



# ANNUAL REPORT 2018

รายงานประจำปี 2561 บริษัท คาร์มาร์ท จำกัด (มหาชน) สิ้นสุดวันที่ 31 ธันวาคม 2561

2018

A N N U A L  
REPORT  
2018

รายงานประจำปี 2561  
บริษัท การบินฯ จำกัด (มหาชน)  
สิ้นสุดวันที่ 31 ธันวาคม 2561



## 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

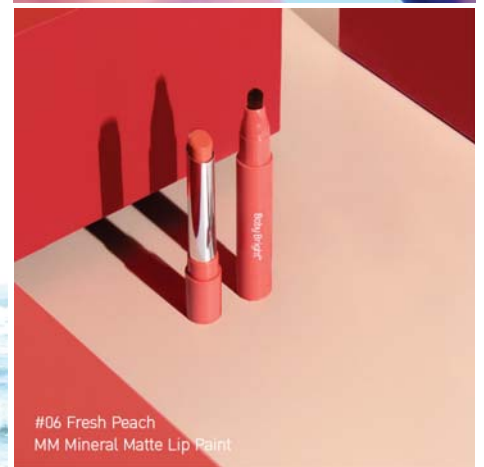


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KARMART

# COMPANY PROFILE

<b>Name</b>	Karmarts Public Company Limited
<b>Address</b>	<p><b>Office</b></p> <p>81-81/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160</p> <p>Tel. 0-2805-2756-60</p> <p>Fax. 0-2805-2751-2</p> <p><b>Factory and Warehouse</b></p> <p>140-140/1 Moo 4 Mapyangporn, Plugdang, Rayong 21140</p> <p>Tel. 038-891-811-15</p> <p>Fax. 038-891-821-22</p>
<b>Type of Business</b>	The distribution of consumer products and the provision of warehouse rental and warehouse services.
<b>Authorized share capital</b>	
<b>Common stock</b>	528,000,000 Baht
<b>Issued and Paid up</b>	527,998,810 Baht
<b>Incorporate</b>	May 11, 1982
<b>Registered as a public company</b>	March 18, 1994
<b>SET Listing</b>	October 31, 1994
<b>Registration No.</b>	0107537000823 (Old No. Plc. 329)
<b>Corporate Website</b>	www.karmarts.co.th
<b>E-commerce Website</b>	www.karmarts.com
<b>Share Registrar</b>	Thailand Securities Depository Company Limited The Stock Exchange Building
<b>Auditors</b>	Mr. Sophon Permsirivallop Certified Public Accountant No. 3182 EY Office Limited

## FINANCIAL HIGHLIGHTS

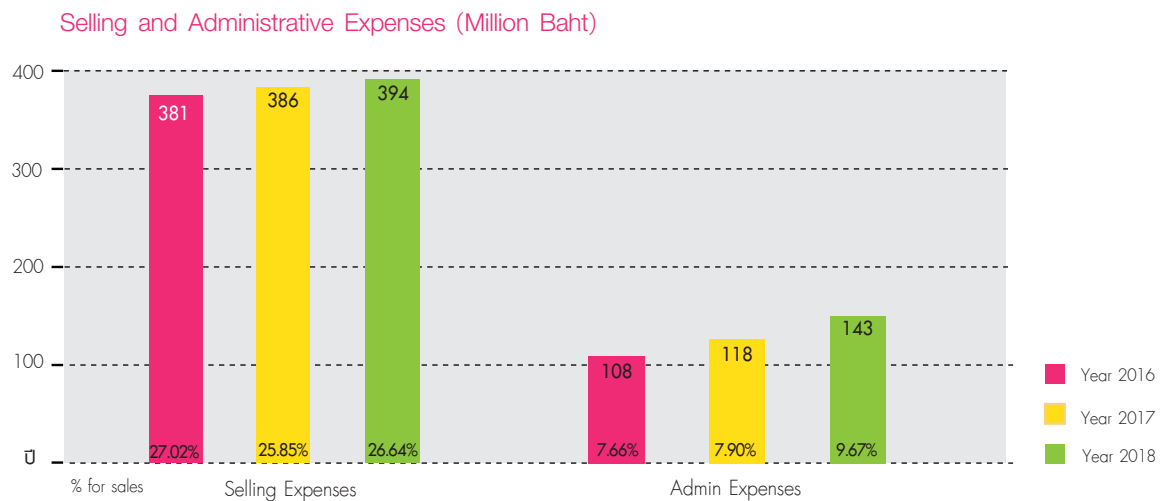
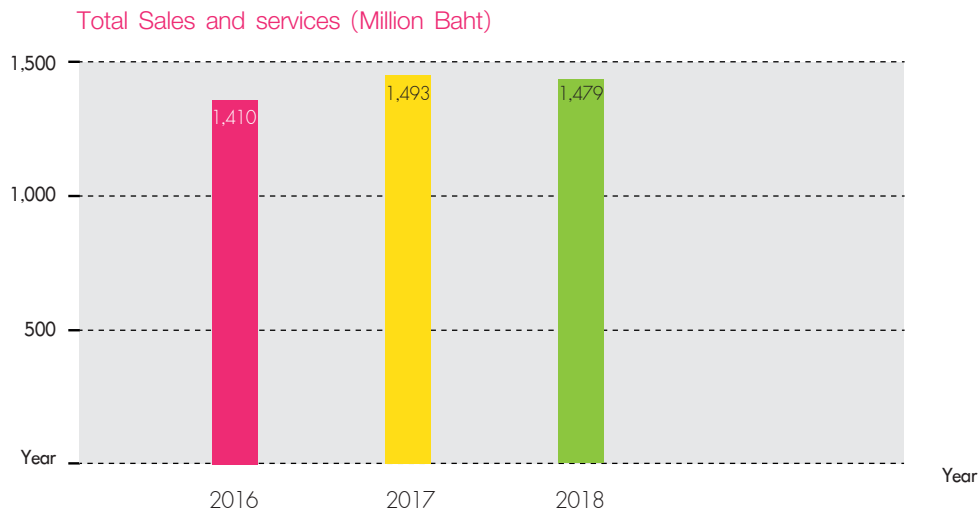
### KARMARTS PUBLIC COMPANY LIMITED

Financial Position and Operating results of year	Consolidated			The Company Only		
	2018	2017	2016	2018	2017	2016
<b>Financial Position (Thousand Baht)</b>						
Total Assets	1,545,271	1,346,948	1,235,969	1,426,996	1,355,845	1,240,114
Total Liabilities	559,171	477,515	438,478	568,007	476,818	438,662
Shareholders' Equity	986,100	869,433	797,491	858,989	879,027	801,452
<b>Operating Results (Thousand Baht)</b>						
Total Revenue	1,523,193	1,551,629	1,453,005	1,538,083	1,550,987	1,454,017
Total Sales and services	1,479,387	1,493,562	1,410,812	1,487,455	1,490,859	1,409,870
Gross Margin	792,015	820,195	781,601	778,752	814,977	781,720
Net Profit (Loss)	360,225	281,631	263,832	226,333	288,603	269,590
<b>Financial Ratio</b>						
Return on Assets (ROA) (%)	24.91	21.81	23.59	16.27	22.23	24.10
Return on Equity (ROE) (%)	38.95	33.83	34.82	26.04	34.35	35.52
Gross Margin (%)	53.54	54.92	55.49	52.35	54.66	55.45
Net Profit (Loss) (%)	24.35	18.86	18.71	15.22	19.36	19.12
Current Ratio (times)	1.68	2.27	1.89	1.65	2.25	1.89
Debt to Equity Ratio (times)	0.57	0.55	0.55	0.66	0.54	0.55
Book Value per share (Baht)	1.12	0.99	1.21	0.98	1.00	1.21
* Earnings per share (Baht)	0.41	0.32	0.40	0.26	0.33	0.41

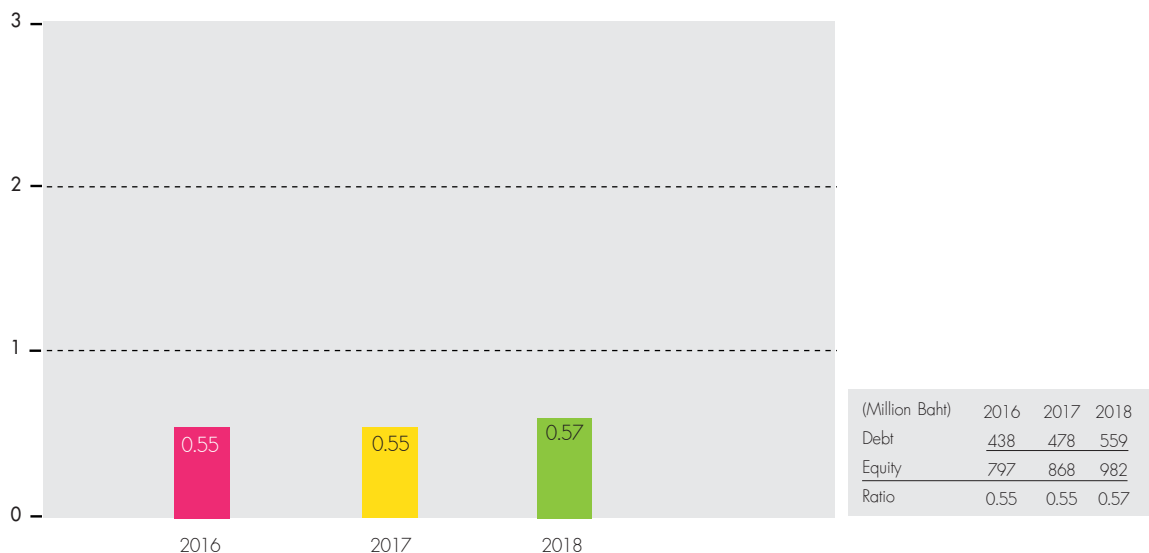
\* Note : Calculation is based on accounting standard by using weighted average number of ordinary shares issued during the year.

# KARMART

## KARMARTS PUBLIC COMPANY LIMITED OPERATING RESULTS YEAR 2016, 2017 AND 2018 (CONSOLIDATED)



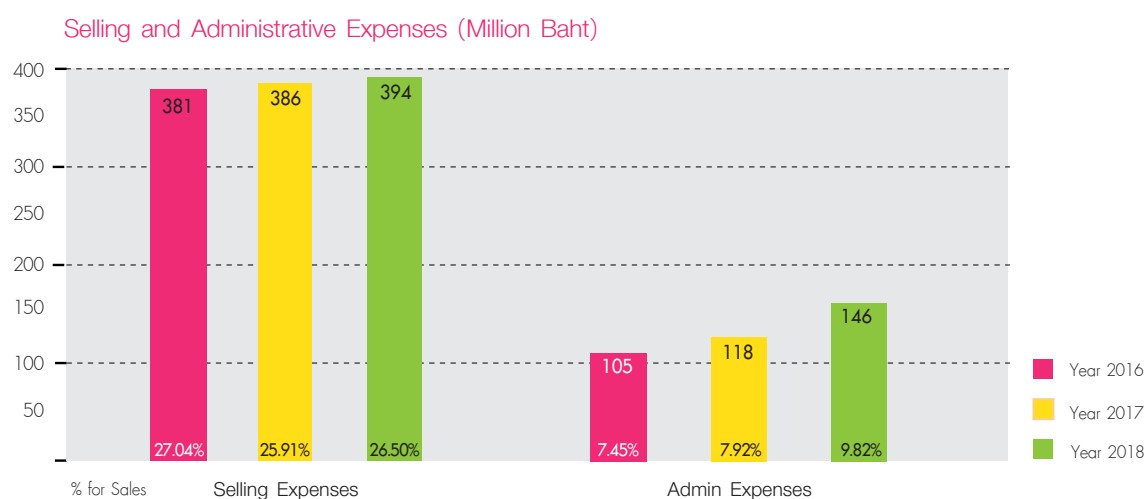
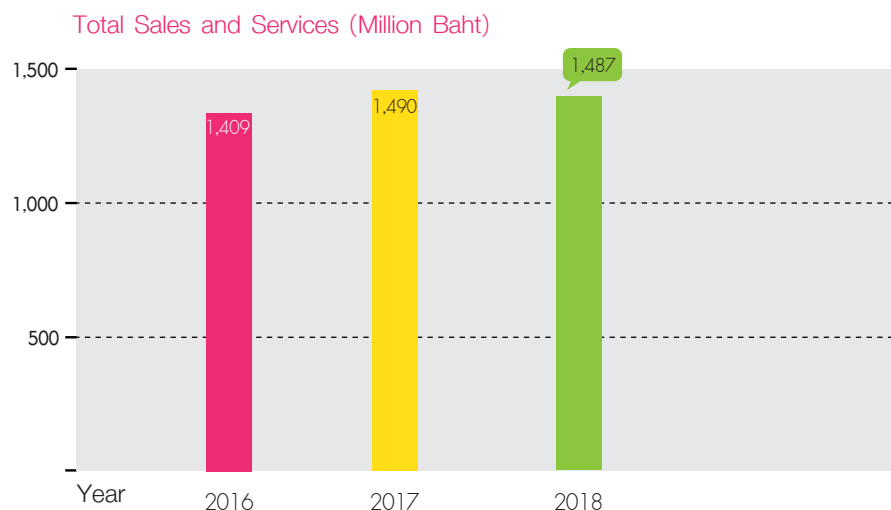
### Debt to Equity Ratio (Times)



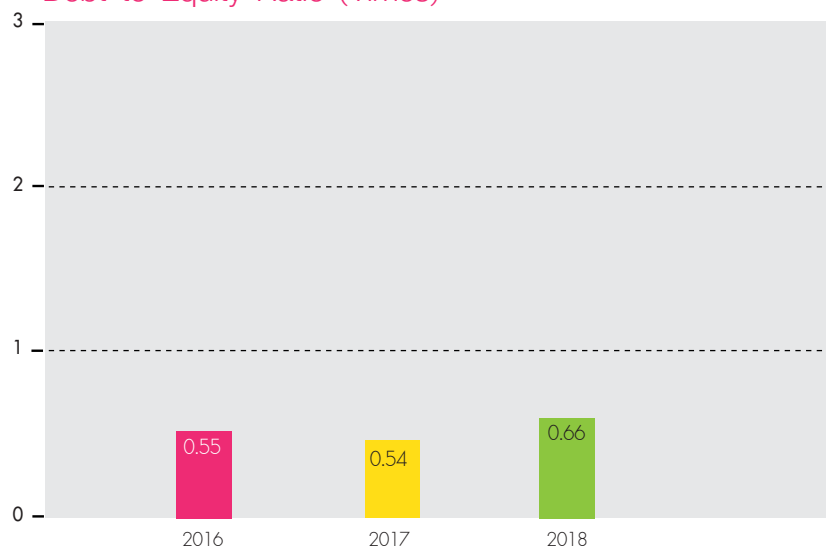


## KARMARTS PUBLIC COMPANY LIMITED

### OPERATING RESULTS YEAR 2016, 2017 AND 2018 (THE COMPANY ONLY)



### Debt to Equity Ratio (Times)



(Million Baht)	2016	2017	2018
Debt	438	477	568
Equity	801	879	859
Ratio	0.55	0.54	0.66

## BOARD OF DIRECTOR'S MESSAGE

Greetings to all shareholders. 2018 marked another year associated with continued deceleration of national consumption of consumer products and decline in prices of agricultural products such as rice, palm products, rubber, pineapple etc. The number of international tourists, especially those from China, also dropped significantly. Collectively, adverse aspects from international tourism and fall in domestic demand affected the overall economic growth of the country. Despite the suboptimal macro-economic factors, Karmart rode against the waves and successfully achieved relatively satisfactory turnover and net profits by adhering to our organisational philosophy and with our vision and mission in mind.

The past year is also the first year starting from which Karmart implemented a five-day work week and reduced the working hours and days to better cater to work-life balance of current staff force and meet existing demands from labour markets. The company expects to enhance the recruitment of management-level personnel in the long run through this change. As a transition, however, the shortened work-week has resulted in more downtime relating to sales activity and inevitably led to the inadequate fulfilment of targeted sales for the year.

The company had the opportunity to sell off assets by investing in a subsidiary company (The Iconic Property Company Limited) and sold approximately 5 Rais at the price of 750 million baht, a transaction through which the company received approximately 130 million baht as earnings after tax and the total net profit totaled 361 million baht. The total revenue of the year 2018 was 1,523 million baht.

Karmart still maintains a fair and constant dividend policy for the shareholders at the rate of 7 cents (satang) per share and the dividends are derived from cash flows from operation. The debt and equity ratio stands at 0.566 times, presenting a superior competitive edge as compared to what the market currently offers. Besides, the company also invested in the construction of one more headquarter and warehouse on an area of approximately 4750 square meters, a move which reinforces our continuous emphasis on production, along with investments in machines to support the plan of increasing production capacity to better manage supply chain. Expansion plans regarding packaging production and facility to reduce costs and enhance competitive advantages in the market are also in the pipeline.

On behalf of the Board of Directors, we are certain that the company will grow, achieve better accomplishments, create more sales and profits, maintain dividends and sustain low debt and equity ratio in the next year and beyond. We are honored to have been entrusted by and thankful to all employees, business partners and shareholders who placed faith in us and supported us throughout the years. In 2019, we will continue to place high emphasis on our vision to become "One of the leading branded beauty providers for everyone worldwide" and lead our stakeholders to greater heights.

Board of Directors  
Karmarts Public Company Limited

## INCOME STRUCTURE

The Company had the Consumer Products Sales in 2016 - 2018 as follow:

Product	2018		2017		2016	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>Consumer Products Sales Value</b>						
• Cosmetics						
Body care	221,738	14.99	270,304	18.13	251,553	17.84
Facial skin care and	326,916	22.10	373,147	25.03	424,512	30.11
Cosmetics	874,852	58.59	793,435	53.22	661,802	46.94
• Accessories	19,787	1.34	15,203	1.02	20,663	1.47
• Furnitures and marketing tools and other	21,791	1.47	17,217	1.15	40,400	2.87
• Supplomentarie	22,371	1.51	21,554	1.45	10,604	0.75
• Other	-	-	-	-	336	0.02
<b>Total Consumer Products Sales Value</b>	<b>1,487,455</b>	<b>100.00</b>	<b>1,490,860</b>	<b>100.00</b>	<b>1,409,870</b>	<b>100.00</b>
Service Income	-	-	-	-	-	-
Grand total Revenue	1,487,455	100.00	1,490,86	100.00	1,409,870	100.00
% increased (decreased)		0.23		5.74		21.14

## 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 Boya 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.
- 2018 Achieved modernized look by rebranding the Corporate logo and Karmarts shop to better serve consumers’ requirements.

# 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:

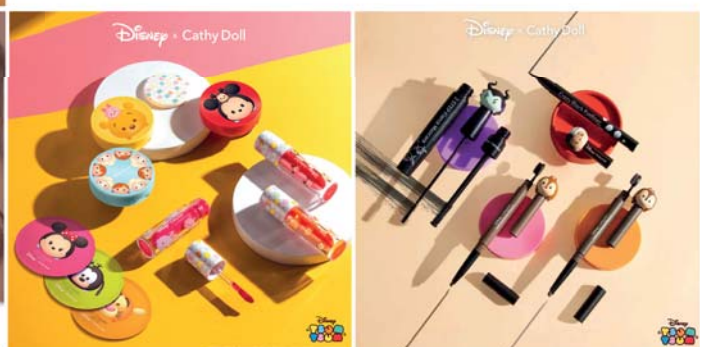


### 1. Cathy Doll : Just play it!

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

- Facial Care
- Body Care
- Makeup
- Beauty Accessories

In 2018, Cathy Doll rose to a higher level in the international beauty scene and collaborated with **Disney®**, a world-class brand to design and develop DISNEY X Cathy Doll TSUM TSUM makeup collection which received outstanding market response from across Asia and enhanced the company's standing on the international stage.



KARMART

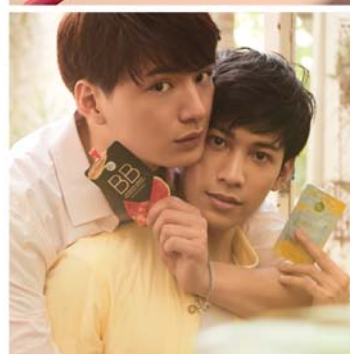
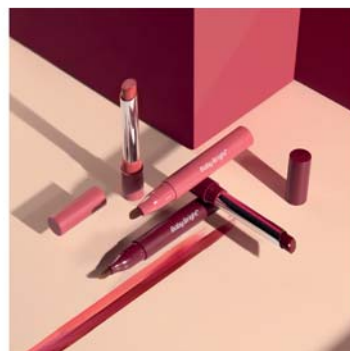
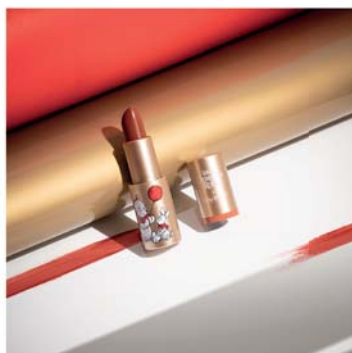
BABY  
BRIGHT

## 2. Baby Bright : Gift from Nature

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

- Facial Care
- Body Care
- Makeup
- Hair Care

In addition, BABY BRIGHT brand also collaborated with Disney® in 2018 to design and develop DISNEY x BABYBRIGHT Disney Winnie The Pooh makeup collection that successfully increased export sales in overseas markets during the brand's initial launch in several key channels outside Thailand.





### 3. Boya: Professional Care

The next level of professional care, Boya is the brand that responds to all hair and body nourishment needs, and creates inspiration for consumers to showcase beauty with confidence. The brand is also known and accepted for its quality and noticeable results which are suitable for all genders and ages. In addition, the ingredients which put into every product are exclusively 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-looking skin which enhances charisma, the brand offers product choices as follows:

- Facial Care
- Body Care



# Jejuvita

BEAUTY IS YUMMY

### 4. Jejuvita : Beauty is yummy

Nutritious food generally tastes plain and this gave rise to the creation of dietary supplement products which are perfect in terms of both nutrition and taste – Jejuvita. Inspired by healthy beauties from Korean girls 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: Everyday happiness

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

- 1.) Happiness of consumers
    - With exquisite designs and visible benefits, Reunrom sets out to delight consumers and deliver happiness with every use of the products.
  - 2.) Happiness in promoting Fair Price & Fair Trade
    - The happiness from contributing to Thai agriculturists, promoting fine 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 : Coloring your life

A professional makeup line offering immense varieties of colors, Crayon adds exclusive shine for every style. The brand is capable of transforming any plain Jane into chic and modern ladies in its most unique and professional way with ease as well as allowing consumers to be confident in every way while 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

## CATHY CHOO

Boutique fusion spa



### 7. Cathy Choo : Boutique Fusion Spa

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

- Body Care and Cleanser



### 8. 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 favored by the female population, the brand allows you to achieve the perfect look in your own unique style. In addition, 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 and it definitely could bring out the best version of any male as well as enhancing with a touch of Korean Oppas from Gangnam. The brand offers product choice as follows:

- Makeup

### 9. SKYNLAB

With premium quality in mind, SKYNLAB seeks to provide luxurious oral wellness and acne care targeted at sensitive skin. Product offerings under this brand are developed by industry experts who undergo scientific research to solve specific problems without engaging harmful substances which could cause irritation. The brand offers product choices as follows:

- Acne and Sensitive Skin Care
- Oral Care

## SKYNLAB+

DERMATOLOGIC LABORATORIES





# BERGAMO

## 10. BERGAMO

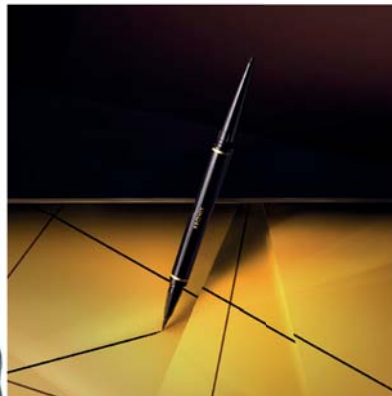
Representing the Secret of Oriental Beauty, Bergamo taps on the beauty of eastern philosophy and noble ingredients to develop and give rise to facial care products which are enriched with premium extracts from the authentic recipes of court ladies such as ginseng, exotic herbs, plants and various kinds of flowers to offer the ultimate radiance and beautiful complexion.

- Skin Care



Alongside the above-mentioned brands, KARMART also collaborates with notable beauty specialists such as makeup artists and hair stylists in Special Brand Projects to develop products, one of which is the distinguished brand “BROWIT by Nongchat” that delivers makeup exclusively for brows and eyes. The brand is jointly developed and associated with Mr. Chatchai Peangapichart who is also known as “Nongchat”, a Thai makeup artist who is vastly known for his amazing makeup skills and outstanding works for celebrities.

## BROWIT





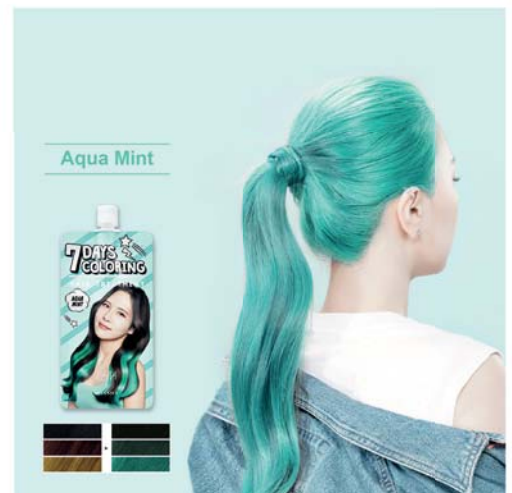
Another such project is HIVE PROFESSIONAL brand that was jointly launched with celebrities and professional grooming specialists to tailor to specific customer needs. HIVE PROFESSIONAL offers hair styling products and was launched in association with Kong — Krit Jirakiatwattana, a hair stylist and owner of HIVE SALON who is a well-known icon in the industry after having accumulated years of experience working with celebrities in the entertainment industry.



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 is currently operating 40 branches worldwide and acknowledged as “A brand known for quality first idea and its reasonable prices”.



MISSHA





## 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 AWARDS 2018

“Best of Makeup Base” by SUDSAPDA Magazine 2018  
from Cathy Doll Speed White  
CC Cream SPF50+ PA+++

### 2. BEAUTY AWARDS 2018

“Best of Powder” by SUDSAPDA Magazine 2018  
from Cathy Doll Oil Control Film Pact #Translucent

### 3. BEAUTY OF THE YEAR 2018

by HiSoParty Magazine 2018  
from Cathy Doll Speed White  
CC Cream SPF50+ PA+++

### 4. LISA BEAUTY CHOICE AWARDS 2018

“Best Primer” by LISA Magazine 2018  
from Cathy Doll Speed White  
CC Cream SPF50+ PA+++

### 5. LISA BEAUTY CHOICE AWARDS 2018

“Best Moisturizer for Whitening”  
by LISA Magazine 2018 from CATHY DOLL  
Ready 2 White White Boosting Cream

### 6. LISA BEAUTY CHOICE AWARDS 2018

“Best Cushion for Perfect Skin”  
by LISA Magazine 2018 from Baby Bright  
White Plankton Matte Cushion

### 7. C CHANNEL BEAUTY AWARDS 2018

“Best Tint for Cheek & Lips” by C Channel Magazine  
from Baby Bright Lip and Cheek Matte Tint

### 8. NUMERO THAILAND BEST BEAUTY BRANDS

Products 2018 – 2019

“Best Tint” from Baby Bright Lip and Cheek Matte Tint



## Other past awards

### 9. BEAUTY HALL OF FAME AWARD 2017

“Body Sunscreen” by CLEO (Thailand) Magazine from “Cathy Doll Aqua Sun Non-Greasy Body Sun Serum SPF50PA++”.

### 10. BEAUTY HALL OF FAME AWARD 2017

“After Sun” by CLEO (Thailand) Magazine from “Cathy Doll 99% Aloe Vera&Snail Serum Soothing Gel”

### 11. BEAUTY HALL OF FAME AWARD 2017

“Bronzer & Highlighting” by CLEO (Thailand) Magazine from “Cathy Doll Sculpting Highlighting & Shading cushion SPF50PA++”

### 12. BEAUTY HALL OF FAME AWARD 2017

“Lips” by CLEO (Thailand) Magazine from “Crayon My Runway Lipstick #5GG”

### 13. BEAUTY HALL OF FRAME 2017

“Foundation” by CLEO (Thailand) Magazine from “Missha Signature Real Complete BB Cream SPF25 PA++”

### 14. BEAUTY HALL OF FRAME 2017

“Shampoo for Damaged Hair” by CLEO (Thailand) Magazine from “Boya Coenzyme Q10 Shampoo”

# Numéro

### 15. NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018

“Best CC Cream” by Numero (Thailand) Magazine from “Cathy Doll CC Cream Speed White SPF50 PA++”

### 16. NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018

“Best Whitening Boosting Cream” by Numero (Thailand) Magazine from “Cathy doll Ready 2 White White Boosting Cream”

### 17. NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018

“Best Fierce Look Moisturizing Lipstick” by Numero (Thailand) Magazine from “Crayon My Runway Lipstick #5GG”

### 18. NUMERO THAILAND BEST BEAUTY BRANDS 2017-2018

“Best Nourishing Matte Cushion” by Numero (Thailand) Magazine from “Baby Bright White Plankton Matte Cushion”



## KARMART

## Other past awards

## 19. BEAUTY HALL OF FAME AWARD 2014

“Best Mask Under 50.-”

by CLEO (Thailand) Magazine

from “Cathy Doll Sweetie Recipe Mask”.

## 20. BEAUTY HALL OF FAME AWARD 2014

“Best Body Wash”

by CLEO (Thailand) Magazine

from “Cathy Doll Tofu Body Bath Cleanser”.

## 21. BEAUTY HALL OF FAME AWARD 2015

“Best CC in a Budget”

by CLEO (Thailand) Magazine

from “Cathy Doll Speed White CC Cream SPF50+ PA+++”.

## 22. “BEST PRESSED POWDER” AWARD

by Lemonade Magazine

from “Cathy Doll Speed White

CC Powder SPF40 PA+++”.

## 23. COSMO KISS BEAUTY AWARD 2015

“Best Lengthening & Volumizing Mascara”

by Cosmopolitan (Thailand) Magazine

from “Cathy Doll Mademoiselle Mascara”.

## 24. BEAUTY HALL OF FAME AWARD 2015

“Best High Cover Brush” by CLEO (Thailand) Magazine

from “Cathy Doll Intensive Dual Coverage Brush”.

## 25. 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”.

## 26. BEAUTY HALL OF FAME AWARD 2015

“Best Whitening Sunscreen” by CLEO (Thailand) Magazine

from “Cathy Doll L-Glutathione Magic Cream SPF50 PA+++”.



## Other past awards

### 27. GRAND WINNER FOR “PACKAGING AWARD DISTRIBUTION PACKAGING PRIZE”

by THAISTAR PACKAGING AWARDS 2015  
from “Cathy Doll No.1 Frink Series”.

### 28. GRAND WINNER FOR “PACKAGING AWARD DISTRIBUTION PACKAGING PRIZE”

by THAISTAR PACKAGING AWARDS 2015  
from packaging of “KARMART Treasure Box”.

### 29. BEAUTY HALL OF FAME AWARD 2016 “BEST CUSHION” BY CLEO (THAILAND) MAGAZINE

from “Cathy Doll AA Matte Powder Cushion Oil Control SPF50 PA+++”.

### 30. 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”.

### 31. BEAUTY HALL OF FAME AWARD 2016 “Best Eye – Eyeliner”

by CLEO (Thailand) Magazine  
from “Crayon 8 Sec-To-Dry Gel Liner # 06 Strawberry”.

### 32. LEMONADE READER AWARDS 2016 “BEST FACIAL CLEANSER”

by Lemonade Magazine  
from “Cathy Doll Ready 2 White 2in1 Bubble Mousse Cleanser”

### 33. LEMONADE READER AWARDS 2016 – “BEST BODY TREATMENT”

by Lemonade Magazine from  
“Cathy Doll Aloe Vera&Snail Serum Soothing Gel



## KARMART

## 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 retail megastores which focus on offering wide variety of products from moderate to high quality with affordable prices to the mass markets. In addition, KARMART's partners in this category include Tops, Home Fresh Mart, Gourmet Market, Food Hall, Tesco Lotus, Big C, Makro, etc.

- Specialty Store

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

Furthermore, KARMART also distributes products in pharmacies for special groups of customers such as the health-conscious market segment. Unique diet supplementary and pharmaceutical products are continuously selected to cater to this distribution channel.



- Catalogs

Focusing on general consumers, unique products well suited to the mass markets are selected for publication and sales via catalogs such as Friday Catalog, 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.

In addition, KARMART shops has 2 business models which are 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 analyzed by the company to offer management support for each and every franchisee. Sales operating system officer who possesses KARMART Shop management experience will be presented in each branch as well as providing technical store management support and ensure operations comply with the standards laid down by the company.

At present, there are a total of 66 KARMART shops nationwide, of which 28 branches are standalone or retail shops, and 32 branches are in department stores' beauty hall zone such as The Mall and Robinson. Moreover, KARMART plans to launch over 20 new branches in the form of standalone shops in department stores nationwide.

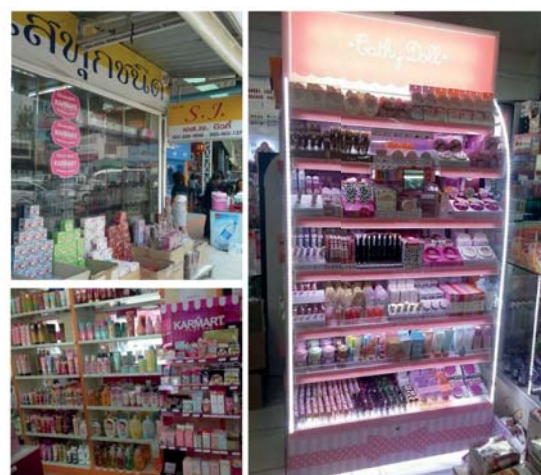


## 3) Traditional Trade or Dealer

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 800 and spread extensively across the country. The following are 2 main traditional trade distributors:

- Retailers: Cosmetic shop retailer and local supermarket, convenience store, pharmacies, hair salons, etc.
- Wholesalers: Cosmetic shop wholesaler and consumer products megastore, etc.



## KARMART

### 4. Export

Ventures into overseas export markets are carefully strategized following in-depth market analysis and the company 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. At present, KARMART has successfully secured 11 distributorships in overseas markets such as Singapore, Cambodia, Vietnam, Myanmar, China, Laos, Indonesia, the Philippines, United Arab Emirates, Bangladesh and India, while establishing joint ventures in China, Vietnam and Malaysia.



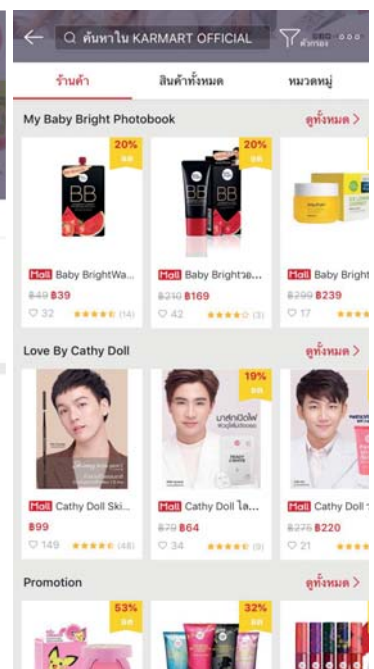
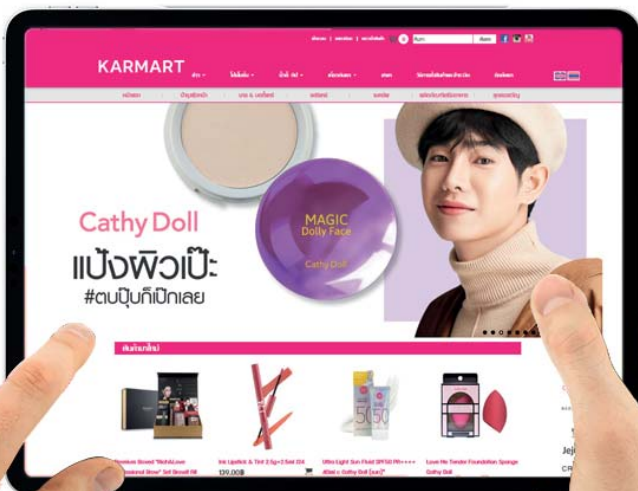
### 5. Online

Social Media is currently the most important tool influencing consumers' buying behavior, and KARMART ensures our marketing efforts successfully infiltrate the internet and tap on vast product information, thus enabling consumers 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 prompt responses to meet customer needs
- Ability to build and maintain positive relationship with customers as well as increasing brand loyalty

There are 2 types of online channels have been made available at the present:

- KARMART Online Store:
  - o [www.karmarts.com](http://www.karmarts.com)
  - 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 newspaper, 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 Magic Dolly Face Two Way Cake Powder



Cathy Doll #READY2WHITE White Boosting Cream



Baby Bright MM Mineral Matte Lip Paint



Cathy Doll CC cream ฝ้าขาว ฝ้าดำ ฝ้าแดง



Cathy Doll Speed White CC Cream with Gxod & 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 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+++

## KARMART

### 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

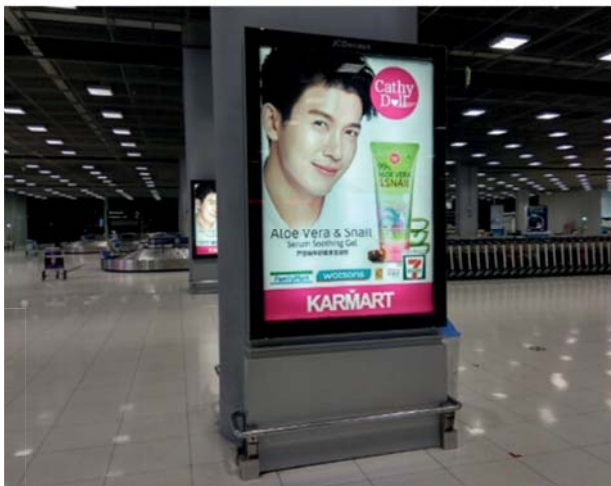
Billboards are big outdoor ad media typically found along expressways or any form of passageways and can attract attention from afar. An effective tool at building brand recognition, this media is widely available along main streets and most of the popular locations locally e.g. main road intersections, 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 working-age customers who are consistently exposed to digital ad media via smart phones on-the-go.









## KARMART

### • 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 and Twitter Post across the following platforms:

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



Facebook: Karmartsclub, Cathy Doll, Baby Bright, Jejuvita, Reunrom Spa Product, Crayon Cosmetics, Missha Thailand, Skynlab\_Official and Oppa Style  
Instagram: Karmartsclub, Babybrightclub, Jejuvita\_supplement, Reunrom.spaproduct, Crayoncosmetics, Misshathailand, cathydollclub, Skynlab\_Official, and oppastyleofficial

Website: www.karmarts.com, www.cathydolls.com

Youtube: KarmartsClub

Line Official: @KARMART

Twitter : Cathydollclub, SKYNLAB\_Official



www.karmarts.com

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



## 2. Marketing communication activities

2018 witnessed the showcase of many exceptional milestones of KAMART through events organized with the aim of better reaching out to KARMART supporters and the mass consumers, as well as enhance brand value and loyalty while boosting sales performance through promotions.

### 1. Playful Summer Yacht Party

Karmarts Public Company Limited organized a special private yacht trip to Sai Kaew Beach, Chonburi, on 5th May 2018 under the theme “Playful Summer on yacht with your favorite celebrity” with Cathy Doll’s presenters: “Boy – Pakorn Chatborirak”, “Jo – Kavinpat Thanahiransilp” and “Got – Jirayu Thantrakul”. All fans who participated enjoyed the special privilege of choosing which presenter they wish to team up with for various activities, thereby dividing themselves into 3 teams for each product category of Cathy Doll which are Team Boy: Sunscreen products (L-Glutathione Magic Cream, Aqua Sun Non-Greasy Body Serum, Aura Sun Crystal Body Sun Cream and Invisible Sun Protection), Team Jo: CC products (CC Cream SPF50 PA+++ and CC Powder Pact SPF40 PA+++ and Team Got: Blackheads and Whiteheads Cleansing products (Blackheads Cleansing White Clay Mask, Whiteheads Cleansing Black Clay Mask and Charcoal Nose Cleansing Strip). The summer party was a huge success as all fans made the most out of the season in the sun and it was certainly an unforgettable memory for all.



### 2. The debut of Pope – Tanawat as new presenter of Cathy Doll Ready2White White Boosting Cream

Karmarts Public Company Limited organized a successful launch of Cathy Doll Ready2White White Boosting Cream that taps on the innovative Nano Triple Encapsulation and 3 Powerful Boosts for Instant Whitening Effect while introducing for the first time heartthrob actor “Pope – Tanawat Wattanaputi” as the new product presenter. This event was attended by exclusive guests and celebrities, and took place at Fashion Hall on the 1<sup>st</sup> floor, Siam Paragon on 21<sup>st</sup> May 2018.



## KARMART

3. Iconic launch of Watermelon & Tomato Matte BB Cream, Ice Lemon Sherbet Whitening Gel and the exclusive Disney X Baby Bright Winnie The Pooh collection

The successful launch of Baby Bright new products witnessed the introduction of some of the town's hottest actors "Krist - Perawat Sangpotirat" and "Singto - Prachaya Ruangroj" as the new presenters of Watermelon & Tomato Matte BB Cream SPF45 PA++ which offers matte finish like no other as well as another signature product Pore-Shrinking Ice Lemon Sherbet White Gel. Furthermore, the exclusive Disney x Baby Bright Winnie The Pooh makeup collection was also successfully launched with a well-known Thai celebrity "Pitta - Pitta na Patalung" and a beauty blogger "Nook - Pannaporn Prasob" (@Ndmikkiholic) who participated in the event to share expertise on makeup trends with the notable Winnie The Pooh collection. The event which took place at Center Point of Siam Square on 26<sup>th</sup> March 2018 was also honored by the presence of business partners, well-known Thai celebrities and bloggers who graced the program with touches of beauty and glamour. .



4. "Heart-Fluttering Movie Date with Krist-Singto", the launch event of "My Baby Bright, Best Friend Forever" mini-series

Karmart organized an exclusive launch of "My Baby Bright, Best Friend Forever" mini-series on 27<sup>th</sup> May 2018 at Paragon Cineplex, Siam Paragon, and showcased special scenes out of public view from the hottest actors "Krist - Perawat Sangpotirat" and "Singto - Prachaya Ruangroj" who are the presenters of Watermelon & Tomato Matte BB Cream SPF45 PA++ and Pore-Shrinking Ice Lemon Sherbet White Gel. The event was attended by fans from across the country and marked a significant milestone in terms of Karmart's marketing campaigns..





5. Enhanced collaboration between Film – Thanapat as new presenter of Cathy Doll Speed White CC Cream  
Karmarts Public Company Limited organized a successful launch of Cathy Doll Speed White CC Cream or the legendary CC cream that guaranteed sales for over 20 million pieces and awarded by various institutes and debuted “Film – Thanapat Kawila”, the famous cast from drama TV series “The Fierce Wife 2018”, as the new presenter. This distinguished CC cream offers high coverage and oil control benefits and diminishes dullness while concealing pores for up to 12 hours. In addition, it also helps nourish the skin for improved radiance with Onsen mineral water and protects against sunlight with SPF50 PA+++. Furthermore, this item comes in 6 shades and perfectly meets the need of every skin tone.

The event was held and beautifully wrapped up on 27<sup>th</sup> August 2018 and took place on the 1st floor of Central Court Zone, CentralWorld, and was also honored by the presence of more than 100 business partners and well-known Thai celebrities.



#### 6. KARMART Asian Beauty Blogger Contest 2018

In line with KARMART's status as an international beauty provider, the Asian Beauty Blogger Contest was organized across 10 Asian countries, which are Malaysia, Indonesia, Taiwan, China, Singapore, Thailand, the Philippines, Vietnam, Laos, and Myanmar, 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. The proud winner of this contest was not only featured across international online platforms, but also won themselves prestigious product sponsorships and collaboration opportunities from KARMART which help promote the brand to a wider range of audience, especially beauty conscious market. The event was held on 27<sup>th</sup> August 2018 and took place at Central Court on the 1st floor, CentralWorld.





## KARMART



## 7. Magic Moment with Peck Palitchoke

The next impactful product launch relates to Cathy Doll Magic Dolly Face Two Way Cake Powder which unveils the secret to a miraculously youthful skin with renowned multi-talented artist “Peck – Palitchoke Ayanaputra” as the new presenter. This two-way foundation pact comes with ultra-fine powder to offer seamless coverage and protects the skin from infrared and UV rays 30 times better than most available in the market while delivering cooling sensations to the skin. This event was filled with love and joy coming from the support of an impressive number of fans which truly created magical moments. The event took place at Square A, CentralWorld on 24th September 2018.





8. Debut of “Mew - Nittha Jirayungyurn” as the new presenter of Baby Bright Color Lipsticks

The last blast of product launch for 2018 took place on 29<sup>th</sup> October 2018 at Central Court on G floor, CentralWorld, and glamorously presented the company’s presenter associated with Baby Bright brand Themed “BABY BRIGHT PRESENTS HEART OF THE OCEAN”, the debut event introduced “Mew - Nittha Jirayungyurn” as the presenter for Baby Bright’s lip makeup series as follow:



MM Mineral Matte Lip Paint: a mineral matte lipstick that comes with lipstick brush, Plankton Matte Cushion Lip and Moist Tint: 2-in-1 moist and matte lipstick that comes with cushion head in a single stick, along with Lip & Cheek Matte Tint and Lip & Eye Pearl Matte Tint: Matte Tint Lipstick that glides on easily to enhance the look of eyes, cheeks and lips.

The event was also graced by special guests “Krist – Perawat Seangpothirat & Singto – Prachaya Reungroj”, Baby Bright’s presenters for Watermelon & Tomato Matte BB Cream SPF45 PA++ and Pore-Shrinking Ice Lemon Sherbet White Gel, cast from “Love by Chance” TV series as well as business partners, bloggers, makeup artists and celebrities.

### 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 2018, KARMART engaged in multiple CSR activities to drive contribution and awareness towards the less fortunate in the society. The company contributed to 8 foundations with donations totaling approximately 1.4 million baht, and the beneficiaries are namely Rachawadee Home for Persons with Disabilities Protection and Development (for girls), Foundation For Rural Youth (FRY), The Foundation for the Deaf Under the Royal Patronage of Her Majesty the Queen, Bann Nontapum Foundation (Home for Children with Disabilities), World Vision Foundation of Thailand, Duang Prateep Foundation, Santisuk Foundation and Human Development Foundation.



## FUTURE PROJECTS AND PLANS

Here at KARMART, 2018 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 2019, the company shall strive to enhance the achievement of milestones laid out in our mission of expanding domestically and regionally to achieve our 4 visions 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 2018 and bring to our customers the most revolutionary experiences along with highest quality assurance.

- Expand product line

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

- Strengthen research and development

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



### 3) Enhance Brand Awareness and Brand Loyalty

With the implementation of a 360-degree pervasive marketing strategy, KARMART will further enhance brand awareness and brand accessibility by going Above the Line (ATL) as well as Below the Line (BTL). The basis which guided the strategy lies in the fact that the success or failure of a cosmetic product comes from consumers' confidence level, both in terms of brand image and product quality. Moving ahead, KARMART aims to invest more resources in strengthening brand recall/ brand recognition by choosing the right mix of advertising tools as well as timing and frequency. An appropriate mix of out-of-home medias and online medias that have significant impacts on consumer lifestyle and behavior, together with selection of the right brand endorsers that matches characteristics of KARMART brand we seek to 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 2019:

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



## Magic Dolly Face

Two Way Cake Powder SPF30 PA+++

แปปงฟิวเอ: #ตามจับก็เด้งเลย

## KARMART

### 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



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





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

## DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



**Mr. Wiwat Theekhakhirikul \***

**Age 66 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 204,083,788 Shares 23.191%**  
As at March 14, 2019



**Lt.Gen. Kobboon Vichit**

**Age 71 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, 2019



**Mr. Kraiwit Satayapiwat \***

**Age 62 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, 2019



**Mr. Prasit Dheeraratbongkot**

**Age 64 Year**

**Position**

Director and Audit Committee

**Educational Background**

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

**Number of Share 50,000 Shares 0.006%**  
As at March 14, 2019



**Puttithorn Jirayus, PhD.**

**Age 43 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 0.003%**  
As at March 14, 2019



**Mr. Wongwiwat Theekhakhirikul \***

**Age 35 Year**

**Position**

Director and Assistant Managing Director – Management and Business Development

**Educational Background**

Bachelor's Degree of Engineering, Chulalongkorn University

**Number of Share 1,734,320 Shares 0.197%**  
As at March 14, 2019



**Mr. Parit Teekakirikul**

**Age 36 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 33,025,200 Shares 3.753%**

As at March 14, 2019



**Mr. Seah Sin Loo**

**Age 68 Year**

**Position**

Director

**Educational Background**

Secondary

**Number of Share 25,200 Shares 0.003%**

As at March 14, 2019



**Mrs. Tussanee Auncharoen**

**Age 58 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 0.030%**

As at March 14, 2019



**Mr. Suphachaet Ngamwongvechakul**

**Age 51 Year**

**Position**

Deputy Managing Director of Sales and Marketing

**Educational Background**

Master of Business Administration of University  
of Wollongong  
Bachelor's Degree of Business Administration  
of Assumption University

**Number of Share -**

As at March 14, 2019



**Ms. Chonthida Theekhakhirikul**

**Age 37 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 0.045%**

As at March 14, 2019



**Ms. Suwannee Tharacheevin**

**Age 54 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 0.003%**

As at March 14, 2019



**Mrs. Aunruen Arunvisavakul**

**Age 59 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 0.003%**  
As at March 14, 2019



**Mr. Phawat Chalermphongjatuporn**

**Age 55 Year**

**Position**

Assistant Managing Director – Sales Operation

**Educational Background**

Bachelor's Degree of Political Science ,  
Ramkhamhaeng University

**Number of Share –**  
As at March 14, 2019



**Mr. Sakon Panichsereewong**

**Age 44 Year**

**Position**

Assistant Managing Director – Marketing

**Educational Background**

Master of Management – College of  
Management Mahidol University  
Bachelor's Degree of Business Administration  
Kasetsart University

**Number of Share –**  
As at March 14, 2019



**Mr. Pongwiwat Theekhakhirikul**

**Age 34 Year**

**Position**

Assistant Managing Director – Marketing  
and Product Development

**Educational Background**

Bachelor's Degree of Architecture,  
Chulalongkorn University

**Number of Share 555,600 Shares 0.063%**  
As at March 14, 2019



**Mrs. Somsri Viriya**

**Age 50 Year**

**Position**

Accounting Director

**Educational Background**

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

**Number of Share 19,200 Shares 0.002%**  
As at March 14, 2019



**Mr. Satjapong Yongskulrote**

**Age 35 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, 2019





**Ms. Wei Xiuqing**

**Age 34 Year**

**Position**

Business Development Director –  
China Region

**Educational Background**

Business IT and Law,  
Nanyang Technological University

**Number of Share –**

As at March 14, 2019



**Miss Nattanan Muansing**

**Age 35 Year**

**Position**

Sales Operation Director – Modern Trade

**Educational Background**

Bachelor'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, 2019



**Miss Suchaya Dadsanthia**

**Age 41 Year**

**Position**

Sales and Operation Director – Traditional Trade

**Educational Background**

Master of Business Administration  
Ramkhamhaeng University  
Bachelor's Degree of Mass Communication  
Ramkhamhaeng University

**Number of Share –**

As at March 14, 2019



**Miss Noppajan Norani**

**Age 35 Year**

**Position**

Marketing Director

**Educational Background**

Bachelor's Degree, Faculty of Law,  
Thammasat University

**Number of Share –**

As at March 14, 2019

## 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 2018 and 2017 was around USD 4, 5 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, 2018 was USD 4.01 million with an average exchange rate of 32.4498 Baht/USD. (2017 : USD 5.20 million with an average exchange rate of 32.6809 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. 39.1: 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 2018 and 2017, the company has an average inventory of 26.73% and 22.64% of all assets respectively and has an average selling period of 129 days.

The company reserves devaluation of inventory aged between 1– 3 years of Baht 13 million and another Baht 22 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

As 31 December 2018 an acquisition of goods and services Baht 43 million, under normal commercial terms and conditions trade and other receivables – related persons and parties Baht 33 million, Interest income Baht 5 million, purchases of good Baht 6 million trade and other trade payables – related persons and parties Baht 2 million short-term loan from related Baht 100 million. The company and its subsidiaries had employee benefit expenses of their directors and management Baht 32 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

บุคคลที่เกี่ยวข้องกับ	At March 14, 2018		Subsidiary		Associates		Subsidiary of the Associate		Joint venture		Related Company									
	Karmarts Public Company Limited		J Kos Laboratories Company Limited		The Ionic Property Company Limited		The Ionic Property Phekkaram, Bangkok Condominium, The Ionic Property Chan Sant Wong13		Karmarts Vietnam		Chaiboon Intertrade Limited Partnership		Beatrium Company Limited		Ruenrom Food and Beverage Company Limited		The Ionic Property Aree		The Ionic Property Bangna	
	%Share	Position	%Share	Position	%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. "Theekhakhrikul" Group																				
2.1 Mr. Wiwat Theekhakhrikul	23.191	Director	-		-	Director	0.01	Director	-		-		-		-	Director	-		-	
2.2 Mr. Wongvivat Theekhakhrikul	0.197	Director	-	Director	-		-		-		-		-		-		-		-	
2.3 Mr. Pongvivat Theekhakhrikul	0.063		-		-		-		-		90.00	Partnership	-		-	Director	-		-	
2.4 Mr. Polkrit Theekhakhrikul	4.533		-		-		-		-		-		-		-		-		-	
2.5 Mr. Parit Teekakirikul	3.753	Director	-		33.33	Director	0.01	Director	-		-		-		-		16.67	Director	65.90	Director
2.6 Ms. Viamol Theekhakhrikul	4.083		-		-		-		-		-		-		-		-		-	
2.7 Ms. Narapan Theekhakhrikul	0.060		-		-		-		-		-		-	Director	-	Director	-		-	
2.8 Ms. Chonrada Theekhakhrikul	0.012		-		-		-		-		-		-	Director	-		-		-	
3. Mr. Kraivit Satavapiwat	0.003	Director	-	Director	-		-		-		-		-		-		-		-	
4. The Ionic Property Co.,Ltd.	-		-		-		99.97		-		-		-		-		-		-	
5. Other	64.104		30.00	Director	33.34	Director	0.01	Director	49.00	Director	10.00		-		-		83.33		34.10	
Total	100.000		100.00		100.00		100.00		100.00		100.00		-		-		100.00		100.00	

รณสจณ	Karmarts Public Company Limited		J Kos Laboratories Company Limited		The Ionic Property Company Limited		The Ionic Property Phekkaram, Bangkok Condominium, The Ionic Property Chan Sant Wong13		Karmarts Vietnam		Chaiboon Intertrade Limited Partnership		Beatrium Company Limited		Ruenrom Food and Beverage Company Limited		The Ionic Property Aree		The Ionic Property Bangna	
	CEO		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>	
	Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD		Director <sup>A</sup>		MD	
1. Mr. Wiwat Theekhakhrirul	✓				✓		✓													
2. Mr. Wongvivat Theekhakhrirul	✓		✓									✓								
3. Mr. Pongvivat Theekhakhrirul				✓																
4. Mr. Krawit Satayapivat	✓																			
5 Mr. Parit Teekakirikul					✓		✓											✓		

Remark: Director<sup>A</sup> 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	315,861,574	35.893
Mr. Wiwat Theekhakhirikul	204,083,788	23.191
Mr. Polkrit Teekhakirikul	39,893,333	4.533
Ms. Woramol Teekhakirikul	35,933,333	4.083
Mr. Parit Theekhakhirikul	33,025,200	3.753
Mr. Wongwiwat Theekhakhirikul	1,734,320	0.197
Mr. Pongwiwat Theekhakhirikul	555,600	0.063
Ms. Narapan Theekhakhirikul	530,000	0.060
Ms. Chonrada Theekhakhirikul	106,000	0.012
2. UBS AG SINGAPORE BRANCH	54,366,400	6.178
3. Mrs. Jarunee Chinwongvorakul	27,201,000	3.091
4. Mr. Prasert Virasathienpornkul	25,909,500	2.944
5. Mr. Aekkarith Aeksamith	25,009,333	2.842
6. Mr. Thammarith Aeksamith	24,638,000	2.800
7. Thai NVDR Co., Ltd	18,183,527	2.066
8. PHILLIP SECURITIES PTE LTD.	16,133,333	1.833
9. Mr. Pramote Pasawong	15,878,400	1.804
10. Mr. Chalermdech Leewongcharoen	15,264,666	1.735
11. Other	341,552,283	38.813
<b>Total</b>	<b>879,998,016</b>	<b>100.000</b>

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, 2019 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.

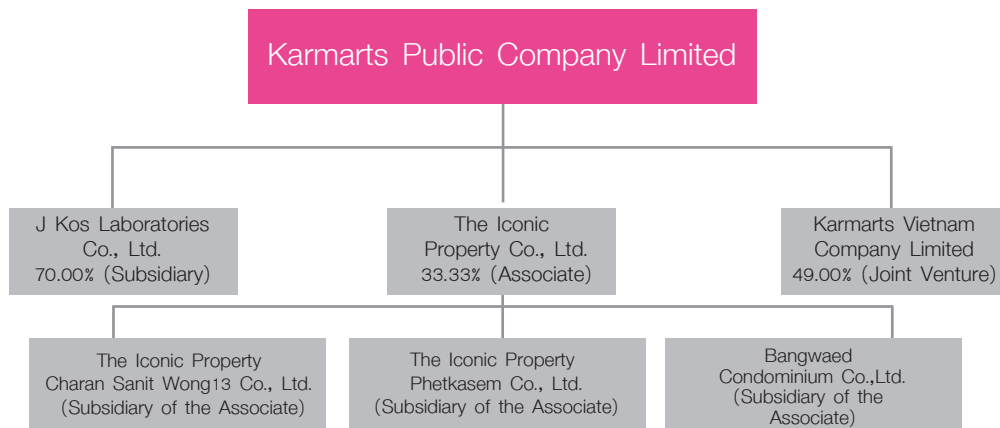
During the second quarter of this year, the Company registered the increase in its paid up share capital from the exercise of ESOP scheme with the Ministry of Commerce on 6 June 2017 (574,921 ordinary shares of Baht 0.60 each).

## 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)
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	61,599	0.07
<b>Total dividends for 2017</b>		<b>347,452</b>	<b>0.48</b>
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	61,600	0.07
Interim dividends for 2018	Board of Directors' meeting on 14 May 2018	61,600	0.07
	Board of Directors' meeting on 9 August 2018	61,586	0.07
	Board of Directors' meeting on 14 November 2018	61,585	0.07
<b>Total dividends for 2018</b>		<b>246,371</b>	<b>0.28</b>

## 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
<b>J Kos Laboratories Co., Ltd.</b> 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	10,000,000	70.00%
<b>The Iconic Property Co., Ltd.</b> 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%
<b>Karmarts Vietnam Company Limited</b> 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.

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).

During the second quarter of current year additional investment Baht 3 million in full amount.



## 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. Mr. Suphachaet Ngamwongvechakul	-	-	-	/	-
11. Ms. Chonthida Theekhakhirikul	-	-	-	/	-
12. Ms. Suwannee Tharacheevin	-	-	-	/	/
13. Mrs. Aunruen Arunvisavakul	-	-	-	/	-
14. Mr. Phawat Chalermphongjaturporn	-	-	-	/	-
15. Mr. Sakon Panichereewong	-	-	-	/	-
16. Mr. Pongwiwat Theekhakhirikul	-	-	-	/	-
17. Mrs. Somsri Viriya	-	-	-	/	-
18. Mr. Satjapong Yongskulrote	-	-	-	/	-
19. Ms. Wei Xiuging	-	-	-	/	-
20. Ms. Nattanan Muansing	-	-	-	/	-
21. Ms Suchaya Dadsanthia	-	-	-	/	-
22. Ms. Noppajan Norani	-	-	-	/	-

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.

## KARMART

### 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	
	2018	2017
1. Mr. Wiwat Theekhakhirikul	80,000	100,000
2. Lt.Gen. Kobboon Vichit	220,000	210,000
3. Mr. Kraiwit Satayapiwat	40,000	50,000
4. Mr. Prasit Dheeraratbongkot	130,000	130,000
5. Puttithorn Jirayus, PhD	120,000	110,000
6. Mr. Parit Teekakirikul	40,000	50,000
7. Mr. Wongwiwat Theekhakhirikul	30,000	50,000
8. Mr. Seah Sin Loo	–	–
Total	660,000	700,000

The Board of Director's remuneration for the year 2018 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 2018 was Baht 32 million compared to previous year of Baht 31 million. The sums are in terms of salary, bonus, transportation expenses and employee benefits.

Others allowance for the Directors and Management team.

None.

## Good Corporate Governance Policies

### 1. Report on Good Corporate Governance

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

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

### 2. Shareholders Rights

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

### 3. Stakeholders Rights

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

### 4. Shareholders' Meetings

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

### 5. Leadership and Vision

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



## 6. Conflicts of interest

To 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 2018 the Board held 4 regular meetings as following detail.

Name	Board of Audit Committee	Board of Director			Remark
		Ordinary Meeting	Extra Ordinary Meeting	Total	
1. Mr. Wiwat Theekhakhirikul	–	4/4	–	4/4	
2. Lt.Gen. Kobbsoon Vichit*	9/9	4/4	–	4/4	
3. Mr. Kraiwit Satayapiwat	–	4/4	–	4/4	
4. Mr. Prasit Dheeraratbongkot*	9/9	4/4	–	4/4	
5. Puttithorn Jirayus, PhD*	8/9	4/4	–	4/4	
6. Mr. Parit Teekakirikul	–	4/4	–	4/4	
7. Mr. Wongwiwat Theekhakhirikul	–	3/4	–	3/4	
8. Mr. Seah Sin Loo	–	–/4	–	–/4	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 2018 for nine 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](http://www.karmarts.co.th).

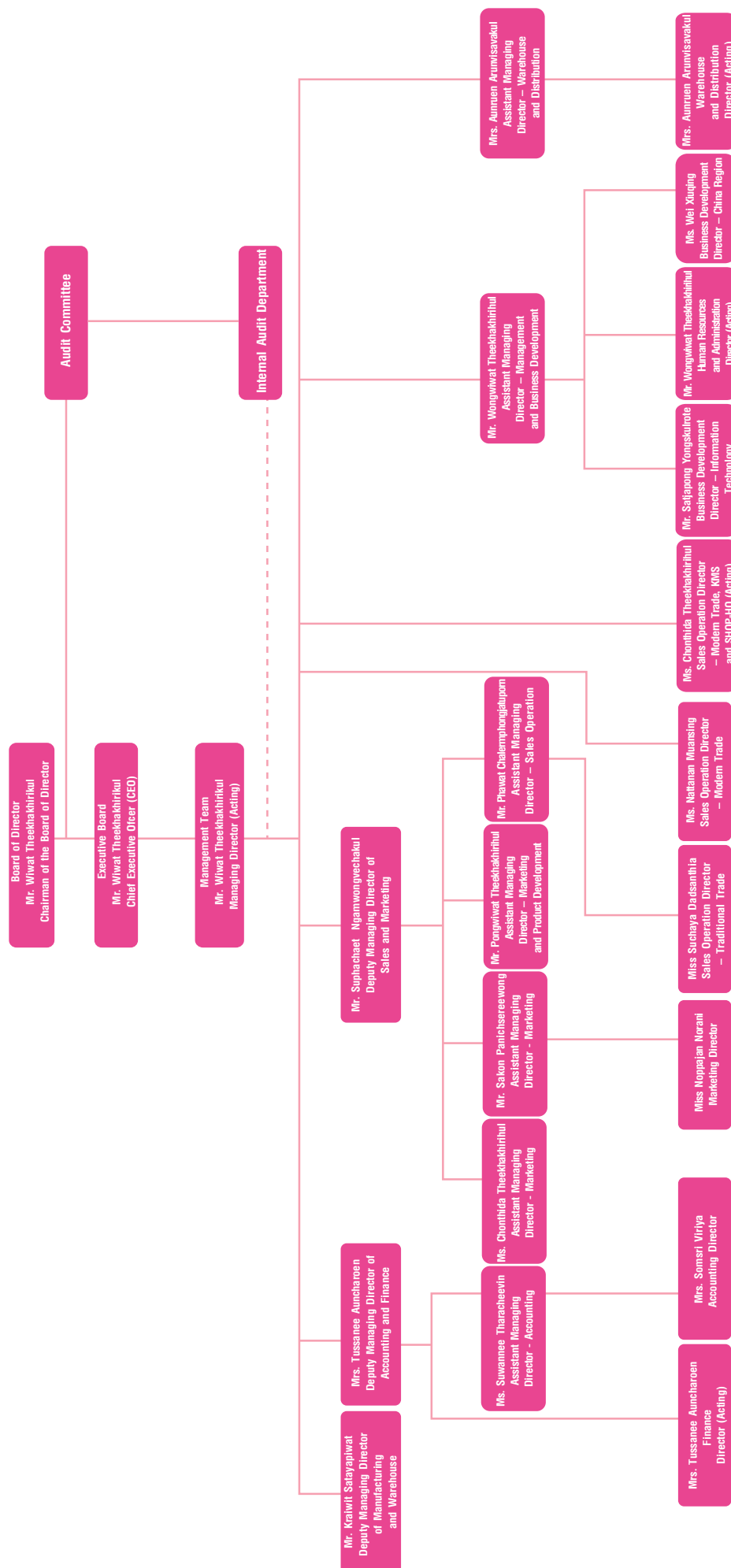
## Assessing the Internal Information

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 2018

Dear : Shareholders of Karmats Public Company Limited,

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

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

with Mrs. Suphamas Sirasasithorn (Internal Audit Manager) assuming position as secretary to the Audit Committee. The Audit Committee members had carried out their duties according to the Audit Committee Charter, complying with the rules and regulations of the Securities and Exchange Commission Thailand (SEC) and Stock Exchange of Thailand (SET), in order to ensure good corporate governance and efficiency in the Internal Audit Process which resulted in achieving highest benefit for the shareholders and overseeing that the management carried out their duties ethically and with honesty. The summary of the key duties carried out in 2018 are as follow:

1. Review of financial statements – The Audit Committee has reviewed the accuracy, completeness and reliability of the financial statements and the consolidated financial statements of the company and its subsidiaries both quarterly and yearly for 2018 which has, in entirety, been reviewed and audited by the auditor of the company. The accounting executives had regular and prompt joint discussions with the Auditor in terms of the accuracy of the financial statements and adjustment of key accounting issues which might have an impact on the consolidated financial statements to ensure the accounting system and financial reports are prepared in accordance with generally accepted accounting principles and disclosed in timely manner.

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

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

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

At present, the company has taken the approach of The Committee of Sponsoring of the Tread way Commission (COSO) 2013 and applied internal controls in operation and administration. Following reviews of such internal controls, no significant error was detected. The Audit Committee is of the opinion that the company has in place a sufficient and appropriate system of internal controls.

3. Review of internal audit practices – The Audit Committee has examined performance of the internal audit department and ascertained compliance to the limits of performance rights and independence to perform duties and approved work plans. Manpower of the Audit Office was also studied to ensure efficiency leading to effective plans that cover all significant aspects. In 2018, 8 meetings were executed and 1 additional extraordinary meeting was held to consider such suggestions, including significant observations and comments from the Audit Committee which led to provision of useful suggestions to effectively prevent error that could affect the company, with which the Board of Directors and Executive Committee could better manage processes in timely manner within the fast changing business environment and comply with the regulations of SEC and SET. In conclusion, there were 9 meetings held in 2018 as shown in the following details:

- Meetings with the Executive Committee and Auditor Certified Public Accountant of EY Office Limited were executed 4 times
- Meetings with the Executive Committee on significant issues relevant to activities of the internal audit system were executed 4 times
- Meeting with the Auditor Certified Public Accountant of EY Office Limited was executed once

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

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


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

5. Review of internal control system – The Audit Committee accorded high priority to suggestions on internal control system and audit plan from external and internal audit managers. The company has approached and applied the regulations of The Committee of Sponsoring Organization of the Tread way Committee (COSO) 2013. The Audit Committee is of the opinion, based on above-mentioned point 1 to 4, that the company is appropriate, adequate and independent, thereby facilitating the achievement of all goals which relate to the process of accounting and finance reporting, the law and regulations of SEC and SET, the internal control systems and risk management and efficiency and effectiveness of corporate governance systems, and is expected to well accommodate the expected growth of the company in the future.

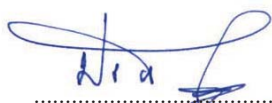
6. Appointment of Auditor – The Audit Committee has reviewed the qualifications of auditor and assessed the auditor's performance regularly in the past year. In view of satisfactory operational results, the audit committee decided to propose to the board of directors for the appointment of EY Office Limited to carry out the Auditor Certified Public Accountant for the company in 2019 accordingly. The appointment is subject to approval by the shareholders at the shareholder meeting.

7. Review of business transaction – The Audit Committee has inspected and reviewed the business transactions, and agreed on the matter that the decisions made by the Executive Committee were in order to ensure good corporate governance and the transactions were made according to the regulations of Terms and Conditions of Trade which are disclosed in the financial statements and footnotes. In addition, the audit committee has also reviewed and agreed that conflicts of interests were not present.

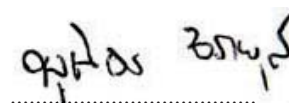
In conclusion, the audit committee of the company is of the opinion that The company has provided accurate, reliable financial statements according to financial accounting standards and disclosed in the notes of financial statements all necessary information according to the Accounting Professions Act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



(Lt.Gen. Kobboon Vichit)  
Chairman of 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, 2018

#### 1.1 Total revenues

During 2018, the Company had total revenues of Baht 1,523 million which consisted of;

- Baht 1,479 million on Sales which decreased by Baht 14 million or 0.94% from the previous year. The comprises of Baht 222 million on body care products, Baht 327 million on facial skin care products, Baht 866 million on cosmetics, Baht 20 million on accessories, Baht 22 million on furniture, marketing tools and other, Baht 22 million on food and beverage section.
- Income from warehouse rental and warehouse services amounted to Baht 20 million equal to last year
- Gain on fair value adjustment of investment properties amounted to Baht 4 million increased from the previous year by Baht 5 million
- Other incomes totaled of Baht 19 million, decreased from the previous year by Baht 18 million or 48.65% which comprises of interest of Baht 12 million, gain on currency exchange Baht 1 million, gain on security Baht 1 million, rent income Baht 1 million and others of Baht 4 million.

#### 1.2 Cost of sales, Selling and administrative Expenses

During the year 2018, The Total Expenses was Baht 1,225 million which comprises of;

- Cost of sales amounted to Baht 687 million which increased from the previous year by Baht 14 million or 2.08%. The cost of sales is directly proportional to the Sales Revenue. The gross profit margin was 53.54% 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 536 million which increased from the previous year by Baht 32 million or 6.35%, directly proportionate to the Company's business expansion. The selling expenses increased by Baht 8 million. The administration expenses increased by Baht 24 million due to the increase Baht 22 million for salary and employee benefit, increase Baht 4 million for utility and security expensed and license fee Baht 6 million.
- Financial cost of the Company on the interest expenses totaled of Baht 12 million which increased from the previous year by Baht 2 million or 20%
- Income tax expenses of Baht 51 million decreased from the previous year by Baht 20 million or 28.17%.

#### 1.3 Profit

During the year 2018, the Company had 24.35% net profit of sales which increased from the previous year 5.50% as the Company had share of gain (loss) from investments in joint venture and associate amounted Baht 127 million but selling expenses and administrative expenses increased from the previous year by Baht 32 million due to the employee benefit expenses, utility and security expenses and license fee.

#### 1.4 Rate of Return on Equity

The business operation profit during the year 2018 resulted in the rate of return on equity at 38.95% in the previous year 33.83%

### 2. Financial Status as at December 31, 2018.

#### 1. Assets

##### 1.1 Composition of Assets

The total assets at the year end 2018 was Baht 1,545 million which increased from the previous year by Baht 198 million or 14.70%.

1.1.1 Current Assets amounted to Baht 757 million, decreased by Baht 39 million or 4.90% from the previous year. The details are as follows;



- Cash and cash equivalents of Baht 8 million which decreased from the previous year by Baht 3 million because Net cash from operating activities increased Baht 231 million, net cash used in investing activities decreased Baht 26 million and net cash used in financing activities decreased Baht 208 million.
- Current investments amounted to Baht 10 million increased from the previous year by Baht 10 million or 100%
- Trade accounts receivable and other account receivable at Baht 345 million, increased from the previous year by Baht 1 million or 0.29% due to the Company had increased the sales in many channels, including added more modern trade accounts.
- Current portion of long-term loans to related party Baht 1 million increased from the previous year Baht 1 million 100% loans to Reunrom Food and Beverage carried interests at a rate of 5% per annum.
- Current portion of long — term loans to unrelated person and party Baht 10 million, equal to last year from Large Asia Company Limited which carried interests at a rate of 15.00 percent per annum.
- Inventory of Baht 348 million which comprises on consumer products and raw material which increased from the previous year by Baht 43 million or 14.10%
- Other Current Assets of Baht 36 million, equal to last year.

1.1.2 Non-Current Asset amounted to Baht 788 million which decreased by Baht 237 million or 43.01% from the previous year as follows;

- Long-Term Loans to related party-net of current portion Baht 3 million increased from the previous year by Baht 3 million or 100% interests at a rate 5% per annum.
- Long-Term Loan to related parties-net of current portion Baht 18 million decreased from the previous year by Baht 10 million which carried interests at a rate of 15% per annum. The Long-Term Loan will be due within September 2020.
- Investment in the subsidiary of Baht 190 million, increased from the previous year because the Company share of gain from investments in associate by Baht 127 million or 201.59% in The Iconic Property Company Limited.
- Properties Investment was at Baht 122 million, increased from the previous year by Baht 4 million or 3.39% 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 413 million with an increase from the previous year by Baht 120 million or 40.96% because the Company acquisitions land Baht 71 million, transfer in building and building improvement Baht 60 million, motor vehicles Baht 7 million, machinery and equipment Baht 20 million increased depreciation Baht 32 million. Assets under installation and construction in progress decreased Baht 6 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 3.80 million decreased from the previous year by Baht 6.20 million because acquisitions computer software under installation and amortization during the year.
- Deferred Tax Assets was Baht 10.95 million increased from the previous year by Baht 2.50 million or 29.59% because the Company allowance for doubtful accounts Baht 0.24 million allowance for diminution in value of inventories Baht 7.06 million provision for long-term employee benefits Baht 3.65 million.

## KARMART

- Other Non-Current Assets was Baht 19 million decreased from the previous year by Baht 1 million or 5% 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, 2018, the Company had such account receivable balance of Baht 16.14 million (December 31, 2017 : Baht 20.37 million) with the portion due in over 12 months amounting to Baht 13.33 million (December 31, 2017: Baht 16.70 million) and classified as other non-current assets in the statements of financial position.

### 1.2 Quality of Assets

In 2018 trade and other receivables Baht 345 million or 22.33% of total assets. Account receivable average collection period was 85 days, increase from the previous year 8 days. (77 days in 2017) 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 2018 non-collectible debt was budgeted at 0.87% of the outstanding account receivable at the year-end.

Inventories Baht 348 million or 22.52% of total assets. Average inventory turnover of 129 days as same as the previous year (121 days in 2018).

Investment properties Baht 122 million or 7.90% 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 2018, the Company's net cash flows cash and cash equivalents was Baht 8 million, compared to 2017 which was Baht 11 million, decreased by Baht 3 million net cash from operating activities Baht 231 million, net cash used in investing activities Baht 26 million as the Company purchase of current investments, long-term loans to related party and purchase of land, net cash used in financing activities Baht 208 million as the Company dividend paid.

### 2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2018 was 1.68:1 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 0.52%, account receivables 22.33%, inventories 22.52% of total assets.

The company average debt collection period was between 85 days. Average inventory turnover of 129 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 85 days while average account payment period was 147 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, building machine and equipment at Baht 155 million for supporting the business growth.

#### 4. Sources of funds

##### 4.1 Capital Structure

In 2018, Debt/Equity Ratio was 0.57:1 against 0.55:1 in the previous year. The company had bank overdrafts and short-term loans from bank Baht 148 million decreased from the previous year Baht 27 million because the Company import finished goods reserve to support and short-term loans from related party Baht 100 million increased from the previous year Baht 100 million from The Iconic property Company Limited interests at a rate 2% per annum.

##### 4.2 Shareholders' Equity

In 2018, shareholders' equity increased by Baht 114 million to Baht 982 million from the operating profit during the year of Baht 360 million while the dividend payment was Baht 246 million.

##### 4.3 Liabilities

The Company's total liabilities was Baht 559 million, increased by Baht 81 million or 16.95% from the previous year.

Current Liabilities was Baht 449 million, increased by Baht 97 million or 27.56% from the previous year.

The Details are as follows:

- Bank overdrafts and Short-term loan from bank was Baht 148 million, decreased by Baht 27 million from the Company's goods payment.
- Trade and other payables of Baht 136 million, increased by Baht 33 million.
- Short-term loan from related party amounted Baht 100 million increased from the previous year Baht 100 million or 100% from The Iconic property Company Limited interests at a rate 2% per annum.
- Current portion of Liabilities under financial lease agreements due within 1 year and Liabilities under financial lease agreements — net of current portion was Baht 12 million which increased by Baht 1 million or 9.09% the Company finance lease for sale manager.
- Current portion of long-term loans from financial institution Baht 18 million equal last year 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 27 million, decreased from the previous year of Baht 11 million due to the Company's decrease in net profit.
- Other Current Liabilities was Baht 15 million due to the withholding tax from the dividend payment and the accrued value added tax.

Non-current liabilities was Baht 110 million, decreased by Baht 16 million or 12.70% from the previous year, The Details are as follows:

- Long-term loans from financial institution-net of current portion Baht 47 million decreased from the previous year of Baht 15 million or 24.19% a loan-term 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.
- Provision had been made for long-term employee benefits of Baht 18 million, which increased by Baht 2 million or 12.50% 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 37 million, decreased by Baht 4 million or 9.76% from surplus of fair value from book value of investment properties Baht 22 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 5 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		
			2016	2017	2018
1	EY Office Limited	Karmarts Plc.	1,520,000	1,642,000	1,800,000
2	EY Office Limited	J Kos Laboratories Co., Ltd.	140,000	140,000	140,000
3	Thai Audit The Truth Limited	The Iconic Property Co., Ltd.	80,000	165,000	205,000
			<u>1,740,000</u>	<u>1,947,000</u>	<u>2,145,000</u>

## OTHER FEE

– None –

**Karmarts Public Company Limited  
and its subsidiary**  
**Report and consolidated financial statements**  
**31 December 2018**

## 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 2018, 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 2018, 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 2019

Karmarts Public Company Limited and its subsidiary  
Statement of financial position  
As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	7,871,796	10,716,594	5,800,835	5,945,898
Current investments	12	9,789,040	360,675	9,789,040	360,675
Trade and other receivables	7, 9	344,858,997	344,466,585	355,410,801	344,417,295
Current portion of finance lease receivables	8	–	363,104	–	363,104
Short-term loans to related party	9	–	55,874,898	–	55,874,898
Short-term loans to unrelated parties	10	–	17,999,730	–	17,999,730
Current portion of long-term loans to related party	9	1,080,000	–	1,080,000	–
Current portion of long-term loans to unrelated person and party	14	9,600,000	9,600,000	9,600,000	9,600,000
Inventories	11	348,281,880	304,939,950	341,132,621	303,898,252
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	35,721,530	35,660,635	35,625,150	35,660,635
<b>Total current assets</b>		<b>757,203,243</b>	<b>795,982,171</b>	<b>758,438,447</b>	<b>790,120,487</b>
<b>Non-current assets</b>					
Finance lease receivables – net of current portion	8	–	903,562	–	903,562
Long-term loans to related party – net of current portion	9	3,084,776	–	3,084,776	–
Long-term loans to unrelated person and party – net of current portion	14	17,786,235	28,674,822	17,786,235	28,674,822
Investments in joint venture	15	–	343,321	–	3,563,280
Investments in associate	16	190,226,312	63,042,154	71,029,990	71,029,990
Investments in subsidiary	17	–	–	7,000,000	4,000,000
Investment properties	18	121,840,000	118,000,000	121,840,000	118,000,000
Property, plant and equipment	19	413,058,394	293,001,604	406,172,983	292,572,513
Land awaiting future development	20	8,284,000	8,284,000	8,284,000	8,284,000
Intangible assets	21	3,887,217	10,090,337	3,811,865	10,090,337
Deferred tax assets	27	10,952,148	8,457,955	10,952,148	8,457,955
Other non-current assets		18,948,636	20,168,127	18,595,181	20,147,727
<b>Total non-current assets</b>		<b>788,067,718</b>	<b>550,965,882</b>	<b>668,557,178</b>	<b>565,724,186</b>
<b>Total assets</b>		<b>1,545,270,961</b>	<b>1,346,948,053</b>	<b>1,426,995,625</b>	<b>1,355,844,673</b>

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

# KARMART

Karmarts Public Company Limited and its subsidiary  
Statement of financial position (continued)  
As at 31 December 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	22	148,295,325	175,276,353	148,295,325	175,276,353
Trade and other payables	9, 23	136,389,564	102,951,983	148,375,088	102,734,900
Short-term loan from related party	9	100,000,000	–	100,000,000	–
Current portion of liabilities under finance lease agreements	24	4,710,411	3,968,263	4,710,411	3,968,263
Current portion of long-term loans from financial institution	25	17,904,000	17,904,000	17,904,000	17,904,000
Income tax payable		26,720,003	37,953,090	25,795,481	37,527,377
Other current liabilities		15,425,224	13,291,426	13,378,808	13,236,874
<b>Total current liabilities</b>		<u>449,444,527</u>	<u>351,345,115</u>	<u>458,459,113</u>	<u>350,647,767</u>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements					
– net of current portion	24	7,313,904	6,905,412	7,313,904	6,905,412
Long-term loans from financial institution					
– net of current portion	25	47,323,613	62,096,000	47,323,613	62,096,000
Provision for long-term employee benefits	26	18,432,557	16,052,172	18,253,937	16,052,172
Deferred tax liabilities	27	36,656,159	41,116,437	36,656,159	41,116,437
<b>Total non-current liabilities</b>		<u>109,726,233</u>	<u>126,170,021</u>	<u>109,547,613</u>	<u>126,170,021</u>
<b>Total liabilities</b>		<u>559,170,760</u>	<u>477,515,136</u>	<u>568,006,726</u>	<u>476,817,788</u>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
<b>Shareholders' equity</b>					
Share capital					
Registered					
880,000,000 ordinary shares of					
Baht 0.60 each		<u>528,000,000</u>	<u>528,000,000</u>	<u>528,000,000</u>	<u>528,000,000</u>
Issued and fully paid up					
879,998,016 ordinary shares of					
Baht 0.60 each		527,998,810	527,998,810	527,998,810	527,998,810
Share premium		88,396,711	88,396,711	88,396,711	88,396,711
Capital reduction surplus		15,267,473	15,267,473	15,267,473	15,267,473
Retained earnings					
Appropriated – statutory reserve	34	52,799,881	52,799,881	52,799,881	52,799,881
Unappropriated		255,876,588	142,022,064	133,019,636	153,057,622
Other components of shareholders' equity		<u>41,471,266</u>	<u>41,283,868</u>	<u>41,506,388</u>	<u>41,506,388</u>
<b>Equity attributable to owners of the Company</b>		<u>981,810,729</u>	<u>867,768,807</u>	<u>858,988,899</u>	<u>879,026,885</u>
Non-controlling interests of the subsidiary		<u>4,289,472</u>	<u>1,664,110</u>	<u>–</u>	<u>–</u>
<b>Total shareholders' equity</b>		<u>986,100,201</u>	<u>869,432,917</u>	<u>858,988,899</u>	<u>879,026,885</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,545,270,961</u>	<u>1,346,948,053</u>	<u>1,426,995,625</u>	<u>1,355,844,673</u>

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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Revenues</b>					
Sales	9	1,479,387,428	1,493,561,632	1,487,455,249	1,490,859,025
Income from warehouse rental		20,756,580	20,756,580	20,756,580	20,756,580
Gain on fair value adjustment of investment properties	18	3,840,000	–	3,840,000	–
Other income	9	19,208,774	37,310,952	26,031,492	39,370,902
<b>Total revenues</b>		<u>1,523,192,782</u>	<u>1,551,629,164</u>	<u>1,538,083,321</u>	<u>1,550,986,507</u>
<b>Expenses</b>					
Cost of sales	9	687,371,729	673,367,043	708,703,513	675,881,722
Cost of warehouse rental		426,725	420,388	426,725	420,388
Selling and distribution expenses		394,183,856	386,138,423	394,183,856	386,138,416
Administrative expenses	9	142,810,393	118,173,568	146,223,396	118,025,643
Loss on fair value adjustment of investment properties	18	–	1,000,000	–	1,000,000
<b>Total expenses</b>		<u>1,224,792,703</u>	<u>1,179,099,422</u>	<u>1,249,537,490</u>	<u>1,181,466,169</u>
<b>Profit before share of gain (loss) from investments in joint venture and associate, finance cost and income tax expenses</b>		<u>298,400,079</u>	<u>372,529,742</u>	<u>288,545,831</u>	<u>369,520,338</u>
Share of gain (loss) from investments in joint venture and associate	15, 16	126,653,438	(8,777,550)	–	–
<b>Profit before finance cost and income tax expenses</b>		<u>425,053,517</u>	<u>363,752,192</u>	<u>288,545,831</u>	<u>369,520,338</u>
Finance cost		(12,219,482)	(10,110,397)	(12,205,456)	(10,105,477)
<b>Profit before income tax expenses</b>		<u>412,834,035</u>	<u>353,641,795</u>	<u>276,340,375</u>	<u>359,414,861</u>
Income tax expenses	27	(51,483,461)	(71,237,542)	(50,007,673)	(70,811,743)
<b>Profit for the year</b>		<u><u>361,350,574</u></u>	<u><u>282,404,253</u></u>	<u><u>226,332,702</u></u>	<u><u>288,603,118</u></u>
<b>Profit or loss attributable to:</b>					
Equity holders of the Company		360,225,212	281,630,647	<u>226,332,702</u>	<u>288,603,118</u>
Non-controlling interests of the subsidiary		1,125,362	773,606		
		<u>361,350,574</u>	<u>282,404,253</u>		
<b>Basic earnings per share</b>	29				
Profit attributable to equity holders of the Company		<u>0.409</u>	<u>0.320</u>	<u>0.257</u>	<u>0.328</u>
Weighted average number of common stock (shares)		<u>879,998,016</u>	<u>879,769,623</u>	<u>879,998,016</u>	<u>879,769,623</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 2018

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
<b>Profit for the year</b>		<u>361,350,574</u>	<u>282,404,253</u>	<u>226,332,702</u>	<u>288,603,118</u>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period</i>					
Share of profit (loss) from exchange differences on translation of joint venture's financial statements in foreign currency		187,398	(182,995)	–	–
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>					
Actuarial loss – net of income tax		<u>–</u>	<u>(834,486)</u>	<u>–</u>	<u>(834,486)</u>
Other comprehensive income for the year		<u>187,398</u>	<u>(1,017,481)</u>	<u>–</u>	<u>(834,486)</u>
<b>Total comprehensive income for the year</b>		<u><u>361,537,972</u></u>	<u><u>281,386,772</u></u>	<u><u>226,332,702</u></u>	<u><u>287,768,632</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		360,412,610	280,613,166	<u>226,332,702</u>	<u>287,768,632</u>
Non-controlling interests of the subsidiary		<u>1,125,362</u>	<u>773,606</u>		
		<u><u>361,537,972</u></u>	<u><u>281,386,772</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 2018

(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		Surplus on revaluation of assets	Other components of shareholders' equity		Total equity attributable to owners of the Company		
				Appropriated – statutory reserve	Unappropriated		Exchange differences on translation of joint venture's financial statements in foreign currency	Total other components of shareholders' equity			
<b>Balance as at 1 January 2017</b>	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 from its paid up share capital	-	-	-	-	-	-	-	-	-	750,000	750,000
<b>Balance as at 31 December 2017</b>	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
<b>Balance as at 1 January 2018</b>	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
Profit for the year	-	-	-	-	360,225,212	-	-	-	360,225,212	1,125,362	361,350,574
Other comprehensive income for the year	-	-	-	-	-	-	187,398	187,398	187,398	-	187,398
Total comprehensive income for the year	-	-	-	-	360,225,212	-	187,398	187,398	360,412,610	1,125,362	361,537,972
Dividend paid (Note 33)	-	-	-	-	(246,370,688)	-	-	-	(246,370,688)	-	(246,370,688)
Change in non-controlling interests of the subsidiary from its paid up share capital	-	-	-	-	-	-	-	-	-	1,500,000	1,500,000
<b>Balance as at 31 December 2018</b>	527,998,810	88,396,711	15,267,473	52,799,881	255,876,568	41,506,388	(35,122)	41,471,266	981,810,729	4,289,472	986,100,201

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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from operating activities</b>				
Profit before tax	412,834,035	353,641,795	276,340,375	359,414,861
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	38,094,951	29,342,751	37,192,470	29,321,796
Loss (gain) from the fair value adjustment of investment properties	(3,840,000)	1,000,000	(3,840,000)	1,000,000
Reversal of allowance for doubtful accounts	(2,354,378)	(1,866,630)	(2,354,378)	(1,866,630)
Increase in allowance for reducing cost of inventories to net realisable value	12,963,604	3,769,204	12,961,722	3,769,204
Increase in (reversal of) allowance for impairment of other current assets	114,302	(474,961)	114,302	(474,961)
Increase in allowance for impairment on investments in joint venture	–	–	3,563,280	–
Unrealised loss (gain) on exchange rate	6,181,332	(13,224,986)	6,181,332	(13,224,986)
Gain on disposal of current investments	(760,562)	(2,213,875)	(760,562)	(2,213,875)
Unrealised loss (gain) on change in the fair value of current investments	451,482	(35,037)	451,482	(35,037)
Fixed assets and intangible assets writes-off	533,702	437,353	533,702	437,353
Gain on disposal of fixed assets and intangible assets	(517,013)	(1,126,589)	(517,013)	(1,126,589)
Interest income	(12,068,417)	(11,522,262)	(12,068,417)	(11,522,262)
Dividend income	(12,366)	(36,766)	(12,366)	(36,766)
Provision for long-term employee benefits	3,126,235	2,251,348	2,947,615	2,251,348
Share based payment transactions	–	4,195,488	–	4,195,488
Interest expenses	9,742,173	6,502,246	9,742,173	6,502,246
Share of loss (gain) from investments in joint venture and associate	(126,653,438)	8,777,550	–	–
Profit from operating activities before changes in operating assets and liabilities:	337,835,642	379,416,629	330,475,717	376,391,190
Operating assets (increase) decrease				
Trade and other receivables	(1,838,624)	(60,825,598)	(12,439,717)	(60,776,308)
Finance lease receivables	1,266,666	(854,449)	1,266,666	(854,449)
Inventories	(55,722,916)	6,820,374	(49,613,473)	8,185,543
Other current assets	(175,197)	(7,654,237)	(78,817)	(7,754,488)
Other non-current assets	1,219,491	3,033,427	1,552,546	3,053,827
Operating liabilities increase (decrease)				
Trade and other payables	16,664,120	16,730,099	28,476,727	16,273,619
Other current liabilities	2,133,798	3,340,396	141,934	3,341,955
<b>Cash from operating activities</b>	<u>301,382,980</u>	<u>340,006,641</u>	<u>299,781,583</u>	<u>337,860,889</u>
Cash paid for income tax	(69,671,019)	(52,781,952)	(68,694,040)	(52,781,866)
Cash paid for long-term employee benefits	(745,850)	(285,000)	(745,850)	(285,000)
<b>Net cash from operating activities</b>	<u>230,966,111</u>	<u>286,939,689</u>	<u>230,341,693</u>	<u>284,794,023</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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Cash flows from investing activities</b>				
Interest income received	18,216,803	6,326,613	18,216,803	6,326,613
Dividend received	12,366	36,766	12,366	36,766
Decrease (increase) in short-term loans to related party	55,874,898	(1,500,000)	55,874,898	(1,500,000)
Decrease in short-term loans to unrelated parties	17,999,730	12,933,753	17,999,730	12,933,753
Increase in long-term loans to related party	(4,164,776)	–	(4,164,776)	–
Decrease (increase) in long-term loans to unrelated person and party	10,888,587	(13,274,822)	10,888,587	(13,274,822)
Proceeds from disposal of equipment and intangible assets	1,584,049	1,505,837	1,584,049	1,505,837
Proceeds from disposal of current investments	22,405,390	7,263,725	22,405,390	7,263,725
Acquisition of current investments	(31,524,675)	(5,049,850)	(31,524,675)	(5,049,850)
Acquisition of land, equipment and intangible assets	(122,563,509)	(61,252,027)	(114,739,356)	(60,862,027)
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)
Redemption of deposit for purchase of investments in a subsidiary	4,000,000	–	4,000,000	–
Increase in investments in subsidiary	–	–	(3,000,000)	(1,500,000)
Changes in non-controlling interests of the subsidiary from its paid up share capital	1,500,000	750,000	–	–
<b>Net cash used in investing activities</b>	<u>(25,771,137)</u>	<u>(68,260,005)</u>	<u>(22,446,984)</u>	<u>(70,120,005)</u>
<b>Cash flows from financing activities</b>				
Decrease in short-term loans from financial institutions	(33,192,502)	(72,220,149)	(33,192,502)	(72,220,149)
Increase in short-term loan from related party	100,000,000	–	100,000,000	–
Cash paid under finance leases	(4,379,419)	(5,337,461)	(4,379,419)	(5,337,461)
Increase (decrease) in long-term loans from financial institution	(14,772,387)	80,000,000	(14,772,387)	80,000,000
Interest paid	(9,324,776)	(6,114,275)	(9,324,776)	(6,114,275)
Cash received from exercise of ESOP Scheme	–	1,149,842	–	1,149,842
Dividend paid	(246,370,688)	(215,539,724)	(246,370,688)	(215,539,724)
<b>Net cash used in financing activities</b>	<u>(208,039,772)</u>	<u>(218,061,767)</u>	<u>(208,039,772)</u>	<u>(218,061,767)</u>
Net increase (decrease) in cash and cash equivalents	(2,844,798)	617,917	(145,063)	(3,387,749)
Cash and cash equivalents at beginning of year	10,716,594	10,098,677	5,945,898	9,333,647
<b>Cash and cash equivalents at end of year</b>	<u>7,871,796</u>	<u>10,716,594</u>	<u>5,800,835</u>	<u>5,945,898</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 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Supplemental cash flows information: –</b>				
Non-cash transactions: –				
Sales of equipment that has not yet been collected	2,347,797	–	2,347,797	–
Undue installment for acquisition of equipment and intangible assets	18,193,227	1,386,345	18,193,227	996,345
Purchases of vehicles under financial leases	5,109,383	6,769,490	5,109,383	6,769,490
Transfer of equipment to inventories	582,618	328,459	582,618	328,459
Transfer of equipment to intangible assets	–	1,555,000	–	1,555,000
Transfer of deposit for purchase of land to land	12,000,000	–	12,000,000	–
Actuarial loss	–	1,043,108	–	1,043,108
Issuance of 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 2018

#### 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
		2018	2017	
		Percent	Percent	
J KOS Laboratories Co., Ltd.	Manufacture and distribution of consumer product	70.00	70.00	Thailand

- 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 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 adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiary's financial statements.

#### (b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiary believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

#### TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue – Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiary expects the adoption of this accounting standard to result in the following adjustments.

- Considerations paid to customers in accordance with traditional business practice – The Company and its subsidiary have determined that there are some commercial terms and considerations payable to customers as a result of determining the price with customers. As a result, the Company and its subsidiary may have to make payment or provide special discounts to customers, especially modern trade customers, and these amounts should be recognised net with sales of the year. Previously, they were recognised and classified as selling expenses.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiary is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**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.

#### *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 subsidiary 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 is 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	Subsidiary
Buildings	20 years	–
Land improvements and building improvements	5 years	–
Machinery and equipment	5 years	5 years
Motor vehicles	5 years	5 years
Office furniture, fixtures and equipment	3 and 5 years	3 and 5 years

Depreciation is included in determining income.

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

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

#### 4.9 Land awaiting for future development

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

#### 4.10 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and 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 and its subsidiary, whether directly or indirectly, or which are under common control with the Company and its subsidiary.

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

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

##### Defined benefit plans

The Company and its subsidiaries has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary 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 reduction of 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 regularly 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	
	2018	2017	2018	2017
Cash	263	207	236	202
Bank deposits	7,609	10,510	5,565	5,744
Total	<u>7,872</u>	<u>10,717</u>	<u>5,801</u>	<u>5,946</u>

As at 31 December 2018, bank deposits in savings accounts carried interest at a rate of 0.37% – 1.10% per annum (2017: 0.37% – 1.10% per annum).

## 7. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Trade accounts receivable – related parties</b>				
Aged on the basis of due dates				
Not yet due	2,947	2,613	11,048	2,563
Past due				
1 – 3 months	11,255	5,550	11,255	5,550
4 – 6 months	9,547	5,391	9,547	5,391
7 – 12 months	6,775	2,683	6,775	2,683
Over 12 months	34	–	34	–
Total	30,558	16,237	38,659	16,187
Less: Allowance for doubtful accounts	(34)	–	(34)	–
Net	30,524	16,237	38,625	16,187
<b>Trade accounts receivable – unrelated parties</b>				
Aged on the basis of due dates				
Post dated cheques	5,994	4,002	5,994	4,002
Not yet due	155,105	164,350	155,105	164,350
Past due				
1 – 3 months	124,610	144,645	124,610	144,645
4 – 6 months	12,197	4,080	12,197	4,080
7 – 12 months	8,092	1,075	8,092	1,075
Over 12 months	2,543	1,891	2,543	1,891
Returned cheques	751	1,037	751	1,037
Total	309,292	321,080	309,292	321,080
Less: Allowance for doubtful accounts	(3,283)	(3,244)	(3,283)	(3,244)
Net	306,009	317,836	306,009	317,836
<b>Other receivables</b>				
Advances to related persons and parties	–	457	–	457
Other receivables – related parties	2,603	8,272	5,054	8,272
Other receivables – unrelated parties	5,735	4,104	5,735	4,104
Total	8,338	12,833	10,789	12,833
Less: Allowance for doubtful accounts	(12)	(2,439)	(12)	(2,439)
Net	8,326	10,394	10,777	10,394
Total trade and other receivables – net	344,859	344,467	355,411	344,417

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 2018, the Company had such account receivable balance of Baht 16.0 million (31 December 2017: Baht 19.4 million), with the portion due in over 12 months amounting to Baht 13.3 million (31 December 2017: Baht 16.7 million) and classified as other non-current assets in the statements of financial position.

## KARMART

### 8. Finance lease receivables

8.1 As at 31 December 2018 and 2017, 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	
	2018	2017	2018	2017	2018	2017
Finance lease receivables	–	399	–	1,004	–	1,403
Less: Unearned finance lease interest income	–	(36)	–	(100)	–	(136)
Total	–	363	–	904	–	1,267
Less: Allowance for doubtful accounts	–	–	–	–	–	–
Finance lease receivables – net	–	363	–	904	–	1,267

8.2 As at 31 December 2018 and 2017, the balances of finance lease receivables (net of unearned finance lease interest income) are classified by aging as follows:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2018	2017
Age of receivables		
Not yet due	–	1,267
Total	–	1,267
Less: Allowance for doubtful accounts	–	–
Finance lease receivables – net	–	1,267

8.3 As at 31 December 2018 and 2017, 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			
	2018		2017	
	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
After one year but not more than five years	–	–	1,004	904
Total	–	–	1,403	1,267
Less: Unearned finance lease interest income	–		(136)	
Net investment in finance lease contracts	–		1,267	

**9. Related parties transactions**

During the years, the Company and its subsidiary 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
Karmarts Vietnam Co., Ltd.	Joint venture
Karmarts 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

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
	2018	2017	2018	2017	
<u>Transactions with subsidiary</u> (Eliminated from consolidated financial statements)					
Purchases of goods	–	–	72	11	Cost plus margin
Sales of goods	–	–	11	–	Cost
Service income	–	–	5	1	Contract price
Service expenses	–	–	16	–	Contract price
Rental income	–	–	1	1	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	11	6	11	6	Cost plus margin
Interest income	5	6	5	6	15.0 percent per annum (2017: 1.5 percent per annum)
Interest expenses	1	–	1	–	2 percent per annum
<u>Transactions with related companies</u>					
Sales of goods	32	18	29	15	Cost plus margin
Income on finance lease agreements	–	1	–	1	Contract price
Purchases of goods	6	4	6	4	Cost plus margin

The outstanding balances of the related transactions as at 31 December 2018 and 2017 are shown in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Trade and other receivables – related persons and parties (Note 7)</b>				
Joint venture	8,617	6,114	8,617	6,114
Associate	–	6,000	–	6,000
Subsidiary	–	–	10,599	–
Related companies	24,544	12,852	24,497	12,802
Total	33,161	24,966	43,713	24,916
Less: Allowance for doubtful accounts	(34)	–	(34)	–
Net	33,127	24,966	43,679	24,916
<b>Finance lease receivable (Note 8)</b>				
Related company	–	1,234	–	1,234
<b>Short-term loans to related party</b>				
Associate	–	55,875	–	55,875
<b>Long-term loans to related party</b>				
Related company	4,165	–	4,165	–
Less: Current portion	(1,080)	–	(1,080)	–
Long-term loans to related party – net of current portion	3,085	–	3,085	–
<b>Trade and other payables – related persons and parties (Note 23)</b>				
Joint venture	–	52	–	52
Associate	–	90	–	90
Subsidiary	–	–	15,659	1,005
Related company	451	871	445	870
Accrued managements benefits	1,260	970	1,260	970
Total	1,711	1,983	17,364	2,987
<b>Short-term loan from related party</b>				
Associate	100,000	–	100,000	–

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

(Unit: Thousand Baht)

	Consolidated / separate financial statements			
	1 January 2018	Increase	Decrease	31 December 2018
<b>Short-term loans to related party</b>				
<b>Associate</b>				
The Iconic Property Company Limited	55,875	–	(55,875)	–
<b>Long-term loans to related party</b>				
<b>Related company</b>				
Ruenrom Food and Beverage Company Limited	–	4,804	(639)	4,165
<b>Short-term loan from related party</b>				
<b>Associate</b>				
The Iconic Property Company Limited	–	100,000		100,000



As at 31 December 2017, short-term loans to the associate mature at call and carry an interest at a rate of 1.5 percent per annum. During the current period, the Company obtained repayment of such short-term loans in full.

As at 31 December 2018, long-term loans to the related party are due within 29 March 2021 and carry an interest at a rate of 5.0 percent per annum.

As at 31 December 2018, short-term loan from the associate mature at call and carry an interest at a rate of 2.0 percent per annum.

#### Directors and management benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiary had employee benefit expenses of their directors and management as below.

(Unit : : Million Baht)

	Consolidated / Separate financial statements	
	2018	2017
Short-term employee benefits	31	29
Post-employment benefits	1	2
Total	<u>32</u>	<u>31</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 parties of Baht 18.0 million at an interest rate of 15% per annum. During the current year, the loans have been repaid in full.

#### 11. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2018	2017	2018	2017	2018	2017
Finished goods	294,848	248,196	(30,743)	(19,193)	264,105	229,003
Raw materials and supplies	63,980	56,630	(4,537)	(3,123)	59,443	53,507
Work in process	5,980	6,035	-	-	5,980	6,035
Goods in transit	18,754	16,395	-	-	18,754	16,395
Total	<u>383,562</u>	<u>327,256</u>	<u>(35,280)</u>	<u>(22,316)</u>	<u>348,282</u>	<u>304,940</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2018	2017	2018	2017	2018	2017
Finished goods	294,847	248,196	(30,743)	(19,193)	264,104	229,003
Raw materials and supplies	58,472	55,588	(4,535)	(3,123)	53,937	52,465
Work in process	4,338	6,035	-	-	4,338	6,035
Goods in transit	18,754	16,395	-	-	18,754	16,395
Total	<u>376,411</u>	<u>326,214</u>	<u>(35,278)</u>	<u>(22,316)</u>	<u>341,133</u>	<u>303,898</u>

During the current year, the Company reduced cost of inventories by Baht 13.0 million (2017: Baht 3.8 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 2018		31 December 2017	
	Cost	Fair value	Cost	Fair value
Trading securities - ordinary shares	10,233	<u>9,789</u>	353	<u>361</u>
Unrealised gain (loss) from change in fair value of investments	(444)		8	
Investments in trading securities - net	<u>9,789</u>		<u>361</u>	

During the year 2018, the Company sold trading securities with book value totaling Baht 21.6 million (2017: Baht 5.0 million) and recognised gain (after tax) on sale amounting to Baht 0.6 million (2017: recognised gain (after tax) by Baht 1.8 million) in profit or loss.

## 13. Other current assets

Allowance for impairment loss on other current assets amounted to Baht 0.33 million as of 31 December 2018 (2017: Baht 0.21 million).

## 14. Long-term loans to unrelated person and party

(Unit: Million Baht)

	Consolidated / Separate financial statements	
	2018	2017
Long-term loans to unrelated person and party	27,386	38,275
Less: Current portion	<u>(9,600)</u>	<u>(9,600)</u>
Long-term loans to unrelated person and party - net of current portion	<u>17,786</u>	<u>28,675</u>

The Company had long-term loans to unrelated person and party which carried interest at a rate of 15% per annum (2017: 15% per annum). The long-term loans will be due within September 2020 (2017: within September 2020).

## 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 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%				
			49	49	3,563	3,563	-	343

(Unit: Thousand Baht)

Joint venture's name	Nature of business	Country of incorporation	Separate financial statements							
			Shareholding percentage		Cost		Allowance for impairment of investments		Carrying amounts based on cost method - net	
			31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%						
			49	49	3,563	3,563	(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	
	2018	2017
Karmarts Vietnam Company Limited	531	1,806

### 15.3 Summary financial information of material joint venture

Financial information of the joint venture is summarised below.

Summary financial position

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2018	2017
Cash and cash equivalents	3	3
Other current assets	7	5
Non-current assets	–	1
Current liabilities	(8)	(6)
Net assets	2	3
Shareholding percentage	49	49
Share of net assets	1	1
Elimination entries	(1)	(1)
Carrying amounts of joint venture based on equity method	–	–

Comprehensive income summary for the year ended 31 December 2018 and 2017 is summarised below.

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2018	2017
Revenue	18	11
Loss	–	(2)
Other comprehensive income	–	–
Total comprehensive income	–	(2)

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 2018, the Company had commitments amounting to USD 98,000 in respect of the unpaid shares in Karmarts Vietnam Company Limited (2017: USD 98,000).

### 15.4 Investment in joint venture with capital deficit

The Company recognised share of losses from investment in a joint venture, until the value of the investments approached zero. Subsequent losses incurred by joint venture have not been recognised in the Company's accounts since the Company has no obligations, whether legal or constructive, to make any payments on behalf of those joint venture. The amount of such unrecognised share of losses is set out below.

(Unit: Thousand Baht)

Joint venture	Unrecognised share of losses			
	Income Statement		Other Comprehensive Income	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Karmarts Vietnam Company Limited	138	–	1	–

**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 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
The Iconic Property Company Limited	Properties development	Thailand	%	%				
			33.33	33.33	71,030	71,030	190,226	63,042

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2018	31 December 2017	31 December 2018	31 December 2017
The Iconic Property Company Limited	Properties development	Thailand	%	%		
			33.33	33.33	71,030	71,030

On 4 January 2018, The Iconic Property Company Limited (an associate), entered into a Memorandum of Understanding with an unrelated listed company to sell its land with a total area of 2,066.5 square wah. A deposit of Baht 20 million was paid on 4 January 2018. On 20 March 2018, the parties entered into a sale and purchase of land agreement, under which the selling price was Baht 753.14 million, and the buyer paid a further Baht 168.29 million. On 7 August 2018, the associate registered the transfer of land ownership to the buyer, who has already settled the remaining amount of Baht 564.85 with the associate through an avaled promissory note issued by a Thai commercial bank that matures on 27 November 2018. On 20 August 2018, the associate sold the full amount of the avaled promissory note to that Thai commercial bank at a discount rate of 1.87 percent per annum, generating net cash receipts of Baht 561.98 million.

**16.2 Share of comprehensive income from investments in associate**

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



(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of profit (loss) from investments in associate during the year	
	2018	2017
The Iconic Property Company Limited and its subsidiaries	127,184	(6,972)

### 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	
	2018	2017
Current assets	545	90
Non-current assets	73	294
Current liabilities	(48)	(195)
Net assets	570	189
Shareholding percentage	33.33	33.33
Share of net assets	190	63
Elimination entries	-	-
Carrying amounts of associate based on equity method	190	63

Comprehensive income summary for the year ended 31 December 2018 and 2017 is summarised below.

(Unit: Million Baht)

	The Iconic Property Company Limited and its subsidiaries	
	2018	2017
Revenue	539	-
Gain (Loss)	381	(21)
Other comprehensive income	-	-
Total comprehensive income	381	(21)

### 17. Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up share capital		Shareholding percentage		Separate financial statements	
					Cost Method	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Million Baht)	(Million Baht)	(%)	(%)		
J KOS Laboratories Company Limited	10.00	5.50	70.00	70.00	7,000	4,000

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. Consequently on 25 May 2018, the Company entered into the Memorandum of Agreement to cancel the purchase of all those common shares of Ruenrom Food and Beverage Co., Ltd. During the second quarter of the current year, the Company obtained the deposit repayment of Baht 4 million from the seller.

During the second quarter of the current year, the Company additionally invested Baht 3 million in J KOS Laboratories Company Limited. The Company still holds 70% of the total 2,000,000 issued and paid up shares of this subsidiary.

As at 31 December 2017, the Company had commitments amounting to approximately Baht 3.0 million (31 December 2018: Nil) in respect of the uncalled shares in J KOS Laboratories Company Limited.

## 18 Investment properties

A reconciliation of the net book value of investment properties as at the beginning and end of the years 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements
	Properties used for warehouse service
Net book value at beginning of 2017	119,000
Net loss from a fair value adjustment	(1,000)
Net book value at end of 2017	118,000
Net gain from a fair value adjustment	3,840
Net book value at end of 2018	121,840

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/ Separate financial statements		Result to fair value where as an increase in assumption value
	31 December 2018	31 December 2017	
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 of 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	126,212	256	79,497	48,184	37,766	34,926	33,246	360,087
	Acquisition	5,160	–	674	5,073	8,341	4,605	41,289
	Transfer to inventories	–	–	–	–	–	(635)	(5)
	Transfer to intangible assets	–	–	–	–	–	–	(1,555)
	Disposal / write-off	–	–	–	(32)	(4,132)	(1,235)	(128)
	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
	Acquisition	71,000	–	33,793	11,314	7,425	6,847	25,300
	Transfer to inventories	–	–	–	–	–	(1,058)	(27)
	Disposal / write-off	–	–	–	(5,623)	(1,852)	(1,727)	(355)
Transfer in / transfer out	–	–	26,215	83	231	5,415	(31,944)	
31 December 2018	202,372	256	196,557	61,911	47,779	51,424	2,245	
								562,544

## Consolidated financial statements (continued)

(Unit: Thousand Baht)

[illegible]

## Separate financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis					
	Land	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Assets under installation and construction in progress
<b>Cost/Revalued amount</b>							<b>Total</b>
1 January 2017	126,212	256	79,497	48,269	37,766	34,763	33,246
Acquisition	5,160	-	674	4,683	8,341	4,605	41,289
Transfer to inventories	-	-	-	-	-	(635)	(5)
Transfer to intangible assets	-	-	-	-	-	-	(1,555)
Disposal / write-off	-	-	-	(32)	(4,132)	(1,235)	(128)
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
Acquisition	71,000	-	33,793	5,540	7,425	5,600	25,300
Transfer to inventories	-	-	-	-	-	(1,058)	(27)
Disposal / write-off	-	-	-	(5,623)	(2,278)	(1,727)	(355)
Transfer in / transfer out	-	-	26,215	83	231	5,415	(31,944)
31 December 2018	202,372	256	196,557	55,832	47,353	50,014	2,245
							554,629



### Separate financial statements (continued)

(Unit: Thousand Baht)

[illegible]

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 2018 would have been Baht 133.33 million (2017: Baht 62.3 million).

As at 31 December 2018, the Company had equipment and vehicles under finance lease agreements with net book value amounting to Baht 17.5 million (2017: Baht 14.5 million).

As at 31 December 2018, 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 100.5 million (The Company only: Baht 100.5 million) (2017: Baht 66.2 million, the Company only: Baht 66.2 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 2018, the Company had land awaiting future development amounting to Baht 8.3 million (2017: 8.3 million). The Company placed land with net book value by Baht 3.2 million (2017: 3.2 million) as collateral for short-term and long-term credit facilities granted by commercial banks.

## 21. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements		
	Computer software	Computer software under installation	Total
<b>Cost</b>			
1 January 2017	18,927	303	19,230
Acquisition	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
Acquisition	184	146	330
Write-off	(68)	–	(68)
31 December 2018	24,211	366	24,577
<b>Accumulated amortisation</b>			
1 January 2017	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
Amortisation during the year	6,531	–	6,531
Amortisation of write-off	(66)	–	(66)
31 December 2018	20,690	–	20,690
<b>Net book value</b>			
31 December 2017	9,870	220	10,090
31 December 2018	3,521	366	3,887

(Unit: Thousand Baht)

	Separate financial statements		
	Computer software	Computer software under installation	Total
<b>Cost</b>			
1 January 2017	18,927	303	19,230
Acquisition	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
Acquisition	89	146	235
Write-off	(68)	–	(68)
31 December 2018	24,116	366	24,482
<b>Accumulated amortisation</b>			
1 January 2017	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
Amortisation during the year	6,511	–	6,511
Amortisation of write-off	(66)	–	(66)
31 December 2018	20,670	–	20,670
<b>Net book value</b>			
31 December 2017	9,870	220	10,090
31 December 2018	3,446	366	3,812

## 22. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated / Separate financial statements	
	2018	2017	2018	2017
Trust receipts	3.30% – 5.35%	2.80% – 6.25%	147,552	175,276
Bank overdrafts	MOR	–	743	–
			148,295	175,276

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	
	2018	2017	2018	2017
Trade payables – related parties	188	469	14,193	1,473
Trade payables – unrelated parties	18,173	6,415	14,548	5,276
Other payables – related person and party	263	544	263	544
Other payables – unrelated parties	57,270	30,704	57,270	30,704
Accrued expenses – related parties	–	–	1,648	–
Accrued expenses – unrelated parties	59,236	63,850	59,193	63,768
Accrued managements benefits	1,260	970	1,260	970
Total trade and other payables	<u>136,390</u>	<u>102,952</u>	<u>148,375</u>	<u>102,735</u>

## 24. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	2018	2017
Liabilities under finance lease agreements	13,055	11,951
Less: Deferred interest expenses	<u>(1,031)</u>	<u>(1,078)</u>
Total	12,024	10,873
Less: Portion due within one year	<u>(4,710)</u>	<u>(3,968)</u>
Liabilities under finance lease agreements – net of current portion	<u>7,314</u>	<u>6,905</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 4 and 5 years. Finance lease agreements are non-cancelable.

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

(Unit: Million Baht)

	As at 31 December 2018		
	Less than 1 year	1–5 years	Total
Future minimum lease payments	5	8	13
Deferred interest expenses	<u>–</u>	<u>(1)</u>	<u>(1)</u>
Present value of future minimum lease payments	<u>5</u>	<u>7</u>	<u>12</u>



(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	-	(1)	(1)
Present value of future minimum lease payments	<u>4</u>	<u>7</u>	<u>11</u>

## 25. Long-term loans from financial institution

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated / Separate financial statements	
			2018	2017
1	4.5%	Monthly principal and interest installment by Baht 1.49 million	65,228	80,000
Total			<u>65,228</u>	<u>80,000</u>
Less: Current portion			<u>(17,904)</u>	<u>(17,904)</u>
Long-term loans from financial institutions - net of current portion			<u>47,324</u>	<u>62,096</u>

Movement of the long - term loan account during the year ended 31 December 2018 are summarised below:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements
Balance as at 1 January 2018	80,000
Add: Additional borrowings	-
Less: Repayment	<u>(14,772)</u>
Balance as at 31 December 2018	<u>65,228</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, is as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Provision for long-term employee benefits at beginning of year	16,052	13,043	16,052	13,043
Included in profit or loss:				
Current service cost	2,754	1,653	2,577	1,653
Interest cost	373	313	371	313
Benefits paid during the year	(746)	–	(746)	–
Actuarial (gain) loss arising from				
Demographic assumptions changes	–	282	–	282
Financial assumptions changes	–	409	–	409
Experience adjustments	–	352	–	352
Provision for long-term employee benefits at end of year	<u>18,433</u>	<u>16,052</u>	<u>18,254</u>	<u>16,052</u>

The Company and its subsidiary expect to pay long-term employee benefits within the next one year amounting to Baht 1.8 million (Separate financial statements: Baht 1.8 million) (2017: Consolidated and separate financial statements: Baht 3.9 million).

As at 31 December 2018, the weighted average duration of the liabilities for the long-term employee benefit obligation of the Company and its subsidiary is 6.89 – 28.00 years (Separate financial statements: 6.89 years) (2017: Consolidated and separate financial statements 6.89 years).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Discount rate	1.96% and 3.36%	1.96%	1.96%	1.96%
Salary increase rate	5.00% and 6.00%	6.00%	6.00%	6.00%
Staff turnover rate	1.91% – 51%	15% – 51%	11% – 51%	15% – 51%

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Increase		Decrease	
	2018	2017	2018	2017
Discount rate (+/- 1%)	(1,173)	(782)	1,332	879
Salary increase rate (+/- 1%)	1,740	1,049	(1,555)	(951)
Staff turnover rate (+/- 1% and 20%)	(1,255)	(844)	387	207

(Unit: Thousand Baht)

	Separate financial statements			
	Increase		Decrease	
	2018	2017	2018	2017
Discount rate (+/- 1%)	(1,133)	(782)	1,279	879
Salary increase rate (+/- 1%)	1,689	1,049	(1,515)	(951)
Staff turnover rate (+/- 1%)	(1,211)	(844)	323	207

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive not less than 400 days' compensation at the latest wage rate. This change is considered a post-employment benefits plan amendment and the Company and its subsidiaries have additional liabilities for long-term employee benefits of Baht 4.94 million (The Company only: Baht 4.89 million). The Company and its subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 27. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Current income tax:</b>				
Current income tax charge	58,438	73,553	56,962	73,127
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(6,954)	(2,315)	(6,954)	(2,315)
<b>Income tax expenses reported in the income statement</b>	<u>51,484</u>	<u>71,238</u>	<u>50,008</u>	<u>70,812</u>

The Company had the amounts of income tax relating to deferred tax on actuarial loss of Baht 0.2 million which were recorded in other comprehensive income for the year ended 31 December 2017 (2018: Nil).

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Accounting profit before tax	412,834	353,642	276,340	359,415
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	82,567	70,728	55,268	71,883
Adjustment in respect of income tax of previous year	(318)	–	(318)	–
Effects of:				
Non-deductible expenses (reversal)	(2,456)	20	(2,492)	20
Tax exemption income	(770)	(2)	(770)	(2)
Additional deductible expenses allowed	(1,680)	(1,089)	(1,680)	(1,089)
Utilised tax loss during the year	–	(319)	–	–
Share of loss (gain) from investments in joint venture and associate	(25,331)	1,756	–	–
Tax effect of intercompany transactions	(528)	144	–	–
Total	(30,765)	510	(4,942)	(1,071)
Income tax expenses reported in the income statement	51,484	71,238	50,008	70,812

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	31 December 2018	31 December 2017
<b>Deferred tax assets</b>		
Allowance for doubtful accounts	245	784
Allowance for diminution in value of inventories	7,056	4,463
Provision for long-term employee benefits	3,651	3,211
Total	10,952	8,458
<b>Deferred tax liabilities</b>		
Surplus of fair value from book value of investment properties	21,704	20,936
Surplus on revaluation of land	10,376	10,376
Surplus of fair value from book value of land and building transferred from investment properties	4,576	9,804
Total	36,656	41,116

As at 31 December 2018 and 2017, the Company and subsidiary had no deductible temporary differences and unused tax losses. No deferred tax assets had been recognised on these amounts as the Company and subsidiary believed future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

As at 31 December 2018 and 2017, there is no the unused tax losses of the Company and subsidiary.

## 28. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
Salaries and wages and other employee benefits	210,085	163,251	186,371	162,113
Depreciation	31,564	24,281	30,681	24,260
Amortisation	6,531	5,062	6,511	5,062
Reversal of allowance for doubtful accounts	(2,354)	(1,867)	(2,354)	(1,867)
Advertising and sales promotion expenses	272,843	264,394	272,843	264,394
Loss on cost reduction of inventories to net realisable value	12,964	3,769	12,962	3,769
Increase in (reversal of) allowance for impairment of other assets	114	(475)	114	(475)
Increase in allowance for impairment an investments in joint venture	–	–	3,563	–
Rental expenses from operating lease agreements	10,760	8,776	10,760	8,776
Raw materials and consumables used	732,713	620,597	667,728	611,545
Purchase of goods	689,262	623,876	731,388	626,176
Changes in inventories of finished goods and work in process	46,597	(1,871)	44,954	(2,136)

## 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.

There is no disclosure of diluted earnings per share because during the previous 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 previous 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 prior 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 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	61,599	0.07
Total dividends for 2017		<u>347,452</u>	<u>0.48</u>
Final dividends for 2017	Annual General Meeting of the shareholders on 27 April 2018	61,600	0.07
Interim dividends for 2018	Board of Directors' meeting on 14 May 2018	61,600	0.07
	Board of Directors' meeting on 9 August 2018	61,586	0.07
	Board of Directors' meeting on 14 November 2018	61,585	0.07
Total dividends for 2018		<u>246,371</u>	<u>0.28</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 subsidiary 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

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 subsidiary's operating segments for the years ended 31 December 2018 and 2017, respectively.

(Unit: Thousand Baht)					
Year ended 31 December 2018	Manufacture and distribution of consumer products segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Revenue from external customers	1,479,387	20,757	1,500,144	-	1,500,144
Interest revenue	12,068	-	12,068	-	12,068
Interest expenses	(9,742)	-	(9,742)	-	(9,742)
Depreciation and amortisation	(38,095)	-	(38,095)	-	(38,095)
Reversal of allowance for doubtful accounts	2,354	-	2,354	-	2,354
Increase in allowance for reducing cost of inventories to net realisable value	(12,964)	-	(12,964)	-	(12,964)
Increase in of allowance for impairment loss of assets	(114)	-	(114)	-	(114)
Increase in allowance for impairment on investments in joint venture	(3,563)	-	(3,563)	-	(3,563)
Gain on revaluation of investment properties to fair value	-	3,840	3,840	-	3,840
Share of gain from investments in joint venture and associate	-	-	-	-	126,653
Income tax expenses	(47,417)	(4,066)	(51,483)	-	(51,483)
<b>Segment profit</b>	<b>341,249</b>	<b>20,102</b>	<b>361,351</b>	<b>-</b>	<b>361,351</b>
<b>Segment total assets</b>	<b>1,423,431</b>	<b>121,840</b>	<b>1,545,271</b>	<b>-</b>	<b>1,545,271</b>
Investments in joint venture and associate accounted for by the equity method	-	-	-	-	190,226
Additions to non-current assets other than financial instruments and deferred tax assets	112,634	3,840	116,474	-	116,474
<b>Segment total liabilities</b>	<b>559,171</b>	<b>-</b>	<b>559,171</b>	<b>-</b>	<b>559,171</b>

	(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
<b>Year ended 31 December 2017</b>					
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)
<b>Segment profit</b>	<b>267,135</b>	<b>15,269</b>	<b>282,404</b>	<b>-</b>	<b>282,404</b>
<b>Segment total assets</b>	<b>1,228,948</b>	<b>118,000</b>	<b>1,346,948</b>	<b>-</b>	<b>1,346,948</b>
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
<b>Segment total liabilities</b>	<b>477,515</b>	<b>-</b>	<b>477,515</b>	<b>-</b>	<b>477,515</b>



## KARMART

### 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 2018, the Company and its subsidiary have revenue from a group of major customers in the amount of Baht 241 million, arising from sales by the manufacture and distribution of consumer products segment (2017: Baht 347 million derived from a group of major customers, arising from sales by the manufacture and distribution of consumer products segment).

### 36. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contribute to the fund monthly at the rate of 2 percent of basic salary. The fund, which is managed by SCB Asset management Co.,Ltd., will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 2 million (2017: Nil) were recognised as expenses.

### 37. Commitment and contingent liabilities

#### 37.1 Operating lease and service agreements commitments

The Company 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	
	2018	2017
Payable within:		
1 year	7.5	5.8
2 to 3 years	2.0	2.1

The Company entered into lease agreement in respect of the lease of warehouse. The term of the non-cancellable agreement is 3 years.

As at 31 December 2018 and 31 December 2017, future minimum lease payments expected to be received under non-cancellable operating lease are as follows:

(Unit: Million Baht)

	As at 31 December	
	2018	2017
Receivable within:		
1 year	5.2	20.7
2 to 3 years	–	5.2

## 37.2 Commitments in respect of purchases of finished goods and capital expenditure

(Unit: Million Baht)

	As at 31 December	
	2018	2017
Currencies		
THB	–	0.3
USD	0.1	0.2
RMB	0.8	1.3

## 37.3 Guarantees

As at 31 December 2018, there were outstanding bank guarantees of Baht 15.5 million (31 December 2017: 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 2018 and 2017, the Company had a guarantee commitment in respect of a bank guarantee provided on behalf of StarCom Co., Ltd. amounting to Baht 10 million.

As at 31 December 2018, the Company had issued letters of guarantee amounting to Baht 1 million (2017: Nil) on behalf of its subsidiary to its supplier in respect of certain performance bonds required in the normal course of the subsidiary's business.

## 38. Fair value hierarchy

As at 31 December 2018 and 2017, 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 2018 Consolidated / Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investments in trading securities	9,789	–	–	9,789
Investment properties	–	–	121,840	121,840
Land	–	202,372	–	202,372

(Unit: Thousand Baht)

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

### 39. Financial instruments

#### 39.1 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, short-term and long-term loans to, current investments, short-term loans and long-term loan. 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	
	2018	2017	2018	2017	2018	2017
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	–	–	4.01	5.20	32.4498	32.6809
JPY	0.06	0.06	–	–	0.2931	0.2898
RMB	–	–	0.22	0.10	4.7237	5.0145
EURO	–	–	–	0.01	–	39.0273

As at 31 December 2018 and 2017, 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, and 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 2018						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
<b>Financial Assets</b>	(% p.a.)					
Cash and cash equivalents	0.37% - 1.10%	-	-	7	1	8
Trade and other receivables	-	-	-	-	345	345
Long-term loans to related party	5.00%	1	3	-	-	4
Long-term loans to unrelated person and party	15.00%	10	17	-	-	27
		<u>11</u>	<u>20</u>	<u>7</u>	<u>346</u>	<u>384</u>
<b>Financial liabilities</b>						
Short-term loans from financial institutions	3.30% - 5.35%	147	-	-	-	147
Bank overdrafts	MOR	-	-	1	-	1
Trade and other payables	-	-	-	-	136	136
Short-term loan from related party	2.00%	100	-	-	-	100
Liabilities under finance lease agreements	2.29% - 4.42%	5	7	-	-	12
Long-term loan from financial institutions	4.25%	18	47	-	-	65
		<u>270</u>	<u>54</u>	<u>1</u>	<u>136</u>	<u>461</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			
<b>Financial Assets</b>	(% 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>
<b>Financial liabilities</b>						
Short-term loans from financial institutions	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 financial institutions	4.25%	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 2018						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
	(% p.a.)					
<b>Financial Assets</b>						
Cash and cash equivalents	0.37% - 1.10%	-	-	5	1	6
Trade and other receivables	-	-	-	-	355	355
Long-term loans to related party	5.00%	1	3	-	-	4
Long-term loans to unrelated person and party	15.00%	10	17	-	-	27
		11	20	5	356	392
<b>Financial liabilities</b>						
Short-term loans from financial institutions	3.30% - 5.35%	147	-	-	-	147
Bank overdrafts	MOR	-	-	1	-	1
Trade and other payables	-	-	-	-	148	148
Short-term loan from related party	2.00%	100	-	-	-	100
Liabilities under finance lease agreements	2.29% - 4.42%	5	7	-	-	12
Long-term loan from loans financial institutions	4.25%	18	47	-	-	65
		270	54	1	148	473

(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			
	(% p.a.)					
<b>Financial Assets</b>						
Cash and cash equivalents	0.37% - 1.10%	-	-	3	3	6
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
		84	28	3	347	462
<b>Financial liabilities</b>						
Short-term loans from financial institutions	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 loans financial institutions	4.25%	18	62	-	-	80
		197	69	-	103	369



**39.2 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 party, 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 2018		As at 31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Short-term loans to related party	–	–	56	48

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

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

**40. 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 2018, the Group's debt-to-equity ratio was 0.6:1 (2017: 0.5:1) and the Company's debt-to-equity ratio was 0.7:1 (2017: 0.5:1).

**41. Events after the reporting period**

On 27 February 2019, the Company's Board of Directors passed a resolution to propose that the Annual General Meeting of shareholders to be held on 26 April 2019 adopt the resolution to pay a total dividend payment by Baht 0.28 per share in respect of the operating result of 2018. The dividend payment is scheduled for 24 May 2019 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 27 February 2018, the Company's Board of Directors passed a resolution to approve an acquisition of land and buildings with a total value of Baht 7.2 million from an unrelated person, and agreeing to complete the transfer of ownership within 90 days of the date of the agreement to purchase and to sell.

**42. 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 2019.

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2018

**KARMART**

รายงานประจำปี 2561  
บริษัท คาร์มาร์ก จำกัด (มหาชน)  
สิ้นสุดวันที่ 31 ธันวาคม 2561