

KARMART

ANNUAL REPORT 2016

รายงานประจำปี 2559 บริษัท คาร์มาร์ท จำกัด (มหาชน) สิ้นสุดวันที่ 31 ธันวาคม 2559



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บริษัท คาร์มาร์ท จำกัด (มหาชน)
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OUR VISION

One of the Leading Branded Beauty Providers for Everyone Worldwide



OUR MISSION

To be a supreme beauty provider well-recognised worldwide as a dynamic professional team committed to :

- Product innovation and service excellence for customers
- Efficient value creation for stakeholders
- Social responsibility for community
- Efficient Market expansion



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COMPANY PROFILE

Name	Karmarts Public Company Limited
Address	<p>Office</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>Factory and Warehouse</p> <p>140-140/1 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 and the provision of warehouse rental and warehouse services.
Authorized share capital	
Common stock	396,000,000 Baht
Issued and Paid up	395,741,285.40 Baht
Incorporate	May 11, 1982
Registered as a public company	March 18, 1994
SET Listing	October 31, 1994
Registration No.	0107537000823 (Old No. Plc. 329)
Corporate Website	www.karmarts.co.th
E-commerce Website	www.karmarts.com
Share Registrar	Thailand Securities Depository Company Limited The Stock Exchange Building
Auditors	Ms. Gingkam Atsawarangsali Certified Public Accountant No. 4496 EY Office Limited

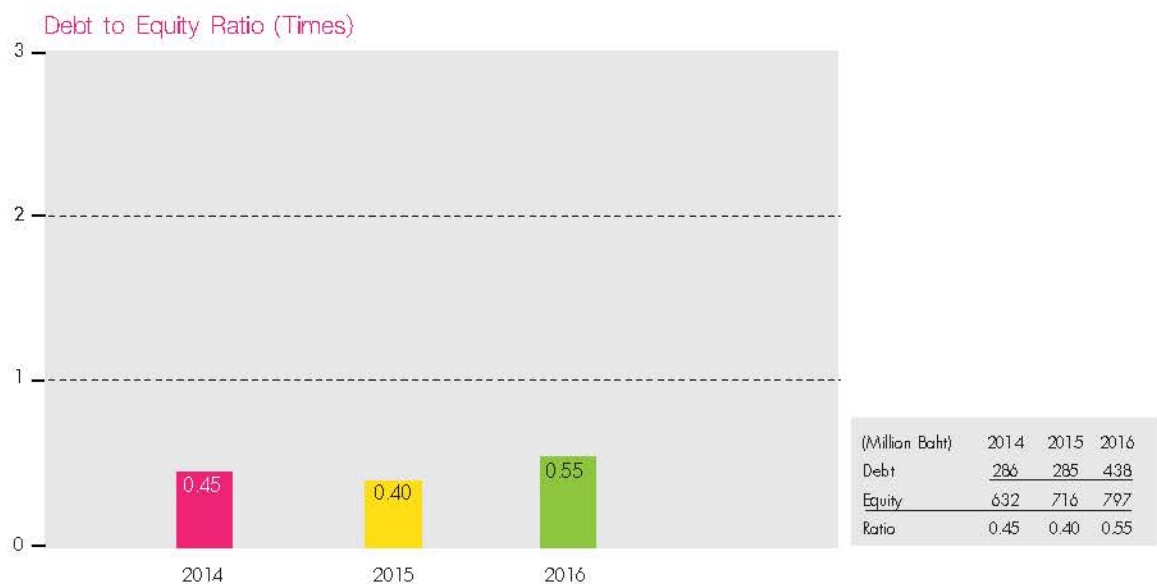
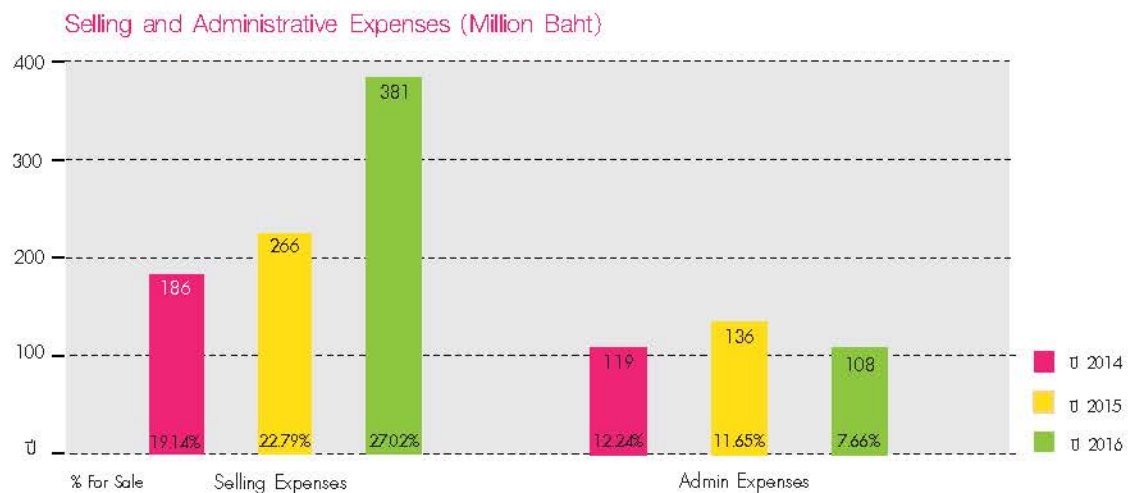
FINANCIAL HIGHLIGHTS

KARMARTS PUBLIC COMPANY LIMITED

	Consolidated			The Company Only		
	2016	2015	2014	2016	2015	2014
Financial Position and Operating results of year						
Financial Position (Thousand Baht)						
Total Assets	1,235,969	1,001,183	918,121	1,240,114	997,233	917,224
Total Liabilities	438,478	285,102	286,283	438,662	280,692	282,373
Shareholders' Equity	797,491	716,081	631,838	801,452	716,540	634,851
Operating Results (Thousand Baht)						
Total Revenue	1,453,005	1,204,972	1,018,165	1,454,017	1,202,483	1,018,254
Total Sales and services	1,410,812	1,167,413	971,504	1,409,870	1,163,183	970,378
Gross Margin	781,601	631,811	394,523	781,720	633,767	401,999
Net Profit (Loss)	263,832	209,659	92,178	269,590	205,854	99,341
Financial Ratio						
Return on Assets (ROA) (%)	23.59	21.85	10.05	24.10	21.51	10.91
Return on Equity (ROE) (%)	34.82	31.04	14.65	35.52	30.47	15.82
Gross Margin (%)	55.49	54.54	40.61	55.45	54.51	41.43
Net Profit (Loss) (%)	18.71	18.02	9.05	19.12	17.69	9.76
Current Ratio (times)	1.89	2.37	2.15	1.89	2.43	2.31
Debt to Equity Ratio (times)	0.55	0.40	0.45	0.55	0.39	0.44
Book Value per share (Baht)	1.21	1.09	0.96	1.21	1.09	0.96
Earnings per share (Baht)	0.40	0.31	0.14	0.41	0.31	0.16

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 2014, 2015 AND 2016 (CONSOLIDATED)



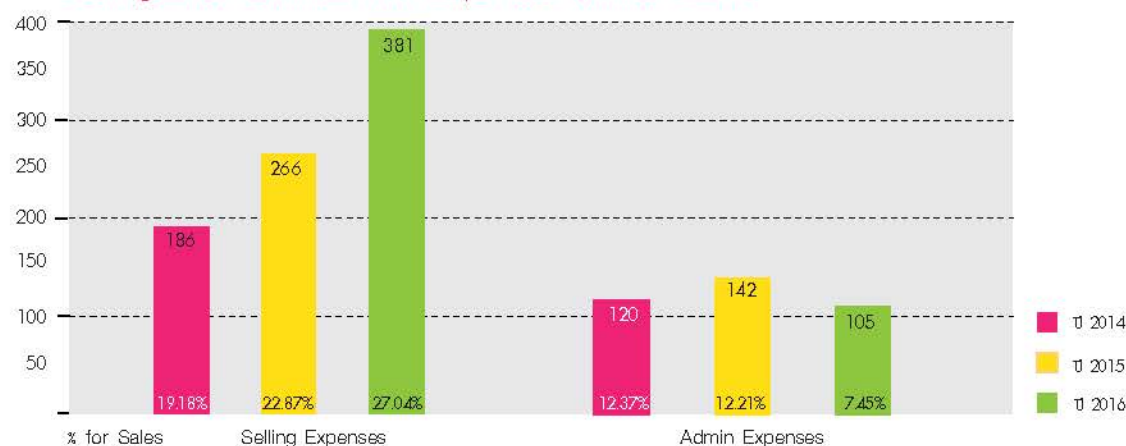
KARMARTS PUBLIC COMPANY LIMITED

OPERATING RESULTS YEAR 2014, 2015 AND 2016 (THE COMPANY ONLY)

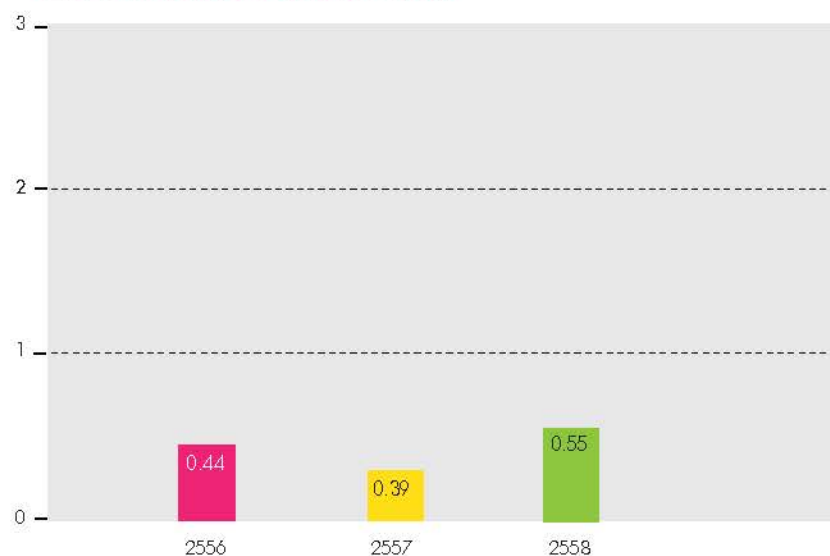
Total Sales and Services (Million Baht)



Selling and Administrative Expenses (Million Baht)



Debt to Equity Ratio (Times)



(Million Baht)	2014	2015	2016
Debt	282	281	438
Equity	635	717	801
Ratio	0.44	0.39	0.55

BOARD OF DIRECTORS' MESSAGE

In 2016, the people of Thailand suffered the loss of their greatest and longest-reigning monarch, King Bhumibol Adulyadej, on Thursday Oct 13. As the world grieved for the passing of the ninth monarch of the Chakri dynasty, or King Rama IX, after 70 long years on the throne, Karmart shall commit to carry on the teachings of the great King, follow his principles and continue to do good for the society along with millions of citizens who were blessed to live under his reign.

Domestically, apart from the economic slowdown which followed the passing of the nation's leader, unstable political outlook which has affected the economy as a whole for the past decade and the extermination of "Zero Dollar Tour" also directly impacted the Thai economy in the past year. Multiple companies across a wide spectrum of industries slowed down expansion plans as a safe move despite strong growth which could be observed in the beauty sector. Consequently, the overall downturn in Q4/2016 influenced the company's performance on a year-on-year basis and hindered the achievement of 20.58% of growth in sale revenue, or Baht 248.03 million, which constitutes 10% less the initial target laid out in the beginning of the fiscal period, primarily due to lowered consumer confidence index and reduction in tourism activities.

Overseas expansion continued to deliver good results for the fourth consecutive year, evident from a near two-fold growth in export value and significant increase in sales revenue generated via Modern Trade channel. To provide a strong boost for Asia-wide exposure, the company organised KARMART Asian Beauty Blogger Contest (ABBC) Season 1 in Q3/2016. The event served as an international platform for young blogging talents across 8 Asian countries to showcase their aptitudes and this, in return, successfully increased brand awareness and recognition for the company outside Thailand.

Acting on our key focus on product quality, Karmart established a new manufacturing facility in 2016 to further enhance quality control and support future market expansion plans which are expected to be completed by mid 2017. Complementing the expansion of manufacturing capabilities are our continued efforts in sourcing for best quality materials from all over the world so we may continue to provide highest quality products at the most reasonable prices for our consumers.

Moving towards the company's goal of further strengthening our position as a market leader in Asia and establishing our brands on an international scale over the next decade, we remain committed to the values we seek to deliver to the world stage. On behalf of Karmarts Public Company Limited, the Board of Directors would like to express our sincere appreciation to our business partners, stakeholders, Karmart employees and communities at large for their continued support towards the company over the past three decades and beyond. As we march into 2017, we are confident that as a whole, we shall hand in hand work towards our vision to become "One of the leading branded beauty providers for everyone worldwide".

The Board of Directors
Karmarts Public Company Limited

INCOME STRUCTURE

The Company had the Consumer Products Sales and Vehicle NGV in 2014 – 2016 as follow:

Product	2016		2015		2014	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Vehicle NGV Sales Value						
- Vehicle NGV	-	-	-	-	187	0.02
- Engines	-	-	1,408	0.12	201	0.02
- Cylinder	-	-	-	-	455	0.05
- Other	-	-	1,419	0.12	24,984	2.57
Total Vehicle NGV Sales Value	-	-	2,827	0.24	25,827	2.66
Consumer Products Sales Value						
- Cosmetics						
Body care	251,553	17.84	282,056	24.24	321,954	33.18
Facial skin care and	424,512	30.11	344,689	29.62	256,760	26.46
Cosmetics	661,802	47.30	493,426	42.40	306,587	31.59
- Accessories	20,663	1.46	18,039	1.55	14,401	1.48
- Furnitures and marketing tools	40,400	2.80	12,868	1.11	25,409	2.62
- Supplomentarie	10,604	0.75	9,458	0.81	18,608	1.92
- Other	336	0.02	369	0.03	832	0.09
Total Consumer Products Sales Value	1,409,870	100.00	1,160,905	99.76	944,551	97.34
Total Sales Value	1,409,870	100.00	1,163,732	100.00	970,378	100.00
Service Income	-	-	-	-	-	-
Grand total Revenue	1,409,870	100.00	1,163,732	100.00	970,378	100.00
% increased (decreased)	21.14		19.94		16.89	

CORE BUSINESS

Karmarts Public Company Limited (KARMART) operates core businesses in the fields of import, manufacturing and distribution of cosmetics and consumer products on an international scale. Key products can be generally segregated into two groups: (1) international brands solely distributed by KARMART within Thailand territory and (2) domestic house brands whose trademark rights belong with KARMART. For the latter, the company plans and executes the concept and development of each brand through multinational product development teams across Thailand and Korea, effectively tapping on the teams' solid understanding in global trends and consumer behavior. This facilitates consistent creation of new innovative products which meet the imminent needs of target markets across Asia. The primary objective of the business lies in the conception of new products which deliver aesthetic appeal and unique beauty solution to customers, thereby allowing mass consumers to enjoy shopping for each and every category of beauty products to satisfy their customized needs. Underlying the primary objective is KARMART's promise to deliver high quality products produced across the globe at reasonable prices affordable to all. Following excellent market responses from consumers in 2014, the company has since dedicated resources to the expansion of manufacturing factory locally.

In terms of distribution channels, the company maintains an extensive distribution network nationwide encompassing both wholesale and retail sales, e.g. cosmetic store, supermarket, pharmacy etc. Modern trade channels also constitute a strong arm in distribution and strategic collaborations have been established with 7-Eleven, Watsons, Lotus etc. Additionally, KARMART operates the largest cosmetic franchise system in Thailand under the trade name "KARMARTS" and retails an enchanting variety of beauty products marketed under various house brands of the company, all of which are managed centrally to exhibit the same brand image, style and layout and implement consistent operating systems to meet the needs of consumers.

Outstanding performance from within domestic market motivated KARMART to expand operations abroad since 2013. The expansion started with Southeast Asia and has conquered a total of 9 other Asian markets to date, including Singapore, Malaysia, Cambodia, Myanmar, Vietnam, Laos, Philippines, Indonesia and China. The ultimate goal of the company is to be "One of the Leading Branded Beauty Providers for Everyone Worldwide" and rise to Asia's number one cosmetic player in the foreseeable future.

COMPANY BACKGROUND AND SIGNIFICANT MILESTONES

- 2009 Commenced import of cosmetic, skin care and other consumer products for distribution in various channels under “Karmarts” trademark, and concurrently operated automobile and NGV businesses which were launched in previous years
- 2010 Achieved annual sales growth exceeding 100% in “Karmarts” cosmetic business
- 2011 Officially updated company’s name from Distar Electric Corporation Public Company Limited to Karmarts Public Company Limited with the Stock Exchange of Thailand
- 2012 Strategized manufacturing and distribution of cosmetic, skin care and consumer products as primary business
- 2013 Expanded distribution channels and ventured into export markets with Asian countries as key focus
- 2014 Enhanced overseas distribution through strategic alliances with high potential business partners; Commenced product Research and Development under “JKOS Laboratory Company Limited” which focuses on manufacturing of cosmetic, perfume, beauty appliances and accessories; Embarked real estate business with “The Iconic Property Company Limited” as an alternative to the company’s investment portfolio
- 2015 Established joint venture with Karmarts Vietnam Company Limited as part of key expansion plan
- 2016 On 20 January 2016, the Company paid for an investment in Karmarts Vietnam Company Limited, registered and established in Vietnam, in a total of USD 98,000 or approximately Baht 3.56 million. As a result, the Company holds 49% of the issued and paid-up shares of USD 200,000 in this company. The Company has recorded the investments in this company as investments in joint venture since the investment date. This company’s operation period is 50 years, starting from the date of incorporation, 9 October 2015.

Brands and Products Overview

Working towards the vision of becoming a leading cosmetic brand that fulfills all beauty needs of modern consumers, young and mature KARMART is constantly driven to invent unique and outstanding products to meet needs of various target markets and be the ultimate provider of “Unique Beauty Solution” to all.

PRODUCT CHARACTERISTICS

KARMART has a vast collection of more than 1,000 beauty products from our house brands deleberated below :



1. Cathy Doll: Just play it!

“Cathy Doll” is a vibrant brand that revolutionizes cosmetic industry with its huge variety of trending beauty products that fulfill a vast spectrum of different and unique beauty needs and preferences. Innovative products marketed under this brand bring to the market maximum fun and enjoyment with vivacious beauty products that offer all-rounded beauty from head to toe. A leader of trendsetting innovation, the brand is well-suited for modern girls who pursue chic and edgy look, receive beauty trends with intense positivity and an open heart, are naughty yet adorable and charming, with a playful personality just like Cathy Doll who motivates all girls to reveal their profound beauty with confidence. Cathy Doll offers a wide range of product choices as follows:

- Facial Care
- Body Care
- Hair Care
- Makeup
- Intimate Care
- Beauty Accessories



2. Cathy Choo: Boutique fusion spa

A fusion spa product line crafted out of impressive journeys to the east, west and various parts of the world coupled with the perfect blend of Thai spa and natural scents from spices, herbs, florals, woods and fruits to create a miraculous fusion that cannot be found elsewhere. This brand caters to one's beauty needs and offers the benefits of emotional therapy through relaxation delivered by spa products which elegantly reflect rich spa cultures around the world. Suitable for delicate ladies who fancy floral and herbal fragrances, the brand also features sophisticated packaging that provides luxurious visual sensation wherever the products may be placed. Cathy Choo offers product choice as follows

- Body Care



3. Baby Bright: Gift from nature

Originating from the pure natural powers from Jeju Island which make up the origin of miraculously good skin, Baby Bright is a modern icon representing the beauty gifts nature can ever offer for one's skin. The brand takes inspiration from the wide variety of nourishing plants available in nature and delivers an innovative skin care line. A valuable gift that helps pamper and nourish the skin through the combination of beauty secrets from nature, products marketed under this brand effectively revive skin's glow to reveal supple and youthful appearance. All in all, this brand perfectly soothes the skin with in the most gentle and mild way possible and offers visible benefits to all skin types. Baby Bright offers a wide range of product choices as follows:

- Facial Care
- Body Care
- Makeup
- Hair Care
- Intimate Care



KARMART



Jejuvita

4. Jejuvita: Beauty is yummy

Nutritious food generally tastes plain and this gave rise to the creation of dietary supplement products that are perfect in terms of both nutrition and taste – Jejuvita. Inspired by healthy beauties from Korea who not only look good, but feel good as well, Jejuvita offers a good variety of vitamins which are beneficial to the body and aims to deliver beauty from within. The brand comes with easy-to-take and on-the-go supplements to balance the nutritional needs of modern consumers and sets out to convince that beauty can certainly be yummy!



120mg
B12
120mg
B12

30mg
B12
30mg
B12

120mg
C
120mg
C

120mg
C
120mg
C

5. Reunrom: Everyday happiness

A lifestyle and spa series which was founded to preserve Thai heritage and local wisdom by combining ancient and modern Thai skin care methodologies with the use of Thai herbs, Reunrom bears close resemblance to ancient household remedies and comprises key ingredients to offer 4 types of happiness as follows:

1.) Happiness of consumers

– With exquisite designs and visible benefits, Reunrom sets out to delight consumers and deliver happiness with every use of the products.

2.) Happiness in promoting Fair Price & Fair Trade

– The happiness from contributing to Thai agriculturists, promoting quality ingredients from Thailand and creating employment for the community as well as happiness in distributing high quality products at reasonable price for all.

3.) Happiness in sharing and contributing to the society

– As a socially responsible corporation, Reunrom is yet another addition to our efforts in contributing back to society through donations of portions of commercial profit to charitable organizations.

4.) Happiness in promoting Thai Tourism and culture

– The happiness in promoting Thai tourism and culture through the creation of products that feature unique products and packaging inspired by ancient traditions. In addition, Reunrom scented products also depict trails of authentic Thai traditional fragrances and the brand provides outstanding adaptations of Thai cultures to create exceptional products in the following categories:

- Facial Care
- Body Care
- Scented products

REUN
ROM
รีนรมย์



6. Crayon: Coloring your life

A professional makeup line offering immense varieties of colors, Crayon adds exclusive shine for every style. The brand is capable of transforming any plain Jane into chic and modern ladies in its most unique and professional way and with ease, allowing consumers to be confident in every way and offering perfection to everyone's unique style. It comes with lively colors to add flavours to modern hectic (and sometimes monotonous) life. In this sense, Crayon is specially developed for ladies who wish to attain professional makeup looks and charm with minimum efforts. The brand offers product choice as follows:

- Makeup



7. Oppa Style: Be a perfect man

Oppa Style is the brand that seeks to motivate all men to pursue beauty and groom with courage. To all those who wish to bring their styles and looks up to the next level, resembling Korean Oppas who are favoured by the female population, the brand allows you to achieve the perfect look in your unique style. Oppa Style offers a range of products that are developed to respond to all men's needs from head to toe. With the brand's special focus on modern men, it effectively transforms any male into the best version of yourself, enhanced with a touch of Korean Oppas from Gangnam. The brand offers product choice as follows:

- Makeup



8. Boya: Professional Care

The next level of professional care, Boya is the brand that responds to all hair and body nourishment needs and create inspiration for consumers to showcase beauty with confidence. The brand is also known and accepted for its quality and visible results and is suitable for all genders and ages. Ingredients which go into every product are finely selected to specially cater to problems relating to hair, scalp and skin and nutrients are made available in concentrations that effectively nourish one's body from head to toe. A professional enabler for healthy skin which enhances charisma, the brand offers product choices as follows:

- Facial Care
- Body Care
- Hair Care



9. Nuna: Think of White Think of NUNA

A modern bible for luminous skin, Nuna is the brand everyone can turn to in order to achieve radiant skin that is flawless and beautiful. Offering facial and body care products inspired from the secrets of glowing skin alike Korean beauties, the brand builds upon natural ingredients to help revive any problem skin and achieve bright, glowing and youthful look from all dimensions. Be prepared to turn heads with your supple and brilliant skin as the brand provides undoubtedly fair skin.

In addition to the above-mentioned KARMART house brands, KARMART also manages the distribution of internationally renowned brands such as Missha, the No.1 cosmetic brand in Korea, so as to further enhance our product offering to consumers. World renowned as a leader in the beauty industry, Missha currently operates 40 branches worldwide and is acknowledged as "A brand known for quality first idea and its reasonable prices".



AWARDS AND ACHIEVEMENTS

As a leading cosmetic brand in Thailand, KARMART has been honored by leading Thai and international beauty magazine in recognition of exceptional product quality, as follows:

1) Beauty Hall of Fame 2014 Award – “Best Mask Under 50.-” by CLEO (Thailand) Magazine from “Cathy Doll Sweet Recipe Mask”.

2) Beauty Hall of Fame 2014 Award – “Best Body Wash” by CLEO (Thailand) Magazine from “Cathy Doll Tofu Body Bath Cleanser”.

3) Beauty Hall of Fame 2015 Award – “Best CC in a Budget” by CLEO (Thailand) Magazine from “Cathy Doll Speed White CC Cream SPF50+ PA+++”.

4) “Best Pressed Powder” Award by Lemonade Magazine from “Cathy Doll Speed White CC Powder SPF40 PA+++”.



5) Cosmo Kiss Beauty Award 2015 – “Best Lengthening & Volumizing Mascara” by Cosmopolitan (Thailand) Magazine from “Cathy Doll Mademoiselle Mascara”.



6) Beauty Hall of Fame 2015 Award – “Best High Cover Brush” by CLEO (Thailand) Magazine from “Cathy Doll Intensive Dual Coverage Brush”.

7) Beauty Hall of Fame 2015 Award – “Best Instant Whitening Cream” by CLEO (Thailand) Magazine from “Cathy Doll Ready 2 White One Day Whitener Body Lotion”.

8) Beauty Hall of Fame 2015 Award – “Best Whitening Sunscreen” by CLEO (Thailand) Magazine from “Cathy Doll L-Glutathione Magic Cream SPF50 PA+++”.

9) Grand winner for “Packaging Award – Distribution Packaging Prize” by THAISTAR PACKAGING AWARDS 2015 from “Cathy Doll No.1 Frink Series”.

10) Grand winner for “Packaging Award – Distribution Packaging Prize” by THAISTAR PACKAGING AWARDS 2015 from packaging of “KARMART Treasure Box”.



- 11) Beauty Hall of Fame Award 2016 —
“Best Cushion” by CLEO (Thailand) Magazine from
“Cathy Doll AA Matte Powder Cushion Oil Control
SPF50 PA+++”.
- 12) Beauty Hall of Fame Award 2016 —
“Best Lips — Liquid Lips” by CLEO (Thailand)
Magazine from “Cathy Doll Geisha Hanazakari Lip Matte
#03 Wine Orchid and #04 Red Rose”
- 13) Beauty Hall of Fame Award 2016 —
“Best Eye — Eyeliner” by CLEO (Thailand) Magazine
from “Crayon 8 Sec-To-Dry Gel Liner # 06 Strawberry”.
- 14) Lemonade Reader Awards 2016 —
“Best Facial Cleanser” by Lemonade Magazine from
“Cathy Doll Ready 2 White 2in1 Bubble Mousse Cleanser”
- 15) Lemonade Reader Awards 2016 —
“Best Body Treatment” by Lemonade Magazine from
“Cathy Doll Aloe Vera&Snail Serum Soothing Gel”



MARKETING AND SALES

In summary, KARMART focuses on 5 distribution channels in relation to sales and marketing

1) KARMART Shop

KARMART shops focus on retail sales and operate as cosmetic stores under a multi-brand concept, presenting all KARMART beauty products under one roof, thereby giving rise to a One-Stop-Service beauty center. Consistent interior decoration comprising the corporate shocking pink shade is put in place to present a standard brand image to consumers.

KARMART shop is an important channel for the company, ensuring easy and convenient access to all KARMART products in mass markets. It is also a key channel through which the company continuously study consumer needs and build customer relationships, which is a strong factor to building brand loyalty successfully. Therefore, the company places great attention on organizing promotional activities for KARMART members regularly.

100% of KARMART shops fall within the franchise system whereby entrepreneurs or franchisees assume the role of shop operators, conclude outright sales with the company and possess discrepancy to implement customized marketing activities or offer discounts as per the need of individual KARMART shop. Franchisees are also entitled to adopt monthly promotional directives from the company. Every branch implements Point-of-Sale system centrally linked to the company and data feeds are centrally analyzed by the company to offer management support for each and every franchisee. A sales operating system officer who possesses KARMART Shop management experience will be present in each branch so as to provide technical store management support and ensure operations comply with the standards laid down by the company.

Currently, there are a total of 54 KARMART shops nationwide, of which 12 branches are standalone or retail shops and 39 branches exist in department stores' beauty hall zone e.g. The Mall and Robinson.

2) Traditional Trade or Dealer

Despite the rapid expansion of modern trade channel in the past year, the traditional trade channel remains a key sales generator for the company, thanks to the hard work which went into building the distribution network since 2009.

The remarkable network of traditional trade distributors aggregates to approximately 100 and spread extensively across the country. 2 main types of traditional trade distributors exist as follows:

- Retailers: comprise of cosmetic shop retailer, local supermarket, local convenience store and local pharmacies etc.
- Wholesalers: comprise of cosmetic shop wholesaler and large scale consumer products store etc.



3) Modern Trade

Presently, KARMART distributes through the following modern trade channels:

- Convenience Store**

Convenience stores offer advantages with the mass number of branches and the convenient locations. Our existing partners in this aspect include 7-Eleven, Family Mart, Jiffy, Big C Mini, Lotus Express, Pure, Tops Daily and Lawson 108 etc.

- Supermarket/ Hypermarket and Discount Store**

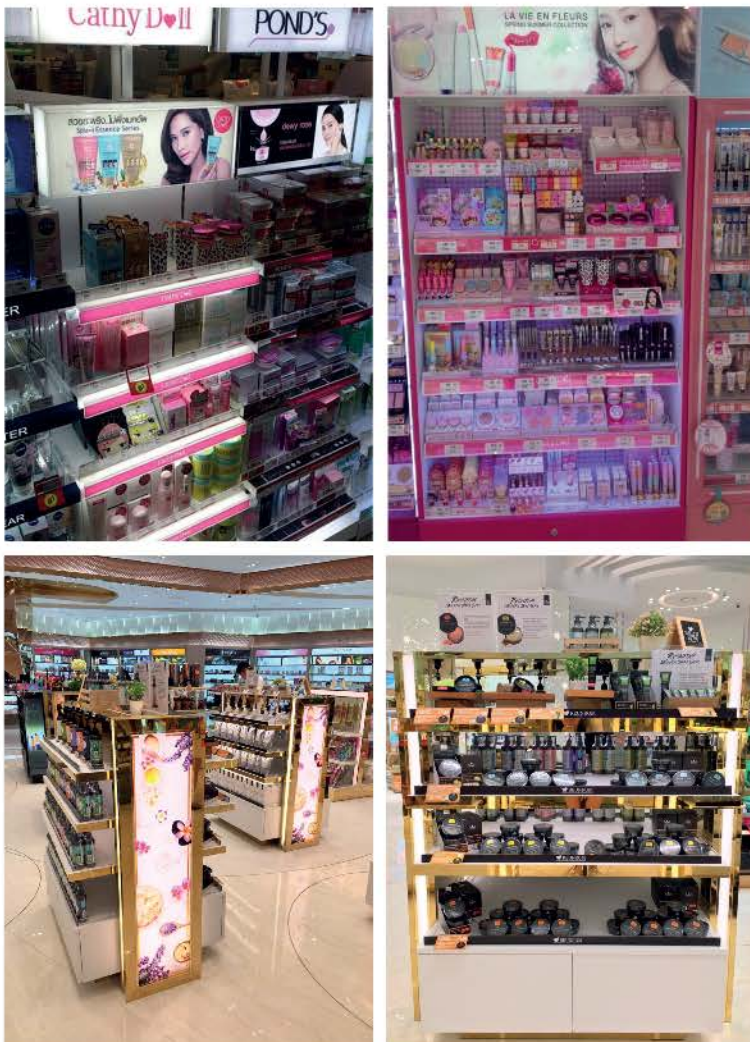
Listed under this category are large scale retail stores which focus on offering huge product variety of moderate to high quality at affordable prices to mass markets. Examples of KARMART's partners in this category include Tops, Home Fresh Mart, Gourmet Market, Food Hall, Tesco Lotus, Big C and Makro etc.

- Specialty Store**

Focusing on consumables, pharmaceuticals, cosmetics, skin care and hair care products, specialty stores are gaining popularity with the middle and upper market segments in view of their friendly service, convenient locations and up-to-date product offerings. Currently, KARMART works with Watsons, Boots, Tsuruha, SE-ED, B2S, Beautrium, EVEANDBOY, Stardust, Beauty Market, Pure, Nai In and KING-POWER etc.

- Catalogs**

Friday Catalog and 7-Catalog etc.



4) Export

Ventures into overseas export markets are carefully strategized following in-depth market analysis and the company has went great lengths to expand our household brands internationally. Export partners or potential business partners are generally divided into 3 groups: Sole Distributor, Distributor, and Joint Venture. To this point, KARMART has successfully secured 11 distributorships in overseas markets such as Singapore, Cambodia, Vietnam, Myanmar, China, Laos, Indonesia, Philippines, United Arab Emirates, Bangladesh and India, while establishing joint ventures in Vietnam.



KARMARTS SHOP MYANMAR



KARMARTS SHOP CAMBODIA



5) Online

Social Media is now the most important tool which empowers consumers to infiltrate the internet and tap on vast product information, thus enabling them to shop with the greatest convenience anywhere at any time. Therefore, the company designs and builds the online sales channels upon two critical founding aspects:

- Ability to provide immediate responses to customer needs
 - Ability to build and maintain positive customer relationships to create brand loyalty
- At the current moment, 2 types of online channels have been made available:

- KARMART Online Store:
www.karmarts.com
Instagram: Karmarts_onlineshop
Line: Karmarts_onlineshop
- Online Partner Store: Shop@7, Lazada, Wear You Want, Robinson Online, Zalora, Weloveshopping, Shopee and Line Shop etc.



MARKETING COMMUNICATION

1) Communication Channel

To maximize the impact of marketing communication, KARMART taps on a variety of communication channel for various forms of public relations and constantly tops up on mass communication channels in order to relay to a greater volume of receivers simultaneously. The selection of communication channels is based upon individual media's ability to conform to the right mood and tone which emphasizes our unique, lively, playful and passionate brand image

1.1) Offline media

1.1.1) Print media

Integrated print media facilitates direct communication with all target consumers through advertisements in books and magazines, tie-in of products with selective columns and regular announcements of company's public relation activities.

1.1.2) Television (TV) media

As one of the dominant media whose outreach spreads across gender, age and income level, TV Commercial (TVC) is one of primary communication tools KARMART engages to expand brand recognition locally and abroad. Thus far, the company has relied on both Free TV and Digital TV channels.



Cathy Doll Secret Recipe
2in1 Snail Honey Ginseng with Gold
Sleeping Serum Mask



Cathy Doll Real Brow 4D Tattoo Tint



Cathy Doll AA Matte Powder Cushion
Oil Control SPF50 PA+++ 15g



Cathy Doll Aloe Vera & Snail
Serum Soothing Gel



Cathy Doll Invisible Sun
Protection SPF33 PA+++



Cathy Doll Ready 2 White
2in1 Bubble Mousse Cleanser



Cathy Doll L-Glutathione
Magic Cream SPF50 PA+++



Cathy Doll Sweet Dream
Milky Splash Essence with Heat Gae Na Mu



Cathy Doll Speed White
CC Powder Pact SPF40 PA+++



Cathy Doll Speed White
CC Cream SPF50+ PA+++

1.1.3) Out-of-home media

1) Multimedia Advertisement on Sky train (BTS) and Subway (MRT)

A form of well-recognized media, multimedia advertisement on BTS and MRT is another popular media KARMART has engaged because of its ability to reach target consumer groups rapidly in the city, including tourists. Tentatively, the company uses the same ad contents as TVC to increase brand awareness and recognition.

2) Mupi Ad media

Maximum Urban People Informed or Mupi is a small size ad media which can effectively build brand recognition. Available all around Bangkok and other big cities, this media offers coverage across every community and business area.

3) Billboard Ad media

Billboards are big outdoor ad media typically found along expressways or any form of passageways and can attract attention from afar. An effective tool at building brand recognition, this media is widely available along main streets and most of the popular locations locally e.g. main road intersections, big markets or crowded areas in Bangkok.

4) Digital Ad media

Digital ad media presents animated advertisement alike TVC, and are normally located in the community and business area. Therefore, KARMART uses the identical media content as with TVC to increase exposure of brand and products to target customers.

BTS IN TRAIN



PLATFORM SCREEN DOOR



LED VIDEO WALL



DIGITAL PLATFORM MRT



BALUSTRADE LIGHTBOX@BTS SIAM



KARMART

BILLBOARD



MUPI



PUNPUN STATION



AIR ASIA



PANORAMIC



5) Mobility Ad media

Bus Wrap is one form of mobility ad media adopted by KARMART, whereby advertising sticker of the company's brand and/or product fully covers the body of a vehicle. Accessible to the mass public as the buses travel across Thailand, it is an excellent tool for creating brand recognition across diverse geographic regions. The cosmos strategy is adopted in mobility ad media to utilize various bus routes around Bangkok and its surrounding provinces.



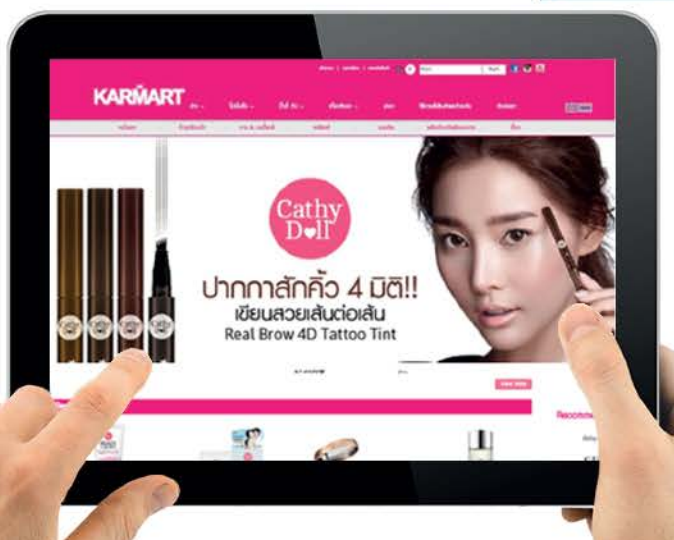
1.2 Online media

In view of the current digital age, the online media is a key communication channel which cannot be neglected as it most effectively reaches out to KARMART's target consumers — the young and modern. Therefore, great focus and substantial resources are dedicated to online media. Starting last year, the company redirected marketing communication focus onto online platforms and launched a series of vital online events one after another, including Viral Video Clip, Product Review, Facebook Ad and Instagram Post across the following platforms:

- Facebook: Karmartsclub, Cathy Doll, Baby Bright, Jejuvita, Reunrom Spa Product, Crayon Cosmetics, Missha Thailand

www.karmarts.com

- Facebook : Karmartsclub
- Instagram : Karmartsclub
- Line : @karmart
- Twitter : @karmartsclub
- Youtube : Karmarts Club



2. Marketing communication activities

2016 witnessed the showcase of many exceptional milestones of KAMART through events organized with the aim of better reaching out to KARMART supporters and the mass consumers, as well as enhance brand value and loyalty while boosting sales performance through promotions.

1. Cathy Doll Invisible Sun Protection Grand Product Launch

KARMART welcomed the summer with the grand launch of “Cathy Doll Invisible Sun Protection” on 22nd March 2016 at Central World. An innovative sunscreen with serum-like texture that is invisible in terms of grease, colour and scent, the star item also features Ion Plus Innovation which protects the skin from pollutant particles in the air and provides cooling sensations by reducing the body's temperature while protecting the skin from UVA, UVB, UVA1 and mobile rays. The event was also an introduction of KARMART's new presenter, Push Puttichai Kasetsin, and served as an effective mechanism to strengthen brand image and expand brand awareness.



2. Aloe Snail Serum Soothing Gel Grand Product Launch

The product launch of “Cathy Doll Aloe Snail Serum Soothing Gel”, a multi-functional star product that delivers beauty from head to toe, attested a brand new marketing format pioneered by KARMART – a parade along the busiest streets of Bangkok. The event was specially designed to showcase how KARMART aims to preserve glowing and elastic skin under the hot sun with our innovative product and was held on 13th May 2016. Adopting the format of a moving advertisement, the parade started from United Center Tower and extended to the 3rd floor of Siam Center Point, beside the BTS sky-walk link. Besides fulfilling the intention of promoting brand image and building brand awareness, the event was a testament to the creativity of the management team.



3. Karmart Beauty Review Contest 2016 Season 3 By Lemonade

KARMART partnered Lemonade for the third time in the organization of the competition in June 2017 to crown the best Thai beauty blogger and provide an opportunity for all who wish to become a beauty blogger and/or social media phenomenon to fulfill their dreams. The winner of this contest not only win himself or herself product sponsorships from KARMART and opportunities to be featured via the company's influential social media platforms, but also receive publication and exposure in many other online and offline channels. Being one of the most effective ways to build brand awareness amongst beauty-conscious ladies and also modern consumers who dedicate time for online reviews, the event was one of the biggest online marketing campaigns in 2016.



4. AA Matte Powder Cushion Oil Control Grand Product Launch

Tapping on one of KARMART's strongest competitive advantage which lies in the area of product innovation, KARMART introduced the world's first matte cushion "Cathy Doll AA Matte Powder Cushion Oil Control" on 20th June 2016 and further strengthened the company's position as a leading innovator in the beauty industry. AA Matte Powder Cushion effectively controls oil while maintaining moisture in the skin to offer the pleasant result of smooth and brilliant complexion topped up with the most sensational aura. Specially tailored to meet the unique needs of consumers in equatorial Asian countries, the star product creates the perfect matte finish guaranteed to stay oil-free under high temperatures. The event also saw the introduction KARMART's new presenter, Mario Maurer, at the activity square of Asiatique and successfully enhanced brand image and status as an industry leader.



5. KARMART Asian Beauty Blogger Contest 2016

In line with KARMART's status as an international beauty provider, the Asian Beauty Blogger Contest was organized across 8 Asian countries for the first time, in search for the best Asian beauty blogger and providing opportunities to all budding as well as professional beauty bloggers within the region to showcase their true talents in an intense contest. Following months of fierce competition, every participating country was represented by their prestigious champion who was then flown to Bangkok for the Grand Asian Finals held on 9 August 2017 and was widely publicized by various media agencies in Asia. The proud winner of this contest was not only featured across leading Thai magazines and online platforms, but also won themselves prestigious year-long product sponsorships and collaboration opportunities from KARMART.



3. Corporate Social Responsibility (CSR) activities

With Corporate Social Responsibility embedded in the heart of our corporate culture and mission statements, KARMART is committed to social responsibility and motivated to perform social service with a mindful conscious. We aim to consistently fulfill this responsibility by tapping on the strength of our internal teams and through collaboration with social entrepreneurs or any other body with a passion for social service. Such is the power as well as the key to the development of a progressive Thailand society with advancement that is sustainable throughout the years to come.

Throughout 2016, KARMART engaged in multiple CSR activities to drive contribution and awareness towards the less fortunate in the society. The company benefited 16 foundations with donations totaling approximately 2 million baht, and the beneficiaries are namely Foundation for Children with Disabilities, Royal Grandmother Mercy Project under the Royal Grandmother Charity Funding, SOS Children Foundation, Duang Prateep Foundation, Association for the Promotion of the Status of Women, Foundation for Orphan by The Thai Muslim Women Association of Thailand Under the Royal Patronage of Her Majesty the Queen, Foundation for Children Development, Chewitpattana Foundation Under the Royal Patronage of Her Royal Highness Princess Galyani Vadhana, Association for Promotion of Developmental Activities for Citizens and Public Health Of Thailand, Foundation for Rural Youth (FRY), The Foundation for the Deaf Under the Royal Patronage of Her Majesty the Queen, Foundation For the Better Life of Children, Baan Nokkamin Foundation, Thai National Aids Foundation, Suankaew Foundation.

Apart from these, KARMART also contributed to the lucky draw conducted during Red Cross Fair 2016 to Friend in Need (of "PA") Volunteers Foundation, Thai Red Cross.

FUTURE PROJECTS AND PLANS

At KARMART, 2016 has proven to be a harvesting year during which stakeholders of the corporation benefited from gains in various aspects. The harvest was only made possible because the company launched and executed numerous strategic initiatives targeted at enhancing product development, expanding sales channels and improving brand awareness etc. In 2017, the company shall strive to fulfill the mission of expanding domestically and regionally to achieve our vision of becoming one of the world's leading beauty providers.

1) Consumer Aspect

The primary goal with regards to the consumer aspect is to secure KARMART's leading market position and further increase market share with carefully planned marketing strategies. Customer relationship building will also remain as another key focus as we target to continuously capture new target segments.

- Raise benchmark regarding selection of production facilities and ensure only the best quality ingredients are used to manufacture the best products so as to sustain credibility, confidence and trust among consumers.
- Launch marketing events which focus on strengthening brand loyalty and providing customers with delightful experiences and further partakes in Corporate Social Responsibility (CSR) activities.
- Secure high value business partners to expand distribution and logistics networks extensively and further enhance product accessibility to provide greater convenience for consumers.
- Advance standards of product quality and shelf life and standardize product label in accordance with governmental regulations so as to provide greater security for consumers.

2) Product Aspect

In pursuit of our ambition to be the unique beauty solution provider for all, KARMART will continue to place strong emphasis on product research and development and expand our wide-ranging signature lines to fulfill the ever-changing needs of today's modern consumers.

- Create innovation

With utmost dedication to creativity and innovation, the company believes that product innovation should not only deliver exciting user experiences for customers and should also come equipped with the highest product quality. Therefore, we will continue to strive for product excellence in 2017 and bring to our customers the most revolutionary experiences along with highest quality assurance.

- Expand product line

Fulfillment of customer needs through product diversity is the key element which drives the company. By expanding product variety without compromising the unique styles and concepts of existing products, KARMART shall further expand product lines for both domestic and overseas customers moving forward.

- Strengthen research and development

Through the strategic collaboration with JKOS Laboratories Company Limited, one of the leading cosmetic manufacturers, fragrance packaging company and supplier of beauty accessories, KARMART is well equipped to bring our research and development function to the next higher level and work towards international standards and certifications.

3) Enhance Brand Awareness and Brand Loyalty

With the implementation of a 360-degree pervasive marketing strategy, KARMART will further enhance brand awareness and brand accessibility by going Above the Line (ATL) as well as Below the Line (BTL). The basis which guided the strategy lies in the fact that the success or failure of a cosmetic product comes from consumers' confidence level, both in terms of brand image and product quality. Moving ahead, KARMART aims to invest more resources in strengthening brand recall/ brand recognition by choosing the right mix of advertising tools as well as timing and frequency. An appropriate mix of TVC, newspaper, magazine as well as other advertising media together with selection of the right brand endorsers that matches characteristics of KARMART brand will promote and leverage KARMART brand image both as an organizational corporate identity as well as product and service attributes.

4) Create Sustainable Value

As a corporation, we believe that values are only sustainable if they benefit all aspects of the community a business operates in. Internally, ethics remain as the foundation of KARMART business and we plan to better enforce ethical decision making through transparent work processes, critical management control and regular risk assessment. Beyond the company, we shall continue to work towards the following goals in 2017:

- Deliver product innovation and service excellence for customers,
- Create value efficiently for stakeholders,
- Uphold social responsibility towards the community and
- Expand market to drive value creation.



แป้ง AA

คุชชั่นเนื้อแมทท์

Cathy Doll AA Matte
Powder Cushion



DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



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

DETAILS OF DIRECTOR, MANAGEMENT PERSON

Ms. Peanglabhass Pongchattmanee



Ms. Chonthida Theekhakhirikul



Mr. Satjapong Yongsukrote



Ms. Wei Xiuqing



Mr. Pongwiwat Theekhakhirikul

Mrs. Tussanee Auncharoen

Mrs. Aunruen Arunvisavakul

Ms. Suwannee Tharacheevin

Mrs. Somsri Vriya



DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



Mr. Wiwat Theekhakhirukul *

Age 64 Year

Position

Director, Chief Executive Officer and Chairman of the board

Educational Background

Bachelor's Degree of Political Sciences Major in Political, Ramkhamhaeng University
National Defense College Class 2547

Number of Share 152,182,709 Shares 23.07%
As at March 15, 2017



Lt.Gen. Kobboon Vichit

Age 69 Year

Position

Director and Audit Committee Chairman

Educational Background

Master's Degree of Public Administration,
National Institute of Development Administration

Number of Share -
As at March 15, 2017



Mr. Kralwit Satayapitwat *

Age 60 Year

Position

Director, Deputy Managing Director

Educational Background

Bachelor's Degree of Engineering Major in Mechanical, Chulalongkorn University

Number of Share -
As at March 15, 2017



Mr. Prasit Dheeraratbongkot

Age 62 Year

Position

Director and Audit Committee

Educational Background

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

Number of Share -
As at March 15, 2017



Puttithom Jirayus, PhD

Age 41 Year

Position

Director and Audit Committee

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, 2017



Mr. Wongwiwat Theekhakhirukul *

Age 33 Year

Position

Director and Assistant Managing Director - Business Development

Educational Background

Bachelor's Degree of Engineering, Chulalongkorn University

Number of Share 1,133,490 Shares 0.17%
As at March 15, 2017



Mr. Parit Teekakulikul

Age 34 Year

Position

Director,

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 221,500 Shares 0.03%

As at March 15, 2017



Mr. Seah Sln Loo

Age 66 Year

Position

Director

Educational Background

Secondary

Number of Share -

As at March 15, 2017



Mrs. Tussanee Auncharoen

Age 56 Year

Position

Deputy Managing Director

Educational Background

Bachelor's Degree of Education (B.Ed.),
Major Mathematics, Sri Nakharinwrot University
Bachelor's Degree of Business Administration
Major General Management, Sukhothai
Thammathirat University

Number of Share 176,000 Shares 0.03%

As at March 15, 2017



Ms. Chonthida Theekhakulikul

Age 35 Year

Position

Assistant Managing Director - Marketing

Educational Background

MBA Major in Marketing at Sasin Graduate
Institute of Business Administration of
Chulalongkorn University
Bachelor's Degree of Accounting Faculty of
Commerce and Accountancy
Chulalongkorn University

Number of Share 263,100 Shares 0.04%

As at March 15, 2017



Ms. Suwannee Tharacheevin

Age 52 Year

Position

Assistant Managing Director - Accounting

Educational Background

Bachelor's Degree of Business Administration
Major Accounting, Sukhothai
Thammathirat University
Bachelor's Degree of Business Administration
(B.B.A), Major General Management,
Sukhothai Thammathirat University

Number of Share -

As at March 15, 2017



Mrs. Aunruen Arunvisavakul

Age 57 Year

Position

Assistant Managing Director -
Warehousing and Distribution

Educational Background

Bachelor's Degree of Liberal Arts Major
Management, Bansordajchaopraya
Rajabhat University

Number of Share -

As at March 15, 2017



Mr. Pongwiwat Theekhakhirikul

Age 32 Year

Position

Product Development Senior Director

Educational Background

Bachelor's Degree of Architecture,
Chulabngkorn University

Number of Share -

As at March 15, 2017



Mrs. Somsri Viriya

Age 48 Year

Position

Accounting Director

Educational Background

Bachelor's Degree of Business Administration
Major in Accounting, Sukhothai
Thammathirat University

Number of Share -

As at March 15, 2017



Mr. Satjapong Yongskulrote

Age 33 Year

Position

Business Development Director -
Information Technology

Educational Background

Bachelor's Degree of Engineering,
Chulalongkorn University

Number of Share 18,000 Shares 0.003%

As at March 15, 2017



Ms. Peanglabhass Pongchattmanee

Age 38 Year

Position

Director of Marketing

Educational Background

Bachelor's Degree of Computer Science, Mahidol
University International College.

Number of Share -

As at March 15, 2017



Ms. Wei Xiuqing

Age 32 Year

Position

Business Development Director -
China Region

Educational Background

Business IT and Law,
Nanyang Technological University

Number of Share -

As at March 15, 2017

RISK FACTORS

The company has financial risk management policy as described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, finance lease receivables, loans to and other receivables. 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. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, finance lease receivable, loans to and other receivables as stated in the statements 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 which agreement on payment is in USD, while selling all products in Thai Baht. Apparently, The risk is from currency exchange rate devaluation. However, total amount of bank overdrafts and short-term loans in year 2016 and 2015 was around USD 7, 3 million and is not likely to be increased. However, if the purchasing value of foreign goods increases in the future, the company will consider using currency forward contract in a case by case basis.

The significant balance of financial assets and liabilities denominated in foreign currencies as at December 31, 2016 was USD 6.51 million with an average exchange rate of 35.8307 Baht/USD. (2015 : USD 3.79 million with an average exchange rate of 36.2538 Baht/USD)

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, loans to, bank overdrafts, and short-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). according to the financial statement remark No. 34.1: Interest rate risk.

Risk for being in highly competitive industry and product imitations

The cosmetics and skincare business is considered to be in a highly competitive industry. There are new local and foreign entrepreneurs who import products from asian countries like Korean and Japan, targeting the same group of customers as the companys which increases the risk of losing the market shares. In addition, many new players sell counterfeit goods or illegal parallel import products which might affect the companys income as a whole.

Nevertheless, the company strengthens brand awareness, sustains long term customer loyalty, increases public relation which lead to companys competitiveness. Emphasizing on the packaging and product quality will increase the customers confidence and decrease the chance of goods being counterfeited.

Risk of inventory devaluation

Cosmetics and skincare products always change in demand and popularity. In 2016 and 2015, the company has an average inventory of 25% and 19.78% of all assets respectively and has an average selling period of 108 days.

The company reserves devaluation of inventory aged between 1– 3 years of Baht 9 million and another Baht 10 million for inventory aged more than 3 years. With constant sales and marketing clearance promotions, the company expects that the risk is relatively low.

THE CONNECTED TRANSECTIONS

The Connected Transaction

As 31 December 2016 an acquisition of goods and services Baht 18 million, under normal commercial terms and conditions trade and other receivables – related persons and parties Baht 9 million, the Long-term loan from related party Baht 54 million and Interest income Baht 1 million, purchases of good Baht 6 million trade and other trade payables – related persons and parties Baht 2 million. The company and its subsidiaries had employee benefit expenses of their directors and management Baht 27 million and Baht – million which had been disclosed in notes to financial statements in topic 7, 8.

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.S

Karmarts Public Company Limited Connected Persons

Connected Persons	At March 15, 2017		Subsidiary				Associates		Subsidiary of the Associate		Joint venture		Related Company	
	Karmarts Public Company Limited		My Bus Company Limited		J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phekasem, Bangwaed Condominium, The Iconic Property Charan Sanit Wong13		Karmarts Vietnam		Chaiboon Intertrade Limited Partnership	
	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position
1. Karmarts Plc.	-		95.16		70.00		33.33				51.00			
2. "Theekhakhirikul" Group														
2.1 Mr. Wiwat Theekhakhirikul	23.07	Director	-	Director	-		-	Director	0.01	Director				
2.2 Ms. Chontida Theekhakhirikul	0.04		-	Director	-		-							
2.3 Mr. Wongwiwat Theekhakhirikul	0.17	Director	-		-	Director	-							
2.4 Mr. Pongwiwat Theekhakhirikul	-		-		-		-						90.00	Partnership
2.5 Mr. Polkrit Theekhakhirikul	4.54		-	Director	-		-							
2.6 Mr. Parit Teekakirikul	0.03	Director	-		-		33.33	Director	0.01	Director				
2.7 Ms. Vamdi Theekhakhirikul	4.09		-		-		-							
2.8 Ms. Narapan Theekhakhirikul	0.06		-		-		-							
3. Mr. Kraiwit Satayapiwat	-	Director	-	Director	-	Director	-							
4. The Iconic Property Company Limited									99.97					
5. Other	68.00		4.84		30.00	Director	33.34	Director	0.01	Director	49.00	Director	10.00	
Total	100.00		100.00		100.00		100.00		100.00		100.00		100.00	

Director	Karmarts Public Company Limited		My Bus Company Limited		J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phekasem, Bangwaed Condominium, The Iconic Property Charan Sanit Wong13		Chaiboon Intertrade Limited Partnership	
	CEO	Director ^A	MD	Director ^A	MD	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		✓		✓		✓						
6. Mr. Parit Teekakirikul							✓	✓	✓	✓		

Remark: Director^A Meant authorized signatory director.

SHAREHOLDERS STRUCTURE

The company has its capital registration of Baht 396,000,000 (old capital register of Baht 360,000,000) which commons 660,000,000 share of par value 0.60 Baht (old 600,000,000 share) and the paid – up capital Baht 395,741,285.40 or common stock of 659,568,809 share..

Shareholders' name	Amount	% Owned
1. Theekhakhirikul Group	211,046,799	31.998
Mr. Wiwat Theekhakhirikul	152,162,709	23.070
Mr. Polkrit Teekhakhirikul	29,920,000	4.536
Ms. Woramol Teekhakhirikul	26,950,000	4.086
Mr. Wongwiwat Theekhakhirikul	1,133,490	0.172
Ms. Narapan Theekhakhirikul	396,000	0.060
Ms. Chontida Theekhakhirikul	263,100	0.040
Mr. Parit Theekhakhirikul	221,500	0.034
2. UBS AG SINGAPORE BRANCH	40,774,800	6.182
3. Mrs. Jarunee Chinwongvorakul	27,000,000	4.094
4. Mrs. Vanida Saejew	25,459,000	3.860
5. Mr. Aekkarith Aeksamith	18,757,000	2.844
6. Mr. Thammarith Aeksamith	18,478,500	2.802
7. Mr. Prasert Virasathienpornkul	14,530,800	2.203
8. FWD Life Insurance Public Company Limited	12,963,900	1.966
9. Mr. Pramote Pasawong	12,208,800	1.851
10. PHILLIP SECURITIES PTE LTD.	12,100,000	1.835
11. Other	266,249,210	40.367
Total	659,568,809	100.000

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, 2017 by the information of Thailand Securities Depository Co., Ltd.

Share capital

On 22 April 2013, the Annual General Meeting of the shareholders passed a resolution to approve an increase of the registered share capital of the Company from Baht 360 million (600 million ordinary shares of Baht 0.60 each) to Baht 396 million (660 million ordinary shares of Baht 0.60 each) for the purpose of reserving the issuance of the said newly issued warrants. The Company registered the increase of its share capital with the Ministry of Commerce on 25 April 2013.

During 2014, the Company received additional share subscription totaling Baht 72.1 million as a result of the exercise of warrants as discussed in Note to consolidated financial statement No 28. The Company registered the increase in its paid up share capital of Baht 21.6 million with the Ministry of Commerce on 6 February 2014 and 14 May 2014 (36 million ordinary shares of Baht 0.60 each) and the remaining Baht 50.5 million has been recorded as share premium in the statements of financial position.

On 8 May 2013, the Company issued 59,997,956 warrants (KAMART-W1) to subscribe the Company's ordinary shares, at a price of Baht zero each in a ratio of 1 warrant for 10 existing ordinary shares. The warrants are exercisable within 1 year from the issuance date at the last business day of July 2013, October 2013, January 2014 and on 6 May 2014, in a ratio of 1 warrant to 1 new ordinary share, with an exercise price of Baht 2 per share. The warrants are negotiable instrument which entered in the name certificated. The warrants exercising of rights had ended on 7 May 2014 were exercised to purchase the Company's ordinary 659,568,809 shares. The remaining 431,191 shares were not exercised.

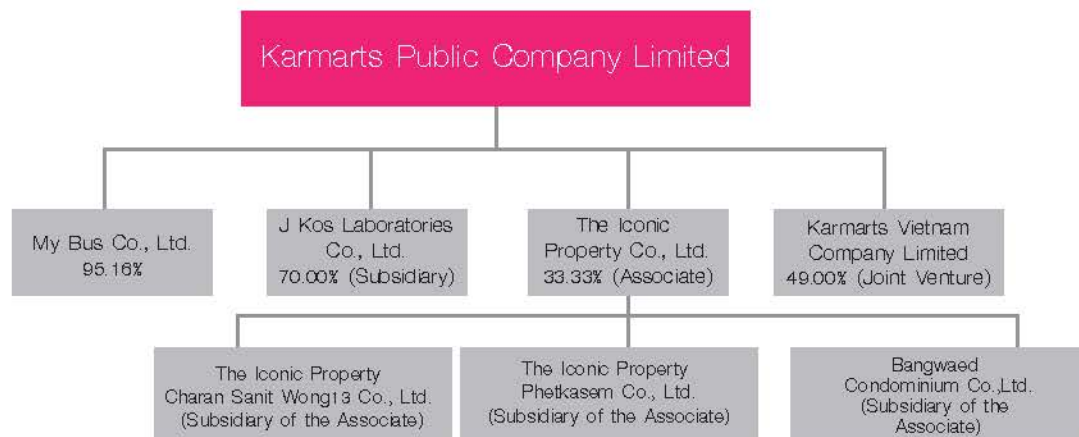
The Board of Director's Meeting No.1/2017 on 27 February 2017 this year dividend will also be issued in the form of ordinary share totaled of 219,856,270 shares to the current shareholders at the ratio of 3 current share for 1 dividend shares. And the Offering of newly issued share of Karmarts Public Company Limited to Directors, Managers and/or Employees of the Company (ESOP Scheme). The Board of Director had resolved to the annual General Meeting of shareholders for the year 2017.

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 statutory reserve that is not less than 5% of net profit until that reserve will not less than 10% of the capital registered. The statutory reserve is not available for dividend distribution. At the statutory reserve has fully been set aside.

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2013	Annual General Meeting of the shareholders on 25 April 2014	38,202	0.06
Interim dividends for 2014	Board of Directors' meeting on 12 May 2014	39,559	0.06
	Board of Directors' meeting on 13 August 2014	39,559	0.06
	Board of Directors' meeting on 12 November 2014	39,573	0.06
		156,893	0.24
Final dividends for 2014	Annual General Meeting of the shareholder on 28 April 2015	39,574	0.06
Interim dividends for 2015	Board of Directors' meeting on 13 May 2015	39,573	0.06
	Board of Directors' meeting on 11 August 2015	39,573	0.06
	Board of Directors' meeting on 12 November 2015	39,573	0.06
		158,293	0.24
Final dividends for 2015	Annual General Meeting of the shareholders on 26 April 2016	46,169	0.07
Interim dividends for 2016	Board of Directors' meeting on 13 May 2016	46,170	0.07
	Board of Directors' meeting on 11 August 2016	46,169	0.07
	Board of Directors' meeting on 11 November 2016	46,170	0.07
		184,678	0.28

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%
J Kos Laboratories Co., Ltd. Location : 269 Soi Sathupradit 58, Bangpongpan, Yannawa, Bangkok 10120 Tel. : 0-2284-0127 Fax. : 0-2683-9816	Manufacturing of skin care, cosmetics, fragrances, cosmetics accessories and the like	10,000,000	3,250,000	70.00%
The Iconic Property Co., Ltd. Location : 83 Soi Phetchakasem 54- Yak 3, Phetchakasem Rd., Bangdian, Phasicharoen, Bangkok 10160 Tel. : 0-2805-2756-60 Fax. : 0-2805-0251-2	Property development (Hotel, Resort and Condominium)	213,090,000	213,090,000	33.33%
Karmarts Vietnam Company Limited Location : Vietnam	Wholesale and retail business of cosmetics	400,000US\$	200,000US\$	49.00%

During the first quarter of current year, the said associate established its three subsidiaries which are The Iconic Property Charan Sanit Wong13 Co.,Ltd. The Iconic property Phetkasem Co.,Ltd. and Bangwaek Condominium Co.,Ltd. Each subsidiary has the registered share capital of Baht 1 million and is engaged in property development business.

During the second quarter of current year, the Company sold investment in My Bus Company Limited (a subsidiary) to a third party for 8,564,511 shares, or 95.16% of share holding in the subsidiary at a price of Baht 0.05 per share or amounting to Baht 0.428 million, resulting in gain incurred from sale of investment in subsidiary of Baht 0.611 million as presented in the consolidated profit or loss (separate profit or loss: gain of Baht 0.428 million). As a result of the transaction, My Bus Company Limited was no longer the subsidiary of the Company.

MANAGEMENT STRUCTURE

Names of Director, Audit Committee, Management and Secretary as consisted of following:

Name	Director	Audit Committee	Executive Director	Management	Secretary
1. Mr. Wiwat Theekhakhirikul *	/	-	/	/	-
2. Lt.Gen. Kobboon Vichit	/	/	-	-	-
3. Mr. Kraiwit Satayapiwat *	/	-	/	/	-
4. Mr. Prasit Dheeraratbongkot	/	/	-	-	-
5. Puttithorn Jirayus, PhD	/	/	-	-	-
6. Mr. Parit Teekakirikul	/	-	-	-	-
7. Mr. Wongwiwat Theekhakhirikul*	/	-	/	/	-
8. Mr. Seah Sin Loo	/	-	-	-	-
9. Mrs. Tussanee Auncharoen	-	-	-	/	-
10. Ms. Chonthida Theekhakhirikul	-	-	-	/	-
11. Ms. Suwannee Tharacheevin	-	-	-	/	/
12. Mrs. Aunruen Arunvisavakul	-	-	-	/	-
13. Mr. Pongwiwat Theekhakhirikul	-	-	-	/	-
14. Mrs. Somsri Viriya	-	-	-	/	-
15. Mr. Satjapong Yongskulrote	-	-	-	/	-
16. Ms. Wei Xiuling	-	-	-	/	-
17. Ms. Penaglabhass Pongchattmanee	-	-	-	/	-

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

Board of Directors – Roles and Responsibilities

Board of Directors, comprising of 8 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 3 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	
	2016	2015
1. Mr. Wiwat Theekhakhirikul	100,000	100,000
2. Lt.Gen. Kobboon Vichit	210,000	150,000
3. Mr. Kraiwit Satayapiwat	50,000	50,000
4. Mr. Prasit Dheeraratbongkot	130,000	100,000
5. Puttithorn Jirayus, PhD	130,000	100,000
6. Mr. Parit Teekakirikul	50,000	50,000
7. Mr. Wongwiwat Theekhakhirikul	40,000	40,000
8. Mr. Seah Sin Loo	-	10,000
Total	710,000	600,000

The Board of Director's remuneration for the year 2017 must not exceed Baht 5 million 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 2016 was Baht 27 million compared to previous year of Baht 23 million. The sums are in terms of salary, Bonus, transportation expenses and employee benefits.

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 prevent 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 using 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

The Board of Directors has established moral and ethical guidelines. These guidelines have been disseminated to all executive directors and staff to abide by. 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 8 members.

- Directors who are the management members 3 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 with 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 proposals and performance of company's operations. The Board's secretary sends out meeting invitations with agendas 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 2015 the Board held 5 regular meetings as following detail.

Name	Board of Audit Committee	Board of Director			Remark
		Ordinary Meeting	Extra Ordinary Meeting	Total	
1. Mr. Wiwat Theekhakhirikul	–	5/5	–	5/5	
2. Lt.Gen. Kobboon Vichit *	8/8	5/5	–	5/5	
3. Mr. Kraiwit Satayapiwat	–	5/5	–	5/5	
4. Mr. Prasit Dheeraratbongkot *	8/8	5/5	–	5/5	
5. Puttithorn Jirayus, PhD *	8/8	5/5	–	5/5	
6. Mr. Parit Teekakirikul	–	5/5	–	5/5	
7. Mr. Wongwiwat Theekhakhirikul	–	4/5	–	4/5	
8. Mr. Seah Sin Loo	–	–/5	–	–/5	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 Puttithorn Jirayus, PhD to Audit Committee Director.

Audit Committee had held constant meeting in Year 2016 for five 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

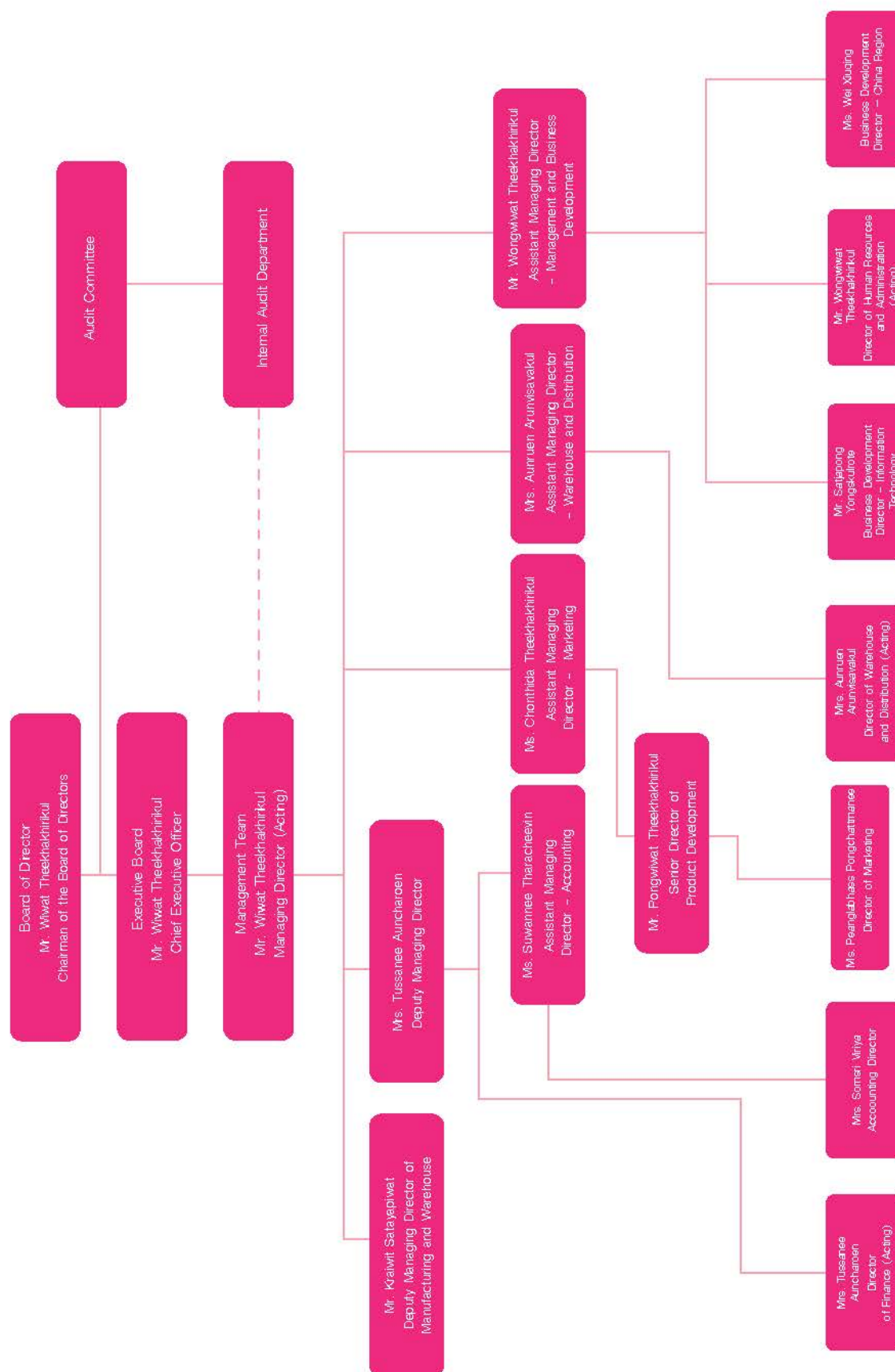
Company is committed to fostering mutually beneficial relationships with and to disclosing important company information to its investors. Company has not set up an investor Relations Unit but assigned the duties to information Relation section and or Executive director to communicate and promoting productive 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 2016

Dear : Shareholders of Karmarts Public Company Limited,

3 qualified members have been appointed by the Board of Directors to assume positions as Audit Committee Members and whose names are as follow

1. Lt.Gen.Kobboon Vichit
2. Mr. Prasit Dheeraratbongkot
3. Puttithorn Jirayus, PhD

with Mrs. Unpaktita Thammachetaporn (Internal Audit Manager) assuming position as secretary to the Audit Committee. The Audit Committee members had carried out their duties according to the Audit Committee Charter, complying with the rules and regulations of the Securities and Exchange Commission Thailand (SEC) and Stock Exchange of Thailand (SET), in order to ensure good corporate governance and efficiency in the Internal Audit Process which resulted in achieving highest benefit for the shareholders and overseeing that the management carried out their duties ethically and with honesty. The summary of the key duties carried out in 2016 are as follow:

1. Review of financial statements — The Audit Committee has reviewed the accuracy, completeness and reliability of the financial statements and the consolidated financial statements of the company and its subsidiaries both quarterly and yearly for 2016 which has, in entirety, been reviewed and audited by the auditor of the company. The accounting executives had regular and prompt joint discussions with the Auditor in terms of the accuracy of the financial statements and adjustment of key accounting issues which might have an impact on the consolidated financial statements to ensure the accounting system and financial reports are prepared in accordance with generally accepted accounting principles and disclosed in timely manner.

In addition, the Audit Committee also held meetings specifically with the external auditors without management participation to consult freely on various issues from the financial statements and to demonstrate independence of the external auditors and the internal audit unit.

The audit committee is of the opinion that the process of accounting and finance reporting of the company demonstrates financial accuracy according to accounting and financial standards and disclosure of information was made on continuous and well-timed basis.

2. Review of internal control system — The Audit Committee accorded high priority to suggestions on internal control system and audit plan from external and internal audit manager. The Audit Committee had 3 additional extraordinary meetings to consider such suggestions, including significant observations and comments from the Audit Committee which led to provision of useful suggestions to effectively prevent error that could affect the company, with which the Board of Directors and Executive Committee could better manage processes in timely manner within the fast changing business environment and comply with the regulations of SEC and SET.

Furthermore, the Committee highlighted the importance of risk management in terms of technology, namely the computer system, in the area of accommodating the growth of the company in the long run. The Audit Committee has oversight of and supervised the development of the company's computer system which was completed in 2016 and expected to well accommodate the growth of the company for at least 5 years into the future.

At present, the company has taken the approach of The Committee of Sponsoring of the Tread way Commission (COSO) and applied internal controls in operation and administration. Following reviews of such internal controls, no significant error was detected. The Audit Committee is of the opinion that the company has in place a sufficient and appropriate system of internal controls.

3. Review on compliance with the law and regulations of SEC and SET, as well as other related law and good corporate governance — The Audit Committee has reviewed and surveyed guidelines and assured the company is in compliance with principles of good corporate governance

4. Review of internal audit practices — The Audit Committee has examined performance of the internal audit department and ascertained compliance to the limits of performance rights and independence to perform duties and approved work plans. Manpower of the Audit Office was also studied to ensure efficiency leading to effective plans that cover all significant aspects. Review of the annual audit plan for 2016 indicated that 8 meetings were conducted and 3 out of 8 meetings were held with the head of the Audit Department and relevant management representative in relation to significant issues relevant to activities of the internal audit system which include internal control systems, risk management and efficiency and effectiveness of corporate governance systems.

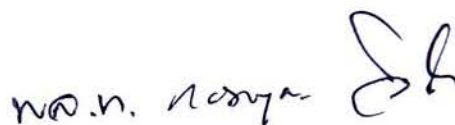
The Audit Committee is of the opinion that the internal audit system of the company are appropriate, adequate and independent, thereby facilitating the achievement of all goals of Internal Audit.

5. Assessment of Risk Management — The management team analyzes and assesses risks that may affect the company's operations on a regular basis through regular monthly meeting to review operation plan and set standard for risk management control. The key risks are Exchange rate risk, credit risk, risk of inventory impairment, IT risk, risk of business competition and risk of counterfeit goods which are controllable by the company.

The Audit Committee has reviewed the risk management system of the company via discussions with representatives of the Executive Committee and provided feedback to ensure continued efficiency of the Company's risk management systems. Committee is of the opinion that the company has appropriate risk management systems.

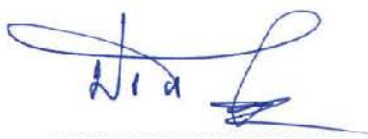
6. Appointment of Auditor — The Audit Committee has reviewed the qualifications of auditor and assessed the auditor's performance regularly. In view of satisfactory operational results, the audit committee decided to propose to the board of directors for the appointment of the auditor Mr. Sophon Permsirivalop Certified Public Accountant (Thailand) No. 3182, EY Office Limited. The appointment is subject to approval by the shareholders at the shareholder meeting.

7. Comment on conflicts of interests — N/A In conclusion, the audit committee of the company is of the opinion that The company has provided accurate, reliable financial statements according to financial accounting standards and disclosed in the notes of financial statements all necessary information according to the Accounting Professions Act B.E. 2547, complied with good corporate governance supported with proper and adequate internal controls, along with compliance to the Law on Securities and Exchange Commission and the rules and regulations of SEC, SET and other relevant legislation or regulatory bodies and conducted appropriate assessment of risk management in a systematic and effective manner.

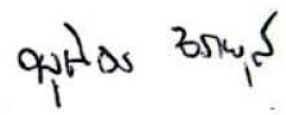


(Lt.Gen. Kobboon Vichit)

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, 2016

1.1 Total revenues

During 2016, the Company had total revenues of Baht 1,453 million which consisted of;

- Baht 1,409 million on Sales which increased by Baht 246 million or 21.14% from the previous year. The comprises of Baht 251 million on body care products, Baht 424 million on facial skin care products, Baht 662 million on cosmetics, Baht 21 million on accessories, Baht 40 million on furniture and marketing tools and Baht 11 million on food and beverage section.
- Income from bus service operator amounted to Baht 1 million which decreased from the previous year by Baht 3 million.
- Income from warehouse rental and warehouse services amounted to Baht 20 million which increased from the previous year by Baht 1 million or 5.26%
- Gain from a fair value adjustment of properties investment amounted to Baht 4 million which decreased from the previous year by Baht 6 million or 60% as the Company had properties re-evaluated on December 26, 2016.
- Other incomes totaled of Baht 18 million, increased from the previous year by Baht 10 million or 125% which comprises of interest of Baht 8 million, gain realize and unrealized on securities Baht 2 million, rent income Baht 3 million and others of Baht 5 million.

1.2 Cost of sales, Selling and administrative Expenses

During the year 2016, The Total Expenses was Baht 1,118 million which comprises of;

- Cost of sales amounted to Baht 627 million which increased from the previous year by Baht 98 million or 18.52%. The cost of sales is directly proportional to the Sales Revenue. The gross profit margin was 55.50% which was similar to the previous year.
- Cost of bus service operator was Baht 2 million.
- Cost of warehouse rentals and warehouse services were Baht 1 million.
- Selling and Administrative expenses totaled of Baht 489 million which increased from the previous year by Baht 88 million or 21.94%, directly proportionate to the Company's business expansion. The selling expenses increased by Baht 115 million mainly on public relation. The administration expenses decreased by Baht 27 million due to the decrease in allowance for doubtful accounts and allowance for impairment of assets of subsidiaries.
- Financial cost of the Company on the interest expenses totaled of Baht 13 million which increased from the previous year by Baht 2 million or 18.18%
- Income tax expenses of Baht 57 million increased from the previous year by Baht 10 million or 21.73%.

1.3 Profit

During the year 2016, the Company had 18.71% net profit of sales which increased from the previous year 0.69% as the Company had selling expenses increased from the previous year by Baht 87 million mainly for the Company products promotion, increase of employment which included the employee benefit expenses to support the growth of the business, administrative expenses decreased from the previous year Baht 27 million due to the in allowance for doubtful accounts and allowance for impairment of assets of subsidiaries.

1.4 Rate of Return on Equity

The business operation profit during the year 2016 resulted in the rate of return on equity at 34.82% in the previous year 31.04%

2. Financial Status as at December 31, 2016.

1. Assets

1.1 Composition of Assets

The total assets at the year end 2016 was Baht 1,236 million which increased from the previous year by Baht 235 million or 23.48%

1.1.1 Current Assets amounted to Baht 716 million, increased by Baht 178 million or 33.09% from the previous year. The details are as follows;

- Cash and cash equivalents of Baht 10 million which decreased from the previous year by Baht 6 million because Net cash from operating activities increased Baht 146 million, net cash used in investing activities decreased Baht 88 million and net cash used in financing activities decreased Baht 64 million.
- Current investments of Baht 0.3 million decreased from the previous year by Baht 77 million because the Company investments in trading securities — net Baht 27 million and special savings deposit 8 month Baht 50 million which carried interests at 1 — 6.5 percent per annum due date and returned to the Company
- Trade accounts receivable and other account receivable at Baht 277 million, increased from the previous year by Baht 54 million or 24.32% due to the Company had increased the sales in many channels, including added more modern trade accounts.
- Short-Term Loans to an related company amounted to Baht 55 million, increased from the previous year by Baht 51 million to the Iconic Property Company Limited which carried interests at a rate of 1.5 percent per annum.
- Short-Term Loans to unrelated person and party Baht 31 million increased from the previous year Baht 31 million or 100% loans to Triple P Asset Company Limited which carried interests at a rate of 15% per annum.
- Inventory of Baht 315 million which comprises on consumer products and raw material which increased from the previous year by Baht 117 million or 59.09% because the Company reserve to support increased sales.
- Other Current Assets of Baht 28 million, increased from the previous year by Baht 6 million or 27.27%

1.1.2 Non-Current Asset amounted to Baht 520 million which decreased by Baht 58 million or 12.55% from the previous year as follows;

- Long-Term Loan to unrelated persons and parties-net of current portion Baht 25 million increased from the previous year by Baht 24 million which carried interests at a rate of 15% per annum. The Long-Term Loan will be due within May 2019.
- Investment in joint venture Baht 2 million increased from the previous year by Baht 2 million or 100% on 20 January 2016, the Company paid for an investment in Karmarts Vietnam Company Limited, registered and established in Vietnam, in a total of USD 98,000 or approximately Baht 3.56 million. As a result, the Company holds 49% of issued and paid-up shares of USD 200,000 in this company. The Company has recorded the investments in this company as investment in joint venture since the investment date. This company's operation period is 50 years, starting from the date of incorporation, October 9, 2015. During the years, the Company has recognized its share of loss from investments in joint venture in the consolidated financial statements amount Baht 1.23 million.
- Investment in the subsidiary of Baht 70 million, decreased from the previous year because the Company share of loss from investments in associate by Baht 1 million or 1.41% in The Iconic Property Company Limited.

- Properties Investment was at Baht 119 million, increased from the previous year by Baht 4 million or 3.48% because the investment properties of the Company represent land and building used for providing warehouse service. Their fair value has been determined based on the valuations performed by an accredited independent valuer, using the income approach.
- Property, Plant and Equipment — net amounted to Baht 255 million with an increase from the previous year by Baht 26 million or 11.35% because the Company acquisitions land Baht 4 million, assets under installation and construction in progress Baht 30 million, motor vehicles Baht 10 million and equipment Baht 1 million increased depreciation Baht 19 million.
- Land awaiting for future development Baht 8 million increased from the previous year by Baht 8 million or 100%. The Company had land awaiting for future development amounting to Baht 8.28 million. The Company has placed land with net book value by Baht 3.2 million as collateral for short-term and long-term credit facilities granted by commercial banks.
- Intangible Assets — net at Baht 10 million increased by Baht 1 million or 11.11% because acquisitions computer software under installation and amortization during the year.
- Deferred Tax Assets was Baht 8 million decreased from the previous year by Baht 3 million or 27.27% because the Company decrease in allowance for doubtful accounts.
- Other Non-Current Assets was Baht 23 million decreased from the previous year by Baht 2 million or 8% because on December 22, 2014, the Company entered into an agreement to sell all of the inventories, that are related to the project to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X to a non-related party at a price of Baht 28.1 million (including VAT). This agreement requires the buyer to make payment to the Company in monthly installments, within 10 years. As at December 31, 2016, the Company had such account receivable balance of Baht 21.3 million (December 31, 2015 : Baht 24.0 million) with the portion due in over 12 months amounting to Baht 18.7 million (December 21, 2015: Baht 21.3 million) and classified as other non-current assets in the statements of financial position.

1.2 Quality of Assets

In 2016 trade and other receivables Baht 277 million or 22.00% of total assets. Account receivable average collection period was 66 days, which was the same as previous year (68 days in 2015) due to the fact that the cash sales for consumer goods had decreased, and instead increased on modern trade channels credit sales with 30 — 90 days term of payment.

An adequate reserve was set according to the prediction of non-collectable debt. The reserve for the year 2016 non-collectible debt was budgeted at 2.96% of the outstanding account receivable at the year-end.

Inventories Baht 315 million or 25% of total assets. Average inventory turnover of 108 days as same as the previous year (104 days in 2015).

Investment properties Baht 119 million or 10% of total assets by an accredited independent valuer, using the income approach. Key assumptions used in the valuation include discount rate, yield rate and long-term growth in rental rate.

2. Liquidity

2.1 Cash flows

In 2016, the Company's net cash flows cash and cash equivalents was Baht 10 million, compared to 2015 which was Baht 16 million, decreased by Baht 6 million net cash from operating activities increased Baht 146 million as the Company decreased net profit, net cash used in investing activities decreased Baht 88 million as the Company increased loans to related, unrelated persons and parties, net cash used in financing activities decreased Baht 64 million as the Company dividend paid.

2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2016 was 1.89:1 which shows high liquidity as the Company's current assets can be easily cashed in a short period of time such as short-term cash or cash equivalents 1%, account receivables 22%, inventories 25% of total assets.

The company average debt collection period was between 66 days. Average inventory turnover of 108 days as same as the previous year due to the fact that Karmart products had a higher turnover.

2.3 Collection and Payment Periods

Average debt collection period was 66 days while average account payment period was 155 days. This is because the Company at present has selected the payment option by issuing the letter of credit through the commercial banking and prolonging the credit term around 120 – 180 days through the bank's granted Trust Receipt.

3. Investment Expenditure

During the year, the Company had in capital expenditures was mainly from the land, equipment, intangible assets at Baht 68 million. Land awaiting for future development, Land Others would be machines bought to manufacture the Company products, and the motor vehicles for supporting the business growth.

4. Sources of funds

4.1 Capital Structure

In 2016, Debt/Equity Ratio was 0.55:1 against 0.40:1 in the previous year. The company had bank overdrafts and short-term loans from bank Baht 261 million increased from the previous year Baht 127 million because the Company import finished goods reserve to support increase sales.

4.2 Shareholders' Equity

In 2016, shareholders' equity increased by Baht 79 million to Baht 797 million from the operating profit during the year of Baht 264 million while the dividend payment was Baht 185 million.

4.3 Liabilities

The Company's total liabilities was Baht 438 million, increased by Baht 153 million or 53.68% from the previous year. Current Liabilities was Baht 378 million, increased by Baht 151 million or 66.52% from the previous year. The Details are as follows:

- Bank overdrafts and Short-term loan from bank was Baht 261 million, increased by Baht 127 million from the previous year as the result of the Company's goods payment method through prolonged credit term commercial bank's Trust Receipts reserve to support increased sales.
- Trade and other payables of Baht 85 million, increased by Baht 27 million
- Current portion of Liabilities under financial lease agreements due within 1 year and Liabilities under financial lease agreements — net of current portion was Baht 9 million which increased by Baht 1 million or 12.50% the Company finance lease for transportation
- Income Tax Payable at Baht 17 million, increased from the previous year of Baht 6 million due to the Company's increase in net profit.
- Other Current Liabilities was Baht 10 million due to the withholding tax from the dividend payment and the accrued value added tax.

Non-current liabilities was Baht 60 million, increased by Baht 2 million or 3.33% from the previous year. The Details are as follows:

- Provision had been made for long-term employee benefits of Baht 13 million, which increased by Baht 2 million or 18.18% from the previous year due to the new standard of accounting for employee benefit reservation No.19 had taken effect.
- Deferred Tax Liabilities at Baht 43 million, increased by Baht 3 million or 7.50% from revaluation property and plant investment properties.

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. Sufficient 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 supports Human Resources Development by providing adequate both internal and external 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 raw material finished products from quality sources with competitive prices.
4. Financial Assistant to Associated or Subsidiary companies and Contingent Liabilities in the future.	4. In case of rendering financial 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 benefit of investors and stakeholders.

REMUNERATION OF THE AUDITOR OF THE SUBSIDIARIES

PROFESSIONAL FEE

Item	Office	Company Payment	Professional Fee		
			2014	2015	2016
1	EY Office Limited	Karmarts Plc.	1,240,000	1,400,000	1,520,000
2	EY Office Limited	My Bus Co., Ltd.	195,000	195,000	-
3	EY Office Limited	J Kos Laboratories Co., Ltd.	80,000	80,000	140,000
4	Thai Audit The Truth Limited	The Iconic Property Co., Ltd.	80,000	80,000	80,000
			<u>1,595,000</u>	<u>1,755,000</u>	<u>1,740,000</u>

Other Fee

- None -



อโลสเนล เจลว่านหอย

Cathy Doll Aloe Vera &
Snail Serum Soothing Gel



Karmarts Public Company Limited and its subsidiaries

Report and consolidated financial statements 31 December 2016

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

Opinion

I have audited the accompanying consolidated financial statements of Karmarts Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Karmarts Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Karmarts Public Company Limited and its subsidiaries and of Karmarts Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Revenue recognition

The revenue from sales is the most significant amount in the statement of income and is also the key indicator of business performance on which the users of financial statements focus. In addition, the Company has a large customer base. There is therefore a risk of the Company recognising revenue that has not actually occurred or that does not pertain to its entity.

I have examined the revenue recognition of the Company by

- Assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- Applying a sampling method to select sales documents to assess whether revenue recognition was consistent with the conditions of the sales, and whether it was in compliance with the Company's policy.
- On a sampling basis, examining supporting documents for sales transactions occurring during the year and near the end of the accounting period.
- Reviewing credit notes that the Company issued after the period-end.
- Performing analytical procedures on disaggregated data to detect possible irregularities in sales transactions throughout the period.

Allowance for doubtful debts

Estimating the allowance for doubtful debts as disclosed in Note 7 to the financial statements, is an area of significant management judgment. In addition, due to the nature of the wholesale and retail businesses, the Company has a large number of trade receivables. There is thus a risk with respect to the amount of the allowance for doubtful debts.

I assessed and tested the internal controls of the Company relevant to the determination of allowance for doubtful debts by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I assessed the method and the assumptions applied by management in determining such allowance. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the allowance for doubtful debts and reviewing the consistency of the application of that basis, and the rationale for the recording of specific allowances.
- On a sampling basis, examined the accuracy of the calculation of debt aging.
- On a sampling basis, examined the accuracy of the calculation of the allowance for doubtful accounts for trade receivables.
- Applying a sampling method to review the data used to calculate the age of trade receivables.
- On a sampling basis, examining the supporting documents and other relevant documents for payment transactions occurring during the year and after the end of the accounting period.

Provision for diminution in the value of inventories

Estimating the net realisable value of inventories, as disclosed in Note 10 to the financial statements, is an area of significant management judgment, particularly with regard to the estimation of provision for diminution in the value of obsolete and damaged inventories. This requires detailed analysis of the product life cycle, the competitive environment, economic circumstances and the situation within the industry. In addition, the Company has a large quantity and number of categories of inventory. There is thus a risk with respect to the amount of provision set aside for diminution in the value of inventories.

I assessed and tested the internal controls of the Company relevant to the determination of provision for diminution in the value of inventories by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. In addition, I assessed the method and the assumptions applied by the management in determining such provision. The procedures that I performed included:

- Gaining an understanding of the basis applied in determining the provision for diminution in value of inventories and reviewing the consistency of the application of that basis, and the rationale for the recording of specific provisions.

- Comparing the inventory holding periods and inventory movements to identify product lines with indicators of lower than normal inventory turnover.
- Comparing proceeds from sales transactions occurring after the date of the financial statements to inventory cost by product line.
- Comparing historical data of actual losses on sales and write-offs of inventories during the year to the provision for diminution in value of inventories recorded as at the preceding year-end.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Ms. Gingkarn Atsawarangsali

Gingkarn Atsawarangsali

Certified Public Accountant (Thailand) No. 4496

EY Office Limited

Bangkok: 27 February 2017

Karmarts Public Company Limited and its subsidiaries
Statement of financial position
As at 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Assets					
Current assets					
Cash and cash equivalents	6	10,098,677	15,618,446	9,333,647	10,410,297
Current investments	11	325,638	76,500,000	325,638	76,500,000
Trade and other receivables	7, 8	276,464,319	222,663,158	276,464,319	222,649,958
Current portion of finance lease receivables		33,842	39,885	33,842	39,885
Short-term loans to related parties	8	54,374,898	2,655,565	54,374,898	10,472,746
Short-term loans to unrelated person and party	9	31,047,872	-	31,047,872	-
Current portion of long-term loans to unrelated persons and parties	13	-	771,622	-	771,622
Inventories	10	315,201,069	198,339,241	315,524,540	198,701,914
Other current assets	12	28,026,438	21,944,288	27,926,186	21,769,101
Total current assets		715,572,753	538,532,205	715,030,942	541,315,523
Non-current assets					
Finance lease receivables - net of current portion		378,375	430,082	378,375	430,082
Long-term loans to unrelated persons and parties - net of current portion	13	25,000,000	983,771	25,000,000	983,771
Investments in joint venture	14	2,331,953	-	3,563,280	-
Investments in associate	15	70,014,067	70,668,228	71,029,990	71,029,990
Investments in subsidiaries	16	-	-	2,500,000	2,500,000
Investment properties	17	119,000,000	115,000,000	119,000,000	115,000,000
Property, plant and equipment	18	254,803,555	229,089,834	254,743,509	221,712,980
Land awaiting for future development	19	8,284,000	-	8,284,000	-
Intangible assets	20	9,985,336	9,466,468	9,985,336	8,058,821
Deferred tax assets	25	7,892,313	11,364,183	7,892,313	11,364,183
Other non-current assets	7	22,706,553	25,648,651	22,706,554	24,837,802
Total non-current assets		520,396,152	462,651,217	525,083,357	455,917,629
Total assets		1,235,968,905	1,001,183,422	1,240,114,299	997,233,152

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 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	21	260,676,471	133,948,123	260,676,471	133,948,123
Trade and other payables	8, 22	85,483,866	57,563,474	85,723,263	55,438,183
Current portion of liabilities under finance lease agreements	23	4,814,605	2,702,466	4,814,605	2,702,466
Income tax payable		17,182,408	22,774,440	17,182,408	22,774,440
Other current liabilities		9,951,030	10,516,395	9,894,919	8,232,068
Total current liabilities		378,108,380	227,504,898	378,291,666	223,095,280
Non-current liabilities					
Liabilities under finance lease agreements – net of current portion	23	4,252,761	5,745,609	4,252,761	5,745,609
Provision for long-term employee benefits	24	13,042,716	11,132,150	13,042,716	11,132,150
Deferred tax liabilities	25	43,074,509	40,719,262	43,074,509	40,719,262
Total non-current liabilities		60,369,986	57,597,021	60,369,986	57,597,021
Total liabilities		438,478,366	285,101,919	438,661,652	280,692,301
Shareholders' equity					
Share capital					
Registered					
660,000,000 ordinary shares of Baht 0.60 each		396,000,000	396,000,000	396,000,000	396,000,000
Issued and fully paid up					
659,568,809 ordinary shares of Baht 0.60 each		395,741,285	395,741,285	395,741,285	395,741,285
Share premium		83,396,333	83,396,333	83,396,333	83,396,333
Capital reduction surplus	30	15,267,473	15,267,473	15,267,473	15,267,473
Retained earnings					
Appropriated – statutory reserve		39,574,129	33,588,310	39,574,129	33,588,310
Unappropriated		221,903,952	148,736,515	225,967,039	147,041,062
Other components of shareholders' equity		41,466,863	41,506,388	41,506,388	41,506,388
Equity attributable to owners of the Company		797,350,035	718,236,304	801,452,647	716,540,851
Non-controlling interests of the subsidiaries		140,504	(2,154,801)	–	–
Total shareholders' equity		797,490,539	716,081,503	801,452,647	716,540,851
Total liabilities and shareholders' equity		1,235,968,905	1,001,183,422	1,240,114,299	997,233,152

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

Karmats Public Company Limited and its subsidiaries
Income statement
For the year ended 31 December 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Revenues					
Sales	8	1,409,870,467	1,163,731,735	1,409,870,467	1,163,831,185
Income from bus service operator		941,500	3,682,328	-	-
Income from warehouse rental and warehouse services		19,526,043	19,064,798	19,526,043	19,064,798
Gain on fair value adjustment of investment properties	17	4,000,000	10,000,000	4,000,000	10,000,000
Gain on disposal of investment in subsidiary	2.2	610,590	-	428,226	-
Other income	8	18,056,263	8,493,356	20,192,592	9,587,591
Total revenues		<u>1,453,004,863</u>	<u>1,204,972,217</u>	<u>1,454,017,328</u>	<u>1,202,483,574</u>
Expenses					
Cost of sales	8	627,493,071	529,025,485	628,149,894	529,416,007
Cost of bus service operator		1,718,042	6,577,440	-	-
Cost of warehouse rental and warehouse services		529,636	888,258	529,636	888,258
Selling expenses		381,025,864	266,198,669	381,021,859	266,198,669
Administrative expenses	8	107,713,308	135,828,524	105,325,391	142,483,678
Total expenses		<u>1,118,479,921</u>	<u>938,518,376</u>	<u>1,115,026,780</u>	<u>938,966,612</u>
Profit before share of loss from investments in joint venture and associate, finance cost and income tax expenses		<u>334,524,942</u>	<u>266,453,841</u>	<u>338,990,548</u>	<u>263,496,962</u>
Share of loss from investments in joint venture and associate	14, 15	(1,845,963)	(247,579)	-	-
Profit before finance cost and income tax expenses		<u>332,678,979</u>	<u>266,206,262</u>	<u>338,990,548</u>	<u>263,496,962</u>
Finance cost	8	(12,525,935)	(11,038,308)	(12,443,087)	(10,882,935)
Profit before income tax expenses		<u>320,153,044</u>	<u>255,167,954</u>	<u>326,547,461</u>	<u>252,614,027</u>
Income tax expenses	25	(56,957,280)	(46,759,867)	(56,957,280)	(46,759,867)
Profit for the year		<u>263,195,764</u>	<u>208,408,087</u>	<u>269,590,181</u>	<u>205,854,160</u>
Profit or loss attributable to:					
Equity holders of the Company		263,831,641	209,659,475	269,590,181	205,854,160
Non-controlling interests of the subsidiaries		(635,877)	(1,251,388)		
		<u>263,195,764</u>	<u>208,408,087</u>		
Basic earnings per share	27				
Profit attributable to equity holders of the Company		<u>0.400</u>	<u>0.318</u>	<u>0.409</u>	<u>0.312</u>
Weighted average number of common stock (shares)		<u>659,568,809</u>	<u>659,568,809</u>	<u>659,568,809</u>	<u>659,568,809</u>

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 2016

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2016	2015	2016	2015
Profit for the year		<u>263,195,764</u>	<u>208,408,087</u>	<u>269,590,181</u>	<u>205,854,160</u>
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent period					
Share of loss from exchange differences on translation of joint venture's financial statements in foreign currency		(39,525)		-	
Other comprehensive income not to be reclassified to profit or loss in subsequent period			-		-
Changes in surplus on revaluation of assets – net of income tax	18, 28	<u>-</u>	<u>34,128,560</u>	<u>-</u>	<u>34,128,560</u>
Other comprehensive income for the year		<u>(39,525)</u>	<u>34,128,560</u>	<u>-</u>	<u>34,128,560</u>
Total comprehensive income for the year		<u><u>263,156,239</u></u>	<u><u>242,536,647</u></u>	<u><u>269,590,181</u></u>	<u><u>239,982,720</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		<u>263,792,116</u>	<u>243,788,035</u>	<u>269,590,181</u>	<u>239,982,720</u>
Non-controlling interests of the subsidiaries		<u>(635,877)</u>	<u>(1,251,388)</u>		
		<u><u>263,156,239</u></u>	<u><u>242,536,647</u></u>		

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

Karmats Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2016

(Unit: Baht)

Consolidated financial statement										
	Equity attributable to the parent's shareholders								Non-controlling interests of the subsidiaries	Total shareholders' equity
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings		Other components of equity				
				Appropriated – statutory reserve	Unappropriated	Surplus on revaluation of assets	Exchange difference on translation of joint venture's financial statements in foreign currency	Total other components of shareholders' equity		
Balance as at 1 January 2015	395,741,285	83,396,333	15,267,473	23,295,602	107,662,782	7,377,828	-	7,377,828	(903,413)	631,837,890
Profit for the year	-	-	-	-	209,659,475	-	-	-	(1,251,388)	208,408,087
Other comprehensive income for the year	-	-	-	-	-	34,128,560	-	34,128,560	-	34,128,560
Total comprehensive income for the year	-	-	-	-	209,659,475	34,128,560	-	34,128,560	(1,251,388)	242,536,647
Dividend paid (Note 29)	-	-	-	-	(158,293,034)	-	-	-	-	(158,293,034)
Transfer to statutory reserve (Note 30)	-	-	-	10,292,708	(10,292,708)	-	-	-	-	-
Balance as at 31 December 2015	395,741,285	83,396,333	15,267,473	33,588,310	148,736,515	41,506,388	-	41,506,388	(2,154,801)	716,081,503
Balance as at 1 January 2016	395,741,285	83,396,333	15,267,473	33,588,310	148,736,515	41,506,388	-	41,506,388	(2,154,801)	716,081,503
Profit for the year	-	-	-	-	263,831,641	-	-	-	(635,877)	263,195,764
Other comprehensive income for the year	-	-	-	-	-	-	(39,525)	(39,525)	-	(39,525)
Total comprehensive income for the year	-	-	-	-	263,831,641	-	(39,525)	(39,525)	(635,877)	263,156,239
Dividend paid (Note 29)	-	-	-	-	(184,678,385)	-	-	-	-	(184,678,385)
Transfer to statutory reserve (Note 30)	-	-	-	5,985,819	(5,985,819)	-	-	-	-	-
Change in non-controlling interests of the subsidiary from disposal of investment in subsidiary	-	-	-	-	-	-	-	-	2,931,182	2,931,182
Balance as at 31 December 2016	395,741,285	83,396,333	15,267,473	39,574,129	221,903,952	41,506,388	(39,525)	41,466,863	140,504	797,490,539

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

Karmarts Public Company Limited and its subsidiaries
 Statement of changes in shareholders' equity (continued)
 For the year ended 31 December 2016

(Unit: Baht)

	Separate financial statement						
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated	Surplus on revaluation of assets	
Balance as at 1 January 2016	395,741,285	83,396,333	15,267,473	23,295,602	109,772,644	7,377,828	634,851,165
Profit for the year	-	-	-	-	205,854,160	-	205,854,160
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-
Dividend paid (Note 29)	-	-	-	-	205,854,160	34,128,560	34,128,560
Transfer to statutory reserve (Note 30)	-	-	-	-	(188,293,034)	34,128,560	239,982,720
Balance as at 31 December 2015	395,741,285	83,396,333	15,267,473	10,292,708	(10,292,708)	-	(188,293,034)
Balance as at 1 January 2016	395,741,285	83,396,333	15,267,473	33,588,310	147,041,062	41,506,388	716,540,851
Profit for the year	-	-	-	-	147,041,062	41,506,388	41,506,388
Other comprehensive income for the year	-	-	-	-	269,590,181	-	269,590,181
Total comprehensive income for the year	-	-	-	-	-	-	-
Dividend paid (Note 29)	-	-	-	-	269,590,181	-	269,590,181
Transfer to statutory reserve (Note 30)	-	-	-	-	(5,985,819)	-	(5,985,819)
Balance as at 31 December 2016	395,741,285	83,396,333	15,267,473	39,574,129	225,967,039	41,506,388	801,452,647

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 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before tax	320,153,044	255,167,954	326,547,461	252,614,027
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	30,863,734	29,994,500	29,194,195	23,559,600
Gain from the fair value adjustment of investment properties	(4,000,000)	(10,000,000)	(4,000,000)	(10,000,000)
Increase in allowance for doubtful accounts (reversal)	(4,171,100)	(6,388,354)	(4,171,100)	20,545,013
Increase in allowance for reducing cost of inventories to net realisable value (reversal)	3,416,245	(14,330,663)	3,416,245	(14,330,663)
Increase in allowance for impairment of assets (reversal)	(2,356,105)	17,045,038	(2,356,105)	877,456
Unrealised gain on exchange rate	(3,219,087)	(1,008,825)	(3,219,087)	(1,008,825)
Loss (gain) on disposal of current investments	(1,063,425)	404,600	(1,063,425)	404,600
Unrealised loss (gain) on change in the fair value of current investments	(1,218,960)	1,246,150	(1,218,960)	1,246,150
Fixed assets and intangible asset write-off	7,283,576	127,693	228,660	127,693
Loss on disposal of fixed assets and intangible assets	72,540	5,546,719	72,540	5,546,719
Gain on disposal of investment in subsidiary	(610,590)	-	(428,226)	-
Interest income	(7,705,858)	(2,464,330)	(8,044,011)	(3,246,248)
Dividend income	(733,643)	(600,000)	(733,643)	(600,000)
Provision for long-term employee benefits	1,991,566	2,081,078	1,991,566	2,081,078
Interest expenses	6,669,090	5,748,815	6,669,090	5,748,815
Share of loss from investments in joint venture and associate	1,845,963	247,579	-	-
Profit from operating activities before changes in operating assets and liabilities:	347,216,990	282,817,954	342,885,200	283,565,415
Operating assets (increase) decrease				
Trade and other receivables	(49,733,393)	(36,275,334)	(49,746,594)	(37,153,937)
Finance lease receivables	941,178	2,015,482	941,178	2,015,482
Inventories	(119,757,055)	19,034,303	(119,717,853)	18,671,630
Other current assets	(3,726,045)	2,934,850	(3,800,980)	3,058,351
Other non-current assets	2,942,098	2,741,150	2,131,248	2,741,150
Operating liabilities increase (decrease)				
Trade and other payables	26,483,673	2,324,403	28,848,361	1,856,309
Other current liabilities	(565,365)	(2,386,501)	1,662,851	(2,417,087)
Cash from operating activities	203,802,081	273,206,307	203,203,411	272,337,313
Cash paid for income tax	(56,722,195)	(14,464,097)	(56,722,195)	(14,464,097)
Cash paid for long-term employee benefits	(81,000)	(386,100)	(81,000)	(386,100)
Net cash from operating activities	146,998,886	258,356,110	146,400,216	257,487,116

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 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash flows from investing activities				
Interest income received	6,863,640	2,464,330	7,201,794	3,246,248
Dividend income received	733,643	600,000	733,643	600,000
Increase in short-term loans to related parties	(51,719,333)	(1,700,000)	(43,902,152)	(1,110,000)
Decrease (increase) in short-term loans to unrelated person and parties	(31,047,872)	30,000,000	(31,047,872)	30,000,000
Increase in long-term loans to unrelated persons and parties	(23,182,485)	(1,817,515)	(23,182,485)	(1,817,515)
Proceeds from disposal of equipment and intangible assets	649,243	4,657,963	649,243	4,657,963
Proceeds from disposal of investment in subsidiary	610,590	-	428,226	-
Proceeds from disposal and redemption of current investments	127,448,830	17,595,000	127,448,830	17,595,000
Acquisition of current investments	(48,992,083)	(95,745,750)	(48,992,083)	(95,745,750)
Purchase of land, equipment and intangible assets	(68,836,560)	(57,672,312)	(68,836,560)	(57,591,461)
Change in non-controlling interests of the subsidiary				
from disposal of investment in subsidiary	2,931,182	-	-	-
Increase in investments in joint venture	(3,563,280)	-	(3,563,280)	-
Net cash used in investing activities	(88,104,485)	(101,618,284)	(83,062,696)	(100,165,515)
Cash flows from financing activities				
Decrease in restricted bank deposits	-	648,000	-	-
Increase (decrease) in bank overdrafts and				
short-term loans from banks	129,744,412	(24,762,508)	129,744,412	(24,762,508)
Decrease in short-term loans from a related person	-	(10,000,000)	-	(10,000,000)
Cash paid under finance lease	(3,272,010)	(3,165,646)	(3,272,010)	(3,165,646)
Interest paid	(6,208,187)	(5,257,773)	(6,208,187)	(5,257,773)
Dividend paid	(184,678,385)	(158,293,034)	(184,678,385)	(158,293,034)
Net cash used in financing activities	(64,414,170)	(200,830,961)	(64,414,170)	(201,478,961)
Net decrease in cash and cash equivalents	(5,519,769)	(44,093,135)	(1,076,650)	(44,157,360)
Cash and cash equivalents at beginning of year	15,618,446	59,711,581	10,410,297	54,567,657
Cash and cash equivalents at end of year	10,098,677	15,618,446	9,333,647	10,410,297

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 2016

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Supplemental cash flows information: –				
Non-cash transactions: –				
Undue installment for acquisition of equipment and intangible assets	1,608,650	–	1,608,650	3,928,752
Purchases of vehicles under financial leases	3,461,490	3,928,752	3,461,490	90,951
Transfer of inventories to equipment	–	90,951	–	562,473
Transfer of equipment to inventories	521,018	562,473	521,018	63,000,000
Transfer of investment properties to property and plant	–	63,000,000	–	–
Transfer of land to land awaiting for future development	8,284,000	–	8,284,000	–
Transfer of equipment to intangible assets	717,439	–	717,439	42,660,700
Surplus on revaluation of assets	–	42,660,700	–	–

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

Karmarts Public Company Limited and its subsidiaries

Notes to consolidated financial statements

For the year ended 31 December 2016

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 manufacture and distribution of consumer products, 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.

2. Basis of preparation of financial statements

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

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

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

2.2 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
		2016	2015	
My Bus Co., Ltd. J KOS Laboratories Co., Ltd.	Bus service operator Manufacture and distribution of consumer product	Percent -	Percent 95.16	Thailand
		70.00	70.00	Thailand

During the second quarter of current year, the Company sold the investment in My Bus Company Limited (a subsidiary) to a third party for 8,564,511 shares, or 95.16% of shareholding in the subsidiary at a price of Baht 0.05 per share or amounting to Baht 0.428 million, resulting in gain incurred from disposal of investment in subsidiary of Baht 0.61 million as presented in the consolidated profit or loss (separate profit or loss: gain of Baht 0.428 million). As a result of the transaction, My Bus Company Limited was no longer the subsidiary of the Company.

Details of the net assets value of My Bus Company Limited as at the disposal date are as follows:

(Unit: Thousand Baht)

Total assets	8,017
Total liabilities	(70,891)
Net liabilities value	(62,874)
Less: Non-controlling interests of the subsidiary	2,931
Net liabilities value attributable to the Company's investment	(59,943)
Less: Allowance for doubtful accounts recognised in the prior periods	59,760
Net liabilities value attributable to the Company's investment after deducting allowance for doubtful accounts	(183)
Selling price	428
Gain on disposal of investment in subsidiary	611

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiaries are prepared using the same accounting period and significant accounting policies as the Company.
- e) The assets and liabilities in the financial statements of overseas joint venture company are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in joint ventures equity.
- f) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- g) 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 statements of financial position.

- 2.3 The separate financial statements present investments in joint venture, associate and subsidiaries under the cost method.

3. New financial reporting standards

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

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

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

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

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

TAS 27 (revised 2016) Separate Financial Statements

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

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

4. Significant accounting policies**4.1 Revenue recognition**Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have been 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

The Company recognises income on finance lease and hire purchase contracts over the term of the contracts, using the effective rate method, with income recognised when the installments fall due irrespective of when actual collection is made. Recognition of interest income is stopped for receivables which have defaulted on more than 3 scheduled installment payments.

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 operation at the net value received in accordance with the agreements to share income made with its bus staff.

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

Interest income

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

4.2 Cash and cash equivalents

Cash and cash equivalents include cash on 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 or finance lease 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) or standard cost (which approximates actual cost under 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, labor cost 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 joint venture and associate are accounted for in the consolidated financial statements using the equity method.
- c) Investments in joint venture, associate and subsidiaries are accounted for in the separate financial statements 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.

The weighted average method is used for computation of the cost of investments.

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.

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

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 derecognised.

4.8 Property, plant and equipment and depreciation

Land is stated at cost or revalued amount. Buildings and equipment are stated at cost 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 value of land. 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 in 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
Buildings	20 years	–
Land improvements and building improvements	5 years	–
Machinery and equipment	5 years	5 years
Motor vehicles	3 and 5 years	10 years
Office furniture, fixtures and equipment	3 and 5 years	3 and 5 years

Depreciation is included in determining income.

No depreciation is provided for land, assets under installation and construction in progress.

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

4.9 Land awaiting for future development

Land awaiting for future development is valued at the lower of specific cost and net realisable value. Cost includes cost of land.

4.10 Intangible assets

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 assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

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

	The Company	Subsidiaries
Computer software	3 years	–
Right to operate a bus service	–	The remaining period of the license (approximately 9 years)

No amortisation is provided for computer software under installation.

4.11 Related party transactions

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

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

4.13 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

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

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

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

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

4.16 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.

4.17 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

4.18 Fair value measurement

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

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

- Level 1 – Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 – Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 – Use of unobservable inputs such as estimates of future cash flows

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

5. Significant accounting judgements and estimates

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

Allowance for doubtful accounts

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

Reduce cost to net realisable value of inventories

In determining a reduce cost to net realisable value of inventories, the management needs to make judgement in estimating the losses that will be incurred on the sale of the inventories, taking into account net realisable value, aging profile of outstanding inventories and the stock-keeping conditions, among other factors.

Investment properties

The Company presents investment properties 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 properties 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 17.

Land

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 as described in Note 18.

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.

6. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Cash	184	186	184	165
Bank deposits	9,915	15,432	9,150	10,245
Total	<u>10,099</u>	<u>15,618</u>	<u>9,334</u>	<u>10,410</u>

As at 31 December 2016, bank deposits in savings accounts carried interest at a rate of 0.37% – 1.10% per annum (2015: 0.37% – 1.00% per annum).

7. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade receivable - related parties				
Aged on the basis of due dates				
Not yet due	2,728	3,203	2,728	3,597
Past due				
1 - 3 months	3,764	483	3,764	521
4 - 6 months	1,071	382	1,071	50
7 - 12 months	-	8	-	22
Over 12 months	-	14	-	6,188
Total	7,563	4,090	7,563	10,378
Less: Allowance for doubtful accounts	-	-	-	(6,288)
Net	7,563	4,090	7,563	4,090
Trade accounts receivable - unrelated parties				
Aged on the basis of due dates				
Post dated cheques	2,662	2,469	2,662	2,469
Not yet due	157,377	108,339	157,377	108,339
Past due				
1 - 3 months	100,160	77,635	100,160	77,635
4 - 6 months	2,798	1,739	2,798	1,739
7 - 12 months	3,054	2,026	3,054	2,026
Over 12 months	234	3,913	234	3,913
Returned cheques	1,282	1,442	1,282	1,442
Total	267,567	197,563	267,567	197,563
Less: Allowance for doubtful accounts	(1,483)	(3,237)	(1,483)	(3,237)
Net	266,084	194,326	266,084	194,326
Other receivables				
Advances to related persons and parties	454	22,092	454	22,092
Other receivables - related parties	838	29	838	9,656
Other receivables - unrelated parties	8,212	10,295	8,212	10,271
Total	9,504	32,416	9,504	42,019
Less: Allowance for doubtful accounts	(6,687)	(8,169)	(6,687)	(17,785)
Net	2,817	24,247	2,817	24,234
Total Trade and other receivables - net	276,464	222,663	276,464	222,650

On 22 December 2014, the Company entered into an agreement to sell all of the inventories, that are related to the project to upgrade the 470MHz Mobile Telephone Network to CDMA2000 1X to a non-related party at a price of Baht 28.1 million (including VAT). This agreement requires the buyer to make payment to the Company in monthly installments, within 10 years. As at 31 December 2016, the Company had such account receivable balance of Baht 21.3 million (31 December 2015: Baht 24.0 million), with the portion due in over 12 months amounting to Baht 18.7 million (31 December 2015: Baht 21.3 million) and classified as other non-current assets in the statements of financial position.

8. Finance lease receivables

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

The relationship between the Company and the related parties is summarised below.

Name of related parties	Relationship with the Company
My Bus Co., Ltd.*	Subsidiary
J KOS Laboratories Co., Ltd.	Subsidiary
The Iconic Property Co., Ltd.	Associate
The Iconic Property Charan Sanit Wong13 Co., Ltd.	Subsidiary of the associate
The Iconic Property Phetkasem Co., Ltd.	Subsidiary of the associate
Bangwaek Condominium Co., Ltd.	Subsidiary of the associate
Karmarts Vietnam Co., Ltd.	Joint venture
Karmarts Malaysia Sdn. Bhd.**	Related company
June Laboratories Co., Ltd.	Common shareholders/ directors with the subsidiary
Beautrium Co., Ltd	Shareholder and director is related to the Company's shareholder and director

* The Company sold all investments in that company as discussed in Note 16 and the company registered the change of its name with the Ministry of Commerce to “Reunrom Everyday Company Limited” since 22 August 2016

** The Company has planned to invest in that company as discussed in Note 14

Such significant transactions are summarised below.

(Unit: Million Baht)

	Consolidated financial statements For the years ended 31 December		Separate financial statements For the years ended 31 December		Transfer Pricing Policy
	2016	2015	2016	2015	
<u>Transactions with subsidiaries</u> (Eliminated from consolidated financial statements)					
Purchases of goods	-	-	2	2	Cost plus margin
Interest income	-	-	-	1	1.50 percent per annum
Service income	-	-	1	-	Contract price
Rental income	-	-	1	-	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	5	-	5	-	Cost plus margin
Interest income	1	-	1	-	1.50 percent per annum
<u>Transactions with related companies</u>					
Sales of goods	11	7	11	7	Cost plus margin
Purchases of goods	4	4	4	4	Cost plus margin
<u>Transactions with director</u>					
Purchase of fixed assets	2	-	2	-	Contract price

The outstanding balances of the related transactions as at 31 December 2016 and 2015 are shown in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade and other receivables – related persons and parties (Note 7)				
Joint venture	3,425	–	3,425	–
Associate	790	22	790	22
Subsidiary	–	–	–	15,915
Related companies	4,640	6,523	4,640	6,523
Director	–	19,666	–	19,666
Total	8,855	26,211	8,855	42,126
Less: Allowance for doubtful accounts – subsidiary	–	–	–	(15,915)
Net	8,855	26,211	8,855	26,211
Short-term loans to related parties				
Associate	54,375	2,656	54,375	2,656
Subsidiary	–	–	–	51,662
Total	54,375	2,656	54,375	54,318
Less: Allowance for doubtful accounts – subsidiary	–	–	–	(43,845)
Net	54,375	2,656	54,375	10,473
Trade and other payables – related persons and parties (Note 22)				
Joint venture	10	–	10	–
Subsidiary	–	–	1,579	–
Related company	446	42	397	42
Director	52	–	52	–
Accrued managements benefits	–	1,000	–	1,000
Total	508	1,042	2,038	1,042

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	1 January 2016	Increase	Decrease	31 December 2016
Short-term loans to related party				
Associate				
The Iconic Property Company Limited	2,656	64,744	(13,025)	54,375

(Unit: Thousand Baht)

	Separate financial statements					
	1 January 2016	Increase	Decrease	Increase in allowance for doubtful accounts	Transfer to loans to unrelated party	31 December 2016
Short-term loans to related parties						
Associate						
The Iconic Property Company Limited	2,656	64,744	(13,025)	-	-	54,375
Subsidiary						
My Bus Company Limited	7,817	650	-	(2,986)	(5,481)	-
Total	<u>10,473</u>	<u>65,394</u>	<u>(13,025)</u>	<u>(2,986)</u>	<u>(5,481)</u>	<u>54,375</u>

As at 31 December 2016 and 2015, short-term loans to such associate and subsidiary matured at call and carried interest at a rate of 1.50 percent per annum.

Directors and management benefits

During the year ended 31 December 2016 and 2015, the Company and its subsidiaries had employee benefit expenses of their directors and management as below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2015	2015
Short-term employee benefits	19	16
Post-employment benefits	8	7
Total	<u>27</u>	<u>23</u>

9. Short-term loans to unrelated person and parties

As at 31 December 2016, the Company had short-term loans to unrelated person and party amounting to net of Baht 31 million which carried interest at a rate of 15% per annum (31 December 2015: Nil).

Allowance for doubtful accounts of short-term loans to unrelated person and party amounted to Baht 0.1 million as of 31 December 2015 (31 December 2016: Nil).

10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	242,289	165,397	(17,359)	(14,940)	224,930	150,457
Raw materials and supplies	50,630	27,731	(1,188)	(190)	49,442	27,541
Work in process	13,813	4,875	-	-	13,813	4,875
Goods in transit	27,016	15,466	-	-	27,016	15,466
Total	333,748	213,469	(18,547)	(15,130)	315,201	198,339

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2016	2015	2016	2015	2016	2015
Finished goods	242,385	165,716	(17,359)	(14,940)	225,026	150,776
Raw materials and supplies	50,689	27,775	(1,188)	(190)	49,501	27,585
Work in process	13,982	4,875	-	-	13,982	4,875
Goods in transit	27,016	15,466	-	-	27,016	15,466
Total	334,072	213,832	(18,547)	(15,130)	315,525	198,702

During the current year, the Company reduced cost of inventories by Baht 3.4 million (2015: Baht 6 million), to reflect the net realisable value. This was included in cost of sales. In addition, the Company reversed the write-down of cost of inventories by Baht 20 million in 2015 (2016: Nil) and reduced the amount of inventories recognised as expenses during the year.

11. Current Investments

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	31 December 2016		31 December 2015	
	Cost	Fair value	Cost	Fair value
Trading securities - ordinary shares	353	326	27,884	26,500
Unrealised loss from change in fair value of investments	(27)		(1,246)	
Allowance for impairment on current investments	-		(138)	
Investments in trading securities - net	326		26,500	
Bank deposit	-		50,000	
Total current investments - net	326		76,500	

As at 31 December 2015, the Company had an eight-month special savings deposit amounting to Baht 50 million which carried interests at the rate of 1.0 – 6.5 per annum (2016: Nil).

During the year 2016, the Company sold trading securities with book value totaling Baht 76 million (2015: Baht 18.0 million) and recognised gain (after tax) on sale amounting to Baht 0.9 million (2015: recognised loss (after tax) by Baht 0.3 million) in profit or loss.

12. Other current assets

Allowance for impairment loss on other current assets amounted to Baht 0.19 million as of 31 December 2016 (2015: Baht 2.55 million).

13. Long-term loans to unrelated persons and parties

As at 31 December 2016, the Company had long-term loans to unrelated persons and parties net amounting to Baht 25 million (2015: Baht 1.8 million) which carried interest at a rate of 15% per annum (2015: 7% per annum). The long-term loans will be due within May 2019 (2015: within March 2019).

14. Investments in joint venture

14.1 Details of joint venture

Investments in joint venture represent investments in entity which is jointly controlled by the Company and other party. Details of these investments are as follows:

(Unit: Thousand Baht)

Joint venture's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%				
			49	-	3,563	-	2,332	-

(Unit: Thousand Baht)

Joint venture's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%		
			49	-	3,563	-

14.2 Share of loss from investments in joint venture

During the years, the Company has recognised its share of loss from investments in joint venture in the consolidated financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of loss from investments in joint venture during the year	
	2016	2015
Karmarts Vietnam Company Limited	1,192	-

14.3 Summarised financial information about material joint venture

Financial information of the joint venture is summarised below.

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2016	2015
Current assets	7	-
Non-current assets	2	-
Current liabilities	(4)	-
Net assets	5	-
Shareholding percentage	49	-
Share of net assets	2	-
Elimination entries	-	-
Carrying amounts of joint venture based on equity method	2	-

On 20 January 2016, the Company paid for an investment in Karmarts Vietnam Company Limited, registered and established in Vietnam, in a total of USD 98,000 or approximately Baht 3.56 million. As a result, the Company holds 49% of the issued and paid-up shares of USD 200,000 in this company. The Company has recorded the investments in this company as investments in joint venture since the investment date. This company's operation period is 50 years, starting from the date of incorporation, 9 October 2015.

On 23 February 2015, the Company entered into the Memorandum of Understanding to establish Karmarts Malaysia Sdn. Bhd., the new joint venture in Malaysia in which the Company will hold 51,000 ordinary shares (or 51% of the total 100,000 issued and paid-up shares) at MYR 10 per share, or a total of MYR 510,000 or approximately Baht 4.9 million. The said joint venture has been in the process of registration.

As at 31 December 2016, the Company had commitments amounting to USD 98,000 in respect of the unpaid shares in Karmarts Vietnam Company Limited (2015: Nil).

15. Investments in associate

15.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
			%	%				
The Iconic Property Company Limited	Properties development	Thailand	33.33	33.33	71,030	71,030	70,014	70,668

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015
			%	%		
The Iconic Property Company Limited	properties development	Thailand	33.33	33.33	71,030	71,030

During the first quarter of current year, the said associate established its three subsidiaries which are The Iconic Property Charan Sanit Wong13 Co., Ltd., The Iconic Property Phetkasem Co., Ltd., and Bangwaek Condominium Co., Ltd. Each subsidiary has the registered share capital of Baht 1 million and is engaged in property development business.

15.2 Share of loss from investments in associate

During the years, the Company has recognised its share of loss from investments in associated company in the consolidated financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of loss from investments in associate during the year	
	2016	2015
The Iconic Property Company Limited and its subsidiaries	654	248

15.3 Summarised financial information about material associates

Financial information of the associated company is summarised below.

(Unit: Million Baht)

	The Iconic Property Company Limited and its subsidiaries	
	2016	2015
Current assets	-	5
Non-current assets	375	215
Current liabilities	(185)	(8)
Net assets	210	212
Shareholding percentage	33.33	33.33
Share of net assets	70	71
Elimination entries	-	-
Carrying amounts of associate based on equity method	70	71

16. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up share capital		Percentage holding		Separate financial statements	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Million Baht)	(Million Baht)	(%)	(%)		
My Bus Company Limited	-	9.20	-	95.16	-	9,173
J KOS Laboratories Company Limited	3.25	3.25	70.00	70.00	2,500	2,500
Total					2,500	11,673
Less: Allowance for impairment on investments						
- My Bus Company Limited					-	(9,173)
Net					2,500	2,500

During the second quarter of current year, the Company sold investment in My Bus Company Limited (a subsidiary) to a third party for 8,564,511 shares, or 95.16% of share holding in the subsidiary at a price of Baht 0.05 per share or amounting to Baht 0.428 million, resulting in gain incurred from sale of investment in subsidiary of Baht 0.611 million as presented in the consolidated profit or loss (separate profit or loss: gain of Baht 0.428 million). As a result of the transaction, My Bus Company Limited was no longer the subsidiary of the Company.

As at 31 December 2016, the Company had commitments amounting to approximately Baht 4.5 million in respect of the unpaid shares in J KOS Laboratories Company Limited (2015: The Company had commitments amounting to approximately Baht 55 million and Baht 4.5 million in respect of the unpaid shares in My Bus Company Limited and J KOS Laboratories Company Limited, respectively).

17. Investment properties

A reconciliation of the net book value of investment properties as at the beginning and end of the years 2016 and 2015 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements
	Properties used for warehouse service
Net book value at beginning of 2015	168,000
Transfer to property and plant	(63,000)
Net gain from a fair value adjustment	10,000
Net book value at end of 2015	115,000
Net gain from a fair value adjustment	4,000
Net book value at end of 2016	119,000

The investment properties represent land and building used for providing warehouse service. Its fair value has been determined based on the valuations performed by an accredited independent valuer, using the income approach. Key assumptions used in the valuation include discount rate, yield rate and long-term growth in rental rates.

Key assumptions used in the valuation are summarised below:

	Consolidated financial statements / Separate financial statements		Result to fair value where as an increase in assumption value
	31 December 2016	31 December 2015	
Discount rate (%)	15	15	Decrease in fair value
Yield rate (%)	12	12	Decrease in fair value
Rental rate per square meter per month (Baht)	115	115	Increase in fair value

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

During the year 2015, the Company transferred some plots of the land and building which had been used in the past for the provision of warehouse rental service to be used as a factory and as its own warehousing space, as discussed in Note 18.

The major investment properties of the Company were placed as collateral for short-term and long-term credit facilities granted by commercial banks.

18. Property, plant and equipment

Consolidated financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis						
	Land	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Machinery and Equipment under installation	Total
Cost/Revalued amount								
1 January 2015	32,251	206	38,919	33,830	110,575	43,519	1,332	260,632
Acquisitions	23,500	-	251	2,493	6,517	4,665	16,396	53,822
Transfer from inventories	-	-	-	-	-	91	-	91
Transfer from investment properties	24,000	-	39,000	-	-	-	-	63,000
Revaluation	42,661	-	-	-	-	-	-	42,661
Transfer to inventories	-	-	-	-	-	(714)	-	(714)
Disposal / write-off	-	-	(7,133)	(1,331)	(18,584)	(14,648)	(40)	(41,736)
Transfer in / Transfer out	-	50	4,418	9,539	-	520	(14,527)	-
31 December 2015	122,412	256	75,455	44,531	98,508	33,433	3,161	377,756
Acquisitions	12,084	-	2,277	2,141	10,763	3,963	36,396	67,624
Transfer to inventories	-	-	-	-	-	(1,275)	-	(1,275)
Transfer to intangible assets	-	-	-	-	-	-	(2,183)	(2,183)
Transfer to land awaiting for future development	(8,284)	-	-	-	-	-	-	(8,284)
Disposal / write-off	-	-	-	(29)	(3,735)	(1,751)	(76)	(5,591)
Decrease from disposal of investment in subsidiary	-	-	-	(149)	(67,770)	(41)	-	(67,960)
Transfer in / Transfer out	-	-	1,765	1,690	-	597	(4,052)	-
31 December 2016	126,212	256	79,497	48,184	37,766	34,926	33,246	360,087

Separate financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis					
	Land	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Assets under installation and construction in progress
Cost/Revalued amount							Total
1 January 2015	32,251	206	38,919	33,830	42,805	43,332	1,332
Acquisitions	23,500	-	251	2,429	6,517	4,648	16,396
Transfer from inventories	-	-	-	-	-	91	-
Transfer from investment properties	24,000	-	39,000	-	-	-	-
Revaluation	42,661	-	-	-	-	-	-
Transfer to inventories	-	-	-	-	-	(714)	-
Disposal / write-off	-	-	(7,133)	(1,331)	(18,584)	(14,648)	(40)
Transfer in / Transfer out	-	50	4,418	9,539	-	520	(14,527)
31 December 2015	122,412	256	75,455	44,467	30,738	33,229	3,161
Acquisitions	12,084	-	2,277	2,141	10,763	3,963	36,396
Transfer to inventories	-	-	-	-	-	(1,275)	-
Transfer to intangible assets	-	-	-	-	-	-	(2,183)
Transfer to land awaiting for future development	(8,284)	-	-	-	-	-	-
Disposal / write-off	-	-	-	(29)	(3,735)	(1,751)	(76)
Transfer in / Transfer out	-	-	1,765	1,690	-	597	(4,052)
31 December 2016	126,212	256	79,497	48,269	37,766	34,763	33,246
							360,009

The Company arranged for independent professional valuers to appraise the value of the land at the end of the year 2015. The land was revalued using the market approach. The Company recorded the resulting increase in asset values, totaling approximately Baht 42.7 million, in "surplus on revaluation of assets" in the statement of changes in shareholders' equity for the year 2015.

Had the land been carried in the financial statements based on historical cost, its net book value as of 31 December 2016 would have been Baht 57.1 million (2015: Baht 53.3 million).

As at 31 December 2016, the Company had vehicles under finance lease agreements with net book value amounting to Baht 9.8 million (2015: Baht 9.4 million).

As at 31 December 2016, certain items of buildings and equipment have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation and allowance for impairment of those assets amounted to approximately Baht 50.6 million (The Company only: Baht 50.6 million) (2015: Baht 42.3 million, the Company only: Baht 42.2 million).

During the year 2015, the Company transferred some plots of land and buildings which had been used in the past for the provision of warehouse rental services and previously recorded as investment properties to be used as a factory and as its own warehousing space, because the purpose of using these assets has been changed, as discussed in Note 17.

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

19. Land awaiting for future development

As at 31 December 2016, the Company had land awaiting for future development amounting to Baht 8.28 million (2015: Nil). The Company has placed land with net book value by Baht 3.2 million as collateral for short-term and long-term credit facilities granted by commercial banks.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Right to operate bus service	Computer software	Computer software under installation	Total
Cost				
1 January 2015	14,885	3,173	-	18,058
Acquisitions	-	349	7,429	7,778
Write-off	-	(128)	-	(128)
31 December 2015	14,885	3,394	7,429	25,708
Acquisitions	-	6,284	-	6,284
Transfer from equipment	-	1,880	303	2,183
Write-off	-	(60)	-	(60)
Transfer-in/Transfer-out	-	7,429	(7,429)	-
Decrease for disposal of investment in subsidiary	(14,885)	-	-	(14,885)
31 December 2016	-	18,927	303	19,230
Accumulated amortisation				
1 January 2015	9,093	2,103	-	11,196
Amortisation during the year	1,698	686	-	2,384
Amortisation of write-off	-	(25)	-	(25)
31 December 2015	10,791	2,764	-	13,555
Amortisation during the year	707	5,060	-	5,767
Transfer from equipment	-	1,465	-	1,465
Amortisation of write-off	-	(44)	-	(44)
Decrease for disposal of investment in subsidiary	(11,498)	-	-	(11,498)
31 December 2016	-	9,245	-	9,245
Allowance for impairment loss				
1 January 2015	-	-	-	-
Impairment for the year	2,687	-	-	2,687
31 December 2015	2,687	-	-	2,687
Decrease for disposal of investment in subsidiary	(2,687)	-	-	(2,687)
31 December 2016	-	-	-	-
Net book value				
31 December 2015	1,407	630	7,429	9,466
31 December 2016	-	9,682	303	9,985

20. Intangible Assets

(Unit: Thousand Baht)

	Separate financial statements		
	Computer software	Computer software under installation	Total
<u>Cost</u>			
1 January 2015	3,173	-	3,173
Acquisitions	349	7,429	7,778
Write-off	(128)	-	(128)
31 December 2015	3,394	7,429	10,823
Acquisitions	6,284	-	6,284
Transfer from equipment	1,880	303	2,183
Write-off	(60)	-	(60)
Transfer-in/Transfer-out	7,429	(7,429)	-
31 December 2016	18,927	303	19,230
<u>Accumulated amortisation</u>			
1 January 2015	2,103	-	2,103
Amortisation during the year	686	-	686
Amortisation of write-off	(25)	-	(25)
31 December 2015	2,764	-	2,764
Amortisation during the year	5,060	-	5,060
Transfer from equipment	1,465	-	1,465
Amortisation of write-off	(44)	-	(44)
31 December 2016	9,245	-	9,245
<u>Net book value</u>			
31 December 2015	630	7,429	8,059
31 December 2016	9,682	303	9,985

21. Bank overdrafts and short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated / Separate financial statements	
	2016	2015	2016	2015
Trust receipts	3.44% - 4.56%	3.08% - 3.68%	230,676	133,948
Short-term loans from banks	4.25%	-	30,000	-
			260,676	133,948

Bank overdrafts and short-term loans from banks are secured by the mortgage of the Company's land with structures thereon and investment properties. Short-term loans from banks are guaranteed by certain director of the Company.

22. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Trade payables – related parties	446	42	1,976	42
Trade payables – unrelated parties	6,791	8,413	5,580	8,409
Other payables – related person and party	62	–	62	–
Other payables – unrelated parties	21,448	8,237	21,448	6,167
Accrued expenses – unrelated parties	56,737	39,871	56,657	39,820
Accrued management benefits	–	1,000	–	1,000
Total trade and other payables	<u>85,484</u>	<u>57,563</u>	<u>85,723</u>	<u>55,438</u>

23. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2016	2015
Liabilities under finance lease agreements	9,860	9,248
Less: deferred interest expenses	<u>(793)</u>	<u>(800)</u>
Total	9,067	8,448
Less: portion due within one year	<u>(4,814)</u>	<u>(2,702)</u>
Liabilities under finance lease agreements – net of current portion	<u>4,253</u>	<u>5,746</u>

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their 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 2016		
	Less than 1 year	1–5 years	Total
Future minimum lease payments	5	5	10
Deferred interest expenses	<u>–</u>	<u>(1)</u>	<u>(1)</u>
Present value of future minimum lease payments	<u>5</u>	<u>4</u>	<u>9</u>

24. Provision for long-term employee benefits

Provision for long-term employee benefits, which represents compensation payable to employees after they retire, was as follows:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2016	2015
Provision for long-term employee benefits at beginning of year	11,132	9,437
Included in profit or loss:		
Current service cost	1,689	1,833
Interest cost	303	248
Benefits paid during the year	(81)	(386)
Provision for long-term employee benefits at end of year	<u>13,043</u>	<u>11,132</u>

Long-term employee benefit expenses included in the profit or loss consist of the following:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2016	2015
Current service cost	1,689	1,833
Interest cost	303	248
Total expenses recognised in profit or loss	<u>1,992</u>	<u>2,081</u>
Line items in profit and loss under which such expenses are included		
Cost of sales	845	823
Selling and administrative expenses	1,147	1,258

The Company expects to pay Baht 2.9 million of long-term employee benefits during the next year (2015: Baht 2.7 million).

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for the long-term employee benefit obligation of the Company is 6.07 years.

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated / Separate financial statements	
	2016	2015
Discount rate	2.63%	2.63%
Salary increase rate	5.75%	5.75%
Staff turnover rate	5% - 30%	5% - 30%

The results sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2016 and 2015 are summarised below:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	Increase 0.50%		Decrease 0.50%	
	2016	2015	2016	2015
Discount rate	(175)	(163)	411	388
Salary increase rate	424	398	(191)	(175)

25. Income tax

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2016	2015
Current income tax:		
Current income tax charge	51,129	32,214
Adjustment in respect of income tax of previous year	-	2,805
Deferred tax:		
Relating to origination and reversal of temporary differences	5,828	11,741
Income tax expenses reported in the income statement	<u>56,957</u>	<u>46,760</u>

The Company had the amounts of income tax relating to deferred tax on surplus on revaluation of land which were recorded in other comprehensive income for the year ended 31 December 2015 of Baht 8.5 million (2016: Nil)



The reconciliation between accounting profit and income tax expenses is shown below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Accounting profit before tax	<u>320,153</u>	<u>255,168</u>	<u>326,547</u>	<u>252,614</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	65,309	50,523	65,309	50,523
Adjustment in respect of current income tax of previous year	-	2,805	-	2,805
Effects of:				
Non-deductible expenses	13,708	2,400	13,708	2,400
Additional deductible expenses allowed	(27,888)	(20,709)	(27,888)	(20,709)
Total	(14,180)	(18,309)	(14,180)	(18,309)
Decrease in deferred tax assets	3,472	9,125	3,472	9,125
Increase in deferred tax liabilities	<u>2,356</u>	<u>2,616</u>	<u>2,356</u>	<u>2,616</u>
Income tax expenses reported in the income statement	<u>56,957</u>	<u>46,760</u>	<u>56,957</u>	<u>46,760</u>

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	31 December 2016	31 December 2015
Deferred tax assets		
Allowance for doubtful accounts	1,475	4,036
Allowance for diminution in value of inventories	3,709	3,026
Allowance for asset impairment	99	241
Allowance for impairment on investments	-	1,835
Provision for long-term employee benefits	<u>2,609</u>	<u>2,226</u>
Total	<u>7,892</u>	<u>11,364</u>
Deferred tax liabilities		
Surplus of fair value from book value of investment properties	22,792	20,335
Surplus on revaluation of land	10,376	10,376
Surplus of fair value from book value of land and building which transferred from investment properties	<u>9,907</u>	<u>10,008</u>
Total	<u>43,075</u>	<u>40,719</u>

As at 31 December 2016, the subsidiaries have deductible temporary differences and unused tax losses totaling Baht 1.6 million (2015: Baht 66.7 million). No deferred tax assets have been recognised on these amounts as the subsidiaries believe future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses of subsidiaries amounting to Baht 1.6 million (2015: Baht 47.4 million) will expire by 2021 (2015: 2020).

26. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
Salaries and wages and other employee benefits	149,517	128,294	149,517	126,859
Depreciation	25,097	27,611	24,134	22,874
Amortisation	5,767	2,384	5,060	686
Increase in allowance for doubtful accounts (reversal)	(4,171)	(6,388)	(4,171)	20,545
Advertising and sales promotion expenses	267,141	159,907	267,141	159,907
Loss on cost reduction of inventories to net realisable value (reversal)	3,416	(14,331)	3,416	(14,331)
Loss on impairment of equipment (reversal)	-	13,481	-	-
Loss on impairment of intangible assets (reversal)	-	2,687	-	-
Loss on impairment of other assets (reversal)	(2,356)	877	(2,356)	877
Loss (gain) on exchange rate	(1,401)	13,575	(1,401)	13,575
Rental expenses from operating lease agreements	186	598	186	598
Raw materials and consumables used	646,093	480,657	644,651	479,785
Purchase of goods	685,519	652,333	685,989	651,320
Changes in inventories of finished goods and work in process	85,830	9,674	85,776	9,355

27. Earnings per share

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

28. Revaluation surplus of assets

This represents the revaluation surplus on land which can neither be offset against deficit nor used for dividend payment.



29. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2014	Annual General Meeting of the shareholders on 28 April 2015	39,574	0.06
Interim dividends for 2015	Board of Directors' meeting on 13 May 2015	39,573	0.06
	Board of Directors' meeting on 11 August 2015	39,573	0.06
	Board of Directors' meeting on 12 November 2015	39,573	0.06
		<u>158,293</u>	<u>0.24</u>
Final dividends for 2015	Annual General Meeting of the shareholders on 26 April 2016	46,169	0.07
Interim dividends for 2016	Board of Directors' meeting on 13 May 2016	46,170	0.07
	Board of Directors' meeting on 11 August 2016	46,169	0.07
	Board of Directors' meeting on 11 November 2016	46,170	0.07
		<u>184,678</u>	<u>0.28</u>

30. 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. At present, the statutory reserve has fully been set aside.

31. Segment information

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

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have two reportable segments as follows:

- Manufacture and distribution of consumer products segment
- Warehouse rental and warehouse service segment

During the current year, the Company and its subsidiaries have changed the organisation of their reportable segments by cancellation of manufacture and distribution of NGV cars and gas tank business segment and bus service operator segment.

The Company's associate operates in the properties development segment.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss, total assets and total liabilities on a basis consistent with that used to measure operating profit or loss, total assets and total liabilities in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit, total assets and total liabilities information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2016 and 2015, respectively.

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Bus service operator segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Year ended 31 December 2016						
Revenue from external customers	1,409,870	942	19,526	1,430,338	-	1,430,338
Interest revenue	7,706	-	-	7,706	-	7,706
Interest expenses	6,669	-	-	6,669	-	6,669
Depreciation and amortisation	30,864	-	-	30,864	-	30,864
Reversal of allowance for doubtful accounts	(4,171)	-	-	(4,171)	-	(4,171)
Increase in allowance for reducing cost of inventories to net realisable value	3,416	-	-	3,416	-	3,416
Reversal of allowance for impairment loss of assets	(2,356)	-	-	(2,356)	-	(2,356)
Gain on revaluation of investment properties to fair value	-	-	4,000	4,000	-	4,000
Gain on disposal of investment in subsidiary	-	611	-	611	-	611
Share of loss from investments in joint venture and associate	-	-	-	-	-	(1,846)
Income tax expenses	(56,957)	-	-	(56,957)	-	(56,957)
Segment profit	244,200	-	18,996	263,196	-	263,196
Segment total assets	1,108,685	-	119,000	1,227,685	-	1,235,969
Investments in joint venture and associate accounted for by the equity method	-	-	-	-	-	72,346
Additions to non-current assets other than financial instruments and deferred tax assets	31,574	-	4,000	35,574	-	35,574
Segment total liabilities	438,478	-	-	438,478	-	438,478

(Unit: Thousand Baht)							
Year ended 31 December 2015	Manufacture and distribution of consumer products segment	Manufacture and distribution of NGV cars and gas tank business segment	Bus service operator segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	1,166,864	2,897	3,682	19,065	1,192,508	-	1,192,508
Inter-segment revenue	1,666	99	-	-	1,765	(1,765)	-
Interest revenue	3,246	-	-	-	3,246	(782)	2,464
Interest expenses	5,749	-	782	-	6,531	(782)	5,749
Depreciation and amortisation	23,562	-	6,433	-	29,995	-	29,995
Increase in allowance for doubtful accounts (reversal)	(6,329)	26,874	-	-	20,545	(26,933)	(6,388)
Increase (reversal) in allowance for reducing cost of inventories to net realisable value	5,876	(20,207)	-	-	(14,331)	-	(14,331)
Increase in allowance for impairment loss of assets	617	260	16,168	-	17,045	-	17,045
Loss on sale of assets	5,547	-	-	-	5,547	-	5,547
Gain on revaluation of investment properties to fair value	-	-	-	10,000	10,000	-	10,000
Share of loss from investments in associate	-	-	-	-	-	-	(248)
Income tax expenses	46,760	-	-	-	46,760	-	46,760
Segment profit (loss)	181,811	(4,189)	(23,800)	28,177	181,989	26,418	208,408
Segment total assets	887,095	-	9,920	115,000	1,012,015	(10,832)	1,001,183
Investments in associate accounted for by the equity method	-	-	-	-	-	-	70,668
Additions to non-current assets other than financial instruments and deferred tax assets	43,312	-	-	10,000	53,312	-	53,312
Segment total liabilities	283,000	-	69,679	-	352,679	(67,577)	285,102

Geographic information

The Company and its subsidiaries are operated mainly in Thailand. As a result, all of revenues, assets and liabilities as reflected in these financial statements pertain to the aforementioned geographical reportable segment.

Major customers

For the year 2016, the Company and its subsidiaries have revenue from a group of major customers in the amount of Baht 406 million, arising from sales by the manufacture and distribution of consumer products segment (2015: Baht 306 million derived from a group of major customers, arising from sales by the manufacture and distribution of consumer products segment).

32. Commitment and contingent liabilities**32.1 Operating lease and service agreements commitments**

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of land, building space, vehicles and service agreements. The terms of the non-cancellable agreements are generally between 1 and 3 years.

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

(Unit: Million Baht)		
	As at 31 December	
	2016	2015
Payable within:		
1 year	4.5	5.4
2 to 3 years	2.1	1.2

32.2 Commitments in respect of purchases of finished goods and capital expenditure

As at 31 December 2016, the Company had commitment in respect of purchases of finished goods of approximately Baht 0.4 million (2015: commitment in respect of purchases of finished goods, equipment and computer programs of approximately Baht 5.9 million and USD 0.2 million).

32.3 Guarantees

As at 31 December 2016 and 2015, there were outstanding bank guarantees of Baht 0.5 million issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of their business.

As at 31 December 2016 and 2015, the Company had a guarantee commitment in respect of a bank guarantee provided on behalf of StarCom Co., Ltd. amounting to Baht 10 million.

33. Fair value hierarchy

As at 31 December 2016 and 2015, the Company and its subsidiaries had the assets that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2016 Consolidated / Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investments on trading securities	326	–	–	326
Investment property	–	–	119,000	119,000
Land	–	126,212	–	126,212
Assets for which fair value are disclosed				
Short-term loans to related parties	–	46,229	–	46,229

(Unit: Thousand Baht)

	31 December 2015 Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investments on trading securities	26,500	–	–	26,500
Investment property	–	–	115,000	115,000
Land	–	122,412	–	122,412
Assets for which fair value are disclosed				
Short-term loans to related parties	–	2,253	–	2,253

(Unit: Thousand Baht)

	31 December 2015 Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investments on trading securities	26,500	–	–	26,500
Investment property	–	–	115,000	115,000
Land	–	122,412	–	122,412
Assets for which fair value are disclosed				
Short-term loans to related parties	–	2,238	–	2,253

34. Financial instruments

34.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, finance lease receivables, loans to, current investments, and short-term loans from. 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, loans to and other receivables. 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. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, finance lease receivable, loans to and other receivables as stated in the statements of financial position.

Foreign currency risk

The Company's exposure to foreign currencies risk arises mainly from trading transactions of finished goods and equipment that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

Currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2016	2015	2016	2015	2016	2015
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.10	-	6.51	3.79	35.8307	36.2538
Yen	0.06	-	-	-	0.3046	-
Yuan	0.17	-	-	-	5.0831	-

As at 31 December 2016 and 2015, the Company and its subsidiaries had no foreign exchange forward contracts outstanding.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, loan to, bank overdrafts, and short-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 statements as at 31 December 2016					
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets	(% p.a.)					
Cash and cash equivalents	0.37% - 1.10%	-	-	3	7	10
Trade and other receivables	-	-	-	-	276	276
Short-term loans to related parties	1.50%	54	-	-	-	54
Short-term loans to unrelated person and parties	15.00%	31	-	-	-	31
Long-term loans to unrelated persons and parties	15.00%	-	25	-	-	25
		85	25	3	283	396

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2016						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
	(% p.a.)					
Financial liabilities						
Bank overdrafts and short-term loans from banks	3.44% - 4.56%	261	-	-	-	261
Trade and other payables	-	-	-	-	85	85
Liabilities under finance lease agreements	2.60% - 8.49%	5	4	-	-	9
		<u>266</u>	<u>4</u>	<u>-</u>	<u>85</u>	<u>355</u>

(Unit: Million Baht)

Consolidated financial statements as at 31 December 2015						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
	(% p.a.)					
Financial Assets						
Cash and cash equivalents	0.37% - 1.00%	-	-	16	-	16
Current investments	1.00% - 6.50%	50	-	-	27	77
Trade and other receivables	-	-	-	-	223	223
Short-term loans to related parties	1.50%	3	-	-	-	3
Long-term loans to unrelated persons and parties	7.00%	1	1	-	-	2
		<u>54</u>	<u>1</u>	<u>16</u>	<u>250</u>	<u>321</u>
Financial liabilities						
Bank overdrafts and short-term loans from banks	3.08% - 3.68%	134	-	-	-	134
Trade and other payables	-	-	-	-	58	58
Liabilities under finance lease agreements	2.99% - 8.49%	2	6	-	-	8
		<u>136</u>	<u>6</u>	<u>-</u>	<u>58</u>	<u>200</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2016						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets	(% p.a.)					
Cash and cash equivalents	00.37% - 1.10%	-	-	2	7	9
Trade and other receivables	-	-	-	-	276	276
Short-term loans to related parties	1.50%	54	-	-	-	54
Short-term loans to unrelated persons and parties	15.00%	31	-	-	-	31
Long-term loans to unrelated persons and parties	15.00%	-	25	-	-	25
		85	25	2	283	395
Financial liabilities						
Bank overdrafts and short-term loans from banks	3.44% - 4.56%	261	-	-	-	261
Trade and other payables	-	-	-	-	86	86
Liabilities under finance lease agreements	2.60% - 8.49%	5	4	-	-	9
		266	4	-	86	356

(Unit: Million Baht)

Separate financial statements as at 31 December 2015						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets	(% p.a.)					
Cash and cash equivalents	0.37% - 1.00%	-	-	10	-	10
Current investments	1.00% - 6.50%	50	-	-	27	77
Trade and other receivables	-	-	-	-	223	223
Short-term loans to related parties	1.50%	10	-	-	-	10
Long-term loans to unrelated persons and parties	7.00%	1	1	-	-	2
		61	1	10	250	322
Financial liabilities						
Bank overdrafts and short-term loans from banks	3.08% - 3.68%	134	-	-	-	134
Trade and other payables	-	-	-	-	55	55
Liabilities under finance lease agreements	2.99% - 8.49%	2	6	-	-	8
		136	6	-	55	197

34.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value are not expected to be materially different from the amounts presented in the statements of financial position, except short-term loans to related parties.

The estimated fair value of short-term loans to related parties, in comparison with the related amounts carried in the statements of financial position, is as follows:

(Unit: Million Baht)				
	Consolidated financial statements			
	As at 31 December 2016		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Short-term loans to related parties	54	46	3	2

(Unit: Million Baht)				
	Separate financial statements			
	As at 31 December 2016		As at 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Short-term loans to related parties	54	46	10	2

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, current investments in special savings deposits, accounts receivable and short-term loans to, accounts payable and short-term loans from, their carrying amounts in the statements of financial position approximate their fair value.
- For equity securities, their fair value is generally derived from quoted market prices.
- For loans to, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.

During the current period, there were no transfers within the fair value hierarchy.

35. 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 statements of financial position as at 31 December 2016, the Group's debt-to-equity ratio was 0.5:1 (2015: 0.4:1) and the Company's debt-to-equity ratio was 0.5:1 (2015: 0.4:1).

36. Events after the reporting period

On 27 February 2017, the meeting of the Company's Board of Directors passed the following resolutions to propose to the Annual General Meeting of the Company's shareholders for approval.

1. To approve allocations of the Company's dividend payment from operating results for 2016 Baht 0.48 per share to the Company's shareholders, or a total of Baht 316.59 million. The Company paid an interim dividend of Baht 0.21 per share or Baht 138.51 million and will pay a final dividend as follows:
 - Dividend shall be paid by the Company's ordinary shares in the ratio of 3 existing shares per 1 dividend share with a par value of Baht 0.60 each, not exceeding 220 million shares, or in the total amount not exceeding Baht 132 million or shall be converted as dividend payment at Baht 0.20 per share. In case that any shareholder holds the indivisible share remaining after such allocation, the dividend shall be paid by cash in the amount of Baht 0.20 per share.
 - Paid dividend by cash at the rate of Baht 0.07 per share or in the total amount not exceeding Baht 46.17 million. The payment of such stock dividend and cash dividend shall be made on 26 May 2017.
2. To increase the registered capital from the previous registered capital of Baht 396 million to the new registered capital of Baht 528 million by issuing an additional 220 million ordinary shares at the par value of Baht 0.60 each to support the payment of a stock dividend.
3. To allocate the registered share capital of 431,191 shares which remained from the exercise of the issued warrants (KAMART-W) to subscribe the Company's ordinary shares, issued on 8 May 2013, and to allocate the ordinary shares to be remaining from the stock dividend to the Company's director, management and/or staff

37. Approval of financial statements

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

ANNUAL REPORT 2016

**KARMART**

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