

KARMART

ANNUAL REPORT 2017

รายงานประจำปี 2560 บริษัท คาร์มาร์ท จำกัด (มหาชน) สิ้นสุดวันที่ 31 ธันวาคม 2560



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รายงานประจำปี 2560
บริษัท คาร์มาร์ท จำกัด (มหาชน)
สิ้นสุดวันที่ 31 ธันวาคม 2560

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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“ Uniqua Beauty Solution ”



COMPANY PROFILE

Name	Karmats Public Company Limited
Address	Office 81-81/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. 0-2805-2756-60 Fax. 0-2805-2751-2 Factory and Warehouse 140-140/1 Moo 4 Mapyangporn, Plugdang, Rayong 21140 Tel. 038-891-811-15 Fax. 038-891-821-22
Type of Business	The distribution of consumer products and the provision of warehouse rental and warehouse services.
Authorized share capital	
Common stock	528,000,000 Baht
Issued and Paid up	527,998,810 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.karmats.co.th
E-commerce Website	www.karmats.com
Share Registrar	Thailand Securities Depository Company Limited The Stock Exchange Building
Auditors	Mr. Sophon Permsirivallop Certified Public Accountant No. 3182 EY Office Limited

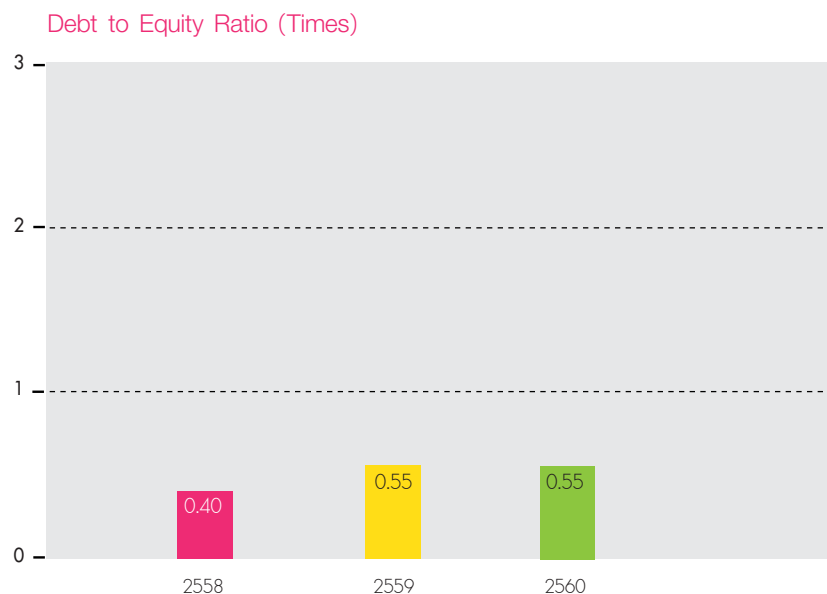
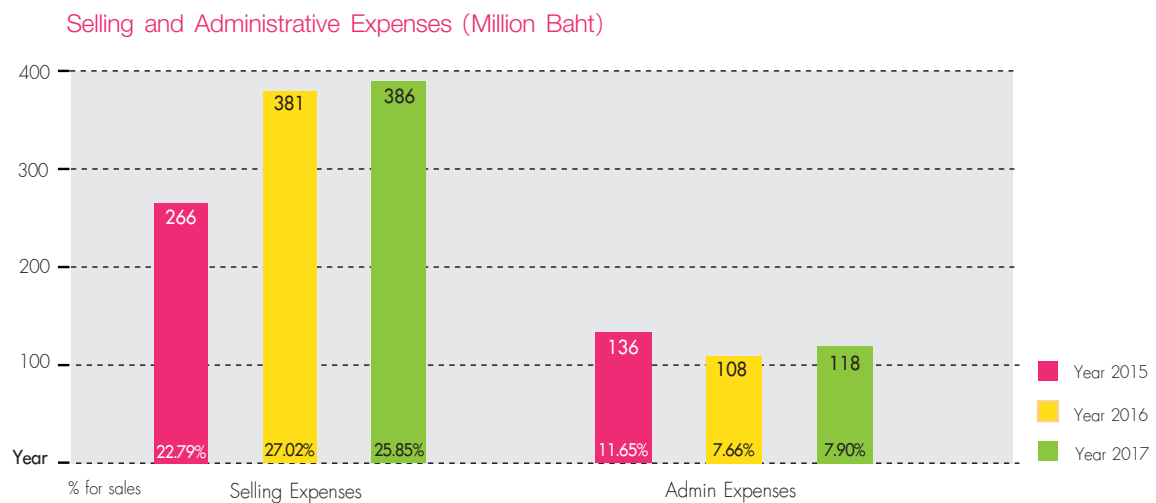
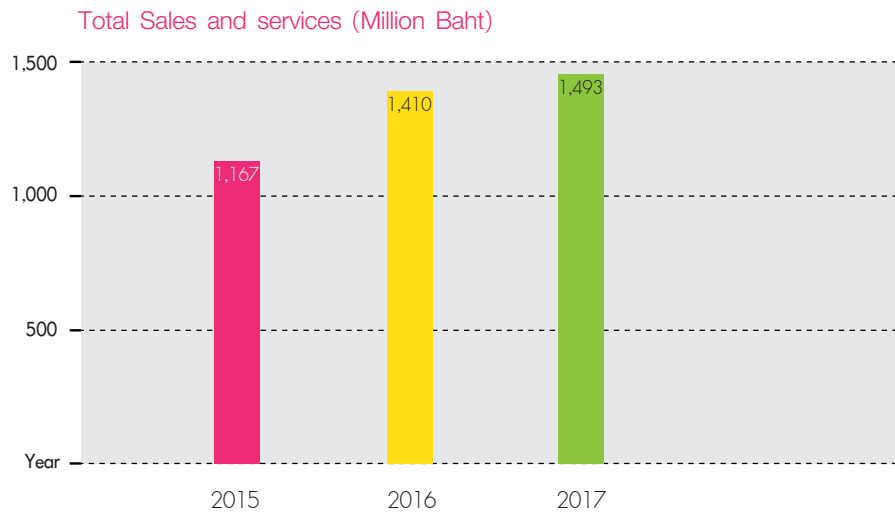
FINANCIAL HIGHLIGHTS

KARMARTS PUBLIC COMPANY LIMITED

Financial Position and Operating results of year	Consolidated			The Company Only		
	2017	2016	2015	2017	2016	2015
Financial Position (Thousand Baht)						
Total Assets	1,346,948	1,235,969	1,001,183	1,355,845	1,240,114	997,233
Total Liabilities	477,515	438,478	285,102	476,818	438,662	280,692
Shareholders' Equity	869,433	797,491	716,081	879,027	801,452	716,540
Operating Results (Thousand Baht)						
Total Revenue	1,551,629	1,453,005	1,204,972	1,550,987	1,454,017	1,202,483
Total Sales and services	1,493,562	1,410,812	1,167,413	1,490,859	1,409,870	1,163,183
Gross Margin	820,195	781,601	631,811	814,977	781,720	633,767
Net Profit (Loss)	281,631	263,832	209,659	288,603	269,590	205,854
Financial Ratio						
Return on Assets (ROA) (%)	21.81	23.59	21.85	22.23	24.10	21.51
Return on Equity (ROE) (%)	33.83	34.82	31.04	34.35	35.52	30.47
Gross Margin (%)	54.92	55.49	54.54	54.66	55.45	54.51
Net Profit (Loss) (%)	18.86	18.71	18.02	19.36	19.12	17.69
Current Ratio (times)	2.27	1.89	2.37	2.25	1.89	2.43
Debt to Equity Ratio (times)	0.55	0.55	0.40	0.54	0.55	0.39
Book Value per share (Baht)	0.99	1.21	1.09	1.00	1.21	1.09
* Earnings per share (Baht)	0.32	0.40	0.31	0.33	0.41	0.31

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

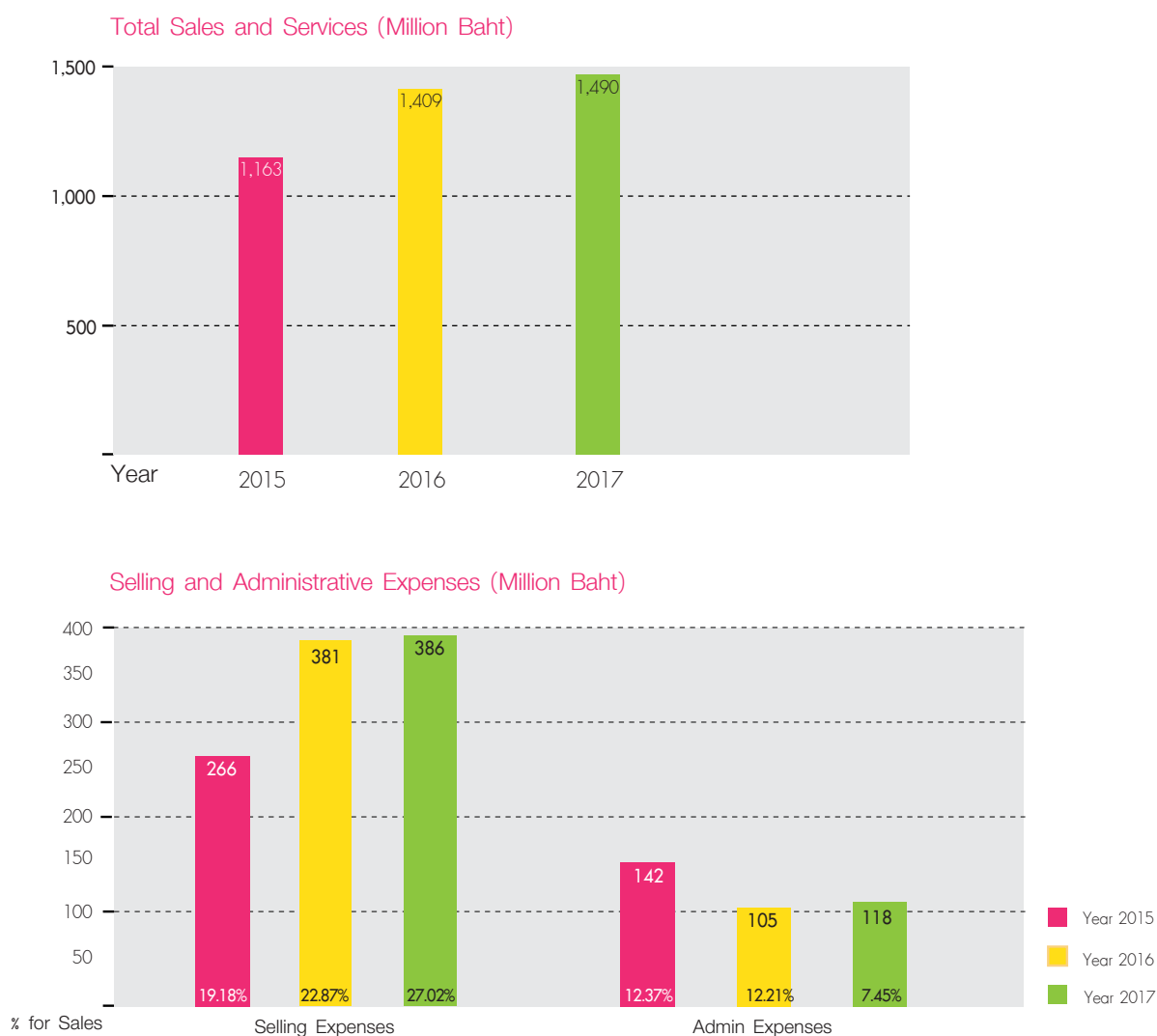
KARMARTS PUBLIC COMPANY LIMITED OPERATING RESULTS YEAR 2015, 2016 AND 2017 (CONSOLIDATED)



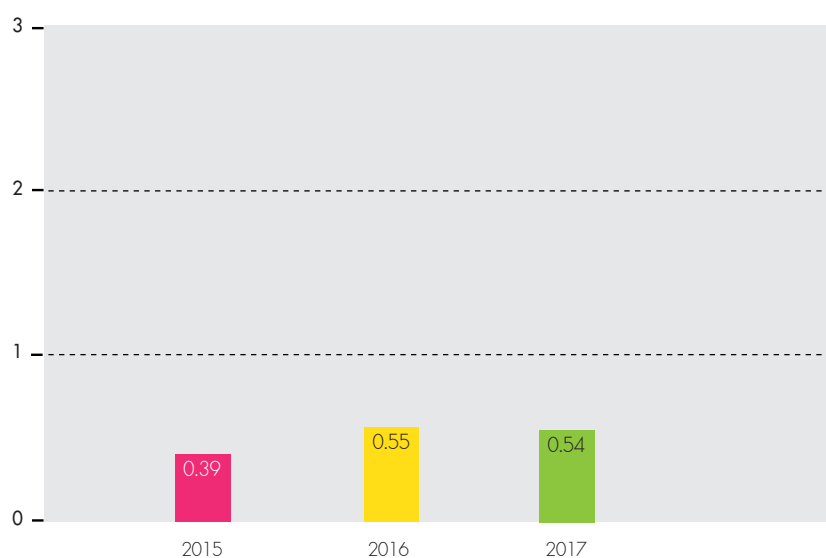
(Million Baht)	2015	2016	2017
Debt	285	438	478
Equity	716	797	868
Ratio	0.40	0.55	0.55

KARMARTS PUBLIC COMPANY LIMITED

OPERATING RESULTS YEAR 2015, 2016 AND 2017 (THE COMPANY ONLY)



Debt to Equity Ratio (Times)



(Million Baht)	2015	2016	2017
Debt	281	438	477
Equity	717	801	879
Ratio	0.39	0.55	0.54

BOARD OF DIRECTOR'S MESSAGE

The people of Thailand commemorated the first anniversary of the passing of King Bhumibol Adulyadej with solemn ceremonies and devotions in 2017. In remembrance of the late King, the management team and employees of Karmart shall carry on the teachings of the great King, adapt his philosophy of Sufficiency Economy for business operations and commit to good corporate governance while placing importance on attending to all business stakeholders appropriately and fairly. Furthermore, the company shall also continue placing emphasis on contributing to the society and environment for sustainable economic and societal growth.

With regards to business turnover in 2017, total income achieved is 1,551 million baht which represents an increase of 7%. Total net profit stands at 282 million baht, an escalation of 7% relative to last year's margin and being the highest profit margin realized by the company thus far. Since the company's entrance into the cosmetics industry following a business transformation in 2009, the company has been continuously achieving the predetermined Gross Profit Margin from year to year although the business was affected by numerous uncontrollable external factors in the past decade or so,. In addition, the Board of Directors has regularly issued cash dividends based on prudent consideration of the company's past performances throughout the years. During the 2nd quarter this year, the company additionally declared and issued total stock dividends of 219,854,286 shares to existing shareholders in the proportion of 3 original shares per 1 stock dividend and issued additional common stocks to increase the company's capital so as to support the offering of 574,941 shares for sale to the directors, managers and employees under the ESOP Scheme.

During the year, the company simultaneously developed and sourced for new business innovations to better respond to the demands of customers by launching new brands such as SKYNLAB, a line of pharmaceutical and oral care products etc. The plan of establishing a new packing and packaging facility to further enhance quality control and support future market expansion was postponed but shall be expected to complete by mid of 2018. 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 customers.

In terms of investment in associated companies in the 3rd quarter, The Iconic Property Company Limited (Associated Company) entered into a memorandum of understanding for sale and purchase of land with a public listed real estate development company and the date of land ownership transfer and payments shall be determined in 2018.

As we march towards the company's aim of enhancing our position as a market leader and innovator in Asia as well as establishing our brands globally in the foreseeable future, we remain committed to the values underlying our vision and mission. On behalf of Karmarts Public Company Limited, the Board of Directors would like to express our deepest and most sincere appreciation to our business partners, stakeholders, Karmart employees and communities at large for their continued support towards the company. With the support of so many, we are confident that Karmart will very soon realize our vision to become "One of the leading branded beauty providers for everyone worldwide" as we continue to learn, improve and innovate.

INCOME STRUCTURE

The Company had the Consumer Products Sales and Vehicle NGV in 2015 – 2017 as follow:

Product	2017		2016		2015	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Vehicle NGV Sales Value						
- Vehicle NGV	-	-	-	-	-	-
- Engines	-	-	-	-	1,408	0.12
- Cylinder	-	-	-	-	-	-
- Other	-	-	-	-	1,419	0.12
Total Vehicle NGV Sales Value	-	-	-	-	2,827	0.24
Consumer Products Sales Value						
- Cosmetics						
Body care	270,304	18.13	251,553	17.84	282,056	24.24
Facial skin care and	373,147	25.03	424,512	30.11	344,689	29.62
Cosmetics	793,435	53.22	661,802	46.94	493,426	42.40
- Accessories	15,203	1.02	20,663	1.47	18,039	1.55
- Furnitures and marketing tools and other	17,217	1.15	40,400	2.87	12,868	1.11
- Supplomentarie	21,554	1.45	10,604	0.75	9,458	0.81
- Other	-	-	336	0.02	369	0.03
Total Consumer Products Sales Value	1,490,860	100.00	1,409,870	100.00	1,160,905	99.76
Total Sales Value	1,490,860	100.00	1,409,870	100.00	1,163,732	100.00
Service Income	-	-	-	-	-	-
Grand total Revenue	1,490,860	100.00	1,409,870	100.00	1,163,732	100.00
% increased (decreased)	5.74		21.14		19.94	

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 under the concept 'Unique Beauty Solution'. The determination to become the brand that can respond to all beauty needs of the women motivates the company to invent new product innovations that have distinct uniqueness and can respond to all demands of the modern women. Key products can be generally segregated into two groups:

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 abroad, 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.

Product development and sourcing are divided into 2 parts which are finished goods that are developed and imported from abroad, manufactured by world-class factory that is widely accepted by various leading cosmetic brands. The other part is semi-finished goods that are not fully assembled and are imported to Thailand to finish the packing or separate packing process. Following excellent market responses from consumers in the past years, the company has since dedicated resources to the expansion of manufacturing factory locally to reduce the cost of international imports. This enabled the company to control production capacity to respond to the growing demands in the market.

Apart from this, the company is also the sole distributor for international brands within Thailand territory such as Missha etc.

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 various channels. 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.
- 2017 Established warehouse and one more cosmetic products packaging and assembly factory to gain more control over quality, capital and production time to better respond to the rising growth in the market.



BRAND *and* PRODUCT *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.

The company does not cease to conduct researches on the target groups in order to use new ideas to develop the existing products to better meet the needs of the consumers that get more diverse each day. Additionally, the company also brings new beauty trends from other countries, both in Asia and Europe as well as making use of new cosmetic innovations from international suppliers that is comparable to international counter brands. The company also unceasingly designs products to be more user-friendly and inspires the creative team to explore new product design trends from other countries to continuously improve the product designs. Besides, the company also places importance on customers’ feedbacks as we constantly use them as insights to improve the products.

Product Characteristics

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

Just play it!



1. Cathy Doll

"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
- Makeup
- Beauty Accessories



CATHY CHOO

Boutique fusion spa



2. Cathy Choo

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

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



Jejuvita

Beauty Is Yummy

4. Jejuvita

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!



5. Reunrom

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

crayon

Coloring Your Life



6. Crayon

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



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 FROM LEADING MAGAZINES

AS A LEADING COSMETIC BRAND IN THAILAND, KARMART HAS BEEN HONORED BY LEADING THAI AND INTERNATIONAL BEAUTY MAGAZINES IN RECOGNITION OF EXCEPTIONAL PRODUCT QUALITY AS FOLLOWS:

1. BEAUTY HALL OF FRAME AWARD 2017

"BODY SUNSCREEN"
BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL AQUA SUN
NON GREASY BODY SUN SERUM SPF50PA++

2. BEAUTY HALL OF FRAME AWARD 2017

"AFTER SUN" BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL 99% ALOE VERA
& SNAIL SERUM SOOTHING GEL

3. BEAUTY HALL OF FRAME AWARD 2017

"BRONZER&HIGHLIGHTING"
BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL SCULPTING
HIGHLIGHTING & SHADING CUSHION SPF50PA++

4. BEAUTY HALL OF FRAME AWARD 2017

"LIPS" BY CLEO (THAILAND) MAGAZINE
FROM CRAYON MY RUNWAY LIPSTICK #5GG

5. BEAUTY HALL OF FRAME 2017

"FOUNDATION" BY CLEO (THAILAND) MAGAZINE
FROM MISSHA SIGNATURE REAL COMPLETE
BB CREAM SPF25 PA++

6. BEAUTY HALL OF FRAME 2017

"SHAMPOO FOR DAMAGED HAIR"
BY CLEO (THAILAND) MAGAZINE
FROM BOYA COENZYME Q10 SHAMPOO

7) NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018 "BEST CC CREAM"

BY NUMERO (THAILAND) MAGAZINE
FROM "CATHY DOLL CC CREAM
SPEED WHITE SPF50 PA++"

8) NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018 "BEST WHITENING BOOSTING CREAM"

BY NUMERO (THAILAND) MAGAZINE
FROM "CATHY DOLL READY 2 WHITE
WHITE BOOSTING CREAM"

Numéro

9) NUMERO THAILAND

BEST BEAUTY BRANDS 2017-2018

“BEST FIERCE LOOK
MOISTURIZING LIPSTICK”

BY NUMERO (THAILAND) MAGAZINE
FROM “CRAYON MY RUNWAY
LIPSTICK #5GG”

10) NUMERO THAILAND

BEST BEAUTY BRANDS 2017-2018

“BEST NOURISHING MATTE CUSHION”

BY NUMERO (THAILAND) MAGAZINE
FROM “BABY BRIGHT WHITE PLANKTON
MATTE CUSHION”



OTHER PAST AWARDS

11. BEAUTY HALL OF FRAME AWARD 2014

“BEST MASK UNDER 50.-” BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL SWEET RECIPE MASK

12. BEAUTY HALL OF FRAME AWARD 2014

“BEST BODY WASH” BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL TOFU BODY BATH CLEANSER



13. BEAUTY HALL OF FAME AWARD 2015

“BEST CC IN A BUDGET” BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL SPEED WHITE
CC CREAM SPF50+ PA+++

14. BEST PRESSED POWDER

BY LEMONADE MAGAZINE
FROM CATHY DOLL SPEED WHITE
CC POWDER SPF40 PA+++



15. COSMO KISS BEAUTY AWARD AWARD 2015

“BEST LENGTHENING & VOLUMIZING MASCARA”
BY COSMOPOLITAN (THAILAND) MAGAZINE
FROM CATHY DOLL MADEMOISALLE MASCARA

16. BEAUTY HALL OF FAME AWARD 2015

“BEST HIGH COVER BRUSH” BY CLEO
(THAILAND) MAGAZINE
FROM CATHY DOLL INTENSIVE
DUAL COVERAGE BRUSH





16.



22.

OTHER PAST AWARDS

17. BEAUTY HALL OF FAME AWARD 2015 "BEST INSTANT WHITENING CREAM"

BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL READY 2 WHITE
ONE DAY WHITENER BODY LOTION

22) 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".

18. BEAUTY HALL OF FAME 2015 "BEST WHITENING SUNSCREEN"

BY CLEO (THAILAND) MAGAZINE
FROM CATHY DOLL L-GLUTATHIONE
MAGIC CREAM SPF50 PA+++

23) BEAUTY HALL OF FAME AWARD 2016 "BEST EYE – EYELINER"

BY CLEO (THAILAND) MAGAZINE
FROM "CRAYON 8 SEC-TO-DRY GEL
LINER # 06 STRAWBERRY".

19) GRAND WINNER FOR "PACKAGING AWARD DISTRIBUTION PACKAGING PRIZE" BY THAISTAR PACKAGING AWARDS 2015 FROM "CATHY DOLL NO.1 FRINK SERIES".

24) LEMONADE READER AWARDS 2016 "BEST FACIAL CLEANSER"

BY LEMONADE MAGAZINE
FROM "CATHY DOLL READY 2 WHITE
2IN1 BUBBLE MOUSSE CLEANSER"

20) GRAND WINNER FOR "PACKAGING AWARD DISTRIBUTION PACKAGING PRIZE" BY THAISTAR PACKAGING AWARDS 2015 FROM PACKAGING OF "KARMART TREASURE BOX".

25) LEMONADE READER AWARDS 2016 "BEST BODY TREATMENT"

BY LEMONADE MAGAZINE
FROM "CATHY DOLL ALOE VERA
& SNAIL SERUM SOOTHING GEL"

21) BEAUTY HALL OF FAME AWARD 2016 "BEST CUSHION" BY CLEO (THAILAND) MAGAZINE

AND LEMONADE READER AWARDS 2016
"BEST ON-THE-GO FOUNDATION"
BY LEMONADE MAGAZINE FROM
"CATHY DOLL AA MATTE POWDER CUSHION
OIL CONTROL SPF50 PA+++"



24.



18.

Marketing and Sales

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

1) 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.

Additionally, we also distribute the products in pharmacies for special focus groups such as health-conscious groups. Unique supplementary and pharmaceutical products are selected to match this distribution channels.



• Catalogs

Focusing on general consumers, unique products were selected to respond to their needs on Friday Catalog and 7-Catalog etc.



2) 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 65 KARMART shops nationwide, of which 33 branches are standalone or retail shops and 32 branches exist in department stores' beauty hall zone e.g. The Mall and Robinson.

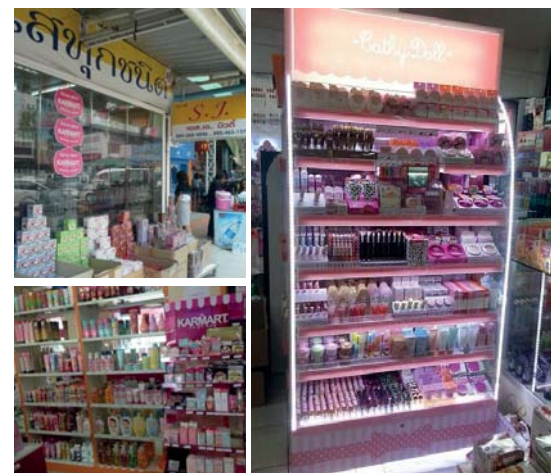


3) Traditional Trade or Dealer

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 500 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, local pharmacies and local hair salons etc.
- Wholesalers: comprise of cosmetic shop wholesaler and large scale consumer products store 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 China, Vietnam and Malaysia.



KARMART SHOP VIETNAM



KARMART SHOP LAOS



KARMART SHOP MYANMAR



KARMART SHOP INDONESIA

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:
 - o www.karmarts.com
 - o Instagram: Karmarts_onlineshop
 - o 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

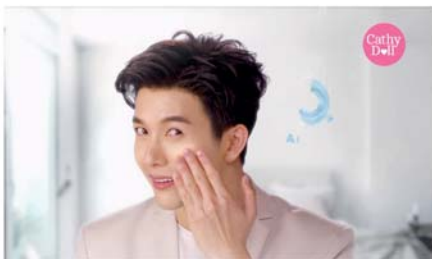
As one of the dominant media whose outreach spreads across gender, age and income level, TV Commercial (TVC) is one of primary communication tools KARMART engages to expand brand recognition locally and abroad. Thus far, the company has relied on both Free TV and Digital TV channels.



Cathy Doll Speed White CC Cream
with Gxxod & Jo



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



Cathy Doll Aloe Vera & Snail
Serum Soothing Gel



Baby Bright BrightWhite Plankton
Matte Cushion SPF50 PA+++ 6g



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



Cathy Doll Real Brow 4D Tattoo Tint



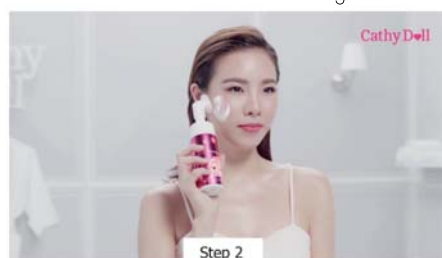
Cathy Doll AA Matte Powder Cushion
Oil Control SPF50 PA+++ 15g



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

• 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.

• 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.

• 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.

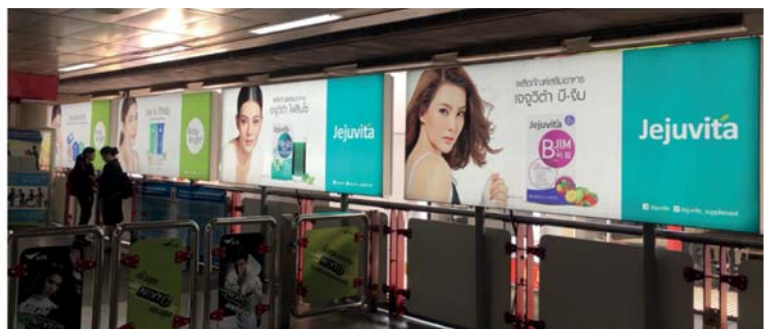
• Digital Ad media

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 who are office workers and are exposed to media from their smart phones when commuting to work.

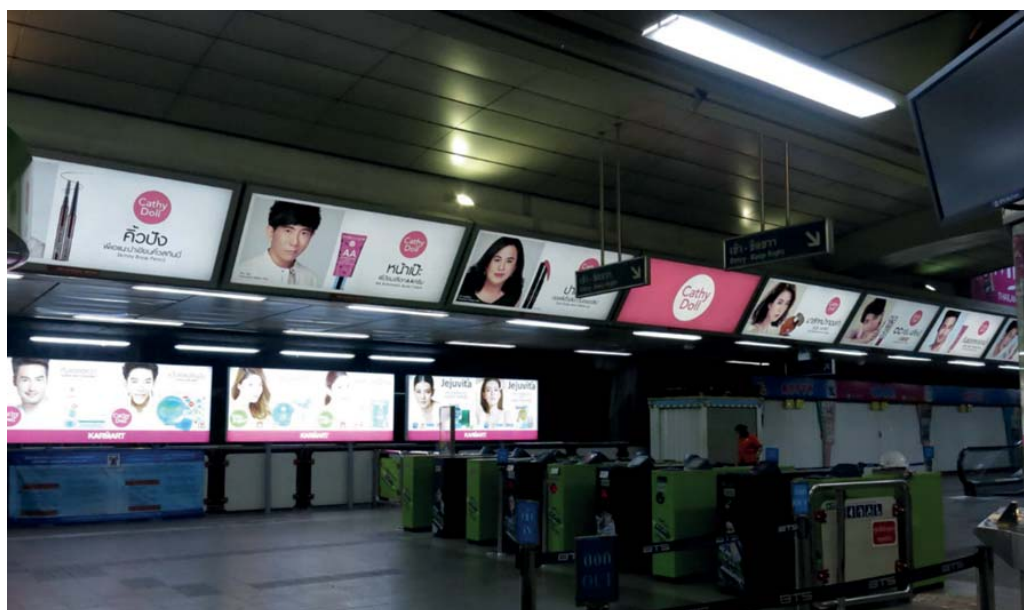
WELCOME LIGHT BOX @SQ1



BALUSTRADE LIGHTBOX@BTS SIAM



BTS SIDE BEAM@PARAGON



KARMART



FULL CONTENT NETWORK

BAGGAGE CAROUSEL



• 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 : KarmartsClub

2. Marketing communication activities

2017 witnessed the showcase of many exceptional milestones of KAMART through events organized with the aim of better reaching out to KAMART supporters and the mass consumers, as well as enhance brand value and loyalty while boosting sales performance through promotions.

1. Cathy Doll's 5 Years Anniversary Event

Karmarts Public Company Limited organized the grand event Cathy Doll's 5 Years Anniversary to celebrate 5 years of success of Cathy Doll. The company strives to develop the products with new cosmetic innovations to offer wide varieties of products under the concept "Unique Beauty Solution" through varieties of distribution channels such as Karmart shop, cosmetic retailers, convenience stores, leading department stores, online platforms as well as in various Asian countries.

The event was held on 24th February 2017 at Siam Square One, BTS link area and was attended by various leading celebrities and presenters such as Boy Pakorn Chatborirak, the presenter of Aloe Snail Gel, Push Puttichai Kasetsin, the presenter of Invisible Sunscreen, Cris Horwag, the presenter of Ready 2 White series, Mario Maurer, the presenter of AA Cushion, Nongchat Chatchai Piangapichart, Master Tony Anant Chaiwong, Master Ying Yukolchat Chantakorn, the 3 eyebrow gurus who are the presenters of Real Brow 4D Tattoo Tint, JJ Krisanapoom Pibulsongkram, the presenter of Oil Control Film Pact and Swiss Techapuwanon, the first presenter of Karmart who represents CC Cream. The event was honored by the presence of the special guest, Margie Rasri Balenciaga who led the Gold Mask parade. The event also featured shows by all famous presenters who called for crowd cheers with their exclusive performance.



2. Baby Bright White Plankton Matte Cushion and Aloe Snail Moist Cushion

Karmarts organized the launching event of Baby Bright White Plankton Matte Cushion SPF 50 PA++, the cushion that features the combination of sun protection to protect your beautiful skin from the harmful sun rays. It comes with a weightless texture that also helps control oil, smoothen the skin and offers natural radiance. Achieve the perfect matte complexion as the end result. The event also features the introduction of Aloe Snail Moist Cushion SPF 50 PA++ that comes with the combination of Aloe Vera to help soothe the skin as well as providing coverage and replenishing moisture to the skin. It also offers sun protection with SPF50 PA++ and comes with a lightweight texture that helps moisturize the skin while offering it a cooling sensation. The new presenter of Baby Bright, Margie Rasri Balenciaga was also introduced in the event which was held at 12th April 2017.



3. KARMART Asian Beauty Blogger Contest 2017

In line with KARMART's status as an international beauty provider, the Asian Beauty Blogger Contest was organized across 8 Asian countries for the second 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 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.





4. Exclusive dinner with the handsome presenter, Push Puttichai Kasetsin

Karmart organized sales promotion activities with Aloe Snail Gel to search for the lucky participant for the exclusive date with the handsome celebrity, Push Puttichai Kasetsin at Laemgate Restaurant on 26th September 2017.



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 2017, 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 3.2 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.

มูลนิธิช่วยผู้พิการบ้านนาอ้อ



ศูนย์พัฒนาเด็กพิเศษเบญจมาศทุ่งสองห้อง



ศูนย์บริการคนพิการทางสติปัญญา (สาขาลองกอง)



มูลนิธิอนุเคราะห์เด็กหญิงบ้านราชวิถี



มูลนิธิอนุเคราะห์คนหูหนวก



มูลนิธิช่วยคนตาบอดแห่งประเทศไทย



FUTURE PROJECTS AND PLANS

At KARMART, 2017 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 2018, 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

Fulfilment 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.

DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON

Mr. Wongwiwat Theekhakhirikul

Mr. Kraiwit Satayapiwat*

Puttithorn Jirayus Ph.D.

Mr. Parit Teekakirikul

Mr. Seah Sin Loo

Mr. Prasit Dheeraratbongkot

Mr. Wiwat Theekhakhirikul*

Lt.Gen. Kobboon Vichit

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

DETAILS OF DIRECTOR, MANAGEMENT PERSON





DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



Mr. Wiwat Theekhakhirikul *

Age 65 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 202,883,788 Shares 23.06%
As at March 14, 2018



Lt.Gen. Kobboon Vichit

Age 70 Year

Position

Director and Audit Committee Chairman

Educational Background

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

Number of Share 28,000 Shares 0.003%
As at March 14, 2018



Mr. Kraiwit Satayapiwat *

Age 61 Year

Position

Director, Deputy Managing Director

Educational Background

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

Number of Share 28,000 Shares 0.003%
As at March 14, 2018



Mr. Prasit Dheeraratbongkot

Age 63 Year

Position

Director and Audit Committee

Educational Background

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

Number of Share 25,200 Shares 0.002%
As at March 14, 2018



Puttithorn Jirayus, PhD.

Age 42 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 25,200 Shares 0.002%
As at March 14, 2018



Mr. Parit Teekakirikul

Age 35 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 320,533 Shares 0.04%
As at March 14, 2018



Mr. Wongwiwat Theekhakhirikul *

Age 34 Year

Position

Director and Assistant Managing Director – Business Development

Educational Background

Bachelor's Degree of Engineering, Chulalongkorn University

Number of Share 1,539,320 Shares 0.17%

As at March 14, 2018



Mr. Seah Sin Loo

Age 67 Year

Position

Director

Educational Background

Secondary

Number of Share 25,200 Shares 0.002%

As at March 14, 2018



Mrs. Tussanee Auncharoen

Age 57 Year

Position

Deputy Managing Director

Educational Background

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

Number of Share 259,866 Shares 0.03%

As at March 14, 2018



Ms. Chonthida Theekhakhirikul

Age 36 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 396,000 Shares 0.05%

As at March 14, 2018



Ms. Suwannee Tharacheevin

Age 53 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 25,200 Shares 0.002%

As at March 14, 2018



Mrs. Aunruen Arunvisavakul

Age 58 Year

Position

Assistant Managing Director – Warehousing and Distribution

Educational Background

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

Number of Share 25,200 Shares 0.002%

As at March 14, 2018

**Mr. Phawat Chalermphongjatuporn****Age 54 Year****Position**

Assistant Managing Director — Sales Operation

Educational BackgroundBachelor's Degree of Political Science ,
Ramkhamhaeng University**Number of Share –**

As at March 14, 2018

**Mr. Pongwiwat Theekhakhirikul****Age 33 Year****Position**

Product Development Senior Director

Educational BackgroundBachelor's Degree of Architecture,
Chulalongkorn University**Number of Share 75,200 Shares 0.01%**

As at March 14, 2018

**Mrs. Somsri Viriya****Age 49 Year****Position**

Accounting Director

Educational BackgroundBachelor's Degree of Business Administration
Major in Accounting, Sukhothai
Thammathirat University**Number of Share 19,200 Shares 0.002%**

As at March 14, 2018

**Mr. Satjapong Yongskulrote****Age 34 Year****Position**Business Development Director –
Information Technology**Educational Background**Bachelor's Degree of Engineering,
Chulalongkorn University**Number of Share 43,200 Shares 0.005%**

As at March 14, 2018

**Ms. Wei Xiuqing****Age 33 Year****Position**Business Development Director –
China Region**Educational Background**Business IT and Law,
Nanyang Technological University**Number of Share –**

As at March 14, 2018

**Ms. Sirilak Waitwimanraksa****Age 39 Year****Position**

Director of Marketing

Educational BackgroundMaster of Arts Major Culture Management,
College of Innovation, Thammasat University.
Bachelor's Degree of Fine & Applied Art Major Drama,
Thammasat University.**Number of Share –**

As at March 14, 2018

**Miss Nattanan Muansing****Age 34 Year****Position**

Sales Operation Director — Modern Trade

Educational BackgroundBachelor's Degree of Applied Science
Major Bioindustrial, King Mongkut's University
of Technology North Bangkok.**Number of Share 19,200 Shares 0.002%**

As at March 14, 2018

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

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 2017 and 2016 was around USD 5, 7 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, 2017 was USD 5.2 million with an average exchange rate of 32.6809 Baht/USD. (2016 : USD 6.51 million with an average exchange rate of 35.8307 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. 38.1: 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 2017 and 2016, the company has an average inventory of 22.64% and 25% of all assets respectively and has an average selling period of 121 days.

The company reserves devaluation of inventory aged between 1– 3 years of Baht 12 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 2017 an acquisition of goods and services Baht 24million, under normal commercial terms and conditions trade and other receivables – related persons and parties Baht 19 million, the Long-term loan from related party Baht 56 million and Interest income Baht 6 million, purchases of good Baht 4 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 31 million and Baht – million which had been disclosed in notes to financial statements in topic 9.

Necessities and Reasons of Connected Transactions

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

Procedures on the Connected Transactions

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

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

Policy and Trend of Transactions with Related Companies in the Future

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

Karmarts Public Company Limited Connected Persons

Connected Persons	At March 14, 2018		Subsidiary		Associates		Subsidiary of the Associate		Joint venture		Related Company					
	Karmarts Public Company Limited		J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phetkasem, Bangwaed Condominium, The Iconic Property Charan Sanit Wong13		Karmarts Vietnam		Chaiboon Intertrade Limited Partnership		Beautrium Company Limited		Ruenrom Food and Beverage Company Limited	
	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position	%Share	Position
1. Karmarts Plc.	-		70.00		33.33				51.00						-	
2. "Theekhakhirikul" Group															-	
2.1 Mr. Wiwat Theekhakhirikul	23.06	Director				Director	0.01	Director								Director
2.2 Ms. Chontida Theekhakhirikul	0.05															
2.3 Mr. Wongwiwat Theekhakhirikul	0.17	Director		Director												
2.4 Mr. Pongwiwat Theekhakhirikul	0.01										90.00	Partnership				Director
2.5 Mr. Polkrit Theekhakhirikul	4.53															
2.6 Mr. Parit Teekakirikul	0.04	Director			33.33	Director	0.01	Director								
2.7 Ms. Vlamol Theekhakhirikul	4.08															
2.8 Ms. Narapan Theekhakhirikul	0.06													Director		Director
2.9 Ms. Chontada Theekhakhirikul	0.01													Director		
3. Mr. Kraiwit Satayapiwat	0.003	Director		Director												
4. The Iconic Property Company Limited							99.97									
5. Other	67.99		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		-		-	

Director	Karmarts Public Company Limited		J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phetkasem, Bangwaed Condominium, The Iconic Property Charan Sanit Wong13		Karmarts Vietnam		Chaiboon Intertrade Limited Partnership		Beautrium Company Limited		Ruenrom Food and Beverage Company Limited	
	CEO	Director ^A	MD	Director ^A	MD	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 528,000,000 (old capital register of Baht 396,000,000) which commons 880,000,000 share of par value 0.60 Baht (old 660,000,000 share) and the paid – up capital Baht 527,998,810 or common stock of 879,998,016 share.

Shareholders' name	Amount	% Owned
1. Theekhakhirikul Group	281,625,507	32.003
Mr. Wiwat Theekhakhirikul	202,883,788	23.055
Mr. Polkrit Teekhakhirikul	39,893,333	4.533
Ms. Woramol Teekhakhirikul	35,933,333	4.083
Mr. Wongwiwat Theekhakhirikul	1,539,320	0.175
Ms. Narapan Theekhakhirikul	528,000	0.060
Ms. Chontida Theekhakhirikul	396,000	0.045
Mr. Parit Theekhakhirikul	320,533	0.036
Mr. Pongwiwat Theekhakhirikul	75,200	0.009
Ms. Chonlada Theekhakhirikul	56,000	0.006
2. UBS AG SINGAPORE BRANCH	54,366,400	6.178
3. Mrs. Vanida Saejew	37,313,200	4.240
4. Mrs. Jarunee Chinwongvorakul	35,091,300	3.988
5. Mr. Prasert Virasathienpornkul	26,136,500	2.970
6. Mr. Aekkarith Aeksamith	25,009,333	2.842
7. Mr. Thammarith Aeksamith	24,638,000	2.800
8. PHILLIP SECURITIES PTE LTD.	16,133,333	1.833
9. Mr. Pramote Pasawong	15,878,400	1.804
10. Thai NVDR Co., Ltd	14,775,744	1.679
11. Other	349,030,299	39.663
Total	879,998,016	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 14, 2018 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.

On 27 April 2017, the Annual General Meeting of the shareholders passed the resolutions to approve the following matters:

1. To decrease the registered capital of the Company by cancelling the registered ordinary shares remained from the exercise of the issued warrants (KAMART-W) to subscribe the Company's ordinary shares of 431,191 ordinary shares with a par value of Baht 0.6 each, issued on 8 May 2013. The Company registered the capital reduction with the Ministry of Commerce on 4 May 2017.

2. To increase the registered capital from the previously registered capital of Baht 395.74 million to the newly registered capital of Baht 528 million by issuing an additional 220.43 million ordinary shares at a par value of Baht 0.60 each to support the stock dividends and offering of shares to director, management and/or employees of the Company. The Company registered the capital increase with the Ministry of Commerce on 5 May 2017.

On 26 May 2017, the Company paid stock dividend through issuance of 219.86 million ordinary shares at a par value of Baht 0.60 each or totaling Baht 131.91 million. The Company registered the increase in its paid up share capital from such stock dividend with the Ministry of Commerce on 6 June 2017.

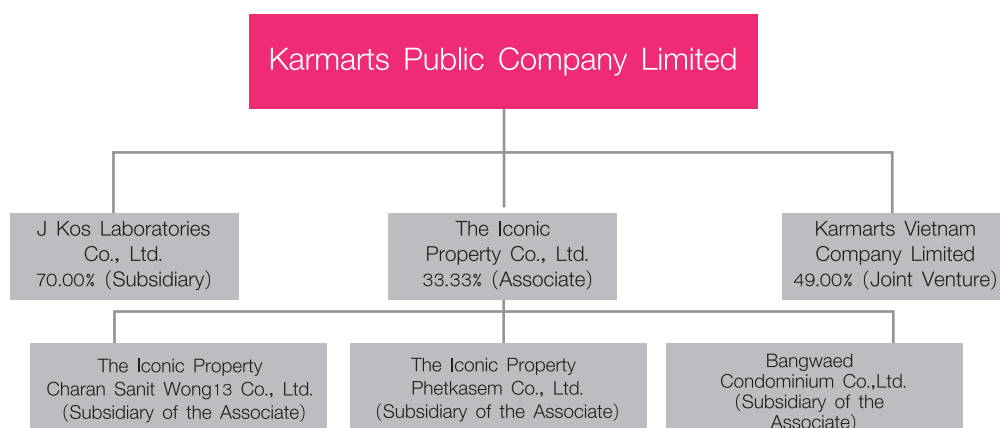
During the second quarter of this year, the Company registered the increase in its paid up share capital from the exercise of ESOP scheme with the Ministry of Commerce on 6 June 2017 (574,921 ordinary shares of Baht 0.60 each).

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 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
Total dividends for 2015		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
Total dividends for 2016		184,678	0.28
Final stock dividends for 2016	Annual General Meeting of the shareholders on 27 April 2017	131,913	0.20
Final dividends for 2016	Annual General Meeting of the shareholders on 27 April 2017	46,170	0.07
Interim dividends for 2017	Board of Directors' meeting on 12 May 2017	46,170	0.07
	Board of Directors' meeting on 11 August 2017	61,600	0.07
	Board of Directors' meeting on 13 November 2017	61,600	0.07
Total dividends for 2017		347,453	0.48

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
J Kos Laboratories Co., Ltd. Location : 261/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. : 0-2805-2756-60 Fax. : 0-2805-0251-2	Manufacturing of skin care, cosmetics, fragrances, cosmetics accessories and the like	10,000,000	5,500,000	70.00%
The Iconic Property Co., Ltd. Location : 83 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, 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.

As at 31 December 2017, the company had commitments amounting to approximately Baht 3.00 million in respect of the unpaid share in J Kos Laboratories Company Limited (2016 : Baht 4.5 million).

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. Phawat Chalermphongjatuporn	-	-	-	/	-
14. Mr. Pongwiwat Theekhakhirikul	-	-	-	/	-
15. Mrs. Somsri Viriya	-	-	-	/	-
16. Mr. Satjapong Yongskulrote	-	-	-	/	-
17. Ms. Wei Xiuging	-	-	-	/	-
18. Ms. Nattanan Muansing	-	-	-	/	-
19. Miss Sirilak Waitwimanraksa	-	-	-	/	-

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	
	2017	2016
1. Mr. Wiwat Theekhakhirikul	100,000	100,000
2. Lt.Gen. Kobboon Vichit	210,000	210,000
3. Mr. Kraiwit Satayapiwat	50,000	50,000
4. Mr. Prasit Dheeraratbongkot	130,000	130,000
5. Puttithorn Jirayus, PhD	110,000	130,000
6. Mr. Parit Teekakirikul	50,000	50,000
7. Mr. Wongwiwat Theekhakhirikul	50,000	40,000
8. Mr. Seah Sin Loo	–	–
Total	700,000	710,000

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 2017 was Baht 31 million compared to previous year of Baht 27 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. Repot on Good Corporate Governance

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

- Equal and fair treatment for all stakeholders.
- Forward looking commitment to add value to company's operations, prudent and thorough management of its operations, responsible, competent and effective performance to maximize shareholders' value with prevention the conflicts of interest.
- Transparency and accountability in the operations, adequate disclosure of information to all parties concerned.
- Awareness of risks in conducting the business, implementation of appropriate risk management strategies.
- Establishment of moral and ethical guidelines for company's directors and staff to follow.

2. Shareholders Rights

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

3. Stakeholders Rights

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

4. Shareholders' Meetings

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

5. Leadership and Vision

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

6. Conflicts of interest

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

7. Business Ethics

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

8. Checks and Balance of Non-Management Board Members

Company's Board of Directors consists of 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 to the business operation results each year within the budget approved by shareholders.

Remuneration of the Board members and Executives is set according to the policy of the Management team which is relative to the operating results and each member's performance.

11. Board of Directors' Meeting

The Board holds regular meetings on quarterly and extraordinary meetings when necessary, with a clearly specified agenda to continually monitor the proposes and performance of company's operations. The Board's secretary sends out meeting invitation with agenda and related documents to the directors prior to the scheduled meetings to allow sufficient preparation time. Normally, the meeting spends 3 hours per time. During year 2017 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. Kobbsoon 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*	7/8	4/5	–	4/5	
6. Mr. Parit Teekakirikul	–	5/5	–	5/5	
7. Mr. Wongwiwat Theekhakhirikul	–	5/5	–	5/5	
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. Kobbsoon 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 2017 for eight 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

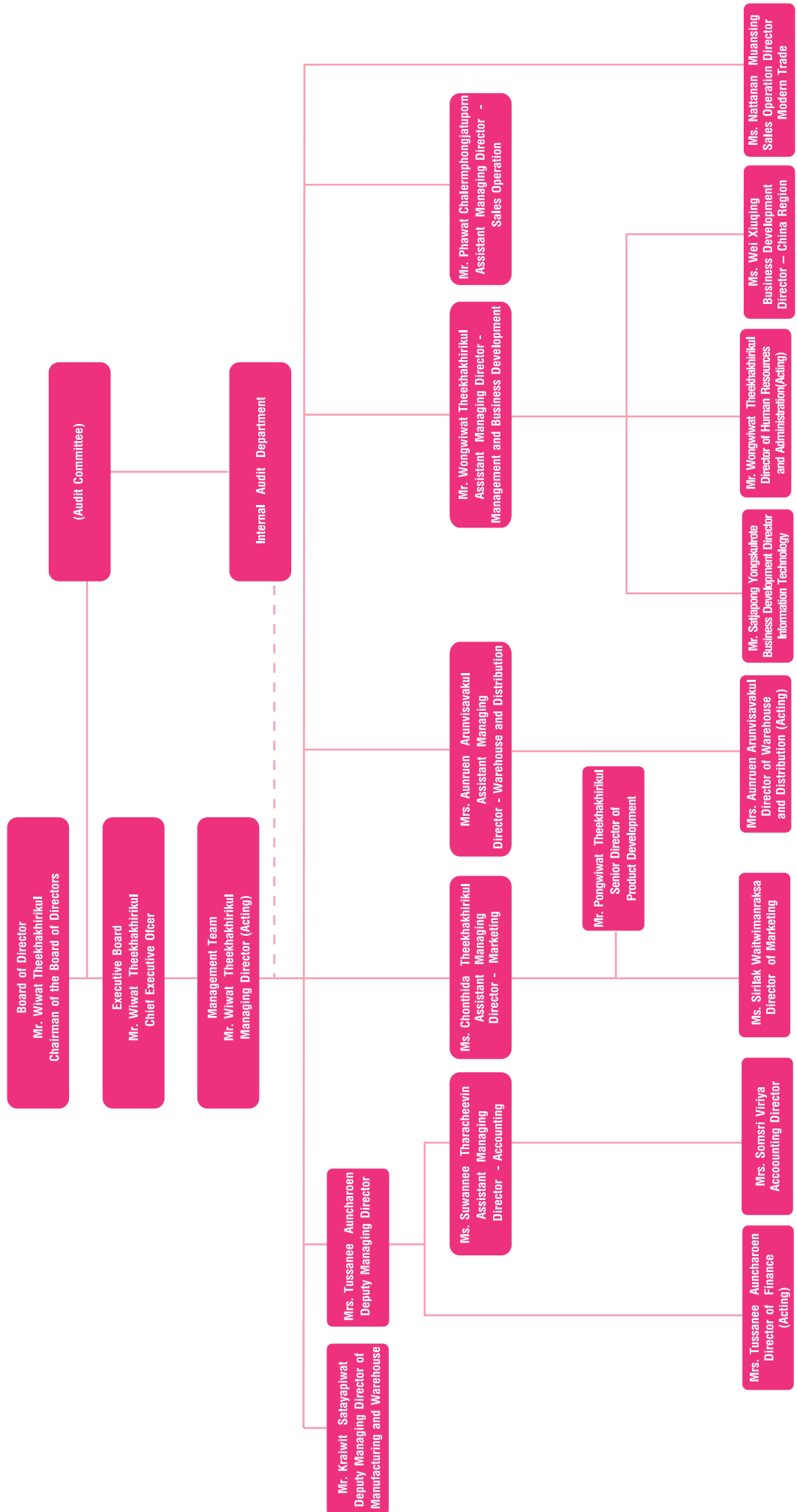
Company is committed to fostering mutually beneficial relationships with and to disclosing important company information to its investors. Company has not set up an investor Relations Unit but assigned the duties to information Relation section and or Executive director to communicate and promoting productive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



PERFORMANCE REPORT OF THE AUDIT COMMITTEE FOR THE YEAR 2017

Dear : Shareholders of Karmarts Public Company Limited,

The Board of Directors of Karmarts public company limited has appointed Audit Committee which consist of 3 Independent directors as follow:

1. Lt. Gen Kobboon Vichit Chairman of Audit Committee
2. Mr. Prasit Dheeraratbongkot Audit Committee member
3. Puttithorn Jirayus, PhD Audit Committee member

with Ms. Unpaktita Thammachetaporn who is Internal Audit Manager as the secretary to the Audit Committee. The Audit Committee has performed its duties to the extent the responsibility entrusted by the board of directors in accordance to the Charter of the audit committee and act according to the guidelines and regulations of the Securities and Exchange Commission (SEC). The Stock Exchange of Thailand (SET), by focusing on the Company's control, corporate governance, good administration efficiency with sufficient and appropriate system of internal controls for the best interests of shareholders and all stakeholders. As well as overseeing the management duties according to company policy and management on the principle of honesty and ethics. Summary of duty performed as follow:

1. Review financial statements, the audit committee has reviewed the accuracy, completeness and reliability of financial statements and consolidated financial statements of the company and its subsidiaries both quarterly and yearly of 2018 which has been reviewed and verified by Auditor of the company. The management and accounting had meeting and discussion with the auditors regularly about the accuracy of the financial statements and revised key accounting transaction that may have impacts on the financial statements under the suggestion of auditor without delay to ensure that Accounting and Financial Reporting had been prepared in accordance with generally accepted accounting principles with disclosure, completeness and timely schedule.

In addition, the Audit Committee also held meetings specifically with the external auditor without management participation, to consult with each other independently on various significant issues from the findings of the review of financial statements which demonstrate the independence in the performance of the external auditors and internal audit department.

The Audit Committee is of the opinion that the process of preparing the company's financial report has shown the financial position and operating performance correctly in accordance with the financial standards and disclosure of information continuously.

2. Regarding the review on the performance of the company, the Audit Committee has reviewed the company's compliance with the law on the securities market regulations and requirements of SET and SEC, as well as other laws that relate to the business of the company. Review of the company's control and good corporate governance practices based on the internal control guideline of The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013.

3. Review performance internal audit. The audit committee has oversight performance of internal affairs in accordance with the scope of practice, Rights and independence in the performance of duties and approved work plans and manpower of the Internal Audit Department to ensure that all the audit plan cover all key issues and also to review the annual audit plan to ensure continuous and timely solutions for issues that significantly impact the Company. The audit committee had 8 meeting including 3 meeting with head of internal audit department and/or representatives of the management on significant issues.

The Audit Committee is of the opinion that performance audit of the company are appropriate and efficient leading to achieving the goal of the internal audit.

4. Risk management assessment. The Board has analyzed and assessed the risks that may affect the operations of the Company constantly, through operation planning, monthly executive meeting in order to track, assess the situation and the potential risk factors closely and established management measures to control the risks. Major risk factors are exchange rate risk, loan risk, risk of impairment of inventory, IT risk, risk of a competitive business and counterfeit risk which are at controllable level.

The Audit Committee has reviewed the risk management system of the company through meeting with representatives of the executive committee and provide suggestion to ensure extensive and efficient coverage of all major issues.

The Audit Committee is of the opinion that the Company's risk management system is appropriate and risk management of the Company is efficient.

5. The review of the internal control system. The internal control system is an important mechanism that will enable the company to achieve the company's goals efficiently. The company practiced internal control under the guideline of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013. Based on a review clause 1-4 as mentioned above the Audit Committee has concluded that the following:

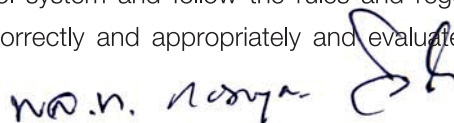
- Accounting and financial report of the company is accurate, complete, and reliable according to the financial standard.
- The Company has complied with the law on securities and stock exchange according to the rules and regulations of the SEC. and SET.
- The performance auditor is appropriate and efficient.
- The company has comprehensive system of risk management which is suitable and sufficient.

Therefore the Audit Committee is of the opinion that the Company's internal control system is effective, suitable and sufficient in order to support the company sustainable growth.

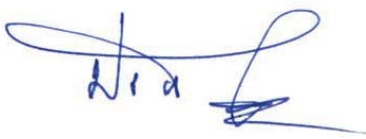
6. The appointment of the Independent Auditor. The Audit Committee has reviewed the qualifications assesses the performance of the external auditor on a constant basis and found the external auditor's performance was satisfactory. Therefore, the audit committee decided to propose to the board for approval at the shareholder meeting for the appointment of Ernst & young Office Company limited as auditor for year 2018.

7. The Audit Committee has considered and reviewed the important related business transaction and saw that the management has made decision on the benefit of the company and such transactions are based on normal commercial terms and had been disclosed on the financial report already. The Audit committee has considered and reviewed and No items found in which there is a conflict of interest.

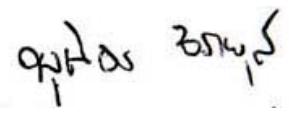
In conclusion, the Audit Committee of the Company is of the opinion that the company has prepared the financial statements with accuracy, reliability and complied with accounting standards and disclosure in the notes to the financial statements in accordance with the Accounting ACT of 2547 and efficient corporate governance with proper and sufficient internal control system and follow the rules and regulations of the SEC. The SET as well as complying with other related laws correctly and appropriately and evaluate the risk management systematically and efficiently.



(Lt.Gen. Kobboon Vichit)
Chairman of 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, 2017

1.1 Total revenues

During 2017, the Company had total revenues of Baht 1,551 million which consisted of;

- Baht 1,403 million on Sales which increased by Baht 84 million or 5.96% from the previous year. The comprises of Baht 270 million on body care products, Baht 373 million on facial skin care products, Baht 662 million on cosmetics, Baht 15 million on accessories, Baht 20 million on furniture, marketing tools and other Baht 11 million on food and beverage section
- 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%
- Other incomes totaled of Baht 37 million, increased from the previous year by Baht 19 million or 105.55% which comprises of interest of Baht 11 million, gain on currency exchange Baht 16 million, gain on security 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 2017, The Total Expenses was Baht 1,179 million which comprises of;

- Cost of sales amounted to Baht 673 million which increased from the previous year by Baht 46 million or 7.33%. The cost of sales is directly proportional to the Sales Revenue. The gross profit margin was 54.92% which was similar to the previous year.
- Cost of warehouse rentals and warehouse services were Baht 1 million.
- Selling and Administrative expenses totaled of Baht 504 million which increased from the previous year by Baht 15 million or 3.06%, directly proportionate to the Company's business expansion. The selling expenses increased by Baht 5 million mainly on public relation. The administration expenses increased by Baht 10 million due to the increase Baht 16.00 million for salary and employee benefit, decrease Baht 7 million in allowance for doubtful accounts
- Financial cost of the Company on the interest expenses totaled of Baht 10 million which decreased from the previous year by Baht 3 million or 23.07%
- Income tax expenses of Baht 71 million increased from the previous year by Baht 15 million or 26.31%.

1.3 Profit

During the year 2017, the Company had 18.85% net profit of sales which increased from the previous year 0.74% as the Company had selling expenses increased from the previous year by Baht 5 million mainly for the Company products promotion, administrative expenses increased from the previous year Baht 10 million due to the employee benefit expenses.

1.4 Rate of Return on Equity

The business operation profit during the year 2017 resulted in the rate of return on equity at 33.83% in the previous year 34.82%

2. Financial Status as at December 31, 2017

1. Assets

1.1 Composition of Assets

The total assets at the year end 2017 was Baht 1,347 million which increased from the previous year by Baht 111 million or 8.98%.

1.1.1 Current Assets amounted to Baht 796 million, increased by Baht 80 million or 11.17% from the previous year. The details are as follows;

- Cash and cash equivalents of Baht 11 million which increased from the previous year by Baht 1 million because Net cash from operating activities increased Baht 146 million, net cash used in investing activities decreased Baht 68 million and net cash used in financing activities decreased Baht 218 million.
- Trade accounts receivable and other account receivable at Baht 344 million, increased from the previous year by Baht 68 million or 24.63% 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 56 million, increased from the previous year by Baht 1 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 18 million decreased from the previous year Baht 13 million or 41.93% loans to Triple P Asset Company Limited which carried interests at a rate of 15% per annum.
- Current portion of long – term loans to unrelated person and party Baht 10 million, increased from the previous year by Baht 10 million or 100% to Large Asia company limited which carried interests at a rate of 15.00 percent per annum.
- Inventory of Baht 305 million which comprises on consumer products and raw material which decreased from the previous year by Baht 10 million or 3.17%
- Deposit for purchase of investments in a subsidiary Baht 4 million increased from the previous year by Baht 4 million or 100% . On 22 November 2017, the Company entered into the Memorandum of Agreement to buy and sell 800,000 common shares of Ruenrom Food and Beverage Co., Ltd., (or 80% of the total 1,000,000 issued and paid-up shares).
- Deposit for purchase of Land Baht 12 million increased from the previous year by Baht 12 million or 100% on 23 November 2017, the company has entered in to a purchase and sale agreement with the company. Land price is Baht 69 million. Land area 1260 square meters at soi phetchakasem 54, phasicharoen and 3 buildings Baht 33 million. It is expected that the transaction and transfer of owner ship will be completed by May, 2018.
- Other Current Assets of Baht 36 million, increased from the previous year by Baht 8 million or 28.57%

1.1.2 Non-Current Asset amounted to Baht 551 million which decreased by Baht 31 million or 5.96% from the previous year as follows;

- Long-Term Loan to unrelated persons and parties-net of current portion Baht 28 million increased from the previous year by Baht 3 million which carried interests at a rate of 15% per annum. The Long-Term Loan will be due within September 2020.
- Investment in joint venture Baht 0.34 million decreased from the previous year by Baht 2 million of 85.47% 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 1.98 million.

- Investment in the subsidiary of Baht 63 million, decreased from the previous year because the Company share of loss from investments in associate by Baht 7 million or 10% in The Iconic Property Company Limited.
- Properties Investment was at Baht 118 million, decreased from the previous year by Baht 1 million or 0.84% 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 293 million with an increase from the previous year by Baht 38 million or 14.90% because the Company acquisitions land Baht 5 million, transfer in building Baht 57 million, motor vehicles Baht 4 million, machinery and equipment Baht 15 million increased depreciation Baht 19 million. Assets under installation and construction in progress decreased Baht 24 million from transfer of the completed building.
- Land awaiting for future development Baht 8.28 million. 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 because acquisitions computer software under installation and amortization during the year.
- Deferred Tax Assets was Baht 8.45 million because the Company allowance for doubtful accounts Baht 0.78 million allowance for diminution in value of inventories Baht 4.46 million provision for long-term employee benefits Baht 3.21 million.
- Other Non-Current Assets was Baht 20 million decreased from the previous year by Baht 3 million or 13.04% 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, 2017, the Company had such account receivable balance of Baht 20.37 million (December 31, 2016 : Baht 21.30 million) with the portion due in over 12 months amounting to Baht 16.7 million (December 21, 2016: Baht 18.70 million) and classified as other non-current assets in the statements of financial position.

1.2 Quality of Assets

In 2017 trade and other receivables Baht 346 million or 25.66% of total assets. Account receivable average collection period was 77 days, increase from the previous year 11 days. (66 days in 2016) 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 2017 non-collectible debt was budgeted at 1.62% of the outstanding account receivable at the year-end.

Inventories Baht 305 million or 22.64% of total assets. Average inventory turnover of 121 days as same as the previous year (108 days in 2016).

Investment properties Baht 118 million or 8.76% 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 2017, the Company's net cash flows cash and cash equivalents was Baht 11 million, compared to 2016 which was Baht 10 million, decreased by Baht 1 million net cash from operating activities Baht 287 million as the Company decreased net profit, net cash used in investing activities Baht 68 million as the Company long term loans to unrelated persons and parties, deposit for purchase of investments in a subsidiary and deposit for purchase of land, net cash used in financing activities Baht 218 million as the Company dividend paid.

2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2017 was 2.27:1 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 0.82%, account receivables 25.66%, inventories 22.64% of total assets.

The company average debt collection period was between 77 days. Average inventory turnover of 121 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 77 days while average account payment period was 167 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 72 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 2017, Debt/Equity Ratio was 0.55:1 against 0.55:1 in the previous year. The company had bank overdrafts and short-term loans from bank Baht 175 million decreased from the previous year Baht 86 million because the Company import finished goods reserve to support increase sales and long-term loans from financial institutions Baht 80 million increased from the previous year Baht 80 million to expand the factory and warehouse.

4.2 Shareholders' Equity

In 2017, shareholders' equity increased by Baht 72 million to Baht 869 million from the operating profit during the year of Baht 281 million while the dividend payment was Baht 216 million.

4.3 Liabilities

The Company's total liabilities was Baht 478 million, increased by Baht 40 million or 9.13% from the previous year. Current Liabilities was Baht 352 million, decreased by Baht 26 million or 6.87% from the previous year. The Details are as follows:

- Bank overdrafts and Short-term loan from bank was Baht 175 million, decreased by Baht 86 million from the Company's goods payment.
- Trade and other payables of Baht 103 million, increased by Baht 18 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 11 million which increased by Baht 2 million or 22.22% the Company finance lease for transportation.
- Current portion of long-term loans from financial institution Baht 18 million increased from the previous year of Baht 18 million or 100% a long-term of the Company under credit facilities of Baht 80 million, both principal and interest, is monthly repayable in 60 installments. The loan carries interest at a rate of 4.5% per annum.
- Income Tax Payable at Baht 38 million, increased from the previous year of Baht 21 million due to the Company's increase in net profit.
- Other Current Liabilities was Baht 13 million due to the withholding tax from the dividend payment and the accrued value added tax.

Non-current liabilities was Baht 126 million, increased by Baht 66 million or 110% from the previous year, The Details are as follows:

- Long-term loans from financial institution-net of current portion Baht 62 million increased from the previous year of Baht 62 million or 100% a long-term loan of the Company under credit facilities of Baht 80 million, both principal and interest, is monthly repayable in 60 installments. The loan carries interest at a rate of 4.5% per annum.
- Provision had been made for long-term employee benefits of Baht 16 million, which increased by Baht 3 million or 23.07% 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 41 million, decreased by Baht 2 million or 4.65% from surplus of fair value from book value of investment properties Baht 21 million surplus on revaluation of land Baht 10 million and surplus of fair value from book value of land and building transferred from investment properties Baht 10 million.

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		
			2015	2016	2017
1	EY Office Limited	Karmarts Plc.	1,400,000	1,520,000	1,642,000
2	EY Office Limited	My Bus Co., Ltd.	195,000	–	–
3	EY Office Limited	J Kos Laboratories Co., Ltd.	80,000	140,000	140,000
4	Thai Audit The Truth Limited	The Iconic Property Co., Ltd.	80,000	80,000	165,000
			<u>1,755,000</u>	<u>1,740,000</u>	<u>1,947,000</u>

OTHER FEE

– None –

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Karmarts Public Company Limited and its subsidiary

Report and consolidated financial statements 31 December 2017

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 subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, 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 subsidiary and of Karmarts Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

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

Revenue recognition

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.

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, examining the accuracy of the calculation of debt aging.
- On a sampling basis, examining 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 11 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.

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

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

EY Office Limited

Bangkok: 27 February 2018

Karmarts Public Company Limited and its subsidiary
Statement of financial position
As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Assets					
Current assets					
Cash and cash equivalents	6	10,716,594	10,098,677	5,945,898	9,333,647
Current investments	12	360,675	325,638	360,675	325,638
Trade and other receivables	7, 9	344,466,585	276,464,319	344,417,295	276,464,319
Current portion of finance lease receivables	8	363,104	33,842	363,104	33,842
Short-term loans to related party	9	55,874,898	54,374,898	55,874,898	54,374,898
Short-term loans to unrelated person and parties	10	17,999,730	31,047,872	17,999,730	31,047,872
Current portion of long-term loans to unrelated person and party	14	9,600,000	–	9,600,000	–
Inventories	11	304,939,950	315,201,069	303,898,252	315,524,540
Deposit for purchase of investments in a subsidiary	17	4,000,000	–	4,000,000	–
Deposit for purchase of land		12,000,000	–	12,000,000	–
Other current assets	13	35,660,635	28,026,438	35,660,635	27,926,186
Total current assets		795,982,171	715,572,753	790,120,487	715,030,942
Non-current assets					
Finance lease receivables – net of current portion	8	903,562	378,375	903,562	378,375
Long-term loans to unrelated person and party – net of current portion	14	28,674,822	25,000,000	28,674,822	25,000,000
Investments in joint venture	15	343,321	2,331,953	3,563,280	3,563,280
Investments in associate	16	63,042,154	70,014,067	71,029,990	71,029,990
Investments in subsidiary	17	–	–	4,000,000	2,500,000
Investment properties	18	118,000,000	119,000,000	118,000,000	119,000,000
Property, plant and equipment	19	293,001,604	254,803,555	292,572,513	254,743,509
Land awaiting future development	20	8,284,000	8,284,000	8,284,000	8,284,000
Intangible assets	21	10,090,337	9,985,336	10,090,337	9,985,336
Deferred tax assets	27	8,457,955	7,892,313	8,457,955	7,892,313
Other non-current assets	7	20,168,127	22,706,553	20,147,727	22,706,554
Total non-current assets		550,965,882	520,396,152	565,724,186	525,083,357
Total assets		1,346,948,053	1,235,968,905	1,355,844,673	1,240,114,299

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



Karmarts Public Company Limited and its subsidiary
Statement of financial position (continued)
As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and					
short-term loans from banks	22	175,276,353	260,676,471	175,276,353	260,676,471
Trade and other payables	9, 23	102,951,983	85,483,866	102,734,900	85,723,263
Current portion of liabilities under finance					
lease agreements	24	3,968,263	4,814,605	3,968,263	4,814,605
Current portion of long-term loans from					
financial institution	25	17,904,000	–	17,904,000	–
Income tax payable		37,953,090	17,182,408	37,527,377	17,182,408
Other current liabilities		13,291,426	9,951,030	13,236,874	9,894,919
Total current liabilities		351,345,115	378,108,380	350,647,767	378,291,666
Non-current liabilities					
Liabilities under finance lease agreements					
– net of current portion	24	6,905,412	4,252,761	6,905,412	4,252,761
Long-term loans from financial institution					
– net of current portion	25	62,096,000	–	62,096,000	–
Provision for long-term employee benefits	26	16,052,172	13,042,716	16,052,172	13,042,716
Deferred tax liabilities	27	41,116,437	43,074,509	41,116,437	43,074,509
Total non-current liabilities		126,170,021	60,369,986	126,170,021	60,369,986
Total liabilities		477,515,136	438,478,366	476,817,788	438,661,652

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

Karmarts Public Company Limited and its subsidiary
Statement of financial position (continued)
As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2017	31 December 2016	31 December 2017	31 December 2016
Shareholders' equity					
Share capital					
Registered					
880,000,000 ordinary shares of Baht 0.60 each (31 December 2016: 660,000,000 ordinary shares of Baht 0.60 each)		528,000,000	396,000,000	528,000,000	396,000,000
Issued and fully paid up					
879,998,016 ordinary shares of Baht 0.60 each (31 December 2016: 659,568,809 ordinary shares of Baht 0.60 each)		527,998,810	395,741,285	527,998,810	395,741,285
Share premium		88,396,711	83,396,333	88,396,711	83,396,333
Capital reduction surplus		15,267,473	15,267,473	15,267,473	15,267,473
Retained earnings					
Appropriated – statutory reserve	34	52,799,881	39,574,129	52,799,881	39,574,129
Unappropriated		142,022,064	221,903,952	153,057,622	225,967,039
Other components of shareholders' equity		41,283,868	41,466,863	41,506,388	41,506,388
Equity attributable to owners of the Company		867,768,807	797,350,035	879,026,885	801,452,647
Non-controlling interests of the subsidiary		1,664,110	140,504	–	–
Total shareholders' equity		869,432,917	797,490,539	879,026,885	801,452,647
Total liabilities and shareholders' equity		1,346,948,053	1,235,968,905	1,355,844,673	1,240,114,299

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



Karmarts Public Company Limited and its subsidiary
Income statement
For the year ended 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Revenues					
Sales	9	1,493,561,632	1,409,870,467	1,490,859,025	1,409,870,467
Income from bus service operator		-	941,500	-	-
Income from warehouse rental		20,756,580	19,526,043	20,756,580	19,526,043
Gain on fair value adjustment of investment properties	18	-	4,000,000	-	4,000,000
Gain on disposal of investment in subsidiary	2.2	-	610,590	-	428,226
Other income	9	37,310,952	18,056,263	39,370,902	20,192,592
Total revenues		<u>1,551,629,164</u>	<u>1,453,004,863</u>	<u>1,550,986,507</u>	<u>1,454,017,328</u>
Expenses					
Cost of sales	9	673,367,043	627,493,071	675,881,722	628,149,894
Cost of bus service operator		-	1,718,042	-	-
Cost of warehouse rental		420,388	529,636	420,388	529,636
Selling expenses		386,138,423	381,025,864	386,138,416	381,021,859
Administrative expenses	9	118,173,568	107,713,308	118,025,643	105,325,391
Loss on fair value adjustment of investment properties	18	1,000,000	-	1,000,000	-
Total expenses		<u>1,179,099,422</u>	<u>1,118,479,921</u>	<u>1,181,466,169</u>	<u>1,115,026,780</u>
Profit before share of loss from investments in joint venture and associate, finance cost and income tax expenses		<u>372,529,742</u>	<u>334,524,942</u>	<u>369,520,338</u>	<u>338,990,548</u>
Share of loss from investments in joint venture and associate	15,16	(8,777,550)	(1,845,963)	-	-
Profit before finance cost and income tax expenses		<u>363,752,192</u>	<u>332,678,979</u>	<u>369,520,338</u>	<u>338,990,548</u>
Finance cost		(10,110,397)	(12,525,935)	(10,105,477)	(12,443,087)
Profit before income tax expenses		<u>353,641,795</u>	<u>320,153,044</u>	<u>359,414,861</u>	<u>326,547,461</u>
Income tax expenses	27	(71,237,542)	(56,957,280)	(70,811,743)	(56,957,280)
Profit for the year		<u>282,404,253</u>	<u>263,195,764</u>	<u>288,603,118</u>	<u>269,590,181</u>
Profit or loss attributable to:					
Equity holders of the Company		281,630,647	263,831,641	288,603,118	269,590,181
Non-controlling interests of the subsidiaries		773,606	(635,877)		
		<u>282,404,253</u>	<u>263,195,764</u>		
Basic earnings per share	29		(restated)		(restated)
Profit attributable to equity holders of the Company		0.320	0.300	0.328	0.307
Weighted average number of common stock (shares)		<u>879,769,623</u>	<u>879,423,095</u>	<u>879,769,623</u>	<u>879,423,095</u>

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

Karmarts Public Company Limited and its subsidiary
Statement of comprehensive income
For the year ended 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
Profit for the year		<u>282,404,253</u>	<u>263,195,764</u>	<u>288,603,118</u>	<u>269,590,181</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		(182,995)	(39,525)	–	–
Other comprehensive income not to be reclassified to profit or loss in subsequent period					
Actuarial loss – net of income tax		(834,486)	–	(834,486)	–
Other comprehensive income for the year		<u>(1,017,481)</u>	<u>(39,525)</u>	<u>(834,486)</u>	<u>–</u>
Total comprehensive income for the year		<u><u>281,386,772</u></u>	<u><u>263,156,239</u></u>	<u><u>287,768,632</u></u>	<u><u>269,590,181</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		280,613,166	263,792,116	<u>287,768,632</u>	<u>269,590,181</u>
Non-controlling interests of the subsidiary		<u>773,606</u>	<u>(635,877)</u>		
		<u><u>281,386,772</u></u>	<u><u>263,156,239</u></u>		

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

Karmarts Public Company Limited and its subsidiary
Statement of changes in shareholders' equity
For the year ended 31 December 2017

(Unit: Baht)

Consolidated financial statement												
	Equity attributable to owners of the Company										Non-controlling interests of the subsidiary	Total shareholders' equity
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings		Other components of shareholders' equity				Total equity attributable to shareholders of the Company		
				Appropriated – statutory reserve	Unappropriated	Surplus on revaluation of assets	Exchange differences on translation of joint venture's financial statements in foreign currency	Total other components of shareholders' equity				
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	718,236,304	(2,154,801)	716,081,503	
Profit for the year	–	–	–	–	263,831,641	–	–	–	263,831,641	(635,877)	263,195,764	
Other comprehensive income for the year	–	–	–	–	–	–	(39,525)	(39,525)	(39,525)	–	(39,525)	
Total comprehensive income for the year	–	–	–	–	263,831,641	–	(39,525)	(39,525)	263,792,116	(635,877)	263,156,239	
Dividend paid (Note 33)	–	–	–	–	(184,678,385)	–	–	–	(184,678,385)	–	(184,678,385)	
Transfer to statutory reserve (Note 34)	–	–	–	5,985,819	(5,985,819)	–	–	–	–	–	–	
Change in non-controlling interests of the subsidiary	–	–	–	–	–	–	–	–	–	2,931,182	2,931,182	
from disposal of investment in subsidiary	–	–	–	–	–	–	–	–	–	–	–	
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	797,350,035	140,504	797,490,539	
Balance as at 1 January 2017	395,741,285	83,396,333	15,267,473	39,574,129	221,903,952	41,506,388	(39,525)	41,466,863	797,350,035	140,504	797,490,539	
Profit for the year	–	–	–	–	281,630,647	–	–	–	281,630,647	773,606	282,404,253	
Other comprehensive income for the year	–	–	–	–	(834,486)	–	(182,995)	(182,995)	(1,017,481)	–	(1,017,481)	
Total comprehensive income for the year	–	–	–	–	280,796,161	–	(182,995)	(182,995)	280,613,166	773,606	281,386,772	
Issuance of ordinary shares from the exercise of												
ESOP Scheme (Note 30 and 32)	344,952	5,000,378	–	–	–	–	–	–	5,345,330	–	5,345,330	
Stock dividend paid (Note 30 and 33)	131,912,573	–	–	–	(131,912,573)	–	–	–	–	–	–	
Dividend paid (Note 33)	–	–	–	–	(215,539,724)	–	–	–	(215,539,724)	–	(215,539,724)	
Transfer to statutory reserve (Note 34)	–	–	–	13,225,752	(13,225,752)	–	–	–	–	–	–	
Change in non-controlling interests of the subsidiary	–	–	–	–	–	–	–	–	–	750,000	750,000	
from its paid up share capital	–	–	–	–	–	–	–	–	–	–	–	
Balance as at 31 December 2017	527,998,810	88,396,711	15,267,473	52,799,881	142,022,064	41,506,388	(222,520)	41,283,868	867,768,807	1,664,110	869,432,917	

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

Karmarts Public Company Limited and its subsidiary
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2017

(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	33,588,310	147,041,062	41,506,388	716,540,851
Profit for the year	-	-	-	-	269,590,181	-	269,590,181
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	269,590,181	-	269,590,181
Dividend paid (Note 33)	-	-	-	-	(184,678,385)	-	(184,678,385)
Transfer to statutory reserve (Note 34)	-	-	-	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
Balance as at 1 January 2017	395,741,285	83,396,333	15,267,473	39,574,129	225,967,039	41,506,388	801,452,647
Profit for the year	-	-	-	-	288,603,118	-	288,603,118
Other comprehensive income for the year	-	-	-	-	(834,486)	-	(834,486)
Total comprehensive income for the year	-	-	-	-	287,768,632	-	287,768,632
Issuance of ordinary shares from the exercise of ESOP Scheme (Note 30 and 32)	344,952	5,000,378	-	-	-	-	5,345,330
Stock dividend paid (Note 30 and 33)	131,912,573	-	-	-	(131,912,573)	-	-
Dividend paid (Note 33)	-	-	-	-	(215,539,724)	-	(215,539,724)
Transfer to statutory reserve (Note 34)	-	-	-	13,225,752	(13,225,752)	-	-
Balance as at 31 December 2017	527,998,810	88,396,711	15,267,473	52,799,881	153,057,622	41,506,388	879,026,885

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

Karmarts Public Company Limited and its subsidiary
Statement of cash flows
For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from operating activities				
Profit before tax	353,641,795	320,153,044	359,414,861	326,547,461
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	29,342,751	30,863,734	29,321,796	29,194,195
Loss (gain) from the fair value adjustment of investment properties	1,000,000	(4,000,000)	1,000,000	(4,000,000)
Reversal of allowance for doubtful accounts	(1,866,630)	(4,171,100)	(1,866,630)	(4,171,100)
Increase in allowance for reducing cost of inventories to net realisable value	3,769,204	3,416,245	3,769,204	3,416,245
Reversal of allowance for impairment of assets	(474,961)	(2,356,105)	(474,961)	(2,356,105)
Unrealised gain on exchange rate	(13,224,986)	(3,219,087)	(13,224,986)	(3,219,087)
Gain on disposal of current investments	(2,213,875)	(1,063,425)	(2,213,875)	(1,063,425)
Unrealised gain on change in the fair value of current investments	(35,037)	(1,218,960)	(35,037)	(1,218,960)
Fixed assets and intangible asset write-off	437,353	7,283,576	437,353	228,660
Loss (gain) on disposal of fixed assets and intangible assets	(1,126,589)	72,540	(1,126,589)	72,540
Gain on disposal of investment in subsidiary	-	(610,590)	-	(428,226)
Interest income	(11,522,262)	(7,705,858)	(11,522,262)	(8,044,011)
Dividend income	(36,766)	(733,643)	(36,766)	(733,643)
Provision for long-term employee benefits	2,251,348	1,991,566	2,251,348	1,991,566
Share based payment transactions	4,195,488	-	4,195,488	-
Interest expenses	6,502,246	6,669,090	6,502,246	6,669,090
Share of loss from investments in joint venture and associate	8,777,550	1,845,963	-	-
Profit from operating activities before changes in operating assets and liabilities:	379,416,629	347,216,990	376,391,190	342,885,200
Operating assets (increase) decrease				
Trade and other receivables	(60,825,598)	(49,733,393)	(60,776,308)	(49,746,594)
Finance lease receivables	(854,449)	941,178	(854,449)	941,178
Inventories	6,820,374	(119,757,055)	8,185,543	(119,717,853)
Other current assets	(7,654,237)	(3,726,045)	(7,754,488)	(3,800,980)
Other non-current assets	3,033,427	2,942,098	3,053,827	2,131,248
Operating liabilities increase (decrease)				
Trade and other payables	16,730,099	26,483,673	16,273,619	28,848,361
Other current liabilities	3,340,396	(565,365)	3,341,955	1,662,851
Cash from operating activities	340,006,641	203,802,081	337,860,889	203,203,411
Cash paid for income tax	(52,781,952)	(56,722,195)	(52,781,866)	(56,722,195)
Cash paid for long-term employee benefits	(285,000)	(81,000)	(285,000)	(81,000)
Net cash from operating activities	286,939,689	146,998,886	284,794,023	146,400,216

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

Karmarts Public Company Limited and its subsidiary
Statement of cash flows (continued)
For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash flows from investing activities				
Interest income received	6,326,613	6,863,640	6,326,613	7,201,794
Dividend income received	36,766	733,643	36,766	733,643
Increase in short-term loans to related party	(1,500,000)	(51,719,333)	(1,500,000)	(43,902,152)
Decrease (increase) in short-term loans to unrelated person and parties	12,933,753	(31,047,872)	12,933,753	(31,047,872)
Increase in long-term loans to unrelated person and party	(13,274,822)	(23,182,485)	(13,274,822)	(23,182,485)
Proceeds from disposal of equipment and intangible assets	1,505,837	649,243	1,505,837	649,243
Proceeds from disposal of investment in subsidiary	–	610,590	–	428,226
Proceeds from disposal of current investments	7,263,725	127,448,830	7,263,725	127,448,830
Acquisition of current investments	(5,049,850)	(48,992,083)	(5,049,850)	(48,992,083)
Purchase of land, equipment and intangible assets	(61,252,027)	(68,836,560)	(60,862,027)	(68,836,560)
Increase in investments in subsidiary	–	–	(1,500,000)	–
Increase in investments in joint venture	–	(3,563,280)	–	(3,563,280)
Increase in deposit for purchase of land	(12,000,000)	–	(12,000,000)	–
Increase in deposit for purchase of investments in a subsidiary	(4,000,000)	–	(4,000,000)	–
Change in non-controlling interests of the subsidiary from disposal of investment in subsidiary	–	2,931,182	–	–
Change in non-controlling interests of the subsidiary from its paid up share capital	750,000	–	–	–
Net cash used in investing activities	<u>(68,260,005)</u>	<u>(88,104,485)</u>	<u>(70,120,005)</u>	<u>(83,062,696)</u>
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from banks	(72,220,149)	129,744,412	(72,220,149)	129,744,412
Cash paid under finance lease	(5,337,461)	(3,272,010)	(5,337,461)	(3,272,010)
Increase in long-term loans from financial institution	80,000,000	–	80,000,000	–
Interest paid	(6,114,275)	(6,208,187)	(6,114,275)	(6,208,187)
Cash received from exercise of ESOP Scheme	1,149,842	–	1,149,842	–
Dividend paid	(215,539,724)	(184,678,385)	(215,539,724)	(184,678,385)
Net cash used in financing activities	<u>(218,061,767)</u>	<u>(64,414,170)</u>	<u>(218,061,767)</u>	<u>(64,414,170)</u>
Net increase (decrease) in cash and cash equivalents	617,917	(5,519,769)	(3,387,749)	(1,076,650)
Cash and cash equivalents at beginning of year	10,098,677	15,618,446	9,333,647	10,410,297
Cash and cash equivalents at end of year	<u>10,716,594</u>	<u>10,098,677</u>	<u>5,945,898</u>	<u>9,333,647</u>

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

Karmarts Public Company Limited and its subsidiary
Statement of cash flows (continued)
For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Supplemental cash flows information: –				
Non-cash transactions: –				
Undue installment for acquisition of equipment and intangible assets	996,345	227,001	996,345	227,001
Purchases of vehicles under financial leases	6,769,490	3,461,490	6,769,490	3,461,490
Transfer of equipment to inventories	328,459	521,018	328,459	521,018
Transfer of equipment to intangible assets	1,555,000	717,439	1,555,000	717,439
Transfer of land to land awaiting future development	–	8,284,000	–	8,284,000
Actuarial loss	1,043,108	–	1,043,108	–
Stock dividend	131,912,573	–	131,912,573	–

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

Karmarts Public Company Limited and its subsidiary

Notes to consolidated financial statements

For the year ended 31 December 2017

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. 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 11 October 2016, issued under the Accounting Act B.E. 2543.

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

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

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of the Company and the following subsidiary company.

Company's name	Nature of business	Percentage of shareholding in shareholders' register		Country of incorporation
		2017	2016	
		Percent	Percent	
J KOS Laboratories Co., Ltd.	Manufacture and distribution of consumer product	70.00	70.00	Thailand

During the second quarter of year 2016, the Company sold the investment in My Bus Company Limited (a subsidiary) to a third party of 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 0.43 million, resulting in gain on 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 0.43 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 subsidiary 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) Subsidiary is 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 subsidiary 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 shareholders' equity.
- f) Material balances and transactions between the Company and its subsidiary company have been eliminated from the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiary 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 subsidiary 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 its subsidiary have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiary's 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 revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiary believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied.

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

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have 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 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	–
Office furniture, fixtures and equipment	3 and 5 years	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 allowance for loss on impairment of assets (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:

Computer software	3 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 Equity-settled share-based payment transactions

The Company recognises share-based payment transactions on the date share options are granted, based on the fair value of the options. They are recorded as expenses over the expected life of the options, and a capital reserve for share-based payment transactions is presented in shareholders' equity.

Estimating the fair value of share-based payment transactions requires the exercise of judgement in relation to the appropriateness of assumptions such as the expected life of the share options, share price volatility and dividend yield.

4.17 Provisions

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

4.18 Income tax

Income tax 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.

4.19 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 18.

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

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	
	2017	2016	2017	2016
Cash	207	184	202	184
Bank deposits	10,510	9,915	5,744	9,150
Total	<u>10,717</u>	<u>10,099</u>	<u>5,946</u>	<u>9,334</u>

As at 31 December 2017, bank deposits in savings accounts carried interest at a rate of 0.37% – 1.10% per annum (2016: 0.37% – 1.10% per annum).

7. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade receivable – related parties				
Aged on the basis of due dates				
Not yet due	2,613	2,728	2,563	2,728
Past due				
1 – 3 months	5,550	3,764	5,550	3,764
4 – 6 months	5,391	1,071	5,391	1,071
7 – 12 months	2,683	–	2,683	–
Over 12 months	–	–	–	–
Total	16,237	7,563	16,187	7,563
Less: Allowance for doubtful accounts	–	–	–	–
Net	16,237	7,563	16,187	7,563
Trade accounts receivable – unrelated parties				
Aged on the basis of due dates				
Post dated cheques	4,002	2,662	4,002	2,662
Not yet due	164,350	157,377	164,350	157,377
Past due				
1 – 3 months	144,645	100,160	144,645	100,160
4 – 6 months	4,080	2,798	4,080	2,798
7 – 12 months	1,075	3,054	1,075	3,054
Over 12 months	1,891	234	1,891	234
Returned cheques	1,037	1,282	1,037	1,282
Total	321,080	267,567	321,080	267,567
Less: Allowance for doubtful accounts	(3,244)	(1,483)	(3,244)	(1,483)
Net	317,836	266,084	317,836	266,084
Other receivables				
Advances to related persons and parties	457	454	457	454
Other receivables – related parties	8,272	838	8,272	838
Other receivables – unrelated parties	4,104	8,212	4,104	8,212
Total	12,833	9,504	12,833	9,504
Less: Allowance for doubtful accounts	(2,439)	(6,687)	(2,439)	(6,687)
Net	10,394	2,817	10,394	2,817
Total Trade and other receivables – net	344,467	276,464	344,417	276,464

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 2017, the Company had such account receivable balance of Baht 19.4 million (31 December 2016: Baht 21.3 million), with the portion due in over 12 months amounting to Baht 16.7 million (31 December 2016: Baht 18.7 million) and classified as other non-current assets in the statements of financial position.

8. Finance lease receivables

8.1 As at 31 December 2017 and 2016, the balances of finance lease receivables are as follows:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements					
	Current portion of finance lease receivables		Finance lease receivables – net of current portion		Total	
	2017	2016	2017	2016	2017	2016
Finance lease receivables	399	36	1,004	403	1,403	439
Less: Unearned finance lease interest income	(36)	(2)	(100)	(25)	(136)	(27)
Total	363	34	904	378	1,267	412
Less: Allowance for doubtful accounts	–	–	–	–	–	–
Finance lease receivables – net	363	34	904	378	1,267	412

8.2 As at 31 December 2017 and 2016, the balances of finance lease receivables (net of unearned finance lease interest income) are classified by aging as follows:

(Unit: Thousand Baht)

Age of receivables	Consolidated / Separate financial statements	
	2017	2016
Not yet due	1,267	412
Total	1,267	412
Less: Allowance for doubtful accounts	–	–
Finance lease receivables – net	1,267	412

8.3 As at 31 December 2017 and 2016, the future minimum lease payments receivable under finance lease contracts together with the present value of minimum lease payments receivables are as follows:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	2017		2016	
	Minimum lease payments of finance lease contracts	Present value of minimum lease payments receivables	Minimum lease payments of finance lease contracts	Present value of minimum lease payments receivables
Within one year	399	363	36	34
After one year but not more than five years	1,004	904	403	378
Total	1,403	1,267	439	412
Less: Unearned finance lease interest income	(136)		(27)	
Net investment in finance lease contracts	1,267		412	

9. Related parties transactions

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
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
Karmats Vietnam Co., Ltd.	Joint venture
Karmats Malaysia Sdn. Bhd.*	Related company
Ruenrom Food and Beverage Co., Ltd.**	Common shareholder / director with the Company
June Laboratories Co., Ltd.	Common shareholder / director with the subsidiary
Beautrium Co., Ltd.	Shareholder / director is related to the Company's shareholders and directors

* The Company has planned to invest in that company as discussed in Note 15

** The Company has planned to invest in that company as discussed in Note 17

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
	2017	2016	2017	2016	
<u>Transactions with subsidiaries</u> (Eliminated from consolidated financial statements)					
Purchases of goods	–	–	11	2	Cost plus margin
Service income	–	–	1	1	Contract price
Rental income	–	–	1	1	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	6	5	6	5	Cost plus margin
Interest income	6	1	6	1	1.50 percent per annum
<u>Transactions with related companies</u>					
Sales of goods	18	11	15	11	Cost plus margin
Income on finance lease agreements	1	–	1	–	Contract price
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 2017 and 2016 are shown in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade and other receivables – related persons and parties (Note 7)				
Joint venture	6,114	3,425	6,114	3,425
Associate	6,000	790	6,000	790
Related companies	12,852	4,640	12,802	4,640
Total	24,966	8,855	24,916	8,855
Less: Allowance for doubtful accounts	–	–	–	–
Net	24,966	8,855	24,916	8,855
Finance lease receivable (Note 8)				
Related company	1,234	–	1,234	–
Short-term loans to related party				
Associate	55,875	54,375	55,875	54,375
Trade and other payables – related persons and parties (Note 23)				
Joint venture	52	10	52	10
Associate	90	–	90	–
Subsidiary	–	–	1,005	1,579
Related company	871	446	870	397
Director	–	52	–	52
Accrued managements benefits	970	–	970	–
Total	1,983	508	2,987	2,038

During the current year, the balance of short-term loans to related party and the movements are as follows:

(Unit: Thousand Baht)

	Consolidated / separate financial statements			
	1 January 2017	Increase	Decrease	31 December 2017
Short-term loans to related party				
Associate				
The Iconic Property Company Limited	54,375	1,500	–	55,875

As at 31 December 2017 and 2016, short-term loans to such associate matured at call and carried interest at a rate of 1.50 percent per annum.

Directors and management benefits

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

(Unit : : Million Baht)

	Consolidated / Separate financial statements	
	2017	2016
Short-term employee benefits	29	19
Post-employment benefits	2	1
Total	<u>31</u>	<u>20</u>

ESOP scheme for directors and management

On 27 April 2017, the Annual General Meeting of the Company's shareholders passed a resolution to approve the offering of ordinary shares not over 584,921 shares to directors, management and/or employees of the Company under the ESOP scheme ("Scheme") within 3 months at an exercise price of Baht 2 per share, as discussed in Note 32.

10. Short-term loans to unrelated person and parties

As at 31 December 2017, the Company had short-term loans to unrelated person and party amounting to net of Baht 19.1 million (2016: Baht 31.0 million) which carried interest at a rate of 15% per annum (2016: a rate of 15% per annum).

11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2017	2016	2017	2016	2017	2016
Finished goods	248,196	242,289	(19,193)	(17,359)	229,003	224,930
Raw materials and supplies	56,630	50,630	(3,123)	(1,188)	53,507	49,442
Work in process	6,035	13,813	-	-	6,035	13,813
Goods in transit	16,395	27,016	-	-	16,395	27,016
Total	<u>327,256</u>	<u>333,748</u>	<u>(22,316)</u>	<u>(18,547)</u>	<u>304,940</u>	<u>315,201</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2017	2016	2017	2016	2017	2016
Finished goods	248,196	242,385	(19,193)	(17,359)	229,003	225,026
Raw materials and supplies	55,588	50,689	(3,123)	(1,188)	52,465	49,501
Work in process	6,035	13,982	-	-	6,035	13,982
Goods in transit	16,395	27,016	-	-	16,395	27,016
Total	<u>326,214</u>	<u>334,072</u>	<u>(22,316)</u>	<u>(18,547)</u>	<u>303,898</u>	<u>315,525</u>

During the current year, the Company reduced cost of inventories by Baht 3.8 million (2016: Baht 3.4 million), to reflect the net realisable value. This was included in cost of sales.

12. Current Investments

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	31 December 2017		31 December 2016	
	Cost	Fair value	Cost	Fair value
Trading securities – ordinary shares	353	361	353	326
Unrealised gain (loss) from change in fair value of investments	8		(27)	
Investments in trading securities – net	<u>361</u>		<u>326</u>	

During the year 2017, the Company sold trading securities with book value totaling Baht 5.0 million (2016: Baht 76 million) and recognised gain (after tax) on sale amounting to Baht 1.8 million (2016: recognised gain (after tax) by Baht 0.9 million) in profit or loss.

13. Other current assets

Allowance for impairment loss on other current assets amounted to Baht 0.21 million as of 31 December 2017 (2016: Baht 0.19 million).

14. Long-term loans to unrelated person and party

(Unit: Million Baht)

	Consolidated / Separate financial statements	
	2017	2016
Long-term loans to unrelated person and party	38,275	25,000
Less: Current portion	<u>(9,600)</u>	<u>–</u>
Long-term loans to unrelated person and party – net of current portion	<u>28,675</u>	<u>25,000</u>

The Company had long-term loans to unrelated person and party which carried interest at a rate of 15% per annum (2016: 15% per annum). The long-term loans will be due within September 2020 (2016: within May 2019).

15. Investments in joint venture

15.1 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 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%				
			49	49	3,563	3,563	343	2,332

(Unit: Thousand Baht)

Joint venture's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2017	31 December 2016	31 December 2017	31 December 2016
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%		
			49	49	3,563	3,563

15.2 Share of loss from investments in joint venture

During the years, the Company 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	
	2017	2016
Karmarts Vietnam Company Limited	1,806	1,192

15.3 Summary financial information about material joint venture

Financial information of the joint venture is summarised below.

Summary financial position

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2017	2016
Cash and cash equivalent	3	2
Other current assets	5	5
Non-current assets	1	2
Current liabilities	(6)	(4)
Net assets	3	5
Shareholding percentage	49	49
Share of net assets	1	2
Elimination entries	(1)	-
Carrying amounts of joint venture based on equity method	-	2

Comprehensive income summary for the year ended 31 December 2017 and 2016 is summarised below.

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2017	2016
Revenue	11	6
Loss	(2)	(2)
Other comprehensive income	-	-
Total comprehensive income	(2)	(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. And the Company has not yet paid any investments in that company up to the present.

As at 31 December 2017, the Company had commitments amounting to USD 98,000 in respect of the unpaid shares in Karmarts Vietnam Company Limited (2016: USD 98,000).

16. Investments in associate

16.1 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 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
The Iconic Property Company Limited	Properties development	Thailand	%	%				
			33.33	33.33	71,030	71,030	63,042	70,014

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2017	31 December 2016	31 December 2017	31 December 2016
The Iconic Property Company Limited	properties development	Thailand	%	%		
			33.33	33.33	71,030	71,030

On 21 March 2016, 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.

16.2 Share of loss from investments in associate

During the years, the Company 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	
	2017	2016
The Iconic Property Company Limited and its subsidiaries	6,972	654



16.3 Summary financial information about material associates

Summary financial information of the associated company is presented below.

(Unit: Million Baht)

	The Iconic Property Company Limited and its subsidiaries	
	2017	2016
Current assets	90	–
Non-current assets	294	375
Current liabilities	(195)	(165)
Net assets	189	210
Shareholding percentage	33.33	33.33
Share of net assets	63	70
Elimination entries	–	–
Carrying amounts of associate based on equity method	63	70

Comprehensive income summary for the year ended 31 December 2017 and 2016 is summarized below.

(Unit: Million Baht)

	The Iconic Property Company Limited and its subsidiaries	
	2017	2016
Revenue	–	–
Loss	(21)	(2)
Other comprehensive income	–	–
Total comprehensive income	(21)	(2)

17. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up share capital		Shareholding percentage		Separate financial statements	
					Cost Method	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	(Million Baht)	(Million Baht)	(%)	(%)		
J KOS Laboratories Company Limited	5.50	3.25	70.00	70.00	4,000	2,500

During the second quarter of 2016, the Company sold its investment in My Bus Company Limited (a subsidiary) to a third party of 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 0.43 million, resulting in gain incurred from sale of investment in subsidiary of Baht 0.61 million as presented in the consolidated profit or loss (separate profit or loss: gain of Baht 0.43 million). As a result of the transaction, My Bus Company Limited was no longer the subsidiary of the Company.

As at 31 December 2017, the Company had commitments amounting to approximately Baht 3.0 million in respect of the unpaid shares in J KOS Laboratories Company Limited (2016: Baht 4.5 million).

On 22 November 2017, the Company entered into the Memorandum of Agreement to buy and sell 800,000 common shares of Ruenrom Food and Beverage Co., Ltd., (or 80% of the total 1,000,000 issued and paid-up shares), and agreed to place the deposit of Baht 4 million with the seller. Up to the present, the Share Purchase Agreement and transfer of shares have not been arranged.

18 Investment properties

A reconciliation of the net book value of investment properties as at the beginning and end of the years 2017 and 2016 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements
	Properties used for warehouse service
Net book value at beginning of 2016	115,000
Net gain from a fair value adjustment	4,000
Net book value at end of 2016	119,000
Net loss from a fair value adjustment	(1,000)
Net book value at end of 2017	118,000

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. Key assumptions used in the valuation include discount rate, yield rate and rental rate.

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 2017	31 December 2016	
Discount rate (%)	15	15	Decrease in fair value
Yield rate (%)	12	12	Decrease in fair value
Rental rate per square meter per month (Baht)	115.5	115.5	Increase in fair value

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

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

19. 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	Assets under installation and construction in progress	Total
Cost/Revalued amount								
1 January 2016	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 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
Acquisitions	5,160	-	674	5,073	8,341	4,605	41,289	65,142
Transfer to inventories	-	-	-	-	-	(635)	(5)	(640)
Transfer to intangible assets	-	-	-	-	-	-	(1,555)	(1,555)
Disposal / write-off	-	-	-	(32)	(4,132)	(1,235)	(128)	(5,527)
Transfer in / transfer out	-	-	56,378	2,912	-	4,286	(63,576)	-
31 December 2017	131,372	256	136,549	56,137	41,975	41,947	9,271	417,507

Consolidated financial statements (continued)

(Unit: Thousand Baht)

[illegible]

Separate financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis						Total
		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								
1 January 2016	122,412	256	75,455	44,467	30,738	33,229	3,161	309,718
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 future development	(8,284)	-	-	-	-	-	-	(8,284)
Disposal / write-off	-	-	-	(29)	(3,735)	(1,751)	(76)	(5,591)
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
Acquisitions	5,160	-	674	4,683	8,341	4,605	41,289	64,752
Transfer to inventories	-	-	-	-	-	(635)	(5)	(640)
Transfer to intangible assets	-	-	-	-	-	-	(1,555)	(1,555)
Disposal / write-off	-	-	-	(32)	(4,132)	(1,235)	(128)	(5,527)
Transfer in / transfer out	-	-	56,378	2,912	-	4,286	(63,576)	-
31 December 2017	131,372	256	136,549	55,832	41,975	41,784	9,271	417,039

Separate financial statements (continued)

(Unit: Thousand Baht)

	Cost basis						
	Revaluation basis	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Machinery and Equipment under installation
	Land						Total
Accumulated depreciation							
1 January 2016	-	212	31,473	17,494	18,850	19,976	-
Depreciation for the year	-	10	4,582	8,447	6,210	4,885	-
Depreciation for disposals / write-off / transfer-out	-	-	-	(30)	(3,444)	(3,400)	-
31 December 2016	-	222	36,055	25,911	21,616	21,461	-
Depreciation for the year	-	10	4,821	8,810	5,279	5,340	-
Depreciation for disposals / write-off / transfer-out	-	-	-	(32)	(3,785)	(1,242)	-
31 December 2017	-	232	40,876	34,689	23,110	25,559	-
Net book value							
31 December 2016	126,212	34	43,442	22,358	16,150	13,302	33,246
31 December 2017	131,372	24	95,673	21,143	18,865	16,225	9,271
Depreciation for the year							
2016 (Baht 10.0 million included in cost of sales and services, and the remaining balance in selling and administrative expenses)							24,134
2017 (Baht 8.5 million included in cost of sales and services, and the remaining balance in selling and administrative expenses)							24,260

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 2017 would have been Baht 62.3 million (2016: Baht 57.1 million).

As at 31 December 2017, the Company had equipment and vehicles under finance lease agreements with net book value amounting to Baht 14.5 million (2016: Baht 9.8 million).

As at 31 December 2017, 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 66.2 million (The Company only: Baht 66.2 million) (2016: Baht 50.6 million, the Company only: Baht 50.6 million).

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.

20. Land awaiting future development

As at 31 December 2017 and 2016, the Company had land awaiting future development amounting to Baht 8.3 million. The Company 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.

21. Land awaiting future development

(Unit: Thousand Baht)

	Consolidated financial statements			
	Right to operate bus service	Computer software	Computer software under installation	Total
Cost				
1 January 2016	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 from disposal of investment in subsidiary	(14,885)	-	-	(14,885)
31 December 2016	-	18,927	303	19,230
Acquisitions	-	3,649	-	3,649
Transfer from equipment	-	1,555	-	1,555
Write-off	-	(119)	-	(119)
Transfer-in/transfer-out	-	83	(83)	-
31 December 2017	-	24,095	220	24,315
Accumulated amortisation				
1 January 2016	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 from disposal of investment in subsidiary	(11,498)	-	-	(11,498)
31 December 2016	-	9,245	-	9,245
Amortisation during the year	-	5,062	-	5,062
Amortisation of write-off	-	(82)	-	(82)
31 December 2017	-	14,225	-	14,225
Allowance for impairment loss				
1 January 2016	2,687	-	-	2,687
Decrease from disposal of investment in subsidiary	(2,687)	-	-	(2,687)
31 December 2016	-	-	-	-
Impairment during the year	-	-	-	-
31 December 2017	-	-	-	-
Net book value				
31 December 2016	-	9,682	303	9,985
31 December 2017	-	9,870	220	10,090

(Unit: Thousand Baht)

	Separate financial statements		
	Computer software	Computer software under installation	Total
Cost			
1 January 2016	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
Acquisitions	3,649	–	3,649
Transfer from equipment	1,555	–	1,555
Write-off	(119)	–	(119)
Transfer-in/transfer-out	83	(83)	–
31 December 2017	24,095	220	24,315
Accumulated amortisation			
1 January 2016	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
Amortisation during the year	5,062	–	5,062
Amortisation of write-off	(82)	–	(82)
31 December 2017	14,225	–	14,225
Net book value			
31 December 2016	9,682	303	9,985
31 December 2017	9,870	220	10,090

22. Bank overdrafts and short-term loans from banks

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated / Separate financial statements	
	2017	2016	2017	2016
Trust receipts	2.80% – 6.25%	3.44% – 4.56%	175,276	230,676
Short-term loans from banks	–	4.25%	–	30,000
			175,276	260,676

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

23. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade payables – related parties	469	446	1,473	1,976
Trade payables – unrelated parties	6,415	6,791	5,276	5,580
Other payables – related person and party	1,514	62	1,514	62
Other payables – unrelated parties	30,704	21,448	30,704	21,448
Accrued expenses – unrelated parties	63,850	56,737	63,768	56,657
Total trade and other payables	<u>102,952</u>	<u>85,484</u>	<u>102,735</u>	<u>85,723</u>

24. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2017	2016
Liabilities under finance lease agreements	11,951	9,860
Less: Deferred interest expenses	<u>(1,078)</u>	<u>(793)</u>
Total	10,873	9,067
Less: Portion due within one year	<u>(3,968)</u>	<u>(4,814)</u>
Liabilities under finance lease agreements – net of current portion	<u>6,905</u>	<u>4,253</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 2017		
	Less than 1 year	1–5 years	Total
Future minimum lease payments	4	8	12
Deferred interest expenses	<u>–</u>	<u>(1)</u>	<u>(1)</u>
Present value of future minimum lease payments	<u>4</u>	<u>7</u>	<u>11</u>



(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	–	(1)	(1)
Present value of future minimum lease payments	<u>5</u>	<u>4</u>	<u>9</u>

25. Long-term loans from financial institution

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated / Separate financial statements	
			2017	2016
1	4.5	Monthly principal and interest installment by Baht 1.49 million	80,000	–
Total			<u>80,000</u>	<u>–</u>
Less: Current portion			<u>(17,904)</u>	<u>–</u>
Long-term loans from financial institutions – net of current portion			<u>62,096</u>	<u>–</u>

A long-term loan of the Company under credit facilities of Baht 80 million, both principal and interest, is monthly repayable in 60 installments. The loan carries interest at a rate of 4.5% per annum. The loan is secured by the mortgage of the majority of the Company's land and construction thereon.

The loan agreement contains several covenants which, among other things, require the Company to maintain debt-to-equity ratio and debt service coverage ratio at the rate prescribed in the agreements.

26. 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	
	2017	2016
Provision for long-term employee benefits at beginning of year	13,043	11,132
Included in profit or loss:		
Current service cost	1,653	1,689
Interest cost	313	303
Benefits paid during the year	–	(81)
Actuarial (gain) loss arising from		
Demographic assumptions changes	282	–
Financial assumptions changes	409	–
Experience adjustments	352	–
Provision for long-term employee benefits at end of year	<u>16,052</u>	<u>13,043</u>

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2017	2016
Current service cost	1,653	1,689
Interest cost	313	303
Total expenses recognised in profit or loss	1,966	1,992
Line items in profit and loss under which such expenses are included		
Cost of sales	425	845
Selling and administrative expenses	1,541	1,147

The Company expects to pay long-term employee benefits within the next one year amounting to Baht 3.9 million (2016: Baht 2.9 million).

As at 31 December 2017, the weighted average duration of the liabilities for the long-term employee benefit obligation of the Company is 6.89 years (2016: 6.07 years).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated / Separate financial statements	
	2017	2016
Discount rate	1.96%	2.63%
Salary increase rate	6.00%	5.75%
Staff turnover rate	15% – 51%	5% – 30%

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2017 and 2016 are summarised below:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	Increase		Decrease	
	2017	2016	2017	2016
	1.00%	0.50%	1.00%	0.50%
Discount rate	(782)	(175)	879	411
Salary increase rate	1,049	424	(951)	(191)
Staff turnover rate	(844)	–	207	–



27. Income tax

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current income tax:				
Current income tax charge	73,553	51,129	73,127	51,129
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,315)	5,828	(2,315)	5,828
Income tax expenses reported in the income statement	<u>71,238</u>	<u>56,957</u>	<u>70,812</u>	<u>56,957</u>

The Company had the amounts of income tax relating to deferred tax on actuarial loss which were recorded in other comprehensive income for the year ended 31 December 2017 of Baht 0.2 million (2016: Nil)

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Accounting profit before tax	<u>353,642</u>	<u>320,153</u>	<u>359,415</u>	<u>326,547</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	70,728	64,031	71,883	65,309
Effects of:				
Non-deductible expenses	20	19,536	20	19,536
Tax exemption income	(2)	-	(2)	-
Additional deductible expenses allowed	(1,089)	(27,888)	(1,089)	(27,888)
Utilised tax loss during the year	(319)	-	-	-
Share of loss from investments in joint venture and associate	1,756	369	-	-
Tax effect of intercompany transactions	144	909	-	-
Total	<u>510</u>	<u>(7,074)</u>	<u>(1,071)</u>	<u>(8,352)</u>
Income tax expenses reported in the income statement	<u>71,238</u>	<u>56,957</u>	<u>70,812</u>	<u>56,957</u>

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	31 December 2017	31 December 2016
Deferred tax assets		
Allowance for doubtful accounts	784	1,475
Allowance for diminution in value of inventories	4,463	3,709
Allowance for asset impairment	–	99
Provision for long-term employee benefits	3,211	2,609
Total	<u>8,458</u>	<u>7,892</u>
Deferred tax liabilities		
Surplus of fair value from book value of investment properties	20,936	22,792
Surplus on revaluation of land	10,376	10,376
Surplus of fair value from book value of land and building transferred from investment properties	9,804	9,907
Total	<u>41,116</u>	<u>43,075</u>

As at 31 December 2016, the subsidiary had deductible temporary differences and unused tax losses totaling Baht 1.6 million (2017: Nil). No deferred tax assets had been recognised on these amounts as the subsidiary believed future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

As at 31 December 2016, the unused tax losses of subsidiary amounting to Baht 1.6 million (2017: Nil) will expire in 2021.



28. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Salaries and wages and other employee benefits	163,251	149,517	162,113	149,517
Depreciation	24,281	25,097	24,260	24,134
Amortisation	5,062	5,767	5,062	5,060
Reversal of allowance for doubtful accounts	(1,867)	(4,171)	(1,867)	(4,171)
Advertising and sales promotion expenses	264,394	267,141	264,394	267,141
Loss on cost reduction of inventories to net realisable value	3,769	3,416	3,769	3,416
Reversal of allowance for impairment of other assets	(475)	(2,356)	(475)	(2,356)
Rental expenses from operating lease agreements	8,776	8,845	8,776	8,845
Raw materials and consumables used	620,597	646,093	611,545	644,651
Purchase of goods	623,876	685,519	626,176	685,989
Changes in inventories of finished goods and work in process	(1,871)	85,830	(2,136)	85,776

29. Earnings per share

Basic earnings per share is calculated by dividing profit or loss for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the distribution of the stock dividend as discussed in Note 30 and Note 33. The number of ordinary shares of the prior period used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the number of shares as a result of the distribution of those stock dividends, as if the shares for such stock dividends had been issued at the beginning of the earliest period reported.

There is no disclosure of diluted earnings per share because during the current year, the exercises of rights offering under ESOP scheme were complete, as discussed in Note 32.

30. Share capital

On 27 April 2017, the Annual General Meeting of the shareholders passed the resolutions to approve the following matters:

1. To decrease the registered capital of the Company by cancelling the registered ordinary shares remained from the exercise of the issued warrants (KAMART-W) to subscribe the Company's ordinary shares of 431,191 ordinary shares with a par value of Baht 0.6 each, issued on 8 May 2013. The Company registered the capital reduction with the Ministry of Commerce on 4 May 2017.
2. To increase the registered capital from the previously registered capital of Baht 395.74 million to the newly registered capital of Baht 528 million by issuing an additional 220.43 million ordinary shares at a par value of Baht 0.60 each to support the stock dividends and offering of shares to director, management and/or employees of the Company. The Company registered the capital increase with the Ministry of Commerce on 5 May 2017.

On 26 May 2017, the Company paid stock dividend through issuance of 219.86 million ordinary shares at a par value of Baht 0.60 each or totaling Baht 131.91 million. The Company registered the increase in its paid up share capital from such stock dividend with the Ministry of Commerce on 6 June 2017.

During the second quarter of this year, the Company registered the increase in its paid up share capital from the exercise of ESOP scheme, as discussed in Note 32, totaling Baht 5.35 million with the Ministry of Commerce on 6 June 2017 (574,921 ordinary shares of Baht 0.60 each).

31. Revaluation surplus of assets

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

32. Share-based payment transactions

On 27 April 2017, the Annual General Meeting of the Company's shareholders passed a resolution to approve the offering of ordinary shares not over 584,921 shares to directors, management and/or employees of the Company under the ESOP scheme ("Scheme") within 3 months at an exercise price of Baht 2 per share.

The estimated fair value of each share option granted is Baht 7.3. This was calculated by applying the Black-Scholes-Merton formula. The model inputs were the share price at the price determination date of Baht 9.3 per share, exercise price of Baht 2 per share, expected volatility of 47.31% per annum, expected dividend yield of 2.26% per annum, contractual life of 6 months, and a risk-free interest rate of 1.40% per annum.

During the current period, directors, management and/or employees of the Company fully exercised their rights.

33. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
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
Total dividends for 2016		<u>184,678</u>	<u>0.28</u>
Final stock dividends for 2016	Annual General Meeting of the shareholders on 27 April 2017	131,913	0.20
Final dividends for 2016	Annual General Meeting of the shareholders on 27 April 2017	46,170	0.07
Interim dividends for 2017	Board of Directors' meeting on 12 May 2017	46,170	0.07
	Board of Directors' meeting on 11 August 2017	61,600	0.07
	Board of Directors' meeting on 13 November 2017	61,600	0.07
Total dividends for 2017		<u>347,453</u>	<u>0.48</u>

34. 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.

35. 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 2016, 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 property development business.

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 2017 and 2016, respectively.

(Unit: Thousand Baht)					
	Manufacture and distribution of consumer products segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Year ended 31 December 2017					
Revenue from external customers	1,472,805	20,757	1,493,562	-	1,493,562
Interest revenue	11,522	-	11,522	-	11,522
Interest expenses	(6,502)	-	(6,502)	-	(6,502)
Depreciation and amortisation	(29,343)	-	(29,343)	-	(29,343)
Reversal of allowance for doubtful accounts	1,867	-	1,867	-	1,867
Increase in allowance for reducing cost of inventories to net realisable value	(3,769)	-	(3,769)	-	(3,769)
Reversal of allowance for impairment loss of assets	475	-	475	-	475
Loss on revaluation of investment properties to fair value	-	(1,000)	(1,000)	-	(1,000)
Share of loss from investments in joint venture and associate	-	-	-	-	(8,778)
Income tax expenses	(67,171)	(4,067)	(71,238)	-	(71,238)
Segment profit	267,135	15,269	282,404	-	282,404
Segment total assets	1,228,948	118,000	1,346,948	-	1,346,948
Investments in joint venture and associate accounted for by the equity method	-	-	-	-	63,385
Additions to non-current assets other than financial instruments and deferred tax assets	35,765	(1,000)	34,765	-	34,765
Segment total liabilities	477,515	-	477,515	-	477,515

Year ended 31 December 2016	(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
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	(53,158)	-	(3,799)	(56,957)	-	(56,957)
Segment profit	243,999	-	19,197	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

Geographic information

The Company and its subsidiary 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 2017, the Company and its subsidiary have revenue from a group of major customers in the amount of Baht 347 million, arising from sales by the manufacture and distribution of consumer products segment (2016: Baht 406 million derived from a group of major customers, arising from sales by the manufacture and distribution of consumer products segment).

36. Commitment and contingent liabilities**36.1 Operating lease and service agreements commitments**

The Company and its subsidiary 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 are as follows.

(Unit: Million Baht)

	As at 31 December	
	2017	2016
Payable within:		
1 year	5.8	4.5
2 to 3 years	2.1	2.1

As at 31 December 2017 and 31 December 2016, future minimum lease receives of the Company expected under non-cancellable operating lease was as follows:

(Unit: Million Baht)

	As at 31 December	
	2017	2016
Receivable within:		
1 year	20.7	20.7
2 to 3 years	5.2	25.8

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

As at 31 December 2017, the Company had commitment in respect of purchases of finished goods of approximately Baht 0.3 million, USD 0.2 million and Yuan 1.3 million, respectively (2016: commitment in respect of purchases of finished goods of approximately Baht 0.4 million).



36.3 Guarantees

As at 31 December 2017 and 2016, 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 2017 and 2016, the Company had a guarantee commitment in respect of a bank guarantee provided on behalf of StarCom Co., Ltd. amounting to Baht 10 million.

37. Fair value hierarchy

As at 31 December 2017 and 2016, the Company and its subsidiary had the assets that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2017 Consolidated / Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investments on trading securities	361	–	–	361
Investment property	–	–	118,000	118,000
Land	–	131,372	–	131,372
Assets for which fair value are disclosed				
Short-term loans to related parties	–	47,707	–	47,707

(Unit: Thousand Baht)

	31 December 2016 Consolidated 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

38. Financial instruments

38.1 Financial risk management

The Company and its subsidiary's 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, short-term loans and long-term loan from. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiary are exposed to credit risk primarily with respect to trade accounts receivable, finance lease receivables, loans to and other receivables. The Company and its subsidiary 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.

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

Currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2017	2016	2017	2016	2017	2016
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	–	0.10	5.20	6.51	32.6809	35.8307
Yen	0.06	0.06	–	–	0.2898	0.3046
Yuan	–	0.17	0.10	–	5.0145	5.0831
EURO	–	–	0.01	–	39.0273	37.7558

As at 31 December 2017 and 2016, the Company and its subsidiary had no foreign exchange forward contracts outstanding.

Interest rate risk

The Company and its subsidiary's exposure to interest rate risk relates primarily to their cash at banks, loans to, bank overdrafts, short-term and long-term borrowings with interest bearing. However, since most of the Company and its subsidiary's 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 2017						
	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%	–	–	8	3	11
Trade and other receivables	–	–	–	–	344	344
Short-term loans to related party	1.50%	56	–	–	–	56
Short-term loans to unrelated person and parties	15.00%	18	–	–	–	18
Long-term loans to unrelated person and party	15.00%	10	28	–	–	38
		<u>84</u>	<u>28</u>	<u>8</u>	<u>347</u>	<u>467</u>
Financial liabilities						
Bank overdrafts and short-term loans from banks	2.80% – 6.25%	175	–	–	–	175
Trade and other payables	–	–	–	–	103	103
Liabilities under finance lease agreements	2.29% – 8.49%	4	7	–	–	11
Long-term loan from bank	4.5%	18	62	–	–	80
		<u>197</u>	<u>69</u>	<u>–</u>	<u>103</u>	<u>369</u>

(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 party	1.50%	54	–	–	–	54
Short-term loans to unrelated person and parties	15.00%	31	–	–	–	31
Long-term loans to unrelated person and party	15.00%	–	25	–	–	25
		<u>85</u>	<u>25</u>	<u>3</u>	<u>283</u>	<u>396</u>
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)

Separate financial statements as at 31 December 2017						
	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	3	6
Trade and other receivables	–	–	–	–	344	344
Short-term loans to related parties	1.50%	56	–	–	–	56
Short-term loans to unrelated persons and parties	15.00%	18	–	–	–	18
Long-term loans to unrelated persons and parties	15.00%	10	28	–	–	38
		<u>84</u>	<u>28</u>	<u>3</u>	<u>347</u>	<u>462</u>
Financial liabilities						
Bank overdrafts and short-term loans from banks	2.80% – 6.25%	175	–	–	–	175
Trade and other payables	–	–	–	–	103	103
Liabilities under finance lease agreements	2.29% – 8.49%	4	7	–	–	11
Long-term loan from bank	4.5%	18	62	–	–	80
		<u>197</u>	<u>69</u>	<u>–</u>	<u>103</u>	<u>369</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			
	(% p.a.)					
Financial Assets						
Cash and cash equivalents	0.37% - 1.10%	-	-	2	7	9
Trade and other receivables	-	-	-	-	276	276
Short-term loans to related party	1.50%	54	-	-	-	54
Short-term loans to unrelated person and parties	15.00%	31	-	-	-	31
Long-term loans to unrelated person and party	15.00%	-	25	-	-	25
		<u>85</u>	<u>25</u>	<u>2</u>	<u>283</u>	<u>395</u>
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
		<u>266</u>	<u>4</u>	<u>-</u>	<u>86</u>	<u>356</u>

38.2 Fair values of financial instruments

Since the majority of the Company and its subsidiary's 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 / separate financial statements			
		As at 31 December 2017		As at 31 December 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Short-term loans to related party		56	48	54	46

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

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, 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.
- b) For equity securities, their fair value is generally derived from quoted market prices.
- c) 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.
- d) For fixed rate long-term loans of which the interest approximate to the market rate, their carrying amounts in the statement of financial position approximate their fair value.

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

39. 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 2017, the Group's debt-to-equity ratio was 0.5:1 (2016: 0.5:1) and the Company's debt-to-equity ratio was 0.5:1 (2016: 0.5:1).

40. Events after the reporting period

On 27 February 2018, the Company's Board of Directors passed a resolution to propose that the Annual General Meeting of shareholders to be held on 27 April 2018 adopt the resolution to pay a total dividend payment by Baht 0.28 per share in respect of the operating result of 2017. The dividend payment is scheduled for 25 May 2018 and represents a year-end dividend of Baht 0.07 per share, inclusive of the interim dividend of Baht 0.21 per share, or a total of Baht 61.6 million. Such dividend will be paid and recorded after the payment is approved by the Annual General Meeting of the Company's shareholders.

On 4 January 2018, The Iconic Property Company Limited, an associate, entered into a Memorandum of Understanding with a listed unrelated company to sell its land with the total area of 2,121 square wah at a price of Baht 773 million. A deposit of Baht 20 million was made on 4 January 2018 to secure that the seller is to enter into the agreement to sell and to purchase land. Both parties are to enter into sale and purchase agreement whereby the Buyer is required to pay 25% of the total price within 27 March 2018. Transfer date of the land was scheduled and the remaining payment for land is to be settled within 27 November 2018. In the case the Buyer wishes to complete the transfer earlier than the scheduled date, the Seller agrees to do so.

41. 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 2018.