

ANNUAL REPORT 2012

รายงานประจำปี 2555
บริษัท คาร์มาร์ท จำกัด (มหาชน)
สิ้นสุดวันที่ 31 ธันวาคม 2555

연차 보고서


피부 관리 화장품



ANNUAL REPORT 2012

KARMARTS PUBLIC COMPANY LIMITED

As at 31 December 2012



WOW!! Winter Love Lips..

“Karmarts ชวนสาวๆ!!
มาดูแลริ้วปากให้ชุ่มชื้นน่าจับกันนะ”



สองลิปกลอสสีชมพูและสีแดง
ลิปกลอสเนื้อครีมเข้มข้น
สีทนนานตลอดวันถึง 12 ชม.

Love Gloss shimmer/scandal
เพิ่มระยิบระยับความแวววาว
ให้ลิปกลอสปาก



Love Gloss
Moist, slightly wet
without sticky feel
Love gloss offers triple benefits:
the full color coverage of a lipstick,
the soft shine of a gloss, and the
luscious feel of a balm,
moisturizer, conditioner,
and balm throughout.



Petit Tint / Cathy Doll
เป็ตตีทินท์สีชมพูและสีแดง
ให้มีลิปปากดูวับชื้น



Petit Gloss / Cathy Doll
เป็ตตีกลอส เพิ่มความเปล่งประกาย
แวววาวให้ลิปปาก

“ริ้วปากสวย
สุดหวานฉ่ำ
กับพาเหรดลิปจาก
คาร์มาร์ท”



2 in 1 ริ้วปาก + กลูต้ากลอส / Cathy Doll
ดูสิว่าทิงก์ไว้หน้าแล้วจะใสขึ้น



ซูเปอร์โวลุ่มลิปปลัมเปอร์ scandal
เพิ่มเนื้อลิปปากสองอย่างพร้อมกันคือซูเปอร์



ฟีโรลิป / Cathy Doll
ลิปกลอสสีชมพูและสีแดง
เพิ่มลิปและระยิบระยับแวววาว
บนลิปปาก



Lovers Lip Tint / Enesti
ลิปทิงค์สีชมพูและสีแดงดูสิว่าผิวหน้า



แองเจิลลิปทิงค์ / Yadah
ลิปทิงค์สีชมพูและสีแดง
พวงแก้มแดงระยิบ



ลิปทิงค์สีชมพูและสีแดง / Yadah
แต่งแต้มลิปปากให้สดใส
อวบอิ่ม สดชื่น



ลิปโอเจลิปลิปปากทิงค์ / Cathy Doll
ลิปทิงค์สีชมพูและสีแดง 3 แบบ ในลิปปากทิงค์
ปากชุ่มชื้นหน้าเป็นประกาย

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New!! Cathy Doll Make Up

“ไม่ใช่แค่แต่งเติมสีสัน แต่บำรุงผิวให้ดีกว่าใคร
ด้วยสูตรบางเบา ไม่ระคายเคือง*แม่พวบบอบาง”



COMPANY PROFILE

Name	Karmarts Public Company Limited
Address	<p><u>Office and Service</u></p> <p>81-81/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160</p> <p>Tel. 0-2805-2756-60</p> <p>Fax. 0-2805-2751-2</p> <p><u>Factory</u></p> <p>140 Moo 4 Mapyangporn, Plugdang, Rayong 21140</p> <p>Tel. 038-891-811-15</p> <p>Fax. 038-891-821-22</p>
Type of Business	The distribution of consumer products, NGV cars and the provision of warehouse rental and warehouse services.
Authorized share capital	
Common stock	600,000,000 Baht (360,000,000 Baht Date February 28, 2012)
Issued and Paid up	600,000,000 Baht (360,000,000 Baht Date February 28, 2012)
Incorporate	May 11, 1982
Registered as a public company	March 18, 1994
SET Listing	October 31, 1994
Registration No.	0107537000823 (Old No. Plc. 329)
Home Page	www.karmarts.co.th
Share Registrar	Thailand Securities Depository Company Limited
	The Stock Exchange Building
Auditors	Miss Rungrapa Lertsuwankul
	Certified Public Accountant No. 3516
	Ernst & Young Office Limited.

FINANCIAL HIGHLIGHTS

KARMARTS PUBLIC COMPANY LIMITED

	Consolidated			The Company Only		
Financial Position and Operating results of year	2012	2011	2010	2012	2011	2010
Financial Position (Thousand Baht)						
Total Assets	703,231	787,445	806,598	671,536	543,838	542,020
Total Liabilities	151,628	345,015	473,463	132,049	110,959	233,667
Shareholders' Equity	552,107	443,970	331,865	539,487	432,879	308,353
Operating Results (Thousand Baht)						
Total Revenue	709,046	441,987	164,352	675,406	432,614	144,177
Total Sales and services	653,510	393,505	134,913	636,497	383,103	122,680
Gross Margin	319,626	219,275	30,699	310,910	215,885	26,878
Net Profit (Loss)	198,119	112,105	52,573	196,590	124,526	22,604
Financial Ratio						
Return on Assets (ROA) (%)	26.58	14.07	6.70	32.35	22.94	4.34
Return on Equity (ROE) (%)	39.78	28.90	17.47	40.44	33.60	7.73
Gross Margin (%)	48.91	55.72	22.75	48.85	56.35	21.91
Net Profit (Loss) (%)	30.32	28.49	38.97	30.89	32.50	18.43
Current Ratio (times)	3.53	1.07	0.61	4.21	4.41	1.16
Debt to Equity Ratio (times)	0.27	0.78	1.42	0.24	0.26	0.76
Book Value per share (Baht)	0.92	0.74	0.54	0.90	0.72	0.51
Earnings per share (Baht)	0.33	0.19	0.09	0.33	0.21	0.04

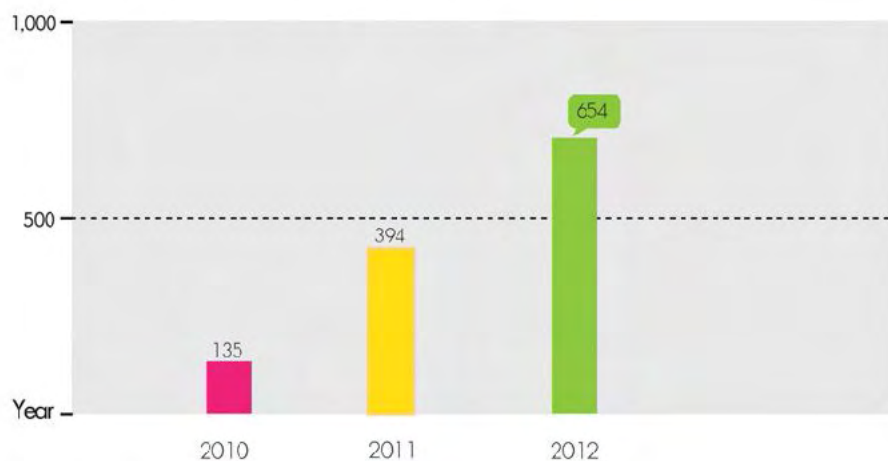
Note: Calculation is based on accounting standard by using weighted average number of ordinary shares issued during the year.



KARMARTS PUBLIC COMPANY LIMITED

OPERATING RESULTS YEAR 2010, 2011 AND 2012 (CONSOLIDATED)

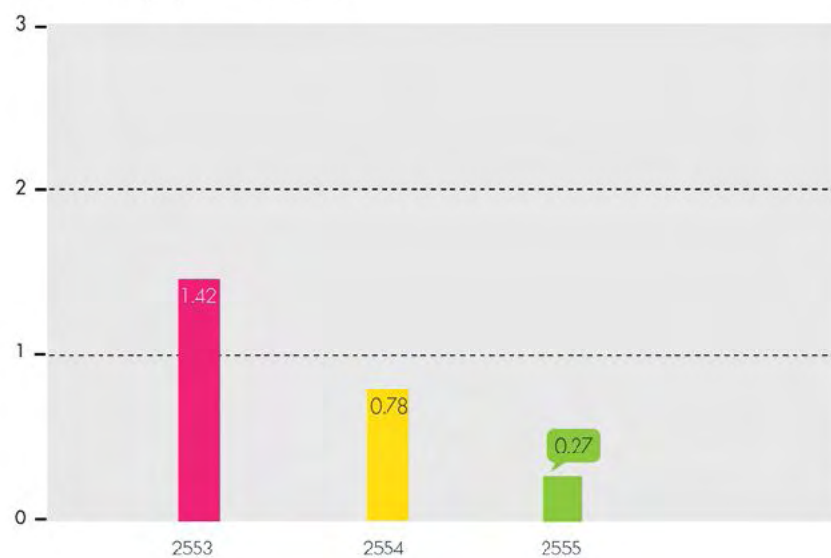
Total Sales and services (Million Baht)



Selling and Administrative Expenses (Million Baht)



Debt to Equity Ratio (Times)

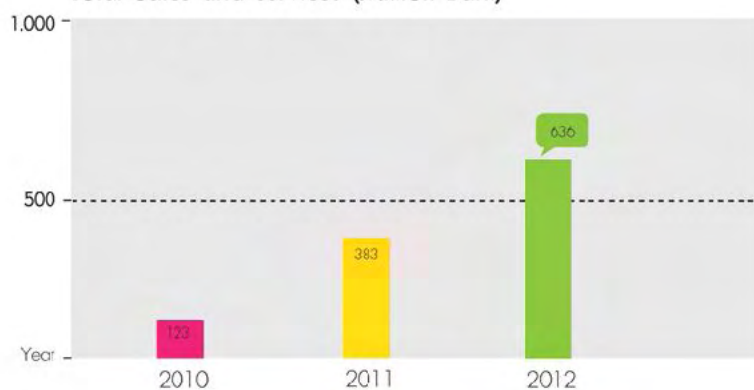


(Million Baht)	2010	2011	2012
Debt	473	345	152
Equity	334	442	552
Ratio	1.42	0.78	0.27

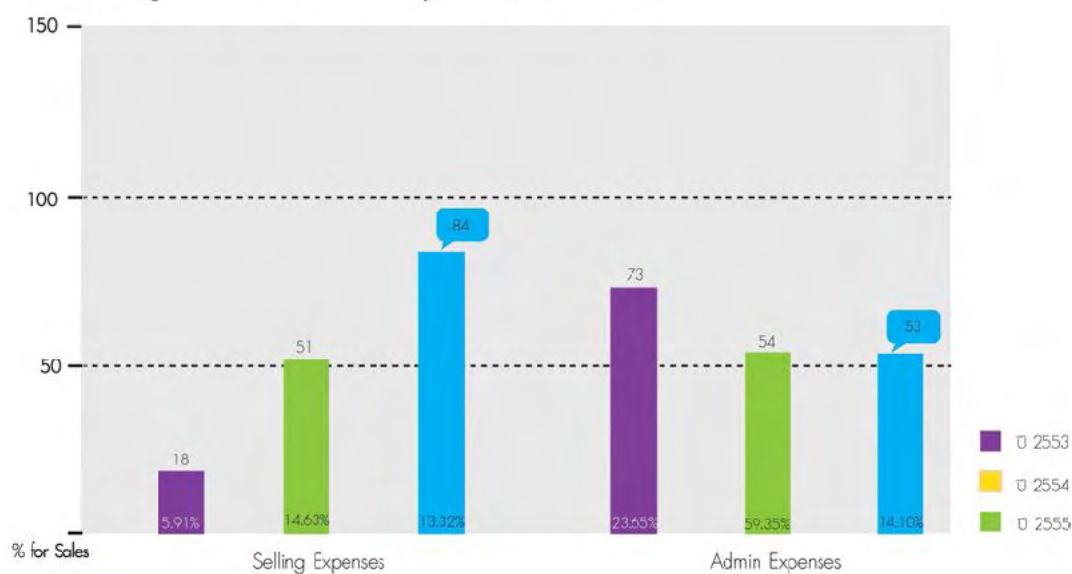
KARMATS PUBLIC COMPANY LIMITED

OPERATING RESULTS YEAR 2010, 2011 AND 2012 (THE COMPANY ONLY)

Total Sales and services (Million Baht)



Selling and Administrative Expenses (Million Baht)



Debt to Equity Ratio (Times)



MESSAGE FROM THE BOARD OF DIRECTORS

Stepping into the third year of skincare, cosmetics and consumables business, Karmarts has successfully established an excellent network of products imported from Korea and other countries in Asia. With strong determination and good will to build a concrete business foundation so as to progressively grow the organization with prosperity and stability, Karmarts has also continuously created new brands as well as new products to serve Karmarts' customers and fans from all walks of life.



Mr. Wiwat Theekhakhirikul *
Director, Chief Executive Officer and Chairman

Recently, Karmarts efficaciously launched collaborations with several foreign business partners who see great potential and place high levels of trust and confidence in Karmarts' proven track records in the area of brand management, including world-renowned brands such as MISSHA from Korea.

Moving forward, Karmarts is prepared to expand the business into other territorial regions and will further develop distribution channels in the Modern Trade market in 2013, apart from the Traditional Trade and Karmarts retail shops that the company have been focusing on. Exports to neighboring countries such as Cambodia and Myanmar as a means of expansion have also proved successful, as Karmarts products have been very well received by the relevant markets.

Karmarts also plans to advance other beauty related product lines such as dietary supplements and personal care commodities, thereby propagating Karmarts into a leading importer and distributor of an ever-wider range of quality products which are delivered to consumers at affordable prices. Additionally, Karmarts will continue to strive to achieve a minimum growth of 40% over the next 5 consecutive years.

Last but not least, Karmarts would like to take this opportunity to thank all our shareholders, customers, business partners and, especially, Karmarts staff for their continuous efforts and contributions through the tough years that we have endeavored and towards the goals and successes in the impending future.

The Board of Directors
Karmarts Public Company Limited

INCOME STRUCTURE

The Company had the Consumer Products Sales and Vehicle NGV in 2010 – 2012 as follow:

	2012		2011		2010	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Vehicle NGV Sales Value						
- Vehicle NGV	7,782	1.22	55,433	14.53	39,348	32.45
- Engines	-	-	-	-	6,470	5.34
- Cylinder	-	-	-	-	4,566	3.77
- Other	2,368	0.37	653	0.17	-	-
Total Vehicle NGV Sales Value	10,150	1.59	56,086	14.70	50,384	41.56
Consumer Products Sales Value						
- Cosmetics						
Body care	166,469	26.09	101,288	26.56	20,269	16.72
Facial skin care and cosmetics	412,673	64.67	198,460	52.03	32,502	26.81
- Daily use	12,862	2.02	13,533	3.55	7,695	6.34
- Other	34,181	5.36	7,487	1.96	1,795	1.48
Total Consumer Products Sales Value	626,185	98.14	320,768	84.10	62,261	51.35
Total Sales Value	636,335	99.73	376,854	98.80	112,645	92.91
Service Income	1,745	0.27	4,562	1.20	8,595	7.09
Grand total Revenue	638,080	100.00	381,416	100.00	121,240	100.00
% increased (decreased)	67.29		214.60		(13.48)	

Type of Business

Karmarts is an importer and distributor of cosmetics, facial care and personal care products, beauty accessories, and dietary supplements. We operate under the consolidation of various brands from many countries across Asia such as Korea, Hong Kong, Vietnam, Taiwan, and China etc,. Every carefully selected brand is allocated to multiple distribution channels, depending on its branding position and respective target group of customers.

At Presently, Karmarts have imported more than 300 brands from different countries, mainly in Asia, to conquer different market segments. Differentiated marketing strategies have also been adopted differently for each brand so as to best meet the interests of all stakeholder

Market Survey and Market Planning

Through regular market surveys, including data collection from the customers made by sales team and marketers, Karmarts periodically review tactical plans to maintain the company's competitiveness in the market. Also, sales records of each SKU and category are consistently drawn for market evaluation and analysis relating to price structure, competition, and customers' needs etc.

Company's History and Significant Change during the year

Following the strategic change in the company's primary business from the importing and distribution of NGV buses to that of cosmetics in 2010, Karmarts has been focusing on the selection of the best products for our consumers and the continuous expansion of distribution channels to better reach our target markets. The management team constantly recruits experienced personnel and experts in the field of cosmetics and has assembled an effective and efficient marketing team to contribute to the goals of the company. Performance of the company in the year 2012 was exceptional, in part due to the overall strong growth of the cosmetics market combined with Karmart's enhanced marketing strategies. Brand equity was raised significantly and outstanding sales records were achieved in wholesale markets in both Bangkok and other provinces over the past 3 years. A strong brand preference has been established and clients including traders, wholesalers and consumers now identify "KARMARTS" as a leading cosmetics and beauty products provider. In addition, substantial positive feedback have been received from traders who reported profits through the retailing of Karmarts products.

In response to promising market trends in the cosmetics industry and further building upon the excellent results achieved through the wholesales channel, retail chain stores and concept stores were introduced under Karmarts trademark as a way to expand the business. The business model which operates under central management and applies standard business methods attracted general traders who see investment opportunities. A franchise system was hence developed and Karmarts commenced the distribution of products to franchisees, across the country, who sell consistent varieties of products and operate under coherent marketing strategies. Centrally, Karmarts provides management support for franchisees in the form of advertising, continuous analysis and reporting of sales data and a contingency business planning.

By 2012, the number of franchised stores increased from 20 to 80 in Thailand, with more than 10 stores under construction. This year, Karmarts will continue to expand and increase the number of stores situated in locations ideal for retail operations. The company also plans to place more emphasis on the selection criteria of franchisees to ensure that our high quality products are provided by established franchisees with the right service mindset to our customers.

In addition, Karmarts entered into partnerships with local departmental stores in 2012 to reach out to an even greater mass market and achieve increased sales volume and profit in the long run. The strategic move has proved successful as we witnessed improved sales figures in the past year.

In relation to the business of NGV vehicles, the Company plans to continue to provide after-sales service and spare parts sales to existing customers. No further expansion of the business segment has been planned to date.

Production Sourcing

KARMARTS selects and imports only the best products for our consumers. We work with professional and advanced manufacturers who efficiently produce high quality products and deliver the best services. Selected business partners are none other than experts in various categories of cosmetics, most of whom are world-renowned corporations in the industry who manage reputable brands. In order to maintain the highest product quality and safety, factory visits will be conducted before manufacturing commence. In the regime of cost management, Karmarts places great importance on cost-price structures and performs careful analysis of raw materials and other expenses so that goods are delivered to our target market in Thailand at best prices.

Marketing Segmentation

As Karmats imports products of various brands and targeting them at different groups of consumers, therefore, the products are categorized as follows.

- Imported Products which are well-marketed and well-recognized in the market

This middle range pricing group of products is suitable for Class B consumers. Karmats markets these products through every distribution channels nationwide whose target groups have been appropriately selected for each brand so as to effectively deliver branding and best respond to customers' needs.

Moreover, for the optimum marketing results, Karmats delicately selects brands and product types to suit our business partners' target end-users as this channel has costly new-product entrance expense which is different from other channels.

Products chosen for Karmats franchise shops are considered suitably according to brands and each shop locations whereby certain brands are solely picked specially for this channels only to create differentiation of market channels.

- Imported products which do not need after-market support

This group of products have low retail prices which are well-received by class B to class C retail end users. Suitably, these products are well-distributed across the country.

- OEM product group

By cooperating with world leading cosmetics research institution, Karmats always gathers new ideas and researches to innovatively create new product property concepts, tests product quality with the laboratory before production which later launches to the market. Therefore, Karmats delicately selects qualified manufacturers from various countries depending on factories' specialty and expertise. At present, main source of manufacturers Karmats selected are from Korea whose background are qualified and acceptable by many well-known cosmetic brand in Korea. Hence, this consistently allowing our new products to be launched along the period the big cosmetic brands do in the market.

Apart from quality concern and readiness of rapid change among the competitors of the same industry, Karmats also emphasize on design and creativity of the product packaging as well. Continuously, Karmats product designers apparently never stop thinking of new product concepts, outstandingly creating new masterpieces with market differentiation so as to truly meet customers' needs and satisfaction.

Currently, Karmats' major brand is "CATHY DOLL" Inspired by modern Korean fashion styles and beauty trends, Cathy Doll is an in-house cosmetics brand specially developed to satisfy the unlimited imagination of teenagers. Similar emphasis is placed on achieving beautiful skin from head to toes and products are designed to incorporate skin solution needs specific to every teenager. Evident results can be achieved through sustained use of the products which not only serve as cosmetics but also skincare which are provided at affordable prices for the young ones. The brand focuses on categorized product concepts and details and tells a story through cartoon characters including "Cathy Doll" which has been created as a simple illustration that is representative of a joyful and cheerful character. Distinguished packaging has also been introduced to enhance the brand identity and customer retention. Cathy Doll's target group ranges from 15-40 years old and well-responded to all income levels. Cathy Doll products pricing averagely ranges from 200-400 Baht focusing on class B to C customer levels. However, there are certain specific products whose properties respond well to class A customers. For example, Cathy Doll Botox Eye Serum, used to apply around eyes' area as to tighten skin and reduce wrinkles before putting on make ups.

Karmarts lawfully holds the right of trademarks on OEM products being manufactured locally, as well as, internationally.

Product Categories

- Facial care products ; Foam cleanser, Facial essence, Sun protection cream, Facial serum, Mask sheet, Poder mask, etc.
- Body care products ; Liquid Soap, Sun protection lotion, Body serum, Powder mask, Body lotion, etc.
- Make up cosmetics products ; Compressed powder, Lipstick, Brush on, BB cream, Foundation, Mascara, Eye liner, etc.
- Nail care products ; Nail color polisher, Nail color remover, Nail deco sticker, Nail care essence, etc.
- Hair Care Products ; Shampoo, Conditioner, Treatment, Hair-dye products, Hair essence, etc.
- Private Care Products ; Skin toner, Salt Scrub, Cleanser, Etc.
- Cosmetic Tools and Accessories ; Facial massage tools, Eyelash adhesive, Eyelash curler, Make up brush, etc.
- Food and Beverage products ; Body firming supplements, Whitening supplements, Chocolate, etc.
- Consumer products ; Insects repellent products, Detergents, Dish washing liquid, etc.

Pricing Strategies

As Karmarts imports assorted products of more than 3,000 SKUs with wide price range depending on each brand's position which can categorized as follows.

Product group with retail price less than 150 Baht

These products consist of make up tools, nail products, and other reduced size products to meet low income group of customers' needs who prefer to purchase products in a small portion but more frequent. Also, this price range responds well to customers who would like to test products in a small portion first before making decision to purchase normal sizing products.

Products with retail price 150-500 Baht

This group of product price range is found to be the most suitable to Thailand Market at present, whose target group is the middle income people where Cathy Doll places itself in this group too.

Product group with retail price more than 500 Baht.

Mostly, this product group is facial care products which focus on Class B to A income level. Usually, Brands selected are well marketed brands from overseas.

Distribution Channels

Karmarts has mainly focused on 4 distribution channels

1.Traditional Trade

This includes retail shops and wholesales shops nationwide as follows.

Retail Shops

- Local cosmetic shops
- Local pharmaceutical / drug Stores
- Local Supermarket Store and Minimarts

Wholesales Shops

- Major cosmetic products distributor / agent
- Major consumer products distributor / agent

Presently, there are active 252 agents nationwide and more than active 500 wholesalers nationwide who have direct account with the company.

2.Karmarts shops

Under a service Trademark license “ KARMARTS ” whose concept comes from beauty room for women who appreciate skin care, make up, korean grooming style, Karmarts’ Shocking-pink Painted Shop decoration always easily catches attention of the passerby and customer alike. Products selection within shop comprises of various brands across asia with more than 1,000 items covering every product categories depending on the size of the shop.

Retail prices and promotions are set under single POS system whose data are compiled from the head quarter and send to the branches accordingly. By continuously working together with the partners, promotions and co-promotions are set in each period to serve the market demands and maximize franchisees’ sales income.

Operating under a franchise term only, Karmarts shop franchisee must strictly follow rules and regulation set forth in the agreement made by Karmarts.

Branches as at year ending 2012 has a total value of 80 locations distributed across the country as follows;

Area	No. of Branches
Bangkok and vicinity areas	41
Other provinces	39
Total	80

3.Modern Trade

Karmarts has begun sales operation in Modern trade channels in 2012. Strategically expanding sales location throughout the country, Karmarts covered sales opportunities in the unreachable areas through this channel to serve consumer better as follows;

- Hypermarket ; Big C, Lotus, etc.
- Supermarket ; Home Freshmart, Gourmet Market, etc.
- Minimart ; 108 Shops, 7-Eleven, etc.
- Cosmetic Chain Store ; Watsons, Boots, etc.
- Catalogue ; Friday Catalog, 7-Catalog, etc.
- Online ; Lazada, etc.

4.Export Market

Begun distribution through export channel in 2012, Karmarts products has been exported to Laos, Cambodia, Myanmar, Singapore, and etc. Steadily growing in demands from overseas market, different marketing strategies have been adopted for each individual country to server different demands.

In addition to normal export channels, Karmarts shops have been established in Myanmar and Cambodia market to serve customers with all range of products too.

Marketing Communication

Marketing communication through activities can be considered as an effective strategy to boost sales revenues. This is because activities can provide product recognition and services that allow target customers to consume and get interacted to products through 5 senses namely, sight, taste, smell, hearing, and touch. Karmarts has adopted a form of activity called Integrated Marketing Communication which makes use the combination of advertisement and direct-to-customer marketing strategy to obtain more Karmarts products consumers.

Offline Media

1. Printing Advertisement

- Teenager Magazine
- Fashion Magazine
- Entertainment Magazine

2. News Paper, eg. Thairath Daily Newspaper (more than 12,000,000 subscribers)

3. Radio, eg. Cool FM, Like FM, LooktongThailand Country FM



4. Printing Media (Magalog) for KARMARTS Customers (Quarterly)



ใบปลิวโมโนชั้นประจำเดือน

5. Publication and Moving media Leaflets, Sales talk

Bus wrap



Online Media (Social Media)

Online media is innovative marketing communication technique to save the budget also help deliver marketing messages to attract targeted customers.

1. Facebook and Instagram

Social network as Facebook, Instagram is one of the innovative marketing techniques where by KARMATS created a 'page' has build up 'subscribers' or 'fans' and use this to organize a contest, launch a new product, or simply just to increase brand awareness. The number of group subscribers which become a effective marketing tool.

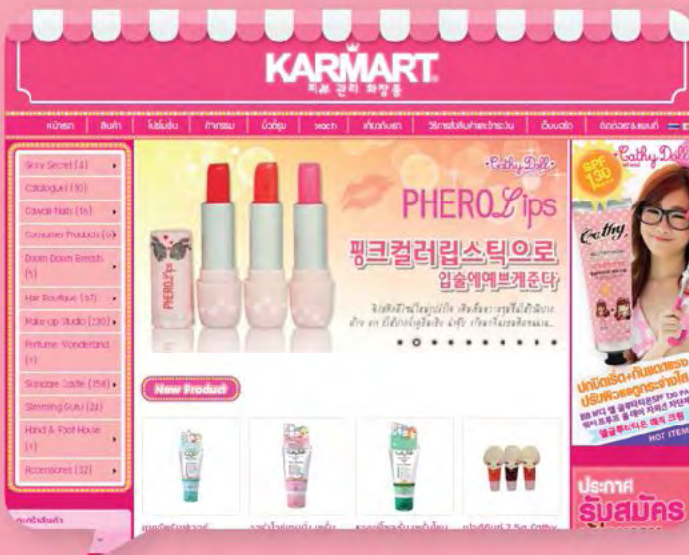
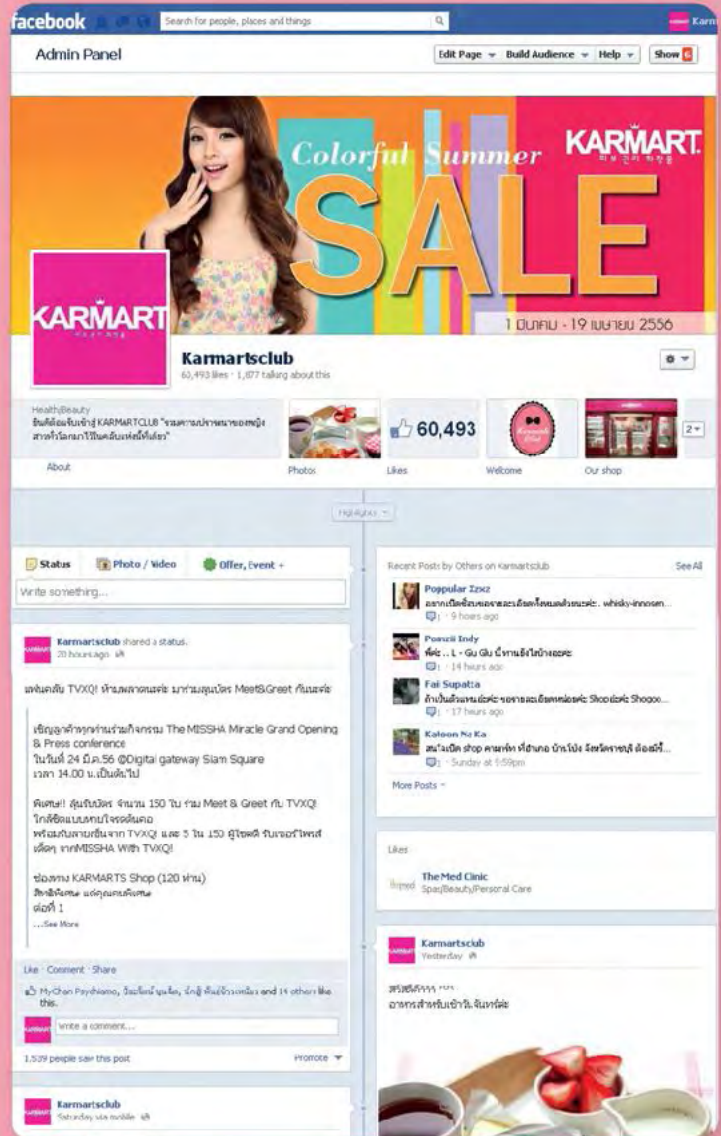


- Workshop Make up Trend for special day, eg. Halloween Day
- Special event, eg. Romantic Exclusive Dinner

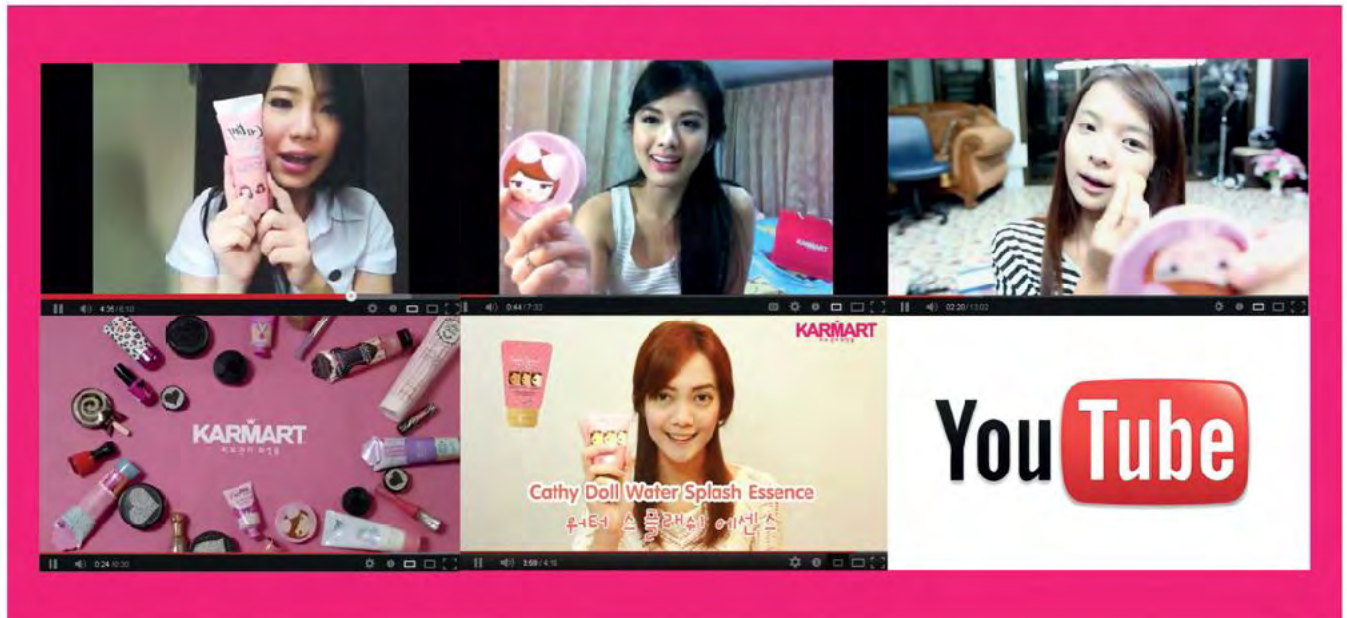
Aim to target will growing numbers of subscribers increase more than 40% from active member 60,000 persons

2. Website

www.karmats.com which displays promotion of products or services over the Internet to deliver marketing messages to targeted customers. Also, we create banner to introduce new products at www.pantip.com and www.jeban.com



3. Youtube- presenting ours products by the famous beauty blogger making video clips.



Events & Activities

Marketing communication through activities can be considered as an effective strategy to boost sales revenues. This is because activities can provide product recognition and services that allow target customers to consume and get interacted to products through 5 senses namely, sight, taste, smell, hearing, and touch. Karmarts has adopted a form of activity called Integrated Marketing Communication which makes use the combination of advertisement and direct-to-customer marketing strategy to obtain more Karmarts products consumers.

1. Activity with members “KARMARTS one day 9 Temples trip”



2.Karmart Present 2PM Hands Up ASIA Tour in Bangkok 2012 Concert

3. The MISSHA Miracle Grand Opening & Press conference with TVXQ at Digital Gateway Siam Square

4.Campaigns and promotions



5. Corporate Social Responsibility

- Donation for Flooding
- Charity Event Eg. Give supplement to Education Institute



Future Plan

Training course for employee

In the cosmetic industrial need the professional of product knowledge for customer assistant in all distribution channels. The company project training courses are for all employees in our organization and shop assistant, especially shop assistant in retail shop under trademark "KARMARTS" for standard and image of company.

IT development

Due to company are moving forward and over achieve in the past year. The company is planning to develop in-house IT system management, Karmarts shop distribution center management system and store management system for supporting to data storage system and data analysis system in high efficiency to manage operation.

Product group position for each channel

As Karmarts imports products of various brands therefore the company had created the differential market channels for retail channel and especially wholesale channel. The company continuously selected many brands under trademark "Karmarts" of the best quality and affordable prices for target of wholesale marketing that create a brand image of other product's brand in consumer mind. Appropriately of marketing positioning can distinguish from consumer.

DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



Mr. Wiwat Theekhakhirikul *

Position Director, Chief Executive Officer and Chairman
Age (Year) 60
Educational Background Bachelor degree of Political Sciences,
Major in Political, Ramkamhaeng University
National Defense College Class 2547
Number of Share (%) 138,114,372 Shares 23.02%
As at March 15, 2013



Lt.Gen. Kobboon Vichit

Position Director and Audit Committee Chairman
Age (Year) 65
Educational Background Master Degree of Public Administration,
National Institute of Development
Administration
Number of Share (%) -
As at March 15, 2013



Mrs. Preeyanuch Paiboonsithiwong *

Position Director, Executive Director and
Managing Director
Age (Year) 47
Educational Background Master Degree of Accounting Major,
Thammasat University
Number of Share (%) -
As at March 15, 2013



Mr. Kraiwit Satayapiwat *

Position Director, Executive Director and Deputy
Managing Director
Age (Year) 56
Educational Background Bachelor degree of Engineering Major
Mechanical, Chulalongkorn University
Number of Share (%) -
As at March 15, 2013

Remark : * Means authorized signatory director as announced in Company's Affidavit



Mr. Prasit Dheeraratbongkot

Position Director and Audit Committee

Age (Year) 58

Educational Background B.ENG (EE) Chulalongkorn University
Directors Certification Program (DCP62)
Thai Institute of Directors

Number of Share (%) -
As at March 15, 2013



Puttithorn Jirayus, PhD

Position Director and Audit Committee

Age (Year) 37

Educational Background PhD (English Program) in Business Administration Institute
of International Studies – Ramkhamhaeng University
MBA Major in Management at Sasin Graduate Institute
of Business Administration of Chulalongkorn University
B.B.A in International Marketing American
Intercontinental University

Number of Share (%) -
As at March 15, 2013



Mr. Parit Teekakirikul

Position Director

Age (Year) 30

Educational Background Master of MSc in Construction Management,
University of Reading, UK
B.B.A. Bachelor Engineering Major Civil
Engineering Chulalongkorn University

Number of Share (%) -
As at March 15, 2013



Mr. Wongwiwat Theekhakhirikul*

Position Director and Executive Director

Age (Year) 29

Educational Background Bachelor degree of Engineering,
Chulalongkorn University

Number of Share (%) 975,900 Shares 0.16%
As at March 15, 2013

**Mr. Seah Sin Loo**

Position Director
Age (Year) 62
Educational Background Secondary
Number of Share (%) -
 As at March 15, 2013

**Mrs. Tussanee Auncharoen**

Position Deputy Managing Director
Age (Year) 52
Educational Background Bachelor degree of Education (B.Ed.),
 Major Mathematics, Sri Nakharinwirot University
 Bachelor degree of Business Administration
 Major General Management Sukhothai
 Thammathirat University
Number of Share (%) 160,000 Shares 0.03%
 As at March 15, 2013

**Ms. Chonthida Theekhakhirikul**

Position Assistant to Managing Director of Product
 Management and Marketing of Karmarts Business
Age (Year) 31
Educational Background MBA Major in Marketing at Sasin Graduate Institute
 of Business Administration of Chulalongkorn University
 Bachelor degree of Accounting Faculty of Commerce
 and Accountancy Chulalongkorn University
Number of Share (%) 154,000 Shares 0.03%
 As at March 15, 2013

**Ms. Suwannee Tharacheevin**

Position Assistant to Managing Director of Accounting
Age (Year) 48
Educational Background Bachelor degree of Business Administration
 Major Accounting Sukhothai Thammathirat University
 Bachelor degree of Business Administration
 (B.B.A), Major General Management Sukhothai
 Thammathirat University
Number of Share (%) -
 As at March 15, 2013

Remark : * Means authorized signatory director as announced in Company's Affidavit



Mrs. Aunruen Arunvisavakul

Position Assistant to Managing Director of Warehousing and Shipping
Age (Year) 53
Educational Background Bachelor degree of Liberal Arts, Major Management, Bansomdejchaopraya Rajabhat University
Number of Share (%) -
As at March 15, 2013



Mr. Pongwiwat Theekhakhirikul

Position Senior Director of Product Management of Karmarts Business
Age (Year) 28
Educational Background Bachelor degree of Architecture, Chulalongkorn University
Number of Share (%) -
As at March 15, 2013



Mrs. Somsri Viriya

Position Director of Accounting
Age (Year) 44
Educational Background Bachelor degree of Business Administration Major Accounting Sukhothai Thammathirat University
Number of Share (%) 176,000 Shares 0.03%
As at March 15, 2013



Mr. Meechai Wongjaruwarawit

Position Director of Operations and Sale of Karmarts Business
Age (Year) 48
Educational Background Bachelor degree of Business Administration Major Marketing Bangkok University
Number of Share (%) -
As at March 15, 2013

RISK FACTORS

Financial risk management

The Company has a risk management policy as described below.

1. Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk arising mainly from trading transactions that are denominated in foreign currencies.

The significant balance of financial assets and liabilities denominated in foreign currencies as at December 31, 2012 US dollar 1.71 (Average exchange rate 30.7775).

2. Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, and short-term and long-term borrowings with interest bearing. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at December 31, 2012 classified by type of interest rates 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					
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets						
Cash and cash equivalent	0.62%	-	-	2	-	2
Finance lease receivables	5.6% - 10.8%	1	4	-	-	5
Trade and other receivables	-	-	-	-	112	112
		1	4	2	112	119
Financial liabilities						
Short-term loans from bank - trust receipts	3.43% - 7%	51	-	-	-	51
Trade and other payables	-	-	-	-	28	28
Liabilities under finance lease agreements	5% - 8.5%	11	12	-	-	23
Long-term loan from bank	MLR - 0.5%	-	-	32	-	32
Other long-term loan	0.5%	2	2	-	-	4
		64	14	32	28	138

(Unit: Million Baht)

	Separate financial statements					
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets						
Cash and cash equivalent	0.62%	-	-	2	-	2
Finance lease receivables	5.6% - 10.8%	1	4	-	-	5
Trade and other receivables	-	-	-	-	118	118
Short-term loans to subsidiaries	6.125%	15	-	-	-	15
		<u>16</u>	<u>4</u>	<u>2</u>	<u>118</u>	<u>140</u>
Financial liabilities						
Short-term loans from bank - trust receipts	3.43% - 7%	51	-	-	-	51
Trade and other payables	-	-	-	-	26	26
Liabilities under finance lease agreements	5% - 8.5%	3	8	-	-	11
Long-term loan from bank	MLR - 0.5%	-	-	32	-	32
		<u>54</u>	<u>8</u>	<u>32</u>	<u>26</u>	<u>120</u>

3.Credit risk

The Company and its subsidiaries are exposed to credit risk from trade accounts receivable, finance lease receivables, and other receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables, finance lease receivable, and other receivables as stated in the statement of financial position.

THE CONNECTED TRANSECTIONS

The Connected Transactions

An acquisition of goods and services Baht 1 million, under normal commercial terms and conditions the Long-term loan from related party Baht 15.49 million and Interest income Baht 2 million, which had been disclosed in notes to financial statements in topic 9.

Necessities and Reasons of Connected Transactions

The company made some connected transactions with certain connected companies for business purposes and of ordinary prices that applied to all customers. So such transactions were truly made in accordance with necessity of normal operation. As for the acquisition or disposition of assets The Audit Committees agreed that the said transactions are justifiable and beneficial to the company. As the mentioned transactions will provide additional value to the company. The related and mutual supported business which is in the ordinary course of business and under normal commercial terms and conditions. The board members who have none of relations with the company agreed in this new capital increment which seemed to be beneficial to the company's business expansion and by contributing to the branding efficiency, Karmarts needs to justify prices under normal commercial terms and conditions. Nevertheless, the Board members who have relations with the company would not participate and have no rights to vote in the meeting as well.

Procedures on the Connected Transactions

The company entered into the connected transaction as the usual course of business according to the contract terms with fair prices as applied to ordinary customers and the approval procedures normally used for ordinary customers were strictly applied.

The guarantee obligation for the related company were considered and approved by the Board of Directors and Shareholders.

Policy and Trend of Transactions with Related Companies in the Future

Connected transactions are made for normal operation of business, with fair value. Hence trend of transactions depends on business growth and changes in the future.

Karmarts Public Company Limited Connected Persons

Connected Persons	At March 15, 2013 Karmarts Plc.		Subsidiary				Related Company	
			StarCom Co., Ltd.*		My Bus Co., Ltd.		Chaiviboon Intertrade Limited Partnership	
	%Share	Position	%Share	Position	%Share	Position	%Share	Position
1. Karmarts Plc.	-		70.00%		95.16%		-	
2. "Theekhakhirikul" Group	31.88%		-		-		-	
2.1 Mr. Wiwat Theekhakhirikul	23.02%	Director	-	Director	-	Director	-	
2.2 Ms. Chontida Theekhakhirikul	0.03%		-	Director	-	Director	-	
2.3 Mr. Wongwiwat Theekhakhirikul	0.16%	Director	-		-		-	
2.4 Mr. Pongwiwat Theekhakhirikul	-		-		-		90.00%	Partnership
2.5 Mr. Polkrit Theekhakhirikul	4.53%		-		-	Director	-	
2.6 Mr. Parit Theekhakhirikul	-	Director	-		-		-	
2.7 Ms. Viamol Theekhakhirikul	4.08%		-		-		-	
	0.06%							
3. Mr. Kraiwit Satayapiwat	-	Director	-	Director	-	Director	-	
4. Mr. Decha Singhsinsuk	-		30.00%		-		-	
5. Other	68.12%		-		4.84%		10.00%	
Total	100.00%		100.00%		100.00%		100.00%	

Director	Karmarts Plc.		StarCom Co., Ltd.*		My Bus Co., Ltd.		Chaiviboon Intertrade Limited Partnership	
	CEO	Director A	MD	Director A	MD	Director A	MD	Director A
1. Mr. Wiwat Theekhakhirikul	✓	✓		✓		✓		
2. Ms. Chontida Theekhakhirikul				✓		✓		
3. Mr. Wongwiwat Theekhakhirikul		✓						
4. Mr. Pongwiwat Theekhakhirikul								✓
5. Mr. Kraiwit Satayapiwat		✓		✓		✓		

Remark: Director A Meant authorized signatory director.

* The company sold all its investment in that subsidiary on December 20, 2012.

SHAREHOLDERS STRUCTURE

The company has its capital registration of 600,000,000 Baht (360,000,000 Baht Date 28 February 2012) and the paid-up capital of 600,000,000 Baht (360,000,000 Baht Date 28 February 2012) which consists 600,000,000 share of par value 1 Baht (0.60 Baht Date 28 February 2012)

Shareholders' name	Amount	% Owned
1. Theekhakhirikul Group	191,304,272	31.88
Mr. Wiwat Theekhakhirikul	138,114,372 23.02%	
Mr. Polkrit Teekhakhirikul	27,200,000 4.53%	
Ms. Woramol Teekhakhirikul	24,500,000 4.08%	
Mr. Wongwiwat Theekhakhirikul	975,900 0.16%	
Ms. Chontida Theekhakhirikul	154,000 0.03%	
Ms. Narapan Theekhakhirikul	360,000 0.06%	
2. PHILLIP SECURITIES PTE LTD.	48,068,000	8.01
3. Mr.Sompong Cholkadeedamronggul	33,660,000	5.61
4. Mrs. Chalao Wattanasombat	33,425,060	5.57
5. Mrs. Vanida Saejew	21,636,000	3.61
6. Mr. Chalemdech Leewongcharoen	18,000,000	3.00
7. Ms. Hatairat Tumthavonvanit	14,440,000	2.41
8. Thai NVDR Co., Ltd	13,056,009	2.18
9. Miss Paviena Sriragul	5,410,800	0.90
10.Miss Chantip Sriragul	5,227,700	0.87
11. Other	215,772,159	35.96
Total	<u>600,000,000</u>	<u>100.00</u>

Remark : Shareholder's name and percentage of shareholding as shown above is the same as the closing date of the securities register on March 15, 2013 by the information of Thailand Securities Depository Co., Ltd.

Dividend payment policy

The company will pay dividend on 50% of net profit as per profit and loss statement of individual company after deduct the reserve law that is not less than 5% of net profit until that reserve will not less than 10% of capital registered.

INVESTMENT STRUCTURE AND TYPE OF BUSINESS IN RELATED



Juristic person which the Company hold at least 10%

	Type of business	Registered capital	Paid-up capital	Company's stake
My Bus Co., Ltd. Location : 214 Ladya Rd., Klongsarn, Bangkok 10600 Tel. : 0-2805-0220 Fax. : 0-2805-0220	Public Bus Operation	90,000,000	32,000,000	95.16%
StarCom Co., Ltd. Location : 81-81/1 Soi Phetchakasem 54, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. : 0-2805-2756-60 Fax. : 0-2805-2751 (The company sold all its investment in that subsidiary on December 20, 2012)	Telecommunication devices imported, sales, do the marketing of Public Payphones (operators)	206,000,000	206,000,000	70.00%

MANAGEMENT STRUCTURE

Names of Director, Audit Committee, Management and Secretary

Name	Director	Audit Committee	Executive Director	Management	Secretary
1.Mr. Wiwat Theekhakhirikul *	✓	-	✓	✓	-
2.Lt.Gen. Kobboon Vichit	✓	✓	-	-	-
3.Mrs. Preeyanuch Paiboonsithiwong *	✓	-	✓	✓	-
4.Mr. Kraiwit Satayapiwat *	✓	-	✓	✓	-
5. Mr. Prasit Dheeraratbongkot	✓	✓	-	-	-
6.Puttithorn Jirayus, PhD	✓	✓	-	-	-
7.Mr. Parit Teekakirikul	✓	-	-	-	-
8.Mr. Wongwiat Theekhakhirikul *	✓	-	✓	✓	-
9.Mr. Seah Sin Loo	✓	-	-	-	-
10.Mrs. Tussanee Aunchaoren	-	-	-	✓	-
11.Ms. Chonthida Theekhakhirikul	-	-	-	✓	-
12.Ms. Suwannee Tharacheevin	-	-	-	✓	✓
13.Mrs. Aunruen Arunvisavakul	-	-	-	✓	-
14.Mr. Pongwiat Theekhakhirikul	-	-	-	✓	-

Remark: * Means authorized signatory director as announced in Company's Affidavit

Board of Directors – Roles and Responsibilities

Board of Directors, comprising of 9 members. Is to oversee that the company's businesses are managed and carried out in accordance with laws and regulations, Articles and Associations of the company and shareholders' resolutions, and to monitor and ensure that the company's management perform that duties honestly and utmost safeguard the company's benefits and properties.

Audit Committee – Roles & Responsibilities

Audit committee, comprising of 3 independent directors with three members being well experienced in accounting and financial areas. Audit committee is to monitor and review business activities of the company in accordance with roles and responsibilities as outlined in the Audit Committee Charter such as to review financial statements, internal control system, compliance to laws and the company's regulations.

Executive Committee – Roles and Responsibilities

Executive Committee, consisting of 4 directors is appointed by the Board of Directors, the Executive Committee is to manage and oversee the overall business of the company for and on behalf of the Board of Directors.

Management Team – Roles and Responsibilities

Board of Directors selects and appoints a Managing Director to be in charge of overall management activities of the company, to generate business growth and maximum benefits for shareholders. The Managing Director is empowered to appoint Management Team to assign him or her to effectively carry out the company's business in accordance with policy and business plans.

Directors and Management Team Appointment

The company has a policy to appoint the Directors by the board of directors who compulsorily propose to shareholders for approval. One share owned will be honored one vote and the approval process will follow the majority votes, accordingly to the decree 70 of the public company Act 1992

The Board of Directors consists of five representatives of the corporate shareholders; the other of whom is from one foreigner shareholder; two independent Directors, and one executive Directors.

In terms of the management team, the Board of Directors will appoint the highest Management level from the Chief Executive Officer to the Director level and below that, the responsibility will follow the chain of command.

Although the company's Board of Directors has no representative of minority shareholders, who actually have the voting rights, the company still has independent directors who are well qualified and best known to protect the minority shareholders' interests.

Remuneration of Board's Members and Executives

Remuneration for a member of the Board of Directors in terms of meeting allowances and other benefits are as follow.

Name	Baht	
	2012	2011
1. Acting Second Lieutenant Somchai Wasantwisut	120,000	80,000
2. Mr. Wiwat Theekhakhirikul	60,000	40,000
3. Mr. Prapas Rerkpiboon	-	40,000
4. Lt.Gen. Kobboon Vichit	50,000	-
5. Mr. Kraiwit Satayapiwat	60,000	40,000
6. Mr. Somchai Tungsrisk	-	40,000
7. Mr. Prasit Dheeraratbongkot	60,000	40,000
8. Puttithorn Jirayus, PhD	60,000	40,000
9. Mr. Parit Teekakirikul	60,000	30,000
10. Mr. Wongwivat Theekhakhirikul	50,000	-
11. Mr. Seah Sin Loo	-	-
Total	520,000	350,000

The Board of Director's remuneration for the year 2012 must not exceed 3 million Baht whereby Audit Committee Chairman receive Baht 20,000 per meeting, Independent audit committee receive Baht 10,000 per meeting, Chairman of the Board of Directors receive Baht 20,000 per meeting, and the rest of the members receive Baht 10,000 per meeting.

Remuneration for the company's Directors and Management team in year 2012 was Baht 17 million compared to previous year of Baht 12 million. The sums are in terms of salary, Bonus, and transportation expenses.

Others allowance for the Directors and Management team.

None.

Good Corporate Governance Policies

1. Report on Good Corporate Governance

The Board of Directors places a top priority on the principles of Good Corporate Governance, and established a set of policy guidelines and principles for the company to observe as follows:

- Equal and fair treatment for all stakeholders.
- Forward looking commitment to add value to company's operations, prudent and thorough management of its operations, responsible, competent and effective performance to maximize shareholders' value with prevention the conflicts of interest.

- Transparency and accountability in the operations, adequate disclosure of information to all parties concerned.
- Awareness of risks in conducting the business, implementation of appropriate risk management strategies.
- Establishment of moral and ethical guidelines for company's directors and staff to follow:

2. Shareholders Rights

Company places a high priority on Shareholders' Rights. These rights are stipulated in its Articles of Association, for the right to access the company information, vote as a shareholders, fair treatment and facilitation for shareholders in its meeting.

3. Stakeholders Rights

Company also places utmost importance on all groups of stakeholders, on their rights, reliable and timely disclosure of information for dissemination to all our stakeholders, fair treatment to our counterparties and all our staff.

4. Shareholders' Meetings

Another top priority is our shareholders' Meetings, as stipulated in Company's articles of Association. We have clearly defined our guidelines for organizing our shareholders' Meeting and for facilitating and disseminating news and relevant information to our shareholders adequately and on equal basis.

5. Leadership and Vision

The Board of Directors actively takes part in setting company's vision, obligation, goal, business plan, and budget considerations. The Board of Directors also supervises the management to ensure that all operations are conducted efficiently and effectively, as planned and within their budget. The Board of Directors has also instituted the Internal Audit and control system as well as risk management measures, and set up regular monitoring mechanism to follow up the operation consistency.

6. Conflicts of interest

To present conflicts of interest. The Board of Directors has drawn up ethical guidelines for directors to follow. The directors shall execute their duties while avoiding conflicts that may arise between personal interests and those of the company in order to maximize management efficiency. The avoidance of conflicts of interest is deriving personal benefits from directorship, not use company information in a wrong manner. The Board has tasked the Audit Committee to monitor and report cases in which conflicts of interest may arise.

7. Business Ethics

Board of Directors has established moral and ethical guideline. These guidelines have been disseminated to all executive directors and staff to abide. This practice is intended to foster consciousness for a moral and ethical job performance, leading to satisfactory internal audit and control, which are interconnected.

8. Checks and Balance of Non-Management Board Members

Company's Board of Directors consists of 9 members.

- Directors who are the management members 4 persons.
- Independent directors who also serve as the Audit Committee 5 persons.

9. Aggregation or Segregation of Positions

The Chairman of the Board of Directors does not concurrently assume the Chief Executive Director of the company, and is an independent Director also. These two separate positions are accompanied by two distinct sets of corresponding roles and duties.

10. Remuneration of Board's Members and Executives

The remuneration consists of meeting allowances and bonuses in accordance to the business operation results each year within the budget approved by shareholders. Remuneration of the Board members and Executives is set according to the policy of the Management team which is relative to the operating results and each member's performance.

11. Board of Directors' Meeting

The Board holds regular meetings on quarterly and extraordinary meetings when necessary, with a clearly specified agenda to continually monitor the proposes and performance of company's operations. The Board's secretary sends out meeting invitation with agenda and related documents to the directors prior to the scheduled meetings to allow sufficient preparation time. Normally, the meeting spends 3 hours per time. During year 2012 the Board held 6 regular meetings as following detail.

รายชื่อ	Board of Audit Committee	Board of Director			Remark
		Ordinary Meeting	Extra Ordinary Meeting	Total	
1. Acting Second Lieutenant Somchai Wasantwisut	-	6/6	-	6/6	
2. Mr. Wiwat Theekhakhirikul	-	6/6	-	6/6	
3. Lt.Gen. Kobboon Vichit *	5/6	5/6	-	5/6	
4. Mr. Kraiwit Satayapiwat	-	6/6	-	6/6	
5. Mr. Prasit Dheeraratbongkot *	6/6	6/6	-	6/6	
6. Puttithom Jirayus, PhD *	6/6	6/6	-	6/6	
7. Mr. Parit Teekakirikul	-	6/6	-	6/6	
8. Mr. Wongwiwat Theekhakhirikul	-	5/6	-	5/6	
9. Mr. Seah Sin Loo	-	-	-	-	Foreign

Remarks: Meeting attendance = No. of particular member's presence for the meeting for the year/ Total no. of meeting held for the year

* means Independent Directors who is Audit Committee member.

12. Subcommittees

The company's Board of Directors appoints subcommittee to oversee the company's business as follow.

Audit Committee: Presently appointed from the Board of Directors' Meeting No. 1/2012 on January 20, 2012 whereby Lt.Gen. Kobboon Vichit was appointed as the chairman of Audit Committee. The members appointed Mr. Prasit Dheeraratbongkot and Puttithom Jirayus, PhD to Audit Committee Director.

Audit Committee had held constant meeting in Year 2012 for six times altogether and responsibly reported to the Board of Directors (According to the details in the topic 11 "Board of Directors' meeting")

13. Internal Audit and Control Systems

Company has put in place effective and internal audit and control system, to cover the operations comprehensively with full cooperation by the supervisory, management and executive at all levels.

The Audit Committee is authorized by the Board of Directors to check the accuracy of Financial Statements, the adequacy and efficiency of the internal audit and control system, risk management and the fulfillment of other relevant duties.

The Audit Office is tasked to examine financial, managerial, operation and information systems as well as to access the adequacy of internal control of all functions undertaken by Audit results are reported directly to the Managing Director and to the Audit Committee to be checked and presented to the Board of Directors.

14. Report of the Board of Directors Concerning of the Financial Statements and Financial Information

The Board of Directors is responsible for the financial statements and information reported in the Annual Report. The financial statements shown are prepared in accordance with Thai generally accepted accounting principles. Such preparation has been applied with transparent accounting procedures and the intention to disclose sufficient information in the Notes to the financial statements. The Board of Directors realizes the necessity to have the complete and accurate accounting information, to affirm that the company's financial system follow good corporate governance philosophy and protect the undesirable consequences, either illegal actions or significant errors.

To achieve these goals, the Board of Directors has then appointed the Audit Committee, consisting of non-management directors, to oversee the quality of the financial statements and internal control processes. In conclusion, the Audit Committee has a reasonable opinion that the company's internal controls are satisfactorily reliable to ensure all confidences, from both internal and external. Roles, Duties and Responsibilities of The Board of Directors in Supervising and Monitoring the Company.

15. Investor Relations

Company is committed to fostering mutually beneficial relationships with and to disclosing important company information to its investors. Company has not set up an investor Relations Unit but assigned the duties to information Relation section and or Executive director to communicate and promoting productive ties between the company and its shareholders, investors, and analysts as well as business reporters. All investors can access the information by phone to 0-2805-2756-60 or www.karmarts.co.th.

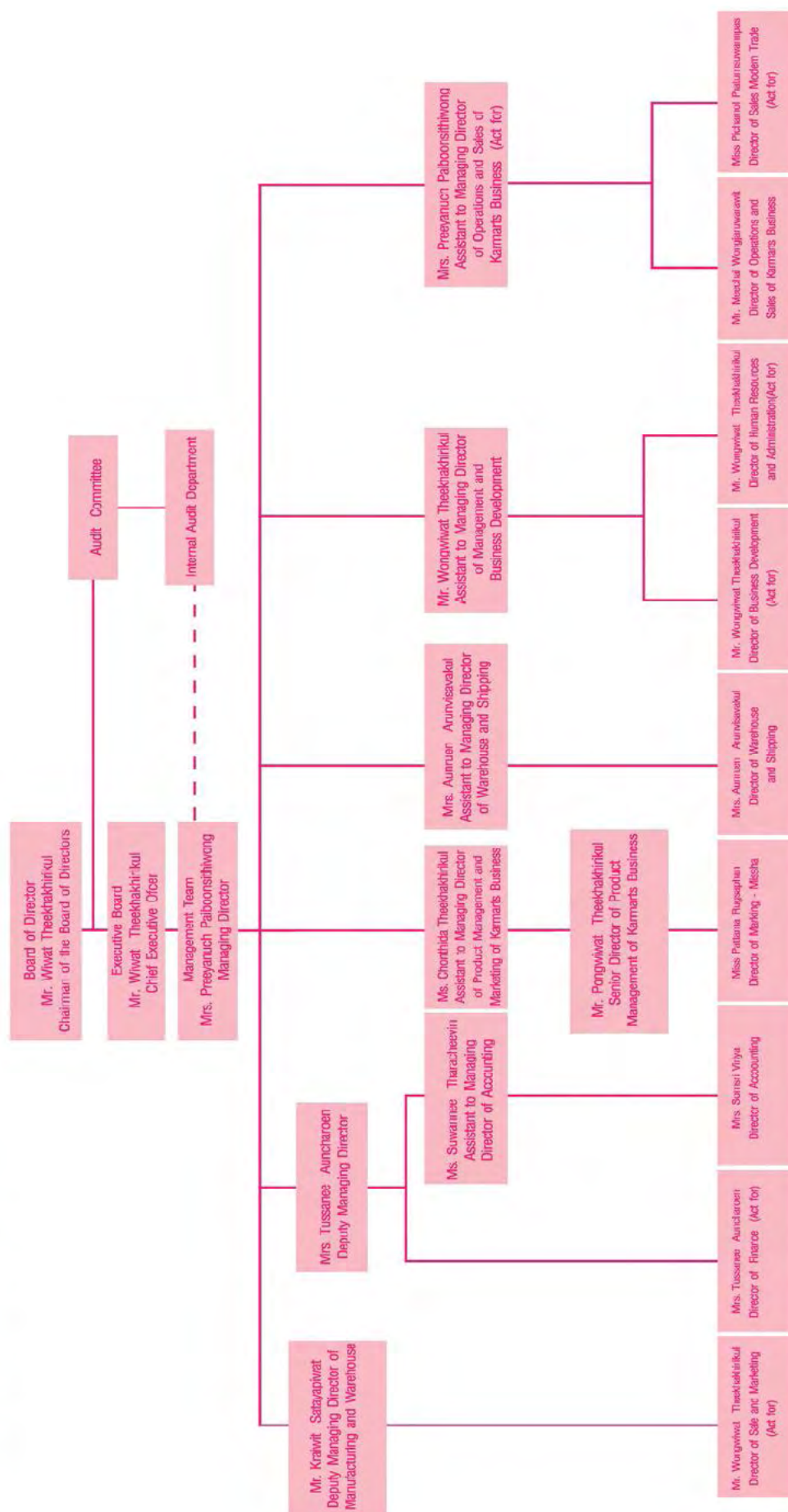
Assessing the Internal Information

The company has no writing about the internal information policy, since the company believes that all the board members and management executives must have high ethics not to use the proprietary information for personal benefits.

Nevertheless, the company has given the priority to monitor and secure the internal information usage, identifying that only authorized person or high level executives are allowed to assess the internal information before the shareholders' approval, with some limitations. In addition, the company has designated the Public Relation Office or the high level management to be entitled to provide information to public.

KARMARTS PUBLIC COMPANY LIMITED

ORGANIZATION CHART



REPORT OF THE AUDIT COMMITTEE 2012

The Audit Committee of Karmarts (“the committee”) is appointed by the Board of Directors and consists of three independent directors. The committee has the duties and core responsibilities as assigned by the Board of Directors in accordance with its Charter. The committee had a total of 6 meetings and Audit Committee members attended the meetings.

To review the Company’s financial reporting process, the committee has reviewed and discussed with the external auditor and executives responsible for preparing the financial report in relation with significant information for the Company’s quarterly and annual financial statements for the year 2012. The committee is of the opinion that the financial statements were free from material misstatement and prepared in accordance with generally accepted accounting principles.

To review the Company’s internal control system, the committee has reviewed and ensured the Company has an appropriate and efficient internal control and internal audit system by internal audit department with the appropriateness and effectiveness of the internal control system evaluation. And, the Company’s activities, business plan and information technology system are achieved the purpose and goals of the Company.

To review the Company’s complies with the law on securities and the stock exchange, and the laws relating to the Company’s business, the committee has reviewed the Company’s operations to be in compliance with the law on securities and the stock exchange, and the laws relating to the Company’s business in accordance with the principle of good corporate governance.

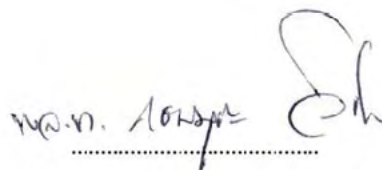
To review the Internal Audit Activities, the committee has reviewed and recommended the internal audit activities to be complied with the Internal Audit Standard as efficiency and effectiveness under the internal audit plan and manpower to cover key business processes.

To evaluate the Risk Management, the committee has reviewed the risk evaluation and management that are performed by the Board of Directors with the appropriateness including key business risks as foreign currency risk, interest rate risk and credit risk.

To opine the external auditor selection, the committee has reviewed the external audit performance and proposed Ernst & Young Office Limited to the Board of Directors and the Board has agreed to seek approval at the Shareholders' Meeting for the appointment of Miss Rungrapa Lertsuwankul, Certified Public Accountant No.3516.

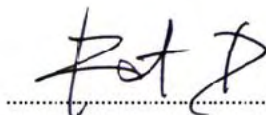
To opine on transactions involving conflicts of interest, -none-

Overall, the committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information in accordance with generally accepted accounting principles including internal control system, good corporate governance and risk management under laws and regulations relating to the Company's business.

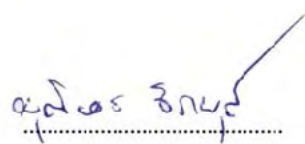


(Lt.Gen. Kobboon Vichit)

Chairman of the Audit Committee



(Mr. Prasit Dheeraratbongkot)
Audit Committee Member



(Puttithorn Jirayus, PhD)
Audit Committee Member

FINANCIAL AND OPERATING RESULTS ANALYSIS (MD&A)

1. Operating Results for the year ending December 31, 2012

1.1 Sale and Service Incomes

During 2012, the incomes from sales and services total Baht 638 million which increased from Baht 257 million or 67.45% from the year before. The increases are due to the company's selling of consumer products totaled Baht 626 million which increased from the year before Baht 305 million or 95.02%, which breaking down into body care products amounted Baht 166 million, facial skin care and cosmetics amounted Baht 413 million, daily use products amounted Baht 13 million, and other products amounted Baht 34 million. Sales of NGV vehicle totaled Baht 56 million which from the year before Baht 3 million

Income from bus service operator amounted to Baht 15 million which increased from the year before Baht 3 million or 25%.

Income from warehouse rental and warehouse services totaled Baht 27 million which increased from the year before Baht 4 million or 17.39%. The result came from converting the factory to warehouse rental and service under the "EDC" name.

Gain from disposal of A Subsidiary 10 million because the company sold all of its investment in that subsidiary at a price of baht 6 million. Details of the net asset value of Starcom Co.,Ltd. As at the disposal date (4) million.

Exchange Gain of Baht 9 million due to the foreign exchange rate of the money to set up compared to last year(Loss of foreign exchange 10 million)

Gain from sale of assets amount Baht 2 million which decreased from the year before Baht 12 million or 85.71%. Because the company had sold the unused property and plant to a third party at the year 2011.

Other income totaled Baht 8 million, decreased from the year before Baht 3 million or 27.27%. Because the company had recorded the waived interest payment Baht 6 million from the year 2011 under the debt restructuring.

1.2 Cost of sales, Selling and administrative Expenses

During the year 2012, Cost of Sales totaled Baht 325 million which increased from the previous year amounted to Baht 160 million or 96.97%. The proportions of cost and sales revenue are in line. The gross profit margin decreased due to price drops.

Costs of bus service were Baht 9 million.

Cost of warehouse rental and warehouse services were Baht 4 million.

Selling and Administrative expenses totaled Baht 159 million which increased from the year before Baht 51 million or 47.22%. Due to the company had expanded its Karmarts business. Selling expenses were increased administrative expenses were increased caused an increase in staff. Employee benefit expenses to support the growth of the business.

Impairment loss of assets Baht 0 million which decreased from the year before Baht 15 million or 100% since the company and its subsidiary company had reserved loss on impairment of assets from the valuation of assets of CDMA 470MHZ project year 2011. The company sold all of its investment in that subsidiary on December 20, 2012.

Finance cost of the company on the interest expenses totaled Baht 14 million which decreased from the year before Baht 3 million or 17.65% resulted from the company increased liquidity.

1.3 Profit

In the year 2012, the company recorded operating gains of 27.93% on total revenue, compared to 25.36% the year earlier due to the company increased gross profit margin over the previous year. Because the company sales and service income increased Baht 257 million from the prior year.

1.4 Rate of Return on Equity

The operating profit during the year 2012 resulted in the rate of return for shareholder at Baht 0.33 per share.

2. Financial Status as at December 31, 2012.

1. Assets

1.1 Composition of Assets

Total Assets at the end of the year 2012 is Baht 703 million which decreased from the year earlier amounted to Baht 84 million or 10.67%

1.1.1 Current Assets stood at Baht 407 million with an increase of Baht 99 million or 32.14% from the previous year.

- Cash and cash equivalents in the amount of Baht 2 million which decreased from the year earlier at an amount of Baht 16 million due to the company used them in operating and financing activities.
- Trade accounts receivable and other account receivable at Baht 112 million an increase from the previous year of Baht 71 million or 173.17% due to the company increased Karmarts products selling in channel sales.
- Inventory of Baht 277 million a big increase from the year earlier at Baht 39 million or 16.39% due to the expanded Karmarts business.
- Assets held for sale Baht 4 million.
- Other Current Assets of Baht 11 million an increase from the year earlier of Baht 4 million or 57.14% the tax refundable.

1.1.2 Non-Current Asset at Baht 296 million which increased by Baht 183 million or 38.20% from the year before as follows:

- Financial lease receivables of baht 5 million had increase by Baht 1 million or 25% due to the fact that the company NGV vehicles sold in 2012.
- Investment properties stood at Baht 162 million the year the company has evaluated each year.
- Property, plant and equipment – net stood at Baht 116 million with an increase from the year earlier of Baht 11 million or 10.48%. The purchase and leasing of vehicles for use in operations.

- Network equipment - net amount Baht 0 million decreased from the previous year the amount of Baht 197 million due to the company sold all its investment in that subsidiary on December 20, 2012. Down the network of devices.
- Intangible assets - net at Baht 10 million an decrease of Baht 1 million from the year 2012 from amortization.

1.2 Quality of Assets

Account receivable collection period in 2012 was 48 days increased from last year (40 days in 2011) due to the fact that the cash sales for consumer goods had decreased, and credit sale with 30 – 60 days term of payment had increased.

An adequate reserved was set according to the prediction of non-collectable debt. The reserved for the year 2012 was budgeted at 0.12% of the outstanding account receivable at the year-end.

2. Liquidity

2.1 Cash flows

In 2012, the company's net cash flows from operations was Baht 118 million, or Bath 18 million increase from the previous year, the result of Karmarts products selling to consumer products as well as, healthcare products, facial care products and cosmetics, with short credit terms and increased cash flow.

The Company has a good cash flow with ability to pay dividends to shareholders included repayment to bank loans and finance leases.

2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2012 was 3.53:1. This increase in liquidity compared to previous year is the result of increase in short time each and account receivable.

The company average debt collection period was between 30 – 60 days. Average inventory turnover of 259 days an improvement over the previous year due to the fact that Karmarts products had a higher turnover rate than NGV vehicle sales. The company will sell off its NGV vehicles and communication equipment in stock to better utilize its capital.

2.3 Collection and Payment Periods

Average debt collection period was 48 days while average account payment period was 135 days. This was because the subsidiary company had made no payment on liabilities for the equipments and stations to upgrade of the mobile telephone network. Currently, the subsidiary company decided to stop the project and the company sold all off its investment in that subsidiary on December 20, 2012.

3. Investment Expenditure

During the year, the company capital expenditures were from the vehicles bought for using in the sales department and renovated the office for supporting the business growth.

4. Sources of funds

4.1 Capital Structure

In 2012, Debt/Equity Ratio was 0.27:1 against 0.78:1 in previous year the improvement was due to the decreased of current liabilities and increased in Equity from profit of Baht 198 million for the year 2012 and the company sold all off its investment in that subsidiary on December 20, 2012 as a result of debt reduction.

4.2 Shareholders' Equity

In year 2012, shareholders' equity increased by Baht 108 million to Baht 552 million from the operating profit during the year of Baht 198 million.

4.3 Liabilities

The company total liabilities decreased Baht 193 million to Baht 152 million from the previous year or 55.94%.

Current Liabilities decreased Baht 173 million to Baht 116 million from the previous year or 59.86% details are as follow:

- Short-term loan from bank Baht 51 million increased by Baht 21 million as the result of the company import cosmetic Group.
- Trade and other payables decreased Baht 196 million to Baht 28 million as the company sold all its investment in that subsidiary on December 20, 2012. The decrease in the debt.
- Long-term loans Baht 30 million from the banks decreased by Baht 15 million or 33.33% with the proceed from the sale.

Non-Current liabilities at Baht 36 million which decreased from the previous year Baht 20 million or 35.71% details are as follow:

- Liabilities under financial lease agreements - net of current portion stood at Baht 12 million which decreased Baht 4 million of 25% from the previous year.
- Other long-term loans - net of current portion at Baht 2 million which decreased Baht 2 million from the previous year.
- Provision had been made for long-term employee benefits of Baht 7 million, which increased Baht 3 million of 75% due to the new standard of accounting for employee benefit reservation No.19 taking effect.

Risk Management

The Company and its subsidiaries are exposed to risk management credit risk from trade accounts receivable, finance lease receivables, and other receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the outstanding amounts of receivables, finance lease receivable, and other receivables as stated in the statements of financial position.

The Company and its subsidiaries are exposed to foreign currency risk arising mainly from trading transactions that are denominated in foreign currencies.

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, and short-term and long-term borrowings with interest bearing. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

5. Factors and main influences which has significant impact on company's operations or its financial status in the future

The Executive Committee set up annual business plan and strategic actions to achieve its annual goals. These ensure that the company is able to adjust its management style in a flexible manner to cope with significant factors which may affect the company as listed below.

Main Factors	Action Plan
1. Procurement of products and changes in product trend and fashion	1. The Company is capable of product adjustment to cope with the changing trend of product popularity and its procurement system can manage inventory level to service the changing demand and changing trend and fashion.
2. Human Resources Development	2. The Company support Human Development by adequate training and development both inside and outside training to increase employee skills and proficiency.
3. The Price of products and Wages	3. The Company has a special unit and system of procurement of nished products from quality sources with competitive pricas.
4. Financial Assistant to Associated or Subsidiary companies and Contingent Liabilities in the future.	4. In case of rendering nancial assistant to the Associated or subsidiary company, the company completely and transparently follows the rules and regulations of SET and able to be audited. The independent directors are to review and monitor the company's operations closely, for the most benet of investors and stakeholders.

REMUNERATION OF AUDITOR**Professional Fee**

Item	Office	Company Payment	Professional Fee		
			2010	2011	2012
1	Ernst & Young Office Limited	Karmarts Plc.	950,000	950,000	1,030,000
2	Ernst & Young Office Limited	Star Corn Co., Ltd.	195,000	195,000	120,000
3	Ernst & Young Office Limited	My Bus Co., Ltd.	195,000	195,000	195,000
	Total		1,320,000	1,340,000	1,345,000

Other Fee

- None -

Report of Independent Auditor To the Shareholders of Karmarts Public Company Limited

Independent Auditor's Report To the Shareholders of Karmarts Public Company Limited

I have audited the accompanying consolidated financial statements of Karmarts Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Karmarts Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karmarts Public Company Limited and its subsidiaries and of Karmarts Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 27 February 2013

Karmarts Public Company Limited and its subsidiaries
Statement of financial position
As at 31 December 2012 and 2011

(Unit: Baht)

		Consolidated financial statement		Separate financial statement	
Assets	Note	2012	2011	2012	2011
Current assets					
Cash and cash equivalents	6	2,427,384	18,109,632	2,198,154	17,488,483
Trade and other receivables	7, 9	111,890,901	41,448,536	118,349,900	50,561,068
Current portion of finance lease receivables	8	653,671	3,427,857	653,671	3,427,857
Short-term loan and advances to related parties	9	-	-	15,490,000	12,246,000
Inventories	10	277,000,644	237,928,973	277,000,644	228,356,556
Assets held for sale	11	4,249,125	-	4,249,125	-
Other current assets	12	11,118,908	7,266,358	10,624,022	6,183,292
Total current assets		<u>407,340,633</u>	<u>308,181,356</u>	<u>428,565,516</u>	<u>318,263,256</u>
Non-current assets					
Restricted bank deposits	13	473,832	983,329	473,832	470,813
Finance lease receivables - net of current portion	8	4,494,730	602,242	4,494,730	602,242
Investments in subsidiary companies	14	-	-	-	5,092,486
Investment properties	15	162,000,000	162,000,000	162,000,000	162,000,000
Property, plant and equipment	16	116,187,641	105,248,126	73,914,357	56,175,293
Network equipment	17	-	196,839,000	-	-
Intangible assets	18	9,638,076	11,222,025	451,117	332,571
Other non-current assets	19	3,095,710	2,368,734	1,636,860	901,484
Total non-current assets		<u>295,889,989</u>	<u>479,263,456</u>	<u>242,970,896</u>	<u>225,574,889</u>
Total assets		<u>703,230,622</u>	<u>787,444,812</u>	<u>671,536,412</u>	<u>543,838,145</u>

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

Karmarts Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012 and 2011

(Unit: Baht)

	Note	Consolidated financial statement		Separate financial statement	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Short-term loan from bank	20	51,174,510	30,580,349	51,174,510	30,580,349
Trade and other payables	9, 21, 24	27,741,185	223,758,653	25,514,064	21,277,633
Current portion of other long-term loans	22	2,172,278	2,161,446	-	-
Current portion of liabilities under finance lease agreements	23	11,295,454	12,910,578	2,575,195	1,098,754
Current portion of long-term loans from banks	24	16,424,531	15,282,166	16,424,531	15,282,166
Other current liabilities		6,708,808	4,351,585	6,104,483	3,859,418
Total current liabilities		<u>115,516,766</u>	<u>289,044,777</u>	<u>101,792,783</u>	<u>72,098,320</u>
Non-current liabilities					
Liabilities under finance lease agreements - net of current portion	23	12,087,732	16,309,213	8,146,694	3,269,952
Other long-term loans - net of current portion	22	1,879,285	4,051,564	-	-
Long-term loans from banks - net of current portion	24	15,263,546	31,736,232	15,263,546	31,736,232
Provision for long-term employee benefits	25	6,881,088	3,873,092	6,846,201	3,854,604
Total non-current liabilities		<u>36,111,651</u>	<u>55,970,101</u>	<u>30,256,441</u>	<u>38,860,788</u>
Total liabilities		<u>151,628,417</u>	<u>345,014,878</u>	<u>132,049,224</u>	<u>110,959,108</u>

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

Karmarts Public Company Limited and its subsidiaries
Statement of financial position (continued)
As at 31 December 2012 and 2011

(Unit: Baht)

		Consolidated financial statement		Separate financial statement	
	Note	2012	2011	2012	2011
Shareholders' equity					
Share capital					
Registered					
600,000,000 ordinary shares of Baht 0.60 each					
(31 December 2011: 600,000,000 ordinary shares					
of Baht 1 each)	29	<u>360,000,000</u>	<u>600,000,000</u>	<u>360,000,000</u>	<u>600,000,000</u>
Issued and fully paid up					
600,000,000 ordinary shares of Baht 0.60 each					
(31 December 2011: 600,000,000 ordinary shares					
of Baht 1 each)		360,000,000	600,000,000	360,000,000	600,000,000
Share premium	29	-	165,337,362	-	165,337,362
Capital reduction surplus	29	15,267,473	-	15,267,473	-
Retained earnings (deficit)					
Appropriated - statutory reserve	29, 32	9,829,486	4,645,831	9,829,486	4,645,831
Unappropriated	29	<u>157,787,606</u>	<u>(335,235,910)</u>	<u>145,167,944</u>	<u>(346,326,441)</u>
Other components of shareholders' equity		9,222,285	9,222,285	9,222,285	9,222,285
Equity attributable to owners of the Company		552,106,850	443,969,568	539,487,188	432,879,037
Non-controlling interests of the subsidiaries		(504,645)	(1,539,634)	-	-
Total shareholders' equity		<u>551,602,205</u>	<u>442,429,934</u>	<u>539,487,188</u>	<u>432,879,037</u>
Total liabilities and shareholders' equity		<u>703,230,622</u>	<u>787,444,812</u>	<u>671,536,412</u>	<u>543,838,145</u>

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

Karmarts Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2012 and 2011

(Unit: Baht)

		Consolidated financial statement		Separate financial statement	
	Note	2012	2011	2012	2011
Revenues					
Sales and service income		638,079,606	381,415,602	636,497,200	383,103,462
Income from bus service operator		15,430,095	12,088,641	-	-
Interest income on hire purchase		383,516	651,788	383,516	651,788
Income from warehouse rental and warehouse services		26,940,131	23,146,434	26,940,131	23,146,434
Gain from disposal of a subsidiary	14	9,981,668	-	675,512	-
Exchange gain		9,052,444	-	2,664,412	-
Gain from sale of assets		1,568,682	14,160,856	-	14,154,960
Other income		7,610,317	10,523,268	8,245,207	11,556,952
Total revenues		709,046,459	441,986,589	675,405,978	432,613,596
Expenses					
Cost of sales and service		325,163,373	165,530,406	325,586,734	167,218,267
Cost of bus service operator		8,720,755	8,699,800	-	-
Cost of warehouse rental and warehouse services		3,477,818	3,614,583	3,477,818	3,614,583
Loss from a fair value adjustment of investment property		-	5,799,237	-	5,799,237
Selling expenses		84,018,904	50,645,206	84,018,904	50,645,206
Administrative expenses		74,643,033	57,121,065	52,913,642	54,115,895
Impairment loss of assets		-	14,962,130	-	-
Impairment loss of investments		-	-	-	12,375,160
Exchange loss		-	9,652,650	-	459,152
Other expenses		324,595	-	674,758	-
Total expenses		496,348,478	316,025,077	466,671,856	294,227,500
Profit before finance cost		212,697,981	125,961,512	208,734,122	138,386,096
Finance cost		(13,991,099)	(16,666,766)	(12,144,406)	(13,860,175)
Profit for the year		198,706,882	109,294,746	196,589,716	124,525,921
Profit attributable to:					
Equity holders of the Company		198,118,847	112,104,891	196,589,716	124,525,921
Non-controlling interests of the subsidiaries		588,035	(2,810,145)	-	-
		<u>198,706,882</u>	<u>109,294,746</u>		
Basic earnings per share					
Profit attributable to equity holders of the Company	28	<u>0.33</u>	<u>0.19</u>	<u>0.33</u>	<u>0.21</u>
Weighted average number of common stock (shares)		600,000,000	600,000,000	600,000,000	600,000,000

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

Karmarts Public Company Limited and its subsidiaries
Statement of comprehensive income
For the year ended 31 December 2012 and 2011

(Unit: Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Profit for the year	<u>198,706,882</u>	<u>109,294,746</u>	<u>196,589,716</u>	<u>124,525,921</u>
Other comprehensive income:				
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	<u>198,706,882</u>	<u>109,294,746</u>	<u>196,589,716</u>	<u>124,525,921</u>
Total comprehensive income attributable to:				
Equity holders of the Company	198,118,847	112,104,891	<u>196,589,716</u>	<u>124,525,921</u>
Non-controlling interests of the subsidiaries	<u>588,035</u>	<u>(2,810,145)</u>		
	<u>198,706,882</u>	<u>109,294,746</u>		

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

Karmarts Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

(Unit: Baht)

Consolidated financial statement										
Equity attributable to the parent's shareholders										
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings (deficit)		Other components of equity		Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets	Total other components of shareholders' equity			
Balance as at 31 December 2010	600,000,000	165,337,362	-	-	4,645,831	(447,340,801)	9,222,285	9,222,285	1,270,511	333,135,188
Total comprehensive income for the year	-	-	-	-	-	112,104,891	-	-	(2,810,145)	109,294,746
Balance as at 31 December 2011	600,000,000	165,337,362	-	-	4,645,831	(335,235,910)	9,222,285	9,222,285	(1,539,634)	442,429,934
Balance as at 31 December 2011	600,000,000	165,337,362	-	-	4,645,831	(335,235,910)	9,222,285	9,222,285	(1,539,634)	442,429,934
Reduction of share capital with deficit (Note 29)	(240,000,000)	(165,337,362)	15,267,473		(4,645,831)	394,715,720	-	-	-	-
Dividend paid (Note 31)	-	-	-	-	-	(89,981,565)	-	-	-	(89,981,565)
Appropriated statutory reserve (Note 32)	-	-	-	-	9,829,486	(9,829,486)	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	198,118,847	-	-	588,035	198,706,882
Change in non-controlling interests of the subsidiary from disposal of investment in a subsidiary	-	-	-	-	-	-	-	-	446,954	446,954
Balance as at 31 December 2012	360,000,000	-	15,267,473		9,829,486	157,787,606	9,222,285	9,222,285	(504,645)	551,602,205

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

Karmarts Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

(Unit: Baht)

Separate financial statement								
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings (deficit)		Other components of equity		Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets	Total other components of shareholders' equity	
Balance as at 31 December 2010	600,000,000	165,337,362	-	4,645,831	(470,852,362)	9,222,285	9,222,285	308,353,116
Total comprehensive income for the year	-	-	-	-	124,525,921	-	-	124,525,921
Balance as at 31 December 2011	<u>600,000,000</u>	<u>165,337,362</u>	<u>-</u>	<u>4,645,831</u>	<u>(346,326,441)</u>	<u>9,222,285</u>	<u>9,222,285</u>	<u>432,879,037</u>
Balance as at 31 December 2011	600,000,000	165,337,362	-	4,645,831	(346,326,441)	9,222,285	9,222,285	432,879,037
Reduction of share capital with deficit (Note 29)	(240,000,000)	(165,337,362)	15,267,473	(4,645,831)	394,715,720	-	-	-
Dividend paid (Note 31)	-	-	-	-	(89,981,565)	-	-	(89,981,565)
Appropriated statutory reserve (Note 32)	-	-	-	9,829,486	(9,829,486)	-	-	-
Total comprehensive income for the year	-	-	-	-	196,589,716	-	-	196,589,716
Balance as at 31 December 2012	<u>360,000,000</u>	<u>-</u>	<u>15,267,473</u>	<u>9,829,486</u>	<u>145,167,944</u>	<u>9,222,285</u>	<u>9,222,285</u>	<u>539,487,188</u>

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

Karmarts Public Company Limited and its subsidiaries

Statement of cash flows

For the year ended 31 December 2012 and 2011

(Unit: Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before tax	198,706,882	109,294,746	196,589,716	124,525,921
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	20,517,037	16,676,670	11,985,834	8,123,291
Loss from a fair value adjustment of investment property	-	5,799,237	-	5,799,237
Increase in doubtful accounts (Reversal)	197,406	(1,262,964)	(272,122)	4,137,035
Cost reduction of inventories to net realisable value (Reversal)	3,985,827	(8,693,929)	3,985,827	(8,693,929)
Unrealised loss (gain) on exchange	5,727,664	(6,855,701)	(660,370)	2,337,794
Assets written off	4,045,695	4,104,883	4,045,694	4,104,883
Loss from investment in securities and derivative	452,924	-	452,924	-
Unrealised gain on change in the value of investment	(107,825)	-	(107,825)	-
Loss (Gain) from disposal of assets	(1,568,682)	(14,160,856)	350,162	(14,154,960)
Impairment loss on assets (Reversal)	(79,283)	14,962,130	(79,283)	-
Gain from disposal of investment in a subsidiary	(9,981,668)	-	(675,512)	-
Impairment loss on investments	-	-	-	12,375,160
Interest income	(750,753)	(350,389)	(2,768,299)	(1,981,269)
Dividend received	(75,540)	-	(75,540)	-
Provision for long-term employee benefits	3,007,996	3,873,092	2,991,597	3,854,604
Interest expenses	10,215,025	13,009,877	8,078,789	11,331,550
Profit from operating activities before changes in operating assets and liabilities	234,292,705	136,396,796	223,841,592	151,759,317
Operating assets (increase) decrease				
Trade and other receivables	(65,310,691)	(8,957,373)	(60,601,629)	(12,784,529)
Finance lease receivables	(503,527)	23,629,057	(503,527)	23,629,057
Inventories	(54,560,610)	(35,643,298)	(52,621,714)	(35,302,298)
Other current assets	(2,655,388)	(268,722)	(2,943,524)	(202,670)
Other non-current assets	(885,200)	(198,400)	(893,600)	(190,000)
Operating liabilities increase (decrease)				
Trade and other payables	6,356,038	(16,132,161)	4,116,625	(33,965,510)
Other current liabilities	2,362,546	2,409,157	2,245,063	2,183,796
Cash flows from operating activities	119,095,873	101,235,056	112,639,286	95,127,163
Cash paid for corporate income tax	(1,430,697)	(1,216,095)	(1,417,924)	(1,203,340)
Net cash flows from operating activities	<u>117,665,176</u>	<u>100,018,961</u>	<u>111,221,362</u>	<u>93,923,823</u>

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

Karmarts Public Company Limited and its subsidiaries
Statement of cash flows (continued)
For the year ended 31 December 2012 and 2011

(Unit: Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Cash flows from investing activities				
Interest income	713,209	350,389	2,730,755	1,981,269
Dividend received	75,540	-	75,540	-
Net cash flow from disposal of investment in a subsidiary	(22,600)	-	-	-
Increase in short-term loans to related parties	-	-	(4,830,000)	(12,246,000)
Cash paid for share payable	-	(1,506,225)	-	(1,506,225)
Proceeds from disposal of investment in securities and derivative	5,353,276	-	5,353,276	-
Proceeds from disposal of fixed assets	3,250,333	3,298,383	1,331,489	3,223,617
Proceeds from disposal of non-operating assets	233,645	126,875	233,645	126,875
Proceeds from disposal of assets held for sale	-	62,379,823	-	62,379,823
Purchase of investment in securities and derivative	(9,909,956)	-	(9,909,956)	-
Purchase of equipment	(26,030,844)	(17,975,389)	(26,001,156)	(17,898,067)
Purchase of intangible assets	(351,800)	(109,180)	(351,800)	(109,180)
Net cash from (used in) investing activities	(26,689,197)	46,564,676	(31,368,207)	35,952,112
Cash flows from financing activities				
Decrease in bank overdrafts and short-term loan from bank	-	(38,820,773)	-	(38,820,773)
Increase in trust receipts	21,254,702	21,582,636	21,254,702	21,582,636
Increase in restricted bank deposits	(4,714)	(6,152)	(3,019)	(2,965)
Increase (decrease) in short-term loan from related parties	131,809	(9,930,142)	131,809	(7,855,369)
Repayment of long-term loan from related party	-	(264,395)	-	(264,395)
Cash paid under finance lease	(15,603,760)	(14,098,613)	(3,413,973)	(2,127,611)
Repayment of long-term loans from other companies	(2,161,447)	(2,150,668)	-	-
Repayment of long-term loans from banks	(15,330,321)	(68,175,240)	(15,330,321)	(68,175,240)
Cash paid for interest expense	(4,962,931)	(17,611,865)	(7,801,117)	(17,506,245)
Dividend paid	(89,981,565)	-	(89,981,565)	-
Net cash used in financing activities	(106,658,227)	(129,475,212)	(95,143,484)	(113,169,962)
Net Increase (decrease) in cash and cash equivalents	(15,682,248)	17,108,425	(15,290,329)	16,705,973
Cash and cash equivalents at beginning of year	18,109,632	1,001,207	17,488,483	782,510
Cash and cash equivalents at end of year	2,427,384	18,109,632	2,198,154	17,488,483

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

Karmarts Public Company Limited and its subsidiaries

Statement of cash flows (continued)

For the year ended 31 December 2012 and 2011

(Unit: Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Supplemental cash flows information: -				
Non-cash transactions: -				
Disposal of investment in a subsidiary that have not yet been collected	5,767,998	-	5,767,998	-
Sale of assets for sale that have not yet been collected	-	1,000,000	-	1,000,000
Sale of vehicle and machinery that have not yet been collected	176,049	265,000	176,049	265,000
Transfer of equipment to inventories and other assets	8,201	44,886	8,201	44,886
Transfer of investment properties to assets for sale	-	20,237,793	-	20,237,793
Transfer of investment properties to property, plant and equipment	-	200,165	-	200,165
Purchases of vehicles under financial lease	9,477,505	5,665,982	9,477,505	5,665,982
Forgiven accrued interest	-	7,761,851	-	7,761,851

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

Notes to consolidated financial statement

For the year ended 31 December 2012

1. General information

1.1 Corporate information

Karmarts Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the consumer products, distribution of NGV cars, telecommunications equipment and the provision of warehouse rental and warehouse services. The Company's registered address is 81-81/1, Soi Phetchakasem 54 sub 3, Phetchakasem Road, Bangduan, Phasicharoen, Bangkok.

1.2 Estimation of recoverable amount of assets

On 19 December 2011, the Company and its subsidiary arranged for an independent professional valuer to re-appraise the value of the equipment and inventories related to the upgrade of CDMA2000 1X network. The valuation was made to provide the management of the Company and subsidiary with a market value to propose the selling price of the assets to unrelated parties. The Company and subsidiary adjusted the value of the assets in accordance with the new appraised values. Additional adjustments from the year 2010 value, made to the year 2011 financial statements, can be summarised as follows.

(Unit: Million Baht)

	Consolidated financial statement	Separate financial statement
Provision to reduce cost of inventories to net realisable value (reversal)	(3.4)	(3.1)
Provision to loss on impairment of network equipment	15.0	-
Total	11.6	(3.1)

On 13 December 2012, the Company arranged for an independent professional valuer to re-appraise the value of the inventories related to the upgrade of such network. The valuation was made to provide the management of the Company with a market value to propose the selling price of the assets to unrelated parties. The Company adjusted the value of the assets to the new appraised values, resulting in a decrease of Baht 0.5 million in the balance of provision to reduce cost of inventories to net realisable value in the separate financial statements.

As a result of the Company's disposal of the investment in the above subsidiary on 20 December 2012, as discussed in Note 14, its status as a subsidiary ended. Such network equipment was therefore not included in the statement of financial position as at 31 December 2012

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting 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 28 September 2011, issued under the Accounting Act B.E. 2543.

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

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 the Company and the following subsidiary companies.

Company's name	Nature of business	Percentage of shareholding in shareholders' list		Country of incorporation
		2012	2011	
		Percent	Percent	
StarCom Co., Ltd.	Telecommunications business	-	70.00	Thailand
My Bus Co., Ltd.	Bus service operator	95.16	95.16	Thailand

There was change in structure of the group during the year, with the Company disposing of all of its investment in StarCom Co., Ltd. on 20 December 2012. The consolidated financial statements therefore include the operating results of the subsidiary from the date on which the Company invested in that company until the date on which its control over that company ended.

- b) 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.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statement.
 - e) 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, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. New accounting standards issued during the years not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
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Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
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SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
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SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
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The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standard.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. The effect of the adoption to the financial statements of the Company and its subsidiary in year 2013 will be to decrease profit for the year 2012 by Baht 46 million (0.08 Baht per share) and increase brought-forward retained earnings of the year 2012 by Baht 61 million (0.10 Baht per share) (Separate financial statements: decrease profit for the year 2012 by Baht 46 million (0.08 Baht per share) and increase brought-forward retained earnings of the year 2012 by Baht 61 million (0.10 Baht per share)).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements:	1 January 2014
	Disclosures	
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

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.

Interest income on financial leases

In recognising revenue from hire purchase and financial lease contracts, the Company recognised profit on differences between the cash sales price and the cost of the goods as income in full in the year the agreement is executed and it received the first installment, and recognised the interest element (which represents the difference between the cash price and the financial lease price) over the period of payment, using the annuity method, with interest income recognised when the installments fall due irrespective of when actual collection is made. Recognition of interest income ceases for hire purchase and financial lease receivables which are overdue by more than 3 installments.

Rendering of services

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

The subsidiary has recognised income from bus service operations at the net value that the subsidiary has received in accordance with the agreements to share income that the subsidiary made with its bus staffs.

Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and treated as revenue earned in the ordinary course of business.

4.2 Cash and cash equivalents

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

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 and analysis of debt aging.

4.4 Finance lease receivables

Hire purchase and finance lease receivables are stated at net realisable value, which consists of the contract value of the hire purchase net of unearned finance lease income. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in collection of receivables.

4.5 Inventories

Finished goods are valued at the lower of cost (first-in, first-out method) and net realisable value. Work in process is valued at the lower of average cost and net realisable value. Cost of finished goods and work in process include all production costs and attributable factory overheads.

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

4.6 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as a separate item in shareholders' equity, and will be recorded in profit or loss when the securities are sold.
- c) Investments in subsidiaries are accounted for in the separate financial statement using the cost method.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of unit trusts is determined from their net asset value.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as surplus (deficit) from changes in the value of investments in shareholders' equity, depending on the type of investment that is reclassified.

4.7 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from changes in the value of investment properties are recognised in profit or loss when incurred.

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

4.8 Property, plant and equipment and depreciation

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

Land is initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to fair values of land used for office. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the end of reporting period.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to the other comprehensive income and the cumulative increase is recognised equity under the heading of "Revaluation surplus". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus" in respect of the same asset.

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

	The Company	Subsidiaries
Land improvements	20 years	-
Buildings and building improvements	20 years	-
Machinery and equipment	5 years	-
Motor vehicles	5 years	5 and 10 years
Office furniture, fixtures and equipment	3 and 5 years	3, 5 and 10 years
Building leaseholds	Over the lease period	5 years

Depreciation is included in determining income.

No depreciation is provided for land and equipment under installation.

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

4.9 Network equipment

Network equipment is stated at cost less allowance for loss on impairment of assets (if any).

4.10 Intangible asset

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

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

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

	<u>The Company</u>	<u>Subsidiaries</u>
Computer software	3 years	-
Right to operate a bus service	-	The remaining period of the license (approximately 9 years)

4.11 Related party transactions

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

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

4.12 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 equipment acquired under finance leases is depreciated over the useful life of the asset.

The Company and its subsidiaries record fixed assets (sale and leaseback) under finance leases as assets and liabilities as described above.

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

4.13 Foreign currencies

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.

Gains and losses on exchange are included in determining income.

4.14 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, network 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. However in cases where property was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in profit or loss unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.15 Warranty reserve for claim of goods

The Company records warranty for claim of goods on an accrual basis at a percentage of sale, based on prior experience.

4.16 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 they 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 gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company and its subsidiaries elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, immediately as an expense in profit or loss for the year.

4.17 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.

4.18 Income tax

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

4.19 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 gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

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

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.

Allowance for impairment on equity investments

The Company treats investments in subsidiaries as impaired when there has been a significant or prolonged decline in the fair value of such investments below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

Allowance for impairment of other assets

The management records impairment loss on other assets in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgment in terms of projecting future revenue and expense relating to the assets subject to review.

Investment property

The Company presents investment property at the fair value estimated by an independent appraiser, and recognised changes in the fair value in profit or loss. The independent appraiser valued the investment property using the income approach, because there is no market price that could be used to apply a comparative approach. The key assumptions used in estimating the fair value are described in Note 15.

Property plant and equipment/Depreciation

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

The Company measures certain land at revalued amounts. Such amounts are determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates.

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

Warranty reserve for claim of goods

In determining warranty reserve for claim of goods, the management needs to exercise judgment in estimating the warranty expense expected to be incurred in respect of each sales transaction, taking into account prior experience.

Post-employment benefits under defined benefit plans

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

Litigation

The Company and its subsidiaries have contingent liabilities as a result of litigation. The management of the Company and its subsidiaries has used judgment to assess the results of the litigation and believes that no losses will be incurred. Therefore, no contingent liabilities are recorded as at the end of reporting period.

6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Cash	180	188	168	180
Bank deposits	2,247	17,922	2,030	17,308
Total	2,427	18,110	2,198	17,488

As at 31 December 2012, bank deposits in saving accounts carried interest at a rate of 0.62% per annum (2011: 0.75% per annum).

7. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Trade accounts receivable - related parties				
Aged on the basis of due dates				
Not yet due	-	-	11	-
Overdue				
1 - 3 months	-	-	94	444
4 - 6 months	-	-	261	753
7 - 12 months	-	-	749	772
Over 12 months	-	-	4,678	11,135
Total	-	-	5,793	13,104
Less: Allowance for doubtful debts	-	-	(2,927)	(11,140)
Net	-	-	2,866	1,964

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statement		financial statement	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade accounts receivable - unrelated parties				
Aged on the basis of due dates				
Post dated cheques	12,567	5,957	12,567	5,957
Not yet due	42,646	11,576	42,646	11,576
Past due - Up to 3 months	28,879	6,355	28,879	6,355
Past due - 4 - 6 months	4,443	139	4,443	139
Past due - Over 6 months	9,743	847	9,743	847
Returned cheques	695	460	695	460
Total	98,973	25,334	98,973	25,334
Less: Allowance for doubtful accounts	(10,033)	(1,009)	(10,033)	(1,009)
Net	88,940	24,325	88,940	24,325
Other receivables				
Advances - related parties	380	385	4,016	7,643
Other receivable - related party	-	1,000	-	1,000
Others	22,571	15,739	22,528	15,629
Total other receivables	22,951	17,124	26,544	24,272
Trade and other receivables - net	111,891	41,449	118,350	50,561

8. Finance lease receivables

(Unit: Thousand Baht)

	Consolidated financial statement / Separate financial statement	
	2012	2011
Finance lease receivables		
- receivable within 1 year	1,704	4,846
- 2 to 5 years	4,979	632
Total finance lease receivables	6,683	5,478
Less : unearned finance lease income	(966)	(264)
Total finance lease receivables -net	5,717	5,214
Less: Allowance for doubtful accounts	(569)	(1,184)
Net	5,148	4,030

As at 31 December 2012 and 2011, the balance of the finance lease receivables (net of unearned finance lease income) was classified by aging as follows.

(Unit: Thousand Baht)

	Finance lease receivables - net	
	2012	2011
Current	5,148	4,111
Past Due - Over 12 months	569	1,103
Total	5,717	5,214
Less: Allowance for doubtful accounts	(569)	(1,184)
Net	5,148	4,030

9. Related parties transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company and those companies. Below is a summary of those transactions:

(Unit: Million Baht)

	Consolidated financial statement		Separate financial statement		Transfer Pricing Policy
	For the years ended 31 December		For the years ended 31 December		
	2012	2011	2012	2011	
Transactions with subsidiary companies					
Sale of goods and services	-	-	1	2	Approximate cost 6.125% per annum
Interest Income	-	-	2	2	
Transactions with related companies					
Rental expenses	-	-	-	-	Contract price
Sale of land and building	-	20	-	20	Contract price

The balances of the accounts as at 31 December 2012 and 2011 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Trade and other receivables - related parties				
Subsidiaries	-	-	10,943	27,354
Related company (director and shareholder have a relationship)	-	1,000	-	1,000
Related company (related by means of sharing director and shareholder)	380	385	380	385
Total	380	1,385	11,323	28,739
Less: Allowance for doubtful debts	-	-	(4,441)	(18,132)
Net	380	1,385	6,882	10,607
Short-term loan to related parties				
Subsidiaries	-	-	35,902	33,128
Less: Allowance for doubtful debts	-	-	(20,412)	(20,882)
Net	-	-	15,490	12,246
Trade and other trade payables - director				
Advance received from director	132	-	132	-

During the current year, the balances of loans to related parties and the movements are as follows:

(Unit: Thousand Baht)

	Separate financial statement			
	2011	Increase	Allowance for doubtful accounts	2012
Short-term loans to related party				
Subsidiary				
My Bus Company Limited	10,660	4,830	-	15,490

Short-term loans to subsidiary as at 31 December 2012 and 2011 mature at call and carry interest at a rate of 6.125 percent per annum.

Directors and management's benefits

During the year ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statement		Separate financial statement	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	12	9	12	9
Post-employment benefits	5	3	5	3
Total	<u>17</u>	<u>12</u>	<u>17</u>	<u>12</u>

10. Inventories

On 31 December 2011, net inventories of the Company and its subsidiary include amounts of Baht 97 million and Baht 11 million, respectively, that are related to the project to upgrade the 470 MHz Mobile Telephone Network to CDMA 2000 1X. The project is being heard by the Central Administrative Court. Later, on 19 December 2011, the Company and its subsidiary arranged for an independent professional valuer to re-appraise the value of such inventories, as mentioned in Note 1.2. The Company and its subsidiary adjusted the value of inventories to accord with the new appraised values and recorded reversal of allowances to reduce cost to net realisable value, amounting to Baht 3.4 million and Baht 3.1 million, in the 2011 consolidated income statement and separate income statement, respectively.

As at 31 December 2012, net inventories of the Company include amounts of Baht 97million that are related to the project to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X. On 21 December 2012, the Company arranged for an independent professional valuer to re-appraise the value of the inventories related to the upgrade of such network, as discussed in Note 1.2. The Company adjusted the value of the assets in accordance with the new values appraised in the year 2012 by decreasing Baht 0.5 million of provision to reduce cost of inventories to net realisable value in the 2012 separate income statement.

(Unit: Thousand Baht)

	Consolidated financial statement / Separate financial statement					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2012	2011	2012	2011	2012	2011
Finished goods	293,330	243,745	(30,172)	(26,187)	263,158	217,558
Raw materials and spare parts	10,148	10,347	(1,070)	(1,070)	9,078	9,277
Goods in transit	6,259	3,015	(1,494)	(1,494)	4,765	1,521
Total	309,737	257,107	(32,736)	(28,751)	277,001	228,356

11. Investments in securities held for trading

(Unit: Thousand Baht)

	Consolidated financial statement / Separate financial statement	
	31 December 2012	
	Cost	Fair value
Investments in securities held for trading - Ordinary shares	4,141	4,249
Unrealised gain on changes in the value of investment	108	
Total investments in securities held for trading	4,249	

12. Other current assets

Movements in the allowance for loss on impairment of other current assets account during the years ended 31 December 2012 and 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements / Separate financial statements	
	2012	2011
Balance as at 1 January	2,722	2,722
Allowance for loss on impairment of other current assets account decrease	(51)	-
Balance as at 31 December	2,671	2,722

13. Restricted bank deposits

As at 31 December 2012 and 2011, the Company and its subsidiary used bank deposits as security for credit facilities from banks and as a bond for litigation before the court, respectively.

14. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up share capital Million Baht	Percentage holding		Separate financial statements Cost method	
		2012 Percent	2011 Percent	2012	2011
StarCom Co., Ltd.	206	-	90.41	-	144,200
My Bus Co., Ltd.	32	95.16	95.16	9,173	9,173
Total				9,173	153,373
Less: Allowance for loss on impairment of investments				(9,173)	(148,281)
Net				-	5,092

As at 31 December 2012 and 2011, the Company had commitments amounting to approximately Baht 55 million in respect of the unpaid shares in My Bus Company Limited.

On 18 December 2012, a meeting of the Company's Board of Directors approved the disposal of an investment in StarCom Co., Ltd. to a non-related party, and the Company sold all of its investment in that subsidiary on 20 December 2012 at a price of Baht 5.8 million. Details of the net asset value of StarCom Co., Ltd. as at the disposal date are as follows:

(Unit: Thousand Baht)

Total assets	209,200
Total liabilities	(213,861)
Net asset value	(4,661)
Less: Non-controlling interests of subsidiaries	447
Net asset value attributable to the Company's investment	(4,214)
Selling price	5,768
Gain from the disposal of investment in subsidiary	9,982

15. Investment properties

A reconciliation of the net book value of investment properties as at the beginning and ending of the years 2012 and 2011 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statement / Separate financial statement		
	Properties used for warehouse service	Properties of which future utilisation is unspecified	Total
Net book value at beginning of 2011	167,799	20,438	188,237
Net loss from a fair value adjustment	(5,799)	-	(5,799)
Transfer to property, plant and equipment	-	(200)	(200)
Transfer to assets held for sale and dispose during the year	-	(20,238)	(20,238)
Net book value at end of 2011	162,000	-	162,000
Net loss from a fair value adjustment	-	-	-
Net book value at end of 2012	162,000	-	162,000

The investment property is land and building for providing warehouse service. The fair value of the investment property has been determined based on valuations performed by an accredited independent valuer, using the income approach. The main assumptions used in the valuation were yield rate, inflation rate, long-term vacancy rate and long-term growth in real rental rates.

Rental income from investment property and related operating expenses are separately presented in the income statements.

Majority of investment properties were mortgaged as collateral for short-term and long-term credit facilities granted by commercial banks.

(Unit: Thousand Baht)

[illegible]

(Unit: Thousand Baht)

[illegible]

The Company arranged for an independent professional valuer to appraise the value of the land for its office at the end of year 2010. The land was revalued using the market approach. The Company recorded the resulting increase in asset values, totaling of approximately Baht 9 million, in "Gain on revaluation of land" in statements of comprehensive income.

Had the land been carried in the financial statements based on historical cost, its net book value as of 31 December 2012 and 2011 would have been Baht 17.6 million.

The subsidiary's vehicles with net book values as of 31 December 2012 of Baht 42.2 (2011: Baht 49.0 million) have been pledged to secure the loans it obtained from financial institutions to pay for part of the cost of the buses according to bus sales agreement.

As at 31 December 2012, the Company had vehicles under finance lease agreements with net book values amounting to Baht 13 million (2011: Baht 6 million).

The Company has mortgaged a majority of its land with structures thereon and machinery as collateral for short-term and long-term credit facilities granted by commercial banks.

17. Network equipment

As at 31 December 2011, network equipment at gross carrying amount before deducting allowance for impairment loss amounting to Baht 351 million is the equipment used for the upgrade of the 470MHz Mobile Telephone Network to CDMA2000 1X in accordance with the contract between the consortium of a subsidiary with Huawei Technologies (Thailand) Co. Ltd., selected by TOT Plc. The subsidiary decided to suspend the upgrade project, after it received a notification dated 22 January 2007 from the National Telecommunications Commission requesting an explanation of the subsidiary's upgrade project under the contract with TOT Plc., since it had not received a license to use communications equipment under the CDMA 2000 1X cellular system. In addition, the upgrade project of the subsidiary had been delayed due to a delay in the receipt of a license to import the equipment of TOT Plc. and a license to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X, in accordance with the contract. The subsidiary had therefore written to TOT Plc. requesting that it cancel the contract, purchase the equipment in which the subsidiary has invested, and pay compensation. TOT Plc. sent a letter to the subsidiary informing it to continue the upgrade project and notifying it of the change of the completion date for the upgrade project to be used for calculating the delay penalty. In addition, TOT Plc. sent the subsidiary another letter informing it that it had not breached the contract and that the subsidiary was not entitled to request that TOT Plc. cancel the contract

and purchase the equipment in which the subsidiary has invested. The subsidiary rejected the revised completion date of the upgrade contract and requested that TOT Plc. reconsider the cancellation of the contract and the purchase of its equipment, since the upgrade contract might be in breach of the Private Sector Participation Act BE 2535. On 14 May 2007, the subsidiary received a letter from the Ministry of Information and Communication Technology, informing it that the matter of whether the Private Sector Participation Act BE 2535 would be breached had been forwarded to the Royal Decree Committee for a decision. Then, on 18 October 2007 the negotiating committee of TOT Plc. and the subsidiary met to determine how to proceed following receipt of a letter from the Royal Decree Committee, dated 5 October 2007, stating that the 28 July 2005 contract to upgrade the 470MHz network, dated after the effective date of the Private Sector Participation Act BE 2535, had the substance of a private sector participation in government business and counterparties should proceed in accordance with such act, and that TOT Plc., as the project owner, should therefore present the project to the Ministry of Information and Communication Technology and the Ministry of Finance for consideration before submitting it to the Cabinet for approval. The negotiating committee of TOT Plc. informed the subsidiary that TOT Plc. would have to notify the relevant agencies and that it expected the process to take more than one year. The subsidiary concluded that it therefore did not intend to fulfill the original contract and proposed to the negotiating committee of TOT Plc. that they consider purchasing all of the subsidiary's project equipment. The negotiating committee agreed to purchase the equipment relevant to the investment made by the subsidiary to upgrade the CDMA 470MHz Mobile Telephone Network and sub-network. However, the negotiating committee also informed the subsidiary that the conclusions of the meeting represented the opinions of the negotiating committee and would need to be approved by the Board of Directors of TOT Plc. The Royal Decree committee issued a response with respect to the procedure for the termination of the 470MHz Mobile Telephone Network agreement (under the letter number 663/2551), whereby, if TOT Plc. wishes to exercise its right to terminate the agreement or TOT Plc. and the subsidiary agree to terminate the agreement, such termination is to be performed in accordance with the principles and conditions stipulated in the agreement. It is therefore clear that TOT Plc. and the subsidiary can terminate the agreements. The subsidiary subsequently received a letter from TOT Plc. requesting that the subsidiary propose a revised solution. The subsidiary confirmed the previous proposal whereby TOT Plc. would purchase all of the subsidiary's project equipment. On 21 October 2008, the subsidiary and TOT Plc.'s negotiating committee for the termination of the agreement and the purchase of project equipment agreed and reached a conclusion. The negotiating committee has proposed this conclusion to the

Board of Directors of TOT Plc. for approval and further action. Later, in July 2011, the subsidiary filed a lawsuit with the Central Administrative Court, seeking to have the court order TOT Plc. to pay the amount previously negotiated for the network equipment.

On 8 March 2010, the subsidiary arranged for an independent professional valuer to appraise the value of such network, and adjusted the value of the assets in accordance with the appraised value. A Baht 126 million allowance for impairment loss on network equipment was recorded as expenses in the 2009 income statement. In addition, on 12 January 2011 the subsidiary arranged for an independent professional valuer to re-appraise the value of such network, as mentioned in Note 1.2. The subsidiary adjusted the value of inventories to accord with the new appraised value and recorded allowance for impairment loss on network equipment of Baht 13 million, as expenses in the 2010 income statement. Later, on 19 December 2011 the subsidiary arranged for an independent professional valuer to re-appraise the value of such network, as mentioned in Note 1.2. The subsidiary adjusted the value of inventories to accord with the new appraised value and recorded allowance for impairment loss on network equipment of Baht 15 million, as expenses in the 2011 income statement.

As a result of the Company's disposal of the investment in the above subsidiary on 20 December 2012, as discussed in Note 14, its status as a subsidiary ended. Such network equipment was therefore not included in the statement of financial position as at 31 December 2012.

18. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statement		
	Right to operate bus service	Computer software	Total
<u>Cost</u>			
1 January 2011	14,885	904	15,789
Addition	-	109	109
31 December 2011	14,885	1,013	15,898
Addition	-	352	352
31 December 2012	14,885	1,365	16,250
<u>Accumulated amortisation</u>			
1 January 2011	2,298	442	2,740
Amortisation during the year	1,698	238	1,936
31 December 2011	3,996	680	4,676
Amortisation during the year	1,702	234	1,936
31 December 2012	5,698	914	6,612

(Unit: Thousand Baht)

	Consolidated financial statement		
	Right to operate bus service	Computer software	Total
Net book value			
31 December 2011	10,889	333	11,222
31 December 2012	9,187	451	9,638

19. Other non-current assets

As at 31 December 2012 and 2011, allowance for impairment loss on deposit for payphones was Baht 93 million. This deposit was paid in accordance with a purchase agreement with a foreign company and related to the upgrade of the 470MHz Mobile Telephone Network to CDMA2000 1X project.

20. Short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (percent per annum)	Consolidated financial statement / Separate financial statement	
		2012	2011
Short-term loans from banks	3.43% - 7%		
- Trust receipts	(2011: 4.15% - 7%)	51,175	30,580

Short-term loans from banks are secured by the mortgage of majority of the Company's land with structures thereon and machinery, investment properties and part of its inventories. Short-term loans from banks are guaranteed by certain directors of the Company.

21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Trade payables - unrelated parties	11,799	165,720	11,799	5,531
Other payables	10,226	15,217	7,999	7,929
Advance received from director	132	-	132	-
Accrued expenses	5,584	42,822	5,584	7,818
Total trade and other payables	27,741	223,759	25,514	21,278

As at 31 December 2011, a subsidiary had a trade account payable and an accrued expense amounting to Baht 156 million and Baht 35 million, respectively. These were debts under the agreement to purchase equipment related to the upgrade of the 470MHz Mobile Telephone Network to CDMA2000 1X project. However, the Company had no guarantee commitment for this agreement.

22. Other long-term loans

As at 31 December 2012 and 2011, a subsidiary had long-term loans from an unrelated company. The loans are repayable in monthly installments until 2014 and carry interest at a rate of 0.5 percent per annum.

23. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Liabilities under finance lease agreements	25,986	32,224	12,506	4,864
Less: deferred interest expenses	(2,603)	(3,004)	(1,784)	(495)
Total	23,383	29,220	10,722	4,369
Less: portion due within one year	(11,295)	(12,911)	(2,575)	(1,099)
Liabilities under finance lease agreements - net of current portion	12,088	16,309	8,147	3,270

The Company and its subsidiaries have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 5 years. Finance lease agreements are non-cancelable.

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

(Unit: Million Baht)

	As at 31 December 2012		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	12	13	25
Deferred interest expenses	(1)	(1)	(2)
Present value of future minimum lease payments	11	12	23

(Unit: Million Baht)

	As at 31 December 2011		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	15	17	32
Deferred interest expenses	(2)	(1)	(3)
Present value of future minimum lease payments	13	16	29

24. Long-term loans

(Unit: Thousand Baht)

Interest rate (percent)	Repayment schedule	Consolidated financial statement / Separate financial statement	
		2012	2011
MLR per annum	Repayable in monthly installments until 2019	31,688	47,018
Less: Current portion		(16,424)	(15,282)
Long-term loans - net		15,264	31,736

In March 2011, the Company entered into a memorandum to restructure debt with another bank, whereby the Company is to pay principal amounting to Baht 55.4 million and accrued interest on a monthly basis. The first payment is due in March 2011 and the last in February 2016. The bank will forgive related accrued interest amounting to Baht 6.7 million, which the Company has recorded in the statements of financial position, when the Company completes settlement in accordance with the agreed terms.

The loan is subject to certain covenants and restrictions, relating to matters such as the shareholding of key shareholders and the maintenance of certain financial ratio. The loan is guaranteed by the Company's director and the mortgage of the Company's investment properties.

25. 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 financial statement		Separate financial statement	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	3,873	3,085	3,855	2,985
Current service cost	2,875	689	2,859	775
Interest cost	133	99	133	95
Defined benefit obligation at end of year	<u>6,881</u>	<u>3,873</u>	<u>6,846</u>	<u>3,855</u>

Long-term employee benefit expenses of the Company and its subsidiaries included in profit or loss for the year ended 31 December 2012 amounted to Baht 3 million (2011: Baht 3.9 million). These were recognised as administrative expenses in the income statement.

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.44%	3.19%	3.44%	3.19%
Future average salary increase rate	5%	-	5%	-
Staff turnover rate (depending on age)	5% - 30%	5% - 30%	5% - 30%	5% - 30%

26. Income tax

Income tax for the year of the Company and its subsidiaries has been calculated at the rates of 23 percent (2011: 30 percent), on the income (loss) after adding back disallowable expenses in tax computation purposes, deducting accumulated tax loss brought forward from previous years.

27. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statement		Separate financial statement	
	2012	2011	2012	2011
Salary and wages and other employee benefits	65,177	43,291	62,686	41,040
Depreciation	18,581	14,740	11,752	7,885
Allowance for doubtful accounts (reversal)	197	(1,263)	(272)	4,137
Impairment loss of assets (reversal)	(79)	14,962	(79)	-
Advertising and sales promotion expenses	19,888	14,426	19,888	14,426
Loss on cost reduction of inventories to net realisable value (reversal)	3,986	(8,694)	3,986	(8,694)
Raw materials and consumables used	217	198	84	170
Purchase of goods	380,152	223,264	380,152	223,264
Changes in inventories of finished goods	49,555	39,447	49,555	39,447

28. Earnings per share

Basic earnings per share is calculated by dividing profit or loss 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.

29. Reduction of share capital with deficit

On 15 December 2011, an extraordinary meeting of the shareholders passed a resolution to approve a decrease of Baht 240 million in the Company's registered and fully paid-up capital, to Baht 360 million, by reducing the par value of the shares from Baht 1.00 to Baht 0.60 each. The resulting decreases of Baht 240 million in share capital, Baht 4.6 million in the statutory reserve, and Baht 165.3 million in share premium, based on the Company's statement of financial position as of 30 September 2011, will be used to offset Baht 394.7 million in the Company's unappropriated deficit. This decrease will not affect the existing shares. The Company completed the process on 28 February 2012.

30. Revaluation surplus on land

The revaluation surplus on land can neither be offset against deficit nor used for dividend payment.

31. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Interim dividends for 2012	Board of Directors meeting on 23 February 2012	30,000	0.05
	Board of Directors meeting on 10 August 2012	30,000	0.05
	Board of Directors meeting on 9 November 2012	30,000	0.05
		<u>90,000</u>	<u>0.15</u>

32. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net 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.

33. Financial information by segment

The financial information by business segment, which comprises distribution of consumer products segment, the distribution of NGV cars business segment, the telecommunications service business segment, bus service operator segment and the provision of warehouse rental and warehouse services and other segments for the years ended 31 December 2012 and 2011, is as follows: -

(Unit: Million Baht)

	Consolidated financial statement											
	For the years ended 31 December											
	Distribution of consumer products segment		Distribution of NGV car and gas tank segment		Telecommunications service segment		Bus service operator segment		Provision for warehouse rental and warehouse service segments		Other segments	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales and service income												
- External customer	626	321	7	55	-	-	16	12	27	23	6	681
- Inter-segment revenues	-	-	1	1	-	-	-	-	-	-	-	-
Total revenues	626	321	8	56	-	-	16	12	27	23	6	681
Segment income (loss)	189	122	(6)	-	6	(10)	1	(3)	18	8	-	208
Unallocated income (expenses):												
Other income												6
Gain on sale of assets												2
Gain from disposal of subsidiary												10
Other expenses												(13)
Financial expenses												(14)
Profit for the year												199
Other segment information												
Segment assets	314	161	54	176	-	206	154	61	162	162	2	686
Unallocated assets												12
Non-operating assets												5
Total assets												703
												787

The Company and its subsidiaries have applied the pricing policies described in Note 9 to set the transfer prices.

34. Commitment and contingent liabilities

34.1 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land and building. The terms of the agreements are generally between 1 and 4 years, and non-cancellable.

Future minimum lease payments required under these non-cancellable operating lease and service contracts were as follows.

(Million Baht)

	As at 31 December	
	<u>2012</u>	<u>2011</u>
Payable within:		
1 year	1.9	3.7
2 to 4 years	0.1	1.0

34.2 Commitment in respect of purchase of finished goods and capital commitments

As at 31 December 2012 and 2011, the Company and its subsidiary company had commitment in respect of purchase of finished goods and equipment of approximately USD 39 million.

34.3 Guarantees

As at 31 December 2012, there were outstanding bank guarantees of Baht 1.3 million (2011: Baht 11.1 million) issued by the banks on behalf of the Company and its subsidiary companies in respect of certain performance bonds as required in the normal course of business.

As at 31 December 2012, the Company had a guarantee commitment in respect of a bank guarantee provided on behalf of StarCom Co., Ltd. amounting to Baht 10 million.

35. Financial instruments

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, trade accounts receivable, finance lease receivables, investments, and short-term and long-term loans. 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 accounts receivable, finance lease receivables, and other receivable. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables, finance lease receivable, and other receivables as stated in the statement of financial position.

Foreign currency risk

The Company and its subsidiaries are exposed to foreign currency risk arising mainly from trading transactions that are denominated in foreign currencies.

The significant balance of financial assets and liabilities denominated in foreign currencies is summarised below.

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	-	-	1.71	7.01	30.7775	31.8319

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, and short-term and long-term borrowings with interest bearing. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rates 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 statement as at 31 December 2012						
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
<u>Financial Assets</u>						
Cash and cash equivalents	0.62%	-	-	2	-	2
Finance lease receivables	5.6% - 10.8%	1	4	-	-	5
Trade and other receivables	-	-	-	-	112	112
		1	4	2	112	119
<u>Financial liabilities</u>						
Short-term loans from bank - trust receipts	3.43% - 7%	51	-	-	-	51
Trade and other payables	-	-	-	-	28	28
Liabilities under finance lease agreements	5% - 8.5%	11	12	-	-	23
Long-term loan from bank	MLR - 0.5%	-	-	32	-	32
Other long-term loan	0.5%	2	2	-	-	4
		64	14	32	28	138

(Unit: Million Baht)

Consolidated financial statement as at 31 December 2011						
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
<u>Financial Assets</u>						
Cash and cash equivalents	0.75%	-	-	18	-	18
Finance lease receivables	6.1% - 10.8%	3	1	-	-	4
Trade and other receivables	-	-	-	-	41	41
		3	1	18	41	63
<u>Financial liabilities</u>						
Short-term loans from bank - trust receipts	4.15% - 7%	31	-	-	-	31
Trade and other payables	-	-	-	-	224	224
Liabilities under finance lease agreements	5% - 7%	13	16	-	-	29
Long-term loan from bank	MLR	-	-	47	-	47
Other long-term loan	0.5%	2	4	-	-	6
		46	20	47	224	337

(Unit: Million Baht)

Separate financial statement as at 31 December 2012						
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
<u>Financial Assets</u>						
Cash and cash equivalents	0.62%	-	-	2	-	2
Finance lease receivables	5.6% - 10.8%	1	4	-	-	5
Trade and other receivables	-	-	-	-	118	118
Short-term loans to subsidiaries	6.125%	15	-	-	-	15
		16	4	2	118	140
<u>Financial liabilities</u>						
Short-term loans from bank - trust receipts	3.43% - 7%	51	-	-	-	51
Trade and other payables	-	-	-	-	26	26
Liabilities under finance lease agreements	5% - 8.5%	3	8	-	-	11
Long-term loan from bank	MLR - 0.5%	-	-	32	-	32
		54	8	32	26	120

(Unit: Million Baht)

Separate financial statement as at 31 December 2011						
	Interest rate (% p.a.)	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
<u>Financial Assets</u>						
Cash and cash equivalents	0.75%	-	-	17	-	17
Finance lease receivables	6.1% - 10.8%	3	1	-	-	4
Trade and other receivables	-	-	-	-	51	51
Short-term loans to subsidiaries	6.125%	12	-	-	-	12
		15	1	17	51	84
<u>Financial liabilities</u>						
Short-term loans from bank - trust receipts	4.15% - 7%	31	-	-	-	31
Trade and other payables	-	-	-	-	21	21
Liabilities under finance lease agreements	5% - 7%	1	3	-	-	4
Long-term loan from bank	MLR	-	-	47	-	47
		32	3	47	21	103

Fair value

Since major financial instruments are short-term in nature, and loans from financial institutions bear the interest rate which approximates to the market rate, the fair value of financial instruments is presented as the amount stated in the statement of financial position.

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique.

The Company and its subsidiaries establish fair value of their financial instruments by adopting the following methods and assumptions:

- For financial assets and liabilities which have short-term maturity, including cash and cash at banks, trade accounts receivable and trade accounts payable, the carrying amounts presented in the statement of financial position are considered to be a reasonable approximation of their fair value.
- For finance lease receivables, fair values are based on carrying value of loans net of unearned finance lease income and allowance for doubtful debts in the statement of financial position.
- For loan from unrelated party, loan from related party, and long-term loans from banks carrying interest at the rates approximate to the market rate, the carrying amounts in the statement of financial position approximate fair value.
- Loans from unrelated party, which carry interest at fixed rates, and are long-term in nature, have the following fair value.

(Unit: Million Baht)

	Book value as at 31 December		Fair value as at 31 December	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Other long-term loans	4.1	6.2	3.8	5.6

36. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern. According to the statement of financial position as at 31 December 2012, the Group's debt-to-equity ratio was 0.3:1 (2011: 0.8:1) and the Company's was 0.2:1 (2011: 0.3:1).

37. Events after the reporting period

On 27 February 2013, the Company's Board of Directors passed a resolution to propose that the Annual General Meeting of shareholders to be held on 22 April 2013 adopt a resolution to pay a year-end dividend of Baht 0.06 per share in respect of the operating result of 2012, or a total of Baht 36 million. The dividend payment is scheduled for 8 May 2013 and represents a total dividend payment is Baht 0.21 per share, inclusive of the interim dividend of Baht 0.15 per share.

Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

38. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2013.