

Moong Pattana International Public Company Limited  
Report and financial statements  
31 December 2016

## **Independent Auditor's Report**

To the Shareholders of Moong Pattana International Public Company Limited

### **Opinion**

I have audited the accompanying statements of financial position in which the equity method is applied of Moong Pattana International Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Moong Pattana International Public Company Limited for the same period.

In my opinion, the financial statements in which equity method is applied and the separate financial statements present fairly, in all material respects, the financial position of Moong Pattana International Public Company Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

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

## **Key Audit Matters**

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

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

The key audit matters and the audit procedures performed in response to each matter are described below.

### **a) Revenue recognition**

Revenue from sales is considered to be a significant account because the amounts recorded directly impact the Company's annual profit and loss. Moreover, the Company has numerous customers in various industries which have different commercial terms. I therefore focused on the Company's recognition of sales revenue.

I assessed the Company's revenue recognition by obtaining the understanding and evaluating the effectiveness of the Company's internal controls related to the sales cycle. In addition, I randomly selected sales transactions occurring during the year and near the period end for testing and reviewed credit notes issued to customers after the reporting period. Lastly, I performed analytical reviews of the sales accounts whether there were any unusual sales transactions.

### **b) Inventories**

Determining the net realisable value of inventories, as disclosed in note to the financial statements No.9, required the exercise of judgement, especially in estimating allowance for diminution in the value of inventories for obsolescence and deterioration, which requires a detailed analysis of the inventory cycle, market competition, the economic situation and

the industry. There is a risk that the allowance for diminution in value of inventories may be understated, resulting in the overstatement of the inventory balances.

I gained understanding and evaluated the effectiveness of the Company's internal controls related to the estimation of the allowance for diminution in value of inventories. When estimating the allowance for diminution in value of inventories, I also evaluated the assumptions used by management, by reviewing the criteria used in determining the allowance, the consistency of the application of these criteria. I reviewed whether the calculation of the allowance was made in accordance with the Company's accounting policy and I performed analytical reviews of the inventory holding period and inventory movement to identify whether there were any unusually slow inventory movements.

### **c) Litigation**

As disclosed in note to the financial statements No. 28.5, the Company has contingent liabilities in respect of pending litigation regarding employment contracts. The Central Labor Court has issued a judgment dismissing the lawsuit but the plaintiff has appealed to the Supreme Court. Currently, the case is being heard by the Court.

In addition, the Company is involved in a trade dispute relating to a distributorship agreement, and the Court of First Instance and the Appeal Court have ordered the Company to pay the plaintiff damages together with interest. Recently, the Company has filed an appeal with the Supreme Court.

Since the cases are not yet finalised, the management has to exercise judgement in determining the outcome of the litigation brought against the Company, taking into account the facts and the related legal provisions, in order to estimate the contingent liabilities resulting from the losses to be incurred. The actual results when the cases are finalised could differ from these estimates.

I inquired with the Company's management and the Company's external legal advisors regarding the progress of the pending litigation and the method applied by the management in estimating the Company's liabilities. I discussed with the Company's management regarding the judgement exercised by management in estimating the liabilities. I reviewed the correspondence between the Company and its external legal advisors and related documentation. In addition, I sent requests for confirmation to the Company's external legal advisors to obtain a written report on the details and status of the cases and the legal advisor's opinion on the likely impact of the

cases on the Company. Lastly, I reviewed the disclosures made in relation to the litigation and disputes in the note to financial statements.

### **Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

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

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

EY Office Limited

Bangkok: 27 February 2017

**Moong Pattana International Public Company Limited**

**Statement of financial position**

**As at 31 December 2016**

(Unit: Baht)

		Financial statements			
		in which the equity method is applied		Separate financial statements	
	Note	2016	2015	2016	2015
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	29,120,209	3,799,389	29,120,209	3,799,389
Short-term investment		31,166	-	31,166	-
Trade and other receivables	6, 8	151,633,207	137,123,889	151,633,207	137,123,889
Inventories	9	81,416,209	94,529,264	81,416,209	94,529,264
Other current assets		6,234,229	10,112,285	6,234,229	10,112,285
<b>Total current assets</b>		<b>268,435,020</b>	<b>245,564,827</b>	<b>268,435,020</b>	<b>245,564,827</b>
<b>Non-current assets</b>					
Investment in associated company	10	386,419,127	338,169,532	58,173,970	58,173,970
Other long-term investments	11	24,932,180	24,932,180	24,932,180	24,932,180
Property, plant and equipment	12	40,825,264	76,384,614	40,825,264	76,384,614
Investment properties	13	77,309,864	22,900,000	77,309,864	22,900,000
Intangible assets	14	20,216,386	23,150,023	20,216,386	23,150,023
Deferred tax assets	22	4,007,698	3,704,233	4,007,698	3,704,233
Other non-current assets		6,601,397	7,362,700	6,601,397	7,362,700
<b>Total non-current assets</b>		<b>560,311,916</b>	<b>496,603,282</b>	<b>232,066,759</b>	<b>216,607,720</b>
<b>Total assets</b>		<b>828,746,936</b>	<b>742,168,109</b>	<b>500,501,779</b>	<b>462,172,547</b>

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



**Moong Pattana International Public Company Limited**

**Statement of financial position (continued)**

**As at 31 December 2016**

(Unit: Baht)

		<b>Financial statements</b>		<b>Separate financial statements</b>	
		<b>in which the equity method is applied</b>			
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	15	90,000,000	60,000,000	90,000,000	60,000,000
Trade and other payables	6, 16	145,435,249	159,156,722	145,435,249	159,156,722
Current portion of finance lease liabilities	17	3,401,361	2,726,131	3,401,361	2,726,131
Other current liabilities		4,288,068	2,350,960	4,288,068	2,350,960
<b>Total current liabilities</b>		<u>243,124,678</u>	<u>224,233,813</u>	<u>243,124,678</u>	<u>224,233,813</u>
<b>Non-current liabilities</b>					
Finance lease liabilities - net of current portion	17	3,365,539	5,516,460	3,365,539	5,516,460
Deferred tax liability	22	18,016	18,016	18,016	18,016
Provision for long-term employee benefits	18	5,815,808	5,260,285	5,815,808	5,260,285
<b>Total non-current liabilities</b>		<u>9,199,363</u>	<u>10,794,761</u>	<u>9,199,363</u>	<u>10,794,761</u>
<b>Total liabilities</b>		<u>252,324,041</u>	<u>235,028,574</u>	<u>252,324,041</u>	<u>235,028,574</u>

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

**Moong Pattana International Public Company Limited**

**Statement of financial position (continued)**

**As at 31 December 2016**

(Unit: Baht)

	<u>Note</u>	<b>Financial statements</b>		<b>Separate financial statements</b>	
		<u>in which the equity method is applied</u>		<u>2016</u>	<u>2015</u>
		<u>2016</u>	<u>2015</u>		
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered	19				
213,488,988 ordinary shares of Baht 1 each					
(2015: 200,000,000 ordinary shares of Baht 1 each )		213,488,988	200,000,000	213,488,988	200,000,000
Issued and fully paid up					
145,832,431 ordinary shares of Baht 1 each					
(2015: 144,156,724 ordinary shares of Baht 1 each)		145,832,431	144,156,724	145,832,431	144,156,724
Share subscription received in advance		10,887,443	59,060	10,887,443	59,060
Share premium		35,269,497	34,795,680	35,269,497	34,795,680
Capital reserve for share-based payment transactions		128,659	-	128,659	-
Retained earnings					
Appropriated - statutory reserve	20	15,671,987	13,007,624	15,671,987	13,007,624
Unappropriated		368,632,878	315,120,447	40,387,721	35,124,885
<b>Total shareholders' equity</b>		<b>576,422,895</b>	<b>507,139,535</b>	<b>248,177,738</b>	<b>227,143,973</b>
<b>Total liabilities and shareholders' equity</b>		<b>828,746,936</b>	<b>742,168,109</b>	<b>500,501,779</b>	<b>462,172,547</b>
		-	-	-	-

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

Directors

**Moong Pattana International Public Company Limited**

**Statement of comprehensive income**

**For the year ended 31 December 2016**

(Unit: Baht)

	<u>Note</u>	<b>Financial statements</b>		<b>Separate financial statements</b>	
		<b>in which the equity method is applied</b>			
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Profit or loss:</b>					
<b>Revenues</b>					
Sales of goods		703,950,921	665,595,042	703,950,921	665,595,042
Other income					
Commission income		9,661,973	8,400,575	9,661,973	8,400,575
Dividend income from associated company	10	-	-	18,807,520	14,105,640
Dividend income from other companies	11	4,701,400	4,597,000	4,701,400	4,597,000
Others		4,580,581	3,789,377	4,580,581	3,789,377
<b>Total revenues</b>		<u>722,894,875</u>	<u>682,381,994</u>	<u>741,702,395</u>	<u>696,487,634</u>
<b>Expenses</b>					
Cost of sales		336,259,923	312,096,241	336,259,923	312,096,241
Selling expenses		206,276,848	211,486,478	206,276,848	211,486,478
Administrative expenses		165,240,451	149,964,376	165,240,451	149,964,376
<b>Total expenses</b>		<u>707,777,222</u>	<u>673,547,095</u>	<u>707,777,222</u>	<u>673,547,095</u>
<b>Profit before share of income from investment in associated company, finance cost and income tax expenses</b>		15,117,653	8,834,899	33,925,173	22,940,539
Share of income from investment in associated company	10	67,057,115	68,690,028	-	-
<b>Profit before finance cost and income tax expenses</b>		82,174,768	77,524,927	33,925,173	22,940,539
Finance cost		(2,750,092)	(2,540,216)	(2,750,092)	(2,540,216)
<b>Profit before income tax expenses</b>		79,424,676	74,984,711	31,175,081	20,400,323
Income tax expenses	22	(1,615,515)	(247,841)	(1,615,515)	(247,841)
<b>Profit for the year</b>		<u>77,809,161</u>	<u>74,736,870</u>	<u>29,559,566</u>	<u>20,152,482</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gains		-	(2,038,445)	-	90,079
Less: Income tax effect		-	407,689	-	(18,016)
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>(1,630,756)</u>	<u>-</u>	<u>72,063</u>
<b>Total comprehensive income for the year</b>		<u>77,809,161</u>	<u>73,106,114</u>	<u>29,559,566</u>	<u>20,224,545</u>
<b>Earnings per share</b>	24				
Basic earnings per share		<u>0.56</u>	<u>0.56</u>	<u>0.21</u>	<u>0.15</u>
Diluted earnings per share		<u>0.52</u>	<u>0.52</u>	<u>0.20</u>	<u>0.14</u>

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

**Moong Pattana International Public Company Limited**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Financial statements in which the equity method is applied</b>						
	Issued and	Share subscription		Capital reserve for	Retained earnings		
	paid-up share capital	received in advance	Share premium	share-based payment transactions	Appropriated - statutory reserve	Unappropriated	Total
<b>Balance as at 31 December 2014</b>	120,000,000	-	34,795,680	-	12,000,000	279,021,957	445,817,637
Increase share capital (Note 19)	24,156,724	-	-	-	-	-	24,156,724
Share subscription received in advance	-	59,060	-	-	-	-	59,060
Profit for the year	-	-	-	-	-	74,736,870	74,736,870
Other comprehensive income for the year	-	-	-	-	-	(1,630,756)	(1,630,756)
Total comprehensive income for the year	-	-	-	-	-	73,106,114	73,106,114
Satutory reserve (Note 20)	-	-	-	-	1,007,624	(1,007,624)	-
Dividend paid (Note 21)	-	-	-	-	-	(36,000,000)	(36,000,000)
<b>Balance as at 31 December 2015</b>	<u>144,156,724</u>	<u>59,060</u>	<u>34,795,680</u>	<u>-</u>	<u>13,007,624</u>	<u>315,120,447</u>	<u>507,139,535</u>
							-
<b>Balance as at 31 December 2015</b>	144,156,724	59,060	34,795,680	-	13,007,624	315,120,447	507,139,535
Increase share capital (Note 19)	1,675,707	(59,060)	473,817	-	-	-	2,090,464
Share subscription received in advance	-	10,887,443	-	-	-	-	10,887,443
Share-based payment transactions	-	-	-	128,659	-	-	128,659
Profit for the year	-	-	-	-	-	77,809,161	77,809,161
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	77,809,161	77,809,161
Satutory reserve (Note 20)	-	-	-	-	2,664,363	(2,664,363)	-
Dividend paid (Note 21)	-	-	-	-	-	(21,632,367)	(21,632,367)
<b>Balance as at 31 December 2016</b>	<u>145,832,431</u>	<u>10,887,443</u>	<u>35,269,497</u>	<u>128,659</u>	<u>15,671,987</u>	<u>368,632,878</u>	<u>576,422,895</u>

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

**Moong Pattana International Public Company Limited**

**Statement of changes in shareholders' equity (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	Separate financial statements						
	Issued and paid-up share capital	Share subscription received in advance	Share premium	Capital reserve for share-based payment transactions	Retained earnings Appropriated - statutory reserve	Unappropriated	Total
<b>Balance as at 31 December 2014</b>	120,000,000	-	34,795,680	-	12,000,000	51,907,964	218,703,644
Increase share capital (Note 19)	24,156,724	-	-	-	-	-	24,156,724
Share subscription received in advance	-	59,060	-	-	-	-	59,060
Profit for the year	-	-	-	-	-	20,152,482	20,152,482
Other comprehensive income for the year	-	-	-	-	-	72,063	72,063
Total comprehensive income for the year	-	-	-	-	-	20,224,545	20,224,545
Satutory reserve (Note 20)	-	-	-	-	1,007,624	(1,007,624)	-
Dividend paid (Note 21)	-	-	-	-	-	(36,000,000)	(36,000,000)
<b>Balance as at 31 December 2015</b>	<u>144,156,724</u>	<u>59,060</u>	<u>34,795,680</u>	<u>-</u>	<u>13,007,624</u>	<u>35,124,885</u>	<u>227,143,973</u>
							-
<b>Balance as at 31 December 2015</b>	144,156,724	59,060	34,795,680	-	13,007,624	35,124,885	227,143,973
Increase share capital (Note 19)	1,675,707	(59,060)	473,817	-	-	-	2,090,464
Share subscription received in advance	-	10,887,443	-	-	-	-	10,887,443
Share-based payment transactions	-	-	-	128,659	-	-	128,659
Profit for the year	-	-	-	-	-	29,559,566	29,559,566
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	29,559,566	29,559,566
Satutory reserve (Note 20)	-	-	-	-	2,664,363	(2,664,363)	-
Dividend paid (Note 21)	-	-	-	-	-	(21,632,367)	(21,632,367)
<b>Balance as at 31 December 2016</b>	<u>145,832,431</u>	<u>10,887,443</u>	<u>35,269,497</u>	<u>128,659</u>	<u>15,671,987</u>	<u>40,387,721</u>	<u>248,177,738</u>

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

**Moong Pattana International Public Company Limited**

**Cash flows statement**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Financial statements</b>			
	<b>in which the equity method is applied</b>		<b>Separate financial statements</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>				
Profit before tax	79,424,676	74,984,711	31,175,081	20,400,323
Adjustments to reconcile profit to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	12,621,164	11,831,074	12,621,164	11,831,074
Reversal allowance for doubtful accounts	(384,133)	(235,570)	(384,133)	(235,570)
Allowance for diminution in value of inventories (reversal)	1,329,785	(782,702)	1,329,785	(782,702)
Unrealised loss on exchange	57,441	45,010	57,441	45,010
Gain on sale of assets	(569,524)	(327,392)	(569,524)	(327,392)
Reversal impairment of investment properties	(1,167,944)	-	(1,167,944)	-
Provision for long-term employee benefits	555,523	792,776	555,523	792,776
Share-based payment transactions	128,659	-	128,659	-
Dividend received from investment in associated company	-	-	(18,807,520)	(14,105,640)
Dividend received from investment in other companies	(4,701,400)	(4,597,000)	(4,701,400)	(4,597,000)
Share of income from investment in associated company	(67,057,115)	(68,690,028)	-	-
Interest expenses	2,750,092	2,540,216	2,750,092	2,540,216
Profit from operating activities before changes in operating assets and liabilities	22,987,224	15,561,095	22,987,224	15,561,095
Operating assets decrease (increase)				
Trade and other receivables	(14,125,647)	10,815,856	(14,125,647)	10,815,856
Inventories	11,783,270	(25,740,811)	11,783,270	(25,740,811)
Other current assets	3,878,056	1,350,196	3,878,056	1,350,196
Other non-current assets	15,799	(4,535)	15,799	(4,535)
Operating liabilities increase (decrease)				
Trade and other payables	(13,887,108)	4,208,172	(13,887,108)	4,208,172
Other current liabilities	707,372	(118,075)	707,372	(118,075)
Long-term employee benefits paid	-	(5,551,550)	-	(5,551,550)
Cash flows from operating activities	11,358,966	520,348	11,358,966	520,348
Cash paid for interest expenses	(2,641,436)	(2,501,465)	(2,641,436)	(2,501,465)
Cash paid for corporate income tax	(689,244)	(459,979)	(689,244)	(459,979)
<b>Net cash flows from (used in) operating activities</b>	<b>8,028,286</b>	<b>(2,441,096)</b>	<b>8,028,286</b>	<b>(2,441,096)</b>

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

**Moong Pattana International Public Company Limited**

**Cash flows statement (continued)**

**For the year ended 31 December 2016**

(Unit: Baht)

	<b>Financial statements</b>			
	<b>in which the equity method is applied</b>		<b>Separate financial statements</b>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>				
Dividend received from investment in associated company	18,807,520	14,105,640	18,807,520	14,105,640
Dividend received from investment in other companies	4,701,400	4,597,000	4,701,400	4,597,000
Proceeds on sales of assets	782,280	1,209,204	782,280	1,209,204
Acquisitions of assets	(24,437,175)	(6,897,287)	(24,437,175)	(6,897,287)
Increase in short-term investment	(31,166)	-	(31,166)	-
Increase in intangible assets	(119,800)	(507,000)	(119,800)	(507,000)
<b>Net cash flows from (used in) investing activities</b>	<u>(296,941)</u>	<u>12,507,557</u>	<u>(296,941)</u>	<u>12,507,557</u>
<b>Cash flows from financing activities</b>				
Increase in short-term loans from banks - net	30,000,000	3,000,000	30,000,000	3,000,000
Repayment of finance lease liabilities	(3,756,065)	(3,973,754)	(3,756,065)	(3,973,754)
Increase in share subscription	1,675,707	24,156,724	1,675,707	24,156,724
Increase in capital reserve for share-based payment transactions	473,817	-	473,817	-
Increase in share subscription received in advance	10,828,383	59,060	10,828,383	59,060
Dividend payment	(21,632,367)	(36,000,000)	(21,632,367)	(36,000,000)
<b>Net cash flows from (used in) financing activities</b>	<u>17,589,475</u>	<u>(12,757,970)</u>	<u>17,589,475</u>	<u>(12,757,970)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	25,320,820	(2,691,509)	25,320,820	(2,691,509)
Cash and cash equivalents at beginning of year	<u>3,799,389</u>	<u>6,490,898</u>	<u>3,799,389</u>	<u>6,490,898</u>
<b>Cash and cash equivalents at end of year</b>	<u>29,120,209</u>	<u>3,799,389</u>	<u>29,120,209</u>	<u>3,799,389</u>
	-		-	
<b>Supplemental cash flows information</b>				
Non-cash transaction:				
Motor vehicle under finance lease liabilities	2,280,374	546,925	2,280,374	546,925

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

## **Moong Pattana International Public Company Limited**

### **Notes to financial statements**

**For the year ended 31 December 2016**

#### **1. General information**

Moong Pattana International Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the distribution of baby and infant products, and other products, and its registered address is No. 2/97-104, 18<sup>th</sup> - 19<sup>th</sup> Floor, Thosapol Land Building 4, Soi Bangna-Trad 25, Bangna-Trad Road, Bangna, Bangkok and a branch is located at No. 888/1, Moo 7, Bangpha, Bangplee, Samutprakarn.

#### **2. Basis of preparation**

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

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

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

- 2.2 The separate financial statements, which present investment in associated company under the cost method, have been prepared solely for benefit of the public.

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

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

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.



## **(b) Financial reporting standard that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company believes that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

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

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

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

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

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

#### *Commission income*

Commission income are recognised when services have been rendered taking into account the stage of completion.

#### *Rental income*

Rental income is recognised over the lease period.

### *Dividends*

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

## **4.2 Cash and cash equivalents**

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

## **4.3 Trade accounts receivable**

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

## **4.4 Inventories**

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

Packing materials are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

## **4.5 Investments**

- a) Investment in associated company is accounted for in the financial statements, in which equity method is applied, using the equity method.
- b) Investment in associated company is accounted for in the separate financial statements using the cost method.
- c) Investments in non-marketable equity securities, which the Company classifies as other long-term investments, are stated at cost net of allowance for loss on diminution in value (if any).

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

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

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

Buildings and building improvement	3 - 20 years
Machinery and equipment	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction and installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

#### **4.7 Investment properties**

The Company presented its land and building not used in operation as investment property. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less allowance for loss on impairment (if any).

No depreciation is provided for investment property which is land.

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

#### **4.8 Intangible assets**

Intangible assets are recognised at cost. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

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

Computer software	5 and 10 years
Trademarks	10 years

#### **4.9 Leasehold rights and amortisation**

Leasehold rights are stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the period of the lease which is 30 years.

The amortisation is included in determining income.

#### **4.10 Related party transactions**

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

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

#### **4.11 Long-term leases**

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.12 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment, investment properties and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.13 Employee benefits**

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

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

##### *Post-employment benefits*

##### Defined contribution plans

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

##### Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

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

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

#### **4.14 Provisions**

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

#### **4.15 Income tax**

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

##### **Current tax**

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

## **Deferred tax**

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

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

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

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

### **4.16 Foreign currencies**

The financial statements are presented in Baht, which is also the Company's functional currency.

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

Gains and losses on exchange are included in determining income.

### **4.17 Fair value measurement**

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

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

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

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

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

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

## **5. Use of accounting estimates**

The preparation of financial statements in conformity financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

Significant judgements and estimates are as follow:

### **Allowance for doubtful accounts**

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

### **Inventories**

The management uses judgement to estimate the allowance for net realisable value of inventories taking into consideration the fluctuations of price or cost directly relating to events occurring after the reporting date.

The management uses judgement to estimate the allowance for obsolete inventories considering obsolete or deteriorated inventories.

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

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

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

#### **Deferred tax assets**

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future profits.

#### **Intangible assets**

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

#### **Post-employment benefits under defined benefit plans**

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

#### **Leases**

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

#### **Litigation**

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.



## 6. Related party transactions

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

	(Unit: Million Baht)		
	2016	2015	Pricing policy
<u>Transactions with associated company</u>			
Purchases of goods	102	111	Cost plus margin
Dividend received	19	14	Announced rate
<u>Transactions with related companies</u>			
Purchase of raw material	106	91	Cost plus margin
Commission income	7	6	0.3 percent of net selling price of product sold and 1.5 percent of costs of service rendered
Dividend received	5	5	Announced rate
Advisory fee	4	1	Agreed rate
<u>Transactions with related person</u>			
Rental expenses	4	0.3	Agreed rate

The Company has entered into a Contract to Hire Specialist with a local related company (related by shareholders and directors) dated 24 May 2016, under which the Company is committed to pay a service fee totaling Baht 2 million.

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

	(Unit: Thousand Baht)	
	2016	2015
<b>Trade and other receivables - related parties (Note 8)</b>		
Associated company	-	1,674
Related companies (related by shareholders or directors)	4,332	1,560
Total trade and other receivables - related parties	4,332	3,234
<b>Trade and other payables - related parties (Note 16)</b>		
Associated company	30,088	47,263
Related companies (related by shareholders or directors)	32,442	25,107
Total trade and other payables - related parties	62,530	72,370

### Directors and management's remuneration

During the years ended 31 December 2016 and 2015, the employee benefit expenses payable to the Company's directors and management are as follows:

	(Unit: Thousand Baht)	
	2016	2015
Short-term employee benefits	34,476	33,315
Post-employment benefits	427	351
Total	34,903	33,666

### **7. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	2016	2015
Cash	55	90
Cash at banks - current accounts	6,350	346
Cash at banks - savings accounts	22,715	3,363
Total	29,120	3,799

As at 31 December 2016, bank deposits in savings accounts carried interests between 0.05 and 0.38 percent per annum (2015: between 0.05 and 0.38 percent per annum).

### **8. Trade and other receivables**

The balances of trade and other receivables as at 31 December 2016 and 2015, aged on the basis of due dates, are as follows:

	(Unit: Thousand Baht)	
	2016	2015
<b>Trade receivables - unrelated parties</b>		
Net yet due	113,604	89,557
Past due		
Not over 3 months	28,766	37,510
3 - 6 months	521	677
6 - 12 months	91	307
Over 12 months	795	1,025
Total	143,777	129,076
Less: Allowance for doubtful accounts	(1,115)	(1,588)

	(Unit: Thousand Baht)	
	2016	2015
Total trade receivables - net	142,662	127,488
<b>Other receivables</b>		
Receivable - related party	4,332	3,234
Others	4,881	6,555
Total other receivables	9,213	9,789
Less: Allowance for doubtful accounts	(242)	(153)
Total other receivables, net	8,971	9,636
 Total trade and other receivables - net	 151,633	 137,124

## 9. Inventories

	(Unit: Thousand Baht)					
	Cost		Reduce cost to net realisable value		Inventory - net	
	2016	2015	2016	2015	2016	2015
Finished goods	59,733	64,628	(3,587)	(2,731)	56,146	61,897
Work in process	17,592	23,085	(734)	(410)	16,858	22,675
Packing materials	3,764	5,516	(503)	(354)	3,261	5,162
Goods in transit	5,151	4,795	-	-	5,151	4,795
Total	86,240	98,024	(4,824)	(3,495)	81,416	94,529

During the current year, the Company wrote down the cost of inventories by Baht 1 million (2015: reversed the write-down of cost of inventories by Baht 1 million), which were included in selling and administrative expenses.

## 10. Investments in an associate

### 10.1 Details of an associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Financial statements in which the equity method is applied					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2016	2015	2016	2015	2016	2015
			(%)	(%)				
Thai Pigeon Company Limited	The manufacture and distribution of baby and infant products	Thai	47	47	58,174	58,174	386,419	338,170

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net	
			2016	2015	2016	2015	2016	2015	2016	2015
			(%)	(%)						
Thai Pigeon Company Limited	The manufacture and distribution of baby and infant products	Thai	47	47	58,174	58,174	-	-	58,174	58,174

### 10.2 Share of comprehensive income and dividend received

During the years, the Company has recognised its share of profit/loss from investments in associate company in the financial statements in which the equity method is applied and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profit from investments in associate during the year		Share of other comprehensive income from investments in associate during the year		Dividend received during the year	
	2016	2015	2016	2015	2016	2015
Thai Pigeon Company Limited	67,057	68,690	-	(1,703)	18,808	14,106

### 10.3 Summarised financial information about material associate

Summarised information about financial position as at 31 December 2016 and 2015.

	(Unit: Million Baht)	
	2016	2015
Current assets	719	605
Non-current assets	228	282
Current liabilities	101	141
Non-current liabilities	20	21
<b>Net assets</b>	<b>826</b>	<b>725</b>
Shareholding percentage (%)	47	47
<b>Share of net assets</b>	<b>388</b>	<b>341</b>
Elimination entries	(2)	(3)
<b>Carrying amounts of associate based on equity method</b>	<b>386</b>	<b>338</b>

Summarised information about comprehensive income for the years ended 31 December 2016 and 2015.

	(Unit: Million Baht)	
	2016	2015
Revenue	904	865
Profit	140	148
Other comprehensive income	-	(4)
Total comprehensive income	140	144

## 11. Other long-term investments

(Unit: Thousand Baht)

Company's name	Nature of business	Paid up share capital		Percentage of Shareholding		Other long-term investments under cost method		Dividend received	
		2016	2015	2016	2015	2016	2015	2016	2015
				(%)	(%)				
Yoshino Moong Pattana (Thailand) Company Limited	The manufacture of plastic or plastic coated products	300,000	300,000	6	6	21,332	21,332	2,201	2,097
Pigeon Industries (Thailand) Company Limited	The manufacture and distribution of breast pad and baby wipes products	144,000	144,000	2.5	2.5	3,600	3,600	2,500	2,500
Total						24,932	24,932	4,701	4,597

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Building and improvement	Machinery and equipment	Furniture, fixtures, and office equipment	Motor vehicles	Assets under construction and installation	Total
<b>Cost</b>							
31 December 2014	53,242	79,707	5,002	27,282	26,554	-	191,787
Additions	-	-	57	1,356	1,243	4,788	7,444
Disposals	-	-	(521)	(2,190)	(1,900)	-	(4,611)
31 December 2015	53,242	79,707	4,538	26,448	25,897	4,788	194,620
Additions	-	14,870	-	9,479	2,369	-	26,718
Transfer assets	-	4,788	-	-	-	(4,788)	-
Reclassifies to investment properties (Note 13)	(53,242)	(78,662)	-	-	-	-	(131,904)
Disposals	-	(1,057)	(4,187)	(4,087)	(1,668)	-	(10,999)
31 December 2016	-	19,646	351	31,840	26,598	-	78,435
<b>Accumulated depreciation</b>							
31 December 2014	-	79,240	4,828	20,097	9,729	-	113,894
Depreciation for the year	-	465	47	2,523	5,036	-	8,071
Depreciation on disposals	-	-	(521)	(2,178)	(1,031)	-	(3,730)
31 December 2015	-	79,705	4,354	20,442	13,734	-	118,235
Depreciation for the year	-	1,020	43	3,410	4,350	-	8,823
Reclassifies to investment properties (Note 13)	-	(78,662)	-	-	-	-	(78,662)
Depreciation on disposals	-	(1,046)	(4,140)	(3,932)	(1,668)	-	(10,786)
31 December 2016	-	1,017	257	19,920	16,416	-	37,610
<b>Net book value</b>							
31 December 2015	53,242	2	184	6,006	12,163	4,788	76,385
31 December 2016	-	18,629	94	11,920	10,182	-	40,825
<b>Depreciation for the year</b>							
2015 (Baht 0.2 million included in cost of sales, and the balance in selling and administrative expenses)							8,071
2016 (Baht 0.04 million included in cost of sales, and the balance in selling and administrative expenses)							8,823

As at 31 December 2016, certain equipment and motor vehicles items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 19 million (2015: Baht 99 million).

### 13. Investment properties

Investment properties represent land and building not used in operations. The Company stated investment properties at cost less allowance for loss on impairment.

As at 31 December 2016 and 2015, the balances of investment properties are as follows:

(Unit: Thousand Baht)

As at 31 December 2016:

Cost	31,350
Transfer of assets from property, plant and equipment	53,242
Less: Allowance for loss on impairment	<u>(7,282)</u>
Net book value	<u>77,310</u>

As at 31 December 2015:

Cost	31,350
Less: Allowance for loss on impairment	<u>(8,450)</u>
Net book value	<u>22,900</u>

A reconciliation of the net book value of investment properties for the year is presented below.

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
Net book value at the beginning of year	22,900	22,900
Transfer of assets from property, plant and equipment	53,242	-
Reversal allowance for loss on impairment	<u>1,168</u>	<u>-</u>
Net book value at the end of year	<u>77,310</u>	<u>22,900</u>

In December 2016, the Company reclassified land and building not used in operations to investment properties in 2016. The net book value was Baht 53 million.

The Company engaged an independent professional valuer to appraise the value of the land and building not used in operations as of 31 December 2016 using the market approach. Based on the results, the fair market value of the land and building was Baht 152 million.



#### 14. Intangible assets

Details of intangible assets which are computer software and trademarks are as follows.

(Unit: Thousand Baht)

	Computer software	Trademarks	Total
As at 31 December 2016:			
Cost	32,664	140	32,804
Less: Accumulated amortisation	(12,448)	(140)	(12,588)
Net book value	20,216	-	20,216
As at 31 December 2015:			
Cost	32,550	140	32,690
Less: Accumulated amortisation	(9,400)	(140)	(9,540)
Net book value	23,150	-	23,150

A reconciliation of the net book value of intangible assets for the years 2016 and 2015 are as follows.

(Unit: Thousand Baht)

	2016	2015
Net book value at the beginning of year	23,150	25,657
Acquisition of computer software	119	507
Write-off of computer software	(5)	-
Amortisation	(3,048)	(3,014)
Net book value at the end of year	20,216	23,150

**15. Short-term loans from banks**

		(Unit: Thousand Baht)	
	Interest	2016	2015
	(percent per annum)		
Promissory notes	2.50 - 2.78	90,000	60,000
Total		<u>90,000</u>	<u>60,000</u>

As at 31 December 2016, the short-term credit facilities of the Company from financial institutions which have not yet been drawn down amounting to Baht 181 million (2015: Baht 191 million).

**16. Trade and other payables**

		(Unit: Thousand Baht)	
		2016	2015
Trade payables - related parties		62,530	72,370
Trade payables - unrelated parties		26,455	27,782
Other payables		11,648	10,779
Accrued expenses		<u>44,802</u>	<u>48,226</u>
Total trade and other payables		<u>145,435</u>	<u>159,157</u>

**17. Finance lease liabilities**

		(Unit: Thousand Baht)	
		2016	2015
Liabilities under finance lease agreements		7,310	9,152
Less: Deferred interest expenses		<u>(543)</u>	<u>(910)</u>
Total		6,767	8,242
Less: Portion due within one year		<u>(3,401)</u>	<u>(2,726)</u>
Liabilities under finance lease agreements - net of current portion		<u>3,366</u>	<u>5,516</u>

The Company has entered into the finance lease agreements for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years.

Future minimum lease payments required under the non-cancellable finance lease agreements are as follows:

(Unit: Thousand Baht)			
As at 31 December 2016			
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,734	3,576	7,310
Deferred interest expenses	(333)	(210)	(543)
Present value of future minimum lease payments	<u>3,401</u>	<u>3,366</u>	<u>6,767</u>

(Unit: Thousand Baht)			
As at 31 December 2015			
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	3,169	5,983	9,152
Deferred interest expenses	(443)	(467)	(910)
Present value of future minimum lease payments	<u>2,726</u>	<u>5,516</u>	<u>8,242</u>

## 18. Provision for long-term employee benefits

As at 31 December 2016 and 2015, provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)		
	2016	2015
<b>Provision for long-term employee benefits at beginning of year</b>	5,260	10,109
<i>Included in profit or loss:</i>		
Current service cost	344	433
Interest cost	212	360
<i>Included in other comprehensive income:</i>		
Actuarial gain arising from		
Demographic assumptions changes		
Financial assumptions changes	-	74
Experience adjustments	-	(164)
Benefits paid during the year	-	(5,552)
<b>Provision for long-term employee benefits at end of year</b>	<u>5,816</u>	<u>5,260</u>

Line items in profit or loss, under which long-term employee benefit expenses are recognised for the years ended 31 December 2016 and 2015, are as follows:

	(Unit: Thousand Baht)	
	2016	2015
Cost of sales	-	4
Selling and administrative expenses	556	789
Total expenses recognised in profit or loss	556	793

The Company does not expect to pay any long-term employee benefits during the next year.

As at 31 December 2016, the weighted average duration of the liabilities for long-term employee benefit is 23 years (2015: 23 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)	
	2016	2015
Discount rate	3.78	3.78
Salary increase rate	6.18	6.18
Turnover rate	0 - 27	0 - 27

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 are summarised below:

	(Unit: Thousand Baht)	
	Increase 1%	Decrease 1%
Discount rate	(285)	308
Salary increase rate	34	(34)
Turnover rate	(168)	192

## 19. Registered capital

The Annual General Meeting of the shareholders held on 30 April 2015 approved the resolution to registered an increase in the Company's share capital from Baht 120 million (120 million ordinary shares at a par value of Baht 1 per share) to Baht 200 million (200 million ordinary shares at a par value of Baht 1 per share) by issuing 80 million new ordinary shares with a par value of Baht 1 per share. The Company registered the capital increase on 11 May 2015 with the Ministry of Commerce.

Below are the details.

- 1) The Company is to allocate 24 million of newly issued ordinary shares to support the exercise of Warrant No.1 (Note 27.1).
- 2) The Company is to allocate 5 million of newly issued ordinary shares to support the exercise of the ESOP warrants (Note 27.2).
- 3) The Company is to allocate 24 million of newly issued ordinary shares to existing shareholders in proportion to their existing holdings (rights offering) at a rate of 1 new ordinary share for every 5 existing ordinary shares (fractional shares are to be rounded down), to be offered at Baht 1 per share.
- 4) The Company is to allocate 27 million of newly issued ordinary shares for sale by private placement, on the condition that investors have no association with the Company. The offering price is not to be lower than 90% of the weighted average price of the Company's shares on the Stock Exchange of Thailand during the preceding period of at least 7 business days and not more than 15 business days before the first date of each private placement.

If any newly issued ordinary shares remain after the private placement, the Company can offer them through a public offering as it sees fit.

In June 2015, the existing shareholders paid subscriptions totaling Baht 24 million to the Company. The Company allocated 24 million shares (Baht 1 per share) to those shareholders. On 8 July 2016, the Company registered the subscription with the Ministry of Commerce.

In December 2015, the warrant holders exercised the Warrant No. 1 totaling Baht 0.06 million and the Company issue the ordinary share of 0.06 million shares at Baht 1 per share to those warrant holders. On 11 January 2016, the Company registered the subscription of the newly issued shares with the Ministry of Commerce.

On 25 April 2016, the Annual General Meeting of the Company's shareholders approved the following matters:

- a) A decrease in the Company's share capital from Baht 200 million (200 million ordinary shares with a par value of Baht 1 per share) to Baht 168 million (168 million ordinary shares with a par value of Baht 1 per share) by cancelling the 32 million shares registered but unissued shares with a par value of Baht 1 per share described in notes 19.2 and 19.4.
- b) An increase in the Company's share capital from Baht 168 million (168 million ordinary shares with a par value of Baht 1 per share) to Baht 213 million (213 million ordinary shares with a par value of Baht 1 per share) by issuing 45.2 million new ordinary shares with a par value of Baht 1 per share as per following details:
  - 2 million shares to support the exercise of the ESOP warrants (Note 27.2).
  - 0.2 million shares to support the rights adjustment for Warrant No.1 (Note 27.1).
  - 43 million shares to support a capital increase under a general mandate.

On 4 May 2016, the Company registered the capital decrease and capital increase with the Ministry of Commerce.

In June 2016, the warrant holders exercised the Warrant No. 1 totaling Baht 1.62 million and the Company issue the ordinary share of 1.62 million shares at Baht 1 per share to those warrant holders. On 12 July 2016, the Company registered the subscription of the newly issued share with the Ministry of Commerce.

In December 2016, the warrant holders exercised the Warrant No. 1 totaling Baht 10.7 million and the Company issued 10.7 million ordinary shares with the value of Baht 1 each to those warrant holders. In addition, the warrant holders exercised the ESOP warrants totaling 0.12 million shares with the value of Baht 3.80 each and the Company issued 0.12 million ordinary share with the value of Baht 1 each to those warrant holders.

On 9 January 2017, the Company registered the subscription of the newly issued shares discussed in the preceding paragraph with the Ministry of Commerce.

## **20. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 21. Dividend

On 30 April 2015, the Annual General Meeting of the Company's shareholders approved the payment of annual dividend in respect of the 2014 income of Baht 0.3 per share, or a total of Baht 36 million, paid to the shareholders on 25 May 2015.

On 25 April 2016, the Annual General Meeting of the Company's shareholders approved the payment of annual dividend in respect of the 2015 income of Baht 0.15 per share, or a total of Baht 22 million, paid to the shareholders on 24 May 2016.

## 22. Income tax

Income tax expenses for the years ended 31 December 2016 and 2015 are made up as follows:

	Financial statements in which the equity method is applied		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
<b>Current income tax:</b>				
Current income tax charge	1,920	16	1,920	16
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(304)	232	(304)	232
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>1,616</b>	<b>248</b>	<b>1,616</b>	<b>248</b>

The reconciliation between accounting profit and income tax expense is shown below.

	Financial statements in which the equity method is applied		(Unit: Thousand Baht) Separate financial statements	
	2016	2015	2016	2015
Accounting profit before tax	79,425	74,985	31,175	20,400
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	15,885	14,997	6,235	4,080
Effects of:				
Exemption of income	(1,017)	(1,776)	(4,778)	(4,597)
Share of gain from investment in associate	(13,411)	(13,738)	-	-
Non-deductible expenses	1,127	859	1,127	859
Additional expense deductions allowed	(664)	(38)	(664)	(38)
Others	(304)	(56)	(304)	(56)
Total	(14,269)	(14,749)	(4,619)	(3,832)
Income tax expenses reported in the statement of comprehensive income	<b>1,616</b>	<b>248</b>	<b>1,616</b>	<b>248</b>

The components of deferred tax assets and deferred tax liability are as follows:

(Unit: Thousand Baht)

	Financial statements in which the equity method is applied		Separate financial statements	
	2016	2015	2016	2015
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	196	178	196	178
Allowance for net realisable value of inventories	965	699	965	699
Allowance for impairment loss on investment properties	1,456	1,690	1,456	1,690
Provision for long-term employee benefits	1,181	1,070	1,181	1,070
Others	210	67	210	67
<b>Total</b>	<b>4,008</b>	<b>3,704</b>	<b>4,008</b>	<b>3,704</b>
<b>Deferred tax liability</b>				
Actuarial gains	18	18	18	18
<b>Total</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>

## 23. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	2016	2015
Salaries, wages, and other employee benefits	128,037	131,820
Sales promotion expenses	94,149	87,796
Depreciation and amortisation expenses	12,621	11,831
Transportation expenses	21,205	22,056
Raw materials and consumables used	11,339	37,131
Changes in inventories of finished goods and work in process	(10,388)	24,419
Warehouse management expense	10,226	16,182



## 24. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

Financial statements in which equity method is applied						
	Profit for the years ended		Weighted average		Earnings	
	31 December		number of ordinary shares		per share	
	2016	2015	2016	2015	2016	2015
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	77,809	74,737	139,873	132,512	0.56	0.56
<b>Effect of dilutive potential ordinary shares</b>						
Warrant No.1	-	-	9,312	11,048		
ESOP	-	-	913	-		
<b>Diluted earnings per share</b>						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	77,809	74,737	150,098	143,560	0.52	0.52
<b>Separate financial statements</b>						
	Profit for the years ended		Weighted average		Earnings	
	31 December		number of ordinary shares		per share	
	2016	2015	2016	2015	2016	2015
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	29,560	20,152	139,873	132,512	0.21	0.15
<b>Effect of dilutive potential ordinary shares</b>						
Warrant No.1	-	-	9,312	11,048		
ESOP	-	-	913	-		
<b>Diluted earnings per share</b>						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	29,560	20,152	150,098	143,560	0.20	0.14

## 25. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company is organised into business units based on its product categories and has the following two reportable segments:

1. Distribution of baby and infant products
2. Distribution of other products

The following tables present revenue and profit and total assets/total liabilities information regarding the Company's operating segments for the years ended 31 December 2016 and 2015 are as follow:

(Unit: Million Baht)

	Financial statements in which the equity method is applied					
	Distribution of baby and infant products		Distribution of other products		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Revenue from external customers	567	535	137	131	704	666
<b>Total revenues</b>	<u>567</u>	<u>535</u>	<u>137</u>	<u>131</u>	<u>704</u>	<u>666</u>
<b>Segment profit</b>	<u>130</u>	<u>114</u>	<u>31</u>	<u>28</u>	<u>161</u>	<u>142</u>
<b>Unallocated income and expenses:</b>						
Commission income					10	8
Dividend income from other company					5	5
Other income					4	4
Administrative expenses					(165)	(150)
Finance cost					(3)	(3)
Share of income from investment in associated company					67	69
<b>Profit before income tax expenses</b>					<u>79</u>	<u>75</u>
Income tax expenses					<u>(1)</u>	<u>-</u>
<b>Profit for the year</b>					<u>78</u>	<u>75</u>

(Unit: Million Baht)

	Financial statements in which the equity method is applied					
	Distribution of baby and infant products		Distribution of other products		Total	
	2016	2015	2016	2015	2016	2015
Trade and other receivables	108	97	44	40	152	137
Inventories	63	75	18	20	81	95
Investment in an associate					386	338
Property, plant and equipment					41	76
Others assets					169	96
<b>Segment total assets</b>					<b>829</b>	<b>742</b>
<b>Segment total liabilities</b>					<b>252</b>	<b>235</b>

### Geographic information

The Company operates exclusively in the single geographic area of Thailand. As a result, most of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

### Major customers

For the year 2016, the Company had revenue from two major customers, one in amount of Baht 145 million and the other in amount of Baht 75 million, and arising from sales of baby and infant products (2015: Baht 136 million and Baht 77 million, respectively).

## 26. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 3 percent of basic salary. The fund, which is managed by BBL Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2016, the Company contributed Baht 2 million to the fund (2015: Baht 2 million).

## **27. Warrants to purchase new ordinary shares of the Company**

### **27.1 Warrants to purchase new ordinary shares to existing shareholders**

On 30 April 2015, the Annual General Meeting of the shareholders approved to issue and offer 24 million units of the Company's ordinary share warrants, (Warrant No.1) free of charge to the existing shareholders in proportion to their existing shareholding (rights offering), at rate of 1 warrant for every 5 existing ordinary shares (with fractional shares to be rounded down). The exercise price is set at Baht 1 per ordinary share (unless it is adjusted) and the exercise period is 3 years from the date the warrants are issued and offered. The warrants can be exercised on the last business day of June and December of each calendar year.

Presented below is a summary of movement in the number of warrants.

	Unit
Number of warrants issued	23,999,984
Exercised during the year 2015	(215,800)
Outstanding as at 31 December 2015	23,784,184
Exercised during the year 2016	(12,305,529)
Outstanding as at 31 December 2016	11,478,655

On 25 April 2016, the Annual General Meeting of the Company's shareholders approved the issuance of ESOP warrants (Note 27.2) and dividend payment (Note 21). As a result of these resolutions, the Company is required to adjust the rights of Warrant No.1 as follows:

Effect from	Existing exercise rights		Adjusted exercise rights		Increase in ordinary	Effective date
	Exercise ratio	Exercise price	Exercise ratio	Exercise price	shares for revision	
	(Ordinary shares per warrant)	(Baht per ordinary share)	(Ordinary shares per warrant)	(Baht per ordinary share)	(Shares)	
Dividend payment	1.00000	1.000	1.00606	1.000	141,547	28 April 2016
Issuance of ESOP warrants	1.00000	1.000	1.00606	1.000	82,738	31 October 2016

The adjustment revision is made to protect and maintain the rights and benefits of existing warrant holders (Warrant No. 1).

## **27.2 Warrants to purchase new ordinary shares of the Company issued to the executive directors and/or employees of the Company and subsidiaries (ESOP)**

On 30 April 2015, the Annual General Meeting of the shareholders approved to issue and offer 5 million warrants (Note 19) to purchase the Company's ordinary shares to the Company's Board of Directors, management, and employees (ESOP warrants) at no cost. The exercise price is set at Baht 1 per ordinary share (unless it is adjusted) and the exercise period is 5 years from the date the warrants were issued and offered. There are 5 exercise dates in total, with the first 4 exercise dates on the last business day of December of each calendar year and the final exercise date on the maturity date of the warrants.

On 25 April 2016, the Annual General Meeting of the Company's shareholders approved the revision of the conditions of the warrants. The old warrants (discussed in the preceding paragraph) granting rights to purchase 5 million of the Company's ordinary share were to be cancelled (Note 19) and the Company would then issue and offer 2 million new ordinary share warrants to the Company's directors, management and employees at no cost. Details of the warrants are summarised below.

Date of grant	5 September 2016
Number granted (Units)	2,000,000
Contractual lives	5 years from the date of issuance
Exercisable	The first 4 exercise dates on the last business day of December of each calendar year and the final exercise date on the maturity date of the warrants
Exercise price per 1 ordinary share	3.80 Baht (Unless it is adjusted in accordance with the conditions of any right adjustment)
Exercise ratio (warrant to ordinary shares)	1:1

The average estimated fair value of each warrant granted is Baht 1.0211. This was calculated by applying the Black-Scholes-Merton formula. The model inputs were the share price at price determination date of Baht 4.86, exercise price of Baht 3.80, expected volatility of 0.0144%, expected dividend yield of 3.09%, contractual life of five years, and a risk-free interest rate of 1.496 - 1.847%.

The number of warrants outstanding unexercised warrants is summarised below:

	Unit
Number of warrants issued	1,250,000
Exercised during the year 2016	(124,000)
Outstanding as at 31 December 2016	1,126,000

As at 31 December 2016, the Company has the unissued warrants of ESOP totaling 750,000 units.

## **28. Commitments and contingent liabilities**

### **28.1 Capital commitments**

As at 31 December 2015, the Company had capital commitments of approximately Baht 19 million relating to the renovation of new office building space (2016: Nil).

### **28.2 Operating lease commitments**

The Company has entered into several lease agreements in respect of the lease of building, the lease of equipment and relating services. The terms of the agreements are generally between 1 and 8 years.

As at 31 December 2016 and 2015, future minimum lease payments under these non-cancellable operating leases agreements were as follows.

	(Unit: Million Baht)	
	2016	2015
Payable:		
less than 1 year	9	9
1 to 5 years	12	15
over 5 year	4	5

### **28.3 Marketing research service commitment**

The Company has entered into a marketing research service agreement with a local company in respect of marketing research of the Company's products.

Future minimum service fee payable under this agreement as at 31 December 2016 was approximately Baht 2 million (2015: Baht 1 million).

#### **28.4 Long-term service commitment**

The Company entered into an agreement with an overseas company (which is the major shareholder of the associate company) regarding using the trademark of that company. Under this agreement, the Company is to pay this company royalty fee determined at 3 percent of the sales of that goods.

#### **28.5 Litigation**

- a) In July 2011, a former employee sued the Company through the Central Labor Court for breach of an employment contract, seeking compensation totaling Baht 8 million. However, the Company countersued the employee for damages totaling Baht 25 million. Subsequently, on 20 March 2013, the Central Labor Court dismissed the lawsuit brought by the employee and dismissed the Company's countersuit. However, on 30 May 2013, the employee appealed the case to the Supreme Court. Currently, the case is being heard by the Court. The management and the legal advisor of the Company believe that the Supreme Court will not accept the appeal because the appeal was made on the basis of the facts rather than a point of law, and on the basis of those facts the lawsuit has already been dismissed by the Central Labor Court.
- b) In April 2012, an unconnected company filed a lawsuit against the Company, alleging that the Company had failed to comply with a distributorship agreement, and demanding compensatory damages of Baht 87 million. The Company countersued that company, seeking compensatory damages of Baht 196 million.

On 14 May 2014, the Court of First Instance ordered the Company pay the plaintiff company damages of Baht 6 million, together with interest of 7.5% per annum from 4 August 2011 until the debt is fully paid.

On 8 September 2014, the Company appealed the case to the Appeal Court, and on 28 June 2016 and the Appeal Court upheld the judgment of the Court of First Instance. The Appeal Court ordered the Company to pay the plaintiff company damages of Baht 5.6 million, together with interest of 7.5% per annum from 4 August 2011 until the debt is fully paid.

Recently, the Company has appealed to the Supreme Court. The management and the legal advisor of the Company believe that the Company has the high chance to win the case because the Appeal Court did not bring the useful important critical issues which were raised in the Company's appeal for the consideration of the appeal judgement. This judgement consideration of the Appeal Court was not compiled with the Civil Procedure Code. Therefore, the management and the legal advisor of the Company are confident that the Supreme Court will bring those important critical issues for consideration which



are in favour of the Company and order the plaintiff to pay the damage to the Company according to the Company's countersue complaint. Therefore, no provision has been made for the contingent liability in the financial statements.

## 29. Fair value hierarchy

As at 31 December 2016, the Company had certain assets that were disclosed at fair value using different level inputs (as mentioned in Note 4.17 to the financial statements) as follows:

(Unit: Million Baht)

	Financial statements in which equity method is applied /			
	Separate financial statements			
	Level 1	Level 2	Level 3	Total
<b>Assets for which fair value are disclosed</b>				
Investment property	-	152	-	152

## 30. Financial instruments

### 30.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, short-term loans, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Company is exposed to credit risk primarily with respect to trade accounts receivable. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable as stated in the statement of financial positions.

#### Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, and short-term loans. However, since most of the Company's financial assets and liabilities bear floating interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

## Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies.

As at 31 December 2016 and 2015, the balances of financial liabilities denominated in foreign currencies are summarised below.

Currency	Financial liabilities		Exchange rate	
	2016	2015	2016	2015
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	0.09	0.15	36.0025	36.2538

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2016

Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	0.03	36.0560	January 2017

As at 31 December 2015

Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	0.10	35.7900 - 35.9069	January 2016

## 30.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or carrying interest rates closed to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### **31. Capital management**

The primary objectives of the Company's capital are to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at 31 December 2016, the debt to equity ratio in the equity-method statement of financial position was 0.44:1 (2015: 0.46:1) and 1.02:1 (2015: 1.03:1) in the separate financial statements.

### **32. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2017.