

ANNUAL REPORT 2017

DO DAY DREAM

PUBLIC COMPANY LIMITED





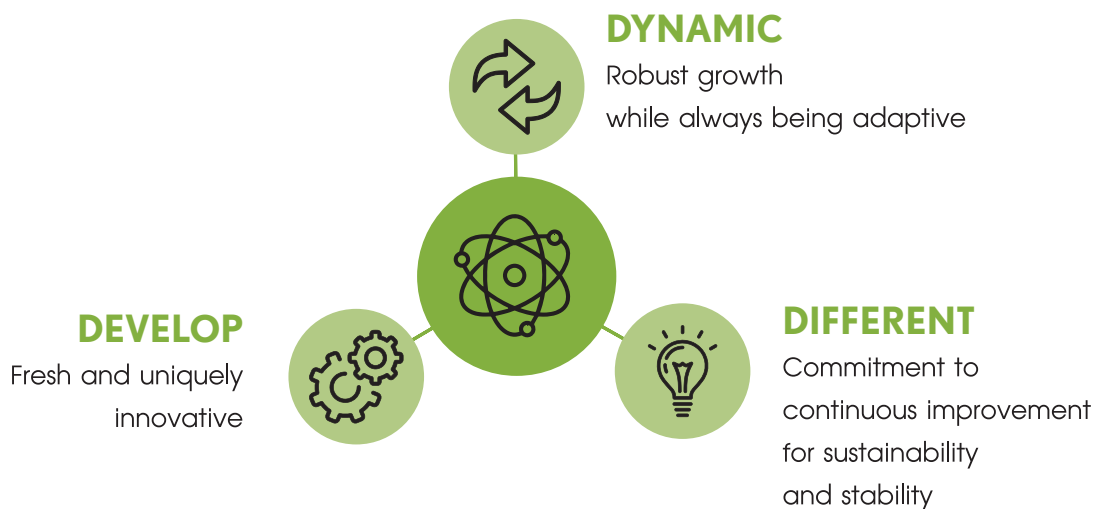
VISION

TO BE 1 OF THE 3 MARKET LEADERS
IN THE ASIAN BEAUTY INDUSTRY



MISSION

WE CREATE HEALTHY SKIN FOR
EVERYONE TO BE TRULY BEAUTIFUL
IN THEIR OWN UNIQUE WAY



CORE VALUE

Business Objectives

Do Day Dream Public Company Limited believes that growth leading to success comes from a number of factors, with a primary one being the quality of the products. This is because sustainable growth is a result of trust and brand loyalty, which will motivate customers to repurchase the products again. The company has the following long-term business goals:

1. Strive to meticulously source ingredients from suppliers in various countries to find suitable ingredients for development and creation of new products, in conjunction with monitoring industry trends, in order to consistently satisfy customers.
2. Design the packaging of all products to protect the integrity of the ingredients, and make the products long-lasting and easy to use. In addition, the company will elevate the standards for logistics (transportation) and warehouse (inventory) storage, while prioritizing benefits to consumers.
3. Increase the sales and marketing channels to nearby regions to enhance ease of access for target customers and brand recognition in order to achieve the goal of becoming one of the international players in the manufacture and distribution of skin care.
4. Continuously improve internal systems of the organization to enhance speed and effectiveness of operations, while maintaining a decentralized structure to keep the company agile in responding to changes.
5. Maintain good relations with all business partners and engage in corporate social and environmental responsibility to foster long-term sustainability.



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2017 HIGHLIGHTS





Business Highlights:

- The Company was converted and registered to a public company and changed the name to **Do Day Dream Public Company Limited** on 22 March 2017 as well as adjusting the par value of its shares from 100 Baht per share to 1 Baht per share. The Company also increased its registered capital from 225 million Baht to 318 million Baht to support its listing in the Stock Exchange of Thailand.
- The Company had a plan to set up subsidiaries to enhance efficiency in doing business and support future growth as well as gaining tax advantages. On 12 October 2017, the Company registered **Do Infinite Dream Company Limited** and issued 1 million new ordinary shares at a par value of 100 Baht per share with 25% paid or at the amount of 25 million Baht. The Company holds 100% of the shares of the new company. Another 2 subsidiaries, Do Day Dream Holding Company Limited and Do Day Dream Trading Company Limited are expected to be established in 2018.
- In July 2017, the Company allocated its 15 million new ordinary shares with a par value of 1 Baht per share to **North Haven Thai Private Equity Clarity Company (HK) Limited ("NHTPEC")**, a legal entity who holds shares indirectly and is among the private investors.
- The Company allocated 76 million new ordinary shares with a par value of 1 Baht for an Initial Public Offering (IPO) to the public with the first trading day in the stock exchange of 26 December 2017.



• In 2017, the Company launched 8 new products which are

- NAMU LIFE **SNAILWHITE** DAY CREAM
- NAMU LIFE **SNAILWHITE** ESSENTIAL TONER
- NAMU LIFE **SNAILWHITE** NAMU FACIAL JELLY WASH
- NAMU LIFE **SNAILWHITE** OVERNIGHT FIRMING MASK
- NAMU LIFE **SNAILWHITE** 7 DAYS MASK SHEETS
- NAMU LIFE **SNAILWHITE** BODY BOOSTER SPF30/PA+++
- NAMU LIFE **SNAILWHITE** GOLD FACIAL CREAM
- NAMU LIFE **SNAILWHITE** SUNSCREEN CC

At the end of 2017, the outstanding number of its products was at 19 products, 35 SKUs



Financial Highlights:

<i>Financial Information (THB mm)</i>	<i>2017</i>	<i>2016</i>
Total assets	5,460	775
Total liabilities	674	400
Shareholders' equity	4,786	375
Total sales	1,674	1,237
Total revenue	1,684	1,240
Cost of sales	535	375
Selling and administrative expenses	724	442
Net profit for the period	351	335

Shareholder Information

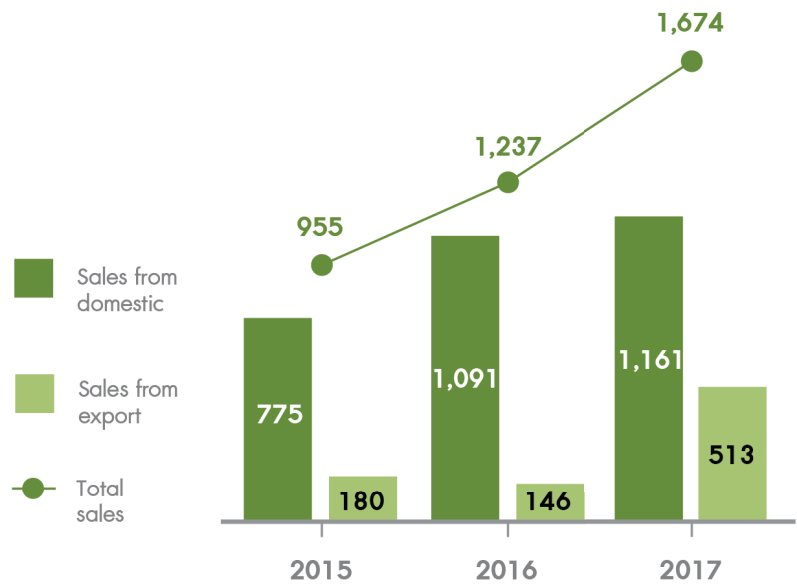
Ordinary shares (THB mm)	316	225
Issued and fully paid up (shares mm)	316	225
Net book per share (THB)	15	1.6
Earnings per share (THB)	1.50	2.34

Financial Ratio

Return on assets: ROA (%)	11	51
Return on equity: ROE (%)	14	109
Gross profit margin (%)	69	70
Net profit margin (%)	21	27
Debt to equity ratio	0.1x	1x

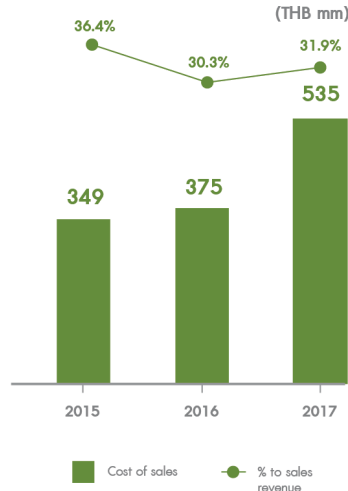
Total Sales

(THB mm)



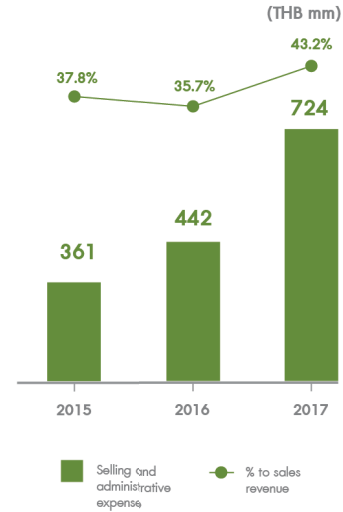
Cost of Sales

(THB mm)



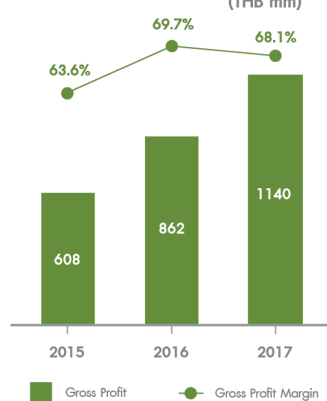
Selling and Administrative expenses

(THB mm)



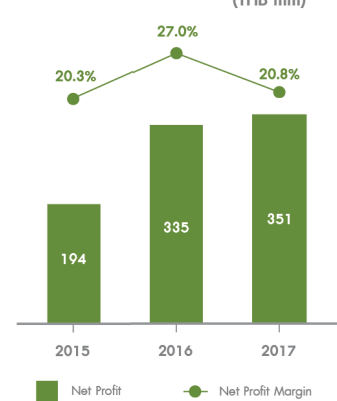
Gross Profit

(THB mm)



Net Profit

(THB mm)





IAMULIFE
SNAILWHITE

OVERVIEW

Corporate Info

Company Name	Do Day Dream Public Company Limited
Address	Head Office 32 Keharomklao Road, Saphansung, Bangkok 10240, Thailand Tel. 02-917-3055 Fax. 02-917-3054 Factory 53 Moo 9, Rojana Road, Thanu Sub-district, U-thai District, Ayutthaya Province 13210, Thailand Tel. 03-524-6885 Fax. 03-524-6886
Business	Manufacturer and Distributor of skin care products
Registered shares	318,000,000 THB
Issued and fully paid up shares	316,000,000 THB
Registered Company	20 September 2010
Registered Public Company	22 March 2017
Registered Number	0107560000109 (Old 0105553115301)
Corporate Website	www.dodaydream.com
Commercial Website	www.namulife.com
Contact	FACEBOOK: NAMULIFESNAILWHITE INSTAGRAM: NAMULIFESNAILWHITE LINE OFFICIAL: NAMU LIFE

Message from Chairman

Throughout 2017, Do Day Dream Public Company Limited has been encountering volatilities from global economy which are uncontrollable external factors. Despite the unfavorable economic conditions, the Company managed to succeed in undertaking and expanding its business beyond targets previously set. Besides, this year can be regarded as the year of changes as the Company has never compromised on improving its business and internal management. These changes are critical elements that accelerate our business expansion and growth.

The Company have been prioritizing in various aspects of fundamental development including work scheme and relevant system to support for future growth. Our growth aspirations encompass not only sales growth by expanding distribution network coverage to reach consumers both locally and internationally, but also new product introduction to meet market's needs. The Company pays attention to every single detail from market study and production process to product distribution.

Looking ahead, the Company has a strong determination to expand its business in order to enhance returns to our shareholders as evident from our aggressive goals. This can be done mainly through extending our footprints outside Thailand emphasizing on high potential countries as well as seeking other business strategies that can supplement our existing business.

To conclude, on behalf of the Board of Directors, I would like to ensure that we will take the Company along the growth journey through achieving business goals and creating sustainable stability while we firmly adhere to transparency and the best interest of the public at large.



“ The Company has a strong determination to expand its business in order to enhance returns to our shareholders as evident from our aggressive goals ”

Pol. Gen. Chatchawan Suksomjit
(Chairman of the Board of Directors)

Message from Chief Executive Officer

“
growing together
with our
business alliances,
We DO
to make EVERYDAY
your DREAM
”



Throughout the past 7 years since its inception, Do Day Dream Public Company Limited has been growing rapidly to top over 1 billion Baht in sales revenue. Our products have been consistently developed and receiving positive feedbacks from consumers. Moreover, we never cease to expand our sales footprints both domestically and internationally. Recently since the fourth quarter of 2017, our products are available in King Power duty free shops and this helps promote NAMU LIFE SNAILWHITE among tourists and cater to a broader customer base in foreign markets especially in CMLV countries with high growth and in China with an enormous skin care market of over 1 trillion Baht in market value. With our vision to be among Top 3 in beauty business in Asia, the Company was listed in the Stock Exchange of Thailand in December 2016 to offer general investors an opportunity to join our growth journey and together create the next skin care business phenomenon. I am pleased and honored to receive such positive responses from institutional investors and retail investors alike.

I would like to take this opportunity to thank everyone once again and promise that we will continue our journey to become the market leader for beauty products in Asia through our firm commitment in continuous development to create and deliver quality products for consumers. We will devote ourselves to generating returns for our investors in a stable and sustainable manner as well as growing together with our business alliances, adhering to our slogan “We **Do** to make every**Day** your **Dream**”.

Mr. Sarawut Pornpatanarak
Chief Executive Officer



BOARD OF DIRECTOR AND MANAGEMENT TEAM



from left to right:

Mr. Nattawut Kruapradub, Mr. Songpol Chevapanyaroj, Mrs. Nualphan Lamsam, Pol. Gen. Chatchawal Suksomjit,
Mr. Krish Follett

Pol. Gen. Chatchawal Suksomjit

**Chairman of the Board of Director,
Independent Director**

Academic Qualifications:

- Police Cadet Academy Master of Public Administration, Chulalongkorn University
- Bachelor of Public Administration Program in Public Administration, Royal
- Role of Chairman Program (RCP)

Mr. Krish Follett

**Chairman of Audit Committee,
Independent Director**

Academic Qualifications:

- Advanced Management Programme, Harvard Business School, Boston, USA
- Masters of Business Administration, Thammasat University
- Bachelor of Economic, Thammasat University
- Director Certification Program (DCP)

Mrs. Nualphan Lamsam

Independent Director

Academic Qualifications:

- Master's degree in Education Administration from Boston University, USA
- Bachelor of Business Administration, Marketing Major, Faculty of Commerce and Accountancy, Chulalongkorn University
- Director Certification Program (DCP)

Mr. Songpol Chevapanyaroj

Audit Committee, Independent Director

Academic Qualifications:

- Master of Finance, Case Western Reserve University, U.S.A.
- Bachelor Degree in Finance, University of Findlay, U.S.A.

Mr. Nattawut Kruapradub

Audit Committee, Independent Director

Academic Qualifications:

- Harvard Business School for Management Program
- Bachelor Degree in Engineering, Faculty of Engineering, Kasetsart University
- Director Certification Program (DCP)

Mr. Sarawut Pornpatanarak

Chief Executive Officer, Director

Academic Qualifications:

- Doctor of Business Administration Program, Ramkhamhaeng University
- Master of Organization Development and Management, Assumption University
- BBA, Advertising Major, Assumption University
- Director Certification Program (DCP)

Mr. Rittikrai Thammaraksa

Deputy Chief Executive Officer, Director

Academic Qualifications:

- MA in Media Communications, Webster University
- BBA, Advertising Major, Assumption University
- Director Accreditation Program (DAP)

Mr. Nittiroj Manolamai

Deputy Chief Executive Officer, Director

Academic Qualifications:

- MA Master of Science in Internet and E-Commerce Technology, Assumption University
- Bachelor Degree in Communication Arts, Assumption University
- Director Accreditation Program (DAP)

Mr. Suphawat Vanichprapha

Deputy Chief Executive Officer, Director

Academic Qualifications:

- MBA International Trading, University of La Verne CA, USA
- Bachelor of Business Administration, Computer Major, Assumption University
- Director Accreditation Program (DAP)

Ms. Saowakon Yamcharoen

Deputy Chief Executive Officer, Director

Academic Qualifications:

- Bachelor of Communication Arts, Bangkok University
- Associate Degree in Fashion Merchandiser, Mesa College CA, USA
- Director Accreditation Program (DAP)

from left to right :

Mr. Suphawat Vanichprapha,

Mr. Rittikrai Thammaraksa,

Mr. Sarawut Pornpatanarak,

Mr. Nittiroj Manolamai,

Ms. Saowakon Yamcharoen





from left to right :

Mr. Piyawat Ratchapolsitte, Mr. Thiti Rattamany, Mr. Narit Intharat, Ms. Kornthong Chakornsirisakul,

Mr. Jarungsak Fuangfoosin

Mr. Piyawat Ratchapolsitte

Chief Financial Officer, Director

Academic Qualifications:

- Master of Finance Cass Business School, City University, UK
- BA in Economics, Thammasat University
- Director Certification Program (DCP)

Mr. Thiti Rattamany

Chief Strategy and Insight Officer

Academic Qualifications:

- Master of Science in International Business, London South Bank University, UK
- Bachelor of Business Administration, International Business Management Major, Assumption University

Ms. Kornthong Chakornsirisakul

Chief Commercial Officer

Academic Qualifications:

- Bachelor of Business Administration, Major Marketing, Assumption University

Mr. Narit Intharat

Chief Operation Officer

Academic Qualifications:

- Bachelor in Political Science, Major International Relations, Chulalongkorn University

Mr. Jarungsak Fuangfoosin

Business Development Director

Academic Qualifications:

- Master of Business Administration, Northwestern University Kellogg School of Management
- Bachelor of Business Administration, Marketing, National University of Singapore

Mr. Theerawat Preechawipat

Corporate Finance Director

Academic Qualifications:

- Bachelor of Business Administration,
Major Finance and Banking, Assumption University

Ms. Rungtip Ngamekudomphong

Company Secretary

Academic Qualifications:

- Bachelor of Business Administration,
Assumption University
- Company Secretary Program

Ms. Chulaporn Rattapong

Internal Audit Director

Academic Qualifications:

- Bachelors' Degree of Business Administration,
Major Accounting, Srinakarinwirot University

Ms. Chanoknan Thiemrat

Investor Relations

Academic Qualifications:

- Bachelor of Accounting, Khonkaen University



from left to right :

*Mr. Theerawat Preechawipat, Ms. Chulaporn Rattapong,
Rungtip Ngamekudomphong, Ms.Chanoknan Thiemrat*

Risk Factors

1. Risk relating to our business operation

1.1 Risk of reliance on “**SNAILWHITE**” product group

Almost all of our revenue was contributed from the manufacturing and distributing of “**SNAILWHITE**” skincare products under the “**NAMU LIFE**” brand. In 2015-2017, revenue from manufacturing and distributing of skincare products under the Company’s brand accounted for 99.7%, 99.8% and 100.0% of total sales revenue, respectively. The consumers gave utmost value to the quality and reliability of the beauty and skincare product as they must be applied directly to facial and body skin. If there is a negative impact on the image of **SNAILWHITE** products such as consumer allergies to our skincare products or falsify news from the competitors of the company, the Company’s sales and operating result may be adversely affected.

However, with the Company’s attention on product quality and quality control at every stages of production to ensure consumers satisfaction, the Company believes that the risk of negative images to the **SNAILWHITE** products and the **NAMU LIFE** brand shall be reduced and rectified. In addition, the company is planning to launch other product groups under new brands next year which will capture new consumer groups and reduce the product concentration risk.

1.2 Risk of revenue concentration from **SNAILWHITE** Facial Cream

From the Company's past operations, majority of our revenue came from **SNAILWHITE FACIAL CREAM** which is a product that received good feedbacks from the consumers. In 2015-2017, the revenue from **SNAILWHITE FACIAL CREAM** accounted for 59%, 57% and 43% of our total sales revenue before discount, respectively. Hence, should there be any negative impact on product and/or the decrease in sales of **SNAILWHITE FACIAL CREAM**, the overall performance of the Company may be adversely affected.

However, the Company has continuously researched and developed new products to meet diverse customer needs. This can be seen from the reduction in the proportion of sales revenue from **SNAILWHITE FACIAL CREAM**. Since 2014, the Company launched 18 new products (6 products in 2014-2015, 4 products in 2016 and 8 products in 2017). The Company expects the proportion of sales revenue from new products will increase in the future and will diversify the risk of revenue concentration from **SNAILWHITE FACIAL CREAM**.

1.3 Risk from all of our products have snail secretion filtrate as a major ingredient

All of our products have snail secretion filtrate as a major ingredient and the Company uses this ingredient for its marketing purpose. Thus, if there is any negative impression to snail secretion filtrate, material shortage or changing in consumer trend, the overall performance of the Company may be adversely affected.

However, the Company has never experienced a shortage or confronted any difficulty in obtaining the snail secretion filtrate. In addition, the Company procured snail secretion filtrate from several qualified suppliers which, in case that some suppliers have any difficulty to supply the snail secretion filtrate, could be used interchangeably. The Company also explored several alternative ingredients to replace snail secretion filtrate in the future and implemented marketing campaign to influence consumer towards brand recognition and product quality instead of snail secretion filtrate itself.

1.4 Risk of reliance on certain key distributors

The Company has two major distributors namely RIYA Home who is a distributor in China and The Fourteen who is a domestic distributor. In 2016 and 2017, the Company sales revenue before discount from Riya Home was THB 142.0 mm and THB 509 mm, respectively, which accounted for 11.0% and 29.7% of total sales revenue, respectively, and the Company sales revenue before discount from The Fourteen was THB 499.3 mm and THB 315.7 mm, respectively, which accounted for 38.7% and 18.4% of total sales revenue, respectively.

Collectively, the Company sales revenue from those two major distributors in 2017 were THB 824.7 mm, or equivalent to 48.1% of sales revenue before discount, respectively. Hence, in the event of decreasing sales revenue from these distributors or if one of the distributors were to discontinue its business with the Company, the Company's distribution channel will be affected and the overall performance of the Company may be adversely affected.

However, the Company managed such risk by dealing with several other distributors which could be used interchangeably. In the events that there are any problems with certain key distributors such as communication, logistic, or any other problems which resulted in such distributor ceasing its operation with the Company, the Company will still have several other modern trade, traditional trade and online channels for end consumers to access to the Company's products. In addition, the Company is planning to open more NAMU LIFE shops which would help reducing the reliance on primary distributors.

1.5 Risk of reliance on Chinese customers

The Company directly and indirectly relied on Chinese customers by

- (1) exporting its products to China and
- (2) selling its products to distribution partners in Thailand in which most of their customers are from China.

The revenue from these two channels collectively accounted for approximately 50.0% of the Company's total sales revenue before discount. Hence, if the Company were to lose its sales revenue from Chinese customers from factors such as economic slowdown, changing government policy or any events which have negative impact to Chinese tourist coming to Thailand or affect the confidence of Chinese customers, the result of operations and financial positions of the Company may be adversely affected.

However, the Company is planning to expand its customer base by exporting to other countries and the Company is also planning to expand its domestic distribution channels, especially in modern trade channel and NAMU LIFE Shop to reduce its dependency on Chinese customers.

In addition, in case that one of our above distributors stop selling our products while Chinese customers still have demand for our products, the Company can assign other distributors to replace such distributor to response to such demand. However, the Company could not guarantee that the new distributor would be as good as the former distributor. Nevertheless, the Company still maintains good relationship with these two distributors and expects this good relationship to be maintained in the future. Furthermore, the Company has established a new department to focus on overseas customer research in order to gain more understanding in Chinese and overseas customers and other overseas customer as well as introducing several marketing campaigns to create extensive brand awareness to reduce the reliance in the current customers.

1.6 Risk of reliance on a packaging supplier

The Company relies on a packaging supplier. This manufacturer is the owner of bottles packaging patent that the Company used in its products as they have distinctive quality and features. Therefore, if there are any factors that cause this supplier to be unable to deliver its packaging products, or cause its price to rise substantially, the Company may have to source packaging, with similar quality, from another supplier instead. If the Company fails to promptly find another supplier, the production plan may be affected which may result in lost business opportunity.

However, the Company believes that it is difficult for the supplier to face any problems or limitations and would not be able to supply packaging to the Company in the long run as they are one of the largest packaging manufacturers for beauty and cosmetic products in South Korea and is a listed company in the South Korea Stock Exchange. The Supplier also has production plants in several countries and was prominent for on-time delivery and product quality. In addition, the Company has explored other packaging manufacturers who can produce similar quality packaging product to reduce this risk of reliance on.

1.7 Risk of intense competition in skincare and cosmetics market

Skincare and cosmetics market have intense competition and received attention from many operators both domestic and international, especially multinational companies with renowned brand such as manufacturers from South Korea and Japan which have strong influence to Thai customers as well as small operators which require small amount of start-up funding. This intense competition is the reason why there are wide ranges of substitute products with similar attributes in the skincare and cosmetic market from several brands, so that the customers could have variety of choices. In addition, customers' behavior may be altered toward their attitude, social trend and information received about property of products.

In order to cope with the increasing competitive environment in the industry, the Company has defined strategies and has paid attention on key factors that would lead to our success which include

- (1) strong product identity which would lead to top-of mind brand awareness*
- (2) quality, reliability and safety of our products*
- (3) extensive distribution network coverage*
- (4) commitment to research and development for better products and new products innovation*
- (5) a team of young, highly capable, and creative management team.*

The company believes that these factors would help the company to cope with the intense competition in the skincare and cosmetics market. Even with the entering of a large number of small operators, but it is expected to be difficult for them, who mainly rely on OEM to manufacture their products, to maintain production quality standard, create a customer base and promote their products successfully in the long run with limited capital and lack of knowledge and expertise in this business.

1.8 Risk of counterfeit products or use of the Company's brand as the name of a company

The Company's products have gained a lot of popularity among customers, thanks to the high product quality, successful marketing campaigns, and efficient management. However, this creates many counterfeit products that are similar in external appearance and certain concept of the Company's products which may bring confusion to our customers. In addition, low quality counterfeit goods may cause adverse side effect from the usage. If this happens and the Company could not handle it in a timely manner, the Company's reputation, results of operations and financial position could be significantly adverse affected.

However, the Company is aware of the possible impact to the product reputation and safety to the customers which could be misled by low quality counterfeit goods. Thus, the Company has registered its brand and assigned our staff to conduct market surveys for counterfeit goods to gather evidences in order to take legal action against the piracy manufacturer. Moreover, the Company has communicated the method to detect counterfeit goods to the customers and always being innovated to distinct its product such as Anti — Counterfeit sticker that customers can conveniently check for the genuine products.

Additionally, the Company also has risk from the external parties that use the Company's brand or name of the product group as the company names. If those parties cause any action that could negatively impact the Company's reputation and the Company could not handle it in a timely manner, it may cause a material adverse effect on the Company's operation and financial position.

However, the Company may not be able to prevent the external party from using our brand as the company names as it the right of those parties in doing so, but the Company emphasized more on brand imitation as the usage of our brand in unauthorized products could cause more severe impact. Thus, currently, the Company has registered its brand in Thailand and other key countries including China.

At present, the Company has allowed Riya Home which is our distributor in China to use our Namu Life brand as name of its subsidiary, Namu Life (Beijing) Trading Co.,Ltd. for its marketing purpose in China.

“
the Company is aware
of the possible impact
to the product reputation
and safety to the customer

”



1.9 Risk relating with the operation of our manufacturing plant

Our business depends on the proficiency of our manufacturing plant to produce high quality skincare products. Thus, the Company is exposed to risk that products produced by our manufacturing plant may not meet relevant requirements, or there may be an interruption of production plant causing by an unplanned shutdown including natural disaster such as flood, storm which may cause a material adverse effect to the Company's operations, results of operations and financial position.

However, the Company is aware of this risk and has paid attention on improving efficiency of our production process. As a result, we received several Thai and international certification such as Food and Drug Administrative (FDA). In addition, the Company set strict quality control process to ensure that our products meet relating standard and criteria. Moreover, the Company regularly conducted the scheduled maintenance which allows our machinery to run uninterruptedly in the past three years. Our production plant also received ASEAN GMP (Good Manufacturing Practice) in October 2017 and is in process to obtain other internationally certified production processes including ISO 9100, ISO 14001 and OHSAS 18001 by early 2018.

1.10 Risk of product liability and damage to customer or product recall

Our products are usually applied directly to facial and body skin which are a sensitive and important part of the body. Thus, if there are any damages to the consumers which are caused by the proven defected from our products or raw material used in our production, of which the Company is not able to control raw material production process of its suppliers both in Thailand and international, the consumers could make claim or take legal action on the Company in exchange for a compensation which may be in significant amount and the Company may be required to recall all potential unsafe of harmful products. This may affect our corporate and brand reputation and may result in our product manufacturing and/or distribution certification or license and may have a material adverse effect to the Company's results of operations and financial position.

However, the Company gave utmost priority to its product quality and implement quality control in every production process from product developing to product delivery. The Company also has a quality control department to control and check product quality in every production process to ensure that all products meet our standard. The Company also selected raw material suppliers mainly based on their quality and reliability. Moreover, in product developing process, the Company requested third party for quality inspection before distributing to customers.

1.11 Risk that the Company's insurance policy coverage may not be sufficient to cover all potential losses and claims

Even the Company has insurance policy which covers most of our business operation to reduce risk from damages to our assets, the Company still faces with the risk that such insurance policy may not covers all potential losses and claims such as terrorism, or flood or in case that the loss value is greater than the insured amount. In addition, we have the risk that we may not be able to renew our insurance policy or the insurance policy may not be renewed at a reasonable price and condition, which may have material adverse effect on the Company's operation and financial position.

However, at present, the Company's insurance policy, which covers business interruption, covers the losses or claims of approximately THB 1,048.6 mm and covers amount of total fixed assets.

1.12 Risk relating to foreign exchange

In 2016 and 2017, the Company ordered certain raw material for its production from overseas suppliers, which mainly are packaging from manufacturer in South Korea. As all payment were made in USD while the Company sold its products in Thai Baht, the Company faced with foreign exchange risk. As a result, in the event of Thai Baht depreciation and/or USD appreciation, the cost of packaging may be adversely affected.

However, the Company has managed this risk by entered into forward contracts of approximately 70% of total raw material purchased.



1.13 Risk from breaching of certain terms in the loan agreement

Currently, the Company financed portion of its investment in land and factory from loan from financial institutions. As at December 31, 2017, the Company entered into long-term loan agreements with credit line amounting to THB 154.2 mm. These agreements contain various financial covenants such as requirement to maintain debt-service-coverage-ratio (DSCR), debt to equity ratio (D/E) and other cross-default clauses. A breach of such covenants could give rise to a default, which could entitle our lenders to charge interest at default rate, set other additional conditions or hold collateral of the Company, which may have a material adverse effect on the Company's reputation, financial position and operation result. As at December 31, 2016, debt to equity ratio (D/E) of the Company was 1.17x which exceeded the level specified in a loan agreement which we agreed to maintain D/E ratio of not exceeding 1.0x in each financial year over loan terms since 2015. As a result, the Company had to reflect this loan as a long-term loan reclassified as current liabilities in statement of financial position.

However, the Company gave priority in compliance with the financial terms and conditions. Thus, at the beginning of 2017, the Company has obtained a waiver from such covenant and revised the D/E maintenance ratio from not exceeding 1.0x to not exceeding 2.0x since May 12, 2017 and the Company has paid back the loan in August 2017. Nevertheless, other loan agreements specified that we have to maintain D/E ratio of not exceeding 1.5x in which the Company does not breach those terms. The Company continuously monitored to ensure that we follow and comply with any terms and conditions in the loan agreements and maintain good relationships with financial institutions.



2. Risk of management

2.1 Risk from major shareholder holding more than 50.0% of the Company's shares which have control in defining management policy

As at December 31, 2017, our major shareholders, Pornpatanaruk family collectively holds 223.6 million shares or equivalent to 71% of the Company's paid-up capital, but this proportion is enough to have a significant influence over the Company and most of the shareholders' meeting voting rights, especially in case some shareholders do not attend the meeting, including the appointment of director or other matter which required majority of votes or special resolution requiring three of fourth voting right in the meeting. Thus, other minority shareholders face the risk of collecting the vote to consider any matters proposed by major shareholder in the shareholders' meeting.

However, the Company's organization chart comprises of Board of Director, Audit Committee, Nomination and Remuneration Committee, Risk management Committee and Executive Committee where each committees have clearly defined scope of duties and responsibilities. This assured that the Company is transparent. The Company's Board of Director comprises of 12 directors with five independent directors and the Chairman of the Board of Director is an independent director. There are three independent directors appointed to be audit committee members in order to investigate, counter-check and consider the agenda items for approval before submitting the proposal to shareholders' meetings. Moreover, in case of entering into a connected transaction with director, major shareholder, controller and related parties or conflict of interest person, those people who may have a conflict of interest in a transaction related to them shall be prohibited from taking part in the approval process of that transaction. In case of securities offering which will impact the Company's shareholders, the minority shareholders will have the right to veto with 10% voting right of shareholders who attend the meeting. The approvals of transaction have to comply with regulation of Securities and Exchange Commission ("SEC") and Stock Exchange of Thailand ("SET").

2.2 Risk from corporate restructuring and searching for qualify personnel to support Company's growth

In the past three years, the Company has grown rapidly in term of customer base, distribution channels and sales revenue. Our sales increased from THB 438.0 mm in 2014 to THB 1,674 mm in 2017, representing a 56 % CAGR with a tendency for future growth. As a result, it is compulsory for the Company to undergo a corporate improvement from being a small organization with few employees to become a larger organization with numbers of employees in each department. Particularly, to find additional qualify and competent employees to support its business growth. Our employees increased from 133 people in 2015 to 353 people in 2017. Thus, if the corporate organization is not done appropriately, or if the Company could not find adequate personnel in a timely manner to support its business growth, the Company's results of operation, financial status and corporate reputation may be adversely affected.

However, the Company was prepared in various aspects by undergo several internal operation improvement such as upgrading our information technology system to support our operations, undergo a corporate reorganization for a more management flexibility, and improve efficiency and agility in working process to enable the Company to quickly adapt to changes. The Company also developed our human resources by soliciting new generation, competent and creativity people to work with the Company as well as holding training courses for employees. The Company also expanded to new production plant to support our business growth.

2.3 Risk of dependence on key executives and competent employees

The Success of our Company depends on the ability to motivate and retain key executives and competent employees. These individuals include executives and employees who have experience in production, marketing and distribution both domestic and overseas. Therefore, any failure to keep competent executives and employees with the Company or inability to find substitute personnel in a timely manner, may adversely affect the Company's operating results.

However, the Company aware of this risk and has paid attention to the development and professional advancement of its staff and executives. the Company also had a clear career path planned for each level of employees. In addition, the Company has provided appropriate return to our employees based on their knowledge and performance. The Company also continuously recruited new employees to replace former employees in order to have sufficient personnel to support the Company's growth.

“

**The Company
was prepared in various
aspects by undergo
several internal
operation improvement**

”



NAMU[®]
LIFE
SNAIL

BUSINESS

Nature of Business and Business Overview

Business Overview

The Company manufactures and distributes premium quality skin care products under the trademark “**NAMU LIFE**” with a product line “**SNAILWHITE**” promoting the concept “Beauty is healthy”. This concept articulates that the ideal beautiful skin is the healthy skin in your own way and is reflected in the product design that aims to nourish all skin types and conditions for customers to achieve naturally glowing skin from within. The Company pays attention to details in every step of the production process to ensure the highest product quality - from carefully selecting ingredients from leading suppliers across the world based on quality and credibility to enhancing efficiency in the production process in order to manufacture quality products. The Company stresses on participation of all employees in finding new ways to improve work and work environment in a regular and continuous manner. Products are tested before distribution to ensure its quality and safety. To monitor every stage of production, the Company set up a quality control unit to oversee operations and ensure that products meet quality standards. Moreover, the Company emphasizes on continuous product development along with the market direction analysis in order to meet consumer needs. The Company has a product development policy that underlines creativity and continuous product development. In addition, the Company pays attention to the packaging of every products to assure proper preserve of ingredients with safety, durability and ease of use. Transportation and storage measures are also in place as consumer interests are most concerned.

The Company has set its vision in becoming one of the top three market leaders in the Asian beauty industry through offering a variety of new products, expanding sales channels and marketing locally and internationally so that target customers can easily access to the products and clearly remember the trademark. Besides, the Company aims to continuously develop the internal systems to enhance operational efficiency and speed, maintain good relationship with customers as well as contributing to social development together with environmental responsibility for long-term sustainability.

“
The Company has set
its vision in
becoming one of
the top three market leaders
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”

Company Background

Background

The Company was incorporated on 20 September 2010 with initial registered capital of 1 million Baht by Pompatanarak family to operate as an Original Equipment Manufacturer (OEM) and provide business consultation related to skin products. Later in 2013, the Company saw the opportunity in creating its own brand as the Company has gained expertise in production together with a positive growth outlook of the industry. Consequently, the Company commenced on its business in manufacturing and distributing skin care products under the trademark “**NAMU LIFE**” with a product line “**SNAILWHITE**” that reflects its unique feature of using snail secretion filtrates as the ingredient. From 2013 to 2016, the Company’s products gained popularity and awareness among consumers and was reflected in the Company’s performance and continuous growth. Key success factors include the use of premium ingredients with skin nourishing properties and unique value propositions that highlight natural beauty, the effective marketing plans using celebrities as presenters to endorse the products, consistent new product launch and expansion of local and international distribution channels.

2010

Founded the Company to operate as an Original Equipment Manufacturer (OEM) and provide business consultation related to skin products

2013

Started manufacturing and distribution of skin care products under “**NAMU LIFE SNAILWHITE**”

2014

Increased registered capital, expanded distribution channels, launched new products and expanded the business overseas

2015

Launched additional products, expanded production base at a new factory and set up subsidiaries

2016

Restructured, increased registered capital, added new products and prepared for future transformation

2017

Converted to a public company, increased registered capital to proceed with IPO and continuously expanded the business

2014

**Increased registered capital,
expanded distribution channels,
launched new products
and expanded the business overseas**

- In June, the Company increased registered and paid-up capital from 1 million Baht to 10 million Baht at a par value of 100 Baht per share to support the business operation.

- The Company began its distribution through modern trade channel to reach a larger consumer base, starting with Big C, Watson and Boots in May, August and September respectively.

- The Company introduced 3 new skin care products which are

- (1) **NAMU LIFE SNAILWHITE SYN-AKE MIST**

- (2) **NAMU LIFE SNAILWHITE MASK SHOT**
during the first quarter

- (3) **NAMU LIFE SNAILWHITE BODY BOOSTER**
during the third quarter

to add to its existing product offering in facial skin care category to further cover wider customer usage, especially consumers who look for concentrated essence to pamper their facial skins. These innovative products came in the form of sprays and facial masks. Moreover, the Company has expanded the product line to body care to tap into consumers who want to take care of their body skins.

- Moreover, the Company started distributing gift sets that combine various products for the first time, targeting customers who want to purchase as gifts for special occasions such as new year, Songkran, Chinese new year and as souvenirs for tourists. Given that the Company's products were favored and demanded among tourists from ASEAN region, the Company decided to expand its business overseas starting with its distribution in Hong Kong, China, Myanmar and Cambodia.

2010

Founded the Company to operate as an Original Equipment Manufacturer (OEM) and provide business consultation related to skin products

- The Company was incorporated as *Do Day Dream Company Limited* by Pornpatanarak family in September 2010 with the purpose to operate as an Original Equipment Manufacturer (OEM) and provide business consultation related to skin products with initial registered and paid-up capital of 1 million Baht with a total of 10,000 shares at a par value of 100 Baht per share.

2013

Started manufacturing and distribution of skin care products under “NAMU LIFE SNAILWHITE”

- The Company commenced on manufacturing and distributing skin care products “**SNAILWHITE**” under the brand “**NAMU LIFE**”. The first product launched was **NAMU LIFE SNAILWHITE SNAIL SECRETION FILTRATE MOISTURE FACIAL CREAM** (“**NAMU LIFE SNAILWHITE FACIAL CREAM**”) in March. The Company started distributing through social media channels then expanded to traditional trade channels.



2015

Launched additional products, expanded production base at a new factory and set up subsidiaries

- The Company introduced 3 new skin care products as follow

- (1) **NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM**
- (2) **NAMU LIFE SNAILWHITE SUNSCREEN** and
- (3) **NAMU LIFE SNAILWHITE CLEANSING.**

This was to further enhance the variety of its product offering to meet customers' demand especially those who need concentrated nourishing cream as well as overseas customers in the countries with cold weather. Besides, the expansion to sunscreen and facial cleansing products are new to the Company in which the market value was fairly high.

- The Company established a subsidiary, *Namu Life Plus Company Limited* ("Namu Life Plus"), in March with registered capital of 5 million Baht and 50,000 shares at a par value of 100 Baht per share.

Paid-up capital at the establishment date was 1.25 million Baht with the price of outstanding shares of 25 Baht per share. The new subsidiary will engage in distributing the Company's skin care products. *Namu Life Plus* was the 69% subsidiary at the establishment date.

- The Company expanded its production base through its investment in purchasing a land with a factory at Rojana Industrial Park in Ayudhaya province and started renovating the new factory since December. The total investment was 58 million Baht.

- The Company started producing small-sized products such as 5 milliliter ("ml") **NAMU LIFE SNAILWHITE FACIAL CREAM**, 15ml **NAMU LIFE SNAILWHITE SUN SCREEN**, 50ml **NAMU LIFE SNAILWHITE CLEANSING** and 5ml **NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM**. These new products were distributed through leading convenience stores as a tester, targeting consumers who have never tried the Company's products or for travel purposes.

2016

Restructured, increased registered capital, added new products and prepared for future transformation

- After the restructuring, the Company increased its registered capital further from 60 million Baht to 225 million Baht to be used as working capital in conducting its business. The Company increased its ownership in Namu Life Plus to be 100% ownership.

- The Company added 4 new products to its product line as follows

- (1) **NAMU LIFE SNAILWHITE MIRACLE INTENSIVE REPAIR**
- (2) **NAMU LIFE SNAILWHITE WHIPP SOAP**
- (3) **NAMU LIFE SNAILWHITE ROYAL JELLY FACIAL CREAM** and
- (4) **NAMU LIFE SNAILWHITE CRÈME BODY WASH**

during the second quarter, third quarter, third quarter and fourth quarter respectively. These products aimed to extend the facial skin care product line to better respond to consumers' demand on intensive care as well as cater to a new customer group who looks for innovative cleansing products such as a bar soap in a netted sachet and body wash with lotion-like cream.

- The Company prepared IT system readiness by implementing SAP Enterprise Resource Planning to enhance its operations and support growth.

- The Company refurbished the production of the new factory in September and commenced on the production in the new factory at Rojana Industrial Park in Ayudhaya province in October.

- The Company broadened its distribution channels by setting up and distributing products through its own stand-alone shops under the name **NAMU LIFE**





2017

**Converted to a public company,
increased registered capital
to proceed with IPO
and continuously expanded the business**

- Launched 8 new products which are
- (1) **NAMU LIFE SNAILWHITE DAY CREAM**
- (2) **NAMU LIFE SNAILWHITE ESSENTIAL TONER**
- (3) **NAMU LIFE SNAILWHITE NAMU FACIAL JELLY WASH**
- (4) **NAMU LIFE SNAILWHITE OVERNIGHT FIRMING MASK**
- (5) **NAMU LIFE SNAILWHITE 7 DAYS MASK SHEETS**
- (6) **NAMU LIFE SNAILWHITE BODY BOOSTER SPF30 PA+++**
- (7) **NAMU LIFE SNAILWHITE GOLD FACIAL CREAM**
- (8) **NAMU LIFE SNAILWHITE SUNSCREEN CC**

during the first half of 2017 in addition to its current offering in nourishing and cleansing product line in order to expand the market and customer base.

- Changed the par value of shares from 100 Baht per share to 1 Baht per share and increased registered capital from 225 million Baht to 318 million Baht to support its listing in the Stock Exchange of Thailand.

- Allocated 15,000,000 new ordinary shares with a par value of 1 Baht per share at 29.87 Baht per share to North Haven Thai Private Equity Clarity Company (HK) Limited ("NHTPEC"), a legal entity established to purchase the Company's shares in July 2017.

- On 12 October 2017, *Do Infinite Dream* was incorporated and 1,000,000 new shares were issued with a par value of 100 Baht per share; 25% of the shares or 25,000,000 Baht was paid. The Company holds 999,997 shares of the new company or 100% of ownership. The purpose of this establishment is to enhance business efficiency, support business expansion in the future as well as gaining tax privileges.

- In December 2017, the Company issued 76 million shares at a par value of 1 Baht per share for its initial public offering (IPO). The first trading day in the stock market was 26 December 2017.

- Transformed to a public company and changed the name to *Do Day Dream Public Company Limited* on 22 March 2017.

Shareholding Structure of the Company

As of 31 December 2017, the Company consisted of 2 subsidiaries as follows:



Note : /1 Namu Life Plus was incorporated in March 2015 as a distributor of the Company's products.

After the restructuring of the Company in 2016, the Company holds 100% shares in Namu Life Plus.

/2 Do Infinite Dream was incorporated in October 2017 to expand the business overseas.

The Company has 100% ownership of Do Infinite Dream.

The Board of Directors' Meeting No.7/2017 on 25 September 2017 reached a resolution to approve a plan to set up 3 subsidiaries to enhance efficiency in doing business and support future growth as well as gaining tax advantages. The subsidiaries are

(1) **Do Infinite Dream Company Limited** was established to operate as an international headquarter or "IHQ", holding shares in the Company's subsidiaries in foreign countries. On 12 October 2017, Do Infinite Dream was incorporated and 1,000,000 new shares were issued with a par value of 100 Baht per share. 25% of the shares or 25,000,000 Baht was paid. The Company holds 999,997 shares of the new company or 100% of ownership.

(2) **Do Day Dream Trading Private Limited**, Singapore was set up to distribute the Company's products to customers overseas. Do Day Dream Trading was incorporated on 30 January 2018.

(3) **Do Day Dream Holding Private Limited**, Singapore was founded as a holding company to invest in the Company's business in foreign countries. Do Day Dream Holding was incorporated on 25 January 2018.

Business Overview

Business Model

The Company manufactures and distributes skin care products under its own trademark as well as operating as an Original Equipment Manufacturer (OEM) of skin care products under other trademarks.

1) Manufacturer and distributor of skin care products under the Company's trademark

The Company manufactures and distributes skin care products under its own trademark "**NAMU LIFE**" with a product line "**SNAILWHITE**" for different usages including nourishing, facial and body cleansing and sunscreen products to meet the needs of diverse groups of consumers. The products are distributed through its stand-alone shops as well as sales representatives and distributors. One of the distributors is Namu Life Plus Company Limited, a wholly-owned subsidiary.

As of 31 December 2017, the Company had a total of 6 groups of products which are

- (1) Facial care products
- (2) Body care products
- (3) Facial cleansing products
- (4) Body cleansing products
- (5) Sunscreen products
- (6) Gift set

2) Original Equipment Manufacturer (OEM) of skin care products under other trademarks

The Company operates as an Original Equipment Manufacturer (OEM) of skin care products under other trademarks for its clients.

Revenue Structure

Revenue structure classified by business segment for the year ended December 31, 2015, 2016 and 2017.

PRODUCT/ BUSINESS LINE	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Sales Revenue						
1. Revenue from selling product under Company's trademark						
1) Facial skincare	860.5	90.0	1,072.7	86.5	1,327.3	78.8
2) Body care	56.3	5.9	36.4	2.9	60.0	3.6
3) Facial cleansing	37.4	3.9	48.7	3.9	71.9	4.3
4) Body cleansing	-	-	9.8	0.8	134.4	8.0
5) Sunscreen	27.9	2.9	58.9	4.7	65.1	3.9
6) Giftset	22.6	2.4	63.4	5.1	54.2	3.2
7) Food supplement ^{/1}	7.1	0.7	0.7	0.1	-	-
Total revenue from products under Company's trademark	1,011.8	105.8	1,290.6	104.0	1,712.9	101.7
Deduct Sales discount	(77.2)	(8.1)	(55.6)	(4.5)	(38.7)	(2.3)
Revenue from product under Company's trademark — Net	934.6	97.7	1,235.0	99.5	1,674.2	99.4
2. Sales from OEM business	2.5	0.2	1.9	0.2	0.3	0.0
3. Other sales revenue	18.0	1.9	-	-	-	-
Total sales	955.1	99.8	1,236.9	99.7	1,674.5	99.4
Other income ^{/2}	1.6	0.2	3.3	0.3	9.8	0.6
Total revenue	956.7	100.0	1,240.2	100.0	1,684.3	100.0

Notes: ^{/1}The Company discontinued distribution of food supplement products since the beginning of 2016

^{/2} Other income comprises mainly of interest income and services revenue

^{/3} The consolidated financial information for the year ended December 31, 2015, which is a comparison figures presented according to PAE standard in the consolidated financial statement for the year ended December 31, 2016, was prepared by management of the Company and was not audited by auditor

PRODUCT/ BUSINESS LINE	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Sales revenue						
1. Sales revenue from domestic	775.1	78.9	1,090.7	87.9	1,161.7	69.0
2. Sales revenue from overseas	180.0	18.8	146.2	11.8	512.8	30.4
Total sales	955.1	99.8	1,236.9	99.7	1,674.5	99.4
Other income ^{/1}	1.6	0.2	3.3	0.3	9.8	0.6
Total revenue	956.7	100.0	1,240.2	100.0	1,684.3	100.0

Notes: /1 Other income comprises mainly of interest income and services revenue

/2 The consolidated financial information for the year ended December 31, 2015, which is a comparison figures presented according to PAE standard in the consolidated financial statement for the year ended December 31, 2016, was prepared by management of the Company and was not audited by auditor

Products and Services



Skin care product manufacturing and distribution business under the Company's trademark

At present, the Company manufactures and distributes skin care products under its own trademark "NAMU LIFE" with a product line "SNAILWHITE" categorized into 6 groups of products below

(1) Facial care products

- NAMU LIFE **SNAILWHITE** SECRETION FILTRATE MOISTURE FACIAL CREAM
- NAMU LIFE **SNAILWHITE** SYN-AKE MIST
- **SNAILWHITE** MASK SHOT
- NAMU LIFE **SNAILWHITE** CONCENTRATE FACIAL CREAM
- NAMU LIFE **SNAILWHITE** MIRACLE
- NAMU LIFE **SNAILWHITE** ROYAL JELLY FACIAL CREAM
- NAMU LIFE **SNAILWHITE** DAY CREAM
- NAMU LIFE **SNAILWHITE** OVERNIGHT FIRMING MASK
- NAMU LIFE **SNAILWHITE** 7 DAYS MASK SHEETS
- NAMU LIFE **SNAILWHITE** GOLD FACIAL CREAM

(2) Body care products

- NAMU LIFE **SNAILWHITE** BODY BOOSTER
- NAMU LIFE **SNAILWHITE** BODY BOOSTER SPF30/PA+++

(3) Facial cleansing products

- NAMU LIFE **SNAILWHITE** CLEANSING
- NAMU LIFE **SNAILWHITE** WHIPP SOAP
- NAMU LIFE **SNAILWHITE** ESSENTIAL TONER
- NAMU LIFE **SNAILWHITE** NAMU FACIAL JELLY WASH

(4) Body cleansing products

- NAMU LIFE **SNAILWHITE** CREME BODY

WASH

(5) Sunscreen products

- NAMU LIFE **SNAILWHITE** SUNSCREEN
- NAMU LIFE **SNAILWHITE** SUNSCREEN CC

(6) Gift set



NAMU LIFE SNAILWHITE SECREATION FILTRATE MOISTURE FACIAL CREAM

The first product launched of the company since 1st Quarter, 2013. **NAMU LIFE SNAILWHITE FACIAL CREAM** is a unique item from SNAIL WHITE which combines natural extracts together. The secret of perfect skin includes lavender, ginseng, Asiatic as well as extracts from Bisabolol, ginger, and Hyaluronic Acid (Hyalo-Oligo) which are perfectly blended. It absorbs quickly to restore skin to make it radiant, firm, and

tighten. Moreover, it helps to peel off dark skin to make it white and clear naturally. **NAMU LIFE SNAILWHITE FACIAL CREAM** comes with a beautiful packaging innovation with the best quality of "vacuum system" to maintain 100% of the highest effectiveness of cream. The tray will slowly push cream out until it is completely used up.



NAMU LIFE SNAILWHITE SYN-AKE MIST

Officially launched on 1st Quarter, 2014. **NAMU LIFE SNAILWHITE SYN-AKE MIST** is a concentrated essence liquid formula with light texture of spray that can create tight and clear skin in every mole. It provides moisture and ready to provide treatment immediately to restore skin to make it tighten with smooth pores from the first use. It also provides treatment with the nourishing ingredients that strengthen the skin and adjust skin whitening in order to make skin smooth and soft, full with moisture, and healthy.



SNAILWHITE MASK SHOT

Officially launched on 1st Quarter, 2014. is a shortcut to radiant and smooth skin overnight. It helps to reduce dark skin, wrinkles, black spot, scar, and it helps dry and flaky facial skin with wide pores and flabby skin to become firm and radiance quickly only for the first use. It can be used with all types of skin even sensitive skin and skin that is damaged by sunlight, smoke and dust.

NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM

Officially launched on 1st Quarter, 2015. **NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM** is a high concentrated moisture treatment formulated with snail secretion filtrate, PURE GOLD and JOJOBA OIL extracts, multi-action moisturizer dramatically reduces the look of multiple signs of aging: fine lines, wrinkles, loss of firmness and dehydration.



NAMU LIFE SNAILWHITE MIRACLE

Officially launched on 2nd Quarter, 2016. **NAMU LIFE SNAILWHITE MIRACLE** is an intensive recovery serum. Restores a brighter and firmer-looking skin that reveals young skin radiance. Formulated with the most advance technology, this ultra-concentrated serum absorbs into the deeper layer of skin to effectively restore your damaged skin. It recharges and regenerates youthful skin including skin texture, elasticity, firmness, wrinkles and skin tone. The natural extracts instantly penetrate the skin surface to diminish pores and wrinkles. Deliver amazingly brighter, smoother and firmer complexion





NAMU LIFE SNAILWHITE ROYAL JELLY FACIAL CREAM

Officially launched on 3rd Quarter, 2016. **NAMU-LIFE SNAILWHITE ROYAL JELLY FACIAL CREAM** is an innovative rejuvenating cream formulated with special Snail Secretion Filtrate of SNAILWHITE and enriched with pure natural Royal Jelly, multi-action cream encourages skin renewal, and recovers damaged skin from sun exposure, pollution and stress. It also fulfils the moisture content of the skin which in turn helps treat dry skin and replaces lost moisture and oil, with the ability to reduce fine lines and wrinkles. Restore and make the skin feels firmer, look younger and healthy. Excellent penetrate, great for all skin, very smooth feel and provide an antioxidant property.



NAMU LIFE **SNAILWHITE** DAY CREAM

Officially launched on 1st Quarter, 2017. **NAMU LIFE SNAILWHITE DAY CREAM** helps to regenerate naturally healthy complexion. It enriches with Soliberine extracting from Butterfly Bush, all-in-one complete skin's protector from UVA, UVB, infrared and blue light mainly causing dull skin, dark spots, and premature wrinkles. **NAMU LIFE SNAILWHITE DAY CREAM** combines skin treatment and protection.



NAMU LIFE **SNAILWHITE** OVERNIGHT FIRMING MASK

Officially launched on 2nd Quarter, 2017. **NAMU LIFE SNAILWHITE OVERNIGHT FIRMING MASK** is a sleeping facemask with concentrated natural essence, which can restore elasticity to the skin and make it firmer. Bulbine Frutescens Extract restores the balance of collagen production, maintaining the skin youthful look and become healthy again. **NAMU LIFE SNAILWHITE OVERNIGHT FIRMING MASK** repairs and revitalizes the skin as you sleep, waking up looking fresh, young and radiant.



NAMU LIFE **SNAILWHITE** 7 DAYS MASK SHEETS

Officially launched on 2nd Quarter, 2017. **NAMU LIFE SNAILWHITE 7 DAYS MASK SHEETS** enriched with especially formulated extract from Mexican cactus, effective in enhancing skin moisture, thus delivering your skin a natural and youthful glow. Thanks to its Nano Technology, the extract can penetrate deeply into inner layer of your skin and works in synergy with other powerful ingredients to effectively diminish premature fine lines, redness, irritation, as well as inflammation of your skin.

NAMU LIFE **SNAILWHITE** GOLD FACIAL CREAM

Officially launched on 2nd Quarter, 2017. **NAMU LIFE SNAILWHITE GOLD FACIAL CREAM** is the rebounding sign of aging cream for your youthful and healthy skin. Special with Snail Secretion Filtrate from Helix, the snail species from Spain which gives you a more youthful look by restoring skin's natural fullness. It enriches with Micro-alga which is in the Polymer matrix, helps to fasten skin for firmer and reducing wrinkles. Extremely intensive with Ceramosides HP, give instant hydrate-replenishment and moisture to skin layer as apply it to the skin. When apply it on your face regularly, it will be plumped volume fill lines and revolumized skin matrix for brighter looking skin as a girlhood.



NAMU LIFE **SNAILWHITE** BODY BOOSTER SPF30/PA+++

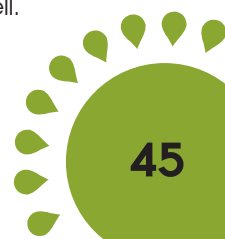
Officially launched on 2nd Quarter, 2017. **NAMU LIFE SNAILWHITE BODY BOOSTER SPF30/PA+++** is a body nourishing treatment that provides protection against the sun. Formulated with Snail Secretion Filtrate and Astaxanthin that stimulate collagen and elastin production in the skin layers. Combine with high concentrated Ceramide that replenishes moisture potently, promoting beautiful skin texture. With SPF30/PA+++ that protects the skin from UVA and UVB rays and restores the skin damaged from the sun to become healthy, moisturized, and radiant naturally.





NAMU LIFE **SNAILWHITE** BODY BOOSTER

Officially launched on 3rd Quarter, 2014. **NAMU LIFE SNAILWHITE BODYBOOSTER** is a body lotion with special formula provided by **SNAILWHITE** that is admired by ladies as it has feature to change damaged skin into beautiful skin, and it provides clear, firm, and young-looking skin for you. It also helps to smooth your skin to make it tighten, clear, soft, and it maintains moisture in your skin as well.





NAMU LIFE **SNAILWHITE** CLEANSING

Officially launched on 2nd Quarter, 2015. **NAMU LIFE SNAILWHITE CLEANSING** provides simple deep cleansing in one step, and it can be washed thoroughly for Make Up and dirt in one step as well as restoring skin to provide rejuvenation with special properties of snail mucus which reduces bacteria on skin, inflammation and irritation. Snail mucus is an important component to trap impurities from the skin, including cosmetics and dirt. It pulls all dirt together and separates into layers without touching to the skin again, so it reduces the complexity in face washing, and it restores your face to make it smooth to touch



NAMU LIFE **SNAILWHITE** WHIPP SOAP

Officially launched on 3rd Quarter, 2016. **NAMU LIFE SNAILWHITE WHIPP SOAP** is a bar soap with delicate net for softening whip foam enduring sensuality of skin deep cleansing together with nourishment extracted from Bearberry leaf giving a brighter skin. Blended from Echium Oil, Sunflower Oil Concentrate and Balloon Vine Extract to reduce the skin's inflammation. Hyaluronsan HA LQH helps fulfill skin with water, relinquishing dewy and radiant skin. Leaves the skin naturally younger and healthier looking.



NAMU LIFE **SNAILWHITE** ESSENTIAL TONER

Officially launched on 1st Quarter, 2017. **NAMU LIFE **SNAILWHITE** ESSENTIAL TONER** is the ultimate facial cleansing toner helps remove dirt and pollution residues from facial skin. Use after the facial wash to prepare skin for superior premium skin nourishment. **NAMU LIFE **SNAILWHITE** ESSENTIAL TONER** in Hydrating formula contains Korea's bamboo water and Alps Mountain's Thyme flower extracts that help balance your skin to be smoother and long-lasting lock up all the moisture into the skin cells, including protect skin from pollutions and naturally revive youthful and healthy skin.



NAMU LIFE **SNAILWHITE** NAMU FACIAL JELLY WASH

Officially launched on 1st Quarter, 2017. **NAMU LIFE **SNAILWHITE** NAMU FACIAL JELLY WASH** is a gentle clarifying jelly enriched with powerful natural extracts. This special jelly texture forms perfect lather to thoroughly cleanse skin, remove excess oil and impurities and unclog pores without over-drying your skin. Refresh your skin with healthy and luminous look.

NAMU LIFE SNAILWHITE CRÈME BODY WASH

Officially launched on 4th Quarter, 2016. **NAMU LIFE SNAILWHITE CRÈME BODY WASH** is a concentrated crème, protects your body skin from bacteria. The crème body wash turns into a luxury foam texture, which can be rinsed off easily. 3 Formulas as follows;

(1) **NATURAL WHITE** ,The benefits of comprehensive SNAIL SECRETION FILTRATE and CARVIAR LIME extract help shine your brightening skin, and reveal naturally illuminate skin.

(2) **DEEP MOISTURE** ,The benefits of comprehensive SNAIL SECRETION FILTRATE and BAOBAB oil help maintain long-lasting moisture and soften skin with multi-vitamins.

(3) **ANTI-AGING** ,The benefits of comprehensive SNAIL SECRETION FILTRATE and KAKADU PLUM extract help improve elasticity to minimize fine lines with vitamin C, E, and A. The high antioxidant also prevents skin aging and reveals youthful radiant skin naturally.





NAMU LIFE **SNAILWHITE** SUNSCREEN

Officially launched on 3rd Quarter, 2015. **NAMU LIFE SNAILWHITE SUNSCREEN** is a highly effective Sunscreen Lotion with the most light texture, but it protects skin in deep level to DNA for radiant skin, firm, look young, and it helps to control oil for 100% without clogging pores which causes acne, so it is suitable for all ages, especially ladies who have to put makeup as it helps your skin looking smooth and have natural-looking. It protects from skin from sunlight, and helps to restore and improve darken skin as well as reducing dark spots at the same time. It is also easy to use during the day.



NAMU LIFE **SNAILWHITE** SUNSCREEN CC

Officially launched on 2nd Quarter, 2017. **NAMU LIFE SNAILWHITE CC CREAM** is the ultra-lightweight texture oil-free uniquely designed for daily use in high protection against UVA/UVB rays, environmental pollution, and free radical damages. This extraordinary CC Cream formula, conceal dark spots & redness to give a natural flawless coverage for instantly glowing skin. Also sweeps away dull surface cells for the all day long flawless look. With **NAMU LIFE SNAILWHITE**'s intensive nourishment of SNAIL SECRETION FILTRATE and the Alps Edelweiss flower extract, restore and correct the appearance of dark spots/pigmentations, premature skin aging for a brighter and naturally younger looking skin.



NAMU LIFE SNAILWHITE GIFT SET

Officially launched the gift set on 4th Quarter, 2014. The Company has bundled the products in the new package as one of the options of gift in the festive festival like Thai New year's holiday or Songkran festival. Furthermore, The company uses a famous fashion bag call "NARAYA" as a packaging of **NAMU LIFE SNAIL-WHITE** "NARAYA SET" which is a tourist interactive.



Market and Competition

Key Success Factor

1. Product and Brand Uniqueness Development and Brand Awareness Enhancement

A key factor that the Company stresses on in building its brands to be recognizable and memorable to consumers is creating uniqueness or identity. The Company put a lot of efforts in promoting its identity under the concept “*Beauty is Healthy*” that reflects natural beauty which is differentiated from other manufacturers and in line with current trends in consumer demand.

The Company designed its products and packaging to be consistent with its identity as well as conducted marketing to raise brand awareness. Famous celebrities with “superstar” status who are known for their beauty were chosen to be presenters of its products to gain brand awareness and credibility. Moreover, the Company conducted its marketing via out of home media including small-sized and large-sized billboards that can access target customers in the cities as well as tourists. TV media was also deployed to reach broader consumer groups of all genders and ages and to promote brand awareness effectively. In addition, the Company carried out its marketing efforts through online media and encouraged consumers to try its products as well as asked famous people to make product reviews and viral videos on Facebook, YouTube and Instagram including tie-ins. Besides, product launch events were organized that received word of mouth from consumers. From the above factors, the Company’s brands are

well-known to broad consumer groups as brand awareness is growing. This is evident from rising number of followers in social media platforms such as LINE, Facebook and Instagram. Currently, the Company’s LINE has a total of 9.9 million followers while those of Facebook and Instagram are at 191,759 followers and 85,900 followers respectively. Its product identity and recognizable brand resulted in

(1) The Company’s products as No.1 best-selling product under products with snail secretion extract as an ingredient (according to The Nielsen Company

(2) NAMU LIFE SNAILWHITE Facial Cream and NAMU LIFE SNAILWHITE Concentrate Facial Cream as No.1 and No.4 best-selling product respectively under facial moisturizer products for modern trade channels (hypermarket, supermarket and specialty shop)

(3) NAMU LIFE SNAILWHITE Facial Cream and NAMU LIFE SNAILWHITE Concentrate Facial Cream as No. 1 and No. 3 best-selling products for facial moisturizer products with prices over 800 baht per piece for modern trade channels (hypermarket, supermarket and specialty shop that sells mostly health and beauty products) and

(4) Highest growth rate compared to the peer group of large-sized companies.

2. Product Quality, Credibility and Safety to Consumers

The Company is committed to meeting the needs of consumers through offering quality and safe products with properties in nourishing skin. Quality comes first at the Company and it pays attention to all production processes from sourcing and selecting quality raw materials, careful production processes that meet international standards to exquisite packaging and innovations that enhance product quality and effectiveness in order to attain product quality according to standards and targets set by the Company.

The Company's factory at Rojana Industrial Park started operating during the end of 2016 to replace the old factory. The new factory is modern and equipped with highly-effective machines and appliances that can be customized to needs and different systems with low maintenance costs. Through this technology and production capabilities, the Company can manufacture products using raw materials with higher time efficiency and cost effectiveness while product quality is not compromised. Additionally, the production process is also environmental-friendly as the Company strictly controls its production. Quality management is ensured along the production process from before raw material inspection, during production to before and after packaging by quality control unit or QC who are certified by the Thai Food and Drug Administration (FDA). Plus, the Company also received the ASEAN GMP (Good Manufacturing Practice) and HALAL in 2017 while certifications of the quality management standard (ISO 9100), the environment management standard (ISO14001) and the Occupational Health and Safety Assessment Series standard (OHSAS 18001) are under considerations during the first half of 2018.

Apart from product quality, the Company never ignores credibility and safety of its products and uses anti-counterfeit stickers so that consumers can accurately and quickly verify if the products are genuine. The Company also put in place product return policy for unsafe products that can harm consumers. Consumers can rest assured that all products are of high quality, safe as well as suitable for their needs.



3. Ability to reach consumers through extended and diverse sales channels

The Company places high importance on gaining access to end consumers with its key goal to introduce the Company's products to increasing number of consumers with needs via successful marketing that enables easy access and extended coverage for consumers. Currently, the Company leverages on its multi-channel platform of traditional trade, modern trade, free standing shops (NAMU LIFE Shop) and export to foreign markets through local sales agents with expertise in each market as well as various online channels. This channel strategy contributed greatly to our success to date.

In the future, the Company has a plan to further expand its sales network to cover foreign markets by finding trade partners or business alliances with good potentials together with developing online channels to be more effective.



4. Emphasis on research and development and new product introduction

The Company not only stresses on research and development (R&D) to develop and improve products to attain higher quality continuously but also fosters product innovation to serve the needs of consumers in a timely manner with benefits of the consumers at heart. The Company has its R&D department who is directly responsible for new product development in order to meet different usages of every part of the body from body care products, facial cleansing products to body cleansing products.

5. Executive team and personnel who are capable and creative new generations and effective small-sized organization (Integrated Business Model)

Human resources including senior executives, managers and employees in all departments are the key drivers to the Company's competitiveness in the past years. The Company aims at having a capable workforce with strong executive team and employees. These knowledgeable, creative, and daring new generations always think differently, try something new and study eagerly to understand consumer demand. Moreover, teamwork and decentralized management approach are fostered at management level. Roles and responsibilities are clearly defined and allocated based on expertise for each function. Flexibility and agility are also promoted so that the team can adjust quickly to situations and detect opportunities under fast-changing environment of beauty and personal care business. With its small and efficient organization, the Company has a competitive edge over its rivals who are foreign companies especially regarding new product introduction. Since consumer preference is increasingly dynamic, shorter time to market is considered a key strength. The Company spends only 6-8 months for each product from market feasibility study, formula R&D, market testing to distribution, much shorter compared to its competitors. Therefore, the Company capitalizes on opportunities in a dynamic market better than its competitors.

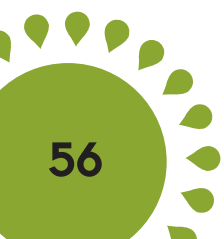


Awards for its products that the Company received are as follow

- Cosmo Kiss Beauty Award 2015 for "Best Facial Sheet Mask" given to **NAMU LIFE SNAILWHITE MASK SHOT** in 2015.
- 3 Health, Wellness and Beauty Awards 2016 (HWB Award 2016) which are
 - (1) Best skin care product from natural extracts for clear skin (**NAMU LIFE SNAILWHITE FACIAL CREAM**).
 - (2) Best body care product for clear skin (**NAMU LIFE SNAILWHITE BODY BOOSTER**).
 - (3) Best-selling product for 2016.
- Best beauty product from a selection of 400 beauty items of popular brands for "ICONIC Whitening Facial Cleanser" from Praew Magazine given to **NAMU LIFE SNAILWHITE CLEANSING** in 2016.
- Top 5 Cleanser from Marie Claire BEST Beauty 2016 for "Best Facial Cleansing Among Beauty Products".
- OK! Beauty Choice 2016 for "Best Cleanser" from OK! Magazine.
- Lisa Beauty Choice Award Editor's Choice 2016 given to **NAMU LIFE SNAILWHITE Miracle**.
- No.1 Shower Cream from users' reviews on Cosmenet website given to **NAMU LIFE SNAILWHITE CRÈME BODY WASH** in 2017.
- SME Excellence Award for Manufacturing Business from Thailand Management Association (TMA) in 2017.
- Iconic Brightening Facial Sunscreen Award given to **NAMU LIFE SNAILWHITE SUNSCREEN** from Praew Magazine in 2017.
- Lisa Beauty Choice Award 2017 for "Best Facial Serum" given to **NAMU LIFE SNAILWHITE MIRACLE** in 2017.
- 2 Cleo Beauty Hall of Fame 2017 awards in 2017 which are
 - (1) Best Whitening given to **NAMU LIFE SNAILWHITE MIRACLE**
 - (2) Best Mask given to **NAMU LIFE SNAILWHITE MASK SHOT**
- Best of New Product Launch Award in 2017 given to **SNAILWHITE SHOWER CREAM** Natural White 500ml. for Bath Care category from Watsons.

Growing Industry

Skin care industry has a strong potential in terms of current market value and growth outlook in the future. The key catalyst lies in the trending behavior of consumers of all genders and ages as they are more concerned on health, beauty, skin and personal care. Furthermore, media has an increasing influence on everyday life as consumers are more aware and active on health and beauty through these media. In addition, consumers set higher expectations on product properties and benefits as well as tend to opt for higher quality products with higher prices. Considering these trends, the Company is confident that it is operating in a good industry with a solid potential. The Company successfully grabbed the opportunities and capitalized on the industry's growth. This resulted in an aggressive and continuous growth in the past for the Company in the past. The Company also foresees a lot of opportunities in this industry from various products and has a plan to introduce more products in the near future.





Target Customers

Target end consumers for the Company are defined as consumers of all genders and ages with middle income or higher who look for skin cleansing and nourishing products for both face and body especially those who take a good care of themselves.



Channels for Marketing Communications

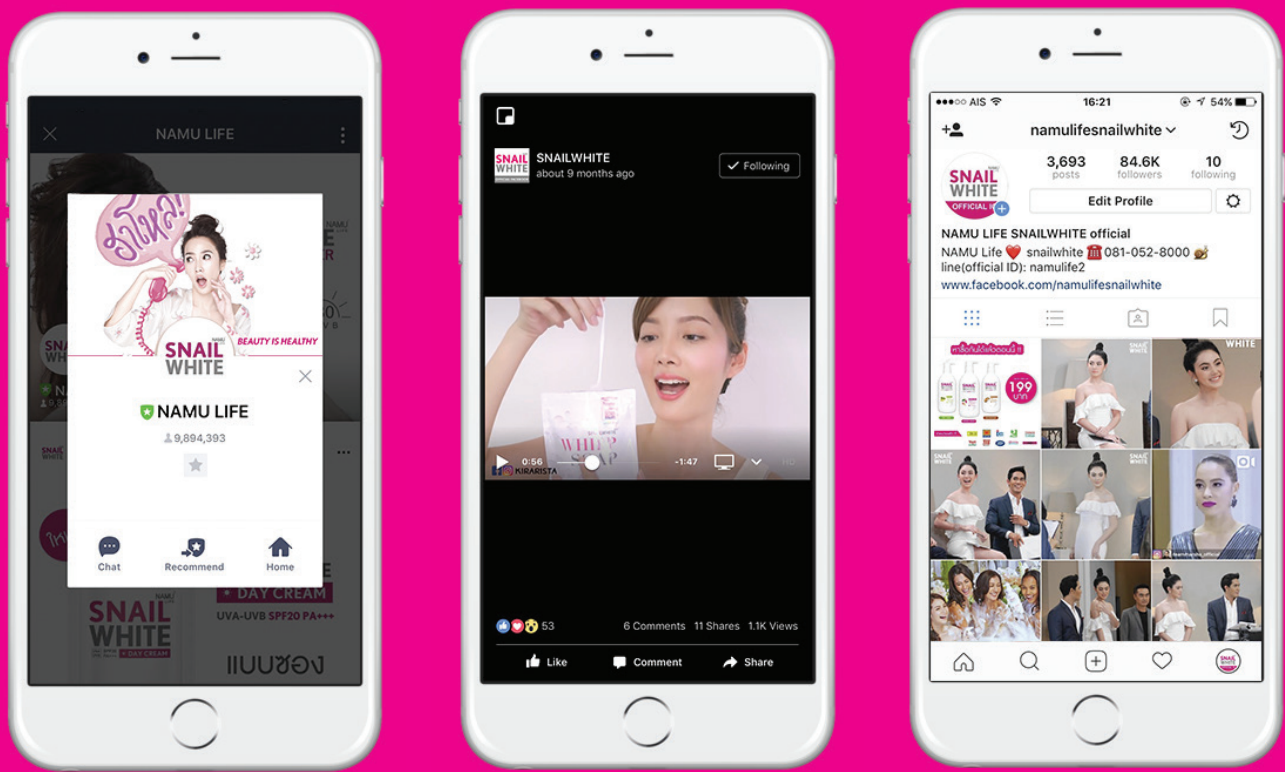
Marketing communications channels are important for the Company's business in building and raising brand awareness among target customers. The key to the success comes from a proper selection of channels for marketing communications to maximize effectiveness. The Company focuses on media that can be distributed to broader consumer base so that consumers can receive contents anywhere. The Company chose a set of public relations communications to cover all target customers with the key message "Beauty is Healthy".

Marketing communications channels can be classed as 2 major channels as follow

1) Offline Channel

The Company selected TV commercials as this channel can distribute messages with broad coverage in short time and reach diverse groups on consumers across the country. Tie-in through TV series and other famous programs such as The Face Thailand Season 2 and Season 3, Diary Tootsies Series is considered an innovative advertising that has high influence on audiences.





2) Online Channel

Through technological advances, online communication is gaining popularity in every society. The Company regarded this channel as an effective one to reach target customers and as a two-way communication for the Company and consumers. The channel is perfect for promoting products and generating market opportunities in reaching target customers thanks to its convenience and speed. This online channel enables the Company to understand the needs of individual customers as well as to be informed of problems and issues of its products and services. The Company created a variety of online media such as static media advertising, product review clips, viral videos as well as other online activities and campaigns.

Industry and Competition

Thai Market

Skin care product industry is considered an industry with high potential in Thailand as it was ranked 2nd in top 10 rising star business in Thailand by the Center of Economic and Business Forecasting, University of Thai Chamber of Commerce as well as among top 10 for the past 3 consecutive years (2015-2017). Skin care products are consumer products that recently became famous for modern lifestyles as both male and female consumers are more concerned of their images and personalities. With this trend, consumers believe that outer appearances represent good health and financial status so that they have to take care of their skin to improve their personalities. Besides, consumers tend to perceive and imitate consumption behaviors of beauty and skin care products from online social media more and more. Therefore, a number of untapped consumers who never used beauty products before started to try the products; for instance, early teens and male consumers who become attentive to personal care. In addition, consumers who are already using beauty products are likely to take better care

of themselves and look for more premium products. The skin care industry also experiences positive influences from product development from various entrepreneurs that meet the demand from consumers as well as from extensive sales and distribution channel expansion both locally and regionally in ASEAN area. Consequently, these factors significantly drive growth in skin care industry.

Considering beauty product market data from The Nielsen Company's survey which only covers modern trade channel that is one of the key channels the Company focuses on, the market can be segmented by type of product the Company has a presence in as follow

- (1) Facial Moisturizer
- (2) Body Moisturizer
- (3) Cleanser
- (4) Liquid Soap.

The table below shows market values by product group from 2015-2017.

Facial Moisturizer Market		Market Value					
Rank	PRODUCT GROUP	2015		2016		2017	
		THB (mm)	%	THB (mm)	%	THB (mm)	%
1	UV/Whitening	5,875	59.3	5,364	55.7	4,971	51.6
2	Anti-aging	3,033	30.6	3,225	33.5	3,459	35.9
3	Basic Care	628	6.3	626	6.5	750	7.8
4	Oil Control	368	3.7	413	4.3	445	4.6
5	Others	1	0.0	0	0.0	2	0.0
	Total	9,906	100.0	9,629	100.0	9,626	100.0

Source : The Nielsen Company

Body Moisturizer Market		Market Value					
Rank	PRODUCT GROUP	2015		2016		2017	
		THB (mm)	%	THB (mm)	%	THB (mm)	%
1	Whitening	4,532	62.1	4,380	61.9	4,214	58.7
2	Basic care	2,364	32.4	2,342	33.1	2,604	36.3
3	Advance Benefits)	397	5.4	356	5.0	362	5.0
4	Others	3	0.0	1	0.0	1	0.0
	Total	7,296	100.0	7,079	100.0	7,181	100.0

Facial Mask Market		Market Value					
Rank	PRODUCT GROUP	2015		2016		2017	
		THB (mm)	%	THB (mm)	%	THB (mm)	%
1	Tissue/Pad	497	54.9	659	52.3	1,064	54.6
2	Rinse Off	317	35.0	496	39.4	758	38.9
3	Peel Off	91	10.1	105	8.3	126	6.5
4	Others	0	0.0	0	0.0	0	0.0
	Total	905	100.0	1,260	100.0	1,948	100.0

Liquid Soap Market		Market Value					
Rank	PRODUCT GROUP	2015		2016		2017	
		THB (mm)	%	THB (mm)	%	THB (mm)	%
1	Beauty	2,978	54.3	3,093	54.0	3,254	54.3
2	Health	1,048	19.1	1,119	19.5	1,241	20.7
3	Baby	952	17.4	1,004	17.5	1,031	17.2
4	Men	344	6.3	344	6.0	290	4.8
5	Hand Wash	159	2.9	169	3.0	180	3.0
	Total	5,480	100.0	5,729	100.0	5,996	100.0

Source : The Nielsen Company

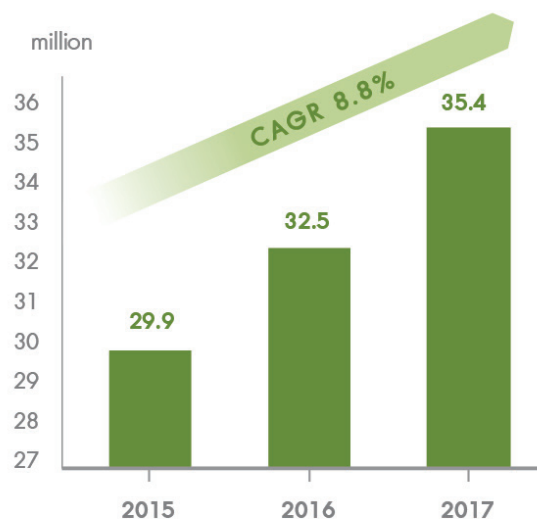


From the above information, facial moisturizer market has the highest market value compared to markets of other skin care products as consumers prioritize facial skin over other parts of the body. The value of facial moisturizer products remains about the same level from 2015-2017 at approximately 9,300-9,600 million baht. UV/whitening product group has the highest market value in the facial moisturizer market and contributes to 51.6% of the facial moisturizer market in 2017. **SNAILWHITE FACIAL CREAM**, the Company's key product classified in UV/whitening product group is proved to serve the needs of consumers in facial moisturizer market well.

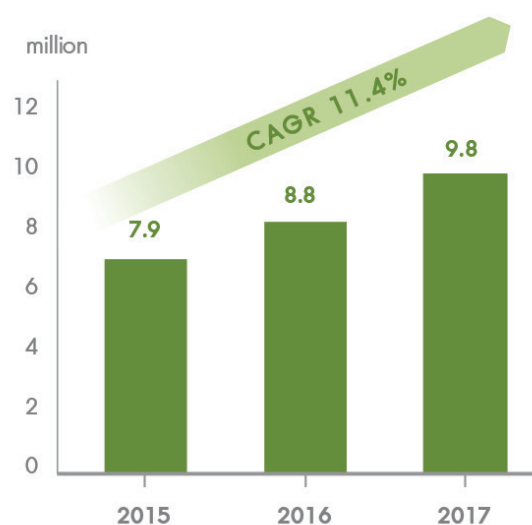
With regard to other products in the facial moisturizer product group such as anti-aging products, growth has been maintained for the past 2 years which represents an opportunity for the Company to expand into this market segment. The Company has been active in conducting R&D to find right products with suitable ingredients to expand its business in the future. For example, during the 2nd quarter in 2017 the Company launched **NAMU LIFE SNAILWHITE GOLD FACIAL CREAM** as a first step into anti-aging product market. Body moisturizer market is also among markets with high market value of around 7,181 million baht in 2017. The Company saw the opportunity and offers **SNAILWHITE BODY BOOSTER** and **NAMU LIFE SNAILWHITE BODY BOOSTER SPF 30/ PA+++** for this market segment to meet the demands of consumers and further extend coverage of skin care for consumers.

Lastly, despite its lower market value compared to the 2 markets mentioned earlier, liquid soap market has been growing well with a compound annual growth rate (CAGR) of 4.6% per year from 2015-2017. The growth was derived from sales promotional campaigns executed by various entrepreneurs to persuade consumers to use skin care products especially in liquid soap market where growth can be seen in all major product groups. In 2016, health product group recorded the highest growth rate compared to those of other key product groups in the same market due to the fact that consumers pay more attention to using body wash products. The Company offers **SNAILWHITE CRÈME BODY WASH** in this market which is highly demanded among consumers.

Statistics on Number of Foreign Tourists Who Traveled to Thailand



Statistics on Number of Chinese Tourists Who Traveled to Thailand



Source: Thailand's Department of Tourism and Tourism Authority of Thailand

Apart from Thai consumers, foreign tourists added to the demand of the skin care products in Thailand. Regarding tourism in Thailand, the number of foreign tourists who entered Thailand jumped significantly from 29.9 million tourists in 2015 to 35.4 million tourists in 2017 or equivalent to a compound average growth rate (CAGR) of 8.8% per annum.

Note that when tourists from China who are the major nationality interested in buying the Company's products are considered, the number of Chinese tourists who traveled to Thailand rose significantly at a CAGR of 11.4% from 7.9 million tourists in 2015 to 9.8 million tourists in 2017. This increase outpaced the average growth of total number of tourists thanks mainly to higher purchasing power of Chinese tourists as well as culture and traditions in Thailand that appeal to Chinese people. However, the increase in number of Chinese tourists decelerated in 2017 to stand at 9.8 million tourists from 8.8 million tourists in 2016 (referring to data from Ministry of Tourism and Sports). This is a result of the crackdown on Chinese zero dollar tours in Thailand while number of tourists from other countries still experienced a positive growth.

3.Snail white 蝸牛修復再生面霜

泰國人也喜歡美白，而且又是亞洲膚質，所以也很適合我們用，SNAIL WHITE 這個品牌在這兩年火速冒起，蝸牛修復再生面霜含有蝸牛天然粘液，可以有效防止皮膚老化，還可以消除皮膚上的斑點、疤痕和皺紋等，用後皮膚的顏色會更明亮，但它跟很多美白產品一樣偏乾，乾性肌膚的朋友需要同時加量保養，避免出現暗粒。



3.Snail white Snail Repair Recycled Cream

Thai people also like whitening, but also Asian skin, so it is also very suitable for us to use. SNAIL WHITE this brand in the past two years rushed. Snail repair regeneration cream contains snail natural mucus, can effectively prevent skin aging, but also can eliminate spots on the skin, scars and wrinkles and so on. After the skin with the color will be more bright, but it is like a lot of whitening products as dry, dry skin friends need to increase moisture at the same time, to avoid the dark particles.



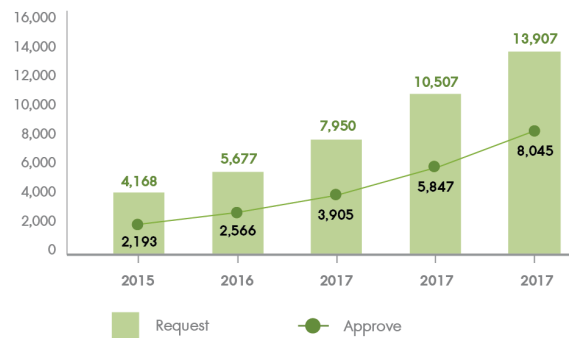
SNAILWHITE Products were ranked No 3 on "Bangkok Top 10 Item Must Buy" by a travel website Skyscanner

Competitive Landscape

Given that skin care product market has strong potential with high market value and positive outlook thanks to changes in consumer behaviors and business environment, the market is characterized by intense competition and a large number of players both large and small including foreign companies with brands known to consumers.

From the statistics on registration and approval for manufacturing cosmetics from the Ministry of Public Health from 2011-2015, the figures are continuously soaring both the number of registration and the number of approval. In 2015, there were 13,907 registrations in total, growing 32.4% from 2014 while 8,045 registrations were approved in 2015 or 37.6% higher than 2014. This clearly depicts a rising demand in operating cosmetics and beauty product business. Additionally, consumers set higher expectations to benefits received from these products and became more selective in choosing the products. Consumers spend more time considering ingredients and their qualities stated by manufacturers. This is regarded as a challenge for all market players to fight for market shares in this highly-competitive skin care product market.

Statistics on Registration and Approval for Manufacturing Cosmetics



Source: Ministry of Public Health



Sample of Products by Market Positioning

Source : The Company

Compared to other competitors in the market, the Company currently positions itself to offer premium products that can reach consumers in mass market (Premium Mass) which is a positioning between “Mass” market and “Premium” market with higher prices. Owing to this market positioning, the Company gains advantages from smaller number of competitors who position themselves similarly and from the consumer behavior trend of trading up for higher quality and more expensive products.

Looking at Thailand’s skin care product market according to The Nielsen Company as shown by product groups that the Company focuses on which are

- (1) Facial Moisturizer
- (2) Body Moisturizer
- (3) Facial Mask and
- (4) Liquid Soap,

market shares of the Company benchmarked with key players in the market are summarized below

Facial Moisturizer Market Ranked by Market Share for All Retailers in Thailand

Facial Moisturizer Market		Market Share by Year (%)		
Rank	BRAND	2015	2016	2017
1	Olay	14.9	15.2	15.2
2	Garnier	12.5	14.5	13.7
3	Dermo Expertise	8.4	9.2	9.5
4	Pond’s	12.1	9.7	8.9
5	Eucerin	6.5	6.2	6.7
...
8	NAMU LIFE SNAILWHITE (Rank)	3.2 (10)	3.6 (9)	3.8 (8)

Body Moisturizer Market Ranked by Market Share for All Retailers in Thailand

Body Moisturizer Market		Market Share by Year (%)		
Rank	BRAND	2015	2016	2017
1	Vaseline	30.9	31.5	30.2
2	Nivea	15.3	15.8	14.6
3	Citra	16.9	14.5	14.1
4	Johnson	7.1	7.3	7.5
5	Bhaesaj	3.7	4.9	6.3
...
15	NAMU LIFE SNAILWHITE (Rank)	0.6 (15)	0.4 (21)	0.6 (15)

Source: The Nielsen Company

Remark: /1 Ranked by using 2017 data



Facial Mask Market Ranked by Market Share for All Retailers in Thailand

Facial Mask Market		Market Share by Year (%)		
Rank	BRAND	2015	2016	2017
1	All other	18.2	24.9	29.6
2	Garnier	2.9	1.9	9.4
3	Ele	0.1	3.6	5.5
4	Leaders Clinic	4.4	9.0	4.4
5	Cathy Doll	5.4	4.9	3.9
...
11	NAMU LIFE SNAILWHITE (Rank)	5.7 (11)	4.4 (15)	2.3 (11)

Liquid Soap Market Ranked by Market Share for All Retailers in Thailand

Liquid Soap Market		Market Share by Year (%)		
Rank	BRAND	2015	2016	2017
1	Shokubutsu	13.3	14.4	15.3
2	Lux	16.2	14.8	15.0
3	Benice	10.5	11.0	10.8
4	Protex	10.3	10.9	9.7
5	Dettol	7.0	7.2	6.9
...
16	NAMU LIFE SNAILWHITE ^{/2} (Rank)	N/A	0.1 (57)	1.7(16)

Source: The Nielsen Company

Remark: /1 Ranked by using 2017 data

/2 The Company began distributing its liquid soap (NAMU LIFE SNAILWHITE Creme Body Wash) in 2016.

The data above show that the Company's products managed to maintain its sales growth and gain higher market shares continuously. Market share of the Company's products in facial moisturizer market was at No 8 at 3.8% in 2017, up from No 9 at 3.6% in 2016. One of the reasons of improved market share comes from the Company's strategy of introducing **SNAILWHITE DAY CREAM** in sachets to expand customer base in convenient stores and traditional trade that enabled the Company to tap into new customer groups. Plus, the Company launched **SNAILWHITE Gold** to attract customers with aging problems who have high purchasing power. Sales revenue and market share of the Company's brand in facial moisturizer market are among top 10 highest consecutively from 2014 until recently. With reference to body moisturizer market, the Company's market share adjusted upward from No 15 at 6% of the market in 2017 as the Company introduced **NAMU LIFE SNAILWHITE BODY BOOSTER SPF 30 PA+++** during the 2nd quarter of 2017 to grab market share. The Company also changed the size of **SNAILWHITE BODY BOOSTER** to better fit different needs of consumers as well as offered mini-sized products in convenient stores. The higher market share reflects positive responses to its products from consumers.

Market share stood at 2.3% in 2017 for facial mask market. Nowadays, there are a number of innovative products available in the market from different players to promote convenience for consumers including sleeping mask product group that consumers do not have to wash off. To steal market share, the Company introduced **SNAILWHITE OVERNIGHT FIRMING MASK** that better benefits consumers.

Considering liquid soap market, the Company's market share increased significantly from No 57 in 2016 to No 16 in 2017. The reason behind this strong ranking improvement came from the expansion of sales network to convenience stores as consumers are able to access liquid soap products more easily. Besides, the Company launched its **NAMU LIFE SNAILWHITE CRÈME BODY WASH** starting from the 4th quarter of 2016 and the product received satisfactory feedbacks from consumers. The Company also conducted marketing activities to compete with other products in the market as well as to attract more consumers.

Note that the manufacturers who ranked among the top are mostly multinational companies with a wide variety of product offering. Nevertheless, if only large-sized shops (hypermarkets, supermarkets and specialty shops that mostly sell health and beauty products) which are the channel aligned with market positioning of the Company are considered, the Company's products made it to the top in facial moisturizer market as seen from the tables below.



Facial Moisturizer Market Ranked by Market Share of Stock Keeping Unit (SKU)
for large-sized shops (Hypermarkets, Supermarkets, Specialty Shops)

Facial Moisturizer Market			Market Share (%)		
Rank	Brand	Product Name	2015	2016	2017
1	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE FACIAL CREAM	4.4 (1)	3.7 (1)	2.7 (1)
2	Dermo Expertise	Revitalift Anti-Wrinkle and Firming Day Cream	0.0	1.4	1.6
3	Olay	Regenerist Micro-Sculpting Cream	0.9	1.2	1.3
4	Dermo Expertise	Revitalift Anti-Wrinkle and Firming Night Cream	0.1	1.1	1.3
5	Olay	Total Effect 7In1 Day Cream Normal Spf15	1.5	1.6	1.1
6	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM	0.1 (247)	0.8 (10)	1.1 (6)
...
56	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE MIRACLE ^{/2}	N/A	0.2 (131)	0.4 (56)

Source: The Nielsen Company

Remark: /1Ranked by using 2017 data

/2 The Company began distributing NAMU LIFE SNAILWHITE Miracle
in the 2nd quarter of 2016.

/3 The Company began distributing NAMU LIFE SNAILWHITE Miracle,
NAMU LIFE SNAILWHITE Day Cream and NAMU LIFE SNAILWHITE Gold Facial Cream
in the 2nd quarter of 2016, the 1st quarter of 2017 and the 2nd quarter of 2017 respectively.

Facial Moisturizer Market Ranked by Market Share of Stock Keeping Unit (SKU) with over 800 baht per piece price for large-sized shops (Hypermarkets, Supermarkets, Specialty Shops)

Facial Moisturizer Market			Market Share (%)		
Rank	Brand	Product Name	2015	2016	2017
1	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE FACIAL CREAM	17.7 (1)	13.3 (1)	9.6 (1)
2	Olay	Regenerist Micro-Sculpting Cream	3.4	4.4	4.2
3	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM	0.4 (66)	3.0 (4)	3.5 (3)
4	Olay	Regenerist Advanced Anti-aging Micro-Sculpting Cream Moisturizer Night	2.2	3.3	3.4
5	Eucerin	Elastic Filler Serum In Oil	N/A	2.6	2.5
...
21	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE MIRACLE	N/A	0.8 (34)	1.2 (21)
30	NAMU LIFE SNAILWHITE (Rank)	NAMU LIFE SNAILWHITE DAY CREAM SPF20 PA+++	N/A	N/A	0.9 (30)

Source: The Nielsen Company

Remark: /1Ranked by using 2017 data

/2 Market share as calculated from facial moisturizer market for products with over 800 baht per piece price.

/3 The Company began distributing NAMU LIFE SNAILWHITE Miracle, NAMU LIFE SNAILWHITE Day Cream and NAMU LIFE SNAILWHITE Gold Facial Cream in the 2nd quarter of 2016, the 1st quarter of 2017 and the 2nd quarter of 2017 respectively.

From the above data regarding the competition in facial moisturizer market per each SKU for only large-sized shops consisting of hypermarkets, supermarkets and specialty shops, the Company's shares in the market were strong in 2016 and 2017 while **NAMU LIFE SNAILWHITE FACIAL CREAM** and **NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM** were ranked No 1 and No 6 highest market share in the market respectively. **NAMU LIFE SNAILWHITE MIRACLE** was also at No 56. **NAMU LIFE SNAILWHITE FACIAL CREAM** maintained the No 1 position continuously from 2015 until recently.

Note that the Company is the only manufacturer that uses snail secretion filtrates as a key ingredient in the products among Top 100 products with highest sales. In addition, **NAMU LIFE SNAILWHITE FACIAL CREAM** and **NAMU LIFE SNAILWHITE CONCENTRATE FACIAL CREAM** were also ranked No 1 and No 3 for best seller products with over 800 baht per piece price in facial moisturizer market while **NAMU LIFE SNAILWHITE MIRACLE**, **NAMU LIFE SNAILWHITE DAY CREAM** and **NAMU LIFE SNAILWHITE GOLD FACIAL CREAM** were at No 21 and No 30 respectively.

Foreign Markets

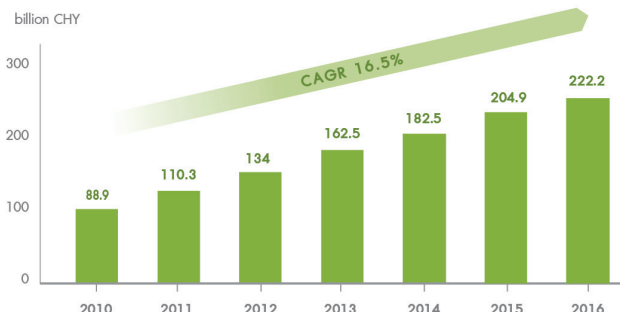
The export of skin care products from Thailand has growing steadily during the past years with a positive growth outlook in the future thanks to benefits from the set up of free trade ASEAN Economic Community (AEC) that reduces tariffs on import and export of beauty and skin care products. Moreover, foreign consumers have good perception of products from Thailand. This is considered a good opportunity to export beauty and skin care products to neighboring countries such as Myanmar, Cambodia, Laos and other countries with high domestic demands like China and Hong Kong.

As evident from export value of skin care products that rose from 82,609 million baht in 2015 to 84,803 million baht in 2016 (according to export data of cosmetics, soaps and acne products from Customs Department) or equivalent to 2.7% growth despite the slowdown in global economy and the economies of trading partners of Thailand. This shows that the potential is high for export of skin care products to foreign countries.

From its past performance, most of the Company's revenue from export came from China and Hong Kong as the combined contribution of these 2 countries stood at 97% and 99% of total revenue from export in 2016 and in 2017 respectively. This is due to product popularity among Chinese consumers beginning with Chinese tourists who traveled to Thailand. They had a chance to try the products and were satisfied. Then, Chinese tourists bought the products as souvenirs back to their countries and that generated word of mouth for the Company's products. Seeing that as an opportunity, the Company sought local sales representatives with expertise to export its products to China. Chinese consumers have a positive perception on the Company's skin care products for its credible quality, reasonable prices and skin nourishing properties. The Company prioritized Chinese's market as one of the markets with highest export potential for skin care products on

the grounds that Chinese people have higher income and are more health-conscious.

Value of Skin Care Product Market in China

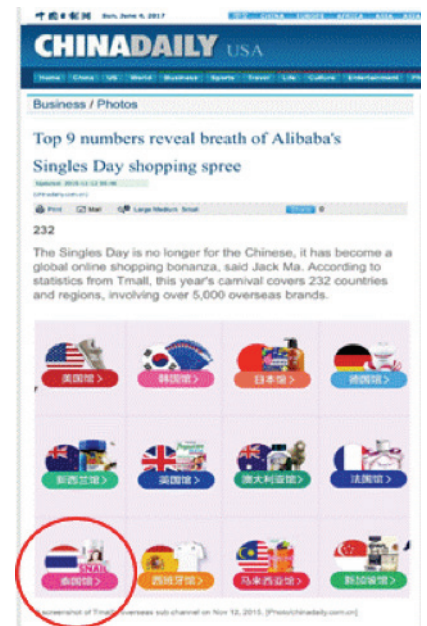


Like in Thailand, the popularity of E-Commerce acts as a key driver of skin care product market in China. From the above data, the number of E-Commerce users is expected to climb up materially from 520.7 million users in 2016 to 796.6 million users in 2018, equivalent to a CAGR of 11.2% per year.

NAMULIFE **SNAILWHITE** FACIAL CREAM

was the best-selling product Singles' Day (Day for the singles in China) in 2015. This is a proof that the Company's products were popular and well-received by Chinese consumers.

The Company conducted an exclusive product launch for China and distributed the products mainly through websites in China during 2016 and the 1st half of 2017 e.g. **SNAILWHITE OVERNIGHT FIRMING MASK** and **SNAILWHITE 7 DAYS MASK SHEETS**.



Source : Tmall's Overseas Sub Channel on 12 November 2015 / China Daily USA



ที่มา: <https://namulife.tmall.hk/>

Products Launched Exclusively for Chinese Consumers



NAMU LIFE **SNAILWHITE**
ROYAL JELLY FACIAL CREAM



NAMU LIFE **SNAILWHITE**
OVERNIGHT FIRMING MASK



SNAILWHITE NAMU FACIAL
JELLY WASH



SNAILWHITE
ESSENTIAL TONER



SNAILWHITE
7 DAYS MASK SHEETS

Product Research and Development

The Company continuously and incessantly conducts R&D on its products under modern concepts with consumer satisfaction at heart. research and development department is directly responsible for studying, researching and innovating products while other departments also participate. To begin with, marketing department will study markets outlook and trends to evaluate market environment for its products and to understand consumers correctly. This will lead to the development of new products to meet diverse demands of consumers. The Company focuses on creating products that possess desirable properties for consumers. For instance, marketing department did a market survey and found out that consumers need all parts of their bodies to be soft and moisturized. Later, R&D department will create and test product quality before sending for an inspection so that the products meet standards and

comply with consumer protection laws. Finally, the Company launched **NAMU LIFE SNAILWHITE CRÈME BODY WASH** as an anti-bacterial shower cream with moisturizing property suitable for Thai weather conditions. The average time spent of product development from R&D until first launch to the market is approximately 6 months.

In addition, the Company also carries out R&D for substitute materials or effective production formulas that can optimize the use of materials to reduce production costs of the Company. Also, the Company joined a product R&D project with Kasetsart University who has laboratories, equipment and tools for R&D purposes. The Company also made a selection for packaging that maximizes usage efficiency. The following table depicts innovations for each product category of the Company.



Work process enhancement

The Company pays attention to work process enhancement to achieve higher efficiency and productivity while enhancing its competitiveness as stated in its vision.

The Company emphasizes continuous process development and improvement to promote work efficiency. The Company deployed higher efficiency machines to improve its production as well as implementing SAP Enterprise Risk Management to improve its information and communication systems. Employee participation is also fostered for all employees to help finding new ways to improve work and workplace environment.

Furthermore, valuing opinions and recommendations from consumers, the Company conducted customer satisfaction surveys and focus groups as well as gathering comments and suggestions from customers via online channels such as its website and social media (Instagram and Facebook). The Company analyzed all information and prioritized key areas of improvements to develop products to better suit the needs of customers.



Future Plans and Projects

To attain its goal to become a leader in beauty business offering excellent products and services for customers, the Company has a number of initiatives to enhance its abilities to serve the needs of consumers that are growing and changing fast i.e. production capacity, warehouse space, product quality and properties and sales channels. Details on each future project are summarized below:

Expand production capacity and warehouse space

The Company's success and continuous business expansion require additional investment to support business growth and prepare itself for future business opportunities. The Company approved an investment to expand its production capacity with phase 2 factory set-up project at Rojana Industrial Park in Ayudhaya province. The new factory also has addition 10 rai of usable space (on a total of 19 rai usable space where 9 rai is currently occupied by the factory). The Company intends to allocate 10 rai for the phase 2 factory set-up with the production space of 18,000 square meters as well as expanding the warehouse space to support rising product quantity from higher production capability.

Apart from space expansion, the Company has a plan to invest in warehouse management systems to enhance efficiency and improve storage standards and logistics to deliver products in time for both local and international markets.

Expand sales channels and build capabilities

The Company expand sales channels to support diverse needs of consumers as well as broadening customer base to gain better access consumers and improve its competitiveness. The Company planned to expand its footprints to new areas such as NAMU Life Shop and other sales spaces focusing on areas that the Company can effectively promote its brands and products. Those areas include locations with high number of tourists and high traffic. The Company expected to open more shops or points of sales in the future along with supporting other channels to operate more effectively.

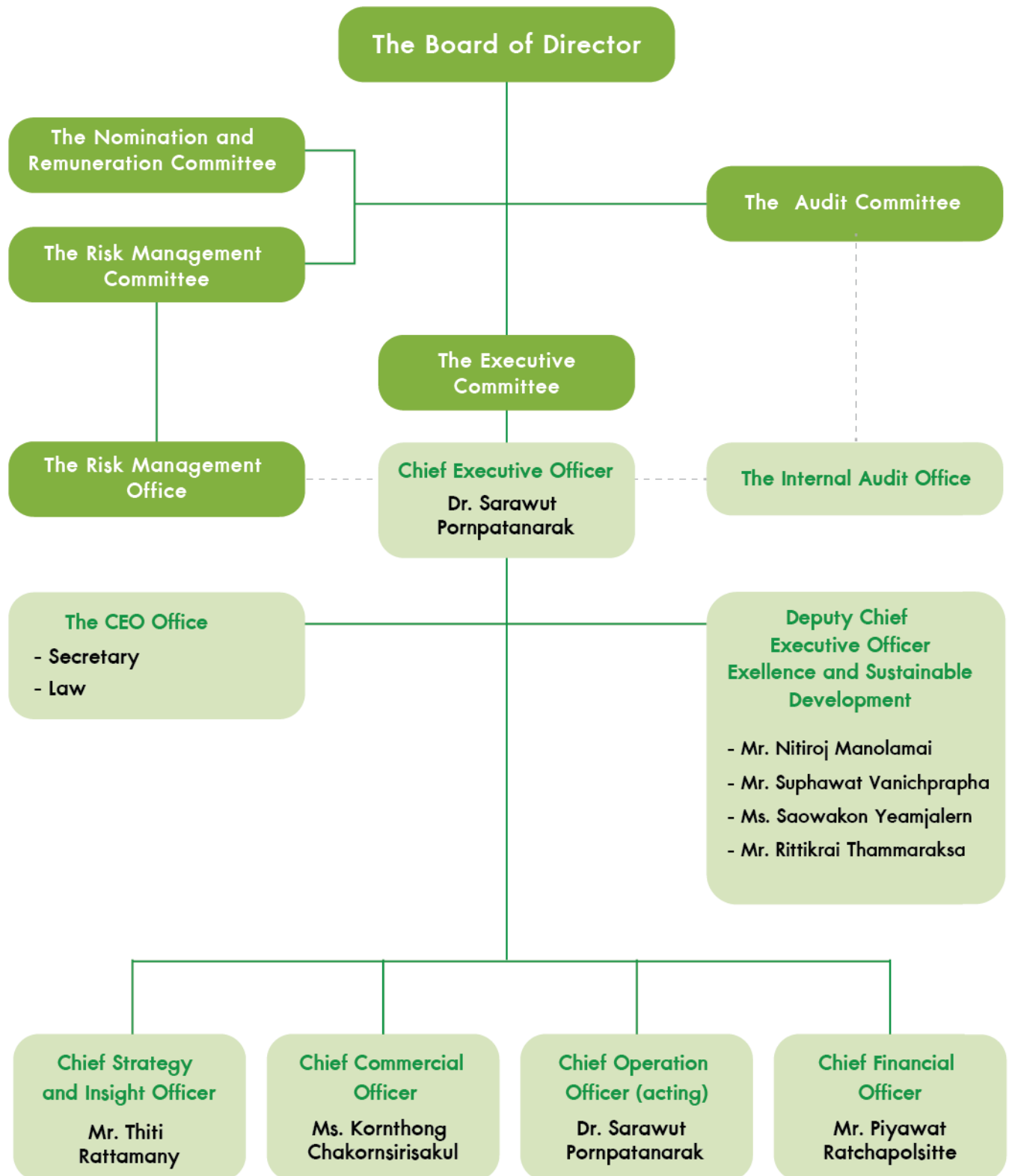
Renovate the Company's office and implement related network systems.

The Company has a plan to expand and renovate its new office to support an expansion in workforce from business growth. The Company intends to modernize the office to create happy work environment and promote efficiency and creativity. Additionally, the Company planned to enhance work efficiency through implementations of network systems.

Enhance R&D capabilities

The Company realized the potential of fast-growing skin care industry both in Thailand and abroad as well as diverse and fast-changing customer needs. Therefore, in order to differentiate its products and improve quality standards, the Company approved a plan to expand and improve its R&D center to create high quality and innovative products to serve the needs of consumers in a dynamic and expanding beauty industry.

Management Structure





The management structure of the Company consists of 5 committees which are the Board of Directors, the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Executive Committee. Details are provided below.

1. Board of Directors

As of 31 December 2017, the Board of Directors comprised 12 members as follows

1. Police General Chatchawal	Suksomjit	Chairman, Independent Director
2. Dr. Sarawut	Pornpatanarak	Vice Chairman, Director
3. Mr. Nitiroj	Manolamai	Director
4. Mr. Piyawat	Ratchapolsitte	Director
5. Mr. Rungroj	Chaisirivikrom	Director
6. Mr. Suphawut	Vanichprapha	Director
7. Ms. Saowakon	Yamcharoen	Director
8. Mr. Rittikrai	Thammaraksa	Director
9. Mr. Krish	Follett	Independent Director
10. Mrs. Nualphan	Lamsam	Independent Director
11. Mr. Nattawut	Kruapradub	Independent Director
12. Mr. Songpol	Chevapanyaroj	Independent Director
Ms. Rungthip	Ngamekudomphong	Company Secretary

2. Audit Committee

As of 31 December 2017, the Audit Committee consisted of 3 members as follows:

- | | | |
|-----------------|---------------|--|
| 1. Mr. Krish | Follett | Independent Director and Chairman of the Audit Committee |
| 2. Mr. Nattawut | Kruapradub | Independent Director and Member of the Audit Committee |
| 3. Mr. Songpol | Chevapanyaroj | Independent Director and Member of the Audit Committee |
| Ms. Chulaporn | Rattapong | Secretary to the Audit Committee |

3. Nomination and Remuneration Committee

As of 31 December 2017, the Nomination and Remuneration Committee comprised 3 members as follows:

- | | | |
|-----------------|-----------------|--|
| 1. Mr. Nattawut | Kruapradub | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Songpol | Chevapanyaroj | Member of the Nomination and Remuneration Committee |
| 3. Mr. Suphawut | Vanichprapha | Member of the Nomination and Remuneration Committee |
| Ms. Rungthip | Ngamekudomphong | Secretary to the Nomination and Remuneration Committee |

4. Risk Management Committee

As of 31 December 2017, the Risk Management Committee consisted of 3 members as follows:

- | | | |
|----------------|---------------|--|
| 1. Mr. Krish | Follett | Chairman of the Risk Management Committee |
| 2. Dr. Sarawut | Pornpatanarak | Member of the Risk Management Committee |
| 3. Mr. Nitiroj | Manolamai | Member of the Risk Management Committee |
| Ms. Chulaporn | Rattapong | Secretary to the Risk Management Committee |

5. Executive Committee

As of 31 December 2017, the Executive Committee consisted of 5 members as follows:

- | | | |
|------------------|-----------------|--------------------------------------|
| 1. Dr. Sarawut | Pornpatanarak | Chairman of the Executive Committee |
| 2. Mr. Rittikrai | Thammaraksa | Member of the Executive Committee |
| 3. Mr. Rungroj | Chaisirivikrom | Member of the Executive Committee |
| 4. Mr. Thiti | Rattamany | Member of the Executive Committee |
| 5. Mr. Piyawat | Ratchapolsitte | Member of the Executive Committee |
| Ms. Rungthip | Ngamekudomphong | Secretary to the Executive Committee |

*Note : Mr. Rungroj Chaisirivikrom has resigned from Board of Directors
and Executive Committee of the company effective from January 15, 2018 onwards.*



CORPORATE GOVERNANCE



Corporate Social Responsibilities (CSR)

Policy Overview

The Company conducts its business under a good corporate governance framework with transparency and accountability. The Company is committed to developing its business together with creating an economic, social and environmental balance. Good corporate citizenship and business sustainability are fostered with an intention to be a good example for the society and to undertake its business to achieve stable growth in accordance with business ethics and good corporate governance principles. Furthermore, the Company shall effectively generate returns to shareholders keeping in mind any impact from doing business to all stakeholders for the best interest of shareholders, stakeholders and other related parties.



Chulalongkorn International Business Case Competition (CIBCC) Project

During 23-28 May 2017, the Company participated in *Chulalongkorn International Business Case Competition (CIBCC)* project organized by the Faculty of Commerce and Accountancy, International Program, Chulalongkorn University for undergraduate students to compete in solving business cases. The Company was among the sponsors and case owners. This was a good opportunity to support this social project as the Company's business is appealing to new generations and also growing fast. Facing real-life business problems and hurdles is a good preparation for students before starting their work life in the real world. Additionally, this was also a good chance for the Company to build and tighten relationship with Chulalongkorn University who hosted CIBCC project.



Report of the Audit Committee

To Shareholders of Do Day Dream Public Company Limited

The Audit Committee of Do Day Dream Public Company Limited consists of 3 independent directors. Each director is independent and not an executive director that participates in the management of the Company. Mr. Krish Follett is the Chairman of the Audit Committee while Mr. Songpol Chevapanyaroj and Mr. Nattawut Kruapradub are members of the Audit Committee with Ms. Chulaporn Rattapong, director of internal audit as a secretary to the Audit Committee.

All directors in the Audit Committee are qualified individuals who performed their duties under the scopes or duties and responsibilities according to the Audit Committee Charter and a guideline from the Securities and Exchange Commission and the Stock Exchange of Thailand. Mr. Songpol Chevapanyaroj is the director who has knowledge and experience in the field of finance.

In 2017, the Audit Committee held a total of 6 meetings together with management, internal audit officers and auditors. A summary of key findings from conducting the audit is presented below:

1. Financial Statements Review

The Audit Committee reviewed important information in the quarterly and annual financial statements for 2017 for Do Day Dream Public Company Limited including consolidated financial statements of Do Day Dream Public Company Limited and its subsidiaries as prepared according to the Thai Financial Reporting Standards. The Audit Committee reviewed important items and special transactions and received explanations from auditors and management and are satisfied that the preparation of financial statements including the disclosure of the footnotes to the financial statements are in accordance with the laws and financial reporting standards. The Audit Company has considered and approved the mentioned financial statements and the auditors also reviewed and confirmed that the opinion is unqualified. Furthermore, the Audit Committee convened with the auditors without the presence of management team to independently discuss on significant information from the financial statements. Disclosure of information strictly follows financial reporting standards and benefits users of financial statements. There is no issue or hurdle in performing the auditors' duties or any suspicious circumstance according to Section 89/25 of Securities and Stock Exchange Act, B.E. 2535 with the revision in the Securities and Exchange Act (No. 4) B.E. 2551. In 2017, the auditors do not have any significant observation or discover any suspicious circumstance.

The Audit Committee reached a conclusion that the Company has proper financial reporting systems that disclose accurate financial information without material misstatements as well as preparations of those reports in accordance with financial reporting standards.

2. Corporate Governance

The Audit Committee reviewed the Company's corporate governance to ensure its alignment with ethics and found that directors and employees strictly observed stipulated principles and practices. The Company implemented anti-corruption policy and adapted the policy to its subsidiaries based on business suitability. Corporate governance regarding society and environment was enforced with concrete evidence. Furthermore, the Audit Committee also reviewed compliance with laws related to securities and exchange, rules set by the stock exchange as well as laws concerning business undertaking especially on related party transactions and transactions with possible conflicts of interest. The Audit Committee assessed and reviewed performance including self evaluation on readiness of directors, financial reports, meetings with auditors, reviews of related party transactions, disclosure of information in reports, risk management, internal control, directors' meetings, performance of internal audit unit and the secretary to the Audit Committee. The summary of the results is satisfactory.

3. Risk Management

The Company has put in place risk management systems at organization level where executives in each department will be directly responsible as well as collaborating with other parties. The Board of Directors considered the risk management framework and risk mitigation plans, reviewed all risks and followed up on risk management. The Board also contemplated risk factors and their probability both internally and externally. Risks were managed within risk appetite levels and required early warning indicators were also reviewed.

4. Internal Control Systems and Internal Audit

The Audit Committee reviewed the adequacy of the internal control systems of the Company by considering plans and reports from internal audit unit regularly and no significant mistake is found. The internal audit unit summarized that internal control systems of the Company and its subsidiaries are adequately

effective while the auditors reported that internal control systems related to accounting and finance is sufficient and proper. The Audit Committee considered and reviewed the Audit Committee Charter and Audit Department Charter on a yearly basis. The Company developed its internal audit emphasizing on development of both personnel and audit tools according to internal audit standards.

5. Related Party Transaction Disclosure and Compliance with Laws on Securities and Exchange, Rules of Stock Exchange and Laws Related to The Company's Business

In 2017, the Audit Committee had a confirmation from executives that the Company and its executive comply with laws and other rules with a disclosure of related party transaction as required by the Notification of the Securities and Exchange Commission. According to reports and confirmations from responsible executives as well as audit results from the Audit Committee, the Company disclosed related party transactions in accordance with laws, rules and regulations.

6. Nomination of the Auditors for 2018

The Audit Committee assessed the performance of the auditors during the past year and found it satisfactory. The Audit Committee also reviewed qualifications and independence of the auditors and deemed that they are in accordance with requirements of the Stock Exchange of Thailand. Therefore, the Audit Committee proposed the Board of Directors to consider nominating Mr. Charoen Phosamritlert, C.P.A. Registration No. 4068 and/or Mr. Veerachai Ratanajaratkul, C.P.A. Registration No. 4323 and/or Mrs. Munchupa Singsuksawat, C.P.A. Registration No. 6112 of KPMG Phoomchai Audit Ltd. to be the auditors of the Company for the year 2018 at the shareholders' meeting.

Report of the Risk Management Committee

To Shareholders of Do Day Dream Public Company Limited

The Risk Management Committee (the Committee) comprises 3 members; Mr. Krish Follett as Chairman of the Committee, Mr. Sarawut Pornpatanarak and Mr. Nitiraj Manolamai as members of the Committee, with Ms. Chulaporn Rattapong, director of internal audit unit as a secretary to the Committee.

The year 2017 is considered another year that Do Day Dream Public Company Limited ("the Company") faced a number of challenges from both internal and external factors that affected its business undertaking. Under the circumstances, the Risk Management Committee performed its duties in supervising and managing risks of the organization to be in accordance with its risk appetite under good corporate governance principles. The Company strictly followed steps and processes in risk management in order to ensure efficiency in its risk management, support the organization to attain overall business objectives as well as building confidence in the Company's shareholders. For the past year, the Committee gained a strong support from risk management department of the Company. This resulted in active risk management that showed significant progresses as highlighted below.

1. Reviewed risk management framework and improved organization's risk management process to embrace uncertainties.

Apart from general risk management assessments, the Company adopted and implemented risk indicators in the format of early warning indicators in case of significant changes in severity of risks in order to proactively adjust risk management measures.

2. Contemplated and commented on risk management plans.

The Company stressed on improving the quality of risk management plans to cover all possible situations that can incur risks and ensured an effective control in risk management. Moreover, additional measures to prepare for uncertainties in business environment were imposed to contain risk exposures within tolerance levels.

3. Monitored risk management progresses and kept abreast of circumstances that can materially impact the Company

The purpose is to prepare the Company for possible events and mitigate or manage impacts from associated risks within acceptable levels. The Company ensured shareholders that its risk management is effective and enables the Company to attain its business goals.

4. Consider and review the organization's risk items of 2017

This is to make sure that they are in line with directions, goals and business strategies under uncertain and changing economic conditions. Recommendations shall be made in preparation for risk management plans especially for risk items that can impact long-term growth of the Company; for example, the emphasis on organization restructuring to support business growth, efficiency improvement in operating cost reduction, continuous productivity improvement and efficiency enhancement in investment management. Lastly, the Board of Directors approved new duties to the scope of authority of the Risk Management Committee. The Risk Management Committee shall consider and comment on agendas with long-term obligations to the Company or with business complications or with risks that may significantly affect the Company before proposing those agendas to the Board of Directors for further considerations.

Internal Control and Risk Management

Internal Control

“The Company realized the importance of internal control and the Audit Committee assigned internal audit unit to evaluate the adequacy and appropriateness of internal control systems on an annual basis. Furthermore, the Board of Directors assigned the Audit Committee to review the assessment of the internal control to ensure that the Company conducts its business efficiently and effectively and financial reporting is accurate, credible and in accordance with related laws, rules and regulations”

The Company properly complies to internal control systems as designed and imposed including related laws, rules and regulations to minimize key risks that may have an impact on the Company’s performance and business. When a mistake is detected in the systems, the Company takes corrective actions to improve the systems continuously to suit risk and business environment of the Company both at present and in the future as well as to be in compliance with applicable laws, rules and regulations.

The Board of Directors is responsible for the governance of the Company to ensure that the Company has effective internal control and risk management systems to protect shareholders’ capital and the Company’s assets. The Board of Directors shall deliberate the following items.

- Determine type and size of significant risk appetite the Company is willing to take to achieve its strategic objectives (the Board’s risk appetite)

- Require executives to put in place a process in identifying, measuring and mitigating risks effectively.

The Audit Committee is assigned responsibilities in reviewing the effectiveness of internal control systems and compliance with laws and regulations stipulated by the Company. For the review, the Audit Committee shall consider information from multiple sources including the following

- Have trust that internal auditors through an annual audit planning approved by the Audit Committee. The audit planning will focus on considerations and assessments of risk and important internal control that are executed to reduce or prevent risks.

- Receive reports on the audit on internal control and compliance with applicable rules and regulations especially items with significance on a quarterly basis.

- Develop processes and systems in receiving complaints related to corruption and illegal or unethical activities as well as impose whistleblowing policy as an alternative channel for employees, shareholders and external parties to directly reach the Audit Committee.

- Trust the audit results as reviewed by external auditors.

Internal audit is an independent function that directly reports to the Audit Committee including the Chief Executive Officer on business operations. The internal control unit is responsible for supporting the Audit Committee and the Board of Directors for the assessment of appropriateness of major internal control systems.

Internal audit has prepared an annual audit plan considering risk factors (Risk Based Approach) and focusing on key risks that may have an impact on the Company's objectives and the accuracy of financial reports. The Audit Committee shall consider and approve the annual audit plan and follow up on the results of the audit and the performance of the internal audit unit on a quarterly basis.

Any detected issue will be deliberated whether it has a broad impact to the Company or not. Key audit issues will be reported to the Audit Committee and the Board of Directors. The Audit Committee shall monitor corrective actions taken by executives until the results are satisfactory. Important reports from executives, internal audit unit and compliance unit will be regularly presented to the Audit Committee and the Board of Directors. The reports shall cover matters related to business, finance, internal control, operations and compliance to related laws, rules and regulations.

The Company's internal control conforms to the internal control structure framework that is based on the international standards from the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Details of the internal control systems of the Company for each component can be summarized below

1. Control Environment

Control environment is a key foundation of effective internal control systems and articulates principles and structures for other components of internal control systems. The Company's actions to promote a good control environment are as follow.

- The Company promotes a proper work environment by setting forth clear and suitable policies, planning, execution, control and governance.
- The Company has a commitment to business philosophy and ethics through its actions and behaviors that enable the internal control systems to function properly. Moreover, the Company published the Codes of Conduct as a guideline for directors, executives and all employees.
- The Board of Directors and the management at all levels show integrity and ethics as well as treat all stakeholders equally and fairly under good corporate governance principles.
- The Company set up organization structures that are suitable for its size and business with clear delegation of authority and roles and responsibilities.
- The Board of Directors and the management defined levels of authority and approval limits for different types of transactions in writing (Delegated of Authority Limit & Level)
- The Company adopted policies on misconduct and corruption to provide a channel for stakeholders to report corruptions, mistakes and distortions by the management. The Audit Committee shall review the reports on misconduct and corruption every quarter.

2. Risk Assessment

Executives imposed policies, measures and codes of conduct on risk management emphasizing that directors, executives and all employees have responsibilities in managing risks in order to attain business objectives of the Company.

The Board of Directors has appointed the Risk Management Committee to perform the duties in reviewing risk management framework and risk management structure as well as making recommendations on risk management guidelines that are consistent with strategic directions and business plans. The Risk Management Committee shall monitor and review key risk management reports to be in accordance with standards and changing environment. Details on risk assessment and risk management of the Company are showed in the annual report under “Risk Factors”

3. Control Activities

The Company put a high priority to effective internal control under risk appetite suitable for business and employees’ duties in each department. The internal control is observed through requirements, policies and practices of the Company and is reviewed and developed regularly. Undertaking related party transactions between the Company and connected persons including commercial agreements are carefully and prudently monitored to be in accordance with regulatory requirements of the Securities and Exchange Commission, the Stock Exchange of Thailand and other related regulatory agencies including laws and applicable rules and regulations. This is to mitigate possible risks associated with corruptions and violations of laws.

4. Information & Communication

Information and communication systems are continuously developed to enhance efficiency in doing business. In addition, the Company never compromises on accuracy, credibility and timeliness of information and fosters effective information communication for timely decision-making. Moreover, systems protecting information safety and effective contingency plans are in place to promote information system safety under severe incidents that can disrupt the systems. The Company also implemented a data storage system that can verify past data for accuracy and an information system that can analyze and identify potential risks. The system also helps assess and manage risks as well as record and report those risks in complete. The Company strictly follows the Computer-related Crime Act on the storage of computer’s traffic data as announced by the Ministry of Information and Communication Technology. The Company invested in effective communication systems internally and externally and provides multiple channels for internal communication purposes. Regarding the disclosure of information, the Company prepares and submits documents comprising sufficient information to shareholders and the Board of Directors for decision making with sufficient time prior to the shareholders’ meetings.

5. Monitoring

Current information systems generate credible and timely information so that the management and the Board of Directors can effectively monitor performance through various financial reports that help attain set business objectives and goals. Besides, reviews, assessments and recommendations to improve business plans are enabled through the systems under effective governance procedures while the internal audit function consistently performs the duties.

Internal audit unit carries out duties according to the audit plan as approved and continuously monitored by the Audit Committee. The internal audit plan is prepared based on the results of risk assessment and analysis as well as periodization of subsidiaries in the group of companies, core business and related processes. The findings of the audit including corrective actions and monitoring will be proposed to the Audit Committee and the Board of Directors. Up until the present, there is no significant mistake or flaw related to its internal control. Nevertheless, recommendations were made to the internal control systems for certain areas with room for improvements.

The Board of Directors shall conduct a review on the efficiency of internal control systems at least once a year taking to account significant risks, potential impacts as well as management and mitigation measures for those particular risks. The guideline on the evaluation of internal control systems adequacy prepared by the Office of Securities and Exchange Commission will be used.

The Audit Committee Charter spells out duties of the Audit Committee in the evaluation of performance of senior executives in the internal audit unit with Chief Executive Officer which is line with the guideline from the notification from the Stock Exchange of Thailand on "*Qualifications and Scope of Work of the Audit Committee B.E.2558*"

At the Board of Directors' Meeting No.2/2018 on 26 February 2018 with the attendance from the Audit Committee, the Board of Directors evaluated the adequacy of the Company's internal control systems in 5 areas mentioned earlier. After the evaluation, the Board of Directors reached a conclusion that the Company has adequate and appropriate internal control systems for conducting its business with sufficient manpower to perform duties as required by the systems effectively. In addition, there is no significant mistake or flaw related to its internal control.

EY Office Limited, the auditor of the Company stated its opinions in the audit report of financial statements for the fiscal year ending 31 December 2017 that there is no material mistake or flaw on the Company's internal control systems related to accounting and finance.

Related Party Transaction

Details on related parties who may have a conflict of interest and the relationship as of 31 December 2017

Related Party and Nature of Business	Relationship as of 31 December 2017
<p>1. The Fourteen Company Limited ("The Fourteen")</p> <p><i>A distributor of the Company's products in Bangkok and vicinities through various channels that the Company does not operate directly.</i></p>	<ul style="list-style-type: none"> A majority shareholder with 98% ownership, Ms. Pornpen Suangkasem who is the spouse of Mr. Nitiroj Manolamai, a director and an executive of the Company is a director and shareholder of The Fourteen.
<p>2. PM Chemical Company Limited ("PM Chemical")</p> <p><i>An importer and distributor of chemicals and a manufacturer and a distributor of spray paint for cars and paint for buildings.</i></p>	<ul style="list-style-type: none"> The majority shareholder, Mr. Sarawut Pornpatanarak, Ms. Saranya Pornpatanarak and Mr. Saranon Pornpatanarak who own 79.6%, 9.9% and 9.9% of the Company respectively also hold shares in PM Chemical with 37.5%, 25.0% and 17.5% ownership respectively. Mr. Sarawut Pornpatanarak is a director at the Company and PM Chemical.
<p>3. Phatra Leasing Public Company Limited (Phatra Leasing)</p> <p><i>An operator in car leasing business</i></p>	<ul style="list-style-type: none"> Ms. Nualphan Lamsam is an independent director at the Company and a director at Phatra Leasing
<p>4. Mr. Sarawut Pornpatanarak ("Mr. Sarawut")</p>	<ul style="list-style-type: none"> Mr. Sarawut is a majority shareholder of the Company with 56.7% shares. Mr. Sarawut as a vice chairman, chief executive officer, chairman of the Executive Committee and member of Risk Management Committee.
<p>5. Riya Home (Holding) Limited ("Riya Home")</p> <p><i>A distributor of the Company's products in China.</i></p>	<ul style="list-style-type: none"> Riya Home used to have a conflict of interest with the Company as Mr. Sarawut Pornpatanarak and Mr. Nitiroj Manolamai held 46.2% and 13.8% shares in Riya Home respectively. Nevertheless, the Company found that conducting marketing in China was a challenge that requires dedication and good market understanding. To provide incentives for marketing the Company's products, Mr. Sarawut Pornpatanarak and Mr. Nitiroj Manolamai agreed to sell all Riya Home's shares they owned to the remaining shareholders of Riya Home who are not related parties to the Company to run the business. As a result, from 27 January onwards, Riya Home is no longer a related party with a potential conflict of interest.

1. Details on Related Party Transactions for the Year Ending 31 December 2016 and 2017

1.1 Details on Related Party Transactions for the Year Ending 31 December 2016 and 2017 that will continue in the future

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
1. The Fourteen Company Limited	<p><i>Product Distribution</i></p> <p>The Fourteen is one of the distributors of the Company's products through various channels that the Company does not operate directly. Namu Life Plus, a subsidiary of the Company sells products to the Fourteen in form of outright sales at net prices after a deduction of distribution fees. Namu Life Plus determines sales prices and marketing strategies for the Fourteen to distribute the products to customers while Namu Life Plus is responsible for all sales promotion expenses as actually paid. Sales prices and distribution fees for The Fourteen are according to the contracts with rates and commercial conditions comparable to those Namu Life Plus offers to other distributors. The Fourteen will receive advanced discounts at agreed rates to cover all actual sales promotion expenses. At the end of the month, these advanced discounts will be deducted from actual sales promotion expenses</p> <p>(1) In case that The Fourteen's actual sales promotion expenses are higher than advanced discounts, the Company will pay the difference to The Fourteen or</p> <p>(2) In case that The Fourteen's actual sales promotion expenses are lower than advanced discounts, the Company will ask The Fourteen to pay the difference.</p>			<p>The Fourteen is a major distributor of the Company with 38.3% and 18.5% contribution to total revenue before discounts for 2016 and for the fiscal year ending 31 December 2016 and 2017 respectively. Prices are according to standard pricing clearly set by the Company for all distributors. The Fourteen must sell its products at the prices the Company determines. Moreover, distribution fees for The Fourteen are based on the contracts with rates and commercial conditions comparable to those Namu Life Plus offers to other distributors.</p> <p>Nevertheless, advanced discounts provided to The Fourteen are to cover sales promotion expenses as actually incurred. This includes sales discounts for distributors, approved marketing campaigns and incentives rewarded to distributors according to KPIs. The Company also pays for actual sales promotion expenses to other distributors as well. The Fourteen must submit sales reports and total sales promotion expenses to the Company on a monthly basis. These advanced discounts will be deducted from actual sales promotion expenses</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
	<ul style="list-style-type: none"> - Net Sales Revenue - Sales Promotion Expenses - Trade Receivables - Accrued Expenses for Distribution Fees 	494.9 43.3 37.1 3.1	317.8 21.9 50.1 4.8	<p>(1) In case that The Fourteen's actual sales promotion expenses are higher than advanced discounts, the Company will pay the difference to The Fourteen or</p> <p>(2) In case that The Fourteen's actual sales promotion expenses are lower than advanced discounts, the Company will ask The Fourteen to pay the difference. On the payment date, The Fourteen must pay at the rates similar to those of other distributors. Therefore, this transaction is deemed necessary and reasonable.</p> <p>Nevertheless, on 9 April 2017, for the Company to ensure the accuracy of sales and inventory of The Fourteen, Namu Life Plus and The Fourteen signed a memorandum of understanding on inventory and sales review (details are provided in section Related Party Transaction Trends). Furthermore, the Company has a plan to appoint other sales representatives to distribute its products in certain areas that The Fourteen is currently operating and/or sell directly to customers in the areas The Fourteen is currently responsible.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is reasonable and beneficial to the Company's business. The Fourteen is a capable in distributing the Company's products through multiple channels. Prices were according to standard pricing that Namu Life Plus clearly set.</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
				<p>In addition, fees paid to The Fourteen to distribute the Company's products are according to rates and commercial conditions comparable to those the Company offers to other distributors. Sales promotion expenses were paid on actual basis.</p> <p>The Audit Committee reviewed, acknowledged and agreed with the memorandum of understanding between Namu Life Plus and The Fourteen to ensure accuracy of transactions between the Company and The Fourteen.</p>
2. PM Chemical Company Limited	<p><i>Purchase of Raw Materials and Paints</i></p> <p>The Company purchased certain raw materials mainly special mineral water and anti-counterfeit stickers including paints for the Company's factory and office from PM Chemical. Sales prices and payment conditions are prices per unit with separate charges of transpiration fees as actually incurred.</p> <ul style="list-style-type: none"> - Purchase of Raw Materials and Paints - Transportation fees - Trade Payables 	<p>16.5</p> <p>0.4</p> <p>0.8</p>	<p>15.9</p> <p>0.1</p> <p>0.0</p>	<p>The purchases of raw materials and paints were for the benefits of the Company. Buying prices were lower than those of other suppliers and payment conditions were according to normal commercial conditions. This transaction is deemed necessary and reasonable.</p> <p>Nevertheless, on 1 June 2017, the Company and PM Chemical prepared a memorandum of understanding on the determination of compensation for PM Chemical for purchasing of special mineral water and anti-counterfeit stickers protection using the cost plus method with not over than 5% rate. This is to cover operating expenses of PM Chemical and aligned with other suppliers. In case that there is any expense in product delivery, PM Chemical will charge the Company separately on an actual basis.</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
				<p>Opinions from the Audit Committee</p> <p>The transaction is necessary for undertaking ordinary business of the Company. Prices and general conditions are similar to those the Company engaged in with other external parties. The Audit Committee reviewed, acknowledged and agreed with the memorandum of understanding between the Company and PM Chemical on pricing determination using the cost plus method that further makes the transaction more reasonable.</p>
3. Phatra Leasing Public Company Limited	<p>Car Leasing for Business</p> <p>Namu Life Plus entered 2 monthly contracts to lease cars as a welfare for its sales staff. 6 cars and 2 cars were leased with monthly leasing fees of 12,500 baht and 13,300 baht respectively. The first contract started during September 2016 and the second contract began during March 2017. Both are 4-year contracts.</p> <ul style="list-style-type: none"> - Lease Fees - Lease payable 	<p>0.2</p> <p>0.1</p>	<p>1.3</p> <p>0.1</p>	<p>This car leasing transaction is according to the Company's policy on sales staff perks. To consider this car leasing, the Company conducted a vendor selection based on policies and selection criteria for the Company's vendors. Phatra Leasing is a well-accepted car leasing company with credibility and lease fees quoted by Phatra were at lower rates compared to those of peers. Payment conditions were according to normal business. Therefore, the transaction is necessary and reasonable.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is deemed necessary, reasonable and beneficial for undertaking the Company's business. The cars were leased to offer sales staff as perks that would accommodate them in contacting their customers. Lease rates charged were market rates and payment conditions were according to ordinary business.</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
4. Muang Thai Insurance Public Company Limited	<p><i>Insurance Premium</i></p> <p>The company entered the auto insurance. The insurance started during June 2017 for 1 year.</p> <p>- Insurance Premium</p>	N/A	0.1	<p>This insurance transaction based on policies and selection criteria for the Company's vendors. Muang Thai Insurance is a well-accepted insurance company with credibility and premium quoted by Muang Thai Insurance were at lower rates compared to those of peers. Payment conditions were according to normal business. Therefore, the transaction is necessary and reasonable.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is deemed necessary, reasonable and beneficial for undertaking the Company's business. It's a reasonable thing for risk management</p>
5. Directors and executives	<p><i>Product sales as employee benefits</i></p> <p>The Company and its subsidiaries allow executives and employees to buy the Company's products at prices lower than market prices according to a policy on discounts for the Company's products as benefits for executives and employees. Criteria and monthly purchase quotas are clearly applied based on positions.</p> <p>- Revenue</p> <p>- Trade Receivables</p>	0.7 0.1	1.2 0.0	<p>The transaction was according to the Company's policy on employee benefits. The Company set criteria and monthly purchase quotas depending on positions while same discount rates apply for all employees. The purpose of offering discounts to directors and executives is that the products can be given as samples for business partners and consumers. Additionally, purchasing products at discounted prices not only helps motivate and engage employees but also enhances familiarity and knowledge of the employees on the products.</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
				<p>Opinions from the Audit Committee</p> <p>The transaction is deemed reasonable, beneficial to the Company's business and important since directors and executives should give away products as samples for trade partners or consumers. This is also considered as a reward to employees while the Company does not make any loss as sales prices are still higher than production costs and the monthly quantity allotted per person for this program is properly determined.</p>

1.2 Details on Related Party Transactions for the Year Ending 31 December 2016 and 2017

that will not occur in the future

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
1. Mr. Sarawut Pompatanarak	<i>Loan</i>			<p>The Company took a loan from Mr. Sarawut to be used as working capital in doing its business. A loan agreement was prepared and signed by both parties. Loan conditions including interest were clearly stated after a specified due date. Therefore, the transaction is necessary and reasonable.</p> <p>At present, the Company already repaid the full amount to Mr. Sarawut on 23 August 2016 and expected no such transaction in the future.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is a lending of money to be used as working capital for undertaking the Company's business. The interest rate is lower than the rates quoted by financial institutions and the payment conditions are according to normal business. Therefore, this transaction is deemed necessary, reasonable and beneficial to the Company's business.</p> <p>The Company already made the loan payment to Mr. Sarawut in full amount and there is no more loan outstanding in the financial statements. Nevertheless, the Audit Committee has an opinion that the Company should cut down on its financial reliance or receiving financial assistance from parties with a possible conflict of interest or related parties. The Company should better manage its liquidity or raise funds through other sources to meet its financial needs.</p>
	The Company (the Borrower) borrowed money from Mr. Sarawut (the Lender) since 1 September 2010 with the amount of 100.00 million baht without interest charges. Due date for the remaining balance was set on 30 June 2016. The Lender has the right to demand the Borrower to pay in full or partially before the due date as the Lender sees appropriate and can charge interests at a rate of 1.50% per annum in case that the Borrower has not paid the loan outstanding after 30 June 2016.			
	Nevertheless, the Company already paid the whole amount with interest on 23 August 2016 and expected there will be no such transaction in the future			
	<i>Loan</i>			
	- Loan — Begining Balance	68.3	N/A	
	- Increases during the year	-	N/A	
	- Decreases during the year	68.3	N/A	
	- Loan- Ending Balance	-	N/A	
	<i>Interest</i>			
	- Paid Interest	0.1	N/A	

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
2. Mr. Sarawut Pornpatanarak	<p>Guarantee for loans and car lease fees without compensation</p> <p>Mr. Sarawut is the Company's guarantor for loans from 3 commercial banks and car lease fees throughout the lease period to support its business expansion and improve the Company's liquidity while Mr. Sarawut received no compensation. The credit lines that the Mr. Sarawut is a guarantor are</p> <ul style="list-style-type: none"> - Loans - Car Lease Fees 	<p>494.0</p> <p>3.6</p>	<p>401.0</p> <p>3.6</p>	<p>The Company has long-term loans from 4 commercial banks to expand its business and improve its liquidity. These loans are guaranteed by the Company's land mortgage and Mr. Sarawut according to specified conditions by lending commercial banks. There was no cost incurred from the guarantee.</p> <p>The guarantee on car lease fees throughout the lease contracts was according to specified conditions by the car lessor. The Company reckons that financial reliance or financial assistance will subside or disappear after the Company's IPO and listing.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is considered a financial support through a guarantees of loans using for expanding its business and improving its liquidity without any charge incurred to the Company. The transaction is deemed necessary, reasonable and beneficial to the Company's business. The Audit Committee recommends that the Company should rely less these financial supports through guarantees from directors or majority shareholders of the Company.</p>

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
3. PM Chemical Company Limited	<p><i>Warehouse Rental</i></p> <p>The Company rented a warehouse from PM Chemical with a total area of around 800 square meter located at Soi Seri Thai 87, Seri Thai Road, Min Buri, Min Buri, Bangkok to store inventories such as raw materials for production. The monthly rent is 96,000 baht or 120 baht per square meter and paid on a monthly basis. The rent started since January 2016 with one-year contract.</p> <ul style="list-style-type: none"> - Rent - Deposits to be returned 	1.2	N/A	<p>Warehouse rental from PM Chemical was for a storage of Company's inventories especially raw materials for production. The 120 baht per square meter per month rent is comparable to other rental rates in the same area which are around 100-138 baht per square meter per month. Payment conditions were according to normal commercial agreements similar to general rentals. The Company chose PM Chemical's warehouse as it met the Company's requirements given that the size is not too large, the rent is on par with neighboring areas and the location is not far from the Company's office. Nevertheless, this transaction will discontinue in the future because the Company ended the rental already since the beginning of 2017 after its new factor at Rojana Industrial Park started operating.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is deemed reasonable and beneficial to the Company's business. The location is near the Company's office which is convenient in conducting business. The rent charged is the market rate and payment conditions are in accordance with general commercial building rental business. Nevertheless, this transaction will not occur in the future as the Company already terminated its rental agreement with PM Chemical since the beginning of 2017 due to the commencement of its new factory at Rojana Industrial Park.</p>

1.3 Details on Transactions with Past Related Parties for the Year Ending 31 December 2016 and 2017.

Related Party	Transaction	Value (Million Baht)		Necessity and Rationale of Transaction
		Year Ending 31 Dec 2016	Year Ending 31 Dec 2017	
1. Riya Home (Holding) Limited	<p><i>Product Sales</i></p> <p>Riya Home is a distributor of the Company's products abroad. The Company sells products to Riya Home as outright sales under agreed prices and commercial conditions</p> <p>- Net Sales Revenue</p>	4.3/ ¹	N/A/ ²	<p>Riya Home distributes the Company's products in foreign markets. The Company makes outright sales to Riya Home under agreed prices and commercial conditions suitable for market environment and pricing structure in those respective foreign markets. On 27 January 2016, Mr. Sarawut Pornpatanarak and Mr. Nitiroj Manolamai sold all shares they owned to the remaining shareholders of Riya Home who are not related parties that may have a conflict of interest with the Company. Consequently, Riya Home is no longer a related party with a potential conflict of interest from 27 January 2016 onwards.</p> <p>Opinions from the Audit Committee</p> <p>The transaction is beneficial to the Company's business. Prices and commercial conditions were agreed upon and suitable for market environment and pricing structure in those markets. Nevertheless, Riya Home is not a related party with a possible conflict of interest anymore.</p>

Note : /1 Value of the transaction between 1-27 January 2016

/2 Not considered a related party transaction

2. Approval Measures and Processes for Related Party Transactions

The resolution of the Board of Directors' Meeting No.2/2017 on 27 February 2017 stipulated approval measures and processes for related party transactions or connected transactions the Company and its subsidiaries enter into with an external party who are a stakeholder with a conflict of interest or a potential conflict of interest in the future such as majority shareholders, directors, executives and controlling persons or connected persons. The measures and processes are summarized below.

With regard to related party transactions or connected transactions of the Company and its subsidiaries, the Company will conform to rules under the Securities and Exchange Act B.E. 2535 (including the amendments) and rules related to the Capital Market Supervisory Board and/or the Securities and Exchange Commission and the Stock Exchange of Thailand including requirements on the disclosure of related party transactions or connected transactions in the footnotes to the financial statements reviewed by the Company's auditor as well as the Annual Registration Statement (Form 56-1). In undertaking those transactions, the Company will review and monitor all transactions to ensure that there is no stakeholder with interest involving in the decision making for the related party transactions or connected transactions.

The Board of Directors put in place an approval process for related party transaction under an ethical framework where transactions must be deliberated by the Audit Committee with the best interest of the Company and shareholders at heart. The Board of Directors ensures strict compliance to rules imposed by the Capital Market Supervisory Board and/or the Securities and Exchange Commission and the Stock Exchange of Thailand as well as accuracy and completeness of disclosure of related party transaction to the general public.

In case of ordinary business transactions or transactions that support normal business operations of the Company and transactions that may occur continuously in the future, the Company has a policy that articulates scopes of those transactions where commercial agreements are similar to those offered to general counterparties in the same situation without an influence as a director, an executive or a related party on commercial bargaining power or a transfer of interest/benefit and/or it can be proven that the transactions have reasonable and fair pricing or conditions. If the Board of Directors has approved a resolution of the transaction as a general principle, the management of the Company can undertake transactions under the guideline without seeking an approval from the Board again. Then, the Company prepares a summary report on related party transactions or connected transactions to present to the Audit Committee's meeting and the Board of Directors' meeting every quarter in accordance with the laws on securities and exchange, rules and regulations, announcements, orders or other requirements of the Securities and Exchange Commission, the Capital Market Supervisory Board and the Stock Exchange of Thailand.

In case that undertaking related party transactions or connected transactions is not within the defined scope, the Company will propose to the Audit Committee for comments on the appropriateness of the pricing or reasonableness of the transactions. Subject to the expertise of the Audit Committee to consider the related party transactions, the Company may request knowledgeable persons with specific expertise such as auditors or independent valuers to comment on the transactions to supplement the consideration of the Board of Directors or shareholders on a case-by-case basis. Persons with a potential conflict of interest or has the interest in the transactions have no right to vote in the considerations for the related party transactions. This is to ensure that the transactions are not regarded as a removal or a transfer of benefits of the Company but transactions that take into account the best interest of the Company and all shareholders.

The Company will disclose its related party transactions in the footnotes to the financial statements reviewed by the Company's auditors in the annual report or the Annual Registration Statement (Form 56-1).



3. Policy on Related Party Transactions or Connected Transactions in the Future

To undertake related party transactions or connected transactions, the Company will strictly comply to the Securities and Exchange Act B.E. 2535 (including the amendments), rules and regulations, announcements, orders or other requirements of the Capital Market Supervisory Board, the Securities and Exchange Commission and the Stock Exchange of Thailand. These transactions are not regarded as a removal or a transfer of benefits of the Company but transactions that take into account the best interest of the Company and all shareholders.

In case of normal business transactions or transactions that support normal business operations of the Company and transactions that may occur continuously in the future, the Company will stipulate rules and guidelines according to general commercial conditions with reference to prices and conditions that are appropriate, fair, reasonable and accountable. Then, the Company will propose the policy to the Audit Committee for comments as well as the Board of Directors for approval on the policy and framework.

Furthermore, if there is any change in agreements and conditions related to a transaction between majority shareholders, directors, executives or persons with a potential conflict of interest of connected persons, directors with benefits will not attend the meeting of the Committee during the agenda related to the consideration of that particular transaction.



4. Related Party Transaction Trends

The Company expected that general commercial transactions or transactions that support its normal business such as product distribution, raw material purchase, car rental, and product discount as employee benefits will continue in the future while the Company will ensure that prices and payment conditions are according to general commercial conditions.

With regard to transactions related to product sales to The Fourteen, Namu Life Plus and The Fourteen signed a memorandum of understanding to check inventory and sales revenue on 9 April 2017. The MOU spelled out that Namu Life Plus or persons assigned by Namu Life Plus conduct an inspection of outstanding inventory using a random sampling method and an onsite counting at the warehouse of The Fourteen as well as review the revenue and sales recording processes including but not limited to invoices, cash receipts and sales. The inspection will be conducted no more than twice for each accounting period of each year and The

Fourteen must be notified in writing not less than 7 days before the inspection. This will allow the Company to review sales transactions and related economic benefits of The Fourteen additional to monthly sales reports and supporting documents from The Fourteen.

For transactions on the purchase of special mineral water and anti-counterfeit stickers from PM Chemical, the Company and PM Chemical signed a memorandum of understanding that determines compensations for PM Chemical in providing special mineral water and anti-counterfeit stickers using cost plus method at a rate of no more than 5% to cover administrative expenses paid by PM Chemical. This is also in line with general distributors. In case that there is any expense in product delivery, PM Chemical will charge the Company on an actual basis.

The Company expected that certain transactions will not occur in the future including space renting, loan agreements and guarantees from related persons.





FINANCE

Financial Analysis

During the past years, the Company's products have been gaining popularity and awareness among customers thanks to its effective marketing plans, new product introductions to meet diverse needs of consumers as well as extensive sales channel expansion. After the initial public offering (IPO), the Company has a number of future initiatives such as the expansion of factory to support future growth and oversea business expansion which will further improve performance and financial position of the Company to become better and more stable.

Sales Revenue

Our revenue structure classified by business segment for the year ended December 31, 2015, 2016 and 2017

PRODUCT/ BUSINESS LINE	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Sales Revenue						
1. Revenue from selling product under Company's trademark						
1) Facial skincare	860.5	90.0	1,072.7	86.5	1,327.3	78.8
2) Body care	56.3	5.9	36.4	2.9	60.0	3.6
3) Facial cleansing	37.4	3.9	48.7	3.9	71.9	4.3
4) Body cleansing	-	-	9.8	0.8	134.4	8.0
5) Sunscreen	27.9	2.9	58.9	4.7	65.1	3.9
6) Giftset	22.6	2.4	63.4	5.1	54.2	3.2
7) Food supplement ^{/1}	7.1	0.7	0.7	0.1	-	-
Total revenue from products under Company's trademark	1,011.8	105.8	1,290.6	104.0	1,712.9	101.7
Deduct Sales discount	(77.2)	(8.1)	(55.6)	(4.5)	(38.7)	(2.3)
Revenue from product under Company's trademark — Net	934.6	97.7	1,235.0	99.5	1,674.2	99.4
2. Sales from OEM business	2.5	0.2	1.9	0.2	0.3	0.0
3. Other sales revenue	18.0	1.9	-	-	-	-
Total sales	955.1	99.8	1,236.9	99.7	1,674.5	99.4
Other income ^{/2}	1.6	0.2	3.3	0.3	9.8	0.6
Total revenue	956.7	100.0	1,240.2	100.0	1,684.3	100.0

Notes: ^{/1}The Company discontinued distribution of food supplement products since the beginning of 2016

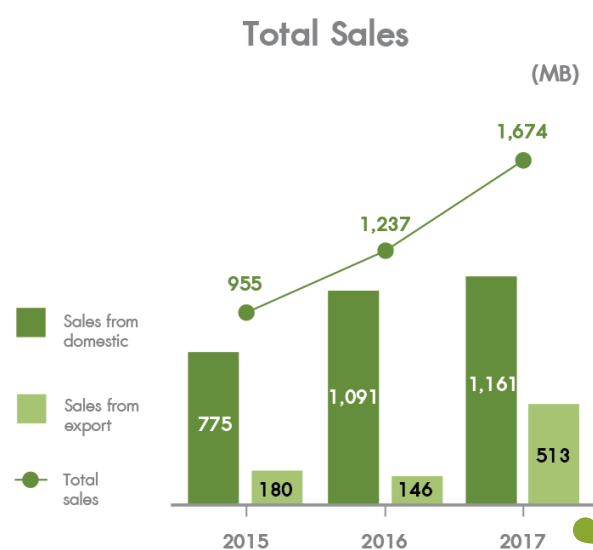
^{/2} Other income comprises mainly of interest income and services revenue

PRODUCT/ BUSINESS LINE	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Sales revenue						
1. Sales revenue from domestic	775.1	78.9	1,090.7	87.9	1,161.7	69.0
2. Sales revenue from overseas	180.0	18.8	146.2	11.8	512.8	30.4
Total sales	955.1	99.8	1,236.9	99.7	1,674.5	99.4
Other income ^{/1}	1.6	0.2	3.3	0.3	9.8	0.6

Notes: /1 Other income comprises mainly of interest income and services revenue

Our sales revenue increased from THB 1,236.9 million in 2016 to THB 1,674.5 million in 2017 representing an increase of 35.4%. The increase in sales revenue was largely due to higher sales revenue before discount of our existing products, especially products which started selling in 2016 and had full year recognition in 2017 amounting to THB 251.4 million, and sales revenue before discount from news product launched in 2017 amounting to THB 271.9 million. The product category with highest revenue increased was facial skincare products with its revenue increased amounting to THB 254.6 million. This was mainly attributable to increase in sales quantity and the newly launched facial skincare products in 2017 while average selling prices remained relatively constant. By customer location, our overseas sales revenue increased from THB 146.2 million in 2016 to THB 512.8 million in 2017. This was mainly attributable to expansion of distribution channel by our distribution partner in China, and the introduction of Chinese exclusive products, both of which incentivized our Chinese tourist customers to purchase our products in China.

However, our sales revenue from domestic customers increased from THB 1,090.7 million in 2016 to THB 1,161.7 million in 2017. As a result, our domestic sales revenue contributions increase of 6.5% mainly due to increase in sales quantity and a new product launched in 2017.



Cost of Sales and Gross Profit

Our cost of sales comprises of raw material and packaging cost, labor cost, depreciation of our plant and machinery, freight expenses and others cost of sales. Our cost of sales for the year ended December 31, 2016 and 2017 was THB 374.8 million and THB 534.9 million, respectively. This increase in cost of sales was mainly attributable to increase in raw material and packaging cost as a result of increase in sales.

For the year ended December 31, 2016 and 2017, our gross profit was THB 862.1 million and THB 1,139.6 million, respectively. This is equivalent to gross profit margin of 69.7% and 68.1%, respectively. Our gross profit margin slightly decreased due to expanding sales of body wash product, a product in a highly competitive and official sale promotion and advertising in 2017

COST OF SALES	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Raw material and packaging	317.7	91.4	343.8	91.7	459.0	85.8
Labor costs	17.5	5.1	15.9	4.2	51.3	9.6
Depreciation costs	2.8	0.8	9.3	2.5	15.4	2.9
Freight expenses	6.0	1.7	0.9	0.3	1.6	0.3
Others	3.5	1.0	4.9	1.3	7.6	1.4
Total cost of sales	347.5	100.0	374.8	100.0	534.9	100.0
Proportion of cost of sales to sales revenue		36.4		30.3		31.9
Gross Profit Margin		63.6		69.7		68.1

Selling Expenses

Selling expenses comprise of advertising and promotional expenses, sales employee cost, and freight expenses. For the year 2017, selling expenses increased from THB 354.5 million in 2016 to THB 580.9 million in 2017 while selling expenses as a percentage of sales revenue significantly increased from 28.7% in 2016 to 34.7% in 2017. The increase in selling expenses was mainly due to increase in advertising and promotional expenses to encourage customers who were already familiar with our brand to purchase our products. In addition, the increase was to promote new product launched in 2017, in which the number of new product launches were significantly higher than last year from 19 SKUs in 2016 to 35 SKUs in 2017. Research and development expense also increased to understand and capture the customer preference alongside with the effective marketing communication to the target customers.

SELLING EXPENSES	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Advertising and promotional expenses	283.9	85.8	310.7	87.6	510.8	87.9
Sales employee cost	9.5	2.9	24.4	6.9	35.0	6.0
Freight expenses	30.4	9.2	7.2	2.0	14.0	2.4
Others ^{/1}	7.1	2.1	12.2	3.5	21.1	3.7
Total selling expenses	330.9	100.0	354.5	100.0	580.9	100.0
% to sales revenue		34.6		28.7		34.7

Notes: ^{/1}Other selling expenses mainly comprise market survey expenses and rental expenses for Namu Life Shop

Administrative expenses

Administrative expenses mainly comprise administrative employee cost at our head office and Rojana plant. Administrative expenses increased from THB 87.1 million in 2016 to THB 143.4 million in 2017, or, as a percentage of revenue, 7.0% and 8.5% in 2016 and 2017, respectively. The increase was mainly attributable to higher administrative employee cost which was in line with increase in workload and organisation units as a result of the increase in sales revenue.

ADMINISTRATIVE EXPENSES	Consolidated financial statements For the year ended December 31					
	2015		2016		2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Administrative employee cost	15.5	51.1	46.6	53.5	83.7	58.4
Miscellaneous expenses	3.3	10.9	13.4	15.4	21.4	14.9
Depreciation and amortization	3.6	12.0	7.9	9.1	10.9	7.6
Tax and other fee	3.6	11.8	11.3	12.9	15.9	11.1
Others ^{/1}	4.3	14.2	7.9	9.1	11.5	8.0
Total administrative expenses	30.3	100.0	87.1	100.0	143.4	100
% to sales revenue	3.2		7.0		8.5	

Notes: /1 Other administrative expenses mainly comprise of impairment of deteriorate products and allowance for doubtful account

Finance cost

In 2016 and 2017, Financial cost of the Company stood at THB 5.8 million and THB 11.9 million or 0.5% and 0.7% of total sales revenue respectively. The rise in the financial cost was a result of loans from financial institutions both short term and long term to undertake its business including factory improvement and new machine and equipment purchases to support the production expansion.

Income tax expenses

During 2016 and 2017, income tax expense dropped from THB 82.8 million to THB 62.1 million respectively. This equals to effective income tax to earnings before tax rates of 19.8% and 15.0% respectively. Certain expenses from the IPO were treated as income tax expenses and the Company gained privileges from supporting government programs. Those resulted in tax savings and a decline in the effective tax rate.

Net Profit for the period

Net profit increased from THB 335.2 million in 2016 to THB 351.1 million in 2017 and net profit margin decreased from 27.0% in 2016 to 20.8% in 2017. This was mainly due to increase in selling expenses, especially advertising and promotional expenses together with higher administrative expenses.



Financial Position

Total Assets

As of 31 December 2016 and 2017, the Company held total assets of THB 775.5 million and THB 5,460.5 million respectively. Total assets of the Company comprised mainly cash and cash equivalents, trade receivables and other receivables, inventory and property, plant and equipment. As of 31 December 2017, an increase in total assets was a result of cash proceeds from its initial public offering (IPO) on 26 December 2017 with the amount of THB 4,028 million.

Cash and Cash Equivalents

As of 31 December 2016 and 2017, cash and cash equivalents stood at THB 41.5 million and THB 4,388.5 million respectively. The significant rise was due to cash proceeds from its initial public offering (IPO). Changes in cash and cash equivalents of the Company depended on changes in cash flows from operating activities, investing activities and financing activities (Details can be found in cash flow analysis section)

Trade receivables and other receivables

As of 31 December 2016 and 2017, the Company registered net trade receivables and other receivables of THB 185.8 million and THB 196.9 million respectively.

Details on trade receivables and other receivables are as follow.

TRADE RECEIVABLES AND OTHER RECEIVABLES	Consolidated financial statements					
	31 December 2015		31 December 2016		31 December 2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
<i>Trade receivables - related parties</i>						
Aged on the basis of due dates						
Not yet due	84.8	45.6	37.1	18.8	50.0	11.6
Total trade receivables — related parties, net	84.8	45.6	37.1	18.8	50.0	11.6
<i>Trade receivables - unrelated parties</i>						
Aged on the basis of due dates						
Not yet due	77.3	41.6	95.0	48.2	271.2	63.2
Past due						
Up to 3 months	21.5	11.6	31.5	16.0	71.7	16.7
3 - 6 months	0.8	0.4	5.2	2.7	28.5	6.6
6 - 12 months	1.9	1.0	2.6	1.3	1.3	0.3
Over 12 months	0.3	0.2	3.9	2.0	0.1	0.0
Total	101.8	54.8	138.2	70.2	373.0	86.9
Less: Allowance for doubtful debts	(2.2)	(1.2)	(2.2)	(1.1)	(0.2)	(0.0)
Total trade receivables — unrelated parties, net	99.6	53.6	136.0	69.1	372.8	86.9
Total trade receivable - net	184.4	99.3	173.1	87.9	422.9	98.5
<i>Other receivables</i>						
Other receivables - related parties						
Other receivables - unrelated parties						
Prepaid expenses	1.1	0.6	16.6	8.4	4.4	1.0
Accrued income	0.3	0.2	6.1	3.1	0.8	0.2
Other receivables	0.0	0.0	1.1	0.6	1.0	0.2
Total other receivables	1.4	0.8	23.8	12.1	6.3	1.5
Trade and other receivables - net	185.8	100.0	196.9	100.0	429.2	100.0
Days sales outstanding		45.6		54.2		64.3

The Company had net trade receivables on 31 December 2016 and 2017 of THB 173.1 million and THB 422.9 million respectively. Considering accrued receivables, the Company found that the overdue period is less than 6 months. This shows that the Company has an effective collection from debtors while average collection period was at 54.2 days and 64.3 days for 2016 and 2017 consecutively and in line with credit terms offered to customers in the trade agreements which are around 0-90 days

The Company recorded allowances for doubtful accounts on estimated loss from receivables unable to collect by considering the track record in collection and aging analysis, current status of the overdue receivables at the end of reporting period and case-by-case considerations for payment outlook.

Inventory

Inventory consists of finished products by product lines, work-in-process, raw materials, packaging and supplies. The following table shows details on the Company's inventory by type of the inventory.

INVENTORY	Consolidated financial statements					
	31 December 2015		31 December 2016		31 December 2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Finished goods	30.2	53.1	53.1	20.2	89.8	30.8
Work in process	8.6	8.1	9.9	3.7	9.2	3.2
Raw materials	23.7	22.4	85.5	32.3	60.3	20.7
Packaging	45.7	43.2	115.7	43.9	133.1	45.6
Supplies	1.2	1.1	4.1	1.5	5.0	1.7
Total Inventory	109.5	103.3	267.8	101.6	297.4	102.0
Less: Allowance for obsolete stock	(3.5)	(3.3)	(4.1)	(1.6)	(5.7)	(2.0)
Total Inventory - net	106.0	100.0	263.7	100.0	291.7	100.0
Days Inventory outstanding		29.4		39.1		46.4

As of 31 December 2016 and 2017, the Company recorded net inventory of THB 263.7 million and THB 291.7 million or 34.0% and 5.3% of total assets respectively. The increase in inventory came from higher amount of finished products and packaging according to growing sales and production. Average finished product turnover stood at 39.1 days in 2016 and 46.4 days in 2017 respectively. This is aligned with safety stock policy the Company imposed which was set at 60 days. Moreover, the Company recorded a rise in obsolete products from THB 4.1 million as of 31 December 2016 to THB 5.7 million as of 31 December 2017 due to the impairment of products waiting to be destroyed, the discontinuation of supplement product sales and the impairment of certain raw materials.

Note that values of finished products and work-in-process products were calculated at cost prices (using First in, First-out method or FIFO) or using net value depending on which one is lower. Cost prices are valued using standard cost pricing which are close to actual cost consisting of raw material cost, direct labor cost and overhead cost. Values of raw materials, packaging and supplies are shown at cost prices (using First in, First-out method or FIFO) or using net value depending on which one is lower. These are considered a part of production cost once they are used.

Property, Plant and Equipment

PROPERTY, PLANT AND EQUIPMENT	Consolidated financial statements					
	31 December 2015		31 December 2016		31 December 2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Land	59.6	42.2	59.6	24.3	59.6	21.4
Buildings and building improvement	33.9	24.0	115.9	47.3	124.8	44.8
Machinery and equipment	17.4	12.4	56.9	23.2	74.3	26.7
Motor vehicles	8.9	6.3	7.5	3.1	10.7	3.8
Assets under installation and construction in progress	21.4	15.1	5.2	2.1	9.3	3.3
Total	141.2	100.0	245.1	100.0	278.6	100.0

In 2017, net property, plant and equipment increased THB 33.4 million thanks to investment in the new factory including the investment for the new factory improvement in Roxana Industrial Park and the purchase of new machines used for production.

The Company has a policy in calculating depreciation from cost pricing using the straight-line method that gradually reduces the carrying amount of a fixed asset over its useful life. Useful life of plant was set at 5-20 years while those of machine and equipment and vehicles were set at 5-10 years and 5 years respectively.

Total Liabilities

As of 31 December 2016 and 2017, the Company held total liabilities of THB 400.5 million and THB 674.0 million respectively. Total liabilities consist mainly of short-term loans from financial institution, trade payables and other payables and long-term loans from financial institutions. As of 31 December 2017, total liabilities of the Company rose significantly from the increase in loans from financial institutions and trade payables according to its performance growth.

Trade payables and other payables

As of 31 December 2016 and 2017, the Company had trade payables and other payables amounting THB 170.7 million and THB 299.2 million respectively. Details on trade payables and other payables are summarized below.

TRADE PAYABLES AND OTHER PAYABLES	Consolidated financial statements					
	31 December 2015		31 December 2016		31 December 2017	
	THB (mm)	%	THB (mm)	%	THB (mm)	%
Trade payables - related parties	16.7	13.5	0.8	0.5	0.1	0.0
Trade payables - unrelated parties	38.0	30.6	110.9	64.9	113.6	38.0
Other payables - unrelated parties	32.8	26.4	5.4	3.2	6.0	2.0
Accrued expenses - related parties	1.8	1.4	4.6	2.7	4.8	1.6
Accrued expenses - unrelated parties	34.9	28.1	49.0	28.7	174.7	58.4
Total trade and other payables	124.2	100.0	170.7	100.0	299.2	100.0
Days payable outstanding		55.9		79.9		75.9

At the end of the accounting period in 2017, trade payables rose in parallel with sales growth that required the Company to order raw materials for production especially packaging that the Company purchased in high volume. However, greater volume order allowed the Company to negotiate for better payment conditions as evident in the Company's account payable turnover that adjusted upward from 55.9 days in 2015 to 75.9 days in 2017.

Other payables include accrued expenses and others totaling THB 59.0 million and THB 180.4 million at the end of 2016 and 2017 respectively. Most accrued expenses came from accrued sales promotion expenses.



Short-term loans from financial institutions

As of 31 December 2017, short-term loans from financial institution of the Company stood at THB 267.1 million. The loans were used as a working capital in operating business including improving factory buildings and purchasing machines and equipment to support business.

Long-term loans that are a part of current liabilities

On 31 December 2016, the Company classified long-term loans with the amount of THB 51.5 million as current liabilities. The reason was that these loans were under the condition to maintain its debt to equity ration (D/E) in the financial statements to be less than 1.0 times at any year. The Company already paid the full amount of those loans in August 2017.

Long-term loans from financial institutions

As of 31 December 2016 and 2017, long-term loans from financial institutions outstanding was at THB 122.9 million and THB 68.2 million respectively. The decline in long-term loans from financial institutions was due to the loan payment to one of the financial institutions.

Shareholders' Equity

As of 31 December 2016 and 2017, the Company recorded shareholders' equity of THB 375.0 million and THB 4,786.5 million respectively. The jump in shareholders' equity as of 31 December 2017 was driven mainly by its initial public offering (IPO) on 26 December 2017 with the amount of THB 4,028 million together with the increase in retained earnings according to the Company's performance.

Cash Flow Analysis

CASH FLOW ACTIVITIES	Consolidated financial statements For the year ended December 31		
	2015 THB (mm)	2016 THB (mm)	2017 THB (mm)
Cash Flow from Operating Activities	83.3	218.8	245.3
Cash Flow from Investing Activities	(86.5)	(114.0)	(96.3)
Cash Flow from Financing Activities	35.4	(137.2)	4,198.0
Net increase (decrease) in cash and cash equivalents	32.2	(32.4)	4,347.0
Cash and cash equivalents at beginning of year	41.7	73.9	41.5
Cash and cash equivalents at end of year	73.9	41.5	4,388.5

Due to changes in cash flow from operating activities, investing activities and financing activities, the Company held cash and cash equivalents of THB 73.9 million, THB 41.5 million and THB 4,388.5 million at the end of 2015, 2016 and 2017 respectively. Key changes in cash flow are outlined below.

Cash Flow from Operating Activities

Cash flow from operating activities for 2016 and 2017 stood at THB 218.8 million and THB 245.3 million respectively. The increase in cash flow came from a drop in inventory and a rise in net trade payables and other payables.

Cash Flow from Investing Activities

Cash flow from investing activities for 2016 and 2017 were at THB (114.0) million and THB (96.3) million respectively. During 2016 and 2017, there was a decline in cash flow from investment activities compared to the same period last year thanks to a fall in investment in property, plant and equipment.

Cash Flow from Financing Activities

Cash flow from financing activities for 2016 and 2017 were recorded at THB (137.2) million and THB 4,197.9 million respectively. In 2016 and 2017, key movements for cash flow in financing activities were the announcement and payment of dividend totaling THB 416.8 million, a repayment of long-term loans from financial institution of THB 72.6 million and a repayment to a loan from a director of THB 68.3 million. The mentioned cash outflows were netted with cash received from the capital increase of THB 214.6 million, cash receipts from long-term loans of THB 137.6 million and cash receipts from short-term loans from financial institutions of THB 72.3 million. Additionally, during 2017 the Company's key cash flow from financing activities was cash receipts from the capital increase of THB 4,391.2 million.



The given analytical report allows to estimate the current situation both in all company and in its divisions. It will allow to product more precisely needs of development of the company in the external environment of positive dynamics of growth. As a result of investigation of trends to do the break-even sales level increase income of divisions, costs to transportation strengthen sale divisions, personnel training.

Financial Ratio

CASH FLOW ACTIVITIES	Consolidated financial statements For the year ended December 31		
	31 December 2015	31 December 2016	31 December 2017
	THB (mm)	THB (mm)	THB (mm)
<i>Liquidity Ratio</i>			
Current ratio	1.6x	1.5x	8.3x
Quick ratio	1.1x	0.6x	7.8x
Cash ratio	0.4x	0.7x	0.5x
Receivable turnover	7.9x	6.6x	5.6x
Days sales outstanding (Days)	45.6	54.2	64.3
Inventory turnover	12.2x	9.0x	7.8x
Days inventory outstanding (Days)	29.4	40.0	46.4
Payable Turnover Ratio	6.4x	4.5x	4.8x
Days payable outstanding (Days)	55.9	79.9	75.9
Cash cycle (Days)	19.1	14.4	34.9

Notes: /1 The consolidated financial information for the year ended December 31, 2015 was prepared by management of the company and was not audited by auditor

Liquidity

The Company's liquidity has improved over the past years as evident from the current ratio that rose from 1.5 times as of 31 December 2016 to 8.3 times as of 31 December 2017. Similar to the current ratio, the quick ratio also nudged up from 0.6 times to 7.8 times as of 31 December 2016 and 31 December 2017 respectively. In 2017, liquidity increased mainly from cash proceeds from the capital increase of THB 4,391.2 million.

Debt Management Ratios

For the year ending 31 December 2016 and 31 December 2017, the debt to equity ratios of the Company stood at 1.1 times and 0.1 time respectively. Interest bearing debt to equity ratios at the end of 2017 dropped materially as shareholders' equity jumped from an increase in paid registered capital from THB 225 million to THB 316 million.

With regard to the Company's ability to pay interest, profitability slid despite continuous growth in sales during 2016 and 2017 and that put a dent on the Company's time interest earned or interest coverage ratio. In 2017, the Company incurred high sales expenses resulting in a minor increase in operating cash flow. This is reflected a significant fall in time interest earned from 53.8 times in 2016 to 27.1 times in 2017.

2017 FINANCIAL STATEMENT

Do Day Dream Public Company Limited and its subsidiaries
Report and consolidated financial statements
31 December 2017

Independent Auditor's Report

To the Shareholders of Do Day Dream Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Do Day Dream Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Do Day Dream Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Do Day Dream Public Company Limited and its subsidiaries and of Do Day Dream Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Revenue recognition

Revenues of the Company and its subsidiary mainly consist of revenues from sales of goods, which account for 99% of the Group's revenues. Moreover, the Company and its subsidiaries enter into agreements and commercial agreements with customers, under which the conditions pertaining to discounts, sale promotions, and special discounts given to boost sales during specific periods vary greatly. As a result, the recognition of sales transactions, discounts and sales promotions of the Company and its subsidiaries are different. I therefore focused my audit on the revenue recognition, and the presentation of discounts and sale promotion expenses.

I examined the revenue recognition and the presentation of discounts and sale promotion expenses of the Company and its subsidiaries by assessing the information technology systems and internal controls with respect to the recognition of sale revenues, inquiring with the responsible persons to gain an understanding, and applying a sampling basis to test compliance with the internal controls. I applied a sampling method to select sales transactions to assess whether revenue recognition was consistent with the conditions of the relevant agreement, and whether it was in compliance with the Company and its subsidiaries' policy. I pay particular attention to the testing of discount and sales promotion transactions to determine whether they are compliant with the conditions in agreements and commercial agreements. Moreover, I applied a sampling basis to examine the supporting documents for sales, discount and sales promotion transactions occurring during the year and near the end of the accounting period, reviewed credit notes that were issued after the end of the accounting period, and performed analytical procedures on revenue from sales of goods as well as discounts and sale promotions, to detect possible irregularities in the transactions. I also applied a sampling basis to test significant accounting entries made through journal vouchers.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

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

Somjai Khunapasut
Certified Public Accountant (Thailand) No. 4499

EY Office Limited
Bangkok: 26 February 2018

Do Day Dream Public Company Limited and its subsidiaries

Statements of financial position

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Assets					
Current assets					
Cash and cash equivalents	7	4,388,519,461	41,545,656	4,338,834,068	18,763,187
Trade and other receivables	8	429,176,054	196,917,761	400,931,922	103,786,213
Inventories	9	291,680,362	263,648,322	271,035,316	249,355,829
Other current assets		13,159,966	10,749,197	11,620,332	9,454,412
Total current assets		5,122,535,843	512,860,936	5,022,421,638	381,359,641
Non-current assets					
Restricted bank deposits	7, 10	35,273,000	3,250,708	35,273,000	3,250,708
Investments in subsidiaries	11.1	-	-	77,654,885	52,654,960
Property, plant and equipment	12	278,562,462	245,137,914	277,707,952	244,765,259
Intangible assets	13	16,499,032	7,708,453	16,424,902	7,697,729
Deferred tax assets	14.1	7,342,583	2,292,040	1,880,805	2,234,534
Other non-current assets		274,239	4,207,546	246,201	4,207,546
Total non-current assets		337,951,316	262,596,661	409,187,745	314,810,736
Total assets		5,460,487,159	775,457,597	5,431,609,383	696,170,377

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	15	267,144,776	72,816,170	267,144,776	72,816,170
Trade and other payables	16	299,196,584	170,743,344	297,633,195	156,876,231
Current portion of long-term loans	17	18,774,741	27,399,408	18,774,741	27,399,408
Long-term loans reclassified as current liabilities	17	-	51,517,924	-	51,517,924
Current portion of liabilities under hire purchase and finance lease agreements	18	1,448,784	1,451,254	1,448,784	1,451,254
Income tax payable		20,050,404	27,271,620	19,848,434	15,926,006
Other current liabilities		10,585,738	1,974,932	5,443,109	1,267,257
Total current liabilities		617,201,027	353,174,652	610,293,039	327,254,250
Non-current liabilities					
Long-term loans, net of current portion	17	49,418,759	44,005,544	49,418,759	44,005,544
Liabilities under hire purchase and finance lease agreements, net of current portion	18	3,206,358	1,683,352	3,206,358	1,683,352
Provision for long-term employee benefits	19	4,172,466	1,646,243	3,513,789	1,358,712
Total non-current liabilities		56,797,583	47,335,139	56,138,906	47,047,608
Total liabilities		673,998,610	400,509,791	666,431,945	374,301,858

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Shareholders' equity					
Share capital					
Registered	20				
318,000,000 ordinary shares of Baht 1 each					
(2016: 2,250,000 ordinary shares of Baht 100 each)		318,000,000	225,000,000	318,000,000	225,000,000
Issued and fully paid up					
316,000,000 ordinary shares of Baht 1 each					
(2016: 2,250,000 ordinary shares of Baht 100 ea	20	316,000,000	225,000,000	316,000,000	225,000,000
Share premium	20	4,347,915,078	47,655,160	4,347,915,078	47,655,160
Capital reserve for share-based payment transactions	21	117,000	-	117,000	-
Retained earnings					
Appropriated - statutory reserve	22	31,800,000	22,500,000	31,800,000	22,500,000
Unappropriated		122,492,304	111,628,479	69,345,360	26,713,359
Other components of shareholders' equity - discount					
from changes in the proportion of investments					
in subsidiaries	2.2	(31,835,833)	(31,835,833)	-	-
Equity attributable to owners of the Company		4,786,488,549	374,947,806	4,765,177,438	321,868,519
Non-controlling interests of the subsidiaries		-	-	-	-
Total shareholders' equity		4,786,488,549	374,947,806	4,765,177,438	321,868,519
Total liabilities and shareholders' equity		5,460,487,159	775,457,597	5,431,609,383	696,170,377
		-	-	-	-

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

Do Day Dream Public Company Limited and its subsidiaries

Cash flow statements

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before tax	413,181,307	417,956,249	443,808,898	335,765,390
Adjustments to reconcile profit before tax to				
net cash provided by (paid from) operating activities				
Depreciation and amortisation	26,330,648	16,937,131	26,052,320	16,824,372
Allowance for doubtful accounts	212,942	-	1,440	-
Allowance for obsolete stock	5,693,176	613,494	5,335,296	613,494
Gain on sales of property, plant and equipment	(1,655,138)	(164,708)	(1,656,482)	(164,708)
Write-off property, plant and equipment	1,916,134	331,662	1,916,134	331,662
Amortisation of front end fee	660,837	111,664	660,837	111,664
Provision for long-term employee benefits	2,339,246	937,487	1,876,188	704,115
Unrealised loss (gain) on exchange	(920,485)	920,485	(920,485)	920,485
Share-based payment transactions	117,000	-	117,000	-
Dividend income	-	-	(39,998,400)	(46,381,638)
Interest income	(1,307,499)	(1,399,004)	(1,111,642)	(900,584)
Interest expenses	11,971,453	5,821,759	11,971,300	5,821,759
Profit from operating activities before				
changes in operating assets and liabilities	458,539,621	442,066,219	448,052,404	313,646,011
Operating assets (increase) decrease				
Trade and other receivables	(232,471,235)	(11,162,027)	(297,147,149)	50,981,472
Inventories	(33,725,216)	(158,294,128)	(27,014,783)	(148,202,531)
Other current assets	(2,410,769)	698,450	(2,165,920)	1,735,507
Other non-current assets	3,933,307	(3,631,677)	3,961,345	(3,631,677)
Operating liabilities increase (decrease)				
Trade and other payables	129,454,949	41,240,446	141,758,674	36,740,941
Other current liabilities	8,610,806	(733,496)	4,175,852	413,432
Cash flows from operating activities	331,931,463	310,183,787	271,620,423	251,683,155
Cash paid for interest expenses	(12,251,473)	(5,825,187)	(12,251,321)	(5,825,187)
Cash paid for employee benefit	-	(1,616,001)	-	(1,616,001)
Cash paid for corporate income tax	(74,352,263)	(83,892,622)	(56,571,850)	(54,166,449)
Net cash flows from operating activities	245,327,727	218,849,977	202,797,252	190,075,518

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

Do Day Dream Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the year ended 31 December 2017

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from investing activities				
Increase in restricted bank deposits	(32,022,292)	(2,708)	(32,022,292)	(2,708)
Decrease in short-term loans to related persons	-	1,600,000	-	-
Acquisition of investments in subsidiaries	-	-	(24,999,925)	(3,753,000)
Acquisition of property, plant and equipment	(58,822,386)	(114,805,294)	(58,048,128)	(114,385,874)
Acquisition of intangible assets	(10,093,153)	(5,355,547)	(10,022,553)	(5,344,547)
Interest income from bank deposits	1,307,499	1,411,344	1,111,641	904,663
Proceeds from sales of property, plant and equipment	3,319,924	3,177,570	3,300,000	3,177,570
Dividend income	-	-	39,998,400	46,381,638
Decrease in non-controlling interests of the subsidiary	-	(12,600)	-	-
Net cash flows used in investing activities	(96,310,408)	(113,987,235)	(80,682,857)	(73,022,258)
Cash flows from financing activities				
Increase in short-term loans from financial institutions	194,891,239	72,253,536	194,891,239	72,253,536
Decrease in short-term loans from related person	-	(68,325,225)	-	(68,325,225)
Cash receipt from long-term loans	76,150,922	137,635,038	76,150,922	137,635,038
Repayment of long-term loans	(131,164,635)	(72,592,881)	(131,164,635)	(72,592,881)
Cash paid for front end fee	(376,500)	(752,500)	(376,500)	(752,500)
Repayment of liabilities under hire purchase and finance lease agreements	(2,054,458)	(3,243,708)	(2,054,458)	(3,243,708)
Proceeds from increase in share capital	4,391,259,918	214,615,700	4,391,259,918	214,615,700
Dividends paid	(330,750,000)	(416,821,236)	(330,750,000)	(407,213,543)
Net cash flows from (used in) financing activities	4,197,956,486	(137,231,276)	4,197,956,486	(127,623,583)
Net increase (decrease) in cash and cash equivalents	4,346,973,805	(32,368,534)	4,320,070,881	(10,570,323)
Cash and cash equivalents at beginning of year	41,545,656	73,914,190	18,763,187	29,333,510
Cash and cash equivalents at end of year	4,388,519,461	41,545,656	4,338,834,068	18,763,187
	-	-	-	-
Supplemental cash flows information				
Non-cash transaction				
Purchases of equipment under hire purchase and finance lease agreements	3,870,122	3,733,415	3,870,122	3,733,415

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements							
	Equity attributable to owners of the Company				Other components of			
	Capital reserve		Retained earnings		shareholders' equity -		Equity attributable	
	Issued and	Share	Capital reserve	Retained earnings	discount from changes in	Total equity	to non-controlling	Total
	fully paid-up	premium	for share-based	Appropriated -	the proportion of	attributable to	interests of	shareholders'
	share capital		payment	statutory reserve	investments in subsidiaries	the Company	the subsidiaries	equity
			transactions		Unappropriated			
	10,000,000	-	-	-	213,850,170	223,850,170	18,624,657	242,474,827
Balance as at 1 January 2016								
Profit for the year	-	-	-	-	328,001,609	328,001,609	7,189,863	335,191,472
Other comprehensive income for the year (loss)	-	-	-	-	(509,757)	(509,757)	-	(509,757)
Total comprehensive income for the year	-	-	-	-	327,491,852	327,491,852	7,189,863	334,681,715
Increase share capital (Note 20)	215,000,000	47,655,160	-	-	-	262,655,160	-	262,655,160
Discount from changes in the proportion of investments in subsidiaries	-	-	-	-	-	(31,835,833)	(16,206,827)	(48,042,660)
Dividend paid (Note 26)	-	-	-	-	(407,213,543)	(407,213,543)	(9,607,693)	(416,821,236)
Transferred to statutory reserve (Note 22)	-	-	-	22,500,000	(22,500,000)	-	-	-
Balance as at 31 December 2016	225,000,000	47,655,160	-	22,500,000	111,628,479	374,947,806	-	374,947,806
Balance as at 1 January 2017								
Profit for the year	-	-	-	-	351,063,407	374,947,806	-	374,947,806
Other comprehensive income for the year (loss)	-	-	-	-	(149,582)	(149,582)	-	(149,582)
Total comprehensive income for the year	-	-	-	-	350,913,825	350,913,825	-	350,913,825
Increase share capital (Note 20)	91,000,000	4,300,259,918	-	-	-	4,391,259,918	-	4,391,259,918
Share-based payment transactions (Note 21)	-	-	117,000	-	-	117,000	-	117,000
Dividend paid (Note 26)	-	-	-	-	(330,750,000)	(330,750,000)	-	(330,750,000)
Transferred to statutory reserve (Note 22)	-	-	-	9,300,000	(9,300,000)	-	-	-
Balance as at 31 December 2017	316,000,000	4,347,915,078	117,000	31,800,000	122,492,304	4,786,488,549	-	4,786,488,549
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of comprehensive income

For the year ended 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Profit or loss:					
Revenues					
Revenue from sales		1,674,439,049	1,236,846,579	1,498,777,267	1,004,234,202
Revenue from services		110,956	126,871	20,252,548	36,453,443
Dividend income from subsidiary	11.1	-	-	39,998,400	46,381,638
Other income		9,827,184	3,210,456	8,937,927	2,522,061
Total revenues		1,684,377,189	1,240,183,906	1,567,966,142	1,089,591,344
Expenses					
Cost of sales		534,897,940	374,819,480	538,234,298	386,576,578
Selling expenses		580,906,409	354,470,778	434,904,118	277,495,464
Administrative expenses		143,420,080	87,115,640	139,047,528	83,932,153
Total expenses		1,259,224,429	816,405,898	1,112,185,944	748,004,195
Profit before finance cost and income tax expenses		425,152,760	423,778,008	455,780,198	341,587,149
Finance cost		(11,971,453)	(5,821,759)	(11,971,300)	(5,821,759)
Profit before income tax expenses		413,181,307	417,956,249	443,808,898	335,765,390
Income tax expenses	14.2	(62,117,900)	(82,764,777)	(60,903,786)	(56,458,804)
Profit for the year		351,063,407	335,191,472	382,905,112	279,306,586
Other comprehensive income:					
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods					
Actuarial loss	19	(186,977)	(637,197)	(278,889)	(628,998)
Less: Income tax effect		37,395	127,440	55,778	125,800
Other comprehensive income for the year (loss)		(149,582)	(509,757)	(223,111)	(503,198)
Total comprehensive income for the year		350,913,825	334,681,715	382,682,001	278,803,388

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of comprehensive income (continued)

For the year ended 31 December 2017

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2017	2016	2017	2016
Total profit for the year attributable to					
Equity holders of the Company		351,063,407	328,001,609	382,905,112	279,306,586
Non-controlling interests of the subsidiaries		-	7,189,863	-	-
		<u>351,063,407</u>	<u>335,191,472</u>	<u>382,905,112</u>	<u>279,306,586</u>
Total comprehensive income attributable to					
Equity holders of the Company		350,913,825	327,491,852	382,682,001	278,803,388
Non-controlling interests of the subsidiaries		-	7,189,863	-	-
		<u>350,913,825</u>	<u>334,681,715</u>	<u>382,682,001</u>	<u>278,803,388</u>
Earnings per share	24				
Basic earnings per share					
Profit attributable to the shareholders of the Company		<u>1.50</u>	<u>2.34</u>	<u>1.63</u>	<u>2.00</u>
Weighted average number of ordinary share (Shares)		<u>234,279,452</u>	<u>139,927,595</u>	<u>234,279,452</u>	<u>139,927,595</u>

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

Do Day Dream Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (Continued)

For the year ended 31 December 2017

	Separate financial statements					(Unit: Baht)	
	Issued and fully paid-up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings			Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated			
Balance as at 1 January 2016	10,000,000	-	-	-	177,623,514	187,623,514	
Profit for the year	-	-	-	-	279,306,586	279,306,586	
Other comprehensive income for the year (loss)	-	-	-	-	(503,198)	(503,198)	
Total comprehensive income for the year	-	-	-	-	278,803,388	278,803,388	
Increase share capital (Note 20)	215,000,000	47,655,160	-	-	-	262,655,160	
Dividend paid (Note 26)	-	-	-	-	(407,213,543)	(407,213,543)	
Transferred to statutory reserve (Note 22)	-	-	-	22,500,000	(22,500,000)	-	
Balance as at 31 December 2016	225,000,000	47,655,160	-	22,500,000	26,713,359	321,868,519	
Balance as at 1 January 2017	225,000,000	47,655,160	-	22,500,000	26,713,359	321,868,519	
Profit for the year	-	-	-	-	382,905,112	382,905,112	
Other comprehensive income for the year (loss)	-	-	-	-	(223,111)	(223,111)	
Total comprehensive income for the year	-	-	-	-	382,682,001	382,682,001	
Increase share capital (Note 20)	91,000,000	4,300,259,918	-	-	-	4,391,259,918	
Share-based payment transactions (Note 21)	-	-	117,000	-	-	117,000	
Dividend paid (Note26)	-	-	-	-	(330,750,000)	(330,750,000)	
Transferred to statutory reserve (Note 22)	-	-	-	9,300,000	(9,300,000)	-	
Balance as at 31 December 2017	316,000,000	4,347,915,078	117,000	31,800,000	69,345,360	4,765,177,438	
	-	-	-	-	-	-	
	-	-	-	-	-	-	

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

Do Day Dream Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2017

1. General information

Do Day Dream Public Company Limited (“the Company”) is a limited company incorporated and domiciled in Thailand. On 22 March 2017, the Company registered as a Public Company Limited with the Ministry of Commerce and changed its name from “Do Day Dream Company Limited” to “Do Day Dream Public Company Limited”. The Company is principally engaged in the manufacture and distribution of cosmetic. The registered office of the Company is at 32 Keharomklao road, Saphansung sub-district, Saphansung district, Bangkok.

The Stock Exchange of Thailand approved the listing of the ordinary shares of the Company, to be traded from 26 December 2017.

2. Basis of preparation of the financial statements

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

- a) The consolidated financial statements include the financial statements of Do Day Dream Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding	
			2017	2016
			(%)	(%)
Namu Life Plus Company Limited	Distribution of cosmetic and supplement	Thailand	100	100
Do Infinite Dream Company Limited	Management, technical, financial and enterprise services	Thailand	100	-

On 9 March 2016, the Company issued 3,843 additional shares to exchange for 15,372 shares of the Namu Life Plus Company Limited held by non-controlling interests at a ratio of 4 shares of Namu Life Plus Company Limited for each 1 share of the Company. As a result, the Company's shareholding in Namu Life Plus Company Limited increased from 69.00% to 99.74%. The Company recorded the additional investment in Namu Life Plus Company Limited based on the fair value of the shares of the Company, which was Baht 48.04 million. The difference of Baht 31.84 million between the fair value of the shares of the Company that were exchanged and the value of the interest acquired in Namu Life Plus Company Limited was recorded as discount from changes in the proportion of investment in Namu Life Plus Company Limited and presented under other components of shareholders' equity in the consolidated shareholders' equity.

On 4 July 2016, Namu Life Plus Company Limited called up the remaining 75% of the par value of its ordinary shares and the Company made an additional payment of Baht 3.75 million for the shares that it held in Namu Life Plus Company Limited. In addition, on 5 July 2016, the Company purchased 126 shares from non-controlling interests of Namu Life Plus Company Limited at the par value of Baht 100. As a result, the Company held 49,998 shares of Namu Life Plus Company Limited, or a 100% interest.

On 12 October 2017, Do Infinite Dream Company Limited was incorporated and issued 1,000,000 new shares with a par value of Baht 100, 25 percent called-up. The Company holds 999,997 shares of such company, or a 100% interest, and treats it as investment in subsidiaries. This subsidiary is not yet operate its business.

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

3. New financial reporting standards

3.1 Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal year 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 and its subsidiaries' financial statements.

3.2 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 (revised 2017) which is 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 directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised financial reporting standards 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.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Interest income

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

Dividends

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

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience, analysis of debt aging and current status of receivables outstanding at the end of reporting period, and the likelihood of settlement of debt, on a specific account basis.

4.4 Inventories

Finished goods and work in process are valued at the lower of cost (First-in First-out method) and net realisable value. The cost of finished goods and work in process valued by standard cost method that similar to actual cost, comprises direct materials, direct labour and production overhead.

Raw materials, packaging and supplies are valued at the lower of cost (First-in First-out method) and net realisable value and determined as cost when used.

4.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method net of allowance for impairment loss (if any).

4.6 Property, plant and equipment and depreciation

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

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

Buildings and building improvement	-	5 - 20 years
Machinery and equipment	-	5 - 10 years
Motor vehicles	-	5 years

Depreciation is included in determining income. No depreciation is provided on land and assets under installation and construction in progress.

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

4.7 Intangible assets

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

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the profit or loss.

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

Computer software	-	3 - 10 years
Trademark	-	7 years

4.8 Related party transactions

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

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

4.9 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 long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the assets.

Leases of 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.

4.10 Foreign currencies

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

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

Gain and loss on exchange are included in determining income.

4.11 Impairment of assets

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. 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.

4.12 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 benefit plans

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

The obligation under the defined benefit plan is determined based on actuarial techniques, using the projected unit credit method.

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

4.13 Provisions

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

4.14 Income tax

Income tax comprised current tax and deferred tax, as follows:

Current tax

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

Deferred tax

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

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

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

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

4.15 Derivatives - Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised gain and loss from the translation are included in determining income.

4.16 Fair value measurement

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

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

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

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

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

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

5. Significant accounting judgements and estimates

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

5.1 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.

5.2 Property, plant and equipment/Depreciation

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

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

5.3 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary 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 taxable profit.

6. Related party transactions

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

Name of related parties	Relationship with the Company
Namu Life Plus Company Limited	Subsidiary company
Do Infinite Dream Company Limited	Subsidiary company
PM Chemical Company Limited	Related by common shareholder and director
Muang Thai Insurance Public Company Limited	Related by common shareholder and director
Phatra Leasing Public Company Limited	Related by common shareholder and director
The Fourteen Company Limited	Related by director
RIYA HOME (HOLDING) LIMITED	Related by common shareholder and director (Related party until January 2016)

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2017	2016	2017	2016	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods, net of discount	-	-	795,033	615,459	Rate as agreed
Rental income	-	-	90	88	Rate as agreed in contract
Transportation fee income	-	-	10,138	18,822	Rate as agreed at a percentage of total purchase
Management fee income	-	-	10,004	17,505	Rate as agreed in contract at a percentage of total sales
Dividend income	-	-	39,998	46,382	As declared
Sale promotion expense	-	-	33,848	-	Rate as agreed in contract

(Unit: Thousand Baht)

	Consolidated		Separate		
	financial statements		financial statements		
	2017	2016	2017	2016	Transfer pricing policy
<u>Transactions with related companies</u>					
Sales of goods, net of discount	317,752	499,261	-	4,329	Rate as agreed
Purchases of goods	15,784	15,748	15,784	15,748	Rate as agreed
Purchases of equipment	155	775	155	775	Rate as agreed
Sales promotion expenses	21,918	26,735	-	-	Rate as agreed
Rental fee expenses	1,272	1,377	-	1,152	Rate as agreed in contract
Service fee expenses	145	353	145	353	Rate as agreed in contract
Insurance expense	93	-	93	-	Rate as agreed in contract
<u>Transactions with directors</u>					
Interest income	-	6	-	-	Rate as agreed in contract

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

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Trade and other receivables				
Subsidiaries	-	-	261,431	11,570
Related companies	50,068	37,053	-	-
Total trade and other receivables	<u>50,068</u>	<u>37,053</u>	<u>261,431</u>	<u>11,570</u>
Trade and other payables				
Subsidiaries	-	-	36,158	6,818
Related companies	4,923	4,006	-	798
Total trade and other payables	<u>4,923</u>	<u>4,006</u>	<u>36,158</u>	<u>7,616</u>

Short-term loans to/short-term loans from related persons and the movements for the year ended 31 December 2016 are as follows:

	Consolidated financial statements			
	For the year ended 31 December 2016			
	Beginning balance	Addition	Settlement	Ending balance
Short-term loans to related persons				
- Directors	1,600	-	(1,600)	-
Short-term loans from related person				
- Director	68,325	-	(68,325)	-

(Unit: Thousand Baht)

	Separate financial statements			
	For the year ended 31 December 2016			
	Beginning balance	Addition	Settlement	Ending balance
Short-term loans from related person				
- Director	68,325	-	(68,325)	-

Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Short-term employee benefits	33.20	26.09	29.73	22.97
Post-employment benefits	0.60	0.44	0.49	0.31
Total	33.80	26.53	30.22	23.28

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Cash on hand	57	41	46	35
Cash at banks - Savings account	4,376,652	41,145	4,327,118	18,507
Cash at banks - Fixed deposits	38,253	3,251	38,253	3,251
Cash at banks - Current account	8,830	360	8,690	221
Total	4,423,792	44,797	4,374,107	22,014
Less: Cash at banks pledged as				
security for electricity use				
and credit facilities	(35,273)	(3,251)	(35,273)	(3,251)
Total	4,388,519	41,546	4,338,834	18,763

As at 31 December 2017, deposits in savings accounts and fixed deposits carried interests between 0.1 and 1.5 percent per annum (2016: between 0.1 and 1.5 percent per annum).

8. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	50,068	37,053	78,907	3,843
Past due				
Up to 3 months	-	-	179,262	18
3 - 6 months	-	-	26	-
Total trade receivables - related parties, net	50,068	37,053	258,195	3,861
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates				
Not yet due	271,204	94,999	112,045	67,779
Past due				
Up to 3 months	71,748	31,485	22,670	730
3 - 6 months	28,561	5,265	-	300
6 - 12 months	1,353	2,626	-	745
Over 12 months	152	3,905	9	3,104
Total	373,018	138,280	134,724	72,658
Less: Allowance for doubtful debts	(220)	(2,230)	(9)	(2,230)
Total trade receivables - unrelated parties, net	372,798	136,050	134,715	70,428
Total trade receivable - net	422,866	173,103	392,910	74,289
<u>Other receivables</u>				
Other receivables - related parties	-	-	3,236	7,709
Other receivables - unrelated parties				
Prepaid expenses	4,449	16,563	3,027	15,480
Accrued income	813	6,133	813	5,170
Other receivables	1,048	1,119	946	1,138
Total other receivables	6,310	23,815	8,022	29,497
Trade and other receivables - net	429,176	196,918	400,932	103,786

9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2017	2016	2017	2016	2017	2016
Finished goods	89,808	53,148	-	-	89,808	53,148
Work in process	9,193	9,870	-	-	9,193	9,870
Raw materials	60,366	85,047	-	-	60,366	85,047
Packaging	133,116	115,654	-	-	133,116	115,654
Supplies	4,987	4,055	-	-	4,987	4,055
Total	297,470	267,774	-	-	297,470	267,774
Less: Allowance for obsolete stock	(5,790)	(4,126)	-	-	(5,790)	(4,126)
Total	291,680	263,648	-	-	291,680	263,648

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories-net	
	2017	2016	2017	2016	2017	2016
Finished goods	68,927	38,856	-	-	68,927	38,856
Work in process	9,193	9,870	-	-	9,193	9,870
Raw materials	60,366	85,047	-	-	60,366	85,047
Packaging	132,995	115,654	-	-	132,995	115,654
Supplies	4,987	4,055	-	-	4,987	4,055
Total	276,468	253,482	-	-	276,468	253,482
Less: Allowance for obsolete stock	(5,433)	(4,126)	-	-	(5,433)	(4,126)
Total	271,035	249,356	-	-	271,035	249,356

10. Restricted bank deposits

These represent fixed deposits pledged with the banks to secure credit facilities received from financial institutions and bank guarantee of the Company.

11. Investments in subsidiaries

11.1 Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital as at		Shareholding		Cost		(Unit: Thousand Baht) Dividend received during the years end	
	31 December		percentage				31 December	
	2017	2016	2017	2016	2017	2016	2017	2016
			(%)	(%)				
Namu Life Plus								
Company Limited	5,000	5,000	100	100	52,655	52,655	39,998	46,382
Do Infinite Dream								
Company Limited	25,000	-	100	-	25,000	-	-	-
Total					77,655	52,655	39,998	46,382

11.2 Summarised financial information that based on amounts before inter-company elimination about subsidiaries.

Summarised information about financial position

	(Unit: Million Baht)			
			Do Infinite Dream	
			Company Limited	
	Namu Life Plus Company Limited			
	31 December 2017	31 December 2016	31 December 2017	
Current assets	398.5	157.0	25.0	
Non-current assets	1.2	0.4	0.1	
Current liabilities	304.1	44.3	0.4	
Non-current liabilities	0.7	0.3	-	
Shareholders' equity	94.9	112.8	24.7	
Non-controlling interests of the subsidiaries	-	-	-	

Summarised information about comprehensive income

	(Unit: Million Baht)			
			Do Infinite Dream	
			Company Limited	
	Namu Life Plus Company Limited			
	For the years ended		For the period as from	
	31 December		12 October 2017 to	
	2017	2016	31 December 2017	
Sales	971.7	813.5	-	
Net profit (loss)	22.0	105.0	(0.3)	
Profit attributable to non-controlling interests of the subsidiaries	-	7.2	-	
Shareholding percentage in subsidiaries	100.00	69.00 - 100.00	100.00	

12. Property, plant and equipment

(Unit: Thousand Baht)

Consolidated financial statements						
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Assets under installation and construction in progress	Total
Cost						
1 January 2016	59,596	36,091	20,288	12,119	21,357	149,451
Additions	-	69,983	46,354	4,380	2,616	123,333
Disposals/Write-off	-	-	-	(5,300)	(332)	(5,632)
Transfer in (out)	-	17,037	1,390	-	(18,427)	-
31 December 2016	59,596	123,111	68,032	11,199	5,214	267,152
Additions	-	5,878	23,432	6,700	26,023	62,033
Disposals/Write-off	-	(2,132)	(28)	-	(1,643)	(3,803)
Transfer in (out)	-	11,618	8,604	-	(20,222)	-
31 December 2017	59,596	138,475	100,040	17,899	9,372	325,382
Accumulated depreciation						
1 January 2016	-	2,237	2,862	3,179	-	8,278
Depreciation for the year	-	4,986	8,252	2,786	-	16,024
Accumulated depreciation on disposals/write-off	-	-	-	(2,288)	-	(2,288)
31 December 2016	-	7,223	11,114	3,677	-	22,014
Depreciation for the year	-	6,637	14,903	3,489	-	25,029
Accumulated depreciation on disposals/write-off	-	(216)	(7)	-	-	(223)
31 December 2017	-	13,644	26,010	7,166	-	46,820
Net book value						
31 December 2016	59,596	115,888	56,918	7,522	5,214	245,138
31 December 2017	59,596	124,831	74,030	10,733	9,372	278,562
Depreciation for the year						
2016 (Baht 9.32 million included in manufacturing cost, and the balance in selling and administrative expenses)						16,024
2017 (Baht 15.40 million included in manufacturing cost, and the balance in selling and administrative expenses)						25,029

(Unit: Thousand Baht)

Separate financial statements						
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Assets under installation and construction in progress	Total
Cost						
1 January 2016	59,596	36,091	20,220	12,119	21,357	149,383
Additions	-	69,983	45,934	4,380	2,616	122,913
Disposals/Write-off	-	-	-	(5,300)	(332)	(5,632)
Transfer in (out)	-	17,037	1,390	-	(18,427)	-
31 December 2016	59,596	123,111	67,544	11,199	5,214	266,664
Additions	-	5,878	22,658	6,700	26,023	61,259
Disposals/Write-off	-	(2,132)	-	-	(1,643)	(3,775)
Transfer in (out)	-	11,618	8,604	-	(20,222)	-
31 December 2017	59,596	138,475	98,806	17,899	9,372	324,148
Accumulated depreciation						
1 January 2016	-	2,237	2,860	3,179	-	8,276
Depreciation for the year	-	4,986	8,139	2,786	-	15,911
Accumulated depreciation on disposals/write-off	-	-	-	(2,288)	-	(2,288)
31 December 2016	-	7,223	10,999	3,677	-	21,899
Depreciation for the year	-	6,637	14,631	3,489	-	24,757
Accumulated depreciation on disposals/write-off	-	(216)	-	-	-	(216)
31 December 2017	-	13,644	25,630	7,166	-	46,440
Net book value						
31 December 2016	59,596	115,888	56,545	7,522	5,214	244,765
31 December 2017	59,596	124,831	73,176	10,733	9,372	277,708
Depreciation for the year						
2016 (Baht 9.32 million included in manufacturing cost, and the balance in selling and administrative expenses)						15,911
2017 (Baht 15.40 million included in manufacturing cost, and the balance in selling and administrative expenses)						24,757

As at 31 December 2017, the Company had vehicles with net book value of Baht 10.73 million (2016: Baht 5.90 million) which were acquired under finance lease agreements and hire purchase agreements.

The Company has pledged land, buildings and equipment with net book value amounting to approximately Baht 52.92 million (2016: Baht 104.57 million) as collateral against credit facilities received from financial institutions as discussed in Notes 17.

13. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements			
	Trademark	Computer software	Computer software in progress	Total
Cost				
1 January 2016	-	1,752	1,568	3,320
Additions	-	4,739	616	5,355
Transfer in (out)	-	2,184	(2,184)	-
31 December 2016	-	8,675	-	8,675
Additions	5,873	4,220	-	10,093
31 December 2017	5,873	12,895	-	18,768
Accumulated amortization				
1 January 2016	-	53	-	53
Amortisation for the year	-	914	-	914
31 December 2016	-	967	-	967
Amortisation for the year	187	1,115	-	1,302
31 December 2017	187	2,082	-	2,269
Net book value				
31 December 2016	-	7,708	-	7,708
31 December 2017	5,686	10,813	-	16,499
Amortisation recognised in profit or loss for the year				
2016				914
2017				1,302

(Unit: Thousand Baht)

	Separate financial statements			
	Trademark	Computer software	Computer software in progress	Total
Cost				
1 January 2016	-	1,752	1,568	3,320
Additions	-	4,729	616	5,345
Transfer in (out)	-	2,184	(2,184)	-
31 December 2016	-	8,665	-	8,665
Additions	5,873	4,149	-	10,022
31 December 2017	5,873	12,814	-	18,687
Accumulated amortisation				
1 January 2016	-	53	-	53
Amortisation for the year	-	914	-	914
31 December 2016	-	967	-	967
Amortisation for the year	187	1,108	-	1,295
31 December 2017	187	2,075	-	2,262
Net book value				
31 December 2016	-	7,698	-	7,698
31 December 2017	5,686	10,739	-	16,425
Amortisation recognised in profit or loss for the year				
2016				914
2017				1,295

14. Deferred tax assets/Income tax expenses

14.1 Deferred tax assets

As at 31 December 2017 and 2016, the component of deferred tax assets are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Deferred tax assets				
Inter-profit on inventories	5,154	-	-	-
Allowance for doubtful accounts	44	446	2	446
Allowance for obsolete stock	1,159	825	1,086	825
Excess depreciation of fixed assets and intangible assets	90	692	90	692
Provision for long-term employee benefits	820	329	703	272
Unused tax loss	76	-	-	-
Total	<u>7,343</u>	<u>2,292</u>	<u>1,881</u>	<u>2,235</u>

14.2 Income tax expenses

The income tax expenses for the years ended 31 December 2017 and 2016 are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Current income tax:				
Current income tax charge for the year	67,131	83,414	60,494	57,061
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>(5,013)</u>	<u>(649)</u>	<u>410</u>	<u>(602)</u>
Income tax expenses reported in the statement of comprehensive income	<u>62,118</u>	<u>82,765</u>	<u>60,904</u>	<u>56,459</u>

Reconciliations between accounting profit and tax expenses are as follows:

			(Unit: Thousand Baht)	
	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Accounting profit before tax	413,181	417,956	443,809	335,765
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	82,636	83,591	88,762	67,153
Adjustment in respect of income tax of previous year	(745)	-	(745)	-
Effects of:				
Non-taxable income	(184)	-	(8,184)	(9,276)
Non-deductible expenses	3,084	1,052	2,396	1,012
Additional expenses deduction allowed	(21,325)	(2,430)	(21,325)	(2,430)
Others	(1,348)	552	-	-
Income tax expenses reported in the statement of comprehensive income	62,118	82,765	60,904	56,459

15. Short-term loans from financial institutions

	Interest rate		Consolidated		(Unit: Thousand Baht)	
	(percent per annum)		financial statements		Separate	
	2017	2016	2017	2016	2017	2016
Promissory notes	3.50 - 4.00	3.50 - 3.90	120,000	30,000	120,000	30,000
Trust receipts	2.91 - 3.85	3.80 - 3.85	147,145	42,816	147,145	42,816
Total			267,145	72,816	267,145	72,816

As at 31 December 2016, the balances of short-term loans from financial institutions above included loans denominated in foreign currencies of USD 0.75 million.

Short-term loans from financial institutions are secured by fixed deposits as discussed in Note 10.

16. Trade and other payables

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2017	2016	2017	2016
Trade payables - related parties	123	878	35,304	7,616
Trade payables - unrelated parties	113,614	110,793	102,488	97,133
Other payables - unrelated parties	5,965	5,409	5,745	4,270
Accrued expenses - related parties	4,800	3,128	854	-
Accrued expenses - unrelated parties	174,695	50,535	153,242	47,857
Total trade and other payables	299,197	170,743	297,633	156,876

As at 31 December 2017, the balances of trade payables above included the balance denominated in foreign currencies of USD 0.77 million (2016: USD 0.70 million).

17. Long-term loans

As at 31 December 2017 and 2016, the Company has long-term loans from financial institutions as follows:

				(Unit: Thousand Baht)	
				Consolidated and separate	
				financial statements	
Loan	Credit facilities (Million Baht)	Interest rate (% per annum)	Repayment schedule	2017	2016
1	60	1st - 2nd year : MLR - 2.00 From 3rd year : MLR - 1.75	Monthly installments of principal and interest within 7 years from the first drawdown date, at Baht 970,000 per month, payable within the last commercial day of each month	-	53,565
2	40	1st - 3rd year : 4.75 From 4th year : MLR - 1.50	Monthly installments of principal and interest within 5 years from the first drawdown date, at amount not less than Baht 805,000 per month, payable within the last commercial day of each month	-	33,363
3	28.5	MLR - 1.50	Monthly installments of principal and interest within 5 years and 6 months from the first drawdown date, at amount not less than Baht 574,000 per month, payable within the last commercial day of each month (Grace period principal for the first 6 months after drawdown)	-	27,113
4	25.7	MLR - 1.50	Monthly installments of principal and interest within 5 years and 6 months from the first drawdown date, at amount not less than Baht 517,000 per month, payable within the last commercial day of each month (Grace period principal for the 6 months after drawdown)	-	9,523
5	70	1st - 2nd year : MLR - 2.00 From 3rd year : MLR - 1.75	Monthly installments of principal and interest within 4 years from the first drawdown date, at amount not less than Baht 1,450,000 per month and fully pay in the last installment	68,550	-
Total				68,550	123,564
Less: Deferred front end fee				(356)	(641)
Long-term loans, net of deferred front end fee				68,194	122,923
Less: Current portion				(18,775)	(27,399)
Less: Long-term loans reclassified as current liabilities				-	(51,518)
Long-term loans, net of current portion				49,419	44,006

As at 31 December 2017, Long-term loans are secured by the mortgage of the Company's land, buildings and equipment, and including guaranteed by the Company's director and shareholder. However, in January 2018, the Company has already withdrawn the guarantee by the Company's director and shareholder (2016: secured by the mortgage of the Company's land, buildings and equipment, and the mortgage of the land and buildings of the related person, and including guaranteed by the Company's directors and shareholders, and related companies). The loan agreements contain certain covenants with which the Company must comply i.e. to maintain a debt to equity ratio.

However, as at 31 December 2016, the Company was unable to maintain a debt to equity ratio under the agreements for loans no. 2 - 4 from a financial institution, the Company had to present the outstanding balances of these loans as current liabilities in the statements of financial position. However, in April 2017 the Company has obtained a waiver of the covenant from that financial institution for the balance as of year end 2016, and in May 2017 that financial institution has amended the debt to equity ratio for the Company.

On 15 August 2017, the Company made early repayment of the loan no. 2 - 4 in full and on 15 November 2017, the Company made early repayment of the loan no. 1 in full.

As at 31 December 2017, no long-term credit facilities of the Company which have yet been drawn down (2016: Baht 17.56 million).

18. Liabilities under hire purchase and finance lease agreements

	(Unit: Thousand Baht)	
	Consolidated and separate financial statements	
	2017	2016
Liabilities under hire purchase and finance lease agreements	5,319	3,614
Less: Deferred interest expenses	(664)	(480)
Total	4,655	3,134
Less: Portion due within one year	(1,449)	(1,451)
Liabilities under hire purchase and finance lease agreements - net of current portion	3,206	1,683

The Company has entered into the hire purchase and 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 2 and 4 years.

Future minimum lease payments required under the hire purchase and finance lease agreements were as follows:

(Unit: Thousand Baht)			
Consolidated and separate financial statements			
2017			
	Less than 1 year	1 - 4 years	Total
Future minimum lease payments under agreements	1,751	3,568	5,319
Deferred interest expenses	(302)	(362)	(664)
Present value of future minimum lease payments under agreements	<u>1,449</u>	<u>3,206</u>	<u>4,655</u>

(Unit: Thousand Baht)			
Consolidated and separate financial statements			
2016			
	Less than 1 year	1 - 4 years	Total
Future minimum lease payments under agreements	1,702	1,912	3,614
Deferred interest expenses	(251)	(229)	(480)
Present value of future minimum lease payments under agreements	<u>1,451</u>	<u>1,683</u>	<u>3,134</u>

19. Provision for long-term employee benefits

Provision for long-term employee benefits which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Provision for long-term employee				
benefits at beginning of year	1,646	1,688	1,359	1,642
Included in profit or loss:				
Current service cost	2,286	914	1,832	683
Interest cost	53	23	44	21
Included in other comprehensive				
income:				
Actuarial loss arising from				
Demographic assumptions changes	117	1,325	88	1,325
Financial assumptions changes	253	42	210	41
Experience adjustments	(183)	(730)	(19)	(737)
Benefits paid during the year	-	(1,616)	-	(1,616)
Provision for long-term employee				
benefits at end of year	4,172	1,646	3,514	1,359

Long-term employee benefits expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	For the years ended		For the years ended	
	31 December		31 December	
	2017	2016	2017	2016
Cost of sales	406	248	406	248
Selling and administrative expenses	1,933	689	1,470	456
Total expenses recognised in profit				
or loss	2,339	937	1,876	704

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefits is 27 years (2016: 27 years), and the Company does not expected to pay any of long - term employee benefits for the next year.

Significant actuarial assumptions are summarised below:

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.89 - 2.95	3.31 - 3.24	2.89	3.24
Future salary increase rate	5.00	5.00	5.00	5.00
Staff turnover rate	0 - 39	0 - 39	0 - 39	0 - 39

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 and 2016 are summarised below:

(Unit: Thousand Baht)

	2017			
	Consolidated		Separate	
	financial statements		financial statements	
	Employee benefit obligation increase (decrease)		Employee benefit obligation increase (decrease)	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(676)	827	(563)	690
Future salary increase rate	794	(664)	663	(553)
Staff turnover rate	(734)	389	(616)	384

(Unit: Thousand Baht)

	2016			
	Consolidated		Separate	
	financial statements		financial statements	
	Employee benefit obligation increase (decrease)		Employee benefit obligation increase (decrease)	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(266)	872	(221)	271
Future salary increase rate	314	(262)	262	(218)
Staff turnover rate	(291)	156	(243)	155

20. Share capital

On 9 March 2016, the Extraordinary General Meeting of the Company's shareholders No. 1/2559 passed a resolution to increase the registered capital from Baht 10 million to Baht 60 million, through the issuance of 500,000 ordinary shares with a par value of Baht 100 each, total amounting to Baht 50 million. The share capital increase of the Company was registered with the Ministry of Commerce on 11 March 2016. Part of registered share capital 3,843 shares have been issued to exchange with 15,372 shares of Namu Life Plus Company Limited held by non-controlling interests at the fair value. The difference between fair value and par value of Baht 47.66 million was presented as share premium in the financial statements.

On 26 May 2016, the Extraordinary General Meeting of the Company's shareholders No. 2/2559 passed a resolution to increase the registered capital from Baht 60 million to Baht 225 million, through the issuance of 1,650,000 ordinary shares with a par value of Baht 100 each, total amounting to Baht 165 million. The share capital increase of the Company was registered with the Ministry of Commerce on 2 June 2016.

On 15 March 2017, the Annual General Meeting of the Company's shareholders approved the following resolutions:

- 1) A change in the par value of the shares from Baht 100 to Baht 1 per share, resulting in an increase in number of the ordinary shares from 2,250,000 ordinary shares to 225,000,000 ordinary shares. The Company was registered with the Ministry of Commerce on 22 March 2017.
- 2) An increase the registered shares capital from Baht 225 million to Baht 303 million by issuing newly 78 million ordinary shares. The Company was registered with the Ministry of Commerce on 22 March 2017.
- 3) An allocation of 78,000,000 additional ordinary shares as follows:
 - 3.1) 76,000,000 additional ordinary shares to be issued through an initial public offering.
 - 3.2) 2,000,000 additional ordinary shares to be allotted to the directors, executives, and/or employees of the Company and/or its subsidiaries under the Employee Stock Option Plan (ESOP).

On 17 July 2017, the Extraordinary General Meeting of the Company's shareholders No. 2/2560 approved the following resolutions:

- 1) A decrease the registered shares capital from Baht 303 million to Baht 225 million by reducing the 78 million shares which have not been distributed. The Company was registered the decreased in share capital with the Ministry of Commerce on 20 July 2017.
- 2) An increase the registered shares capital from Baht 225 million to Baht 318 million by issuing newly 93 million ordinary shares at par value of Baht 1 each, total Baht 93 million. The Company was registered with the Ministry of Commerce on 20 July 2017.
- 3) An allocation of 93,000,000 additional ordinary shares as follows:
 - 3.1) 15,000,000 additional ordinary shares to be issued through the private placement. On 20 July 2017, the Company sold these additional shares to a new shareholder at Baht 29.87 each, totaling Baht 448.05 million with share premium of Baht 433.05 million. The Company was registered with the Ministry of Commerce on 20 July 2017.
 - 3.2) 76,000,000 additional ordinary shares to be issued through an initial public offering. In December 2017, the Company sold through an initial public offering at Baht 53 each, totaling Baht 4,028 million with share premium, net of initial public offering expenses, of Baht 3,867.21 million. The Company was registered with the Ministry of Commerce on 21 December 2017.
 - 3.3) 2,000,000 additional ordinary shares to be allotted to the directors, executives, and/or employees of the Company and/or its subsidiaries under the Employee Stock Option Plan (ESOP).

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	Consolidated financial statements and	
	Separate financial statements	
	For the years ended 31 December	
	2017	2016
Registered ordinary shares		
Number of ordinary shares at the beginning of the year	2,250,000	100,000
Increase registered ordinary shares - Baht 100 each	-	2,150,000
Change in the par value of share from Baht 100 each to Baht 1 each	222,750,000	-
Increase registered ordinary shares - Baht 1 each	93,000,000	-
Number of ordinary shares at the end of the year	318,000,000	2,250,000

(Unit: Shares)

	Consolidated financial statements and Separate financial statements	
	For the years ended 31 December	
	2017	2016
Issued and paid-up ordinary shares		
Number of ordinary shares at the beginning of the year	2,250,000	100,000
Increase paid-up ordinary shares		
- Baht 100 each	-	2,150,000
- Baht 1 each (to be issued through the private placement)	15,000,000	-
- Baht 1 each (be issued through an initial public offering)	76,000,000	-
Change in the par value of share from Baht 100 each to Baht 1 each	222,750,000	-
Number of ordinary shares at the end of the year	316,000,000	2,250,000

21. Employee Stock Option Plan (ESOP)

On 17 July 2017, the Extraordinary General Meeting of the Company's shareholders No. 2/2560 approved to allot 2,000,000 rights to purchase the Company's share capital under the Employee Stock Option Plan (ESOP) as follows.

Name of securities:	Do Day Dream Public Company Limited
Category:	Additional ordinary share capital
Type:	Named share capital
Offering method:	The Company will allot the additional ordinary share capital to the directors, executives, and/or employees of the Company and/or its subsidiaries under the Employee Stock Option Plan.
Term:	1 year after approved by the Company's shareholders
No. of offered shares:	2,000,000 shares
Exercise price:	Fair value as at the allotment date (Baht 28.42 per share)
Exercise period:	The Company will sell the additional ordinary share capital within 1 year after approved by the Company's shareholders under the Employee Stock Option Plan, and 1 month after the share capital of the Company has been registered on the Stock Exchange of Thailand. The offering process will be completed within 17 July 2018.

The estimated fair value of each share option granted is Baht 0.0975, calculated using the Black-scholes model.

During the year, the Company recognised expenses from this plan amounting to Baht 0.12 million as personnel expenses and as at 31 December 2017, the Company has the balance of capital reserves for share-based payment of Baht 0.12 million, presented in shareholders' equity.

22. Statutory reserve

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

In August 2017, the Company transferred retained earnings amounting to Baht 9.3 million to statutory reserve. As at 31 December 2017, the statutory reserve has fully been set aside.

23. Expenses by nature

Significant expenses classified by nature are as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2017	2016	2017	2016
Raw material, packaging and supplies	468,155	330,009	471,492	341,766
Salaries, wages and other employee benefits	170,143	104,637	153,864	93,765
Depreciation and amortisation expenses	26,331	16,938	26,052	16,825
Advertising expenses	299,082	224,669	298,862	224,504
Service fees	13,086	8,591	11,194	7,677
Office expenses	18,272	13,027	18,059	12,877
Sales promotion expenses	246,817	107,103	117,149	41,160
Other expenses	17,338	11,432	15,514	9,430
Total	<u>1,259,224</u>	<u>816,406</u>	<u>1,112,186</u>	<u>748,004</u>

24. Earnings per share

Basic 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, after adjusting the number of ordinary shares in proportion to the change in the par value of the shares from Baht 100 to Baht 1 per share as discussed in Note 20. The number of ordinary shares of the prior year used for the calculation, as presented for comparative purposes, has been adjusted by assuming that the change in the par value of the shares had been occurred at the beginning of the earliest year reported.

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Profit to equity holders of the Company (Thousand Baht)	351,063	328,002	382,905	279,307
Weighted average number of ordinary share in issue during the year (Thousand Shares)	234,279	1,399	234,279	1,399
Additional shares from the change in the par value from Baht 100 to Baht 1 per share (Thousand Shares)	-	138,529	-	138,529
Total (Thousand Shares)	234,279	139,928	234,279	139,928
Earnings per share, attributable to the shareholders of the Company (Baht per Share)	1.50	2.34	1.63	2.00

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 total 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 on the date the potential ordinary shares were issued.

	Consolidated		Separate	
	financial statements		financial statements	
	2017	2016	2017	2016
Profit to equity holders of the Company (Thousand Baht)	351,063	328,002	382,905	279,307
Weighted average number of ordinary share in issue during the period (Thousand Shares)	234,279	1,399	234,279	1,399
Additional shares from the change in the par value from Baht 100 to Baht 1 per share (Thousand Shares)	-	138,529	-	138,529
Additional shares from effect of dilutive potential ordinary shares (Thousand Shares)	622	-	622	-
Total (Thousand Shares)	234,901	139,928	234,901	139,928
Earnings per share, attributable to the shareholders of the Company (Baht per Share)	1.49	2.34	1.63	2.00

25. Segment information

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

The Company and its subsidiaries are principally engaged in the manufacture and distribution of cosmetic.

Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	For the years ended 31 December	
	2017	2016
Revenue from local sales	1,178.92	1,094.37
Revenue from export sales	495.52	142.48
Total	1,674.44	1,236.85

For the year ended 31 December 2017, the Company and its subsidiaries have revenue from 2 major customers totaling Baht 807.80 million (2016: totaling Baht 662.06 million derived from 2 major customers).

26. Dividends

During the years ended 31 December 2017 and 2016, the Board of Directors' meeting approved the payment of dividend to the shareholders as follows:

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Dividends for the year 2016 (approved to pay at Baht 431.96 million, interim paid Baht 407.21 million, remaining Baht 24.75 million)	Board of shareholder's meeting No. 1/2560 on 15 March 2017	24,750	11.00 (from 2.25 million shares)
Interim dividends	Board of Directors' meeting No. 6/2560 on 9 August 2017	210,000	0.93 (from 225 million shares)
	Board of Directors' meeting No. 8/2560 on 13 November 2017	96,000	0.40 (from 240 million shares)
Total dividends for the year 2017		<u>330,750</u>	
Interim dividends	Board of Directors' meeting No. 3/2559 on 23 February 2016	55,130	551.30 (from 0.1 million shares)
	Board of Directors' meeting No. 6/2559 on 11 May 2016	77,917	129.86 (from 0.6 million shares)
	Board of Directors' meeting No. 7/2559 on 21 May 2016	105,417	46.85 (from 2.25 million shares)
	Board of Directors' meeting No. 10/2559 on 28 September 2016	168,750	75.00 (from 2.25 million shares)
Total dividends for the year 2016		<u>407,214</u>	

27. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company, its subsidiaries and their employees contribute to the fund monthly at the rate of 3 - 10 percent of basic salary, and amount will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2017 amounting to approximately Baht 4.74 million (2016: Baht 1.76 million) (the Company only: Baht 4.27 million (2016: Baht 1.60 million)) were recognised as expenses.

28. Commitments

28.1 Operating lease commitments

The Company and its subsidiaries have entered into operating leases agreements in respect of the lease of space, equipment and service. The terms of the agreements are generally between 1 and 3 years.

As at 31 December 2017 and 2016, the Company and its subsidiaries have future minimum lease payments required under these non-cancellable operating leases contracts as follows.

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Payable:				
In up to 1 year	12.16	13.30	6.94	13.30
In over 1 and up to 3 years	3.49	4.90	0.43	4.90

28.2 Guarantee

As at 31 December 2017, there was outstanding bank guarantee of approximately Baht 0.27 million (2016: Baht 0.27 million) issued by bank on behalf of the Company in respect of guarantee electricity use.

29. Financial instruments

29.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, deposit at banks, trade and other receivables, restricted bank deposits, short-term loans, trade and other payables, long-term loans and liabilities under hire purchase and finance lease agreements. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables. The Company and its subsidiaries' manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables, net of allowance for doubtful accounts as stated in the statement of financial position.

29.2 Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates and securities prices may have an effect on the financial positions of the Company. As the Company and its subsidiaries have no invested in securities, market risk therefore consists of interest rate risk and foreign exchange rates risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rate. The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term and long-term borrowings which bear interest, and liabilities under hire-purchase and financial lease agreements.

As at 31 December 2017 and 2016, significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements						
2017						
Fixed interest rates						
Repricing date or maturity date						
Within 1 year	1 - 5 years	Floating interest rate	Non- interest bearing	Total	Effective interest rate	
						(% per annum)
Financial assets						
Cash and cash equivalents	2.98	-	4,376.65	8.89	4,388.52	0.1 - 1.5
Trade and other receivables	-	-	-	429.18	429.18	-
Restricted bank deposits	35.27	-	-	-	35.27	0.9
Financial liabilities						
Short-term loans from financial institutions	267.14	-	-	-	267.14	2.91 - 4.00
Trade and other payables	-	-	-	299.20	299.20	-
Long-term loans	-	-	68.19	-	68.19	4.03
Liabilities under hire purchase and finance lease agreements	1.45	3.21	-	-	4.66	4.10 - 6.96

(Unit: Million Baht)

Consolidated financial statements						
2016						
Fixed interest rates						

	Repricing date or maturity date		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1 - 5 years				
<u>Financial assets</u>						
Cash and cash equivalents	-	-	41.14	0.41	41.55	0.1 - 1.5
Trade and other receivables	-	-	-	196.92	196.92	-
Restricted bank deposits	3.25	-	-	-	3.25	0.9
<u>Financial liabilities</u>						
Short-term loans from financial institutions	72.82	-	-	-	72.82	3.5 - 3.9
Trade and other payables	-	-	-	170.74	170.74	-
Long-term loans	8.25	25.11	89.56	-	122.92	4.6 - 5.5
Liabilities under hire purchase and finance lease agreements	1.45	1.68	-	-	3.13	4.10 - 6.96

(Unit: Million Baht)

Separate financial statements						
2017						
Fixed interest rates						
	Repricing date or maturity date		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				
<u>Financial assets</u>						
Cash and cash equivalents	2.98	-	4,327.12	8.73	4,338.83	0.1 - 1.5
Trade and other receivables	-	-	-	400.93	400.93	-
Restricted bank deposits	35.27	-	-	-	35.27	0.9
<u>Financial liabilities</u>						
Short-term loans from financial institutions	267.14	-	-	-	267.14	2.91 - 4.00
Trade and other payables	-	-	-	297.63	297.63	-
Long-term loans	-	-	68.19	-	68.19	4.03
Liabilities under hire purchase and finance lease agreements	1.45	3.21	-	-	4.66	4.10 - 6.96

(Unit: Million Baht)

Separate financial statements						
2016						
Fixed interest rates						
	Repricing date or maturity date		Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years				

	Within 1 year	1-5 years	Floating interest rate	Non- interest bearing	Total	Effective interest rate (% per annum)
Financial assets						
Cash and cash equivalents	-	-	18.51	0.25	18.76	0.1 - 1.5
Trade and other receivables	-	-	-	103.79	103.79	-
Restricted bank deposits	3.25	-	-	-	3.25	0.9
Financial liabilities						
Short-term loans from financial institutions	72.82	-	-	-	72.82	3.5 - 3.9
Trade and other payables	-	-	-	156.88	156.88	-
Long-term loans	8.25	25.11	89.56	-	122.92	4.6 - 5.5
Liabilities under hire purchase and finance lease agreements	1.45	1.68	-	-	3.13	4.10 - 6.96

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company manages the risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

As at 31 December 2017 and 2016, the balances of short-term borrowings and trade and other payables denominated in foreign currencies are summarised below.

Foreign currency	Financial liabilities		Average exchange rate	
	2017	2016	2017	2016
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.77	1.89	32.85	36.00

As at 31 December 2016, forward foreign exchange contracts outstanding are summarised below.

2016			
Foreign currency	Bought amount	Contractual exchange rate	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.1	35.65	15 June 2017

29.3 Fair values of financial instruments

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

30. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2017, the Group's debt-to-equity ratio was 0.14:1 (2016: 1.07:1) and the Company's ratio was 0.14:1 (2016: 1.16:1).

31. Event after the reporting period

31.1 On 25 January 2018, Do Day Dream Holding Pte. Ltd. was incorporated in Singapore and issued 2,000,000 new shares with a par value of USD 1, 1 share called-up. Do Infinite Dream Company Limited holds 1 share of such company, or a 100% interest, and treats it as investment in subsidiary.

On 31 January 2018, Do Day Dream Trading Pte. Ltd. was incorporated in Singapore and issued 300,000 new shares with a par value of USD 1, 1 share called-up. Do Infinite Dream Company Limited holds 1 share of such company, or a 100% interest, and treats it as investment in subsidiary.

31.2 On 26 February 2018, the Board of Director Meeting No. 2/2561 passed a resolution to propose to the Annual General Meeting of the Company's shareholders to approve dividend payment from the 2017 operations of Baht 0.21 per share, or a total of Baht 66.36 million.

32. Reclassification

The Company and its subsidiaries have reclassified the accounting transactions of the previous year financial statements according with the classification of the current year. The reclassifications had no effect to previously reported profit or shareholders' equity.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	For the year ended 31 December 2016		For the year ended 31 December 2016	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Statements of comprehensive income				
Revenue from sales	1,236,847	1,201,469	1,004,234	1,004,234
Selling expenses	354,471	319,093	277,495	277,495

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2018.

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