

1. Operation Overview

Public sector expenditure and investment continuing from the first six months of the year, remained a strong feature of the economic situation in the year 2016. Rapid expending of state budget continued in projects that were ready such as water management, road transport and infrastructure development under the 2016 Urgent Transportation Action Plan. In addition, the number of tourists also expanded, resulting in high expectation of growth in related businesses connected to the tourism industry. Continuing increase in private sector consumption from the previous year may be attributed to increasing individual incomes and higher employment in the services sector. Moreover, private sector investment also showed signs of recovery over the previous year due lower interest rates, as well as the significant progress in key government projects. Nevertheless, the economic slowdown posted by trading partner countries is expected to result in contraction of Thailand's exports.

Under the prevailing scenario of accelerated government spending and investment to stimulate economic growth, as well as fierce competition from other business enterprises, the Company still found it necessary to organize sales promotion activities to boost sales growth, devote substantial budget to marketing expenditure such as conducting research into consumer preferences, developing advertising media on the various products and organizing programs and events aimed at increasing its market share while also reducing of costs, expenses and inventory.

In Year 2016, the Company and its subsidiaries had Sales Income in amount of 12,615.38 Million Baht, increased by 272.56 Million Baht or 2.21% compared with Year 2015, which was 12,342.82 Million baht. Net Profit in amount of 936.26 Million baht, increased by 33.23% compared with Year 2015, Cost of good sold 7,851.00 Million Baht, increased by 210.10 Million baht or 2.75% compared with Year 2015, resulted from an efficiency of operating results and increased of dividend payment, which is increased by 148.23 Million Baht or 39.17%, compared with previous year, and profit sharing in joint ventures companies.

The Company was developed the online sale channels and expanded a new partners such as direct sale through Television, TV Shopping and Digital Partners, together within the country and various countries. The Company also improved sale channels through electronics platform, E-commerce and Social medias in full range of services, which established rapidly sale channels by portable appliances and shopping value through www.ethailandbest.com, which direct any purchase order to warehouse, Deliveries and give consultation through Call Centre Services, that will impressed and satisfied by the customers. The Company and its subsidiaries created the sales promotion activities which increased of sales channels, named "Let's Shop ICC" for advertisement and communication of products to the customers.

In Year 2016, the Company was invested in 3 subsidiaries, as follows;

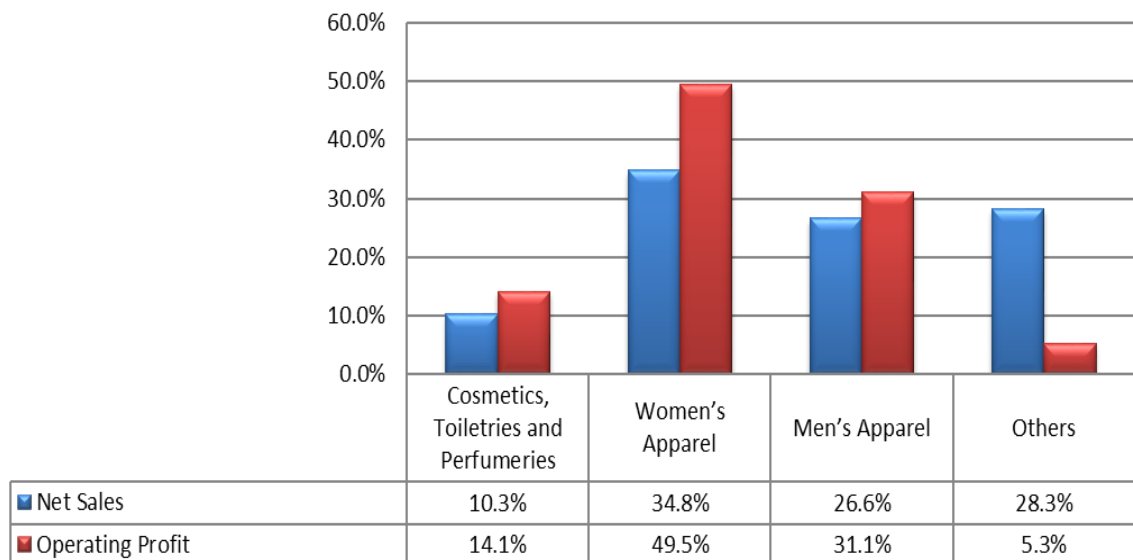
1. W B R E Co.,Ltd. engages in the business of properties, which are housing development and town-house in Sriracha District, Chonburi Province, nearest Sahaphat Group Industrial Estate, to expanding the new business activities of the Company.
2. Amis Du Monde SARL, French Company, which opens the shop at Avenue des Champs-Élysées, the high fashion shopping area in France, encouraged by export the

clothing product to introduced the BSC Brand in oversea market. Nevertheless, in accordance with the Board of Directors’ Meeting No.6/2016, dated 14th October 2016, unanimously resolved to approved to closed the business of Amis Du Monde SARL, which the subsidiary have to winding up and liquidate the entity as required by Freanch laws in following steps. Because the continuing of loss in operating. The Company holds shares in Amis Du Monde SARL,in amount of 98,300 shares or 81.92% of total registered capital, Par value is 10.00 Euro/share, total shares value is 983,000.00 Euro or equivalent to 40.96 Million Baht. The Company was reserved for impairment of investment in amount of 35.17 Million Baht. However, the winding up of this subsidiary will not adverse effect to current operating result of the Company.

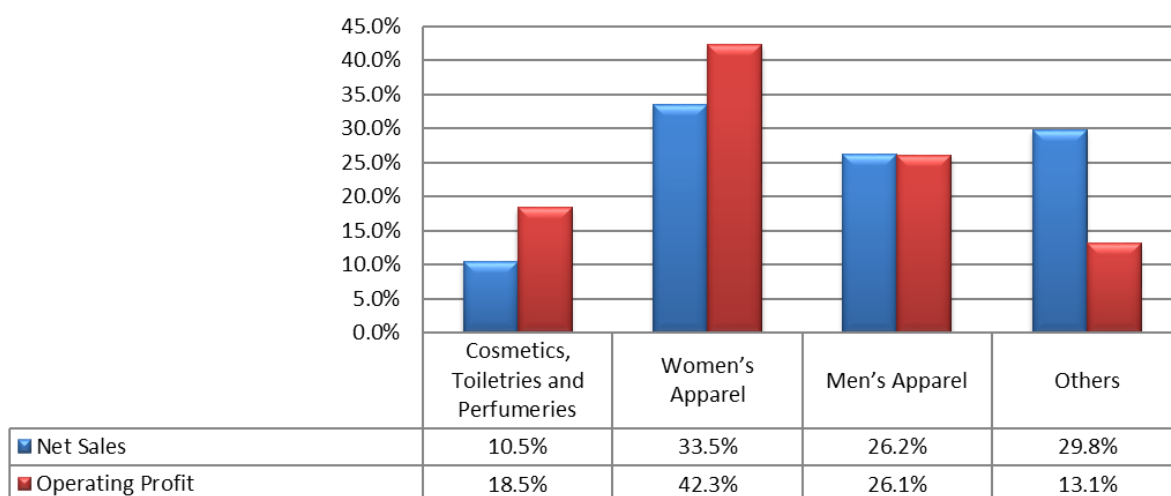
3. Thai Itokin Co. , Ltd. engages in the business of producing and trading the readymade clothes, uniforms cloths and being the key Supply Chain of the Company which produce the high quality of clothing under the name of I.C.C. International Publi Co.,Ltd. Thai Itokin Co., Ltd. is granting the right of trademark, copyright and distributing within the country and oversea market. The Company intends to support Thai Itokin Co., Ltd.to continuing the business and gets the best operating result which the Company will receive the benefit under the dividend scheme.

2. Operations and Profitabilities

Proportion of revenue from sale of goods and operating profit by segment 2016



Proportion of revenue from sale of goods and operating profit by segment 2015



Sales Income

In Year 2016, the Company and its subsidiaries had Sales income in amount of 12,615.38 Million Baht, increased by 272.56 Million Baht or 2.21% compared with Year 2015, which was 12,342.82 Million Baht.

The Income of the Company and its subsidiaries are comprised of 3 key product lines which are Cosmetic, Toiletries, Perfumeries, Women's Apparel and Men's Apparel. The comparing of income and profit in each product line in Year 2016 and Year 2015 as follows;

(Unit : Million Baht)

Product Lines	Net Sales		%	Operating Profit		%
	2016	2015		2016	2015	
Cosmetics, Toiletries and Perfumeries	1,299.79	1,296.29	0.27	171.76	186.11	(7.71)
Women's Apparel	4,388.00	4,130.21	6.24	601.53	455.33	32.11
Men's Apparel	3,356.02	3,236.09	3.71	377.71	306.13	23.38
Others	3,571.57	3,680.22	(2.95)	64.79	147.31	(56.02)
Total	12,615.38	12,342.82	2.21	1,215.79	1,094.89	11.04

Cosmetic, Toiletries, Perfumeries

In Year 2016, the Company had the revenue from cosmetics and fragrant in amount of 1,299.79 Million Baht, increased by 3.50 Million Baht or 0.27% compared with the 2015. Profit in amount of 171.76 Million Baht, decreased by 14.35 Million Baht or 7.71% compared with the 2015, due to the effect from domestic and oversea high brand competitive that resulted in higher operating costs of the Company, especially for marketing costs that realized to the existing customers and new customers, includes supporting of sale activities which boost up the sale volume higher than the previous year.

Women's Apparel

In Year 2016, the Company and its subsidiaries had the revenue from women clothing in amount of 4,388.00 Million Baht, increased by 257.79 Million Baht or 6.24% compared with the 2015. Profit in amount of 601.53 Million Baht, increased by 146.20 Million Baht or 32.11% compared with the 2015, due to the Company develops in continue operating performance from the previous year as follows;

- Developing the Supply Chain process from the previous year consecutive, which starting from produce order, purchase product from the factories and products distributions to the shop that resulted in the higher of sale volume than Year 2015.
- Continuing the training and taking care of sale team that resulted in speedy remediation decision.
- Increasing sale channels in Direct Marketing through Online and TV Shopping which categorized the product to suit with such sale channel.
- Expanding sale channels in retail shops.
- The huge growing in black and white color cloths in Quarter 4 of year 2016.

Men's Apparel

In Year 2016, the Company and its subsidiaries had the revenue from men clothing in amount of 3,356.02 Million Baht, increased by 119.93 Million Baht or 3.71% compared with Year 2015. Profit in amount of 377.71 Million Baht, increased by 71.58 Million Baht or 23.38% compared with Year 2015. The main reason, due to;

- Increasing sale channels in Direct Marketing through Online and TV Shopping which categorized the product to suit with such sale channel, this is a key of successful condition.
- Launching the innovation products to serve with life-style of customers.
- Increasing of sale volume in black and white color cloths in Quarter 4 of year 2016.

Others

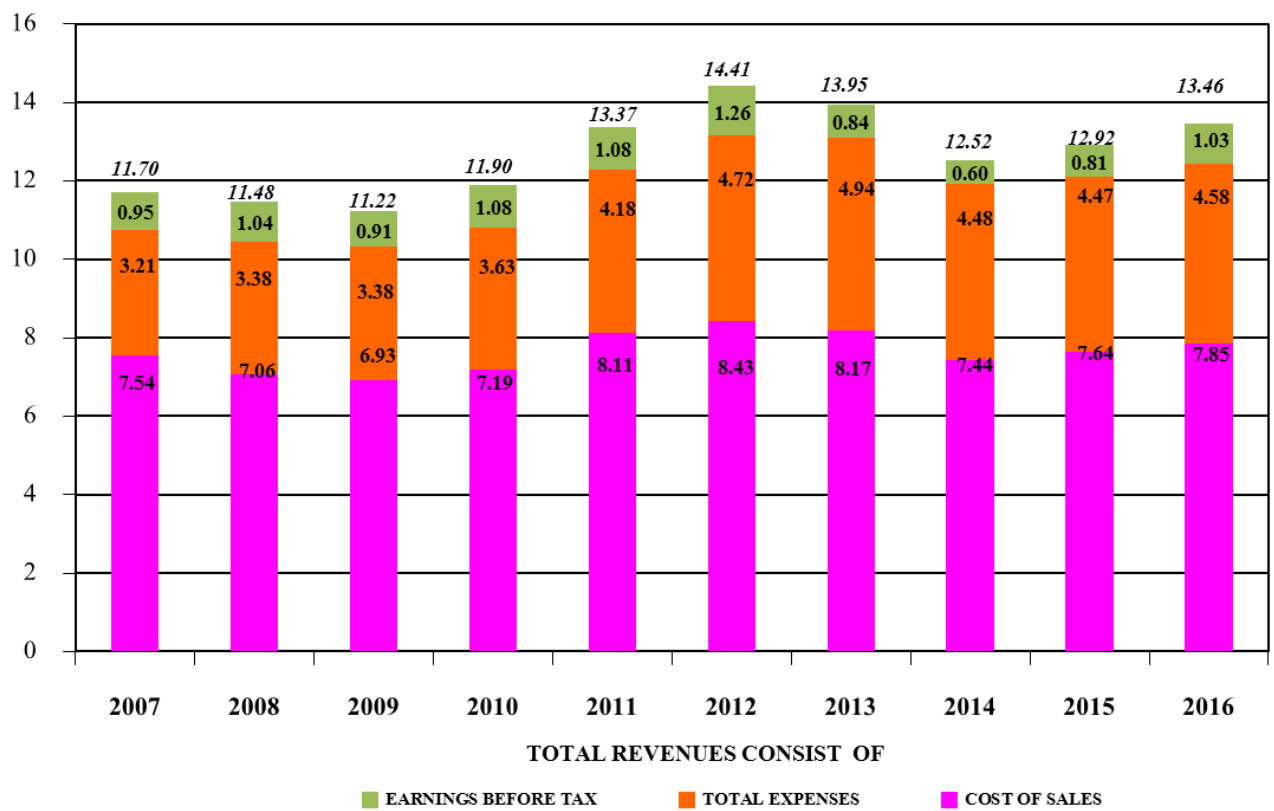
The key revenue in other products is children clothing, exercising and sport clothing, lathers, BSC CORNSOY beverages and household appliances such as washing liquids and fabric maintainer. In Year 2016, the Company has the revenue from other products in amount of 3,571.57 Million Baht, decreased by 108.65 Million Bahr or 2.95% compared with Year 2015. Profit in amount of 64.79 Million Baht, decreased by 82.52 Million Baht or 56.02% compared with Year 2015, due to;

- In Quarter 4/2016, existed a huge turn down of colorful clothing, included the changing of shopping channel which turn to Online channel than by person which will be increased in this and following years that resulted in lather products, also the lower of economic growth which resulted in low demand of luxury goods.

- Decreasing of sale volume in children clothing by Discount Store channel due to a convenience to finding and shopping a lower price around the market.
- Accelerating the sale volume of colorful sport clothing by sale activities.
- Expending in market costs to retain the possitive image, brand reconnization and market share in Quarter 4/2016 of baverage products and household appliances.

Other Incomes

In Year 2016, the Company and its subsidiaries had Other Incomes in amount of 799.44 Million baht, increased by 262.85 Million Baht or 48.99% compared with Year 2015, due to dividend income in amount of 148.23 Million baht, reserved of impairment of assets in amount of 50.33 Million baht, Profit of asset disposal in amount of 34.59 Million Baht and sale promotion subsidized by Supplier in amount of 29.70 Million baht.



Total Income Apportion (Million Baht)

Cost of Sales

In Year 2016, the Company and its subsidiaries had Cost of Sales 7,851.00 Million baht, increased by 210.10 Million baht or 2.75% compared with Year 2015. Cost of goods sold per Sales of Year 2016 was 62.23% and Year 2015 was 61.91%, increased by 0.32%, due to sale promotion activities which boost up the total sale volume.

Selling Administration Expenses

In Year 2016, the Company and its subsidiaries had the Selling administration expenses in amount of 4,582.34 Million Baht, increased by 174.39 Million Baht or 3.90% compared with Year 2015. Hence, in the number of 36.32% of Sales volume in Year 2016, there increased by 0.07% compared with Year 2015 which was 36.25%. The addition information as follows;

In Year 2016, the Company and its subsidiaries had selling expenses in amount of 2,892.34 Million baht, in Year 2015 in amount of 3,029.89 Million Baht, decreased by 137.55 Million baht or 4.54% compared with Year 2015, due to an efficiency of marketing and advertising costs management which reduced the expenses.

In Year 2016, the Company and its subsidiaries had administration expenses in amount of 1,690.00 Million baht, in Year 2015 in amount of 1,444.16 Million baht, increased by 245.85 Million Baht or 17.02% compared with Year 2015, due to the increased of the reserving on impairment of investments in amount of 83.55 Million baht, and increased of manpower to suits with the existing operating functions which increased the expenses in amount of 96.30 Million Baht.

Income Tax Expenses

In Year 2016, the Company had an income Tax in amount of 94.49 Million Baht and 105.46 Million baht in Year 2015, decreased by 10.96 Million Baht compared with Year 2015, due to the increasing of tax allowances in amount of 18.33 Million baht and deferred income tax expense in amount of 7.37 Million baht (Year 2016 : 10.97 Million Baht, Year 2015 : 3.60 Million baht) resulted that in Year 2016, the Company had the Income Tax Expenses less than Year 2015.

Net profit

In Year 2016, the Company and its subsidiaries had Net Profit in amount of 936.26 Million Baht, increased by 233.54 Million Baht or 33.23% compared with Year 2015, resulted from the increased of sale volume and received of dividend in amount of 148.23 Million Baht, profit from assets disposal increased by 34.59 Million Baht and sales promotion from supplier in amount of 25.39 Million baht.

Financial Analysis

Assets

As at 31 December 2016, total assets of the Company and its subsidiaries were 20,198.92 Million Baht, increased by 1,633.76 Million Baht or 8.80% compared with 31 December 2015. The main changes are as follows;

As at 31 December 2016, Current Assets were 7,190.41 Million Baht, equivalent to 35.60% of Total Assets, increased by 298.44 Million Baht or 4.33% compared with Year 2015. The main changes are as follows;

- Decrease of 0.89 Million Baht in Cash and Cash Equivalents and an increase of 586.56 Million Baht in short-term investments in Debt Securities.

- Decrease of 182.65 Million Baht in Account Receivable due to the decrease of products sold in shopping mall's group and accelerated for rapid repayment.
- Decrease of 132.74 Million Baht in Inventories due to Company's focus on efficiently Inventories management, product distribution and adjusted purchase order correspondance with Customers needs.

Non-Current Assets were 13,008.51 Million Baht, equivalent to 64.40 of Total Assets, increased of 1,335.32 Million Baht or 11.44% compared with Year 2015. The main changes are as follows;

- Increase of 1,070.44 Million Baht in available-for-sale investments due to change of fair value in amount of 953.60 Million Baht, increasing investment in amount of 64.16 Million Baht and reversal of impairment of investments in amount of 52.68 Million Baht from one Company with improvement of operating result.
- Increase of 283.20 Million Baht in subsidiaries due to increasing investment from existing business in amount of 46.58 Million Baht, increasing investment in amount of 196.98 Million Baht to own 25.50% of total registered capital (formerly 14.99%) of Thai Secom Security Company Limited as general investment and share of profit from investment in subsidiaries in amount of 39.64 Million Baht, resulting from improvement of subsidiaries' operating result compared with Year 2015.
- Increase of 43.24 Million Baht in investment property-net from reversal of impairment of property due to higher price of land appraisal.
- Increase of 187.27 Million Baht in property, plant and equipment-net due to, in Year 2016, cost for furniture used for new shop and renovating existing shop, land and building acquisition utilizing for business and cost for new shop decoration.
- Decrease of 66.41 Million Baht in goodwill (Please see Notes to Financial Statements No. 17 Goodwill

Liabilities

As of 31st December, 2016, the Company and its subsidiaries had total liabilities of 2,819.41 Million Baht, increased by 240.03 Million Baht or 9.31% compared with Year 2015. Most liabilities were trade current liabilities and the main changes are as follows;

Current liabilities were 2,007.57 Million Baht, equivalent to 71.21% of total liabilities, decreased by 14.97 Million Baht compared with 31st December 2015 due to decrease of other accounts payable in amount of 188.10 Million Baht, increase of trade accounts payable in amount of 139.63 Million Baht and increase of unpaid corporate income taxes in amount of 43.51 Million Baht.

Non-current liabilities were 811.84 Million Baht, equivalent to 28.79% of total liabilities, increased by 255.0 Million Baht or 45.79% compared with 31st December 2015, due to increase of liabilities to deferred taxes in amount of 201.69 Million Baht and increase of employee benefit obligations in amount of 50.54 Million Baht.

Shareholder's Equity

As of 31st December 2016, the Company and its subsidiaries had shareholders' equity of 17,379.51 Million Baht, increased 1,393.72 Million Baht or 8.72%, due to the increased of difference from changed of fair value of available-for-sale investments in amount of 762.63

Million Baht, annual net profit in amount of 936.26 Million Baht with dividend paid in amount of 305.17 Million Baht.

4.Asset Quality and Capability of Asset Management

The Company considered debtors' quality by analyzed each debtor before granted the credit term. The Company made regular collection in accrued liabilities and set allowance for doubtful accounts for debtor unpaid in long period. In Year 2016, the Company had allowance for doubtful accounts equivalent to 2.91% of trade accounts receivable (compared with 1.69% in Year 2015).

Policies for granting credit for trade accounts receivable as follows;

1. Ability to made repayment in product.
2. Carefulness of executive.
3. Potentiality of growth.
4. Good, transparent and verifiable accounting system.
5. Good management system in inventory and distribution.
6. Good internal control, including in-out control to employee and product effectively.
7. Stable, substantial and extensive security.

Most properties, plants and equipments were assets of the Company and subsidiaries, collectively obtaining throughout 52 Years, in amount of 2,810.34 Million Baht, as of 31st December 2016.

Investment properties were assets of Company and its subsidiaries holding for utilizing revenue from rental and sales in amount of 979.43 Million Baht, as of 31st December 2016.

For investment, as of 31st December 2016, the Company had unrealized gains from adjusting security's fair value in amount of 34.751.69 Million Baht. It appeared in type of shareholders' equity and yield upon investment as dividend at annual rate of 8.99% in Year 2016 (8.67% in Year 2015). The Company had investment management by appointed person to be placed in joint-venture companies or in the Company engaged with investing business as center taking care of investment/monitoring financial statement audit and situation of investing Company. The Center will promptly inform upon unusual event or crisis for seeking way to resolve.

The Company emphasized in improving operation's efficiency in correspondence with customer needs rapidly and correctly. System and procedure for demand planning were developed according with alterative demand, caused by economic fluctuation, way of life, changed technology, from upstream, material supplier, production to downstream, selling shop and other channels, to be effective in supply chain. To create value and impression towards customers, the Company developed and improved packaging systems by automatic machines for classification in product delivery to shop on daily basis, developing from system of Collaborative Planning Forecast and Replenishment in management related to product quantity properly. Also, information system was developed to monitor distribution towards trading partner, shop and individual customer with logistic Company and created efficiency with full-scale services.

The Company emphasized in management, adjustment to working procedure and internal working system in according with rules and variable technology by developing knowledge

management enable to search, adjust, distribute, keep and communicate knowledge and other document files with modern easily and quickly, and creating permanence in operation efficiently.

In addition to developing online trade and creating trade partnership in new channels such as direct marketing from TV shopping and many digital trading partners in country, Also, Company improved channels of distribution via online media (e-commerce) and social media entirely. Response and participation was conducted towards each various customer's group enable to use quick and easy purchase order via portable devices by accelerating platform development, e-commerce business, e-ThailandBest, website for e-market place for supporting product, goods and services of both Saha Group and Company, shop and other factories (B2B2C - business to business to consumer). Company developed potentiality to provide full-scale services to consumer in every channel (Omni Channel) via connecting consumer's value both online to offline (store front) and office (store front) to online and creating participation and experience of consumer, customer for keeping existing consumers and seeking new consumers in various product's brands, product, and distribution channel in order to enter digital world completely. Furthermore, website www.hishershopsmart.com was improved to correspond with various needs. Many services for almost all types of product are provided, from living product, furniture, electric equipment and in household to daily clothes with connecting purchase order system to storage, shipping and advisory services via Call Center Service for consumer's best impression.

5. Liquidity and Capital Adequacy

Year	Current Ratio	Liquidities Ratio	Cash from Operating Activities (Million)
2016	3.58	0.53	1,063.55
2015	3.41	0.15	305.89
2014	3.26	0.45	915.07

From liquidity ratio, the Company and its subsidiaries had superior liquidity with current assets more than non-current assets. In Year 2016, liquidity ratio was 3.58 times, compared with 3.41 times in Year 2015, due to decrease of other creditors. In Year 2016, liquidity ratio of cash flow was 0.53 times, increased by 0.38 times from 0.15 times in Year 2015. Cash flow from operation increased 757.66 Million Baht compared with Year 2015 due to;

1. In Year 2016, received repayment from accounts receivable increased by 252.14 Million Baht from Year 2015.
2. In Year 2016, repayment to accounts payable decreased by 333.17 Million Baht from Year 2015.
3. In Year 2016, expenses during developing of real estate project increased by 7.89 Million Baht from Year 2015.
4. In Year 2016, repayment to other liabilities increased by 6.87 Million Baht from Year 2015.

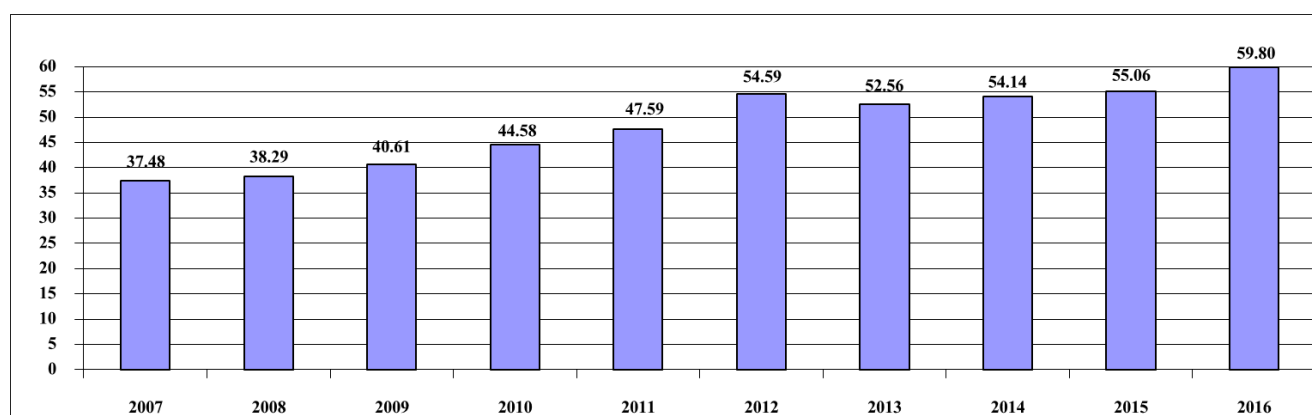
5. In Year 2016, repayment to other assets increased by 87.99 Million Baht from Year 2015.
6. In Year 2016, receiving cash after deduction of operating expenses increased by 732.22 Million Baht.

The Company had 2 sources of funds, namely (1) funds from operating activities and (2) funds from investment activities in types of investment property and common stocks. The Company's revenue generated from rental, sales of investment property and dividend received from common stocks at a high rate of return. The Company managed business's liquidity well and used funds from business for expensing in business without outside funds including enable to pay regular dividend.

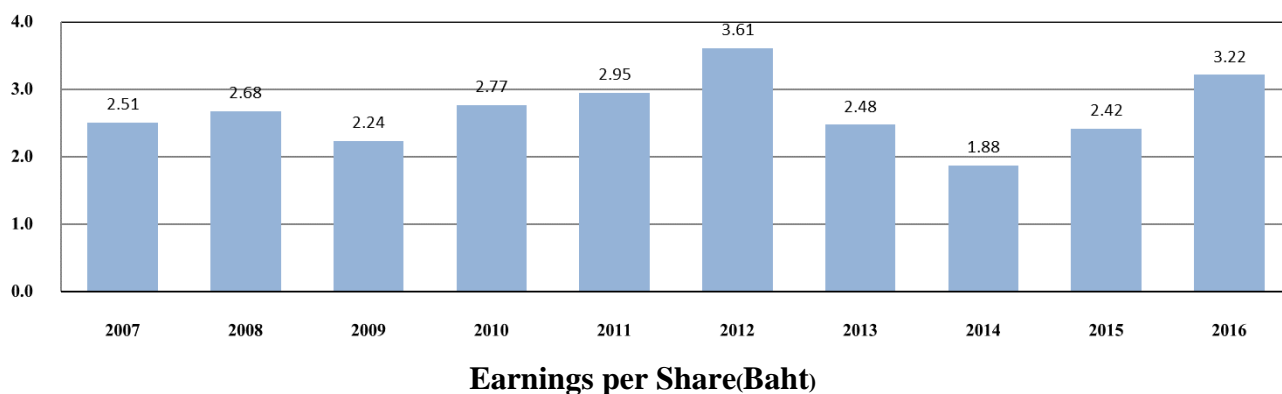
6. Profitability

Year	Profit/ Net Income (%)	Profit from Operating (%)	Profit/ Shareholders ' Equity (%)	Profit/Shar e (%)	Market Price/Profi t (time)
2016	6.98	8.17	5.61	3.22	11.34
2015	5.46	6.55	4.43	2.42	15.81
2014	4.34	5.00	3.51	1.88	21.01

In Year 2016, Company's profitability increased from Year 2015. Profit ratio from normal operation was 8.17%, increased by 1.62% compared with Year 2015. Profit per share was Baht 3.22, increased from Year 2015 due to the increasing of revenue by 272.56 Million Baht or 2.21% from sales and revenue from dividend compared with Year 2015, including increase of share of profit from investment in subsidiaries compared with Year 2015. The Company developed other systems to support for improving sales process, developing human resource with potentiality, educating employee to increase sales for the Company.



Book Value per Share(Baht)



7. Cash Cycle

Year	Average of selling period	Average of collection period (day)	Average of repayment period (day)	Cash Flow Life-Cycle
2016	172.14	45.08	57.71	159.51
2015	181.00	49.46	59.69	169.77
2014	192.76	53.10	62.48	183.38

In Year 2016, the Company had Operating Cash Cycle 159.51 days, decreased from Year 2015 169.77 days due to;

1. An average of Inventories conversion period decreased by 8.86 days, from 181.00 days (Year 2015) to 172.14 days (Year 2016), due to the decreased of Inventories in amount of 132.74 Million Baht or 3.47% compared with Year 2015 and increased of sales' income at 2.21%.
2. Receivable Conversion Period decreased by 4.37 days, from 49.46 days (Year 2015) to 45.09 days (Year 2016).
3. Payable Conversion Period decreased by 1.98 days, from 59.69 days (Year 2015) to 57.71 days (Year 2016) due to rule for calculating Company's repayment based on agreement with accounts payable consistently regardless of economic condition, as part of protecting stakeholder in accordance with policy of the Company.

8. Commitments possibly affecting to financial position/operation with significant

Commitments to individuals or unrelated businesses as prescribed in Notes to Financial Statements

The Company had commitments as guarantor for 3 joint-venture companies in amount of 114.95 Million Baht under joint-venture agreement as per proportion of shares. And also had

commitments as guarantor for 8 related businesses, in amount of 144.22 Million Baht for supporting business with connected transaction and supply chain businesses.

9. Factors affecting operation in future

Following factors might affect to the Company's future operation plan;

1. Economic Fluctuation

According to the uncertainty of Global Financial Conditions is lead to change of exchange rate in decreasing of customers' consumption in domestic and global.

2. Rapid development of technology

It is appeared new distribution channel in which the Company has to catch up with, such as online channel and social channel in which utilized and created for participation of each customer group. These include online media for selling product via telephone, tablet or other portable devices with rapidity condition, to serve customers' current way of life which is demand to shopping the products through a rapidity channel in replaced of shopping in the mall along with supporting information from their friends in online internet website for further decision-making.

3. Competition of external market

Low-cost brands enter into the market both in online and offline including well-known brand and acceptable quality with reasonable price. It causes the Company to adjust for supply chain speedily and adapting design as well.