiaries. The registered office of the Company is at 393 Silom Building 393, 7 - 10 Floor, Silom Road, Silom, Bangrak, Bangkok.

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of Carabao Group Public Company Limited (“the Company”) and the following subsidiaries (“the subsidiaries”) as follows:

Company's name	Nature of business	Country	Percentage of shareholding	
			2016	2015
<u>Held by the Company</u>				
Carabao Tawandang Co., Ltd.	Manufacture and distribution of beverage	Thailand	100	100
Asia Pacific Glass Co., Ltd.	Manufacture and distribution bottles and glass products	Thailand	100	100
Tawandang DCM Co., Ltd.	Distribution of management	Thailand	100	100
Carabao Holdings (Hong Kong) Limited	Investment	Hong Kong	100	-
Carabao Trading (Hong Kong) Limited	Trading business in overseas	Hong Kong	100	-

Company's name	Nature of business	Country	Percentage of shareholding	
			2016	2015
<u>Held by the subsidiaries</u>				
Carabao Venture Holdings (Luxembourg) S.à r.l.	Investment	Luxembourg	51	-
Intercarabao Limited	Trading business in overseas	England	51	-

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rate. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.
- h) For the books of account, upon acquisition of additional shares of subsidiaries (repurchase shares from minority interest), the excess of cost of the investment at the acquisition date over the fair value of the net asset has been presented as other components of shareholders' equity in statement of changes in shareholder’s equity under “Surplus on changes in percentage of shareholding in a subsidiary”.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method.

### **3. New financial reporting standards**

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

During the year, the Company and subsidiaries have adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. 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 and its subsidiaries' financial statements.

#### **(b) Financial reporting standard 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 2016) and new accounting treatment guidance which is effective for fiscal years beginning on or after 1 January 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 management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations and new accounting treatment guidance will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

##### **TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *Management income*

Management income are recognised proportionately over the term of the agreements.

#### *Rental and service income*

Rental and service income are recognised proportionately over the term of the rental and service agreements.

#### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

#### *Other income*

Other income is recognised on an accrual basis.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable 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 experience and analysis of debt aging.



#### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the first-in, first-out method) and net realisable value, and includes all production costs and attributable factory overheads.

Raw materials, chemicals, spare parts and factory supplies are valued at the lower of cost (under first-in, first-out method) and net realisable value and are charged to production costs whenever consumed.

#### **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Company and its subsidiaries reclassify investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date.

The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending as the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 30 years. Depreciation of the investment properties is included in determining income.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

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

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

Land improvement	5 - 20 years
Buildings and building improvement	5 - 50 years
Machinery and equipment	5 - 20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.9 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

A summary of the intangible assets with finite useful lives is as follows

	<u>Useful lives</u>
Trademarks	10 years
Patents	10 years
Computer software	3 -5 years

#### **4.10 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method with the cost of the acquisition being the fair value at the acquisition date of consideration transferred, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest, if any, in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related cost are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Goodwill is initially recorded at cost, which equal to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is subsequently carried at cost less any accumulated impairment losses with impairment being tested annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 Related party transactions**

Related parties comprise enterprises and individuals or enterprises that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include enterprises and individuals, and individuals or enterprises which directly or indirectly own a voting interest in the Company and its subsidiaries that gives them significant influence over the Company and its subsidiaries, key management personnel, directors, and officers with authority in the planning and direction of the Company and its subsidiaries operations.

#### **4.12 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the useful life of the asset.

Leases of property, plant or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.13 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### 4.14 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of an asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.



#### 4.15 Employee benefits

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits***

###### *Defined contribution plans*

The Company and its subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and the Company and its subsidiaries' contributions are recognised as expenses when incurred.

###### *Defined benefit plans*

The Company and its subsidiaries have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### 4.16 Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.17 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.18 Derivatives**

##### **Forward exchange contracts**

At each reporting date, the subsidiary recognises the changes in fair value of forward exchange rate for the undue foreign exchange forward contracts as revenue or expense in the income statement.

#### 4.19 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### 5. Significant accounting judgements and estimates

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

##### 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.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Fair value of financial instruments**

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

### **Decreasing in net realisable value of inventories**

Determining the decrease in the net realisable value of inventories requires management to exercise judgement in term of estimating losses on outstanding inventories, based on the selling price expected in the ordinary course of business less the estimated additional costs to be incurred in preparing the inventory for sale; and provision for obsolete, slow-moving and deteriorated inventories, and taking into account the approximate useful life of each type of inventory.

### **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.

### **Goodwill**

The initial recognition and measurement of goodwill, 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 recognised 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 utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is 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.

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer pricing Policy
	financial statements		financial statements		
	2016	2015	2016	2015	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from the consolidated financial statements)					
Dividend income	-	-	1,137	803	At the declared rate
Management income	-	-	180	120	Contract price
Interest income	-	-	49	86	Contract price
Rental and services expenses	-	-	3	3	Contract price
<b><u>Transactions with related parties</u></b>					
Purchase of goods	115	-	-	-	Market price
Sales of goods	74	25	-	-	Market price
Promotion expenses	15	12	-	-	Contract price/ Mutually agree price
Other expenses	4	4	-	-	Mutually agree price
Service income	5	4	-	-	Contract price
Rental income	4	2	-	-	Contract price
Other income	2	1	-	-	Market price

As at 31 December 2016 and 2015, the balances of the accounts between the Company and those related companies are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
<b><u>Trade and other receivables - related parties</u></b> (Note 9)				
Subsidiaries	-	-	43,011	7,872
Related companies (related by shareholders and directors)	13,748	6,627	-	-
Total trade and other receivables - related parties	13,748	6,627	43,011	7,872
<b><u>Dividend receivable - related parties</u></b> (Note 29)				
Subsidiaries	-	-	726,997	422,997
Total dividend receivable - related parties	-	-	726,997	422,997
Other long-term receivable - related party				
Subsidiary	-	-	26,172	26,172
<b><u>Total other long-term receivable - related party</u></b>	-	-	26,172	26,172
<b><u>Other non-current assets - related party</u></b>				
Related company (related by shareholders and directors)	34	117	-	-
Total other non-current assets - related party	34	117	-	-
<b><u>Trade and other payables - related parties</u></b> (Note 17)				
Subsidiaries	-	-	10,990	-
Related companies (related by shareholders, directors and individuals)	14,450	931	-	-
Total trade and other payables - related parties	14,450	931	10,990	-
<b><u>Deposits received for rental - related parties</u></b>				
Related companies (related by shareholders and directors)	1,528	1,358	-	-
Total deposits received for rental - related parties	1,528	1,358	-	-



As at 31 December 2016 and 2015, the balance of short-term loans between the Company and those related parties and the movement are as follows:

**Short-term loans to related parties**

(Unit: Thousand Baht)

Loan to related party	Related by	Separate financial statements			Balance as at 31 December 2016
		Balance as at 31 December 2015	Increase during the year	Decrease during the year	
Carabao Tawandaeng Co., Ltd.	Subsidiary	2,025,000	3,504,000	(2,311,000)	3,218,000
Asia Pacific Glass Co., Ltd.	Subsidiary	600,000	57,000	(607,000)	50,000
Total		2,625,000	3,561,000	(2,918,000)	3,268,000

Short-term loans to related parties are in form of promissory notes which charged interest rate between 2.1 and 3.5 percent per annum (2015: 2.1 and 3.2 percent per annum) and were repayable on demand.

**Directors and management's benefits**

During the years ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Short-term employee benefits	136	151	136	151
Post-employment benefits	5	5	5	5
Total	141	156	141	156

**Guarantee obligation**

The Company has outstanding guarantee obligations with the two subsidiaries, as described in Note 30.6 to the financial statements.

**7. Cash and cash equivalents**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash	200	270	10	10
Bank deposits	744,860	577,214	428,744	473,757
Short-term investment in fixed deposits	-	800,000	-	800,000
Total cash and cash equivalents	<u>745,060</u>	<u>1,377,484</u>	<u>428,754</u>	<u>1,273,767</u>

As at 31 December 2016, bank deposits in saving accounts and fixed deposits carried interests between 0.01 and 1.4 percent per annum (31 December 2014: 0.4 and 2.0 percent per annum).

**8. Current investments**

8.1 As at 31 December 2016 and 2015, current investments consisted of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Fixed deposits	-	160,000	-	160,000
Short-term investments in trading securities (Note 8.2)	604,282	214,812	604,282	214,812
Bill of exchange	-	98,551	-	98,551
Total current investment	<u>604,282</u>	<u>473,363</u>	<u>604,282</u>	<u>473,363</u>

As at 31 December 2015, fixed deposits and bill of exchange carried interests between 2.1 and 3.1 percent per annum.

8.2 As at 31 December 2016, short-term investments in trading securities are summarised below.

(Unit: Thousand Baht)

	Consolidated/separate financial statements	
	<u>Cost</u>	<u>Fair value</u>
Open-ended fund in debt instruments of a financial institution	600,579	604,282
Add: Gain on change in value	3,703	
Total short-term investments in trading securities	<u>604,282</u>	

Movement of short-term investments in trading securities for the year ended 31 December 2016 and 2015 as summarised below.

		(Unit: Thousand Baht)	
		Consolidated/separate financial statements	
		<u>2016</u>	<u>2015</u>
<b>Net book value as at 31 December 2015</b>		214,812	-
Cash paid for short-term investments in trading securities			
during the year- at cost		585,000	313,000
Sales during the year - at cost			
Proceeds from sales		(199,815)	(98,509)
Gain on sales		582	68
Total		(199,233)	(98,441)
Gain on change in value		3,703	253
<b>Net book value as at 31 December 2016</b>		<u>604,282</u>	<u>214,812</u>

## 9. Trade and other receivables

		(Unit: Thousand Baht)	
		Consolidated financial statements	
		<u>2016</u>	<u>2015</u>
		Separate financial statements	
		<u>2016</u>	<u>2015</u>
<u>Trade receivables - related parties</u>			
Aged on the basis of due dates			
Not yet due	13,595	5,730	-
Total trade receivables - related parties	13,595	5,730	-
<u>Trade receivables - unrelated parties</u>			
Aged on the basis of due dates			
Not yet due	411,187	333,856	-
Past due			
Not over 3 months	10,216	38,004	-
3 - 6 months	65	-	-
Over 12 months	310	310	-
Total trade receivables - unrelated parties	421,778	372,170	-
Less: Allowance for doubtful debts	(310)	(310)	-
Total trade receivables - unrelated parties - net	421,468	371,860	-
Total trade receivables - net	435,063	377,590	-

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Other receivables</u>				
Other receivables - related parties	10	95	25	-
Other receivables - unrelated parties	9,450	246	-	-
Accrued income - related parties	143	802	42,986	7,872
Accrued income - unrelated parties	2,808	6,567	140	6,463
Prepaid expenses	68,256	37,103	228	1,941
Prepayment for purchase of goods	31,835	-	-	-
Advances	11,938	1,743	-	-
Others	2,073	882	-	-
Total other receivables	<u>126,513</u>	<u>47,438</u>	<u>43,379</u>	<u>16,276</u>
Total trade and other receivables	<u>561,576</u>	<u>425,028</u>	<u>43,379</u>	<u>16,276</u>

**10. Inventories**

(Unit: Thousand Baht)

	Consolidated financial statements					
			Reduce cost to net			
	Cost		realisable value		Inventories-net	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Finished goods	242,352	114,078	(1,098)	(495)	241,254	113,583
Work in process	1,556	1,664	-	-	1,556	1,664
Raw materials	107,737	62,944	-	-	107,737	62,944
Packing materials	54,401	52,986	(8)	-	54,393	52,986
Spare parts and factory supplies	28,564	17,797	-	-	28,564	17,797
Total	434,610	249,469	(1,106)	(495)	433,504	248,974

During the current year, the subsidiary reduced cost of inventories by Baht 2.7 million (2015: Baht 1.8 million), to reflect the net realisable value. In addition, the subsidiary reversed the write-down of cost of inventories by Baht 2.1 million (2015: Baht 2.6 million). This was included in cost of sales.

## 11. Other current assets

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
VAT receivable	92,513	-	-	-
Supplies for market promotion	10,050	9,044	-	-
Undue input VAT	5,178	2,980	3	-
Others	2,741	4,787	-	-
Total other current assets	110,482	16,811	3	-

## 12. Investments in subsidiaries

12.1 Investments in subsidiaries presented in the separate financial statements are as follows:

Company's name	Nature of business	Paid-up capital		Percentage of shareholding		Cost method		Dividend received for the years ended	
		2016	2015	2016	2015	2016	2015	2016	2015
		(Thousand Baht)	(Thousand Baht)	(Percent)	(Percent)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
<u>Local subsidiaries</u>									
Carabao Tawandang Co., Ltd.	Manufacture and distribution of beverage	300,000	300,000	100	100	408,958	408,958	884,997	629,998
Asia Pacific Glass Co., Ltd.	Manufacture and distribution of bottles and glass products	1,099,995	450,000	100	100	1,099,993	449,998	162,000	-
Tawandang DCM Co., Ltd.	Distribution management	100,000	100,000	100	100	99,998	99,998	89,998	172,996
<u>Overseas subsidiaries</u>									
Carabao Holdings (Hong Kong) Limited	Investment	USD 10 million	-	100	-	348,306	-	-	-
Carabao Trading (Hong Kong) Limited	Trading business in overseas	USD 50,000	-	100	-	1,758	-	-	-
Total						1,959,013	958,954	1,136,995	802,994

## 12.2 Details of investments in subsidiaries that have material non-controlling interests

Company's name	Proportion of equity interest held by non-controlling interests		Accumulated balance of non-controlling interests		Loss allocated to non-controlling interests during the year	
	2016	2015	2016	2015	2016	2015
	(Percent)	(Percent)				
(Unit: Million Baht)						
Carabao Venture Holdings (Luxembourg) S.à r.l. and its subsidiary (Subsidiary of Carabao Holdings (Hong Kong) Limited)	49	-	226.5	-	(84.9)	-

## 12.3 Summarised financial information that based on amounts before inter-company elimination about subsidiaries that have material non-controlling

## Summarised information about financial position

	(Unit: Million Baht)	
	2016	2015
Current assets	77.6	-
Non-current assets	540.1	-
Current liabilities	142.3	-

## Summarised information about profit and loss

	(Unit: Million Baht)	
	2016	2015
Loss	(173.2)	-



## 12.4 Investments in subsidiary companies which the Company previously held

On 30 November 2016, the Extraordinary Meeting of Shareholders of Asia Pacific Glass Co., Ltd. (a subsidiary) passed a resolution to increase its registered share capital from Baht 450 million (4,500,000 ordinary shares, at Baht 100 per share) to Baht 1,300 million (13,000,000 ordinary shares, at Baht 100 per share). The subsidiary issued new 8,500,000 ordinary shares of Baht 100 each, called up Baht 76.47 each. The Company had already made the payment for share subscription on 6 December 2016. As a result, the issued and paid-up share capital of the subsidiary is Baht 1,100 million (4,500,000 ordinary shares of Baht 100 each, fully paid up and 8,500,000 ordinary shares of Baht 100 per share, paid up Baht 76.47 each). The subsidiary registered such share capital increase with the Ministry of Commerce on 7 December 2016.

## 12.5 Investments in new subsidiary companies

During the year, the Company invested in the new subsidiary companies as follows:

- 1) The Company established Carabao Holdings (Hong Kong) Limited (CHHK), incorporated in Hong Kong. The subsidiary is principally engaged in investment in overseas companies, with a registered share capital of USD 10 million, comprising 10 million ordinary shares. The Company holds 100 percent interest in this company. The subsidiary has registered its establishment on 5 September 2016. The Company had made a payment of USD 9.7 million for share subscription.
- 2) The Company established Carabao Trading (Hong Kong) Limited, incorporated in Hong Kong. The subsidiary is principally engaged in distribution in overseas, with a registered share capital of USD 50,000, comprising 50,000 ordinary shares. The Company holds 100 percent interest in this company. The subsidiary has registered its establishment on 8 November 2016. As at 31 December 2016, the Company had not yet made a payment for such share subscription.
- 3) CHHK entered into a joint-venture agreement with Intercarabao Private Limited (ICSG), which is incorporated in Singapore and has no relationship with the Company and its subsidiaries, to establish Carabao Venture Holdings (Luxembourg) S.à r.l. (CVHLUX), the Company's new subsidiary company in Luxembourg with shareholding interest of 51 percent and 49 percent, respectively. The subsidiary is principally engaged in investment in overseas companies with a registered share capital of EUR 16.9 million, comprising 16.9 million shares with EUR 1 par value each. CHHK paid for share subscription of approximately EUR 8.6 million by cash and ICSG paid for share subscription of approximately EUR 8.3 million by transferring its investment in share capital of Intercarabao Limited (ICUK), which is incorporated in England and 100 percent interest in which was formerly held by ICSG. On 30 September 2016, CVHLUX completed the registration of its establishment.

As a result, the Company has control over CVHLUX via its indirect holding of 51 percent interest through CHHK.

On 5 October 2016, CVHLUX purchased the additional ordinary shares of ICUK by the amount of GBP 7.3 million, comprising 7.3 million shares with GBP 1 par value each. CVHLUX had made full payment for subscription of the additional shares. In addition, ICUK registered the appointment of new board of directors whose members are mainly in the board of directors of CVHLUX. Thus, the Company has control over the business plans and policies of ICUK through its Boards of Directors and it has classified the investment in ICUK as the investment in subsidiary company since the date it obtained the control.

The Company assessed the fair value of identifiable assets acquired and liabilities assumed at the acquisition date. The assessment was completed in the fourth quarter of 2016 and within the period of twelve months from the acquisition date allowed by Thai Financial Reporting Standard No. 3 (revised 2015) "Business Combinations".

Fair values of the identifiable assets acquired and liabilities assumed from Intercarabao Limited as at the acquisition date were summarised below.

	(Unit: Thousand Baht)
Cash and cash equivalents	336,200
Trade and other receivables	17,371
Inventories	36,640
Other current assets	17,864
Equipment	1,982
Trade and other payables	(305,009)
Other current liabilities	(1,969)
Fair value of net assets	103,079
Cost of acquisition of joint investment in subsidiary	(642,428)
Goodwill as at the acquisition date	539,349
Translation adjustment	(3,284)
Goodwill as at 31 December 2016	536,065

Net cash inflows from joint investment of Carabao Venture Holdings (Luxembourg) S.à r.l. were presented below.

	(Unit: Thousand Baht)
Cost of acquisition of joint investment in subsidiary	642,428
Less: Cash and equivalents of Intercarabao Limited	(336,200)
Increase in non-controlling interests of subsidiary from joint investment of subsidiary	(325,637)
Translation adjustment	8,411
Net cash received from joint investment of subsidiary	<u>(10,998)</u>

The consolidated income statement for the year ended 31 December 2016 included revenue and profit of Intercarabao Limited as from the acquisition date were Baht 15.8 million and Baht 160.5 million, respectively.

If the business combinations had taken place at the beginning of the period, revenue and loss of Intercarabao Limited would have been included in the consolidated income statement for the year ended 31 December 2016 were Baht 33.7 million and Baht 691.8 million, respectively.

## 12.6 Goodwill

The company has determined recoverable amounts of its cash generating units (CGUs) based on value in use calculation using cash flow projections from financial budgets approved by the management covering a five-year period.

Key assumptions used in value in use calculations summarise as follows:

	(Unit: Percent per annum)
Terminal growth rate	3.0
Discount rate	17.5

The management has considered the growth rate from policy, business plan, expected overall market growth rate, and discount rate which are the rates before income tax which relate to the specific risk in that operating segment.

The management has considered and believed that no impairment was required for goodwill.

### 13. Investment properties

The net book value of investment properties as at 31 December 2016 and 2015 is presented below.

	(Unit: Thousand Baht)
	Consolidated financial statements
	Office building for rent
As at 31 December 2016:	
Cost	118,985
Less: Accumulated depreciation	(15,137)
Net book value	103,848
As at 31 December 2015:	
Cost	118,957
Less: Accumulated depreciation	(11,164)
Net book value	107,793

A reconciliation of the net book value of investment properties for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2016	2015
Net book value at beginning of year	107,793	135,661
Acquisition during the year - at cost	28	467
Transfers to property, plant and equipment	-	(24,304)
Depreciation for the year	(3,973)	(4,031)
Net book value at end of year	103,848	107,793

The fair value of the office building of the subsidiary as at 31 December 2016 was determined at approximately Baht 181.7 million (2015: Baht 174.9 million) using the income approach. The assumption used in the valuation was based on the subsidiary's data.

## 14. Property, plant and equipment

	Consolidated financial statements					(Unit: Thousand Baht)	
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Cost:</b>							
As at 1 January 2015	2,650,028	773,105	1,710,539	59,917	191,806	13,768	5,399,163
Additions	67	10,929	18,578	13,697	17,850	58,400	119,521
Disposals	-	-	(34,929)	(12,191)	(13,836)	(218)	(61,174)
Transfers	-	16,210	51,605	1,022	-	(68,837)	-
Transfers from investment property	-	25,972	-	-	-	-	25,972
As at 31 December 2015	2,650,095	826,216	1,745,793	62,445	195,820	3,113	5,483,482
Increase from joint investment of subsidiary	-	-	-	418	1,684	-	2,102
Additions	212,687	3,066	27,654	25,862	24,675	1,883,314	2,177,258
Capitalised interest	-	-	-	-	-	261	261
Disposals	-	-	(12,187)	(1,936)	(38,114)	-	(52,237)
Transfers	-	7,548	7,871	432	-	(15,851)	-
Translation adjustment	-	-	-	(2)	(10)	-	(12)
As at 31 December 2016	2,862,782	836,830	1,769,131	87,219	184,055	1,870,837	7,610,854

	Consolidated financial statements					(Unit: Thousand Baht)	
	Land and land improvement	Buildings and building improvement	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under installation and under construction	Total
<b>Accumulated depreciation:</b>							
As at 1 January 2015	1,234	115,238	384,658	27,353	116,908	-	645,391
Depreciation for the year	2,647	42,809	142,844	10,729	28,637	-	227,666
Accumulated depreciation of disposed assets	-	-	(34,490)	(11,637)	(12,126)	-	(58,253)
Transfers from investment property	-	1,668	-	-	-	-	1,668
As at 31 December 2015	3,881	159,715	493,012	26,445	133,419	-	816,472
Increase from joint investment of subsidiary	-	-	-	85	35	-	120
Depreciation for the year	2,658	45,808	130,513	14,193	24,696	-	217,868
Accumulated depreciation of disposed assets	-	-	(11,156)	(1,212)	(38,128)	-	(50,496)
Translation adjustment	-	-	-	(1)	-	-	(1)
As at 31 December 2016	6,539	205,523	612,369	39,510	120,022	-	983,963
<b>Net book value:</b>							
As at 31 December 2015	2,646,214	666,501	1,252,781	36,000	62,401	3,113	4,667,010
As at 31 December 2016	2,856,243	631,307	1,156,762	47,709	64,033	1,870,837	6,626,891
<b>Depreciation for the year</b>							
2015 (Baht 188.7 million included in manufacturing cost, and the balance in selling and administrative expenses)							227,666
2016 (Baht 117.0 million included in manufacturing cost, and the balance in selling and administrative expenses)							217,868



As at 31 December 2016, certain plant and equipment items of a subsidiary have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 365 million (2015: Baht 234.4 million).

During the year 2016, a subsidiary capitalised interest amounting to Baht 0.3 million to the costs of assets. These borrowing costs arose on loans obtained for specific purpose for the construction of the plant and the acquisition of machinery.

## 15. Intangible assets

	(Unit: Thousand Baht)			
	Consolidated financial statements			
	Trademark	Patents	Computer software	Total
31 December 2016:				
Cost	10,000	10,000	20,901	40,901
Accumulated amortisation	(6,000)	(10,000)	(9,750)	(25,750)
Net book value	4,000	-	11,151	15,151
31 December 2015:				
Cost	10,000	10,000	16,959	36,959
Accumulated amortisation	(5,000)	(10,000)	(6,304)	(21,304)
Net book value	5,000	-	10,655	15,655

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 is presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	
	2016	2015
Net book value at beginning of year	15,655	17,343
Acquisition during the year	3,939	2,463
Amortisation for the year	(4,445)	(4,151)
Translation adjustment	2	-
Net book value at end of year	15,151	15,655

**16. Short-term loans from financial institutions**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term loans from financial institutions	750,000	-	750,000	-
Total short-term loans from financial institutions	750,000	-	750,000	-

The short-term loans carry interest at a reference fix loan rate of commercial banks. The loan are unsecured loans and repayable within December 2017.

The above long-term loan agreements are unsecured. Under the terms of the agreements, the Company must comply with certain conditions and restrictions stipulated in the agreements, i.e. to maintain debt to equity ratio at the rate prescribed in the agreements.

**17. Trade and other payables**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Trade payables - related parties	12,545	-	-	-
Trade payables - unrelated parties	751,335	562,615	-	-
Other payables - related parties	1,905	798	10,990	-
Other payables - unrelated parties	152,220	56,970	596	672
Accrued expenses - related parties	-	133	-	-
Accrued expenses - unrelated parties	295,835	156,200	43,807	33,697
Advance received	88,058	24,809	-	-
Total trade and other payables	1,301,898	801,525	55,393	34,369

**18. Other current liabilities**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accrued withholding tax	52,157	23,818	19,413	15,078
Liabilities under forward exchange contracts	15,470	713	-	-
VAT payable	5,362	11,266	1,028	562
Social security fund payable	3,840	2,627	15	15
Undue output VAT	362	112	-	-
Others	12,984	12,780	-	502
Total other current liabilities	90,175	51,316	20,456	16,157

**19. Long-term loan from financial institution**

	(Unit: Thousand Baht)	
	Consolidated/separate financial statements	
	<u>2016</u>	<u>2015</u>
Long-term loan	250,000	-
Less: Portion due within one year	-	-
Long-term loan - net of current portion	<u>250,000</u>	<u>-</u>

On 26 December 2016, the Company had entered into long-term loan agreement with a financial institution with a given credit facilities of Baht 1,000 million, drawn down of Baht 250 million on which interest is charged at the Minimum Loan Rate (MLR) reference rate minus a margin. The loan is repayable in three-month installments within 4 years, with the first of these due in June 2018.

The above long-term loan agreements are unsecured and no any certain conditions or restrictions stipulated in the agreements.

**20. Provision for long-term employee benefits**

Provision for long-term employee benefits, which represents compensation payable to employee after they retire, was as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Provision for long-term employee</b>				
<b>benefits at beginning of year</b>	65,561	52,914	39,873	30,818
Included in profit or loss:				
Current service cost	10,265	9,132	4,119	3,064
Interest cost	1,997	2,814	985	1,515
Included in other comprehensive income:				
Actuarial loss (gain)				
Demographic assumptions changes	6,739	(614)	1,184	1,875
Financial assumptions changes	766	5,941	(806)	2,914
Experience adjustments	5,556	(4,318)	2,346	(313)
Benefits paid during the year	(1,132)	(308)	-	-
<b>Provision for long-term employee</b>				
<b>benefits at end of year</b>	<u>89,752</u>	<u>65,561</u>	<u>47,701</u>	<u>39,873</u>

Line items in profit or loss under which long-term employee benefit expenses are recognised are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cost of sales	3,779	5,280	-	-
Selling and administrative expenses	8,483	6,666	5,104	4,579
Total expenses recognised in profit or loss	12,262	11,946	5,104	4,579

The Company and its subsidiaries expect to pay Baht 42 million of long-term employee benefits during the next year (Separate financial statements: Baht 29 million) (2015: Baht 0.3 million, separate financial statements: nil).

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 5 - 25 years (Separate financial statements: 5 years) (2015: 5 - 23 years, separate financial statements: 5 years).

Key actuarial assumptions at the valuation date were as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	1.8 - 2.7	2.2 - 3.8	1.8	2.2
Future salary increase rate	5.3 - 9.8	5.3 - 11.0	9.8	11.0
Staff turnover rate (depending on age)	0 - 55	0 - 58	0 - 44	0 - 45

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2558 are summarised below:

	(Unit: Million Baht)			
	As at 31 December 2016			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(2.9)	3.1	(0.6)	0.7
Salary increase rate	2.9	(2.7)	0.6	(0.6)
Staff turnover rate	(3.0)	3.2	(0.6)	0.6

	(Unit: Million Baht)			
	31 December 2015			
	Consolidated financial statements		Separate financial statements	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(1.7)	1.8	(0.6)	0.6
Salary increase rate	1.7	(1.8)	0.5	(0.5)
Staff turnover rate	(1.8)	1.9	(0.5)	0.5

## 21. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. In 2016, the Company set aside a statutory reserve totaling of Baht 6 million (2015: Baht 43 million).

At present, the statutory reserve has fully been set aside.

## 22. Other income/other expenses

### 22.1 Other income

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Management income	-	-	180,000	120,000
Rental and service income	58,679	50,712	-	-
Interest income	27,562	35,078	75,594	120,061
Gain from sales of equipment	15,759	4,104	-	-
Scrap sales income	13,465	11,567	-	-
Income from sales and trade-off premium goods	4,647	2,953	-	-
Others	26,636	16,887	4,330	409
Total other income	<u>146,748</u>	<u>121,301</u>	<u>259,924</u>	<u>240,470</u>

### 22.2 Other expenses

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Loss on early termination of cross currency interest rate swap contracts	-	29,856	-	-
Loss on exchange	21,576	4,612	2,029	-
Loss on changes in fair value of foreign exchange contracts	20,601	713	-	-
Total other expenses	<u>42,177</u>	<u>35,181</u>	<u>2,029</u>	<u>-</u>

**23. Expenses by nature**

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Raw materials and packing materials used	5,523,591	4,000,136	-	-
Salaries, wages and other employee benefits	1,025,353	771,037	190,607	163,278
Sales promotion expenses	462,988	357,820	-	-
Travelling expenses	230,484	131,733	2,661	24
Depreciation and amortisation	226,286	235,848	-	-
Freight expenses	214,622	174,128	-	-
Utility service expenses	124,200	121,499	40	10
Advertising expenses	100,001	135,145	-	-
Consumables used	88,715	74,839	-	-
Repair and maintenance expenses	78,687	64,590	-	-
Loss on exchange	21,576	4,612	2,029	-
Loss on changes in fair value of foreign exchange contracts	20,601	713	-	-
Changes in inventories of finished goods	(127,671)	54,084	-	-
Loss on changes in fair value of cross currency interest rate swap contracts	-	29,856	-	-

**24. Income tax**

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Current corporate income tax charge	283,874	208,959	9,953	13,068
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>(5,661)</u>	<u>189</u>	<u>(1,021)</u>	<u>(916)</u>
<b>Income tax expense reported in the income statement</b>	278,213	209,148	8,932	12,152



The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2016 and 2015 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Deferred tax relating to actuarial loss	2,612	202	545	895

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Accounting profit before tax	1,683,089	1,464,682	1,179,913	863,958
Applicable tax rate	16.5%, 20%, 29.2%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	335,438	292,936	235,983	172,792
Effects of:				
Promotional privileges (Note 25)	(92,292)	(84,124)	-	-
Income not subject to tax	-	-	(227,399)	(160,599)
Non-deductible expenses	3,060	2,573	360	20
Additional expense deductions allowed	(3,842)	(921)	(12)	(61)
Unrecognised tax loss as deferred tax assets	35,849	-	-	-
Others	-	(1,316)	-	-
Total	(57,225)	(83,788)	(227,051)	(160,640)
Income tax expenses reported in the income statement	278,213	209,148	8,932	12,152

As at 31 December 2016, the subsidiaries have unused tax losses of 2016 totaling Baht 35.8 million, on which deferred tax assets have not been recognised as the subsidiaries consider that it is not certain whether they are able make profit in a short period that is sufficient to allow the utilisation of the temporary difference and tax losses.

The components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Deferred tax assets</b>				
Provision for trade discounts and promotions	17,395	16,546	-	-
Provision for long-term employee benefits	10,104	7,676	3,761	1,845
Forward contract payable	3,094	143	-	-
Actuarial losses	2,612	202	545	895
Different rate of depreciation	498	695	-	-
Allowance for diminution in value of inventories	221	99	-	-
Allowance for doubtful accounts	62	62	-	-
Total	<u>33,986</u>	<u>25,423</u>	<u>4,306</u>	<u>2,740</u>
<b>Deferred tax liabilities</b>				
Accrued rebate income	290	-	-	-
Total	<u>290</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deferred tax assets - net</b>	<u>33,696</u>	<u>25,423</u>	<u>4,306</u>	<u>2,740</u>

## 25. Promotional privileges

Asia Pacific Glass Co., Ltd., a subsidiary, has received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Subject to the imposed conditions, the significant privileges are as follows:

Descriptions	Privileged details	
1. Certificate No.	2326(4)/2556	59-1062-0-00-1-0
2. Certificate date	24 September 2013	18 August 2016
3. Promotional privileges for	Manufacture of glass bottle	Manufacture of glass bottle
4. The significant privileges are:		
4.1 Exemption from corporate income tax on income from the promoted operation.	6 years (expire on 7 August 2020)	3 years (Has not yet started utilising the privileges) (Tax exempted according with investment)
4.2 Exemption from income tax on dividends paid from the promoted operation on which the corporate income tax is exempted throughout the corporate income tax exemption period.	6 years (expire on 7 August 2020)	3 years (Has not yet started utilising the privileges)
4.3 Exemption from import duty on machinery as approved by the board.	Granted	-
4.4 Fifty percent reduction of import duty on machinery as approved by the board.	-	Granted

The subsidiary operating revenues for the years ended 31 December 2016 and 2015 divided between to promoted and non-promoted operations, are summarised below.

	(Unit: Thousand Baht)					
	Promoted operations		Non-promoted operations		Total	
	2016	2015	2016	2015	2016	2015
Domestic sales	1,129,532	1,139,984	305,845	148,349	1,435,377	1,288,333

## 26. Earnings per share

Basic earnings per share is calculated by dividing earnings for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Profit for the years attributable to equity holders the Company (Thousand Baht)	1,489,756	1,255,534	1,170,981	851,806
Weighted average number of ordinary shares (Thousand shares)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share (Baht/share)	1.49	1.26	1.17	0.85

## 27. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as executive chairman.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services. The operations are carried on in domestic and overseas, involve three principal segments as follows:

- (1) Manufacture and distribution of beverage
- (2) Manufacture and distribution of bottles and glass products
- (3) Distribution management

No operating segment have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The Company and its subsidiaries are organised into business units based on their products. During the current year, the Company and its subsidiaries have not changed the organisation of their reportable segments.

The following tables present revenue, profit and total assets information regarding the Company and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015.

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2016						
	Manufacture and distribution				Total	Adjustments	
	Beverage	Glass bottle	Distribution management	Other	reportable segments	and eliminations	Consolidated
Revenue from external customers	3,350	-	6,599	16	9,965	-	9,965
Inter-segment revenue	5,617	1,435	-	-	7,052	(7,052)	-
Total revenue	8,967	1,435	6,599	16	17,017	(7,052)	9,965
<b>Segment gross profit</b>	2,442	505	628	3	3,578	(1)	3,577
Other income	122	2	1	1,395	1,520	(1,373)	147
Depreciation and amortization	130	82	15	-	227	(1)	226
Interest expenses	42	6	-	1	49	(49)	-
Income tax expenses	248	5	17	8	278	-	278
<b>Segment total assets</b>	5,601	2,290	914	7,692	16,497	(6,719)	9,778
Additions (deletions) to non-current assets other than deferred tax assets	1,325	595	34	1,540	3,494	(998)	2,496

(Unit: Million Baht)

	Consolidated financial statements						
	For the year ended 31 December 2015						
	Manufacture and distribution				Total	Adjustments	
	Beverage	Glass bottle	Distribution management	Other	reportable segments	and eliminations	Consolidated
Revenue from external customers	2,276	-	5,477	-	7,753	-	7,753
Inter-segment revenue	5,039	1,288	-	-	6,327	(6,327)	-
Total revenue	7,315	1,288	5,477	-	14,080	(6,327)	7,753
<b>Segment gross profit</b>	1,951	484	451	-	2,886	(26)	2,860
Other income	54	1	2	1,043	1,100	(979)	121
Depreciation and amortization	148	80	9	-	237	(1)	236
Interest expenses	59	27	-	-	86	(86)	-
Income tax expenses	154	1	42	12	209	-	209
<b>Segment total assets</b>	3,717	1,709	605	5,799	11,830	(4,469)	7,361
Additions (deletions) to non-current assets other than deferred tax assets	(75)	(54)	5	-	(124)	-	(124)

## Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	Consolidated financial statements	
	<u>2016</u>	<u>2015</u>
Revenue from external customers		
Domestic		
Thailand	6,604	5,477
Overseas		
Cambodia	2,074	1,547
Afghanistan	481	165
Myanmar	278	223
Yemen	202	167
Vietnam	173	98
Others	153	76
Total	<u>9,965</u>	<u>7,753</u>

In 2016, the Company and its subsidiaries have revenue from domestic sales at 66 percent (2015: 71 percent) and revenue from overseas sales at 34 percent (2015: 29 percent).

As manufacture and distribution beverage and glass bottle and distribution management is the main business segments and the segment information that has been considered based on a quantitative basis is over 90 percent of the total population both operational and geographical areas. As a result, all of the assets as reflected in these financial statements pertain exclusively to this geographical reportable segment.

## Major customers

In 2016 and 2015, the Company and its subsidiaries had no major customer with revenue of 10 percent or more than of its consolidated revenue.

## 28. Provident fund

The Company and its subsidiaries and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund monthly at the rate of 2 - 5 percent of basic salary. The fund, which is managed by K Master Pooled fund and Kasikorn Assets Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2016 by the Company and its subsidiaries amounting to approximately Baht 11.5 million (2015: Baht 9.3 million) were recognised as expenses, the Company only: Baht 3.4 million (2015: Baht 3.0 million).



## 29. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<b><u>The Company</u></b>				
<b><u>For the year 2015</u></b>				
Dividends from 2014 income	Annual General Meeting of the shareholders on 28 April 2015	600	0.6	June 2015
Interim dividends	Board of directors' meeting of the Company on 7 August 2015	350	0.4	September 2015
<b>Total dividends for 2015</b>		<b>950</b>		
<b><u>For the year 2016</u></b>				
Dividends from 2015 income	Annual General Meeting of the shareholders on 26 April 2016	540	0.5	May 2016
Interim dividends	Board of directors' meeting of the Company on 11 August 2016	400	0.4	September 2016
<b>Total dividends for 2016</b>		<b>940</b>		
<b><u>Subsidiaries</u></b>				
<b><u>For the year 2015</u></b>				
Interim dividends	Board of directors' meeting of Carabao Tawandang Co., Ltd. on 15 May 2015	300	100.0	September 2015
Interim dividends	Board of directors' meeting of Tawandang DCM Co., Ltd. on 15 May 2015	80	80.0	September 2015
Interim dividends	Board of directors' meeting of Carabao Tawandang Co., Ltd. on 13 November 2015	330 <sup>(1)</sup>	110.0	May 2016
Interim dividends	Board of directors' meeting of Tawandang DCM Co., Ltd. on 13 November 2015	93 <sup>(1)</sup>	93.0	May 2016
<b>Total dividends for 2015</b>		<b>803</b>		

Dividend	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)	Paid on
<b>For the year 2016</b>				
Interim dividends	Board of directors' meeting of Carabao Tawandang Co., Ltd. on 16 May 2016	360	120.0	September 2016
Interim dividends	Board of directors' meeting of Tawandang DCM Co., Ltd. on 16 May 2016	50	50.0	September 2016
Interim dividends	Board of directors' meeting of Carabao Tawandang Co., Ltd. on 14 November 2016	525 <sup>(1)</sup>	175.0	May 2017
Interim dividends	Board of directors' meeting of Tawandang DCM Co., Ltd. on 14 November 2016	40 <sup>(1)</sup>	40.0	May 2017
Interim dividends	Board of directors' meeting of Asia Pacific Glass Co., Ltd. on 14 November 2016	162 <sup>(1)</sup>	36.0	May 2017
<b>Total dividends for 2016</b>		<u>1,137</u>		

<sup>(1)</sup>As at 31 December 2016 and 2015, the Company had dividend payable of Baht 727 million and Baht 423 million, respectively, which the three subsidiaries will be paid to their shareholders within 31 May 2017 and 2016, respectively.

### 30. Commitments and contingent liabilities

#### 30.1 Capital commitments

As at 31 December 2016 and 2015, the subsidiaries had capital commitments, relating to the construction of factory buildings and acquisition of machinery as follows:

Foreign currency	(Unit: Million)	
	Amount	
	<u>2016</u>	<u>2015</u>
Baht	164.3	3.1
Yen	16.1	-
Euro	10.1	-
US dollar	6.4	-
Pound sterling	0.6	-

### 30.2 Operating lease and service commitments

The Company and its subsidiaries has entered into several lease agreements in respect of the lease of motor vehicles and equipment and service agreements. The terms of the agreements are generally between 1 and 5 years.

As at 31 December 2016 and 2015, Company and its subsidiaries had future minimum lease payments required under these non-cancellable operating leases and service contracts were as follows.

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Payable:				
In up to 1 year	108.8	74.5	0.9	3.5
In over 1 year and up to 5 years	228.5	104.5	-	0.9

### 30.3 Significant agreements with related parties

30.3.1 On 17 July 2012, Carabao Tawandang Co., Ltd., (a subsidiary) and Tawandang DCM Co., Ltd., (another subsidiary), entered into an agency agreement whereby the Tawandang DCM agreed to be a sole distributor of Carabao Tawandang Beverage. The agreement is effective for a period of ten years, to be expired on 14 October 2022 and renewable every five years. Under the conditions of this agreement, Carabao Tawandang Co., Ltd. is obliged to support Tawandang DCM Co., Ltd., with regard to its advertising and promotional expenses incurred according to the terms and conditions of the agreement.

30.3.2 Carabao Tawandang Co., Ltd. (a subsidiary) and Asia Pacific Glass Co., Ltd., (another subsidiary), entered into a sale and purchase agreement for 150 ml amber glass bottle and 250 ml clear glass bottle in accordance with quantity and design as depicted in the agreement. This agreement is effective since the date on the agreement unless cancelled by either party.

30.3.3 On 20 November 2013, Carabao Tawandang Co., Ltd., (a subsidiary) entered into a public relation and brand image agreement with a related company. Under the condition of this agreement, the subsidiary has obliged to pay a fee of Baht 10 million per annum. The agreement is effective for a period of three years between 1 January 2014 and 31 December 2016.

On 1 July 2014, the subsidiary entered into a supplemental agreement to modify the period of the agreement from 3 years to 5 years, whereby the rate of public relation and brand image fee remains unchanged. In addition, the subsidiary agrees to automatically extend the agreement for another 5 years after the expiration on 31 December 2018 and also agrees to pay for the fee of Baht 12 million per year. This agreement is effective on 1 July 2014 onwards.

30.3.4 On 6 January 2014, the Company entered into a technical assistance and management agreement with three subsidiaries. The agreement is effective for a period of 5 years between 1 January 2014 and 31 December 2018. Under the condition of this agreement, the Company receives a monthly service fee of Baht 10 million.

On 17 February 2016, the Company and its subsidiaries entered into an amendment to the agreement, changing the service fee from Baht 10 million per month to Baht 15 million per month. The agreement is effective on 1 January 2016 to 31 December 2018.

30.3.5 On 1 March 2014, Carabao Tawandang Co., Ltd., (a subsidiary) entered into a rental and service agreement with the Company and two subsidiaries, which is effective between 1 April 2014 and 31 December 2017, and entered into the said agreement with a related company, which is effective between 1 June 2014 and 31 May 2017. Under conditions of this agreement, the subsidiary receives a monthly rental and service income of Baht 1.2 million.

30.3.6 On 1 February 2016, Carabao Tawandang Co., Ltd. (a subsidiary) and Tawandang DCM Co., Ltd. (another subsidiary), entered into a trademark license agreement for using trademark of Carabao Tawandang Co., Ltd. for certain product. The agreement is effective for a period of 2 years between 1 February 2016 and 31 January 2018. Under the conditions of this agreement, Tawandang DCM Co., Ltd. is obliged to pay trademark license fees as specified in the agreement and Carabao Tawandang Co., Ltd. is obliged to support the marketing expenses incurred according to such trademark.

30.3.7 In 2016, Tawandang DCM Co., Ltd. (a subsidiary) entered into an agency agreement with two related companies whereby the Tawandang DCM Co., Ltd. agreed to be a sole distributor of such two related companies' products. The agreement is effective for a period of one year, and renewable every year. Under the conditions of this agreement, such two related companies are obliged to support Tawandang DCM Co., Ltd., with regard to its advertising and promotional expenses incurred according to the terms and conditions of the agreement.

30.3.8 On 20 October 2016, Carabao Tawandang Co., Ltd. (a subsidiary) and Carabao Venture Holdings (Luxembourg) S.à r.l. (another subsidiary), entered into an agency agreement whereby the Carabao Venture Holdings (Luxembourg) S.à r.l. agreed to be a sole distributor of Carabao Tawandang's products in the countries as specified in the agreement. The agreement is effective for a period of nine years, to be expired on 19 October 2025.

#### **30.4 Sponsorship agreement**

30.4.1 On 16 July 2015 and 1 April 2016, Carabao Tawandang Co., Ltd. (a subsidiary) entered into a sponsorship agreements with two local football clubs concerning the marketing right regarding benefits and public relations as stipulated in the agreements. The agreements are effective from the date on the agreement until 31 December 2019 and 31 December 2020. Under conditions of this agreements, the subsidiary is obliged to pay total fee of Baht 6 million per annum.

30.4.2 On 18 November 2015, Carabao Tawandang Co., Ltd. (a subsidiary) and the unrelated company in oversea entered into a sponsorship agreement with a football club registered in England concerning the marketing right to promote the brands and trademarks of the subsidiary in a football match. The agreement is effective for a period of three years between 1 May 2016 and 30 June 2019. As at 31 December 2016, the subsidiary is obliged to pay a fee of Pound 8 million to the football club under conditions of this agreement.

On 10 January 2017, the unrelated company has entered into an agreement to transfer its rights and obligations under the sponsorship agreement to Intercarabao Limited (another subsidiary) and Carabao Venture Holdings (Luxembourg) S.à r.l. (another subsidiary). The agreement is effective on 21 October 2016 onwards.

30.4.3 On 1 June 2016, Intercarabao Limited (a subsidiary) entered into a sponsorship agreement with a football club registered in England concerning the marketing right to promote the brands and trademarks of the subsidiary in a football match. The agreement is effective for a period of three years between 1 June 2016 and 31 May 2019. The subsidiary is obliged to pay a fee to the football club under the terms and conditions specified in this agreement.

30.4.4 On 1 November 2016, Carabao Venture Holdings (Luxembourg) S.à r.l. (a subsidiary) entered into a sponsorship agreement with The Football League Limited which is incorporated in England. Under the condition of this agreement, the subsidiary is entitled to formally use the name and trademark of Carabao Tawandang Co., Ltd. (another subsidiary) to be the title of the football match and to promote the brand and trademark over a period of three seasons (from 2017/2018 Season to 2019/2020 Season). The subsidiary is obliged to pay a fee to such company under the terms and conditions specified in this agreement. The agreement is effective for a period of three years between 1 July 2017 and 30 June 2020.

### **30.5 Advisory services agreement**

On 1 May 2016, Carabao Tawandang Co., Ltd. (a subsidiary) entered into a strategic advisory service agreement with a company whereby the latter is to provide advice to the subsidiary on partnerships, investments, and business operations in an overseas country. The agreement is effective from the date on the agreement unless cancelled by either party. Under the conditions of this agreement, the subsidiary is obliged to pay service fees of USD 25,000 per month. In addition, the subsidiary is obliged to pay for the success fees when the service provision meets the terms and conditions of the agreement and is agreed by the subsidiary at the rate between USD 100,000 and USD 1,000,000 based on the successful level.

### **30.6 Guarantees**

30.6.1 As at 31 December 2016, the Company has guaranteed for credit facilities of Carabao Tawandang Co., Ltd. (a subsidiary) and Asia Pacific Glass Co., Ltd. (another subsidiary) amounting to Baht 1,100 million (2015: nil).

30.6.2 As at 31 December 2016, there were outstanding bank guarantees of approximately Baht 25.2 million (2015: Baht 49 million) issued by banks on behalf of the Company and its subsidiaries to guarantee the use of electricity and natural gas (the Company only: Baht 2.4 million to guarantee electricity use (2015: nil)).



### 31. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Million Baht)

		Consolidated financial statements							
		Level 1		Level 2		Level 3		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>Asset measured at fair value</b>									
Held for trade investments									
Debt instruments		-	-	604.3	214.8	-	-	604.3	214.8
<b>Asset for which fair value are disclosed</b>									
Investment properties		-	-	-	-	181.7	174.9	181.7	174.9
<b>Financial liability measured at fair value</b>									
Derivatives									
Forward exchange contracts		-	-	15.5	0.7	-	-	15.5	0.7

(Unit: Million Baht)

		Separate financial statements							
		Level 1		Level 2		Level 3		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
<b>Asset measured at fair value</b>									
Held for trade investments									
Debt instruments		-	-	604.3	214.8	-	-	604.3	214.8

### 32. Financial instruments

#### 32.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts receivable and other receivables, short-term loans to related parties, investment, trade accounts payable and other payables, short-term and long-term loans from financial institutions. The financial risks associated with these financial instruments and how they are managed is described below.

**Credit risk**

The Company and its subsidiaries's is exposed to credit risk primarily with respect to trade accounts receivable, other receivables and short-term loans to related parties. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivables and other receivables and short-term loans to related parties as stated in the statement of financial position.

**Interest rate risk**

The Company and its subsidiaries's exposure to interest rate risk relates primarily to its cash at banks, current investments, short-term loans to related parties and short-term and long-term loans from financial institutions. However, most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements					
	As at 31 December 2016					
	Fixed interest rates					
	Within 1 year	Over 5 years	Floating interest rate	Interest bearing	Total	Effective interest rate
						(% per annum)
<b>Financial assets</b>						
Cash and cash equivalent	522	-	222	2	746	0.01 - 1.4
Current investments	-	-	-	604	604	-
Trade and other receivables	-	-	-	562	562	-
	<u>522</u>	<u>-</u>	<u>222</u>	<u>1,168</u>	<u>1,912</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	750	-	-	-	750	2.7 - 2.8
Trade and other payables	-	-	-	1,302	1,302	-
Long-term loan from financial institution	-	250	-	-	250	MLR minus a margin
	<u>750</u>	<u>250</u>	<u>-</u>	<u>1,302</u>	<u>2,302</u>	

(Unit: Million Baht)

Consolidated financial statements					
As at 31 December 2015					
	Fixed interest rates	Floating interest rate	Interest bearing	Total	Effective interest rate
	Within 1 year				(% per annum)
<b>Financial assets</b>					
Cash and cash equivalent	1,307	68	2	1,377	0.4 - 2.0
Current investments	258	-	215	473	2.1 - 3.1
Trade and other receivables	-	-	425	425	-
	<u>1,565</u>	<u>68</u>	<u>642</u>	<u>2,275</u>	
<b>Financial liabilities</b>					
Trade and other payables	-	-	802	802	-
	<u>-</u>	<u>-</u>	<u>802</u>	<u>802</u>	

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2016						
	Fixed interest rates		Floating	Interest	Total	Effective
	Within	Over	interest rate	bearing		interest rate
	1 year	5 years				(% per annum)
<b>Financial assets</b>						
Cash and cash equivalent	420	-	8	1	429	0.4 - 1.4
Current investments	-	-	-	604	604	-
Trade and other receivables	-	-	-	43	43	-
Short-term loans to related parties	3,268	-	-	-	3,268	2.1 - 3.5
Dividend receivable from related parties	-	-	-	727	727	-
Investments in subsidiary	-	-	-	1,959	1,959	-
	<u>3,688</u>	<u>-</u>	<u>8</u>	<u>3,334</u>	<u>7,030</u>	
<b>Financial liabilities</b>						
Short-term loans from financial institutions	750	-	-	-	750	2.7 - 2.8
Trade and other payables	-	-	-	55	55	-
Long-term loan from financial institution	-	250	-	-	250	MLR minus a margin
	<u>750</u>	<u>250</u>	<u>-</u>	<u>55</u>	<u>1,055</u>	

(Unit: Million Baht)

	Separate financial statements				
	As at 31 December 2015				
	Fixed	Floating	Interest	Total	Effective
	interest rates				
	Within 1 year	interest rate	bearing		interest rate
					(% per annum)
<b>Financial assets</b>					
Cash and cash equivalent	1,270	4	-	1,274	0.4 - 2.0
Current investments	258	-	215	473	2.1 - 3.1
Trade and other receivables	-	-	16	16	-
Short-term loans to related parties	2,625	-	-	2,625	2.1
Dividend receivable from related parties	-	-	423	423	-
Investments in subsidiary	-	-	959	959	-
	4,153	4	1,613	5,770	
<b>Financial liabilities</b>					
Trade and other payables	-	-	34	34	-
	-	-	34	34	

**Foreign currency risk**

The subsidiaries's exposure to foreign currency risk arises mainly from trading transactions and services that are denominated in foreign currencies. A subsidiary seeks to reduce the risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2016 and 2015 are summarised below.

Foreign currencies	As at 31 December 2016					
	Consolidated financial statement		Separate financial statements		Average exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Bought	Sold
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.1	0.2	-	0.3	35.6588	36.0025
Euro	0.3	0.1	-	-	37.3791	38.1362

Foreign currencies	As at 31 December 2015					
	Consolidated financial statement		Separate financial statements		Average exchange rate	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Bought	Sold
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	0.1	-	-	-	36.2538

### 32.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

### 33. Capital management

The primary objective of the Company and its subsidiaries' capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2016, the Group's debt-to-equity ratio were 0.38:1 (2015: 0.16:1) and the Company's was 0.19:1 (2015: 0.02:1).

### 34. Events after the reporting period

On 22 February 2017, the meeting of the Company's Board of Directors passed a resolution to approve an establishment of subsidiary, joint venture arrangement and respected investments with details set out as follows:

- 1) Approve the investment in new factory project of Carabao Tawandang co., Ltd. (a subsidiary) in order to expand the production capacity of bottle factory, with the project value will not exceed Baht 1,750 million.
- 2) Approve Carabao Holding (Hong Kong) Limited ("CHHK"), a wholly owned subsidiary of the Company, increasing its capital at the principal sum equivalent to the amount of not exceeding THB 622 million for the objective of making investments together with a group of business partners to conduct business operations in the areas of marketing, sales and distribution of energy drinks under Carabao trademark in the Greater China region including Hong Kong, Macau, Taiwan and the People's Republic of China (the "Greater China Investment Project").
- 3) Approve CHHK jointly establishing a subsidiary under jurisdiction of Hong Kong, namely Carabao Venture Holdings (Hong Kong) Limited ("CVHHK") with initial capital equivalent to the amount of not exceeding THB 691 million to engage as an overseas holding company, in which CHHK will invest and hold 90% of its initial capital while Intercarabao Private Limited ("ICSG"), duly incorporated under jurisdiction of Singapore, will invest and hold the remaining portion of 10%.

- 4) Approve CVHHK entering into the joint venture agreements with Dai Beverage Holdings Limited (“DBH”) and Beijing Nongfeng Jirui Network Technology Company Limited (“BNJ”) (collectively referred to as the “DAI Group”) pursuant to the Greater China Investment Project to establish new joint venture companies in various countries namely the British Virgin Islands, Hong Kong and the People’s Republic of China under an investment value collectively equivalent to the amount in total of not exceeding THB 1,402 million. In connection with shareholding structure in such joint venture companies, CVHHK will invest and hold, both directly and indirectly, 45% - 49% while the DAI Group and an unrelated group of Chinese professional management will invest and hold, both directly and indirectly, 46% - 51% and no more than 5%, respectively.

### **35. Approval of financial statements**

These financial statements were authorised for issue by the Company’s Board of Directors on 22 February 2017.



# Report of the Audit Committee

The Audit Committee of Carabao Group Public Company Limited as appointed by the Board of Directors consists of three independent directors, namely, Mrs. Saowanee Kamolbutr, Chairman of the Audit Committee, Mr. Kanit Patsaman and Mr. Sanchai Jullamon, Audit Committee members. The Audit Committee members are considered by the Company to be qualified, knowledgeable and experienced persons. Their qualifications fully comply with the requirements of the Company's Charter of Audit Committee.

In 2016, 5 Meetings were held by the Audit Committee. The record of meeting attendance is as follows:

Name	Position	Meeting	Remark
1. Mrs. Saowanee Kamolbutr	Chairman	5/5	
2. Mr. Kanit Patsaman	Member	1/1	Appointed from 11 November 2016
3. Mr. Sanchai Jullamon	Member	- / -	Appointed from 21 December 2016
4. Mr. Distorn Vajarodaya	Member	3/3	Resigned from 16 August 2016
5. Mr. Boonnaris Suwannapool	Member	4/4	Deceased (11 December 2016)

The Audit Committee had performed its task upon roles and responsibilities entrusted by the Board of Directors with its expertise and independence to access all information as stated in the Stock Exchange of Thailand's requirements. The Audit Committee also provides advice in related matters through sound collaboration with the management, internal auditor and the Company's auditor.

The followings are principal performances carried out by the Audit Committee in 2016 :

## 1. Review the accuracy of the Company's financial reports, and the adequacy of information disclosure.

1.1 The Audit Committee reviewed the Company's Annual Financial Report and its Quarterly Reports before proposing them to the Board of Directors for approval. In so doing, the Committee ensured that facts and figures, and details contained in the financial reports, as well as significant information on transactions between the Company, its subsidiaries and other affiliates, or transactions with tendency to cause conflict of interests were accurately prepared and reliably disclosed.

1.2 In this connection, the statutory auditors were invited to the meeting of the Audit Committee to discuss and clarify on some significant issues relating to the financial statements prepared by the Company's Management in compliance with Thai Accounting Standards and Thai Financial Reporting Standards including related interpretations and guidelines promulgated by the Federation of Accounting Professions. The Audit Committee could then verify whether sufficient significant information were disclosed as required by the aforementioned standards, interpretations, guidelines and principles.

1.3 Furthermore, a joint meeting was held between the Audit Committee and the statutory auditors in compliance with the Practice Guidance issued by the Stock Exchange of Thailand, allowing both parties to discuss any issue of interests to the two sides without participation of the Management.

## 2. Evaluation of the services of the statutory auditors

The Audit Committee carried out the evaluation of the quality of services of EY Office Limited, the statutory auditors, and the worthiness of their remuneration, taking into consideration the following factors – professionalism, efficiency, and independence. The Audit Committee was of the view that EY Office Limited, the statutory auditors, had given satisfactory services accordingly, providing the Company with useful advices and recommendations, which were helpful for the Company's Annual Financial Report and internal control improvements.

## 3. Monitor of the Company's operations

The Audit Committee played its part in monitoring the Company's operations through the internal audit performance to ensure that laws and regulations relating to the Good Corporate Governance and the Code of Best Practice of the Securities Exchange Commission and the Stock Exchange of Thailand are carried out appropriately and consistently. The Committee has continuously followed the guidelines for the strengthening of good corporate governance of the Company.

## 4. Approval of the scope of work and the annual audit plan of the Company's internal audit.

The Audit Committee approved the scope of work and the annual audit plan of the Company's internal audit for the year 2016. Additionally, the performances of the internal audit were regularly monitored, with the Company's risk management and internal controls being taken into consideration. Advices were consistently given to the Company's internal audit on various matters for the efficiency of their performances and the improvement of the internal audit systems.

## 5. Review the adequacy and suitability of the internal control systems

The Audit Committee reviewed the adequacy, appropriateness and efficiency of internal-control system with aim to help the Company achieve its goals. The review was based on the internal-audit reports, which were conducted in line with an approved plan and covered all major systems of the Company. The Audit Committee did not find any material defect.

## 6. Roles of the Audit Committee

6.1 The Audit Committee performed its duties independently from the Board of Executive Directors and the Management with strong emphasis on internal controls to ensure that good governance and adequate internal controls were appropriately applied. Significant issues based on the issues reported by the internal audit were regularly presented to the Board of Directors for policy guidelines on the improvements or corrections in some sectors.

6.2 To ensure that the Committee's roles are carried out efficiently and at the same time the Company's good corporate governance is being properly practiced, self-assessment on the Audit Committee's performances are undertaken by the Committee's individual member taking the guidelines issued by the Stock Exchange of Thailand as the basis. The assessment results are highly satisfactory.

In the view of the Audit Committee, the Company's operations are carried out efficiently in compliance. The Company's overall internal control systems are adequate. Discrepancies in the control systems or transactions that might cause conflict of interests and may significantly affect the Company's operations have not been noted. Besides, the Company constantly refined its operation for a better quality and to reflect evolving business environment.



Mrs. Saowanee Kamolbutr  
Chairman of the Audit Committee

# Report of the Risk Management Committee

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The Risk Management Committee was established by the Board of Directors resolution with duties to promote the set-up of an enterprise-wide risk management system for the Company and to embed an organizational culture. This is to provide reasonable assurance among all stakeholders that the Company strategic operations are geared towards effective and efficient achievement of corporate goals and objectives. The Committee was comprised of 7 members who are the Board of Directors and top executives with relevant knowledge, competence and experience that is beneficial to the company risk management.

The Committee performs their duties as designated by the Board of Directors and within the purview of power and responsibility defined in the Risk Management Committee Charter. In 2016, the Committee held 4 meetings with the following results:

1. Prepare annual risk management plan.
2. Assessment of risks, and the related preventive and corrective measures.
3. Recommendations on risk management and mitigation of risks.
4. Monitoring of risk management activities.
5. Reported regularly to the Board of Directors on the significant risks and their responses.
6. Reviewed the significant risks and develop efficient risk management system.
7. Proposed the necessary appointment on the Committee and related person for the achievement of corporate objectives.

According to the issues and tasks mentioned above, the Risk Management Committee has considered that the corporate risk factors have been set-up, covering the core businesses and the risk management method, have also been identified adequately, appropriately and efficiently. In addition, these complied with the good corporate governance principles, the internal control, as well as related laws, rules and regulations.



Mrs. Saowanee Kamolbutr  
Chairman of the Risk Management Committee



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