



RICH SPORT PUBLIC COMPANY LIMITED



# ANNUAL REPORT 2017

RICH SPORT PUBLIC COMPANY LIMITED

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## Message from Chairman of the Board of Directors and Chief Executive Officer

Dear Shareholders,

Year 2017 was a year of major changes for the Rich Sport Company Limited to become a public company under the name of “Rich Sport Public Company Limited” and the initial public offering (IPO) of 200 million shares at the par value of Baht 1.00 per share and the IPO price of Baht 5.80 per share. The IPO was well-received by investors. The first trading day on the Stock Exchange of Thailand was on 10 November 2017.

Rich sport Plc. components sales of products under world-class brands as Converse from USA. The origin of basketball shoes became sneakers and lifestyle apparel. It's famous and widely popular more than 100 years, with its stunning looks and classic. It is unique when people saw, will know immediately. It also can be put to a variety of clothing, street style conveys, and lifestyle as well. So it has a strong brand and a favorite among teens and as a company has been granted the right to be the sole distributor in Thailand. The earnings growth continued, the company has won the trust of the Converse more by year-end 2017, the Company received additional rights to a distributor solely in Cambodia. The company will be opening its first outlet store at AEON Mall, Phnom Penh, Cambodia during the month of February 2018.

In order to build on the expertise of the company in the year 2017, the company has received the rights to manufacture and distribute products globally from NYC Street is another brand called PONY with a history spanning more than 45 years since 1972, initially as a shoe designed to show the identity of the real New York brand. PONY are suitable for integration into the sport. It has been popular with professional and famous athletes. Later expanded its product portfolio to lifestyle footwear that covers both men and women. The Company Was launched in September 2017 and distributed. The company will be opening its first outlet store at AEON Mall Phnom Penh, Cambodia. During the month of February 2018.

For future projects, the company also plans to expand the branch as well as improve existing stores to date in order to meet consumer demands and satisfy existing customers and to expand customer base. As well as looking for new opportunities to the Company can grow and be sustainable.

Finally, on behalf of the Board of Directors, management and employee of Rich Sport Plc. would like to thank our shareholders, business partners, customers and stakeholders all which gave confidence, trust and support the operations of the Company. The company pledged that the company will conduct its business with due care under the good governance as well. Including awareness of social responsibility to maximize the benefits to all stakeholders sustainable.



Gen. Phairat Phoubon  
Chairman of the board of directors



Ms. Papitch Wongpaitoonpiya  
Chief Executive Officer

## Report of the Audit Committee

Dear Shareholders,

The audit committee of Rich Sport Public Company Limited consists of 3 independent directors, who have sufficient knowledge and experience to perform their duties as assigned by the Board of Directors. The Audit Committee consists of:

Mr. Manit Nitiprateep	Chairman of the Audit Committee
Mr. Chaisak Angkasuwan	Member of Audit Committee
Mr. Udom Tangmanaskul	Member of Audit Committee

The Audit Committee operated the duties and responsibilities specified in the Charter of the Audit Committee, which was authorized by the Board of Directors. This is consistent with the requirements of the Stock Exchange of Thailand, in 2017 the Audit Committee has convened a total of five times, the Audit Committee will be attended at all times by a summary of the performance and commented on matters as follows:

1. **Reviewed financial reports**

The Audit Committee has reviewed the quarterly and annual financial reports in 2017 together with the auditor and the management. To consider the financial reports, the disclosure in the notes to the financial statements, accounting policies and significant estimates, the observations from the review and audit of financial statements of the auditor from such duties.

The Audit Committee has agreed with the auditor that quarterly financial statements and the annual financial statements of the Company have been prepared in accordance with Thai Financial Reporting Standards, accurate as it should in essence, and the disclosure is adequate and appropriate.

2. **Reviewed the lawfulness**

The Audit Committee has reviewed and directing them to the company to comply with the Securities and Exchange Commission. As well as other laws and regulations related to the business operations of the Company.

The Audit Committee is of the opinion that the Company has applied the law correctly and full compliance with the laws of the Securities and Exchange Commission. As well as other laws and regulations related to the business operations of the Company.

3. **Reviewed related party transactions**

The Audit Committee reviewed the connected transaction or items that may have the conflict of interest on a quarterly basis. Adherence to the principle of reasonableness, transparency in the transaction, adequacy of information disclosure for the best benefit of the Company.



The Audit Committee's opinion as transactions are transactions that have performed reasonably transparent under the same agreement and adequate disclosure.

4. **Reviewed the internal control system**

The Audit Committee has reviewed the audit plan of the internal auditor of the Company was hired to conduct an audit of internal control system. Including the results of monitoring internal controls and internal auditors and management.

The Audit Committee concluded that the Company's internal control system is adequate and appropriate internal audit is independent and according to the standards of professional practice.

5. **To consider and recommend the appointment of auditors**

The Audit Committee has considered the auditor based on past performance, freedom, competent, including remuneration for audit services.

The Audit Committee appointed the auditor of Siam Truth Audit Limited as auditors of the Company. And the remuneration of the auditors for the year 2017, with a list of auditors, Mr. Bunjong Pichayaprasat registration number 7147 or Mr. Kraisit Silapamongkolkul registration number 9429 or Ms. Khennanun Jaichuean registration number 8260 or Ms. Sirada Jarootkanon registration number 6995 as the auditor of the Company.

In summary, overview, The Audit Committee has performed its duties with diligence independently and opinion frankly for the benefit of Rich Sport Plc., with no restrictions in obtaining information, resources and cooperation from the Company. The Audit Committee has evaluated the performance of their duties. To be sure, The duties of the Audit Committee in 2017 effectively and efficiently. Achieving the objectives assigned by the Board of Directors.



Mr. Manit Nitiprateep  
Chairman of the Audit Committee  
23 February 2018

# BOARD OF DIRECTORS



**Gen. Phairat Phoubon**  
Independent Director  
Chairman of The Board of Directors



**Manit Nitiprateep**  
Independent Director  
Chairman of Audit Committee



**Chaisak Angkasuwan**  
Independent Director  
Member of Audit Committee



**Udom Tangmanaskul**  
Independent Director  
Member of Audit Committee



**Papitch Wongpaitoonpiya**  
Director  
Chairman of Executive Committee  
Chief Executive Officer



**Chertchai Prasongphonchai**  
Director  
Member of Executive Committee  
Chief Operation Officer



**Somroj Sirisophana**  
Director  
Vice Chairman of Executive Committee

## **1. Policy and Overview of Business**

### **1.1 Vision, Mission and Core Value**

#### **Vision:**

Rich Sport Public Company Limited and its subsidiary endeavor to maintain leadership in international fashion and lifestyle through sale of wide range of products under famous brand names to satisfaction of various customers' demands. The Company operate our business professionally for sustainable growth and make adjustment according to fashion trends.

#### **Mission:**

- To deliver trendy and quality products to the maximum satisfaction of the needs of our customers across all target groups.
- To adopt good corporate governance, ethics and social responsibility.
- To build business partnership with focus on working together in the long run.
- To enhance staff knowledge, potential and skills continuously and give them the opportunity to work and prosper happily together within the organization.

#### **Business Objectives**

Through accessible channels, we intend to sell at reasonable prices the imported fashionable, quality and comfortable footwears and products under foreign brand names and provide other services to the satisfaction of our customers and interested parties.

#### **Business Targets**

The Company intend to manage our organization to ensure sustainable growth, taking great care and be abreast of the ever-changing situations to maintain competitive edge, using the following strategies:

#### **Products**

To launch wide range of quality products to the satisfaction of customers and for the establishment of brand recognition and acceptance.

#### **Distribution Channels**

The Company have mono brand stores and counters in retailers all over the country.

#### **Business Expansion**

The Company are constantly expanding our business through increase of sale and export of products at all price levels under distribution licenses.

#### **Higher Efficiency in Management**

The Company focus on monitoring all divisions: purchase, inventories, shipping, retailing and human resources. The Company constantly recruit and train staff to ensure that they have knowledge, abilities, skills and potentials for our growth. The Company compensate them fairly on the basis of their performance to build their morale.

## Core Values

Our values are based on “**RSPT**”

**R = Responsibility for society and environment**

**S = Service mind**

Good attitude for customer services.

**P = Partnership**

Good partner of all business alliances, suppliers, customers, communities and employees.

**T = Teamwork**

The power of teamwork assists to achieve all goals of the Company

## 1.2 Background Information and key Developments

Rich Sport Plc. (“The Company”) was established on 25 September 2001 with a registered capital of 5,000,000.00 Baht to conduct the business of selling and distributing shoes (Footwear) as well as apparels and other accessories (Non-footwear) under international brands: Converse and PONY.

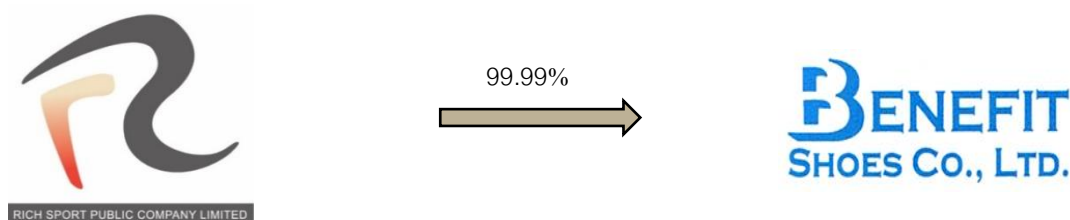
### Key Changes and Developments

2001	Established and registered under the name “Rich Sport Company Limited” with registered capital of 5,000,000 Baht on 25 September 2001.
2003	The Company was granted the exclusive rights from Converse Inc. to manufacture, sell and distribute Converse product in Thailand. The Company started to launch Converse products on the sale counters in the department stores such as; The Mall, Tokyu and Super Sports and opened The Company’s retail shops in Bangkok and all regions of Thailand.
2006	The Company opened the retail shops in Chiang Mai, North of Thailand.
2007	On 27 September 2007, Benefit Shoes Co., Ltd. (“BNS”) was established with a registered capital of 2,000,000 Baht for footwear manufacturer.
2008	Began to sell products on the sale counters in Central Bangna and other Central Department Stores.
2009	The Company increased the registered capital from 5,000,000 Baht to 100,000,000 Baht by issuing 950,000 new ordinary shares at a par value of 100 Baht for offering to existing shareholders for using as working capital.
2012	The Company opened a new retail shop in Chon Buri and many more in the east.
2014	The Company increased the registered capital from 100,000,000 Baht to 200,000,000 Baht by issuing 1,000,000 new ordinary shares at a par value of 100 Baht for offering to existing shareholders for using as working capital. On 19 December 2014, the Extraordinary Meeting of Shareholders No. 1/2014 held on 19 December 2014, had the resolution to approve the investment in BNS by purchasing of 500,000 new ordinary shares of BNS at par value of 100 Baht. After the transaction the Company held 96.15% of total issued shares of BNS.

2015	The Company purchased BNS ordinary shares from 4 existing shareholders, totaling 19,998 shares at the par value of 100 Baht per share and thereby increasing the Company's shareholding in BNS to 99.99% of the total issued shares of BNS.
2016	The Company increased the registered capital from 200,000,000 Baht to 350,000,000 Baht by issuing 1,500,000 new ordinary shares at a par value of 100 Baht for offering to existing shareholders for using as working capital. In addition, The Company was granted the exclusive rights from Pony International Limited, Hong Kong, to manufacture, sell and distribute footwear, apparels and accessories under Pony brand in Thailand, Cambodia and Laos.
2017	<p>The Company increased the registered capital from 350,000,000 Baht to 570,000,000 Baht by issuing 220,000,000 new ordinary shares at a par value of 100 Baht for offering to existing shareholders for using as working capital. On 31 May 2017, the Extraordinary Meeting of Shareholders No. 1/2017 resolved in favor of going public, changing our name to Rich Sport Public Company Limited, changing par value from 100 Baht to 1 Baht, increasing registered capital from 570,000,000 Baht to 770,000,000 Baht by issuing 200,000,000 new ordinary shares at a par value of 1 baht for offering 95,000,000 shares to the public and 5,000,000 shares to directors, executives, employee of the Company and its subsidiary.</p> <p>The Company started selling its products under the PONY brand through sale counters in leading department store. The first Pony's sales counter was opened at Central Westgate on 1 September 2017.</p> <p>On 4 October 2017, the Company was granted additional exclusive rights to market, sell and distribute Converse products in Cambodia.</p> <p>The Company were listed on the Stock Exchange of Thailand (SET) and the first trading day on SET was on 10 November 2017.</p>

### 1.3 Shareholding Structure

Shareholding structure as at 31 December 2017:



## 2. Nature of Business

### Nature of Business and Operation

Rich Sport Public Company Limited operates in the business of selling and distributing shoes (Footwear) as well as apparels and other accessories (Non-footwear) under international brands: Converse and PONY.

#### Nature of Business

### 1. Products

Currently, the Company sells and distributes two brands of products consisting of Converse and Pony as follows:

#### (I) Converse Products

Converse is the sneakers brand from United States with the history for over 100 years. Converse shoes with the Five-pointed star symbolic are well-known and popular throughout the world over the long period of time. It was originally sport shoes, i.e., basketball, badminton and skateboarding then it has developed into lifestyle shoes for any age and gender that can be worn at any occasion with the classic and unique design.

**Converse Product is divided into two groups as follows:**

**1.1 Footwear Products:** Footwear is the product group that generates major income of the Company which can be divided into two types as follows:

#### 1) Basic Footwear

Basic Footwear consists of three main models which are Chuck Taylor All Star, CONS Star Player and Jack Purcell and the basic footwear is available to sell throughout the year.

#### 2) Fashion Footwear

Fashion Footwear is designed to be modern and in line with fashion trend in each moment. There are both new arrival for each season and the minor change from basic model by changing the material on the shoes to keep its modern look, with the original Converse style. This includes the new design of shoes and the shoes that use cutting-edge technology in the production process to serve the rapidly change in fashion trends and customer needs. Fashion Footwear is designed by Converse's designers, by the Company's designers or by the collaboration of Converse's designer with world-class brand designer (Collaboration).

**1.2 Non-Footwear Products:** Apart from Footwear Product, which is the main product, the Company also sells apparels and other accessories to make the Company's products cover a wide range of categories. Non-Footwear product will be redesigned in every season to respond the ever-changing fashion trends, but still keep the unique style of Converse. Non-Footwear product consists of apparels, bags and other accessories such as caps and socks.

## **(II) PONY Products**

PONY is the sneakers brand originated in United States with the long history since 1972. Originally, the shoes were designed and manufactured with special technology for sport only. Later, it extended the product line to lifestyle shoes for both men and women with the "Pony Chevron" symbol and easy-to-wear design.

**PONY Product is divided into two groups as follows:**

**1.1 Footwear Products:** Footwear product can be divided into two types:

**1) Basic Footwear**

Basic Footwear Product is the shoes with simple design for both men and women consisting of 4 main models i.e. Top Star, Shooter, Hawaii and Light which is specifically for women. Basic Footwear is available to sell throughout the year.

**2) Fashion Footwear**

Fashion Footwear Product is the shoes that design in accordance with fashion trend in each season. There are 3 categories of Fashion Footwear which are (1) designed by the Company's designers (2) designed by the Pony's designers and (3) collaboration of Pony's designers with world-class brand.

**1.2 Non-Footwear Products:** PONY Non-Footwear Product consists of apparels, bags and caps which are either simple design with unique symbol of "Pony Chevron" or fashion design with a trendy patterns and colors.

## **2. Target Customer**

Main customers are teenagers, students, undergraduate and first-jobber with moderate to high income.

## **3. Distribution Channels**

### **3.1 Retail Distributions:**

Selling and distributing the Company's products to retail customers consists of two channels as follows:

**3.1.1 Company's retail shop (Mono Brand Store):** This type of shop sells only Converse products with selling area ranging from 80-100 square meters. The Company operates all function covering from shop design and decoration, sales management and stock management. The Company's retail shops are located in leading shopping centers or commercial buildings in the community which all of them are rented from the owners.

**3.1.2 Sale counters in department store (Shop-in-Shop):** The Company sells its products in the form of consignment through the sale counters in leading department stores such as Central Department Store, Robinson Department Store, The Mall Department Store and SuperSports including local department stores in each province.

**3.2 Wholesale distribution:** Selling products to wholesale customers who operate retail shops selling apparel, shoes and sports equipment in form of chain stores such as Active Nation,

Sports Dome, and Outlet Mall, as well as common stores. The Company's sale area covers Bangkok, Northern region, Northeastern region and Southern region.

**Table representing detail of retail branches for Year 2015 -2017**

Type of branches	2015		2016		2017	
	Stores	%	Stores	%	Stores	%
<b>Company's retail shops:</b>						
- Converse	35	23.65	39	25.16	41	20.60
- PONY	-	-	-	-	-	-
<b>Sale counters in department stores:</b>						
- Converse	113	76.35	116	74.84	118	59.30
- PONY	-	-	-	-	40	20.10
<b>Total</b>	<b>148</b>	<b>100.00</b>	<b>155</b>	<b>100.00</b>	<b>199</b>	<b>100.00</b>

Note: PONY product sale counters were opened in September 2017

#### Revenue structure

#### Revenue based on product types

Type of Revenues	2015		2016		2017	
	Million baht	%	Million baht	%	Million baht	%
Footwear	907.23	80.75	1,086.63	79.66	891.60	75.36
Non-Footwear	210.63	18.75	272.21	19.96	283.06	23.93
Total incomes	1,117.86	99.50	1,358.84	99.62	1,174.65	99.29
Other incomes**	5.67	0.50	5.22	0.38	8.36	0.71
Total incomes	1,123.53	100.00	1,364.07	100.00	1,183.01	100.00

Notes: \*PONY product sale began in September 2017

\*\*Other major incomes from interest and profit on exchange rates

#### Revenue based on distribution channels

Type of Revenues	2015		2016		2017	
	Million baht	%	Million baht	%	Million baht	%
Company's retail shops	190.10	16.91	256.02	18.77	260.28	22.00
Sale counters in department stores	525.48	46.77	596.06	43.70	559.41	47.29
Wholesale sale	402.28	35.82	506.76	37.15	354.96	30.00
Total incomes from sale	1,117.86	99.50	1,358.84	99.62	1,174.65	99.29
Other incomes**	5.67	0.50	5.22	0.38	8.36	0.71
Total incomes	1,123.53	100.00	1,364.07	100.00	1,183.01	100.00



## Source of products procurement

The procurement of product can be divided into three types as follows:

### **1.1 Purchasing directly from factory or supplier designated by brand owner (In-Line)**

The Company orders directly from certified manufacturer which are designated by brand owner. The Company orders fashion footwear products and non-footwear products for each season on ordering cycle that is usually 4-6 months before the beginning of each season.

### **1.2 Outsourcing from the Original Equipment Manufacturer (OEM)**

The Company outsources the production of bags, caps and socks that are designed by the Company's designers to both local and foreign certified-manufacturers by Converse. The design of such product must be approved by Converse before the production begins. In dealing with OEMs, the Company has to submit the production plan to the OEMs suppliers at least 12 months prior to delivery date. The Company selects the OEM supplier based on cost including product price, import tax, transport cost, as well as lead time. Currently, the Company mostly orders products from OEM suppliers in China.

### **1.3 Ordering from the subsidiary's factory ("BNS")**

The Company orders footwear products from BNS. The Company and BNS have to set the yearly production plan in advance by informing an estimate order of each model to BNS to prepare raw materials for production. Then, the Company will send the purchase order approximately 3-4 months in advance to BNS. Such purchase order contains detail of models, colors, sizes of each lot.

### 3. Risk Factors

#### **Risk Management**

Risk management is essential process for attainment of objectives and targets. Knowing or identifying risks in advance reduces possible impacts. Efficient risk management leads to correct decision making and increases value for organization, shareholders and stakeholders.

The Company's Board of Directors and Audit Committee adopt risk management policies, manage risks and assess risk management efficiency to ensure compliance with the policies.

#### **Risk Management**

Risk management procedures:

1. Identification of risks

To enable all staff to identify all possible risks which may affect our business, the following factors are determined as possible risks:

1. Risk from relying on Converse brand
2. Risk from starting business of a new brand
3. Risk from inventory management
4. Risk from investing in shop expansion
5. Risk of information technology system failure
6. Risk from rent of ERP system
7. Risk from unable to renew rental agreement
8. Risk from foreign currency
9. Risk from change in consumer behavior
10. Risk from business competition
11. Risk from employee fraud
12. Risk from labor shortage
13. Risk from having major shareholder holding more than 50%

2. Assessment of Risks

The Company assess risk possibilities and impacts to find ways of risk management to ensure continuous and efficient risk management.

#### **Summary of Risks**

**1. Risk from relying on Converse Brand**

Currently, all of the Company's revenue is from Converse products sales. If the Company is unable to be granted an extension of the agreement from Converse or fails to comply with any of the Guaranteed Annual Minimum Royalties or Guaranteed Minimum Sales Volumes specified in the License agreement which may lead to termination of the agreement prior to the expiration, the Company may be significantly affected on its revenue and operation results. However, the Company has continuously received an extension of the agreement from Converse during the past 14 years. In addition, the Company also consistently generates sales growth in every year and complies with all of Converse's policy and conditions stated in the agreement, therefore, the Company's management is confident that they will obtain support and trust from Converse continuously. In order to reduce the aforementioned risk, the Company has entered into the agreement for the exclusive rights to distribute Pony products in

Thailand, Cambodia and Laos on 21 December 2016. This will help the Company to expand and diversify its target customers.

**2. Risk from starting business of a new brand**

The Company has granted the exclusive rights from Pony International Limited, Hong Kong for distribution of PONY products in Thailand, Cambodia and Laos. The license agreement has a condition in regard to the guaranteed minimum sales. If the Company is unable to meet such condition for any two consecutive contract years, the licensor may exercise its right to terminate the agreement immediately. Therefore, the Company may be exposed to the risk from termination prior to the expiration due to not able to meet such condition. Moreover, the Company just launched Pony product in September 2017 so the Company may be exposed to the risk that the Company's sale may not achieve its estimation or may not be worth for the investment which will affect to the Company's operating performance. Since Pony brand is rather new for Thai market, both the Company and the licensor have to collaborate in building brand awareness, as a result, the guaranteed minimum sales volumes specified in the license agreement is reasonable and considers the time that the Company requires for advertising and promoting the brand. The Company's management is confident that the Company can achieve such condition. Although Pony is the new brand for the Company, most of the Company's management team have extensive experience and expertise in the footwear and accessories industry for many years and can apply marketing strategy and management policy effectively. Nevertheless, at the beginning period of selling of Pony products, the Company will focus on selling Pony products through sale counters in department stores due to low investment and reducing investment risk.

**3. Risks from Inventory Management**

Products of The Company's can deteriorate, especially fashionable products will be outdated as time goes by. If the Company manages inventories improperly, the Company's inventories may be outdated and causing the Company to record an allowance for obsolete inventories. On the other hand, if the Company has too few inventories, the Company may not have enough products to serve the customers' needs. As a result, the Company may loss opportunity to sell and the Company's performance will be impacted. Moreover, the Company also has an inventory online system that links inventory data at main warehouses to retail stores or sale counters and allow effective inventory management.

**4. Risk from investing in shop expansion**

The Company plans to continuously expand retail distribution channel on potential areas, so the Company may be exposed to the risk of underperformance of the new shop. However, due to the fact that most of mono brand stores are located in leading shopping centers, coupled with the strength and popularity of Converse brand, the Company's mono brand stores partly helps attracting customers to the shopping centers. Therefore, the Company has the opportunity to be provided potential areas from department stores or shopping center developers. In addition, the Company's management is able to select location and manage its shop effectively, as seen from continuously increasing of the revenue and the number of stores in every year. The Company is confident that the shop expansion will increase effective distribution channel toward the customer group.

#### **5. Risks of Information technology system failure**

The Company uses an information technology system (IT system) for administration covering procurement system, sales system, warehouse management system, accounting and finance systems, and daily sales report from its branches. Therefore, if IT system fails, it will cease working process and affect to the Company's business operation. However, the Company is using the cloud server from accredited international standards providers of information security controls which is guaranteed that the Company's IT system can be used at 99.90 percent, thus reducing the risk of the whole Company's IT system failure. Moreover, the Company has not encountered the IT system failure that has affected to the business operations.

#### **6. Risk from rent of ERP system**

The Company is renting an Enterprise Resource Planning system (ERP) from an external provider. If the service provider stops providing ERP services to the Company, it may affect the Company's business operation. However, due to the fact that the Company is able to control and manage such program and database by itself, in case the service provider stops providing ERP services to the Company, the Company's ERP system will still be able to used but cannot be developed an additional feature. In the meantime, the Company can adopt and develop other systems to replace the current ERP system.

#### **7. Risk from unable to renew rental agreements**

The Company sells products to retail customers through its retail stores (Mono Brand Stores) representing around 20% of total sales. The Company is renting area for its mono brand stores from shopping centers or commercial buildings owners, those have the contract terms between one to three years. Consequently, the Company might have the risk from unable to renew the rental agreement; however, throughout the 14 years of operation, the Company has never experienced any difficulties in regard to unable to renew rental agreement because the Company always complies with all the terms of the contract. In addition, the Company has a good relationship with the shopping center developers and the Converse brand is popular among consumers for a long period of time. The Company's mono brand stores also take part in attracting customers to shopping centers. Thus, the Company has been given the opportunity to get potential areas from shopping center developers that plan to expand their branches or commercial area.

#### **8. Risk from foreign currency**

The Company imports products from overseas and also pays royalty fee and procurement fees to Converse in US dollars. In addition, its subsidiary also imports some raw materials from overseas. Moreover, the Company also has a policy to supply Converse footwear by importing all footwear products from Converse in 2018. While all of the Company's revenues are in Thai Baht, the fluctuation in foreign exchange rates may affect to the operations of the Company's group. In case that dollar strengthened, the cost of products of the Company would increase. The Company's group is aware of such risk and set a pricing policy by taking the risk of fluctuations in exchange rates into account. In addition, payment of finished goods ordered from abroad mostly paid before the delivery so the company is able to set the price properly and in line with product cost. Moreover, the Company will closely monitor news, direction and movement of related currencies, and manage foreign exchange rate risk by purchasing forward contracts depend on situation and necessity.

#### **9. Risk from change in consumer behavior**

The rapid change of fashion trends both domestically and internationally is a major factor affecting the Company's business. If the Company cannot adapt to the changes in consumer behavior, the Company's revenue and performance may be affected. However, the Company is confident that it will have little effect. The Company main products are basic models with classic shapes and colors which is available to sell throughout the year. The other is fashion product designed to be modern and followed the trend in each selling season. In addition, the Company has product department that keeps update a fashion trend all the time and anticipate the change of fashion trend in order to design and purchase products that meet the customers need effectively. Moreover, the Company has a policy to set an allowance for obsolete inventories. For inventories aged less than 1 year, the Company will compare inventory cost and its net realizable value (NRV). If NRV of the inventory falls below cost of inventory, the Company will record the difference of NRV and cost as an allowance for obsolete inventories. For inventories aged over one year, the Company will record the full amount of such inventories as an allowance for obsolete inventories.

#### **10. Risk from business competition**

Sportswear industry in Thailand is highly competitive as there are a lot of players both international and local Brands. Many players concentrate on differentiate their products and continuously launching new products. They also use new production technologies for developing lightweight and comfortable footwears. In addition, they implement marketing strategy to attract consumers to buy their products. However, Converse is a strong brand and widely known throughout the world. It also has variety of products to serve the customer need with both the basic footwear which has classic shape and design that made Converse being popular among customers and the fashion footwear with the modern design following to the fashion trends. Moreover, the Company's management team has an experience in the industry for more than 15 years. This allows them to understand the business. Furthermore, the Company also emphasizes closely and consistently on assessing, monitoring and analyzing the business risk, market competition and customer need. Therefore, the Company can set a strategy or business plan appropriately and quickly response to the market changes and competitors' movement. The Company is confident that it will be less affected by such competition.

#### **11. Risk from employee fraud**

As the Company has salespersons (PC) in the company's mono brand stores and sale counters for providing service and managing store operation, the Company may be exposed to the risk of fraud which could affect the Company's operation. However, the Company imposed a preventive policy and procedures for any possible occurrences. For example, the heads of regional sales are responsible for monitoring and approving the suitability of the goods requisition. There are also branch visit on a regular basis to check the staff operation, and inventory check at every retail stores on a monthly basis. In addition, the Company requires each branch to transfer money received from PC staffs into the Company's account on a daily basis and the accounts receivable officer shall be verify the accuracy of the documents. If an abnormality is detected, it will be reported to the head of the regional sales for further investigation and considering punishment in case of fraud occurrence. Besides, the Company requires PC staffs to have a fidelity guarantee insurance to provide protection against losses

arising out of fraud, embezzlement or theft and in case there are any losses of goods in the store, it must be responsible of all PC staffs in the branch. The Company believes that such policy and procedures can reduce the risk of employee fraud effectively.

#### **12. Risk from labor shortage**

BNS, a subsidiary of the Company, operates in footwear production business which requires labor who has skill and expert to produce footwears that comply with Converse standard. Therefore, if BNS lacks or has not enough skilled labours, it may be unable to manufacture products following to the production plan and finally affect the Company group's operation. However, The Company group has setup the competitive compensation and welfare, comparing with other companies in similar businesses. It also supports development of employees' knowledge and ability to perform various tasks which will advance their career. In addition, the Group has never experienced a shortage of skilled labours so the Company's management believes that the Group will not be affected by the shortage of labor.

#### **13. Risk from having major shareholders holding more than 50%**

After this initial public offering, Wongpaitoonpiya's family will have shareholding proportion of 74.03 percent of registered and paid up capital. Therefore, the minority shareholders could have risk from unable to cast votes for checking and balancing of major shareholder's raising matters to concern in the Company shareholders' meeting. However, the Company has appointed the audit committee to review, consider and scrutinize in order to avoid future conflicts of interest and to ensure transparency of the Company's operations. Moreover, The Board of Directors consists of 4 independent directors (including the Chairman of the Board) from the total number of 7 directors and 3 executive directors. This structure of the Board of Directors will balance the voting for consideration of any matters, also appropriate and maximize management efficiency.

#### 4. General and other information

Issuer of securities:	Rich Sport Public Company Limited
Nature of business:	Manufacture, import, export and sale of Converse and Pony products in Thailand, Cambodia and Laos People's Democratic Republic
Registration No:	0107560000257
Office location:	116/20 Na Ranong Rd., Khlong Toei Subdistrict, Khlong Toei District, Bangkok 10110 Tel 0-2249-8709 Fax 0-2249-8711 Home Page: <a href="http://www.richsport.co.th">www.richsport.co.th</a>
Registered capital:	770,000,000 ordinary shares at a par value of 1 baht
Paid registered capital:	770,000,000.00 Baht Payment made on 8 November 2017
Securities Registrar:	The Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building 93 Ratchadaphisek Rd., Din Dang Subdistrict, Din Dang District, Bangkok 10400 Tel 0-2009-9999, 0-2009-9378 Fax 0-2009-9476
Auditor:	Siamtruth Audit Co., Ltd. 338 Preecha Complex Building A ,8 <sup>th</sup> Floor, Ratchadaphisek Road, Samsen Nok, Huaykwang , Bangkok 10310 Tel 02 275 9599 , 094 559 3894
Affiliate:	Benefit Shoes Co., Ltd.
Factory location:	50 Thien Thalay 16 Lane, Bang Khuntian-Chai Thalay Rd., Samae Dam Subdistrict, Bang Khuntien District, Bangkok 10150 Tel. 0-28921470 , 0-2892-0113 Fax 0-2415-3194

"Investors can study further information on securities issuer from Annual Information Form (Form 56-1) on [www.sec.or.th](http://www.sec.or.th) or [www.richsport.co.th](http://www.richsport.co.th)."

## 5. Major Shareholders and Securities Information

### Securities and shareholders

#### 5.1 Paid registered capital

On 6 June 2017, The Company has a registered capital of 770 Million Baht; a paid registered capital of 570 Million Baht which is divided into 570 million ordinary shares at a par value of 1 Baht; after IPO, The Company will have a paid capital of 770 Million Baht which is divided into 770 million ordinary shares at a par value of 1 Baht.

#### 5.2 Shareholding Structure

Top 10 shareholders as at 2 February 2018

Shareholders	2 February 2018	
	No. of shares	%
1. Rich Sport Holding Co., Ltd. <sup>1</sup>	171,000,000	22.21
2. Miss Papitch Wongpaitoonpiya	133,500,100	17.34
3. Mr. Pasawich Wongpaitoonpiya <sup>2</sup>	133,100,100	17.29
4. Mr. Panuwich Wongpaitoonpiya <sup>2</sup>	132,999,800	17.27
5. HSBC(SINGAPORE) NOMINEES PTE LTD	12,502,500	1.62
6. Mr. Ampon Kitjarurat	10,697,500	1.39
7. Mr. Kadej Suralersrangsarn	7,300,000	0.95
8. Mr. Tira Kitjarurat	7,250,000	0.94
9. Mrs. Ananya Ruengsakwichit	6,000,000	0.78
10. Thai Life Insurance Plc.	5,700,000	0.74
Total number of shares held by top 10 shareholders	634,466,500	82.40
Total number of shares	770,000,000	100.00
Total paid capital (Baht)	770,000,000	100.00

Notes:

1) List of shareholders of Rich Sport Holding Co., Ltd. on 31 December 2017

Shareholders	Number of shares	%
1. Miss Papitch Wongpaitoonpiya	33,334	33.334
2. Mr. Pasawich Wongpaitoonpiya	33,333	33.333
3. Mr. Panuwich Wongpaitoonpiya	33,333	33.333
Total	100,000	100.000

2) Mr. Pasawich Wongpaitoonpiya and Mr. Panuwich Wongpaitoonpiya are the younger brothers of Miss Papitch Wongpaitoonpiya

Proportion and distribution of shares held by individuals (exclusive of shares in The Thailand Securities Depository Co., Ltd. and Thailand Securities Depository Company Limited for Depositors):

11 shareholders hold more than 0.5%; they hold 71,804,800 shares which is 9.33%:

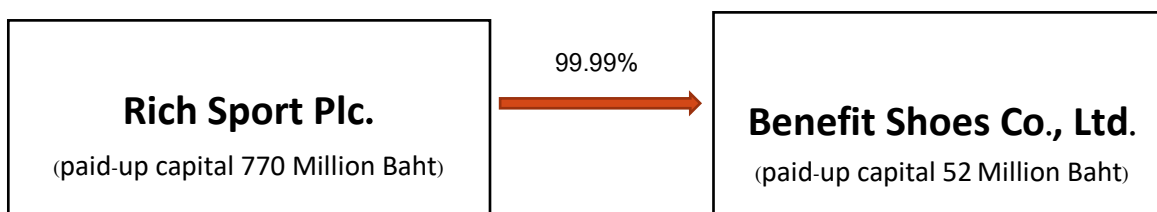
Juristic persons			Natural persons		
persons	shares	%	persons	shares	%
3	22,587,300	2.93	8	49,217,500	6.39



### 5.3 Other securities

-none-

**Shares held by Group of Companies** as at 31 December 2017



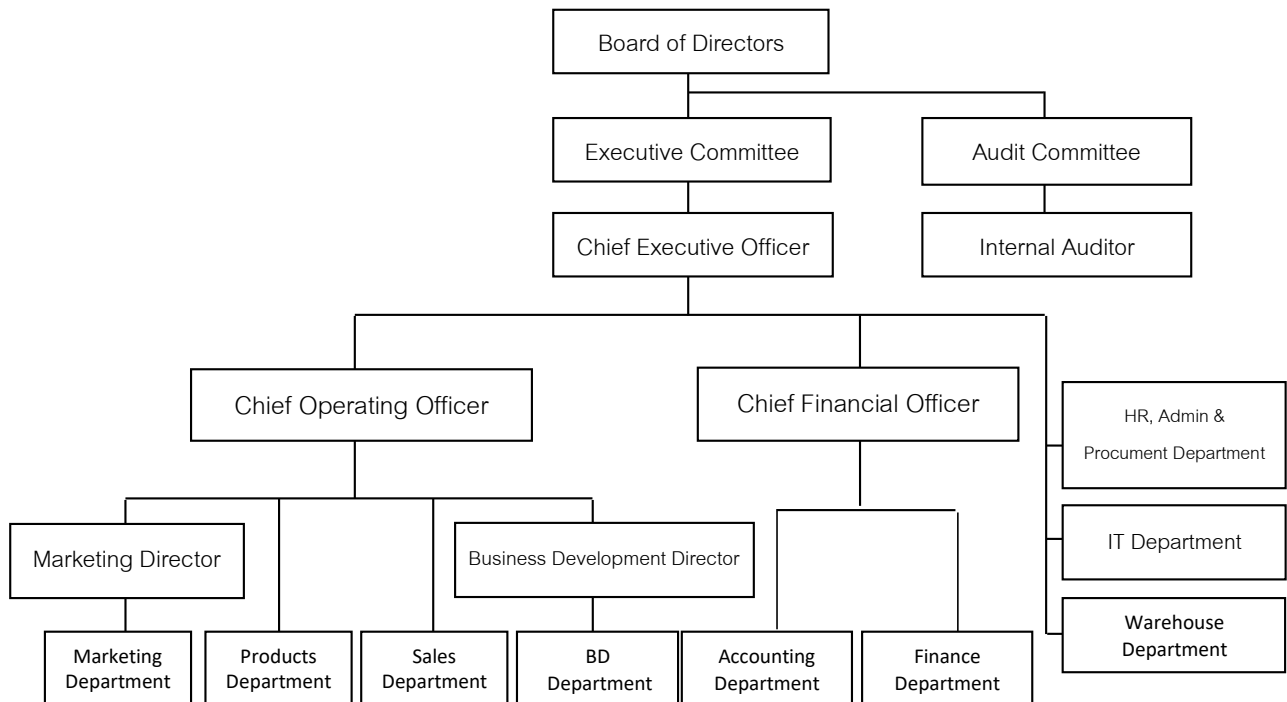
BNS was established on 27 September 2017 with a registered capital of 2 Million Baht. Now, it has a paid registered of 52 Million Baht which is divided into 520,000 shares at a par value of 100 Baht. Rich Sport Plc. holds 519,998 shares in BNS which is 99.99% of the total issue share of BNS.

## **6. Dividend Policy**

The Company and its subsidiary have a policy to pay dividend at least 40% of net profit from separate financial report annually after deduction of corporate income tax and legal reserve. However, the Company and its subsidiary may consider to pay dividend differ from the mentioned policy rate depending on performance, financial liquidity and necessary of working capital for business operations and future expansion, also depending on economic situation.

## 7. Organization Structure and the Board of Directors

### Organization Structure



Notes: P&L Internal Audit Co., Ltd. is hired to audit the internal control of the Group of Companies.

### Board of Directors

#### Qualifications and number of directors

The Company's board of directors is made up of 7 directors with knowledge and abilities. They adopt policies and jointly with high executives make long term and short term operation plans. They adopt financial policies, manage risks and organization image. They independently monitor, audit and assess the performance of high executives and the company to ensure compliance with the plans. Each director must not have any of the undesirable qualities:

- 1) Criminal record on frauds;
- 2) Making transactions which may create conflict of interest with the company in the previous year;

On 31 December 2017, the board of directors comprises:

Name	Title
1. Gen. Phairat Phoubon	Chairman of the Board of Directors and Independent Director
2. Miss Papitch Wongpaitoonpiya	Director
3. Mr. Somroj Sirisophana	Director
4. Mr. Chertchai Prasongphonchai	Director

Name	Title
5. Mr. Manit Nitiprateep	Chairman of the Audit Committee and Independent Director
6. Mr. Chaisak Angkasuwan	Member of Audit Committee and Independent Director
7. Mr. Udom Tangmanaskul	Member of Audit Committee and Independent Director

Notes: No.1 and No.3-7 directors were appointed by resolution of Board Meeting No. 3/2016 On 19 August 2016 and by resolution of Extraordinary Meeting of Shareholders No. 1/2016 on 7 September 2016

Miss Amporn Prakaihongmanee was appointed as the Company Secretary by resolution of Board Meeting No. 2/2017 on 15 May 2017.

#### Authorized Directors

Authorized directors who shall on behalf of the Company with the Company seal affixed are Miss Papitch Wongpaitoonpiya and Mr. Somroj Sirisophana or Mr. Chertchai Prasongphonchai.

#### Board Meetings

In 2016 and 2017, board meeting was held 4 and 6 times respectively. The following directors attended the meetings:

Name	Title	Number of Attendance / meetings	
		2016	2017
1. Gen. Phairat Phoubon	Chairman of the Board of Directors and Independent Director	1/1	6/6
2. Miss Papitch Wongpaitoonpiya	Director	4/4	6/6
3. Mr. Somroj Sirisophana	Director	1/1	6/6
4. Mr. Chertchai Prasongphonchai	Director	1/1	6/6
5. Mr. Manit Nitiprateep	Chairman of Audit Committee and Independent Director	1/1	6/6
6. Mr. Chaisak Angkasuwan	Member of Audit Committee and Independent Director	1/1	6/6
7. Mr. Udom Tangmanaskul	Member of Audit Committee and Independent Director	1/1	6/6

#### Audit Committee

Audit Committee consists of 3 members as follows:

Name	Title
1. Mr. Manit Nitiprateep	Chairman of Audit Committee
2. Mr. Chaisak Angkasuwan	Member of Audit Committee
3. Mr. Udom Tangmanaskul	Member of Audit Committee

Mr. Udom Tangmanaskul has sufficient knowledge and experience to audit financial statements to ensure their reliability. He has a Bachelor's Degree in accounting from Rangsit University and he is the managing director of an audit company Pro-Act Services Co., Ltd., the details of which are in Addendum 1: Info on Directors, Controllers and Secretary.

Miss Lapasrada Chayapoltanakul was appointed the Secretary of the Audit Committee by resolution of the Audit Committee Meeting No. 1/2017 on 28 February 2017.

#### **Audit Committee Meeting**

Audit Committee Meeting began in 2017. In 2017 Audit Committee Meeting convened 5 times, with details as follows:

Name	Title	Number of attendance/ meetings
		2017
1. Mr. Manit Nitiprateep	Chairman of Audit Committee	5/5
2. Mr. Chaisak Angkasuwan	Member of Audit Committee	5/5
3. Mr. Udom Tangmanaskul	Member of Audit Committee	5/5

#### **Executive Committee**

The Executive Committee consists of 4 members as follows:

Name	Title
1. Miss Papitch Wongpaitoonpiya	Chairman of Executive Committee
2. Mr. Somroj Sitisophana	Vice Chairman of Executive Committee
3. Mr. Chertchai Prasongphonchai	Member of Executive Committee
4. Mr. Nimit Supornprasert	Member of Executive Committee

#### **Executives**

The Executive consists of 7 members as follows:

Name	Title
1. Miss Papitch Wongpaitoonpiya	Chief Executive Officer
2. Mr. Somroj Sirisophana	Vice Chairman of Executive Committee
3. Mr. Chertchai Prasongphonchai	Chief Operating Officer
4. Mr. Nimit Supornprasert	Chief Financial Officer
5. Mr. Peepit Petruentong	Marketing Director
6. Mr. Pasawich Wongpaitoonpiya	Business Development Director
7. Miss Lapasrada Chayapoltanakul	Accounting Manager

#### **Company Secretary**

On 15 May 2017, Board of directors Meeting No. 2/2017 resolved in favor of appointing Miss Amporn Prakaihongmanee to be the Company Secretary. Pursuant to Section 89/15 of Securities and Exchange Act 1992, revised by Securities and Exchange Act (No. 5) 2016, the responsibilities of Company Secretary are as follows:

1. To advise directors and executives on the compliance with laws, requirements, regulations and company's articles of associations, and follow up to ensure compliance.

2. To organize the board of directors meetings and shareholders meetings and ensure compliance with the resolutions of such meetings.
3. To monitor disclosure of data and reporting of information under her care to ensure compliance with the requirements and regulations of SET and SEC and applicable laws.
4. To prepare and maintain the following documents:
  - 4.1 Director Register
  - 4.2 Invitations for the board of directors meetings and minutes of the board of directors meetings
  - 4.3 Invitations for shareholders meetings and minutes of shareholders meetings
  - 4.4 Annual report of the Company
  - 4.5 reports on interests of directors and executives.
5. To perform other acts required by laws or SEC Notifications.

## **Remuneration of directors and executives**

### **Financial Remuneration**

#### **Remuneration of directors**

In 2016 and 2017, the directors were paid remuneration meeting allowances as follows:

(Unit:Baht)

Name	2016	2017
1. Gen. Phairat Phoubon	30,000	180,000
2. Miss Papitch Wongpaitoonpiya	-	-
3. Mr.Somroj Sirisophana	-	-
4. Mr.Chertchai Prasongphonchai	-	-
5. Mr. Manit Nitiprateep	20,000	245,000
6. Mr. Chaisak Angkasuwan	15,000	220,000
7. Mr. Udom Tangmanaskul	15,000	220,000
Total	80,000	865,000

Notes: The director No. 2-4 who are also an employee of the will not receive the remuneration as a directors.

On 7 April 2017 and 31 May 2017, Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders No.1/2017 resolve respectively in favor of paying remuneration to directors in 2017 as follows:

#### **Directors**

1. Meeting allowance paid to the number of attending the meeting. The meeting allowance for Chairman of the board of directors is 30,000 Baht / meeting and for director is 20,000 Baht / meeting.
2. The total annual remuneration of the board of directors for year 2017 does not exceed 5,000,000 Baht.

The directors who is also an employee of the Company will not receive the remuneration of director as company directors.

### Audit Committee

The Audit Committee has received the meeting allowance according to each position as follows:  
25,000 Baht for Chairman of Audit Committee and 20,000 Baht for Member of Audit Committee.

### Remuneration to executives

In 2016 and 2017 the company paid salaries, bonuses and contributions to provident funds totaling 35.70 Million Baht and 28.19 Million Baht respectively.

Year	Number of executives	Remuneration (baht)
2016	7	35,701,368.00
2017	7	28,194,343.00

Notes: Inclusive of Mr.Somroj Sirisophana, Vice Chairman of Executive Committee

### Other Benefits

On 31 May 2017, the Extraordinary General Meeting of Shareholders No. 1/2017 resolved in favor of allocating 5,000,000 shares or 0.65% of all shares, sold after IPO, to directors, executives and employee of the company and its subsidiary at a par value of 5.80 Baht which is the same as the IPO and at the time of offering ordinary shares for IPO.

Allocation of shares to directors and executives:

Name	Title	Number of shares allocated	% of shares offered to directors, executives and employee
1. Gen. Phairat Phoubon	Chairman of the Board of Directors	600,000	12.00
2. Mr. Manit Nitiprateep	Chairman of Audit Committee	500,000	10.00
3. Mr. Chaisak Angkasuwan	Member of Audit Committee	500,000	10.00
4. Mr. Udom Tangmanaskul	Member of Audit Committee	500,000	10.00
5. Mr. Somroj Sirisophana	Vice Chairman of Executive Committee	500,000	10.00
6. Mr. Nimit Supornprasert	Chief Financial Officer	200,000	4.00
7. Mr. Peepit Petruentong	Marketing Director	110,000	2.20
8. Miss Lapasrada Chayapoltanakul	Accounting Manager	95,000	1.90
<b>Benefit Shoes Co., Ltd. (Subsidiary)</b>			
9. Mrs. Sukanda Kuttikul	Managing Director	500,000	10.00
10. Mr. Krisanat Siangchokyu	Factory Manager	95,000	1.90

**Employee****Number of employee**

On 31 December 2017, the company has 456 employees (exclusive of 7 executives) in the following departments:

Department	Number of employees
1. Administration	1
2. Marketing	3
3. Products	8
4. Sales	354
5. Accounts	30
6. Finance	3
7. HR, Admin and Procument	10
8. IT	4
9. Warehouse	38
Total	456

On 31 2017, the subsidiary company has 510 employees (including executives): 14 permanent employees and 469 daily workers.

**Significant labor disputes in the past 3 years:**

-none-

**Remuneration****Financial Remuneration**

In 2016 and 2017, the company and its subsidiary paid salaries, commissions, overtime, social security contributions and provident fund contributions, totaling 222.57 Million Baht and 208.76 Million Baht respectively to their employees (exclusive of executives).

**Other Benefits**

On 31 May 2017, the Extraordinary General Meeting of Shareholders No. 1/2017 resolved in favor of allocating 5,000,000 shares or 0.65% of all shares, sold after public offer, to directors, executives and staff of the company and its affiliate at a par value of 5.80 Baht which is the same as the price the IPO and at the time of offering ordinary shares for IPO.

**Personnel Development**

Having realized the importance of personnel development, we encourage our employees to seek knowledge and skills for their work through electronic media. We offer training to staff. We invite instructors to train our staff. Staff learn from coaching and on the job training. They also take observation tours locally and abroad. They also teach one another how to do work. The management and staff study together according to organization learning guidelines.



## 8. Monitoring

### Monitoring

The Company focus on monitoring our business to ensure efficient, transparent and traceable management to earn trust from shareholders, investors, interested persons and all parties concerned. Proper monitoring business will increase value, give competitive edge and ensure sustainable growth of the company. On 23 June 2017, the board of directors meeting No. 3/2017 resolved in favor of adopting good governance practice pursuant to the requirements, covering 5 sections, of SET, with details as follows:

#### **Section 1 The Rights of Shareholders**

The Company realize the basic rights of shareholders such as the rights to trade shares, receive dividends, get sufficient information on business, attend meetings to cast votes on appointment or removal of directors or auditors, payment of dividends, revision of memorandum of association or articles of association, reduction or increase of capital and other transactions affecting the company's operation.

The Company also assist shareholders to exercise their rights.

- A meeting invitation, stating date, time, venue, items on the agenda and other relevant information, will be sent to shareholders at least 7 days before the day of shareholders meeting.
- A shareholder who cannot personally attend the meeting may appoint a proxy to attend the meeting on their behalf, using the proxy appointment form sent with the meeting invitation.
- Shareholders may ask questions and express their views freely. Minutes of the meeting will correctly be taken, and they will be available for inspection by shareholders.

After transform to public company and listed on SET, The Company must indicate the views of directors in the meeting invitation which will be sent to shareholders within the deadline set by SET or SEC to give shareholders sufficient time for perusing the information before attending the meeting. Shareholders can also read newspapers and access the websites of SEC and the company for further information according to Public Company Act. The Company encourage all directors and audit committee chairman to attend all shareholders meetings to ask and answer questions.

#### **Section 2 The Equitable Treatment of Shareholders**

All shareholders, whether they are executives, non-executive, Thais, foreigners, major shareholders or small shareholders, will be treated equally and fairly and all of their rights will be protected. After IPO and being listed on SET, shareholders who cannot attend shareholders meeting may appoint proxies to attend the meeting and cast votes for and on their behalf. Small shareholders will be given enough time to nominate the persons for the office of director.

The meeting will be conducted according to our articles of association on the order of the items on the agenda. All the items on the agenda will be raised with relevant information for consideration. No items will be added to the agenda without notifying the shareholders, especially those requiring sufficient time for decision making.

The board of directors have adopted measures on insider trading which applies to directors, executives, employees and their spouses and minor children. We impose penalty for

disclosure or use of the company's information for personal gains or insider trading. Directors and executives and their spouses and minor children may not buy the company's securities during the period of one month prior to disclosure of financial statement to the public. Our directors and executives are fully informed of their duties to report to SET and SEC the securities own by themselves, their spouses and minor children and the changes thereof pursuant to Section 59 of Security and Exchange Act (No.5) 2016.

### **Section 3 The Role of Stakeholders**

The Company treats stakeholders equally and fairly and protect their rights as follows:

- Shareholders:** The Company operates business to the best interests of shareholders, applying knowledge and skills in management to ensure integrity and fairness to major and minor shareholder, high performance, sustainable growth and competitiveness.
- Employees:** The Company realize the importance of our employees in their endeavor to drive The Company's business to ensure future growth. The Company constantly encourage our employees to acquire new knowledge, skills and abilities. We instill within the good attitudes and awareness. The Company pay them in commensuration with their knowledge, skills and abilities at the rates competitive with those offered by similar business. The Company treat them fairly and equally.
- Customers:** The Company pays attention to and take good care of our customers. The Company focus on manufacturing and supplying quality products which fully satisfy their demands. The Company treat customers' information as confidential. The Company offer equally fair prices and terms for all customers.
- Trading partners and creditors:** The Company treats trading partners and creditors fairly and equally to ensure integrity. The Company do not take advantage of them. We protect their rights and interests. The Company conducts our business ethically. The Company strictly complies with the terms and conditions of trades and contracts to maintain good relations.
- Competitors:** The Company compete according to rules and laws. The Company does not destroy our competitors by dishonest means.
- Communities and Society:** The Company focus on instilling within The Company's employee good awareness and responsibility for communities and society. The Company supports activities which benefit the public. The Company does not break the laws.

### **Section 4 Disclosure and Transparency**

The board of directors realize the importance of disclosure of correct, complete and transparent information and issuing financial reports and the information affecting decisions of investors and stakeholders according to SET and SEC requirements. After IPO and being listed on

SET, The Company will publish the information on our website and SET website for The Company's shareholders and the public.

The board of directors are responsible for issuing financial reports with correct, complete and reliable information. The Company's financial statements are prepared according to the generally recognized accounting standard, using proper accounting policies and regular practice and exercising great care, giving sufficient information in the notes for such financial statements. The Board of Directors maintain an efficient internal control to ensure that all books and accounts are correctly and completely entered so that the assets can be properly maintained and weaknesses can be detected so as to avoid frauds and irregularities. The Company's Audit Committee comprising non-executive members audit financial reports, intertransactions and internal control for direct report to the Board of Directors.

The Company has no investor relations department because The Company does not engage in many of such activities. The Company assigned Chief Financial Officer to communicate and provides reliable information to shareholders, analysts and agencies concerned.

## **Section 5 Responsibilities of the Board of Directors**

### **1. Board of Directors Structure**

The board of directors are made up of persons with knowledge, abilities and experiences in organization management. They efficiently set guidelines on our business operation for to the maximum interest to the company and shareholders. The board of directors adopt policies, set the overview of the company, monitor, audit and follow up the performance of the management and the company to ensure attainment of targets as planned. The number of independent directors is greater than one in three. The Company's board of directors consists of 7 members: 3 executive directors and 4 non-executive directors (including chairman of the board of directors); 3 of them are audit committee members. Such structure creates a balance in the votes on various matters. The board of directors have also set up the following committees:

1.1 Executive Committee consists of 4 members. They set guidelines and adopt policies for conducting business to ensure attainment of targets set by the board of directors and smooth management.

1.2 Audit Committee consists of 3 members. They perform specific duties and present matters to the board of directors for acknowledgement and approval. They conduct audit within their roles, duties and responsibilities. At least one of them should have sufficient knowledge and experience in accounting for audit of the company's financial statements to ensure their reliability.

The Executive Committee has formed a Risk Management Subcommittee comprising 6 members for consideration of risk factors related to the company's business and finding ways of reducing or minimizing risks. The Risk Management Sub-committee will issue risk management reports to the Executive Committee, Audit Committee and Board of Directors on a regular basis.

The Board of Directors ensure that Chairman of the board of directors and the CEO are different persons to clarify the duties and responsibilities for adopting policies and manage day to day operation. The duties and responsibilities of the Board of Directors and Executive Committee are clearly different. The Board of Directors adopt policies and monitors the performance of the executives while the executives manage the affairs of the company according to the policies to avoid any person having absolute control. The authorities are clearly defined in the table.

The Board of Directors have appointed a Company Secretary to perform duties assume responsibilities pursuant to the Securities and Exchange Act.

## **2. Roles, Duties and Responsibilities of the Board of Directors**

The Board of Directors must comply with the Code of Best Practices as set forth by SET. They must understand their roles, duties and responsibilities and on a bona fide basis comply with the laws, objectives and articles of association and resolutions of the meetings of shareholders in the interest of the company and shareholders. The Board of Directors shall adopt policies, set business objectives, make plans and allocate budgets for the company, and ensure that the management efficiently operate the business according to the policies, plans with the allocated budgets for the maximum benefits of the company and shareholders.

### **Policies on Conflict of Interest**

The Company have adopted measures for avoidance of conflict of interests which may arise from intertransactions by the company, affiliate and stakeholders. The persons with vested interests may not vote on the transactions under consideration. The Board of Directors will ensure that the company complies with the Securities and Exchange Act, the rules, regulations and notifications of SET and SEC, and requirements for disclosure of intertransactions, disposal and acquisition of significant assets of the company and strict compliance with the accounting standard set by the accounting association.

The Company will have the Audit Committee, auditor or independent specialist, whichever the case may be, audit and express views on the appropriateness of prices and intertransactions which will be disclosed in the notes for the financial statements which have been audited by the Company's auditor, using the Annual Information Report Form (Form 56-1) and Annual Report Form (56-2)

### **Internal Control**

Having realize the importance of internal control at management and operation level, The Company clearly set forth in writing the scope of powers and duties. Use of assets is monitored to ensure maximum benefit. Persons with different duties and responsibilities approve accounting entries and records and maintenance of assets to ensure check and balance and internal audit. The financial system is also subject to internal audit. Financial reports must be submitted to the executives in charge. Currently, The Company do not have an internal audit department. The Company hire independent auditors to audit our internal control and submit audit reports directly to the Audit Committee.

The Company clearly set business targets and are able to assess our performance. The management will compare the actual performance with the targets on a monthly basis. They assess internal and external risks associated with operation, analyze the causes of risks, minimize such risks and have the departments concerned monitor such risks continuously and submit progress reports to the Board of Directors.

3. **Board of Directors Meeting**

The Board of Directors Meeting is held at least once every three months and extraordinary meetings may be held as necessary. Items on the agenda must be clearly identified in the meeting invitation which will be sent to directors at least 7 days before the day of the actual meeting to allow directors enough time to consider all the facts before attending the meeting. Minutes of the meeting are taken in writing for endorsement by the Board of Directors and kept for examination by the Board of Directors and the persons concerned.

4. **Remuneration to Directors and Executives**

The Company clearly fix the remuneration to directors and executives in commensuration with their duties and responsibilities and at the rates attractive enough for them to remain with the company. Such remuneration shall be subject to prior approval of the Meeting of Shareholders.

The remuneration to the executive complies with the principles and policies set forth by the Board of Directors and is commensurate with the performance of the company and the executives. The Company does not have a Committee on Recruitment and Remuneration Setting. The Board of Directors shall assess the performance of high level top executives, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for every year on the basis of the strategic plans and annual plans to ensure attractive rates. The Chief Executive Officer assesses the performance of the executives in lower ranks, taking into account equity and competitiveness as compared with those offered in the same industry, to ensure that such executives remain with the company and endeavor to perform work at high standard as expected.

5. **Training of Directors and Executives**

The Board of Directors encourage and facilitate training of directors, audit committee, executives, company secretary and the persons involved in the management of the company's business to improve their performance. Such training course is offered by the Thai Institute of Directors Association (IOD)

**Board of Directors and Sub-Committees**

The Company has 3 committees comprising of the Board of Directors, Audit Committee and Executive Committee. The members of each committee have the qualifications as set forth in Section 68 of the Public Company Act of 1992 and the notifications of SEC applicable thereto. Their scope of powers are as follows:

**Roles and responsibilities of Director**

1. To have the powers, duties and responsibilities for managing the company's business according to the laws, objectives and articles of association of the company and the resolutions of the meetings of shareholders on a bona fide basis and with great care to protect the company's interests.
2. To formulate financial statements at the end of accounting year for audit by auditor and presentation to meeting of shareholders for endorsement.
3. Set targets and guidelines, adopt policies and make plans for business operation, allocate budgets, monitor and supervise the management accordingly.

4. Revise, review and approve policies, directions, strategies and plans for business operation proposed by the management.

5. Continuously monitor the company performance to ensure compliance with operation plans and budgets.

6. To ensure that the accounting system is appropriate and efficient; to arrange for reliable financial reports and audit; to ensure that the internal control and audit are sufficient and appropriate.

7. To adopt risk management policies for the entire organization; monitor so that there are risk management system or procedures; adopt appropriate measures and methods for reduction of impacts on the company's business.

8. To set forth the management structure; to be empowered to appoint Executive Committee, Chief Executive Officer and Sub-committees and set forth the roles and responsibilities.

Such delegation of powers and duties must not allow the Executive Committee, Chief Executive Officer and Sub-committees to approve the transactions which may create disputes or conflict of interests with the company or its subsidiary, unless otherwise such approval is made according to the policies and rules already approved by the Board of Directors.

9. To prepare the Board of Directors' annual report and be responsible for the preparation and disclosure of the financial statements reflecting the financial position and performance in the past year for presentation to meeting of shareholders for endorsement.

10. To monitor the management and various operations of the company to ensure compliance with the Securities and Exchange Act, notifications of SEC and requirements of SET on related transactions, disposal and acquisition of major assets.

11. To delegate one or many persons the powers to perform certain tasks within a certain period, subject to cancellation, withdrawal and changes as they deem appropriate.

Such delegation of powers must not allow such persons to approve the transactions which may cause disputes or conflict of interest with the company or its subsidiary as set forth in the notifications of SEC or SET or the notifications of any other competent authorities, unless otherwise such approvals comply with the policies and rules set forth by the Board of Directors.

#### **Roles and responsibilities of Audit Committee**

1. To review the financial statements on a regular basis in compliance with Thai Financial Reporting Standards (TFRS).

2. To review and ensure the effectiveness and appropriateness of internal control system and internal audit system and review the independence of internal control function and concur in the appointment, transfer and dismissal of the internal audit head or other functions responsible for internal audit.

3. To review the company's operations so they are in compliance with the law related to securities and exchange, The Stock Exchange of Thailand regulations and other applicable laws governing the Company's business undertaking.

4. To review, select and nominate independent person to be the Company's auditors and propose their compensations as well as participate in meeting with auditors without the presence of management team at least once a year.

5. To evaluate related party transactions or transactions with possible conflict of interests in relation to compliance with the laws and regulatory requirements of the Stock Exchange of Thailand in order to reasonableness of those transactions and the best interest of the Company.

6. To prepare the annual Audit Committee Report and disclose in the Company's annual report signed by Chairman of the Audit Committee. The report must consist of the following information:

- (a) Opinions regarding accuracy, completeness and credibility of financial statements.
  - (b) Opinions regarding adequacy of internal control system of the Company.
  - (c) Opinions regarding compliance to laws and regulations pertaining securities and exchange or other applicable laws governing the Company's business.
  - (d) Opinions regarding eligibility of the auditor.
  - (e) Opinions regarding transactions with possibility of conflict of interests.
  - (f) Number of meetings conducted by the Audit Committee and the attendance of each director.
  - (g) Opinions or overall observations regarding the Audit Committee's duties as specified in the Audit Committee's Charter.
  - (h) Other information that shareholders or investors should be informed of under the Audit Committee's duties as assigned by the Board of Directors.
7. Perform any duties as assigned by the Board of Directors and agreed by the Audit Committee.

#### **Roles and responsibilities of Executive Committee**

1. To screen proposals of the management and propose targets, policies, plan for business and annual budget to the Board of Directors for approval.
2. To monitor the company's business operation to ensure quality and efficiency in compliance with the policies, targets, plans for business and budget.
3. To consider and approve regular transactions such as investments or budget allocated by the Board of Directors, subject to the value for each transaction being as in the authority table approved by the Board of Directors.
4. To present organization structure suitable for the company's operation to the Board of Directors for approval; to consider and approve the work forces outside the annual budget.
5. To determine the profit or loss of the company and propose interim or annual dividend payment to the Board of Directors for approval.
6. To be empowered to appoint or hire consultants for internal management of organization for maximum benefits.
7. To be empowered to appoint Subcommittees and set forth their scope of powers as appropriate; to delegate powers to one or many persons to perform any acts under its supervision within a certain period as it deems appropriate, subject to revocation, withdrawal or changes of such delegations.
8. To perform other acts entrusted from time to time by the Board of Directors.

Such delegations shall not create disputes (as defined by the notifications of SEC or SET), vested interests or conflict of interests with the company or its affiliated or associated companies. Such delegations require prior approval of the Board Meeting or Shareholder Meeting, whichever the case may be, the excepting being the approval of transactions in the course of normal business, the terms and conditions of which comply with the notifications of SEC or SET or the agencies concerned.



### **Roles and responsibilities of Chief Executive Officer**

1. To monitor the company's day to day business and management.
2. To set forth policies, business plans, business strategies and annual budget for presentation to Executive Committee and Board of Directors for approval.
3. To monitor the company's operation or performance to ensure compliance with the policies, plans and budgets approved by the Board of Directors; to audit, follow up and assess the performance of the company and its subsidiary to ensure compliance with the policies; to submit reports on performance, management and progress of operation to the Board of Directors.
4. To approve regular transactions according to the budgets allocated by the Board of Directors according to the Authority Table approved by the Board of Directors, subject the sums not exceeding the annual budgets allocated by the Board of Directors; to enter into agreements and contracts related to such transactions.
5. To be empowered to consider and approve payments in the course of business of the company with the budgets allocated and approved by the Board of Directors
6. To be empowered to approve work forces, employment and engagement of staff and fix their wages, remunerations and bonuses; transfer staff; assign duties and responsibilities to each department and position for staff below deputy Chief Executive Officer.
7. To be authorized to issue orders, rules, notifications and notes for the company's operation in compliance with the policies and in the interest of the company and for maintaining orderliness and discipline within the organization.
8. To be authorized to appoint committees and teams for good and transparent management, assign duties to one or many persons under the supervision and approval of Chief Executive Officer within a certain period of time; such appointments and assignments may be revoked, withdrawn or changed as it deems appropriate.
9. To perform other duties assigned by the Executive Committee or the Board of Directors.

Such delegation of powers must not allow such persons to approve the transactions which may cause disputes or conflict of interest with the company or its subsidiary as set forth in the notifications of SEC or SET or the notifications of any other competent authorities, unless otherwise such transactions are approved by the Board of Directors Meeting or Shareholders Meeting or such transactions are made in the course of normal business according to the notifications of SEC or SET or the agencies concerned.

### **Authority for Approval**

Authority for approval of transactions

	CEO	Executive Committee	Board of Directors
1. Approval of investment with allocated budget (baht/project)	≤ 10 million baht	≤ 30 million baht	> 30 million baht
2. Approval of investment with the sum exceeding allocated budget	20% and report to Board of Directors.	30% and report to Board of Directors.	> 30%
3. Approval of investment outside budget plan	≤ 5 million baht and report to Board of Directors.	≤ 10 million baht and report to Board of Directors.	> 10 million baht



4. approval of purchase/order for hiring of fixed assets type/operation costs of business	≤ 5 million baht	≤ 10 million baht	> 10 million baht
5. approval of purchase/order for hiring of decoration or improvement of retail shops or sale counters	≤ 5 million baht	≤ 10 million baht	> 10 million baht

### **Nomination of Directors and Highest-Ranked Executive**

Nomination and appointment of directors requires approval of Shareholders Meeting. The company does not have a recruitment committee. The Board of Directors shall nominate the persons for the office of directors based on their knowledge, abilities, experiences and qualifications required by law. After that, the Shareholders Meeting shall appoint the directors according to the articles of association.

### **Compositions and Appointment of the Board of Directors**

The composition and nomination, appointment, termination or end of term are defined in the Company's articles of association as follows:

1. The Board of Directors consists of at least 5 directors. At least half of all directors shall reside in the Kingdom of Thailand and the directors must possess the qualifications as required by law.
2. The Shareholders' Meeting shall appoint directors according to the following criteria:
  - (1) One share equals one vote.
  - (2) Each shareholder must execute all votes to select one or several directors. The votes may be split among different candidate in any ratio.
  - (3) Those individuals receiving the highest number of votes shall be elected to serve as directors depending on the number of vacancies available at the time. In the event of more than one person receiving the same number of votes for the last vacant position, the chairman of the meeting shall have a second and casting vote.
3. At each Annual General Meeting of Shareholders, one-third of the directors or the number nearest to one-third if the number is not a multiple of three must retire from office. The directors who retire from office in the first year and the second year after company listed on the Stock Exchange of Thailand shall take a draw. In subsequent years, the directors who have been in the office for the longest shall retire first. Retiring directors may be re-appointed.
4. The director who intends to retire from the office shall submit the resignation document to the Company, and the resignation document shall be in force on the day that the resignation document is delivered to the Company.
5. In case of the position of director becomes vacant for any reasons other than end of office term, the Board of Directors may appoint the persons with qualifications and free from undesirable qualities under the Public Company Limited Act and/or the Securities and Exchange Act to replace at the next meeting, unless otherwise the remaining office term of the person so replaced is shorter than 2 months. The new director shall be in the office for the remaining term of the person he so replaced. The Board's decision shall be made by a majority vote of at least three quarters of all the votes of the remaining directors.

6. The Meeting of Shareholders may decide to remove any director from the office before the end of term with a majority vote of at least three quarters of the votes of the shareholders attending the meeting, eligible to votes and holding more than half of all the shares.

### **Independent Directors**

The Board of Directors may nominate the persons with knowledge, experience and expertise as the candidates for independent directors, subject such person having desirable qualities and free from undesirable qualities pursuant to the Securities and Exchange Act, the notifications of SEC and the laws applicable thereto. Such nomination shall be presented to the Meeting of Shareholders for approval and appointment. The number of independent directors shall be one in three of the number of all directors, subject to the number of independent directors being at least 3 persons.

#### **Qualifications of Independent Director**

1. Holding not more than 1 % of all the shares with voting rights of the company, parent company, subsidiaries company, associated company or legal entities which may have conflict of interest, taking into account the shares held by associated persons.

2. Neither being nor having been an executive director, an employee, a staff member and advisor who receive a regular salary or a controlling persons of the Company, subsidiaries company, associated company, subsidiaries company at the same level and legal entities which may have conflict of interest. They must not have benefits or stakes in such manner for at least 2 years before the filing with the Securities Exchange Commission.

3. Not being a person related by blood or registration under law, such as father, mother, spouse, sibling, or child, including the spouse of a child, of other director, any executive, major shareholder, controlling person or person to be nominated as a director, an executive or a controlling person of the Company or subsidiary company.

4. Neither holding nor having held a business relationship with the company, subsidiary company, associated company or the legal entities which may have conflict of interest in the way that may obstruct his / her independent judgment. They must not be significant shareholders or have power over the companies with business relationships with the Company, subsidiary company, associated company and legal entities which may have conflict of interest for at least 2 years before the filing with the Securities and Exchange Commission.

5. Neither being nor having been an auditor of the Company, subsidiary company, associated company, major shareholder or legal entities which may have conflict of interest in the way that may obstruct his / her independent judgment. They must not be significant shareholders or have power over the company providing audit service to the Company, subsidiary company, and associated company and legal entities which may have conflict of interest for at least 2 years before the filing with the Securities and Exchange Commission.

6. Neither being nor having been any professional advisor including legal advisor or financial advisor who receives an annual service fee exceeding Baht 2 million from the Company, subsidiary company, associated company and legal entities which may have conflict of interest in the way that may obstruct his/her independent judgment. They must not be significant shareholders or have power over the company providing advisory services to the Company's, subsidiary company and legal entities which may have conflict of interest for at least 2 years before the filing with the Securities and Exchange Commission.

7. Not being a director who has been appointed as a representative of the Company's director, major shareholder, or shareholder related to the major shareholder.

8. Not undertaking any business the nature of which is the same as that of the Company's or subsidiary company and which, in any material respect, compete with business of the Company's or subsidiary company or not being a substantial partner in the partnership, a director who is involved in management, an employee, a staff member, an advisor who receives a regular salary, or a shareholder holding more than 1% of shares with voting rights of a company undertaking any business the nature of which is the same as that of the Company or subsidiary company and which, in any material respect, compete with business of the Company or subsidiary.

9. Not having any characteristics that prohibit the expression of independent opinion towards the Company's business undertakings.

#### **Compositions and Appointment of Audit Committee**

The Board of Directors shall appoint an Audit Committee comprising at least 3 members from the company's independent directors with the qualifications as set forth in the Securities and Exchange Act, notifications and regulations of SET. Such member shall also have the following qualifications:

1. Not being the director delegated by the Board of Directors the powers to make decisions on the operations of the company, subsidiary company or subsidiary of the same order or legal entities which may have conflict of interests.

2. Not being the director of the company, subsidiary company, subsidiary of the same order—just for the listed company.

3. Having sufficient knowledge and experience to perform duties as an Audit Committee Member. At least one of the members must have sufficient knowledge and experience to conduct audit of the financial statements to ensure their reliability.

The office term of each member shall be 3 years at a time or as long as the office term of the company's director.

#### **Nomination of Chief Executive Officer**

We do not have a Remuneration Committee. The Board of Directors recruit the persons of the following descriptions as the Chief Executive Officer:

1. Having skills and experiences as required by the Board of Directors.

2. Not being the Chairman of the Board of Directors at the same time.

3. Having different roles, powers and duties from those of the Board Chairman for balance of powers of management and control of the business.

4. To have the powers, duties and targets in performance as set forth by and to be assessed on a yearly basis by the Board of Director.

#### **Supervision of Subsidiaries and Associates**

The Company invests in the companies engaging in the activities which are the same or similar to in support those of us to ensure increase in The Company's profit. Alternatively, The Company invests in synergetic business to ensure diversity and enhance our competitive edge. The Board of Directors may invest in other businesses other than the Company's main business if they deem that such businesses have great potentials and be of benefit to the Company and shareholders.

The Company assigns the Company's directors or executive with suitable qualifications and experiences to manage our affiliates and subsidiaries to adopt essential policies and control the operation of such affiliates and subsidiaries, set forth monitoring mechanism through disclosure of

financial information, acquisition and disposal of assets and intertransactions between us and them, applying the regulations and requirements of the competent agencies. Such directors or executives must control the affiliates and subsidiaries to ensure that they operate and manage their businesses according to our policies, and follow up and assess their performance constantly according to the resolutions of the Board Meeting or the Shareholders Meeting to ensure maximum benefit and sustainable growth of the company.

#### **Supervision of the Use of Inside Information**

1. Directors, executives, employees and staff of the company must not directly or indirectly disclose or use the company's inside information for their own gains or for the benefit of other persons, whether or not they benefit from such disclosure or use.

2. Directors, executives, employees and staff of the company, their spouses and minor children must not use the company's inside information which affect or will affect the value of the securities of the company while such inside information has not yet been disclosed to the public; the same must not use such inside information for buying, selling, offering for purchase, offering for sale or soliciting anyone to buy, sell, offering for purchase or offering for sale the securities of the company directly or indirectly before such inside information is publicly disclosed, whether such acts are performed for their own benefits or for the benefits of others or for the other persons to perform such acts for their own benefits. The persons in breach of this provision shall be subject to disciplinary actions.

3. The company has informed the executives of their duties of reporting the company's securities in the possession of themselves, their spouses and minor children and changes in such possession to SEC and SET pursuant to Section 59 and the provisions on penalties of the Securities and Exchange Act (No. 5), 2016.

4. The directors, executives, their spouses and minor children prohibited from trading the Company's securities during the period of one month prior to disclosure of financial statements to the public.

They shall be informed of such facts.

#### **Compensation to Auditors**

For the year ended 31 December 2016, The Company paid the audit fee amount of 1,500,000 Baht to Siam Truth Audit Co., Ltd. for audit yearly financial statements and review quarterly financial statements and consolidated financial statements of the company and its subsidiary. Apart from such fee, The Company is not under any obligations to pay any service charges to the auditors, their office or the person or firm related to them.

the Annual General Meeting of Shareholders for year 2017 held on 7 April 2017 approved the audit fee amount of 2,000,000 Baht for audit yearly financial statements and review quarterly financial statements and consolidated financial statements of the company and its subsidiary.

#### **Performance of other acts according to good governance:**

- none -

## 9. Corporate Social Responsibilities (CSR)

The Company realize the importance of corporate social responsibilities and The Company is confident that it will lead to sustainable development. The management shall operate business with the awareness of CSR in the interest of stakeholders, as follows:

### 1. Fair Operation

The Company's business ethics cover compliance with the laws, avoidance of vested interests and conflict of interests, confidentiality of inside information, fair treatment of customers and consumers, fairness to competitors, proper procurements and treatment of trading partners, CSR, staff treatment, internal control, acceptance of properties or interests, safety, health and environments, intellectual properties, use of computes, staff training during orientation, development of training courses for existing employees to ensure that the fully understand everything and to raise their awareness about everything, which covers assessment of system efficiency for further improvements. The Company also raise staff's ethical awareness through medias and activities to ensure their working efficiency.

### 2. Anti Frauds and Corruptions

The Company intend to operate business according to the laws and for the benefits of the society. The Company encourage staff to work morally and be good citizens of the country. The Company encourage the trading partners to operate their businesses properly and transparently for peaceful society. The Company is against frauds and corruptions. The Company has adopted policies and guidelines on offer and acceptance of gifts and properties to ensure that our staff fully comply with The Company's policies on anti frauds and corruptions. On 23 June 2017, the Board Meeting No. 3/2017 endorsed the following Anti Frauds and Corruptions Policy:

1. Directors, executives and staff at all levels must not accept any cash or other interests from director, executive, employee of client, trading partner and interested person in return for any acts in violation of morality, ethics and good governance.
2. Acceptance of gifts and entertainments at certain seasonal festival to maintain good relations of organizations, subject to such acceptance not violating morality, ethics and good governance, is not regarded as corruption.
3. Offering or receiving donations or funds must be transparent and legal, and such donations or funds must not be used for the purposes that can be identified as bribery.
4. Offering or receiving of any kind of bribes to and from trading partner, party to agreement, government organization or agency doing business with the company. The company's business must be transparent, honest and complies with applicable laws.

### 3. Respect for Human Rights

The Company will comply with the laws and regulations on staff and observe international basic human rights. The Company will not discriminate anyone on the grounds of race, gender, age, skin color, religion, disabilities, social status, family background, educational institution or other status not directly related to work performance. The Company respects individual human beings.

### 4. Fair Treatment of Labor

Having realized that The Company's employees are valuable assets for attaining The Company's targets, The Company treat them fairly as follows:

#### Remuneration

The Company offers fair remuneration, welfare and fringe benefit according to the law as incentives for employees to work to the best of their efforts. The Company assess staff performance and offer pay which is commensurate with their duties and responsibilities and at competitive rates as compared with those offered by similar businesses.

#### Personnel Development

The Company encourage staff to acquire new knowledge, abilities and skills for work. The Company offer training, seminars and observation tours. The Company will continue to enhance the abilities of staff at all levels.

#### Employment, Work Performance and Career Advancement

The Company adopt clear guidelines as standard in compliance with the laws without any discrimination. The Company give all employees equal opportunity, irrespective of their gender, race, religion, hometown, age, disabilities, economic and social status or educational qualifications.

#### Occupational Health and Safety

The Company is concerned with the lives and health of all employees. The Company provides healthy and safe working environments according to the law. The Company also constantly hold safety activities.

### **5. Responsibilities for Consumers**

The Company attach importance to customer service. The Company conduct customer satisfaction survey every year so that The Company can use the findings in improvement of our service.

### **6. Conservation of Environment**

The Company campaign for economy of energy and natural resources and instill The Company staff with the following awareness:

- Encourage warehouse staff to use the transports provided by the company to reduce traveling expenses, conserve natural environment and reduce air pollution.
- Turn off lights and switch off computer monitor during lunch time 12.00-13.00 hr. to economize power. This can be applied in daily life. One can also disseminate one's methods of power economy in one's society.

### **7. Community or Social Development**

Having realized that strong community and society achieve sustainable development which is favorable to business, The Company participate in the following activities:

Health: The Company donates money to hospitals and foundations such as Rajvithee Hospital, Heart Disease Children Foundation and Bueng Kan Hospital to support their operations.

Education: The Company offers scholarships to students who perform well and donate money to schools to support education.

### **8. Innovations with responsibilities for society, environment and stakeholders**

The Company encourage innovations at organizational work and cooperation levels. It means doing something new by new methods. It also means change of concepts and production for maximization of innovations, i.e. positive changes to improve things, increase productivity for the maximum benefits of the society.

## 10. Internal Control & Risk Management

### Opinion of the Board of Directors on Internal Control

In the Board of Directors Meeting No. 3/2017 on 23 June 2017, on which three members of the Audit Committee also serve, assessed and reviewed the adequacy of the internal controls using the Internal Control Adequacy Assessment form of the Office of Securities and Exchange Commission by inquiry information from management for five topics:

1. Control environment
2. Risk assessment
3. Control activities
4. Information & communication
5. Monitoring activities.

The Board of Directors Meeting were of the opinion that the company internal controls were adequate and suitable. The Company has sufficient workforces to conduct internal control efficiently and transparently according to good corporate governance. The Company also follow up our operations to ensure protection of our properties from frauds committed by directors or executives. The Company also monitor transactions which may create conflict of interests.

### Implementation of internal control system

The Company has an Audit Committee to review suitability and effectiveness of the internal controls of the Company and its subsidiary and review the performance of The Company group to comply with the Securities and Exchange Act, the regulation of the Stock Exchange of Thailand and the laws pertaining to the operation of the business. The Audit Committee Meeting is held every quarter for consideration and ensure that the disclosure of the financial report is complete, accurate and sufficient. Related party transactions and transactions which may have conflict of interests according to the laws and regulations of SEC and SET. The auditor attends the meeting to make observations on the auditing.

### Head of Internal Audit

The Company has hired P&L Internal Audit Co., Ltd. to audit The Company's internal control since 2016. P & L Internal Audit Co., Ltd. appointed their Assistant Internal Audit Manager, Mr. Tanaphat Wongwit as the Head of Internal Audit. The following is his profile:

Internal Auditor:	P&L Internal Audit Co., Ltd. Mr. Tanaphat Wongwit, Head of Internal Audit
Education:	Bachelor of Accounting from Dhurakij Bandit University
Work Experience:	2014 – present Assistant Internal Audit Manager, P&L International Audit Co., Ltd. 2015 – present Director, P&L International Audit Co., Ltd. 2011 – 2013 Senior Internal Auditor, P&L International Audit Co., Ltd.
Training:	- Internal Auditor Certificate Course of Thailand CPIAT Group 21 of Internal Auditors Association of Thailand - Member of IIAT



- Member of FAP

Appointment, removal or transfer of Chief of Internal Auditor must be approved by the Audit Committee.

From 2016, the auditor conducted inspection and assessment of the internal control of the company and its subsidiary, and submit a report to the Audit Committee for approval every quarter.

The company and its subsidiary always improve the operations of all departments as recommended by the internal auditor.

After public offering and being listed on SET, The company group will outsource internal audit to ensure efficiency in internal audit of the company and its subsidiary.

#### **Opinion of Internal Auditor on Internal Audit**

In May, June and September 2017, the internal auditor audited and monitor the management of incomes, inventories, fixed assets, branches and human resources the company and its subsidiary. From March to Jun 2017, the internal auditor audited and monitor the information and communication system of the company and its subsidiary and offered some advice on the check and balance in all working systems for continuous improvement of the internal control to ensure good control. The company and its subsidiary have already made improvements according to the recommendations of the internal auditor.

#### **Remarks of Auditor on Internal Control**

At year ending 31 December 2016, Siam Truth Auditor Co., Ltd. audited the accounts of the company and its subsidiary and issued reports with remarks and suggestions. After verification of internal control, the company and its subsidiary have issued correct and financial statements. The auditor did not make any remarks or suggestions on the internal control or accounting system of the company, but made remarks and suggestions on the internal control and accounting system of the subsidiary and the latter have already made corrections accordingly.

The auditor audited the accounts of the company and its subsidiary at the year ending 31 December 2014 and 31 December 2015, and made remarks and suggestions, and the company and its subsidiary made corrections accordingly, which can be summarized as follows:

#### **Rich Sport Public Company Limited**

- Set up the policy of allowance for doubtful debts and impairment of inventory in writing.
- Preparation the detail of inventories for auditor such as inventories balance report, comparison of costs and net realizable value (NRV) report.
- Record the purchasing transactions and other expenses in the purchase journal for the good internal control system.
- Use the Enterprise Resource Planning (ERP) to do the accounting details instead of Excel (Manual) from 2016 such as the balance of each accounts receivables, acconts receivables aging report, inventory aging report, inventory reconciliation report and fixed assets registration to ensure that the informations are fast, reliability and effective.
- Automatic running number of document in ERP assists to audit and approval of all transactions.

#### **Benefit Shoes Co., Ltd.**

- Set up the policy of allowance for impairment of inventory in writing.



- Use the Enterprise Resource Planning (ERP) to do the accounting details instead of Excel (Manual) from 2016 to issue the inventory aging report, prepare and set the number of goods receive, fixed assets registration and set the number of fixed assets code.

- Record the purchasing transactions and other expenses in the purchase journal for the good internal control system.

- Set up the document running number in advance or printed running number and attached complete documents in accounting voucher. Preparing the audit and approval system of transactions to ensure that BNS has a good internal control.

In addition, Siam Truth Audit Co., Ltd. has assigned Mr. Kasipat Tanittanakun, IT auditor, to review the general control of IT system which related to accounting process between The Company and its subsidiary. The results of IT audit use as a part of evidence for the audit process of the auditor. The Company and its subsidiary already revise all recommendation according to IT auditor's advised.

## 11. Related Party Transactions

### 11.1 Related party transactions

In 2017, the company and its subsidiary made the following transactions with the persons who may have conflict of interest:

Persons who may have conflict of interest	Relationship	Type of transaction	Value (million baht)	Necessity and appropriateness
Miss Papitch Wongpaitoonpiya	CEO holding 133,000,100 shares, accounted for 23.33% of all shares sold at 6 June 2017	1. sales	0.009	Welfare to all employee. She received it under the same conditions as other staff. The company clearly set forth the conditions in writing.  <u>Opinion's of Audit Committee</u> This transaction is appropriate because all executives and employee can receive welfare on the same conditions.
		2. Guarantee of financial lease agreement  Amount of Guarantee  Balance at the end of period	7.10  4.26	The company has a car lease agreement with a leasing company. The car will be used in the company's business. Miss Papitch Wongpaitoonpiya enter into a guarantee under the lease agreement. It complies with the conditions set forth by the leasing company. The company did not have to pay the guarantee fee.  <u>Opinion's of Audit Committee</u> This transaction was necessary because it use for The Company's business and she enter into a guarantee without compensation.

Persons who may have conflict of interest	Relationship	Type of transaction	Value (million baht)	Necessity and appropriateness
Mrs. Sukanda Kuttikul	Managing Director of Benefit Shoes Co., Ltd., subsidiary	Guarantee of financial lease agreement  Amount of Guarantee  Balance at the end of period	1.27  0.65	The BNS has a car lease agreement with a leasing company. The car will be used in the company's business. Mrs. Sukanda Kuttikul enter into a guarantee under the lease agreement. It complies with the conditions set forth by the leasing company. The company did not have to pay the guarantee fee.  <u>Opinion's of Audit Committee</u> This transaction was necessary because it use for the BNS's business and she enter into a guarantee without compensation.
Carnival Supply Co., Ltd.	Mr. Anupong Kuttikul, the son of Mrs. Sukanda Kuttikul, the managing director of Benefit Shoes Co., Ltd., is a director and holds 5,999 shares of Carnival Supply Co., Ltd. which is 59.99% of all the shares sold.	Sale  Accounts receivable	5.67  1.13	The company sold shoes to Carnival Supply Co., Ltd. at the same price, discount and other conditions as other wholesale customers.  <u>Opinion's of Audit Committee</u> This transaction was made as normal trading practice and was appropriate.
- Miss Lapasrada Chayapoltanakul	Accounting Manager			welfare on the same conditions as other staff.

Persons who may have conflict of interest	Relationship	Type of transaction	Value (million baht)	Necessity and appropriateness
Mr. Suthep Wongpaitoonpiya	Mr. Suthep Wongpaitoonpiya is the father of Miss Papitch Wongpaitoonpiya, CEO	Consulting fee	0.30	<p>The company hires Mr. Suthep Wongpaitoonpiya as a consultant for negotiation, contact and cooperation with overseas partners. He specializes in shoes industry and has a lot of experience in this field. He has a good relationship with overseas partners. His service is beneficial to the company's business. The contract is 1 year start 1 January 2017 to 31 December 2017. The fee is 25,000 Baht per month. This fee is similar to those of other executives of the company.</p> <p><u>Opinion's of Audit Committee</u> this transaction is appropriate because he has knowledge, expertise and experience in shoes industry and his service is beneficial the company's business.</p>

### 11.2 Measures and Procedures for approval of related party transaction

The company adopts measures for related party transaction among the company, subsidiary and persons who may have conflict of interest. The Audit Committee will review the transactions and express their opinion on appropriateness of transactions and values by comparison of normal trading at market prices with the value of transactions. In case that the Audit Committee does not have expertise to consider the related party transaction, the Company shall ask the opinions from a special expertise such as the auditor, appraiser and legal office of the Company on this matter. The Audit Committee uses the opinions from experts to make a decision and present to the Board of Directors Meeting or Shareholder Meeting. The expert has to independent from the company and the persons who may have conflicts to interest.

The company and its subsidiary do not allow executives or the persons who may directly or indirectly lose or gain from the related party transaction to approve such intertransactions. The Board of Directors must ensure that the company complies with the Securities and Exchange Act, regulations, notifications, orders and requirements of SEC and SET pertaining to disclosure of intertransactions, acquisition and disposal of major assets in the notes attached to the financial statements which have been audited by the auditor in compliance with the accounting standard set forth by Federation of Accounting Professionals, under the Royal Patronage of His Majesty the King.

### **11.3 Policy and Trends of Related Party Transaction in Future**

In the future, related party transaction of the Company and its subsidiary shall be the same transaction that support usual business operations. The Company will set up the clear policy on enter into related party transactions. The price, condition shall be inline with the same as un related party transaction such as goods purchase, lease, services, guarantee by shareholder or director. The related party transactions are necessary for the usual business operation of the Company and its subsidiary and for the benefits of the Company and its subsidiary. The Audit Committee shall review the compliance with the rules and provide opinions on the appropriateness of the prices and the reasonableness of the transactions which occur in every quarter. For the unusual business operation of related party transactions which may be occur in the future, the Audit Committee has to review the compliance with the rules and provide their opinions on the appropriateness of the transaction before the Company and its subsidiary will enter into the transaction and the Audit Committee shall conduct by the measure and approval process of the related party transaction as above. However, the related party transaction which may have a conflict of interest may be occur in the future, the Borard of Directors must conform to the laws on Securities and Exchange and any rules, announcement, orders or principles set by the Securities Exchange Commission and the Stock Exchange of Thailand including the disclosure of related party transaction and the acquisitions or sales of important assets of the Company or its subsidiaries under Thai Financial Reporting Standards set by the Federation of Accounting Professions, under the Royal Patronage of His Majesty the King.

## Report of the Board of Directors' responsibilities for Financial Report

The Board of Directors of Rich sport Public Company Limited is responsible for the separated financial statement and the consolidated financial statements of the Company and its subsidiary, including financial information provided in this annual report. These financial statements were prepared in accordance with Thai Financial Reporting Standards set by the Federation of Accounting Professions, under the Royal Patronage of His Majesty the King using appropriate accounting policies that are applied on consistent basis. The financial statements are also prepared after careful consideration and, when applicable, use of appropriate estimates and judgments. Significant information is adequately disclosed in the notes to the financial statements in order to accurately and transparently reflect the financial positions, operating results and cash flow for the benefits of the shareholders and general investors.

The Board of Directors has established and maintained an internal control system in order to provide a reasonable assurance that accounting records are accurate, complete and adequate for protection of assets of the Company, prevention of frauds and materially irregular transactions.

The Board of Directors has appointed the Audit Committee, consisting of independent directors, to oversee and review the quality of the Company's financial reports, accounting policies, the internal control system, the internal audit system and the risk management system, as well as to ensure that related-party transactions are completely, adequately and appropriately disclosed. In this respect, the Audit Committee's opinions with regard to these matters are stated in the Audit Committee's Report section of this Annual Report.

The Board of Directors is of the view that the Company's overall internal control system is adequate and appropriate, and can provide reasonable assurance that the Company's separated and consolidated financial statements of the Company and its subsidiary for the year ended 31 December 2017.



Papitch Wongpaitoonpiya  
Director



Somroj Sirisophana  
Director

## **12. Financial Statements Report**

Rich Sport Public Company Limited and its subsidiary  
Financial Statements and Auditor's Report

For the year ended 31 December 2017



บริษัท สยาม ทูธ สอบบัญชี จำกัด  
335 อาคารปรีชาคอมเพล็กซ์ เอ ชั้น 8  
ถนนรัชดาภิเษก สามเสนนอก ห้วย  
ขวาง กรุงเทพมหานคร 10310  
ประเทศไทย  
โทรศัพท์ 02 275 9599  
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Huaykwang, Bangkok 10310,  
Thailand  
Telephone 02 275 9599  
<http://www.audit@siamtruth.com>

## AUDITOR'S REPORT

### To the Shareholders of Rich Sport Public Company Limited and its subsidiary

#### Opinion

I have audited the accompanying consolidated and separate financial statements of Rich Sport Public Company Limited and its subsidiary (“the Group”) and of Rich Sport Public Company Limited (“the Company”), respectively, which comprise the consolidated and separate statement of financial position as at December 31, 2017, the consolidated and separate statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Rich Sport Public Company Limited and its subsidiary and of Rich Sport Public Company Limited as at December 31, 2017, and their consolidated and separate 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 Consolidated and Separate Financial Statements section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accounts issued by the Federation of Accounting Professions under the Royal Patronage of his Majesty the King that are relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical



responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

<i>The key audit matter</i>	<i>Audit procedures</i>
<p><b><i>Inventories</i></b></p> <p>The products of the Company are fashionable item and significant changed as the consumer's needs. Inventories that cannot be sold before the fashion or the consumer's needs changed, affects to a risk of inventories valuation basing on the lower of cost or net realizable value which its carrying amount may be higher than its net realizable value due to the obsolete inventories. As at December 31, 2017, the carrying amount of inventories in the consolidated financial statement is of Baht 178.98 million as disclosed in note 7.</p> <p>I have identified the inventories to be the key audit matters as its high value is significant to the financial statements. In addition, the valuation of inventories involves the management's judgement regarding sufficiency of the allowance for obsolete inventories for determining the accounting policies basing on analytical procedures.</p>	<p>Other than making the inquiries, the audit procedures of allowance for devaluation of inventories included sampling test as follows:</p> <ul style="list-style-type: none"> <li>- assessing the process of valuation of inventories;</li> <li>- test the inventory aging report grouping by categories and ages with the purchasing documents and goods received documents;</li> <li>- assessing the appropriateness of estimation for devaluation rate at each categories and ages;</li> <li>- testing the valuation of inventories by comparing cost with selling price less relating cost to make the sale, including examining sale documents;</li> </ul>

<p><b><i>Recognition of revenue from consignment</i></b></p> <p>The Company distributes their products through the department stores with the condition of goods returned at every year ended, which is identified as sell on consignment and considered that the stock location moved. Revenue from sale through the mentioned channel is significant high value transaction and recognized when the department store sell to the third parties. For the year ended December 31, 2017, the revenue from sale through the department stores is of Baht 559.41 million.</p> <p>I have identified the revenue from sale through the department stores to be the key audit matters as its high value is significant to the financial statements. In addition, the sale through the department stores involves the internal control system regarding consignment which is different between tax and accounting purpose.</p>	<p>Other than making the inquiries, the audit procedures for revenue from consignment included sampling test as follows:</p> <ul style="list-style-type: none"> <li>- assessing the efficiency, and test of internal control relates to the revenue from consignment system;</li> <li>- inspecting sale documents relating to consignment occurred during the year, including, term of delivery to consider the appropriateness of inventory control system;</li> <li>- sale cut-off with sale documents nearby before and after end of reporting period;</li> <li>- reconciling the information from consignment system with the information from the control system relates to stock location moved;</li> </ul>
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### **Other Information**

Management is responsible for the other information. The other information comprises the information included in annual report of the Group, but does not include the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report, 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 Consolidated and Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal

control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate 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 and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 Group and 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 consolidated and separate 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.



Bunjong Pichayaprasat

Certified Public Accountant

Registration No.7147

Siam Truth Audit Company limited

Bangkok, February 22, 2018

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2017**

**Baht**

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	1,110,940,635.70	233,347,099.62	1,101,118,255.58	191,532,286.48
Current investment		300,050,000.00	-	300,050,000.00	-
Trade and other receivables	4, 6	178,662,352.14	199,130,158.44	177,325,162.00	199,046,375.44
Inventories	7	178,981,763.21	198,370,683.44	193,180,253.42	199,959,655.44
Other current assets		32,454,584.84	29,869,175.74	31,668,980.59	29,022,712.25
<b>Total current assets</b>		<b>1,801,089,335.89</b>	<b>660,717,117.24</b>	<b>1,803,342,651.59</b>	<b>619,561,029.61</b>
<b>Non-current assets</b>					
Restricted bank deposits	8	8,019,093.81	7,824,273.96	8,019,093.81	7,824,273.96
Investment in subsidiary	9	-	-	51,999,800.00	51,999,800.00
Investment property	4, 10	-	-	62,377,947.57	63,565,039.16
Property, plant and equipment	11	170,623,617.13	165,471,518.53	95,163,222.85	87,429,078.46
Intangible assets	12	10,271,326.85	7,271,510.09	3,774,070.99	2,151,283.96
Deferred tax assets	13	9,399,061.18	6,473,286.58	8,109,942.47	5,361,479.88
Other non-current assets		27,799,425.90	25,578,503.41	27,091,542.47	24,631,643.92
<b>Total non-current assets</b>		<b>226,112,524.87</b>	<b>212,619,092.57</b>	<b>256,535,620.16</b>	<b>242,962,599.34</b>
<b>Total assets</b>		<b>2,027,201,860.76</b>	<b>873,336,209.81</b>	<b>2,059,878,271.75</b>	<b>862,523,628.95</b>

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2017**

**Baht**

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade and other payables	4, 15	97,839,911.22	126,374,764.87	133,372,971.14	146,939,694.95
Current portion of liabilities	16	2,251,089.50	2,161,311.25	1,904,159.83	1,832,895.29
Income tax payable		18,268,548.72	47,223,985.08	16,766,639.02	42,536,760.25
Other current liabilities	15	2,081,589.05	1,528,623.08	1,205,653.85	820,369.23
<b>Total current liabilities</b>		<b>120,441,138.49</b>	<b>177,288,684.28</b>	<b>153,249,423.84</b>	<b>192,129,719.72</b>
<b>Non-current liabilities</b>					
Long-term liabilities under finance leases	16	3,339,659.16	5,590,748.59	3,035,657.45	4,939,817.24
Employee benefit obligations	17	20,732,878.26	19,828,219.21	14,287,284.70	14,269,185.70
Other non-current liabilities		12,497,000.20	9,678,368.15	12,497,000.20	9,678,368.15
<b>Total non-current liabilities</b>		<b>36,569,537.62</b>	<b>35,097,335.95</b>	<b>29,819,942.35</b>	<b>28,887,371.09</b>
<b>Total liabilities</b>		<b>157,010,676.11</b>	<b>212,386,020.23</b>	<b>183,069,366.19</b>	<b>221,017,090.81</b>
<b>Shareholders' equity</b>					
Share capital	18				
Authorized share capital					
770,000,000 ordinary shares, Baht 1 par value in year 2017 and 3,500,000 ordinary shares, Baht 100 par value in year 2016		770,000,000.00	350,000,000.00	770,000,000.00	350,000,000.00
Issued and paid-up share capital					
770,000,000 ordinary shares in year 2017 and 3,500,000 ordinary shares in year 2016, fully paid-up		770,000,000.00	350,000,000.00	770,000,000.00	350,000,000.00
Premium on share capital	18	918,025,290.59	-	918,025,290.59	-
Surplus arising from business combination under common control	2	50,355,126.90	50,355,126.90	-	-
Retained earnings	19, 20				
Appropriated - legal reserve		46,002,879.91	20,000,000.00	46,002,879.91	20,000,000.00
Unappropriated		85,807,887.25	240,595,062.68	142,780,735.06	271,506,538.14
<b>Total shareholders' equity</b>		<b>1,870,191,184.65</b>	<b>660,950,189.58</b>	<b>1,876,808,905.56</b>	<b>641,506,538.14</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,027,201,860.76</b>	<b>873,336,209.81</b>	<b>2,059,878,271.75</b>	<b>862,523,628.95</b>

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Baht**

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<b>Revenue from sales</b>	4	<b>1,174,655,179.48</b>	<b>1,358,844,815.34</b>	<b>1,174,655,179.48</b>	<b>1,358,844,815.34</b>
Cost of sales	4, 21	(562,754,910.12)	(636,520,784.33)	(597,081,322.50)	(682,361,850.98)
<b>Gross profit</b>		<b>611,900,269.36</b>	<b>722,324,031.01</b>	<b>577,573,856.98</b>	<b>676,482,964.36</b>
Other income	4	8,900,984.16	5,220,538.56	46,088,444.41	86,053,213.75
Selling expenses	4, 21	(227,576,998.31)	(225,156,160.03)	(227,576,998.31)	(225,156,160.03)
Administrative expenses	4, 21	(121,023,611.31)	(122,661,593.86)	(99,809,538.60)	(100,762,932.48)
Finance costs		(378,849.86)	(300,627.19)	(333,210.31)	(274,311.93)
<b>Profit before income tax</b>		<b>271,821,794.04</b>	<b>379,426,188.49</b>	<b>295,942,554.17</b>	<b>436,342,773.67</b>
Tax expense	22	(45,762,044.76)	(80,663,106.78)	(44,016,898.94)	(71,656,705.54)
<b>Profit for the year</b>		<b>226,059,749.28</b>	<b>298,763,081.71</b>	<b>251,925,655.23</b>	<b>364,686,068.13</b>
<b>Earnings per share</b>	3				
Basic earnings per share		0.42	1.23	0.47	1.50
Weighted average number of ordinary shares (shares)		539,315,068	243,483,607	539,315,068	243,483,607
<b>Other comprehensive loss:</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Defined benefit plan actuarial loss		(305,056.00)	-	(60,723.00)	-
Income tax relating to items that will never be reclassified to profit and loss	22	61,011.20	-	12,144.60	-
<b>Other comprehensive loss - net of tax</b>		<b>(244,044.80)</b>	<b>-</b>	<b>(48,578.40)</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>225,815,704.48</b>	<b>298,763,081.71</b>	<b>251,877,076.83</b>	<b>364,686,068.13</b>

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

*Baht*

	Note	Consolidated financial statements					
		Issued and paid-up share capital	Premium on share capital	Surplus arising from business combination under common control	Retained earnings		Total
					Appropriated - legal reserve	Unappropriated	
<b>Balance as at January 1, 2016</b>		<b>200,000,000.00</b>	<b>-</b>	<b>50,355,126.90</b>	<b>20,000,000.00</b>	<b>231,831,980.97</b>	<b>502,187,107.87</b>
Increase in ordinary shares	18	150,000,000.00	-	-	-	-	150,000,000.00
Dividend payment	20	-	-	-	-	(290,000,000.00)	(290,000,000.00)
Total comprehensive income		-	-	-	-	298,763,081.71	298,763,081.71
<b>Balance as at December 31, 2016</b>		<b>350,000,000.00</b>	<b>-</b>	<b>50,355,126.90</b>	<b>20,000,000.00</b>	<b>240,595,062.68</b>	<b>660,950,189.58</b>
Increase in ordinary shares	18	420,000,000.00	918,025,290.59	-	-	-	1,338,025,290.59
Dividend payment	19, 20	-	-	-	-	(354,600,000.00)	(354,600,000.00)
Legal reserve	19	-	-	-	26,002,879.91	(26,002,879.91)	-
Total comprehensive income		-	-	-	-	225,815,704.48	225,815,704.48
<b>Balance as at December 31, 2017</b>		<b>770,000,000.00</b>	<b>918,025,290.59</b>	<b>50,355,126.90</b>	<b>46,002,879.91</b>	<b>85,807,887.25</b>	<b>1,870,191,184.65</b>



**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

*Baht*

	Note	Separate financial statements				
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total
				Appropriated - legal reserve	Unappropriated	
<b>Balance as at January 1, 2016</b>		<b>200,000,000.00</b>	<b>-</b>	<b>20,000,000.00</b>	<b>196,820,470.01</b>	<b>416,820,470.01</b>
Increase in ordinary shares	18	150,000,000.00	-	-	-	150,000,000.00
Dividend payment	20	-	-	-	(290,000,000.00)	(290,000,000.00)
Total comprehensive income		-	-	-	364,686,068.13	364,686,068.13
<b>Balance as at December 31, 2016</b>		<b>350,000,000.00</b>	<b>-</b>	<b>20,000,000.00</b>	<b>271,506,538.14</b>	<b>641,506,538.14</b>
Increase in ordinary shares	18	420,000,000.00	918,025,290.59	-	-	1,338,025,290.59
Dividend payment	19, 20	-	-	-	(354,600,000.00)	(354,600,000.00)
Legal reserve	19	-	-	26,002,879.91	(26,002,879.91)	-
Total comprehensive income		-	-	-	251,877,076.83	251,877,076.83
<b>Balance as at December 31, 2017</b>		<b>770,000,000.00</b>	<b>918,025,290.59</b>	<b>46,002,879.91</b>	<b>142,780,735.06</b>	<b>1,876,808,905.56</b>

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

***Baht***

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from operating activities</b>				
<b>Profit before income tax</b>	<b>271,821,794.04</b>	<b>379,426,188.49</b>	<b>295,942,554.17</b>	<b>436,342,773.67</b>
Adjustments to reconcile profit before income tax				
to cash provided by (used in) operating activities				
Depreciation and amortization	28,705,305.16	29,070,891.30	22,214,790.52	24,452,995.88
Doubtful accounts (reversal)	(36,359.99)	36,359.99	(36,359.99)	36,359.99
Loss on devaluation of inventories	12,545,293.87	1,624,531.48	12,545,293.87	1,624,531.48
Loss on disposals and written-off of assets	1,814,200.79	5,291,645.62	1,714,126.22	4,418,633.81
Unrealized gain on exchange rate	(9,623.03)	-	(9,623.03)	-
Interest income	(3,946,304.20)	(2,172,991.75)	(4,023,458.69)	(2,127,706.13)
Dividend income	-	-	(33,799,870.00)	(77,999,700.00)
Finance cost	378,849.86	300,627.19	333,210.31	274,311.93
<b>Cash flow before changes in working capital</b>	<b>311,273,156.50</b>	<b>413,577,252.32</b>	<b>294,880,663.38</b>	<b>387,022,200.63</b>
<b>Changes in working capital</b>				
Trade and other receivables	20,699,828.64	7,441,609.81	21,953,235.78	7,202,305.46
Inventories	6,843,626.36	(71,162,785.68)	(5,765,891.85)	(88,240,061.37)
Other current assets	(2,585,409.10)	(6,884,806.89)	(2,646,268.34)	(7,005,061.55)
Restricted bank deposits	(194,819.85)	6,237,843.25	(194,819.85)	6,237,843.25
Other non-current assets	(2,220,923.20)	(5,355,403.08)	(2,459,899.26)	(5,755,971.06)
Trade and other payables	(28,525,230.62)	1,966,511.13	(13,557,100.78)	(18,210,286.50)
Other current liabilities	552,965.97	(13,612,311.45)	385,284.62	(13,194,427.07)
Employee benefit obligations	599,603.05	1,265,882.05	(42,624.00)	355,374.89
Other non-current liabilities	(141,367.95)	(6,328,812.67)	(141,367.95)	(6,328,812.67)
<b>Cash generated from operations</b>	<b>306,301,429.80</b>	<b>327,144,978.79</b>	<b>292,411,211.75</b>	<b>262,083,104.01</b>
Interest received	3,750,641.85	2,172,913.72	3,827,796.34	2,127,628.10
Income tax paid	(77,582,243.81)	(90,458,702.51)	(72,523,337.45)	(78,832,010.02)
<b>Net cash provided by operating activities</b>	<b>232,469,827.84</b>	<b>238,859,190.00</b>	<b>223,715,670.64</b>	<b>185,378,722.09</b>

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Cash flows from investing activities</b>				
Short-term loan to related person	-	(2,721,900.50)	-	(2,721,900.50)
Proceeds from short-term loan to related person	-	3,621,900.50	-	3,621,900.50
Current investment	(300,050,000.00)	-	(300,050,000.00)	-
Purchase of investment property	-	-	-	(64,184,639.17)
Purchase of plant and equipment	(31,482,935.56)	(38,774,708.30)	(26,998,400.50)	(28,311,135.86)
Purchase of intangible assets	(4,269,429.68)	(2,222,950.00)	(2,181,300.00)	(1,589,950.00)
Sale of assets	40,943.93	1,571,744.50	40,943.93	1,571,744.50
Dividend income	-	-	33,799,870.00	77,999,700.00
<b>Net cash used in investing activities</b>	<b>(335,761,421.31)</b>	<b>(38,525,913.80)</b>	<b>(295,388,886.57)</b>	<b>(13,614,280.53)</b>
<b>Cash flows from financing activities</b>				
Repayment for liabilities under finance leases	(2,161,311.18)	(1,515,123.24)	(1,832,895.25)	(1,380,656.72)
Increase in ordinary shares	1,338,025,290.59	150,000,000.00	1,338,025,290.59	150,000,000.00
Dividend payment	(354,600,000.00)	(290,000,000.00)	(354,600,000.00)	(290,000,000.00)
Interest paid	(378,849.86)	(300,627.19)	(333,210.31)	(274,311.93)
<b>Net cash provided by (used in) financing activities</b>	<b>980,885,129.55</b>	<b>(141,815,750.43)</b>	<b>981,259,185.03</b>	<b>(141,654,968.65)</b>
<b>Net increase in cash and cash equivalents</b>	<b>877,593,536.08</b>	<b>58,517,525.77</b>	<b>909,585,969.10</b>	<b>30,109,472.91</b>
Cash and cash equivalents at beginning of the year	233,347,099.62	174,829,573.85	191,532,286.48	161,422,813.57
<b>Cash and cash equivalents at end of the year</b>	<b>1,110,940,635.70</b>	<b>233,347,099.62</b>	<b>1,101,118,255.58</b>	<b>191,532,286.48</b>

Additional information of non-cash transaction

Year 2016, The Company and subsidiary had purchased the vehicles at cost in the amount of Baht 8.47 million

in the consolidated financial statements and in the amount of Baht 7.46 million in the separate financial statements.

The purchase of vehicles had been paid by cash of Baht 0.62 million in the consolidated financial statements and Baht 0.32 million

in the separate financial statements and the remaining amount had been made by entering into a finance lease agreement.

**RICH SPORT PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. GENERAL INFORMATION**

Rich Sport Public Company Limited (“the Company”) was incorporated in Thailand and has its registered office at 116/20, Na-Ranong Road, Khlong Toei, Bangkok, Thailand.

The Company was listed on the stock Exchange of Thailand on November 10, 2017. For reporting purpose, the Company and its subsidiary are referred to as the Group.

The principal activity of the Company and its subsidiary (“the Group”) are manufacture and selling shoes, clothes, caps and bags.

The financial statements have been approved for issue by the Board of Directors of the Company on February 22, 2018.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), including the related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) and the financial reporting requirements of the Securities and Exchange Commission.

The financial statements are presented in Thai Baht, which is the Company’s functional currency. The preparation of these financial statements is in Thai and English language and issued for Thai reporting purposes.

The preparation of the financial statements in conformity with Thai Financial Reporting Standards (“TFRS”) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

## **BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements consisted of the financial statements of the Group as follows:

Subsidiary	Located in	Business type	<i>Percent</i>	
			Percentage of holding	
			December 31,	
			2017	2016
Benefit Shoes Company Limited	Thailand	Manufacture of shoes	100.00	100.00

The Company has invested in the ordinary shares at 100 percent of the registered share capital of Benefit Shoes Company Limited (the subsidiary). The shareholders of the Company have controlled the subsidiary throughout the period before investment, therefore, this business combination is considered as a business combination under common control. The investment is totalling of Baht 52 million and the difference between the cost of business combination under common control, which is lower than the net book value of the subsidiary, is of Baht 50.36 million (see note 9). The mentioned difference is considered as “Surplus from business combination under common control” and separately presented in the shareholders’ equity.

All significant intercompany transactions and accounts are eliminated in preparing the consolidated financial statements.

The preparations of the consolidated financial statements have been based on the same accounting policies for the same or similar accounting transactions or accounting events.

Subsidiary is an entity controlled by the Company. The Company is deemed to have control over an investee or subsidiary 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 significantly affect the amount of its returns. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Surplus on business combination under common control is the difference between the net book value of the acquired investment and the acquisition cost of investment from a business restructuring under common control. The mentioned investment is a merger that has the same existing shareholders and management. That surplus is presented in the statement of financial position under shareholders' equity.

### **Adoption of new and revised Thai Financial Reporting Standards**

The FAP has issued the notifications, mandating the use of new and revised Thai Accounting Standards ("TAS"), Thai Financial Reporting Standards ("TFRS"), Thai Standard Interpretations ("TSIC") Thai Financial Reporting Interpretations ("TFRIC") (revised 2016) and accounting guidance ("AG") which are effective for the financial statements, which its accounting period beginning on or after January 1, 2017 as follows:

<b>TAS</b>	<b>Topic</b>
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 2 (revised 2016)	Inventories
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 11 (revised 2016)	Construction Contracts
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 20 (revised 2016)	Accounting for Government Grants and Disclosure of Government Assistance

<b>TAS</b>	<b>Topic</b>
TAS 21 (revised 2016)	The Effect of Changes in Foreign Exchange Rates
TAS 23 (revised 2016)	Borrowing Costs
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 29 (revised 2016)	Financial Reporting in Hyperinflationary Economies
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 41 (revised 2016)	Agriculture
TAS 104 (revised 2016)	Accounting for Troubled Debt Restructurings
TAS 105 (revised 2016)	Accounting for Certain Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
<b>TFRS</b>	<b>Topic</b>
TFRS 2 (revised 2016)	Share-based Payment
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts

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

## **TSIC**

## **Topic**

TSIC 10 (revised 2016)	Government Assistance - No specific Relation to Operating Activities
TSIC 15 (revised 2016)	Operating Leases-Incentives
TSIC 25 (revised 2016)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

## **TSIC**

## **Topic**

TSIC 27 (revised 2016)	Evaluating the Substance of the Transactions Involving the Legal Form of a Lease
TSIC 29 (revised 2016)	Service Concession Arrangements : Disclosures
TSIC 31 (revised 2016)	Revenue - Barter Transactions Involving Advertising Services
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs

## **TFRIC**

## **Topic**

TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease



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

#### **Accounting guidance**

#### **Topic**

Accounting guidance for derecognition of financial assets and financial liabilities

During the year, the Group has adopted new and revised TFRS which are effective for the accounting period beginning on or after January 1, 2017. These TFRS 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 TFRS does not have any significant impact on the financial statements of the Group.

#### **New and revised Thai Financial Reporting Standards not yet effective**

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

The management of the Group is assessing the impacts of these TFRS on the financial statements for the year in which they are initially applied.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **The measurement bases used in preparing the financial statements**

Other than those disclosed elsewhere in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

#### **Revenues**

Revenue excludes value added taxes is arrived at after deduction of trade discounts.

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Revenues from services are recognized when services are rendered.

#### **Revenue from rental**

Revenue from rental is recognized to the statement of comprehensive income by the straight-line method over the term of the agreement.

#### **Interest income**

Interest income is recognized as income on an accrual basis, based on the effective rate method.

#### **Other income**

Other income is recognized on an accrual basis.

## **Expenses**

### **Operating leases**

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of comprehensive income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

### **Finance 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.

The interest component of finance lease payments is recognized in the statement of comprehensive income using the effective interest rate method.

Expenses are recognized on an accrual basis.

## **Employee benefits**

### **Short-term benefits**

The Group recognizes salaries, wages, bonus and social security contribution as expenses when incurred.

### **Post-employment benefits – defined contribution plan**

The Group operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and the Group.

Contributions to the provident fund and obligations to defined contribution plan are charged to the statement of comprehensive income in the period to which they relate.

#### Post-employment benefits – defined benefit plan

The employee benefit obligations in relation to the severance payment under the labor law and the group's define the additional are recognized as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group recognizes actuarial gains ( losses) immediately in other comprehensive income.

#### Termination benefits

The Group recognizes termination benefits as a liability and expense when the Company terminates the employment of an employee or group of employees before the normal retirement date.

#### **Income tax**

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

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

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

### **Cash and cash equivalents**

Cash and cash equivalents are cash on hand, current deposits and savings deposits, cash at bank with an original maturity of 3 months and short-term investments with high liquidity excluded deposits at bank on obligation.

### **Current investments**

Current investments are fixed deposits with maturities not over one year.

### **Trade and other receivables**

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The Group records allowance for doubtful accounts that is provided for the estimated losses that may be incurred in collection of receivables.

In determining an allowance for doubtful accounts, the management needs to make judgment for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of analysis of debt aging, collection experience, and taking into account change in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

## **Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories are calculated by weighted average method.

Raw materials and supplies are stated at the cost by weighted average method.

Cost comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business less the costs to make the sale.

The Group records allowance for devaluation of inventories is made for all deteriorated, damaged, obsolete and slow-moving inventories.

## **Investment in subsidiary**

Investment in subsidiary in the separate financial statements is accounted for using the cost method less allowance for impairment loss (if any).

## **Investment property**

Investment property is the property held for earning rental income, or for capital appreciation or for both, but not for sale in the normal course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost less accumulated depreciation and allowance for impairment.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment properties to a working condition for its intended use and capitalised borrowing costs.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

Building	8, 10 and 15	years
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Depreciation is included in determining income and no depreciation is provided on land.

#### Subsequent costs

The cost of replacing a part of an item of property and plant is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and plant are recognized in profit or loss as incurred.

#### Reclassification to property and plant

When the use of an investment properties changes such that it is reclassified as property and plant, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

### **Property, plant and equipment**

#### Owned assets

Land is stated at cost, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable

to bringing the asset to the location and condition necessary for it to be capable of operating for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different consumption patterns or useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expenses in profit or loss.

#### Leased assets

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and accumulated impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

#### Reclassification to investment properties

When the use of a property changes from owner-occupied to investment properties, its carrying amount is recognized and reclassified as investment properties.

#### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### Depreciation



Depreciation is calculated based on the depreciable amount of plant and equipment, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Buildings	5 and 20 years
Machinery and factory equipment	5 and 10 years
Office equipment	3 and 5 years
Vehicles	5 and 8 years

Depreciation for the finance lease assets is charged as expense for each accounting period. The depreciation method for leased assets is consistent with that for depreciable assets that are owned by the Group.

For the Group, no depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **Intangible assets**

Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortization and accumulated impairment losses.

### **Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

### **Amortization**

Amortization is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

Software	3, 5 and 10 years
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For the Group, no amortization is provided on assets under development.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## **Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the current fair value and acquisition cost, less any impairment loss on that financial asset previously recognized in profit or loss.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing 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.

#### Reversals of impairment

An impairment loss in respect of financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

An impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or accumulated amortisation, if no impairment loss had been recognised.

## Foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies using the exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period date are translated into the functional currency using the exchange rate at the end of reporting period date.

Gain or loss upon conversion is included in the statements of comprehensive income.

#### Finance lease

The Group recognized finance leases as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## **Dividends**

Dividend and interim dividend payment are recorded in the financial statements in the period in which they are approved by Shareholders' meeting and Board of Directors' meeting.

## **Provisions**

A provision is recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group is obligated to remove decoration and fixtures and restore the rental spaces before returning them to the lessors at the end of the rental agreements. The Group records a provision for decommissioning whenever it is highly probable that an obligation will arise as a result of a past event and the amount of the obligation can be reliably estimated. In estimating of decommissioning costs, the management exercises judgement in predicting future decommissioning costs, discount rate and economic useful lives of the assets.

## **Share premium**

According to the Section 51 of the Public Limited Companies Act B.E. 2535 requires companies to set aside share subscriptions received in excess of the par value of the shares issued to a reserve account ("share premium"). Share premium is not available for dividend distribution.

## **Basic earnings per share**

Basic earnings per share for the years ended December 31, 2017 and 2016 is calculated by dividing profits for the years by the weighted average number of ordinary shares issued and paid-up during the years, after adjusting the number of ordinary shares for the years ended December 31, 2016 to reflect the impact of the changing the par value (see note 18). The prior year's basic earnings per share have been recalculated as if the changing the par value had been distributed at the beginning of the earliest period reported.

For the years ended December 31, 2017 and 2016 were as follows:

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Profit for the years (Baht)	226,059,749.28	298,763,081.71	251,925,655.23	364,686,068.13
<b>Weighted average number of ordinary shares (shares)</b>				
Issued ordinary shares at the beginning of year	350,000,000	200,000,000	350,000,000	200,000,000
Effect of shares issued	189,315,068	43,483,607	189,315,068	43,483,607
Weighted average number of ordinary shares	539,315,068	243,483,607	539,315,068	243,483,607
Basic earnings per share (Baht)	0.42	1.23	0.47	1.50

#### 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 Group applied 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 Group measured fair value using valuation techniques 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 Group determined 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.

#### 4. TRANSACTIONS WITH RELATED PARTIES

The Group had transactions with related parties. These parties were related through common shareholders and/or directorships or close members of the family of management. The significant transactions with related parties as included in the financial statements are determined at the prices in line occurring in the normal course of business based on the market price in general or the price as stipulated in the agreement if no market price exists.

Significant transactions with related parties for the years ended December 31, 2017 and 2016 were as follows:

	<i>Baht</i>			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Benefit Shoes Company Limited</b>				
Purchase of goods	-	-	209,387,784.40	302,400,377.40
Other income	-	-	4,092,000.00	3,240,000.00
Selling expenses	-	-	-	27,500.00
Dividend income	-	-	33,799,870.00	77,999,700.00
<b>Carnival Supply Company Limited</b>				
Sale of goods	5,672,565.41	12,771,002.28	5,672,565.41	12,771,002.28
<b>Spirit Corporation Company Limited</b>				
Purchase of lands and building	-	60,620,000.00	-	60,620,000.00
<b>Related persons</b>				
Consulting fee	300,000.00	-	300,000.00	-

### Significant agreements

The Company has entered into the agreement regarding accounting and finance service with the subsidiary at a monthly service of Baht 231,000.

The Company has entered into the rental agreement for equipment and assets with the subsidiary at a monthly rental of Baht 10,000.

The Company has entered into the rental agreement for land including constructions with the subsidiary at a monthly rental of Baht 100,000.

The Company has entered into the consulting agreement with a related person to provide the business advices and recommendations at a monthly service of Baht 25,000.

The significant balances of assets and liabilities with related parties as at December 31, 2017 and 2016 were as follows:

<b>Baht</b>				
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Trade receivables				
Carnival Supply Company Limited	1,130,970.00	2,464,890.00	1,130,970.00	2,464,890.00
Trade and other payables				
Benefit Shoes Company Limited	-	-	59,722,231.02	47,273,766.75
Directors	388,143.91	5,496,362.48	212,654.65	5,099,872.39
Management	31,022.00	2,073,218.60	31,022.00	2,073,218.60

#### Short-term loans to related person

Movements of short-term loans to related person for the year ended December 31, 2016 were as follows:

		<b>Baht</b>
		<u>Consolidated and separate financial statements</u>
Beginning balance		900,000.00
Increase		2,721,900.50
Decrease		(3,621,900.50)
Ending balance		<u>-</u>

The Company had short-term loans to related person without agreement, no interest charged and unsecured.

#### Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2017 and 2016 consisted of:

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Short-term benefits	32,271,844.00	39,866,914.00	28,194,343.00	35,701,368.00
Long-term benefits	2,950,583.00	1,646,272.88	2,612,767.00	1,209,475.88
Total	35,222,427.00	41,513,186.88	30,807,110.00	36,910,843.88

### **Directors' remuneration**

Directors' remuneration represents benefits paid to the directors of the Group in accordance with Section 90 of the Public Company Limited Act, exclusive of salaries and related benefit payable to directors who hold executive positions.

For the year ended December 31, 2017, the Company paid directors' remuneration in the amount of Baht 2.37 million (year 2016: Baht 0.08 million).

### **Co-guarantee for liabilities with related parties**

As at December 31, 2017, related parties had co-guarantee liabilities as follows:

### **The Company**

The directors of the Company and shareholder and the former director of the Company had guaranteed for credit facilities from financial institutions without compensation (see note 14).

On February 6, 2018, the financial institutions released the guaranteed obligations to the directors of the Company and shareholder.

The directors and the former director of the Company had guaranteed for the liabilities under finance leases without compensation (see note 16).



## The subsidiary

The directors of the subsidiary had guaranteed for the liabilities under finance leases of the subsidiary without compensation (see note 16).

### Nature of relationship

Name	Country /		Type of relation
	Nationality	Relation	
Benefit Shoes Company Limited	Thailand	Subsidiary	Direct holding and common director
Spirit Corporation Company Limited	Thailand	Related company	Director of the Company are the close members of the family of management and/or shareholders of the Group
Carnival Supply Company Limited	Thailand	Related company	Shareholders and/or director of the Company are the close members of the family of management and/or shareholders of the Group
Related person	Thai	Related person	Close members of the family of management and/or shareholders of the Group

### Bases of measurement for intercompany revenues and expenses

	Pricing policies
Purchase and sale of goods	Stipulate in the agreement
Purchase of lands and buildings	Stipulate in the agreement referred to the appraisal value of an independent appraiser
Other income and expenses	Stipulate in the agreement

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2017 and 2016 consisted of:

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash	2,785,568.00	1,890,353.00	2,685,568.00	1,790,353.00
Cash at banks	1,108,155,067.70	231,456,746.62	1,098,432,687.58	189,741,933.48
Total	<u>1,110,940,635.70</u>	<u>233,347,099.62</u>	<u>1,101,118,255.58</u>	<u>191,532,286.48</u>

**6. TRADE AND OTHER RECEIVABLES**

Trade and other receivables as at December 31, 2017 and 2016 consisted of:

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade receivables	175,082,213.50	198,977,629.12	175,082,213.50	198,977,629.12
Other receivables	4,036,253.89	645,004.56	2,699,063.75	561,221.56
Less Allowance for doubtful accounts	(456,115.25)	(492,475.24)	(456,115.25)	(492,475.24)
Other receivables - net	<u>3,580,138.64</u>	<u>152,529.32</u>	<u>2,242,948.50</u>	<u>68,746.32</u>
Trade and other receivables - net	<u>178,662,352.14</u>	<u>199,130,158.44</u>	<u>177,325,162.00</u>	<u>199,046,375.44</u>

As at December 31, 2017 and 2016, the Group had outstanding balances of trade receivables aged by number of months as follows:

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current	174,192,744.50	197,214,688.67	174,192,744.50	197,214,688.67
Overdue				
Not over 3 months	867,905.00	1,762,940.45	867,905.00	1,762,940.45
Over 3 months up to 6 months	21,564.00	-	21,564.00	-
Total	<u>175,082,213.50</u>	<u>198,977,629.12</u>	<u>175,082,213.50</u>	<u>198,977,629.12</u>

Movements of allowance for doubtful accounts for the years ended December 31, 2017 and 2016 were as follows:

	<i>Baht</i>	
	Consolidated and separate financial statements	
	2017	2016
Beginning balance	492,475.24	456,115.25
<b>Add (Less)</b> Doubtful accounts (reversal)	(36,359.99)	36,359.99
Ending balance	456,115.25	492,475.24

## 7. INVENTORIES

Inventories as at December 31, 2017 and 2016 consisted of:

	<i>Baht</i>			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Finished goods	180,199,583.76	167,488,453.91	206,820,123.24	195,016,954.97
Work in process	2,588,648.61	6,456,874.42	-	-
Raw materials	7,240,020.85	16,522,790.86	-	-
Supplies	2,749,843.72	3,056,006.73	156,463.91	96,142.95
Finished goods in transit	6,332,200.73	12,429,798.11	6,332,200.73	12,429,798.11
Total	199,110,297.67	205,953,924.03	213,308,787.88	207,542,896.03
<b>Less</b> Allowance for devaluation				
of inventories	(20,128,534.46)	(7,583,240.59)	(20,128,534.46)	(7,583,240.59)
Inventories - net	178,981,763.21	198,370,683.44	193,180,253.42	199,959,655.44

Movements of allowance for devaluation of inventories for the years ended December 31, 2017 and 2016 were as follows:

	<i>Baht</i>	
	Consolidated and separate financial statements	
	2017	2016
Beginning balance	7,583,240.59	5,958,709.11
<b>Add</b> Loss from devaluation of inventories	12,545,293.87	1,624,531.48
Ending balance	20,128,534.46	7,583,240.59

## 8. RESTRICTED BANK DEPOSITS

Restricted bank deposits as at December 31, 2017 and 2016 consisted of:

<i>Baht</i>			
Consolidated and separate financial statements			
Cash at Bank	2017	2016	Collateral
Fixed deposits	7,161,015.53	7,099,839.45	Credit facilities from financial institution
Fixed deposits	858,078.28	724,434.51	Employee guarantee
	<u>8,019,093.81</u>	<u>7,824,273.96</u>	

## 9. INVESTMENT IN SUBSIDIARY

Investment in subsidiary recorded by cost method as at December 31, 2017 and 2016 consisted of:

<i>Baht</i>						
Subsidiary	Business type	Percentage of Investment (%)	Paid-up share capital		Cost	
			2017	2016	2017	2016
Benefit Shoes Company Limited	Manufacture of shoes	100.00	52,000,000.00	52,000,000.00	<u>51,999,800.00</u>	<u>51,999,800.00</u>

## 10. INVESTMENT PROPERTY

Movements of investment property for the years ended December 31, 2017 and 2016 were as follows:

**Baht**

	Separate financial statements		
	Land	Buildings	Total
<b>Cost</b>			
At January 1, 2016	-	-	-
Purchase/ Transfer in	47,984,952.94	16,199,686.23	64,184,639.17
Disposal/ Transfer out	-	-	-
At December 31, 2016	47,984,952.94	16,199,686.23	64,184,639.17
Purchase/ Transfer in	-	-	-
Disposal/ Transfer out	-	-	-
At December 31, 2017	47,984,952.94	16,199,686.23	64,184,639.17
<b>Accumulated depreciation</b>			
At January 1, 2016	-	-	-
Depreciation/ Transfer in	-	619,600.01	619,600.01
Disposal/ Transfer out	-	-	-
At December 31, 2016	-	619,600.01	619,600.01
Depreciation/ Transfer in	-	1,187,091.59	1,187,091.59
Disposal/ Transfer out	-	-	-
At December 31, 2017	-	1,806,691.60	1,806,691.60
<b>Net book value</b>			
At December 31, 2016	47,984,952.94	15,580,086.22	63,565,039.16
At December 31, 2017	47,984,952.94	14,392,994.63	62,377,947.57

**Millions Baht**

	Separate financial statements	
	2017	2016
Depreciation for the years ended December 31, was included in administrative expenses	1.19	0.62

Investment property of the Company with its carrying amount of Baht 63.57 million were appraised with the appraisal value of Baht 60.62 million by Thai Property Appraisal Lynn Phillips Co., Ltd., an independent appraiser engaged by the Company. The appraisal was based on sales comparison approach for land, and depreciated replacement cost approach for factory building as per their appraisal report dated on December 22, 2014.

## 11. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the years ended December 31, 2017 and 2016 were as follows:

*Baht*

	Consolidated financial statements						Total
	Land	Buildings	Machinery and factory equipment	Office equipment	Vehicles	Equipment under installations	
<b>Cost</b>							
At January 1, 2016	12,013,849.34	21,868,333.34	24,233,728.38	94,042,723.55	16,678,590.20	3,228,903.83	172,066,128.64
Purchase/ Transfer in	47,984,952.94	17,736,401.23	3,873,680.88	33,885,772.57	10,016,372.69	20,606,698.20	134,103,878.51
Disposal/ Transfer out	-	(337,077.83)	(5,888,401.91)	(32,407,972.76)	(5,208,000.00)	(23,619,136.76)	(67,460,589.26)
At December 31, 2016	59,998,802.28	39,267,656.74	22,219,007.35	95,520,523.36	21,486,962.89	216,465.27	238,709,417.89
Purchase/ Transfer in	-	2,068,052.00	1,611,319.07	30,786,427.32	0.28	-	34,465,798.67
Disposal/ Transfer out	-	-	(583,074.54)	(6,401,584.05)	-	(11,063.11)	(6,995,721.70)
At December 31, 2017	59,998,802.28	41,335,708.74	23,247,251.88	119,905,366.63	21,486,963.17	205,402.16	266,179,494.86
<b>Accumulated depreciation</b>							
At January 1, 2016	-	5,534,627.32	14,806,255.66	57,139,241.61	6,934,223.89	-	84,414,348.48
Depreciation	-	3,707,867.13	3,007,453.44	17,869,650.89	1,252,841.58	-	25,837,813.04
Disposal/ Transfer out	-	(337,070.83)	(5,114,904.89)	(28,185,820.34)	(3,376,466.10)	-	(37,014,262.16)
At December 31, 2016	-	8,905,423.62	12,698,804.21	46,823,072.16	4,810,599.37	-	73,237,899.36
Depreciation	-	4,604,866.44	4,036,309.66	17,242,332.13	1,553,841.47	-	27,437,349.70
Disposal/ Transfer out	-	-	(492,181.34)	(4,627,189.99)	-	-	(5,119,371.33)
At December 31, 2017	-	13,510,290.06	16,242,932.53	59,438,214.30	6,364,440.84	-	95,555,877.73
<b>Net book value</b>							
At December 31, 2016	59,998,802.28	30,362,233.12	9,520,203.14	48,697,451.20	16,676,363.52	216,465.27	165,471,518.53
At December 31, 2017	59,998,802.28	27,825,418.68	7,004,319.35	60,467,152.33	15,122,522.33	205,402.16	170,623,617.13

## Separate financial statements

	Land	Buildings	Office equipment	Vehicles	Equipment under installations	Total
<b>Cost</b>						
At January 1, 2016	12,013,849.34	19,707,862.05	90,637,195.24	13,844,577.19	3,228,903.83	139,432,387.65
Purchase/ Transfer in	-	-	32,957,191.63	8,907,572.69	20,606,698.20	62,471,462.52
Disposal/ Transfer out	-	-	(31,607,126.07)	(5,208,000.00)	(23,619,136.76)	(60,434,262.83)
At December 31, 2016	12,013,849.34	19,707,862.05	91,987,260.80	17,544,149.88	216,465.27	141,469,587.34
Purchase/ Transfer in	-	855,952.00	29,113,511.33	0.28	-	29,969,463.61
Disposal/ Transfer out	-	-	(6,320,408.69)	-	(11,063.11)	(6,331,471.80)
At December 31, 2017	12,013,849.34	20,563,814.05	114,780,363.44	17,544,150.16	205,402.16	165,107,579.15
<b>Accumulated depreciation</b>						
At January 1, 2016	-	3,951,571.95	55,195,943.04	4,644,893.50	-	63,792,408.49
Depreciation	-	2,864,612.47	17,137,545.93	1,115,264.15	-	21,117,422.55
Disposal/ Transfer out	-	-	(27,492,856.06)	(3,376,466.10)	-	(30,869,322.16)
At December 31, 2016	-	6,816,184.42	44,840,632.91	2,383,691.55	-	54,040,508.88
Depreciation	-	2,900,151.85	16,229,205.41	1,339,818.57	-	20,469,175.83
Disposal/ Transfer out	-	-	(4,565,328.41)	-	-	(4,565,328.41)
At December 31, 2017	-	9,716,336.27	56,504,509.91	3,723,510.12	-	69,944,356.30
<b>Net book value</b>						
At December 31, 2016	12,013,849.34	12,891,677.63	47,146,627.89	15,160,458.33	216,465.27	87,429,078.46
At December 31, 2017	12,013,849.34	10,847,477.78	58,275,853.53	13,820,640.04	205,402.16	95,163,222.85

	<i>Millions Baht</i>			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Depreciation for the years ended December 31, were included in				
- Cost of sales	5.83	3.98	-	-
- Selling expenses	14.18	15.47	14.18	15.47
- Administrative expenses	7.43	6.36	6.29	5.65
Total	27.44	25.81	20.47	21.12
As at December 31, The gross carrying amount fully depreciated that is still in use	39.29	31.88	26.94	20.71
At December 31, The net book value of asset under finance lease agreements (see note 16)				
- Vehicles	12.68	13.94	11.48	12.55
- Office equipment	-	0.17	-	0.17
Total	12.68	14.11	11.48	12.72

As at December 31, 2017

<i>Millions Baht</i>				
The rate of				
Property lease agreement (lessee)	Lessor	Period	lease per month	Remark
Rich Sport Public Company Limited				
Warehouse lease agreement	Other company	3 years	0.10	-
Building lease agreement	Other company and another person	1 - 3 years	2.61	-
Benefit Shoes Company Limited				
Warehouse lease agreement	Other company	6 months	0.04	-
Parking lease agreement	Other company	1 year	0.03	-



## 12. INTANGIBLE ASSET

Movements of intangible asset for the years ended December 31, 2017 and 2016 were as follows:

	<i>Baht</i>		
	Consolidated financial statements		
	Software	Software under installations	Total
<b>Cost</b>			
At January 1, 2016	223,157.89	5,722,000.00	5,945,157.89
Purchase/ Transfer in	6,244,950.00	1,633,000.00	7,877,950.00
Disposal/ Transfer out	1,700,000.00	(7,355,000.00)	(5,655,000.00)
At December 31, 2016	8,168,107.89	-	8,168,107.89
Purchase/ Transfer in	4,269,429.68	-	4,269,429.68
Disposal/ Transfer out	-	-	-
At December 31, 2017	12,437,537.57	-	12,437,537.57
<b>Accumulated amortization</b>			
At January 1, 2016	110,850.61	-	110,850.61
Amortization	785,747.19	-	785,747.19
Disposal/ Transfer out	-	-	-
At December 31, 2016	896,597.80	-	896,597.80
Amortization	1,269,612.92	-	1,269,612.92
Disposal/ Transfer out	-	-	-
At December 31, 2017	2,166,210.72	-	2,166,210.72
<b>Net book value</b>			
At December 31, 2016	7,271,510.09	-	7,271,510.09
At December 31, 2017	10,271,326.85	-	10,271,326.85

*Baht*

	Separate financial statements		
	Software	Software under installations	Total
<b>Cost</b>			
At January 1, 2016	223,157.89	700,000.00	923,157.89
Purchase/ Transfer in	589,950.00	1,000,000.00	1,589,950.00
Disposal/ Transfer out	1,700,000.00	(1,700,000.00)	-
At December 31, 2016	2,513,107.89	-	2,513,107.89
Purchase/ Transfer in	2,181,300.00	-	2,181,300.00
Disposal/ Transfer out	-	-	-
At December 31, 2017	4,694,407.89	-	4,694,407.89
<b>Accumulated amortization</b>			
At January 1, 2016	110,850.61	-	110,850.61
Amortization	250,973.32	-	250,973.32
Disposal/ Transfer out	-	-	-
At December 31, 2016	361,823.93	-	361,823.93
Amortization	558,512.97	-	558,512.97
Disposal/ Transfer out	-	-	-
At December 31, 2017	920,336.90	-	920,336.90
<b>Net book value</b>			
At December 31, 2016	2,151,283.96	-	2,151,283.96
At December 31, 2017	3,774,070.99	-	3,774,070.99

*Millions Baht*

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Amortization for the years ended December 31				
was included in administrative expenses	1.27	0.79	0.56	0.25

### 13. DEFERRED TAX

Deferred tax as at December 31, 2017 and 2016 consisted of:

	<i>Baht</i>			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Deferred tax assets	10,499,974.96	7,278,291.96	9,210,856.25	6,166,485.26
Deferred tax liabilities	(1,100,913.78)	(805,005.38)	(1,100,913.78)	(805,005.38)
Deferred tax assets - net	9,399,061.18	6,473,286.58	8,109,942.47	5,361,479.88

Movements in deferred tax assets and liabilities during the years were as follows:

	<i>Baht</i>					
	Consolidated financial statements				Other	
	At January 1, 2016	Profit (loss)	At December 31, 2016	Profit (loss)	comprehensive income	At December 31, 2017
<b>Deferred tax assets</b>						
Inventories	1,191,741.82	324,906.30	1,516,648.12	2,509,058.77	-	4,025,706.89
Provisions	3,712,467.44	2,049,176.40	5,761,643.84	651,613.03	61,011.20	6,474,268.07
Total	4,904,209.26	2,374,082.70	7,278,291.96	3,160,671.80	61,011.20	10,499,974.96
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(90,772.27)	(714,233.11)	(805,005.38)	(295,908.40)	-	(1,100,913.78)

	Separate financial statements					
	At January 1, 2016	Profit (loss)	At December 31, 2016	Profit (loss)	Other comprehensive income	At December 31, 2017
<b>Deferred tax assets</b>						
Inventories	1,191,741.82	324,906.30	1,516,648.12	2,509,058.77	-	4,025,706.89
Provisions	2,782,762.17	1,867,074.97	4,649,837.14	523,167.62	12,144.60	5,185,149.36
Total	3,974,503.99	2,191,981.27	6,166,485.26	3,032,226.39	12,144.60	9,210,856.25
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(90,772.27)	(714,233.11)	(805,005.38)	(295,908.40)	-	(1,100,913.78)

#### 14. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2017 the Company has credit facilities from financial institutions the details were as follows:

	<i>Millions Baht</i>
Type of credit	Credit line
Forward exchange	125
Trust receipt/Letter of credit	100

The Fixed accounts of the Company are used as collateral for credit facilities from financial institutions. Moreover, the loans are also fully personal guaranteed by the director of the Company and shareholder and the former director of the Company (see note 4).

#### 15. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, 2017 and 2016 consisted of:

**Baht**

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade payables	18,733,988.94	30,196,603.29	60,865,583.26	59,159,915.82
Other payables				
Accrued expenses	78,839,956.25	95,911,236.69	72,323,490.85	87,512,854.24
Others	265,966.03	266,924.89	183,897.03	266,924.89
Total	79,105,922.28	96,178,161.58	72,507,387.88	87,779,779.13
Grand total	97,839,911.22	126,374,764.87	133,372,971.14	146,939,694.95

**16. LIABILITIES UNDER FINANCE LEASES**

Liabilities under finance leases as at December 31, 2017 and 2016 consisted of:

**Baht**

Consolidated financial statements						
	2017			2016		
			Minimum			Minimum
Year	Present value	Deferred interest	lease payment	Present value	Deferred interest	lease payment
1	2,251,089.50	256,555.56	2,507,645.06	2,161,311.25	378,849.85	2,540,161.10
2 - 5	3,339,659.16	222,197.68	3,561,856.84	5,590,748.59	478,753.26	6,069,501.85
Total	5,590,748.66	478,753.24	6,069,501.90	7,752,059.84	857,603.11	8,609,662.95

**Baht**

Separate financial statements						
	2017			2016		
			Minimum			Minimum
Year	Present value	Deferred interest	lease payment	Present value	Deferred interest	lease payment
1	1,904,159.83	229,429.75	2,133,589.58	1,832,895.29	333,210.33	2,166,105.62
2 - 5	3,035,657.45	214,486.49	3,250,143.94	4,939,817.24	443,916.23	5,383,733.47
Total	4,939,817.28	443,916.24	5,383,733.52	6,772,712.53	777,126.56	7,549,839.09

The Group entered into the finance lease agreements to purchase vehicles, payable monthly in the amount of Baht 0.21 million (year 2016: Baht 0.22 million). As at December 31, 2017, the current portion of liabilities under the finance leases in the amount of Baht 2.25 million (year 2016: Baht 2.16 million) for the consolidated financial statements and in the amount of Baht 1.90 million (year 2016: Baht 1.83 million) for the separate financial statements. The liabilities

under finance leases are fully personal guaranteed by the director and the former director of the Company (see note 4).

## 17. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations as at December 31, 2017 and 2016 consisted of:

	<i>Baht</i>		<i>Baht</i>	
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Post-employment benefit plan				
Present value of obligations	20,732,878.26	19,828,219.21	14,287,284.70	14,269,185.70
Employee benefit obligations -				
include in the statement of financial position	20,732,878.26	19,828,219.21	14,287,284.70	14,269,185.70

Movements of the present value of employee benefit obligations for the years ended December 31, 2017 and 2016 were as follows:

	<i>Baht</i>		<i>Baht</i>	
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Post-employment benefit plan</b>				
Present value of employee benefit obligations as at January 1	19,828,219.21	18,562,337.16	14,269,185.70	13,913,810.81
Include in profit or loss:				
Current service cost	3,536,015.19	1,573,687.52	2,259,345.00	611,586.33
Interest cost	729,363.00	604,988.53	523,679.00	414,582.56
Included in other comprehensive income:				
Defined benefit plan actuarial loss	305,056.00	-	60,723.00	-
Benefits paid during the years	(3,665,775.14)	(912,794.00)	(2,825,648.00)	(670,794.00)
Present value of employee benefit obligations as at December 31	20,732,878.26	19,828,219.21	14,287,284.70	14,269,185.70

The Group made defined benefit plan in accordance with severance payment as the labour law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

Principal actuarial assumptions as at December 31, 2017 and 2016 (expressed as weighted averages) as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Discount rate	3.46 - 3.70	3.67 - 3.70	3.46	3.67
Salary increase rate	1.50 - 5.00	1.50 - 5.00	3.00 - 5.00	3.00 - 5.00
Turnover rate	0.00 - 50.00	0.00 - 25.00	0.00 - 30.00	0.00 - 20.00

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table in year 2008.

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

	Consolidated financial statements		Separate financial statements	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% Movement)	(1,047,565.50)	1,203,713.00	(640,982.50)	747,472.00
Salary increase rate (0.50% Movement)	1,223,423.50	(1,085,623.00)	730,587.50	(639,636.00)
Turnover rate (0.50% Movement)	(643,718.50)	720,931.50	(409,207.50)	465,501.50

## 18. SHARE CAPITAL

- 18.1 The Extraordinary General Meeting of Shareholders held on September 7, 2016, passed the special resolution to increase the authorized share capital from Baht 200 million to Baht 350 million by issuing new 1.50 million ordinary shares with the par value of Baht 100 each.

The Company has already registered the increase of its authorized share capital with the Ministry of Commerce on September 21, 2016.

- 18.2 The Ordinary General Meeting of Shareholders held on April 7, 2017, passed the resolutions to approve increase the authorized share capital from Baht 350 million to Baht 570 million by issuing new 2.20 million ordinary shares with the par value of Baht 100 each.

The Company has already registered the increase of its registered share capital with the Ministry of Commerce on April 19, 2017.

- 18.3 The Extraordinary General Meeting of Shareholders held on May 31, 2017, passed the resolutions to approve as follows:

18.3.1 Convert the company limited to a public company.

18.3.2 Change the par value of share capital from Baht 100 each to Baht 1 each.

18.3.3 Increase the authorized share capital from Baht 570 million to Baht 770 million by issuing new 200 million ordinary shares with the par value of Baht 1 each.

The Company has registered the convert to a public company, the change its the par value and the increase of its registered share capital with the Ministry of Commerce on June 6, 2017.

- 18.3.4 Allot new ordinary shares of 200 million shares, with the par value of Baht 1 each for the Initial Public Offering as follows:

18.3.4.1 Allot new ordinary shares of 195 million shares, for the Initial Public Offering.

18.3.4.2 Allot new ordinary shares of 5 million shares for offering to directors, management and employees of the Company and the subsidiary, together with the Initial Public Offering under the same bases and approach. In the case that there are the remaining allotted shares from offering to directors, management and employees of the Company and its subsidiaries, such remaining shares will be allotted to offer to the public as stated in No. 18.3.4.1

Assign the authorisation to the Chief Executive Officer or the person assigned by the Chief Executive Officer to determine the related details and conditions regarding the mentioned shares offering such as offering period, offering price, share repayment and the appointment of underwriter, etc.

- 18.4 During November 3-7, 2017, the Company offered the share capital in the amount of 200 million shares to the public and directors, managements and employee of the Group for subscription shares at the offering price of Baht 5.80 per share.



The Company received the mentioned subscription shares, totaling of Baht 1,160 million (the expenses regarding the increase share capital of Baht 41.97 million, were recorded by netting with the share premium account).

On November 8, 2017, the Company registered the change in its paid-up share capital from share subscriptions received of Baht 570 million to Baht 770 million, with the Ministry of Commerce.

## **19. LEGAL RESERVE**

### **Public Limited Companies Act B.E. 2535**

According to the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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 share capital. The statutory reserve could not be used for dividend payment.

### **Civil and Commercial Code**

According to the Civil and Commercial Code, the Company is required to set aside a legal reserve of at least 5 percent of its net profit at each dividend declaration until the legal reserve reaches 10 percent of the registered share capital of the Company.

## **20. DIVIDEND PAYMENT**

### **The Company**

The Ordinary General Meeting of Shareholders held on April 7, 2017, passed the resolutions to approve dividend payment at the rate of Baht 72 per share, totalling of Baht 252 million and set a legal reserve in the amount of Baht 13.41 million.

The Board of Directors' Meeting held on August 11, 2017, passed a resolution to approve interim dividend payment at the rate of Baht 0.18 per share, totalling of Baht 102.60 million.

The Ordinary General Meeting of Shareholders held on April 22, 2016, passed a resolution to approve the dividend payment at the rate of Baht 60 per share, totalling of Baht 120 million.

The Board of directors' Meeting held on August 19, 2016, passed a resolution to approve the interim dividend payment at the rate of Baht 85 per share, totalling of Baht 170 million. The Extraordinary General Meeting of Shareholders held on September 7, 2016 has ratified the mentioned dividend payment.

### The subsidiary

The Board of directors' Meeting held on December 1, 2017, passed a resolution to approve the interim dividend payment at the rate of Baht 65 per share, totalling of Baht 33.80 million.

The Ordinary General Meeting of Shareholders held on April 22, 2016, passed a resolution to approve the dividend payment of subsidiary at the rate of Baht 120 per share, totalling Baht 62.40 million and set a legal reserve in the amount of Baht 5.20 million.

The Board of directors' Meeting held on September 1, 2016, passed a resolution to approve the interim dividend payment at the rate of Baht 30 per share, totalling Baht 15.60 million. The Extraordinary General Meeting of Shareholders held on April 30, 2017 has ratified the mentioned dividend payment.

## 21. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2017 and 2016 consisted of:

	<i>Baht</i>			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Changes in inventories of finished goods and work in process	(8,842,904.04)	(65,401,094.09)	(11,803,168.27)	(83,606,592.77)
Purchase of goods and royalty fee	417,369,924.79	529,970,742.53	558,411,296.56	728,041,584.14
Employees expenses	252,516,793.12	274,464,089.40	173,992,608.41	172,831,906.30
Rent and services expenses	56,560,521.68	44,980,692.16	55,459,195.87	43,906,255.24
Depreciation and amortization	30,319,908.87	30,921,859.08	23,829,394.23	26,303,963.66
Consultant and services expenses	6,585,580.24	4,868,949.32	4,447,239.24	3,139,371.14
Advertising and promotion expenses	35,317,194.06	45,758,865.20	35,317,194.06	45,758,865.20
Repairment and maintenance expenses	6,135,380.98	8,460,222.38	3,589,844.88	5,338,311.11
Utility expenses	8,761,653.44	9,505,939.90	4,564,609.74	4,105,839.42

## 22. INCOME TAX

Income tax of the Group for the years ended December 31, 2017 and 2016 was calculated at a rate specified by the Revenue Department on net earnings after adjusting certain conditions according to the Revenue Code. The Group recorded the corporate income tax as expense for the years and recorded the accrued portion as liabilities in the statements of financial position.

### Income tax reduction

The Revenue Code Amendment Act (No. 42) B.E. 2559 dated March 3, 2016, grants a reduction of the corporate income tax rate from 30% to 20% of net profit for accounting periods beginning on or after January 1, 2016, which will be effective on March 5, 2016, onwards.

Tax expense for the years ended December 31, 2017 and 2016 consisted of:

	<i>Baht</i>			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Current tax</b>				
Current year	(48,626,808.16)	(82,322,956.37)	(46,753,216.93)	(73,134,453.70)
<b>Deferred tax</b>				
Movements in temporary differences	2,864,763.40	1,659,849.59	2,736,317.99	1,477,748.16
Tax expense	<u>(45,762,044.76)</u>	<u>(80,663,106.78)</u>	<u>(44,016,898.94)</u>	<u>(71,656,705.54)</u>

Income tax recognised in other comprehensive loss for the year ended December 31, 2017 as follows:

	<i>Baht</i>	
	Consolidated	Separate
	financial statements	financial statements
Employee benefit obligations	<u>61,011.20</u>	<u>12,144.60</u>

### Reconciliation of effective tax rate

Consolidated financial statements				
2017		2016		
Tax rate		Tax rate		
(%)	<i>Baht</i>	(%)	<i>Baht</i>	
Profit before income tax	271,821,794.04		379,426,188.49	
Income tax using the corporate tax rate	20 (54,364,358.81)	20 (75,885,237.70)		
Expenses not deductible for tax purposes	(4,894,119.56)	(3,322,646.90)		
Revenues granted income tax exemption	6,759,974.00	15,599,940.00		
Addition expenses deductible for tax purposes	10,450,103.90	1,738,575.42		
Effects of elimination entries on consolidation	(6,578,407.69)	(20,453,587.19)		
Current tax	18 (48,626,808.16)	22 (82,322,956.37)		
Movement in temporary differences	2,864,763.40	1,659,849.59		
Tax expense	17 (45,762,044.76)	21 (80,663,106.78)		

Separate financial statements				
2017		2016		
Tax rate		Tax rate		
(%)	<i>Baht</i>	(%)	<i>Baht</i>	
Profit before income tax	295,942,554.17		436,342,773.67	
Income tax using the corporate tax rate	20 (59,188,510.83)	20 (87,268,554.73)		
Expenses not deductible for tax purposes	(4,288,395.45)	(2,903,829.95)		
Revenues granted income tax exemption	6,759,974.00	15,599,940.00		
Addition expenses deductible for tax purposes	9,963,715.35	1,437,990.98		
Current tax	16 (46,753,216.93)	17 (73,134,453.70)		
Movement in temporary differences	2,736,317.99	1,477,748.16		
Tax expense	15 (44,016,898.94)	16 (71,656,705.54)		

## 23. PROVIDENT FUND

The Group and its employees jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The Fund is contributed to by both the employees and the Group. The Fund is managed by BBL Asset Management Company Limited and will be paid to the employees upon termination in accordance with the rules of the Fund. In the year 2017, the Group contributed in the amount of Baht 1.91 million.

## 24. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent manner 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 the directors of the Group.

The Group operates its business in manufacturing and distributing shoes, clothes, cap and bag. Therefore management considers that the Group operates in a single line of business.

Management considers that the Group operates in a single geographic area, namely in Thailand, and has therefore only one geographic segment.

### Information about major customers

In year 2017, the Company has a large number of retail sales by selling through major stores and sell through major department stores totaling 6 major customers in the amount of Baht 640.37 million (year 2016: 6 major customers in the amount of Baht 919.16 million).

## 25. COMMITMENTS AND CONTINGENT LIABILITIES

As at December 31, 2017, the Group had commitments and contingent liabilities as follows:

### The Company

#### 25.1 Commitments for payment under agreements as follows:

##### 25.1.1 Lease of buildings and areas, and services contract (see note 11), with the future minimum lease payments as follows:

	<i>Millions Baht</i>
Within 1 year	49.60
More than 1 year but not over 3 years	26.49

- 25.1.2 The security agreement for a period of 1 year with a monthly service of Baht 0.04 million.
- 25.1.3 The office equipment rental agreement for a period of 4 years, with a monthly service of Baht 0.01 million.
- 25.1.4 The computer system agreement in the amount of Baht 1.68 million.
- 25.1.5 The consultant contract in the amount of Baht 0.90 million.
- 25.1.6 The other services agreement in the amount of Baht 2.42 million.
- 25.1.7 The royalty and marketing fee agreement as agreed in the agreement.
- 25.1.8 The advertising contract in the amount of Baht 2.57 million.
- 25.1.9 The inventories purchase agreement in the amount of USD 0.33 million. Purchase forward exchange contract with domestic commercial banks are as follows:

<i>Millions</i>			
Currency	Outstanding balance	Exchange rate	Maturity
US Dollar	0.27	32.55 Baht Per US Dollar	Dec 14, 2017 - Jun 15, 2018

- 25.2 Letter of guarantee issued by bank used as collateral for credit facilities from financial institutions in the amount of Baht 6.50 million (see note 8).

### **The subsidiary**

- 25.3 Commitments for payment under agreements as follows:
- 25.3.1 The warehouse lease agreement with a monthly rental of Baht 0.04 million.
- 25.3.2 The security agreement with a monthly service of Baht 0.10 million.
- 25.3.3 The equipment rental agreement with a monthly rental of Baht 0.03 million.

## 26. FAIR VALUE HIERARCHY

As at December 31, 2017, the Group had the assets that were measured or disclosed at fair value separately presenting fair value hierarchy as follows:

	Level 1	Level 2	Level 3	<i>Baht</i> Total
<b>Assets for which fair value are disclosed</b>				
<b>The Company</b>				
Investment property				
Carrying amount of Baht 62.38 million	-	45,320,000.00	15,300,000.00	60,620,000.00

### Valuation techniques and inputs to Level 2 valuation

The fair value of land is determined by independent valuers, which was determined on the basis of Market Approach.

### Valuation techniques and inputs to Level 3 valuation

The fair value of building and construction is determined by the independent valuers, which was determined on the basis of Depreciated Replacement Cost Approach.

During the period, there was no transfer within the fair value hierarchy.

## 27. DISCLOSURE OF FINANCIAL INSTRUMENTS

### 27.1 Accounting policies

The details of significant accounting policies and methods used for classification of financial assets and financial liabilities including valuation, basis of recognition of income and expenses are disclosed in note 3.

### 27.2 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity and also monitors the level of dividends to ordinary shareholders.

### 27.3 Financial risk management policies

The Group is exposed to the fluctuations in interest rate and the risks from default of the agreement by counterparties. The Group has risk management policies as follows:

#### 27.3.1 Foreign currency risk

The Group's exchange rate risk primarily involves the purchase of raw materials in foreign currencies. As at December 31, 2017 and 2016, the Group had assets and liabilities in foreign currencies as follows:

	<i>Millions</i>			
	Consolidated financial statements			
	2017		2016	
	Asset	Liability	Asset	Liability
Currency				
US Dollars	-	1.30	-	1.73

	<i>Millions</i>			
	Separate financial statements			
	2017		2016	
	Asset	Liability	Asset	Liability
Currency				
US Dollars	-	1.30	-	1.62

#### 27.3.2 Credit risk – trade receivables

The Group has a policy to hedge credit risk from trade receivables by forming a conservative credit policy and by determining the receipt from the sales and services. Therefore, the Group expects that the loss from the collection of those trade receivables should not exceed the allowance for doubtful accounts.

### 27.4 Fair value



Most of the financial assets are cash and cash equivalents, current investment and trade and other receivables. Most of the financial liabilities are trade and other payables, and liabilities under finance leases, the carrying amount of the financial assets and financial liabilities are not significantly different from their fair value.

## 28. RECLASSIFICATION

The Company has reclassified certain accounts in the consolidated financial statement as at December 31, 2016 to conform with the presentation of statements of current year as follow:

	<i>Baht</i>		
	Before	reclassification	After
<b>Statement of financial position</b>			
Advance payment for purchase of assets	183,500.00	(183,500.00)	-
Other non current assets	25,395,003.41	183,500.00	25,578,503.41

## 29. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors' Meeting held on February 22, 2018, passed the resolutions to approve dividend payment at the rate of Baht 0.15 per share, totaling of Baht 115.50 million.

### **13. Management Discussion and Analysis**

#### **Overview of the company's operation**

The economic downturn in 2017 proved to be challenging for the company. At the end of the year, the economy began to pick up and the purchase power increased during the festivals. The government also adopted the measures for shopping to help the nation. This project helped consumers with medium purchase power to buy more through tax reduction. The Ministry of Commerce also pushed the Project for Being United, Increase Happiness, Shopping Enjoyment and Discount at New Year in the middle of December participated by the manufacturers, suppliers, retailers and wholesalers all over the country for increase in consumption. Private firms also offered sale promotions throughout the festivals.

In 2017, we earned 1,174.66 million baht from sale, which was accounted for 13.55% decrease. Our sale of clothes and other apparel increased by 3.98% while our sale of shoes reduced by 17.95%

We continued to expand our sale outlets and by the end of December 2017 we ended up with 155 outlets:

- 2 more Converse sale points, totaling 159;
- 2 more department store sale counters, totaling 116;
- 2 more company's shops, totaling 41;
- 40 more PONY sale points.

In 2017, we had a gross profit of 611.90 million baht, which was accounted for 52.09%, a decrease from 53.16% in 2016 due to continuous sale promotion in this year to increase spending and reduce the goods in stock.

In 2017, we had a net profit of 226.06 million baht, which was accounted for 19.24%, a decrease from 21.99% in 2016 due to such sale promotions.

#### **Financial Status**

##### **Assets**

On 31 December 2017, we had a total assets of 2,027.20 million baht, which was accounted for an increase from 1,153.86 million baht in 2016 mainly due to an increase in cash and cash equivalence of 877.59 million baht, increase of temporary investments of 300.05 million baht, decrease of account receivable and other debtors of 20.47 million baht, decrease of inventory of 19.39 million baht and increase of other assets of 16.08 million baht.

##### **Liabilities**

On 31 December 2017, the company had a total liabilities of 157.01 million baht, which was accounted for a decrease of 5.38 million baht mainly due to reduction of account receivables and other debtors of 28.53 million baht and reduction of unpaid income tax by 28.95 million baht and increase of other fixed assets by 2.82 million baht.

##### **Shareholder's Equity**

On 31 December 2017, the company had shareholder's equity of 1,870.19 million baht, which was accounted for an increase of 1,209.24 million baht from 2016 mainly due to increase of paid ordinary share of 420 million baht and increase of increase of the value in excess of ordinary

shares of 918.03 million baht and payment of dividend of 354.60 million baht and increase of total profit of 225.81 million baht.

## Liquidity and Financial Ratio

### Cash Flow

In 2017, the company had cash and cash equivalence of 877.59 million baht due to:

- cash of 232.47 million baht from successful operation;
- investment of 335.76 mainly due to temporary investment of 300.05 million baht and purchase of assets of 35.75 million baht for business operation;
- 980.89 million baht of cash from sale of IPO shares for 1,338.02 million baht, payment of dividend of 354.60 million baht and payment of debts of 2.54 million baht under lease agreements.

## Financial Ratio

Financial Ratio	2017	2016
<b>Liquidity Ratio</b>		
liquidity ratio (times)	14.95	3.73
quick liquidity ratio (times)	13.20	2.44
cash liquidity ratio (times)	1.56	1.28
account receivable ratio (times)	5.90	6.74
average debt collection time (days)	60.98	53.40
inventory ratio (times)	3.36	4.62
average product sale time (days)	107.14	77.95
account payable ratio (times)	18.64	19.56
debt payment time (days)	19.32	18.40
Cash Cycle (Days)	148.81	112.94
<b>Profitability Ratio</b>		
Gross profit (%)	52.09	53.16
Profit from operation (%)	22.42	27.56
EBITDA (%)	24.86	29.70
cash per profit ratio (%)	88.29	63.78
Net profit (%)	19.10	21.90
Return per share (%)	17.86	51.37
<b>Efficiency Ratio</b>		
Total returns on assets (%)	15.59	37.33
Total returns on fixed assets (%)	150.85	256.48
<b>Financial Policy Ratio</b>		
debt per shareholder's equity (times)	0.08	0.32
interest payment ability (times)	819.40	1,096.44
obligation payment ability (times)	0.59	0.71
Dividend payment ratio (%)	140.76	115.72

## Appendix

## Details about the executive authority control

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
Gen. Phairat Phoubon  Chairman of the board  And Independent Director	61	Bachelor of Engineering ,Military map school, military map department  Course of Directors Accreditation Program (DAP) batch 123/2016.	-	-	2559 - Present	Chairman of the board And Independent	Rich Sport Plc.	Production, supply and distribution of footwear
					2559 - Present	Director independent Director	2 S. metal Plc.	Clothing and other apparel. Manufacturing and distribution services to integrated steel products.
					2560 - present	Committee	Council WVO nationals.	
					2560 - present	Honorary Advisor	Savings and Credit Cooperatives,Military map	Government
					2559 – Present	Honorary Advisor	Savings and Credit Cooperatives,Royal Thai Armed Forces Headquarters	Government

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
					2558-2559	Qualified special (General rate)	Royal Thai Armed Forces Headquarters	Government
					2556 – 2558	Chief military	Royal Thai Armed Forces Headquarters	Government
					2552 - 2556	Specialist (The Lieutenant)	Royal Thai Armed Forces Headquarters	Government
Ms. Papitch Wongpaitoonpiya Executive Chairman and Chief Executive Officer  (Authorized signatory of the company).	31	Master of Business Administration, Babson College, USA.  Bachelor of Commerce and Accountancy, Finance, Thammasat University  Course of Directors Accreditation Program (DAP) batch 123/2016.	23:33	Sister of Mr. Pasawich Wongpaitoonpiya	2559 – Present	CommitteeChief Executive President and CEO	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					2559 - Present	Committee	Benefit Shoes CO.	Footwear Manufacturing
					2558 - present	Committee	Rich Sport Holding Plc.	Holding
					2557-2559	Director and President		Production, supply and distribution of footwear Clothing and other apparel.

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
					2555-2557	Director and Executive Vice President	Rich Sport Plc.  Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
Mr. Somroj Sirisophana  Director and Executive Vice President  (Authorized signatory of the company).	59	Bachelor of Accountancy, Mahidol University  Course Directors Accreditation Program (DAP) batch 123/2016.	-	-				Production, supply and distribution of footwear Clothing and other apparel.  Footwear Manufacturing  Marine cargo handling transport  Pharmaceutical factory

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
Mr. Chertchai Prasongphonchai  Director and Executive Vice President Operations.  (Authorized signatory of the company).	59	Bachelor of Commerce and Accountancy.  Department of marketing Thammasat University  Course Directors Accreditation Program (DAP) batch 130/2016.	-	-	2559 - Present	Director and Executive Vice President Operations.	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					2558 - 2559	Deputy Chief Executive Operations	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					2554 - 2558	Director of Marketing	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
Mr. Manit Nitiprateep  Chairman of the Audit Committee and Independent Director	62	Master of Industrial Economics/ Economic Development  NIDA	-	-	2559 - Present	Chairman of the Audit Committee.	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					June 2560 - Present	Chairman of Audit Committee	Ama Marine Plc.	Liquid cargo ship international.



Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
		Bachelor of Economics , Economic Theory ,Ramkhamhaeng university			2558 – present	Audit	Plc. Bangpakong Terminal Plc.	Harbor
		Course Directors Certification Program (DCP) batch 225/2016.			2557 - Present	Audit	Thailand Airport Plc.	airport
		Course Directors Accreditation Program (DAP) batch 126/2016.			2558 – 2559	Committee	PTG Energy Plc.	Retail and wholesale fuel.
					2556 – 2559	Committee	NEP properties and industry Plc.	Production and sale of plastic packaging
					2557 - 2558	Strategic consulting taxation.	Revenue Department	Government
					2555 - 2558	Committee	Marketing Organization for Farmers	state enterprise
					2554 - 2556	deputy director	Revenue Department	Government

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
Mr. Chaisak Angkasuwan  Audit Committee and Independent Director	68	Master of Public Administration Management public and private sectors. NIDA	-	-	2559 - Present	Audit Committee and Independent Director	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
		Bachelor of Laws Thammasat University  Course Directors Certification Program (DCP) batch 129/2010.			2557 - Present	Audit	SNC Former Plc.	Production and sales of parts for air conditioning and refrigeration.
		Course Directors Accreditation Program (DAP) batch 51/2006.  Course The Role of Chairman (RCP) batch 13/2006			2556 - present	Vice President and Audit	One to One Contacts Plc.	Service management, customer relationship full.

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
Mr. Udom Tangmanasakul  Audit Committee and Independent Director	46	Bachelor of Accounting Rangsit University  Course Directors Accreditation Program (DAP) batch 128/2016.	-	-	2559 - Present	Audit Committee and Independent Director	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					2544 - present	Director and President	Pro - Act Services CO.,	Auditing services
Mr. Nimit Supomprasert  Executive Vice President,  Chief Financial Officer	45	Master of Commerce and Accountancy,  Thammasat University Strategic Management.  BAccy  Rajamangala Institute of Technology   Course Directors Accreditation Program (DAP) Class 123/2016.	-	-	2558 - present	Executive Director and Deputy Chief Executive Officer.	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
					2557 - 2558	Accounting and Finance	SF Corporation Plc.	cinema
					2556 - 2557	Account Director	PAE (Thailand) Plc.	Engineering services in the oil and natural gas.
					2544 - 2556	Account manager	Peppo Fashion Group CO.	Retail Apparel

Name- surname / Position	Age (Year)	Education Qualifications	Shareholding in the Company (06/06/60)	Family Relationship Among Executives	Working Experience in the past 5 years.			
					duration	Position	Company Name	Business type
Mr. Peepit Petruentong  Marketing Director	47	Master of Business Administration, International business, Mercer University, USA.  Bachelor's degree in Marketing Assumption University	-	-	2544 - present	Director of Marketing	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.
Mr. Pasawich Wongpaitoonpiya  Business Development Director	28	Bachelor of Chemical Engineering, University College London, UK.	23:33	Younger brother of Ms. Papitch Wongpaitoonpiya	2558 - present	Director of Business Development	Plc. Rich Sport.	Production, supply and distribution of footwear Clothing and other apparel.
					2558 - present	Committee	Rich Sport Holding CO.	Holding
					2555 - 2558	Project manager	Kara Tama CO.	Imported raw food and restaurant.
Ms. Lapasarada Chayapholthanakul  accounting manager	55	Bachelor of Accountancy, Thammasat University.	-	-	2546 - Present	account manager	Rich Sport Plc.	Production, supply and distribution of footwear Clothing and other apparel.



RICH SPORT PUBLIC COMPANY LIMITED

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