

Moong Pattana International Public Company Limited
Report and financial statements
31 December 2017

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 2017, and the related statements 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 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 statement present fairly, in all material respects, the financial position of Moong Pattana International Public Company Limited as at 31 December 2017, 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 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 how audit procedures respond for 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) Litigation

As disclosed in note to the financial statements No. 28.5 b), the Company has litigation regarding a distributorship agreement. The Court of First Instance and the Appeal Court have ordered the Company to pay the plaintiff damages together with interest. The Company has filed a petition with the Supreme Court. Currently, the case is in the consideration process of 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 the management's estimates. Therefore, there is a risk with respect to the recognition of provision of contingent liabilities from being sued for such damage.

I inquired with the Company's management and the Company's external legal advisor regarding the progress of the pending litigation and the method applied by the management in estimating the Company's liabilities from the litigation. 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 advisor and related documentation. In addition, I sent requests for confirmation to the Company's external legal advisor 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 in the note to financials 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 Company and its associated (the Group) to express an opinion on the 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.

I am responsible for the audit resulting in this independent auditor's report.

Chonlaros Suntiasvaraporn
Certified Public Accountant (Thailand) No. 4523

EY Office Limited
Bangkok: 28 February 2018

Moong Pattana International Public Company Limited

Statement of financial position

As at 31 December 2017

(Unit: Baht)

	Financial statements				
	in which the equity method is applied		Separate financial statements		
	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets					
Current assets					
Cash and cash equivalents	7	6,551,488	29,120,209	6,551,488	29,120,209
Short-term investment		-	31,166	-	31,166
Trade and other receivables	8	187,826,887	152,871,351	187,826,887	152,871,351
Inventories	9	80,956,196	81,416,209	80,956,196	81,416,209
Other current assets		6,392,014	6,234,229	6,392,014	6,234,229
Total current assets		<u>281,726,585</u>	<u>269,673,164</u>	<u>281,726,585</u>	<u>269,673,164</u>
Non-current assets					
Investment in associated company	10	432,949,468	386,419,127	58,173,970	58,173,970
Other long-term investments	11	24,932,180	24,932,180	24,932,180	24,932,180
Building and equipment	12	37,726,401	40,825,264	37,726,401	40,825,264
Investment properties	13	77,709,864	77,309,864	77,709,864	77,309,864
Intangible assets	14	16,896,325	20,216,386	16,896,325	20,216,386
Deferred tax assets	22	3,590,916	4,007,698	3,590,916	4,007,698
Other non-current assets		5,760,750	6,601,397	5,760,750	6,601,397
Total non-current assets		<u>599,565,904</u>	<u>560,311,916</u>	<u>224,790,406</u>	<u>232,066,759</u>
Total assets		<u>881,292,489</u>	<u>829,985,080</u>	<u>506,516,991</u>	<u>501,739,923</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 2017

(Unit: Baht)

		Financial statements			
		in which the equity method is applied		Separate financial statements	
	Note	2017	2016	2017	2016
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	15	62,979,978	90,000,000	62,979,978	90,000,000
Trade and other payables	16	165,543,326	146,673,393	165,543,326	146,673,393
Current portion of finance lease liabilities	17	2,205,781	3,401,361	2,205,781	3,401,361
Other current liabilities		1,631,115	2,757,245	1,631,115	2,757,245
Total current liabilities		232,360,200	242,831,999	232,360,200	242,831,999
Non-current liabilities					
Finance lease liabilities - net of current portion	17	5,156,265	3,365,539	5,156,265	3,365,539
Deferred tax liability	22	18,016	18,016	18,016	18,016
Provision for long-term employee benefits	18	6,405,812	5,815,808	6,405,812	5,815,808
Other non-current liabilities		1,530,823	1,530,823	1,530,823	1,530,823
Total non-current liabilities		13,110,916	10,730,186	13,110,916	10,730,186
Total liabilities		245,471,116	253,562,185	245,471,116	253,562,185

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 2017

(Unit: Baht)

	<u>Note</u>	Financial statements		Separate financial statements	
		<u>in which the equity method is applied</u>			
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Shareholders' equity					
Share capital					
Registered	19				
170,254,253 ordinary shares of Baht 1 each					
(2016: 213,488,988 ordinary shares of Baht 1 each)		<u>170,254,253</u>	<u>213,488,988</u>	<u>170,254,253</u>	<u>213,488,988</u>
Issued and fully paid up					
165,259,201 ordinary shares of Baht 1 each					
(2016: 145,832,431 ordinary shares of Baht 1 each)		165,259,201	145,832,431	165,259,201	145,832,431
Share subscription received in advance	19	833,543	10,887,443	833,543	10,887,443
Share premium		35,969,497	35,269,497	35,969,497	35,269,497
Surplus on share-based payment transactions		383,935	128,659	383,935	128,659
Retained earnings					
Appropriated - statutory reserve	20	17,025,425	15,671,987	17,025,425	15,671,987
Unappropriated		<u>416,349,772</u>	<u>368,632,878</u>	<u>41,574,274</u>	<u>40,387,721</u>
Total shareholders' equity		<u>635,821,373</u>	<u>576,422,895</u>	<u>261,045,875</u>	<u>248,177,738</u>
Total liabilities and shareholders' equity		<u>881,292,489</u>	<u>829,985,080</u>	<u>506,516,991</u>	<u>501,739,923</u>
		-	-	-	-

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 2017

(Unit: Baht)

		Financial statements			
		in which the equity method is applied		Separate financial statements	
	Note	2017	2016	2017	2016
Profit or loss:					
Revenues					
Sales of goods		795,368,472	703,950,921	795,368,472	703,950,921
Other income					
Commission income		10,548,039	9,661,973	10,548,039	9,661,973
Dividend income from associated company	10	-	-	18,807,520	18,807,520
Dividend income from other companies	11	6,328,000	4,701,400	6,328,000	4,701,400
Others		4,208,297	4,580,581	4,208,297	4,580,581
Total revenues		816,452,808	722,894,875	835,260,328	741,702,395
Expenses					
Cost of sales		380,640,555	336,259,923	380,640,555	336,259,923
Selling expenses		241,338,974	206,276,848	241,338,974	206,276,848
Administrative expenses		178,984,725	165,240,451	178,984,725	165,240,451
Total expenses		800,964,254	707,777,222	800,964,254	707,777,222
Profit before share of income from investment in associated company, finance cost and income tax expenses					
		15,488,554	15,117,653	34,296,074	33,925,173
Share of income from investment in associated company	10	66,600,894	67,057,115	-	-
Profit before finance cost and income tax expenses		82,089,448	82,174,768	34,296,074	33,925,173
Finance cost		(2,022,550)	(2,750,092)	(2,022,550)	(2,750,092)
Profit before income tax expenses		80,066,898	79,424,676	32,273,524	31,175,081
Income tax expenses	22	(1,523,956)	(1,615,515)	(1,523,956)	(1,615,515)
Profit for the year		78,542,942	77,809,161	30,749,568	29,559,566
Other comprehensive income:					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Share of actuarial losses of associated company		(1,578,791)	-	-	-
Less: Income tax effect		315,758	-	-	-
Other comprehensive income for the year	10	(1,263,033)	-	-	-
Total comprehensive income for the year		77,279,909	77,809,161	30,749,568	29,559,566
Earnings per share					
	24				
Basic earnings per share		0.49	0.56	0.19	0.21
Diluted earnings per share		0.47	0.52	0.18	0.20

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 2017

(Unit: Baht)

	Financial statements in which the equity method is applied						
	Issued and	Share subscription		Surplus on	Retained earnings		
	paid-up share capital	received in advance	Share premium	share-based payment transactions	Appropriated - statutory reserve	Unappropriated	Total
Balance as at 31 December 2015	144,156,724	59,060	34,795,680	-	13,007,624	315,120,447	507,139,535
Increase share capital	1,675,707	(59,060)	-	-	-	-	1,616,647
Share subscription received in advance	-	10,887,443	473,817	-	-	-	11,361,260
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
Statutory reserve (Note 20)	-	-	-	-	2,664,363	(2,664,363)	-
Dividend paid (Note 21)	-	-	-	-	-	(21,632,367)	(21,632,367)
Balance as at 31 December 2016	<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>
							-
Balance as at 31 December 2016	145,832,431	10,887,443	35,269,497	128,659	15,671,987	368,632,878	576,422,895
Increase share capital (Note 19)	19,426,770	(10,887,443)	-	-	-	-	8,539,327
Share subscription received in advance (Note 19)	-	833,543	700,000	-	-	-	1,533,543
Share-based payment transactions	-	-	-	255,276	-	-	255,276
Profit for the year	-	-	-	-	-	78,542,942	78,542,942
Other comprehensive income for the year	-	-	-	-	-	(1,263,033)	(1,263,033)
Total comprehensive income for the year	-	-	-	-	-	77,279,909	77,279,909
Statutory reserve (Note 20)	-	-	-	-	1,353,438	(1,353,438)	-
Dividend paid (Note 21)	-	-	-	-	-	(28,209,577)	(28,209,577)
Balance as at 31 December 2017	<u>165,259,201</u>	<u>833,543</u>	<u>35,969,497</u>	<u>383,935</u>	<u>17,025,425</u>	<u>416,349,772</u>	<u>635,821,373</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 2017

(Unit: Baht)

	Separate financial statements						
	Issued and	Share subscription		Surplus on	Retained earnings		
	paid-up share capital	received in advance	Share premium	share-based	Appropriated		
				payment transactions	- statutory reserve	Unappropriated	Total
Balance as at 31 December 2015	144,156,724	59,060	34,795,680	-	13,007,624	35,124,885	227,143,973
Increase share capital	1,675,707	(59,060)	-	-	-	-	1,616,647
Share subscription received in advance	-	10,887,443	473,817	-	-	-	11,361,260
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
Statutory reserve (Note 20)	-	-	-	-	2,664,363	(2,664,363)	-
Dividend paid (Note 21)	-	-	-	-	-	(21,632,367)	(21,632,367)
Balance as at 31 December 2016	145,832,431	10,887,443	35,269,497	128,659	15,671,987	40,387,721	248,177,738
							-
Balance as at 31 December 2016	145,832,431	10,887,443	35,269,497	128,659	15,671,987	40,387,721	248,177,738
Increase share capital (Note 19)	19,426,770	(10,887,443)	-	-	-	-	8,539,327
Share subscription received in advance (Note 19)	-	833,543	700,000	-	-	-	1,533,543
Share-based payment transactions	-	-	-	255,276	-	-	255,276
Profit for the year	-	-	-	-	-	30,749,568	30,749,568
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	30,749,568	30,749,568
Statutory reserve (Note 20)	-	-	-	-	1,353,438	(1,353,438)	-
Dividend paid (Note 21)	-	-	-	-	-	(28,209,577)	(28,209,577)
Balance as at 31 December 2017	165,259,201	833,543	35,969,497	383,935	17,025,425	41,574,274	261,045,875

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 2017

(Unit: Baht)

	Financial statements			
	in which the equity method is applied		Separate financial statements	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities				
Profit before tax	80,066,898	79,424,676	32,273,524	31,175,081
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	13,995,379	12,621,164	13,995,379	12,621,164
Reversal allowance for doubtful accounts	(166,585)	(384,133)	(166,585)	(384,133)
Allowance for diminution in value of inventories (reversal)	(1,883,325)	1,329,785	(1,883,325)	1,329,785
Unrealised loss (gain) on exchange	(97,621)	57,441	(97,621)	57,441
Loss (Gain) on sale of assets	22,316	(569,524)	22,316	(569,524)
Reversal impairment of investment properties	(400,000)	(1,167,944)	(400,000)	(1,167,944)
Provision for long-term employee benefits	590,004	555,523	590,004	555,523
Share-based payment transactions	255,276	128,659	255,276	128,659
Dividend received from investment in associated company	-	-	(18,807,520)	(18,807,520)
Dividend received from investment in other companies	(6,328,000)	(4,701,400)	(6,328,000)	(4,701,400)
Share of income from investment in associated company	(66,600,894)	(67,057,115)	-	-
Interest expenses	<u>2,022,550</u>	<u>2,750,092</u>	<u>2,022,550</u>	<u>2,750,092</u>
Profit from operating activities before changes in operating assets and liabilities	21,475,998	22,987,224	21,475,998	22,987,224
Operating assets decrease (increase)				
Trade and other receivables	(34,788,951)	(14,125,647)	(34,788,951)	(14,125,647)
Inventories	2,343,338	11,783,270	2,343,338	11,783,270
Other current assets	(157,785)	3,878,056	(157,785)	3,878,056
Other non-current assets	95,144	15,799	95,144	15,799
Operating liabilities increase (decrease)				
Trade and other payables	18,924,711	(13,887,108)	18,924,711	(13,887,108)
Other current liabilities	<u>(240,610)</u>	<u>707,372</u>	<u>(240,610)</u>	<u>707,372</u>
Cash flows from operating activities	7,651,845	11,358,966	7,651,845	11,358,966
Cash paid for interest expenses	(1,979,707)	(2,641,436)	(1,979,707)	(2,641,436)
Cash paid for corporate income tax	<u>(1,992,694)</u>	<u>(689,244)</u>	<u>(1,992,694)</u>	<u>(689,244)</u>
Net cash flows from operating activities	<u>3,679,444</u>	<u>8,028,286</u>	<u>3,679,444</u>	<u>8,028,286</u>

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 2017

(Unit: Baht)

	Financial statements		Separate financial statements	
	in which the equity method is applied			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash flows from investing activities				
Dividend received from investment in associated company	18,807,520	18,807,520	18,807,520	18,807,520
Dividend received from investment in other companies	6,328,000	4,701,400	6,328,000	4,701,400
Proceeds on sales of assets	20,109	782,280	20,109	782,280
Acquisitions of assets	(2,526,622)	(24,893,250)	(2,526,622)	(24,893,250)
Decrease (Increase) in short-term investment	31,166	(31,166)	31,166	(31,166)
Decrease (Increase) in intangible assets	269,339	(119,800)	269,339	(119,800)
Net cash flows from (used in) investing activities	<u>22,929,512</u>	<u>(753,016)</u>	<u>22,929,512</u>	<u>(753,016)</u>
Cash flows from financing activities				
Increase (Decrease) in short-term loans from banks	(27,020,022)	30,000,000	(27,020,022)	30,000,000
Repayment of finance lease liabilities	(4,020,948)	(3,299,990)	(4,020,948)	(3,299,990)
Increase in share capital	8,539,327	1,616,647	8,539,327	1,616,647
Increase in share subscription received in advance	1,533,543	11,361,260	1,533,543	11,361,260
Dividend payment	(28,209,577)	(21,632,367)	(28,209,577)	(21,632,367)
Net cash flows from (used in) financing activities	<u>(49,177,677)</u>	<u>18,045,550</u>	<u>(49,177,677)</u>	<u>18,045,550</u>
Net increase (decrease) in cash and cash equivalents	<u>(22,568,721)</u>	<u>25,320,820</u>	<u>(22,568,721)</u>	<u>25,320,820</u>
Cash and cash equivalents at beginning of year	<u>29,120,209</u>	<u>3,799,389</u>	<u>29,120,209</u>	<u>3,799,389</u>
Cash and cash equivalents at end of year	<u>6,551,488</u>	<u>29,120,209</u>	<u>6,551,488</u>	<u>29,120,209</u>
	-	-	-	-
Supplemental cash flows information				
Non-cash transaction:				
Purchases of motor vehicle under finance lease liabilities	4,616,094	1,824,299	4,616,094	1,824,299

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 2017

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, 18th - 19th Floor, Thosapol Land Building 4, Soi Bangna-Trad 25, Bangna-Trad Road, Bangna, Bangkok and a branch is located at No. 444/11, 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 11 October 2016, 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 present investments in associated company under the cost method.

3. New financial reporting standards

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

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 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 adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

(b) Financial reporting standards that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of 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 Company believes that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

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.

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 weighted average method) and net realisable value and includes all inventory costs, labor costs and attributable factory overheads. Packing materials are valued at the lower of weighted average cost and net realisable value and are charged to costs of finished goods 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 impairment loss (if any).

4.6 Building and equipment/ Depreciation

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
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

No depreciation is provided on assets under construction and installation.

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

Depreciation of investment properties, which are buildings is calculated by reference to their costs on the straight-line basis over estimated useful lives of 20 years. Depreciation of the investment properties is included in determining income.

No depreciation is provided for investment property which is land.

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

4.8 Intangible assets

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

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

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

	<u>Useful lives</u>
Computer software	5 and 10 years

4.9 Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation. Amortisation is calculated by reference to their costs 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 motor vehicles 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 asset acquired under finance leases is depreciated over the shorter of the useful life of the leased asset and the lease period.

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

4.12 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of building 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 are recognised 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 Share-based payment

Issues and offerings of equity instruments of the Company to various parties (including employees) are recognised as share-based payment transactions, unless the issuance is clearly for a purpose other than payment for goods or services supplied to the Company.

The Company records the excess of the fair value of the shares at the transfer date over the transfer price as an expense in profit or loss, and as surplus on for share-based payment transactions in shareholder's equity.

4.15 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.

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

At each reporting date, the Company 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.

4.17 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.

4.18 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 follows:

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 by considering obsolete or deteriorated inventories.

Investment properties, building and equipment/Depreciation

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

In addition, the management is required to review investment properties, building 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.

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.

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)		
	2017	2016	Pricing policy
<u>Transactions with associated company</u>			
Purchases of goods	128	102	Cost plus margin
<u>Transactions with related companies</u>			
Purchase of raw material	102	106	Cost plus margin
Commission income	8	7	0.3 percent of net selling price of product sold and 1.5 percent of costs of service rendered
Advisory fee	4	4	Agreed rate
<u>Transactions with related person</u>			
Rental expenses	4	4	Agreed rate

The balances of the accounts as at 31 December 2017 and 2016 between the Company and those related companies are as follows:

	(Unit: Thousand Baht)	
	2017	2016
Other receivables - related parties (Note 8)		
Associated company	3,021	-
Related companies (related by common directors)	3,051	4,332
Total other receivables - related parties	6,072	4,332
Trade and other payables - related parties (Note 16)		
Associated company	44,408	30,088
Related companies (related by common directors)	33,796	32,442
Total trade and other payables - related parties	78,204	62,530

Directors and management's remuneration

During the years ended 31 December 2017 and 2016, the employee benefit expenses payable to the Company's directors and management are as follows:

	(Unit: Thousand Baht)	
	2017	2016
Short-term employee benefits	31,264	30,859
Post-employment benefits	443	427
Total	31,707	31,286

Retirement remuneration of Chief Executive Officer

On 9 August 2017, the Board of Director's meeting approved the payment of a retirement compensation to grant the former Chief Executive Office one used vehicle which has a market value of Baht 1.1 million.

7. Cash and cash equivalents

	(Unit: Thousand Baht)	
	2017	2016
Cash	65	55
Cash at banks - current accounts	382	6,350
Cash at banks - savings accounts	6,104	22,715
Total	6,551	29,120

As at 31 December 2017, bank deposits in savings accounts carried interests between 0.09 and 0.38 percent per annum (2016: 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 2017 and 2016, aged on the basis of due dates, are as follows:

	(Unit: Thousand Baht)	
	2017	2016
Trade receivables - unrelated parties		
Net yet due	122,836	113,604
Past due		
Not over 3 months	57,451	29,924
3 - 6 months	527	600
6 - 12 months	13	92
Over 12 months	699	795
Total	181,526	145,015
Less: Allowance for doubtful accounts	(948)	(1,115)
Total trade receivables - net	180,578	143,900
Other receivables		
Other receivables - related party (Note 6)	6,072	4,332
Others	1,419	4,881
Total	7,491	9,213
Less: Allowance for doubtful accounts	(242)	(242)
Total other receivables, net	7,249	8,971
Total trade and other receivables - net	187,827	152,871

9. Inventories

	(Unit: Thousand Baht)					
	Cost		Reduce cost to net realisable value		Inventory - net	
	2017	2016	2017	2016	2017	2016
Finished goods	60,854	59,733	(2,732)	(3,587)	58,122	56,146
Work in process	18,400	17,592	(99)	(734)	18,301	16,858
Packing materials	3,271	3,764	(110)	(503)	3,161	3,261
Goods in transit	1,372	5,151	-	-	1,372	5,151
Total	83,897	86,240	(2,941)	(4,824)	80,956	81,416

During the current year, the Company has reversed the write-down of cost of inventories by Baht 2 million (2016: reduced the 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	
			2017	2016	2017	2016	2017	2016
			(%)	(%)				
Thai Pigeon Company Limited	The manufacture and distribution of baby and infant products	Thai	47	47	58,174	58,174	432,949	386,419

(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
			2017	2016	2017	2016	2017	2016
			(%)	(%)				
Thai Pigeon Company Limited	The manufacture and distribution of baby and infant products	Thai	47	47	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)

	Financial statements in which the equity method is applied				Separate financial statements	
	Share of profit from		Share of other			
	investments in associate		comprehensive income from		Dividend received	
Company's name	during the year		during the year		during the year	
	2017	2016	2017	2016	2017	2016
Thai Pigeon Company Limited	66,601	67,057	(1,263)	-	18,808	18,808

10.3 Summarised financial information about material associate

Summarised information about financial position as at 31 December 2017 and 2016.

(Unit: Million Baht)

	2017	2016
Current assets	853	719
Non-current assets	194	228
Current liabilities	98	101
Non-current liabilities	22	20
Net assets	927	826
Shareholding percentage (%)	47%	47%
Share of net assets	436	388
Elimination entries	(3)	(2)
Carrying amounts of associate based on equity method	433	386

Summarised information about comprehensive income for the years ended 31 December 2017 and 2016.

	(Unit: Million Baht)	
	2017	2016
Revenue	867	904
Profit	140	140
Other comprehensive income	(3)	-
Total comprehensive income	137	140

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		Dividend received	
						under cost method			
		2017	2016	2017	2016	2017	2016	2017	2016
						(%)	(%)		
Yoshino Moong Pattana (Thailand) Company Limited	The manufacture of plastic and plastic coated products	300,000	300,000	6	6	21,332	21,332	3,078	2,201
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	3,250	2,500
Total						24,932	24,932	6,328	4,701

12. Building 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
Cost							
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
Additions	-	-	-	1,197	5,946	-	7,143
Disposals	-	-	-	(1,897)	(4,162)	-	(6,059)
31 December 2017	-	19,646	351	31,140	28,382	-	79,519
Accumulated depreciation							
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
Depreciation for the year	-	1,755	39	3,862	4,544	-	10,200
Depreciation on disposals	-	-	-	(1,855)	(4,162)	-	(6,017)
31 December 2017	-	2,772	296	21,927	16,798	-	41,793
Net book value							
31 December 2016	-	18,629	94	11,920	10,182	-	40,825
31 December 2017	-	16,874	55	9,213	11,584	-	37,726
Depreciation for the year							
2016 (Baht 0.04 million included in cost of sales, and the balance in selling and administrative expenses)							8,823
2017 (Baht 0.04 million included in cost of sales, and the balance in selling and administrative expenses)							10,200

As at 31 December 2017, 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 Baht 20 million (2016: Baht 19 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 2017 and 2016, the balances of investment properties are as follows:

(Unit: Thousand Baht)

As at 31 December 2017:

Cost	84,592
Less: Allowance for loss on impairment	(6,882)
Net book value	<u>77,710</u>

As at 31 December 2016:

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

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

(Unit: Thousand Baht)

	2017	2016
Net book value at the beginning of year	77,310	22,900
Transfer of assets from property, plant and equipment	-	53,242
Reversal allowance for loss on impairment	400	1,168
Net book value at the end of year	<u>77,710</u>	<u>77,310</u>

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

In 2016, the Company engaged an independent professional valuer to appraise the fair value of the land and building not used in operations by 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 is computer software are as follows.

(Unit: Thousand Baht)

As at 31 December 2017:

Cost	30,487
Less: Accumulated amortisation	(13,591)
Net book value	<u>16,896</u>

As at 31 December 2016:

Cost	32,664
Less: Accumulated amortisation	(12,448)
Net book value	<u>20,216</u>

A reconciliation of the net book value of intangible assets for the years 2017 and 2016 is presented below.

(Unit: Thousand Baht)

	2017	2016
Net book value at the beginning of year	20,216	23,150
Acquisition of computer software	-	119
Write-off of computer software	(269)	(5)
Amortisation for the year	(3,051)	(3,048)
Net book value at the end of year	<u>16,896</u>	<u>20,216</u>

15. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest (percent per annum)	2017	2016
Promissory notes	2.50 - 2.60	62,980	90,000
Total		<u>62,980</u>	<u>90,000</u>

As at 31 December 2017, the short-term credit facilities of the Company from financial institutions which have not yet been drawn down amounting to Baht 143 million (2016: Baht 181 million).

16. Trade and other payables

	(Unit: Thousand Baht)	
	2017	2016
Trade payables - related parties (Note 6)	78,204	62,530
Trade payables - unrelated parties	16,406	26,455
Other payables	21,641	12,886
Accrued expenses	49,292	44,802
Total trade and other payables	<u>165,543</u>	<u>146,673</u>

17. Finance lease liabilities

	(Unit: Thousand Baht)	
	2017	2016
Liabilities under finance lease agreements	7,990	7,310
Less: Deferred interest expenses	(628)	(543)
Total	<u>7,362</u>	<u>6,767</u>
Less: Portion due within one year	<u>(2,206)</u>	<u>(3,401)</u>
Liabilities under finance lease agreements - net of current portion	<u>5,156</u>	<u>3,366</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 2017		
	Less than		
	1 year	1-5 years	Total
Future minimum lease payments	2,556	5,434	7,990
Deferred interest expenses	(350)	(278)	(628)
Present value of future minimum lease payments	<u>2,206</u>	<u>5,156</u>	<u>7,362</u>

(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>

18. Provision for long-term employee benefits

As at 31 December 2017 and 2016, provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)	
	2017	2016
Provision for long-term employee benefits at beginning of year	5,816	5,260
<i>Included in profit or loss:</i>		
Current service cost	357	344
Interest cost	233	212
Provision for long-term employee benefits at end of year	<u>6,406</u>	<u>5,816</u>

Line items in profit or loss, under which long-term employee benefit expenses are recognised for the years ended 31 December 2017 and 2016, are as follows:

	(Unit: Thousand Baht)	
	2017	2016
Selling and administrative expenses	590	556
Total expenses recognised in profit or loss	<u>590</u>	<u>556</u>

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

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefit is 23 years (2016: 23 years).

Significant actuarial assumptions are summarised below:

	(Unit: percent per annum)	
	2017	2016
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 2017 are summarised below:

	(Unit: Thousand Baht)	
	Increase 1%	Decrease 1%
Discount rate	(264)	284
Salary increase rate	39	(38)
Turnover rate	(204)	234

19. Registered capital

On 26 April 2017, the Annual General Meeting of the Company's shareholders has approved the following matters:

- a) A decrease in the Company's registered share capital from Baht 213.49 million (213.49 million ordinary shares of Baht 1 each) to Baht 170.22 million (170.22 million ordinary shares of Baht 1 each) by cancelling 43.27 million ordinary shares registered but unissued shares with the par value of Baht 1 per share which were reserved for the capital increase under a general mandate.
- b) An increase in the Company's registered share capital from Baht 170.22 million (170.22 million ordinary shares of Baht 1 each) to Baht 170.25 million (170.25 million ordinary shares of Baht 1 each) by issuing 0.03 million new ordinary shares at a par value of Baht 1 each in order to support the adjustment for the Warrant No.1 (Note 27.1).

The Company registered such registered capital decrease and increase with the Ministry of Commerce on 4 May 2017 and 5 May 2017, respectively.

In June 2017, the warrant holders exercised the Warrant No. 1 totaling Baht 8.54 million and the Company issued 8.54 million ordinary shares at Baht 1 per share to those warrant holders. The Company registered the subscription of the newly issued and fully paid up shares with the Ministry of Commerce on 6 July 2017.

In December 2017, the warrant holders exercised the Warrant No. 1 totaling Baht 0.58 million and the Company issued 0.58 million ordinary shares with the value of Baht 1 each to those warrant holders. In addition, the warrant holders exercised the ESOP warrants totaling 0.25 million shares with the value of Baht 3.80 each and the Company issued 0.25 million ordinary share with the value of Baht 1 each to those warrant holders. The Company recorded cash receipts as share subscription received in advance as at 31 December 2017. Subsequently, the Company registered the subscription of the newly issued and fully paid up shares with the Ministry of Commerce on 5 January 2018.

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 share capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

21. Dividend

On 25 April 2016, the Annual General Meeting of the Company's shareholders has approved the payment of a dividend of Baht 0.15 per share, totaling Baht 22 million, to the shareholders from the 2015 operating results. The dividend was paid on 24 May 2016.

On 26 April 2017, the Annual General Meeting of the Company's shareholders has approved the payment of a dividend of Baht 0.18 per share, totaling Baht 28 million, to the shareholders from the 2016 operating results. The dividend was paid on 23 May 2017.

22. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

	(Unit: Thousand Baht)			
	Financial statements in which the equity method is applied		Separate financial statements	
	2017	2016	2017	2016
Current income tax:				
Current income tax charge	1,136	1,920	1,136	1,920
Adjust corporate income tax expense from				
prior year	(29)	-	(29)	-
Deferred tax:				
Relating to origination and reversal of temporary				
differences	417	(304)	417	(304)
Income tax expense reported in the statement of				
 comprehensive income	<u>1,524</u>	<u>1,616</u>	<u>1,524</u>	<u>1,616</u>

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

	(Unit: Thousand Baht)			
	Financial statements in which		Separate	
	the equity method is applied		financial statements	
	2017	2016	2017	2016
Accounting profit before tax	80,067	79,425	32,274	31,175
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by applicable tax rate	16,013	15,885	6,455	6,235
Effects of:				
Exemption of income	(1,265)	(940)	(5,027)	(4,701)
Share of gain from investment in associate	(13,320)	(13,411)	-	-
Non-deductible expenses	875	1,127	875	1,127
Additional expense deductions allowed	(575)	(430)	(575)	(430)
Others	(204)	(615)	(204)	(615)
Total	(14,489)	(14,269)	(4,931)	(4,619)
Income tax expenses reported in the statement of comprehensive income	1,524	1,616	1,524	1,616

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	
	2017	2016
Deferred tax assets		
Allowance for doubtful accounts	194	196
Allowance for diminution in value of inventories	588	965
Allowance for impairment loss on investment properties	1,376	1,456
Provision for long-term employee benefits	1,299	1,181
Others	134	210
Total	3,591	4,008
Deferred tax liability		
Actuarial gains	18	18
Total	18	18

23. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	2017	2016
Salaries, wages, and other employee benefits	149,929	128,037
Sales promotion expenses	117,203	94,149
Depreciation and amortisation expenses	13,995	12,621
Transportation expenses	24,247	21,205
Inventories and consumables used	188,705	182,410
Changes in finished goods and work in process	1,930	(10,388)
Warehouse management expenses	7,718	10,226

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 (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.

	Financial statements in which equity method is applied					
	Profit for the years ended		Weighted average		Earnings	
	31 December		number of ordinary shares		per share	
	2017	2016	2017	2016	2017	2016
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit for the year	78,543	77,809	161,128	139,873	0.49	0.56
Effect of dilutive potential ordinary shares						
Warrant No.1	-	-	6,300	9,312		
ESOP	-	-	645	913		
Diluted earnings per share						
Profit attributable to ordinary shareholders assuming the conversion of warrants to ordinary shares	78,543	77,809	168,073	150,098	0.47	0.52

	Separate financial statements					
	Profit for the years ended		Weighted average		Earnings	
	31 December		number of ordinary shares		per share	
	2017	2016	2017	2016	2017	2016
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit for the year	30,750	29,560	161,128	139,873	0.19	0.21
Effect of dilutive potential ordinary shares						
Warrant No.1	-	-	6,300	9,312		
ESOP	-	-	645	913		
Diluted earnings per share						
Profit attributable to ordinary shareholders						
assuming the conversion of warrants to						
ordinary shares	30,750	29,560	168,073	150,098	0.18	0.20

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 2017 and 2016 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	
	2017	2016	2017	2016	2017	2016
Revenue						
Revenue from external customers	628	567	167	137	795	704
Total revenues	628	567	167	137	795	704
Segment profit	137	130	36	31	173	161
Unallocated income and expenses:						
Commission income					11	10
Dividend income from other companies					6	5
Other income					4	4
Administrative expenses					(179)	(165)
Finance cost					(2)	(3)
Share of income from investment in associated company					67	67
Profit before income tax expenses					80	79
Income tax expenses					(1)	(1)
Profit for the year					79	78

(Unit: Million Baht)

	Financial statements in which the equity method is applied					
	Distribution of baby and infant products		Distribution of other products		Total	
	2017	2016	2017	2016	2017	2016
Trade and other receivables	137	108	51	45	188	153
Inventories	55	63	26	18	81	81
Investment in associate					433	386
Building and equipment					38	41
Others assets					141	169
Segment total assets					881	830
Segment total liabilities					245	254

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 information

In 2017, the Company had revenue from two major customers, one in amount of Baht 142 million (2016: Baht 145 million) and the other in amount of Baht 89 million (2016: Baht 75 million), and mainly arising from sales of baby and infant products.

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 the Company and employees 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. The contributions for the year 2017, amounting to Baht 3 million (2016: Baht 2 million) were recognised as expenses.

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.

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

On 26 April 2017, the Annual General Meeting of the Company's shareholders approved the dividend payment (Note 21). As a result of this resolution, 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	1.00606	1.000	1.00750	1.000	30,000	4 May 2017

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

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

	Unit
Number of warrants issued	23,999,988
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
Exercised during the year 2017	(9,054,964)
Outstanding as at 31 December 2017	2,423,691

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

On 25 April 2016, the Annual General Meeting of the Company's shareholders approved to issue and offer 2 million warrants to purchase the Company's ordinary shares to the Company's Board of Directors, management, and employees (ESOP warrants) 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
Exercised during the year 2017	(250,000)
Outstanding as at 31 December 2017	876,000

As at 31 December 2017, the Company has the unissued warrants of ESOP totaling 750,000 units.

28. Commitments and contingent liabilities

28.1 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 2017 and 2016, future minimum lease payments under these non-cancellable operating leases agreements were as follows.

	(Unit: Million Baht)	
	2017	2016
Payable:		
less than 1 year	8	9
1 to 5 years	8	12
over 5 year	2	4

28.2 Hire a specialist commitment

The Company has entered into an agreement to hire a specialist with a local related company (related by shareholders and directors).

As at 31 December 2017, the Company has future commitments to pay an advisory fee under this agreement totaling of Baht 2 million (2016: Baht 2 million).

28.3 Marketing research service commitment

The Company has entered into agreements with two local companies in respect of marketing research of the Company's products.

The future minimum service fee payable under these agreements as at 31 December 2017 is approximately Baht 4 million (2016: Baht 4 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. On 30 May 2013, the employee appealed the case to the Supreme Court. However, the Supreme Court has dismissed the lawsuit in June 2017. Therefore, the Company has no contingent liability from such lawsuit.
- 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 6 million, together with interest of 7.5% per annum from 4 August 2011 until the debt is fully paid.

On 18 November 2016, the Company has filed a petition to the Supreme Court to sue that the plaintiff had failed to comply with a distributorship agreement and had to pay compensatory damages to the Company of Baht 196 million. Currently, the case is in the consideration process of the Supreme Court. The management and the Company's external legal advisor believe that the Company has 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 Company's external legal advisor 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 2017, the Company had certain assets that were disclosed at fair value using different level inputs (as mentioned in Note 4.18 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
Assets for which fair value are disclosed				
Investment properties	-	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, trade and other payables, and finance lease liability. 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 position.

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. The details of cash at banks and short-term loans are set out in Note 7 and Note 15 to the financial statements.

Foreign currency risk

The Company has low risk exposure to foreign currency since the outstanding balance of the Company's financial liabilities denominated in foreign currency in the statement of financial position at the end of reporting period was immaterial amount.

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.

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 2017, the debt to equity ratio in the financial statements in which equity method is applied was 0.39:1 (2016: 0.44:1) and 0.94:1 (2016: 1.02:1) 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 28 February 2018.