

KARMART

ANNUAL REPORT 2019

รายงานประจำปี 2562 บริษัท คาร์มาร์ท จำกัด (มหาชน) สิ้นสุดวันที่ 31 ธันวาคม 2562



#UniqueBeautySolution

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บริษัท คาร์เนิร์ก จำกัด (มหาชน)
สิ้นสุดวันที่ 31 ธันวาคม 2562

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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UNIQUE BEAUTY SOLUTION



COMPANY PROFILE

Name	Karmarts Public Company Limited
Address	Office 81-81/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. 0-2805-2756-60 Fax. 0-2805-2751-2 Factory and Warehouse 140-140/1 Moo 4 Mapyangporn, Plugdang, Rayong 21140 Tel. 038-891-811-15 Fax. 038-891-821-22
Type of Business	The distribution of consumer products and the provision of warehouse rental and warehouse services.
Authorized share capital	
Common stock	528,000,000 Baht
Issued and Paid up	527,998,810 Baht
Incorporate	May 11, 1982
Registered as a public company	March 18, 1994
SET Listing	October 31, 1994
Registration No.	0107537000823 (Old No. Plc. 329)
Corporate Website	www.karmarts.co.th
E-commerce Website	www.karmarts.com
Share Registrar	Thailand Securities Depository Company Limited The Stock Exchange Building
Auditors	Ms. Pimjai Manitkajohnkit Certified Public Accountant No. 4521 EY Office Limited

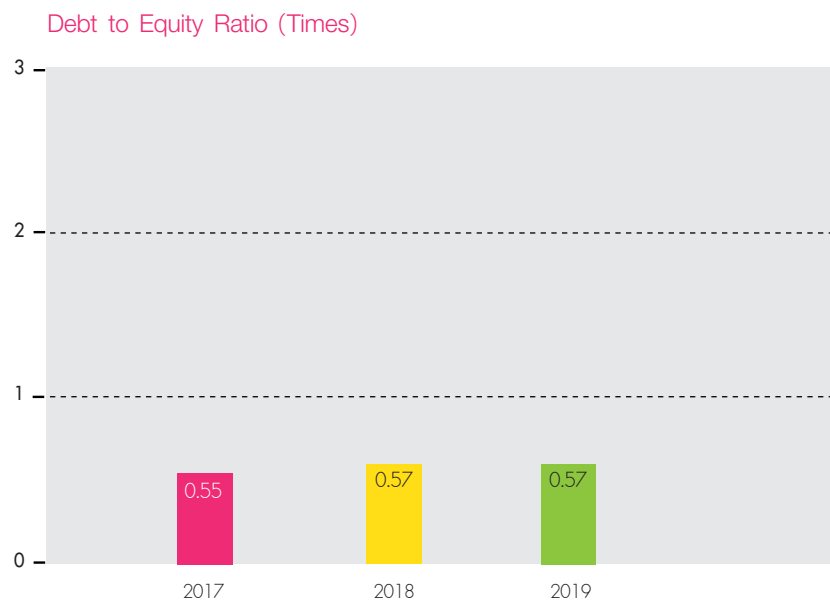
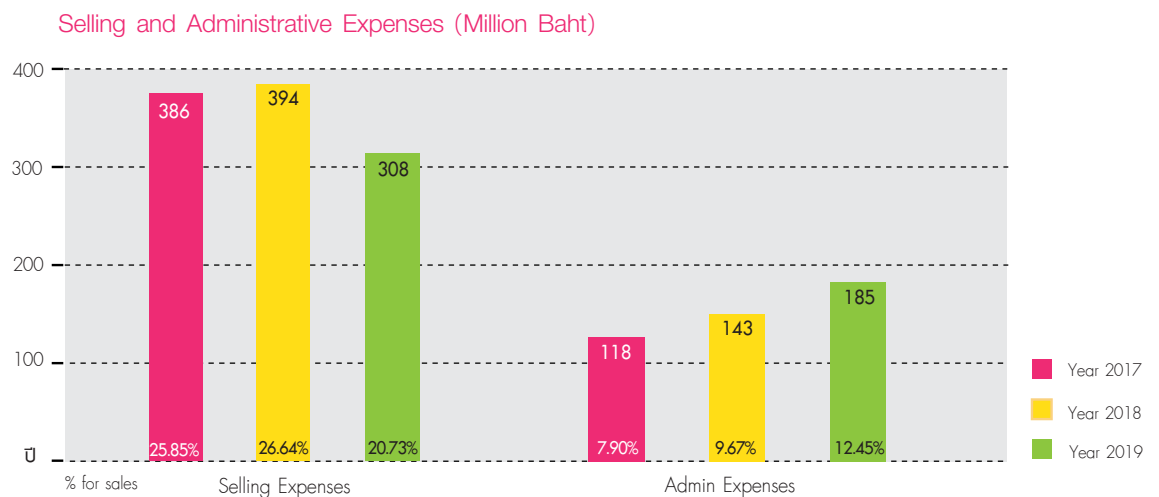
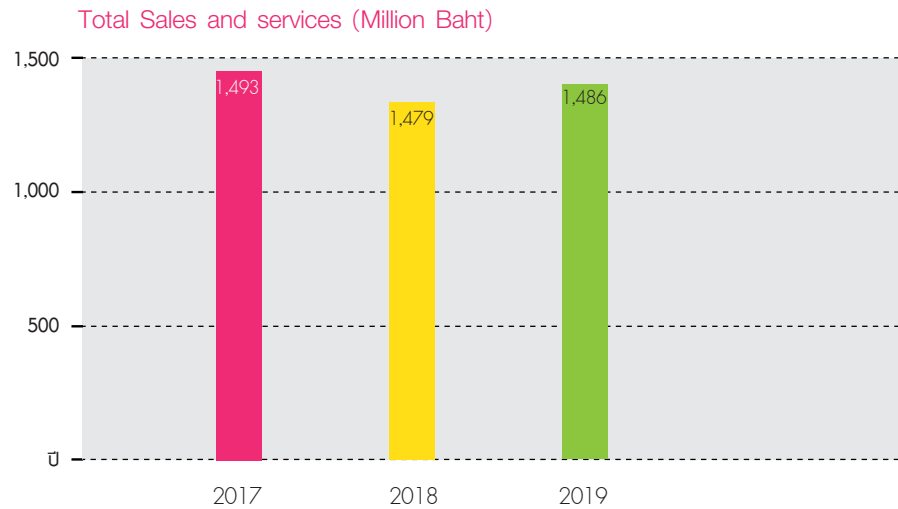
FINANCIAL HIGHLIGHTS

KARMARTS PUBLIC COMPANY LIMITED

	CONSOLIDATED			THE COMPANY ONLY		
	2019	2018	2017	2019	2018	2017
Financial Position and Operating results of year						
Financial Position (Thousand Baht)						
Total Assets	1,604,363	1,545,271	1,346,948	1,476,231	1,426,996	1,355,845
Total Liabilities	582,452	559,171	477,515	591,535	568,007	476,818
Shareholders' Equity	1,021,911	986,100	869,433	884,696	858,989	879,027
Operating Results (Thousand Baht)						
Total Revenue	1,526,028	1,523,193	1,551,629	1,608,038	1,538,083	1,550,987
Total Sales and services	1,486,648	1,479,387	1,493,562	1,555,134	1,487,455	1,490,859
Gross Margin	792,160	792,015	820,195	763,742	778,752	814,977
Net Profit (Loss)	261,235	360,225	281,631	253,130	226,333	288,603
Financial Ratio						
Return on Assets (ROA) (%)	16.59	24.91	21.81	17.44	16.27	22.23
Return on Equity (ROE) (%)	26.16	38.95	33.83	29.03	26.04	34.35
Gross Margin (%)	53.28	53.54	54.92	49.11	52.35	54.66
Net Profit (Loss) (%)	17.12	24.35	18.86	15.74	15.22	19.36
Current Ratio (times)	1.59	1.68	2.27	1.54	1.65	2.25
Debt to Equity Ratio (times)	0.57	0.57	0.55	0.67	0.66	0.54
Book Value per share (Baht)	1.16	1.12	0.99	1.01	0.98	1.00
*Earnings per share (Baht)	0.30	0.41	0.32	0.29	0.26	0.33

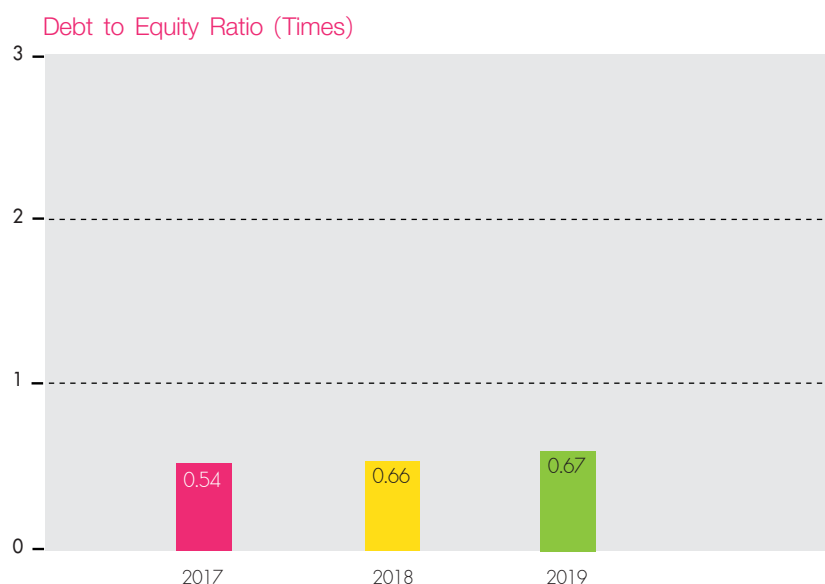
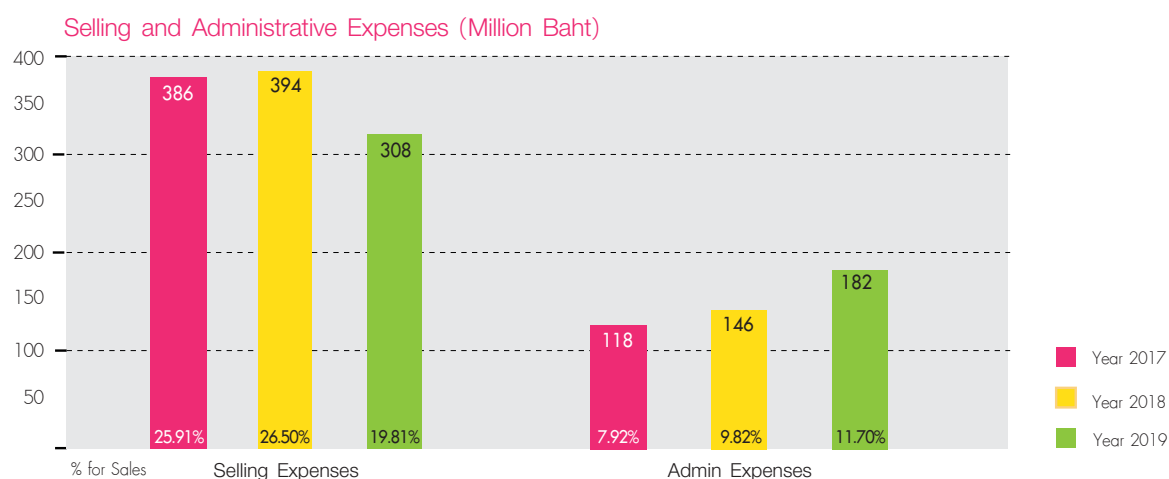
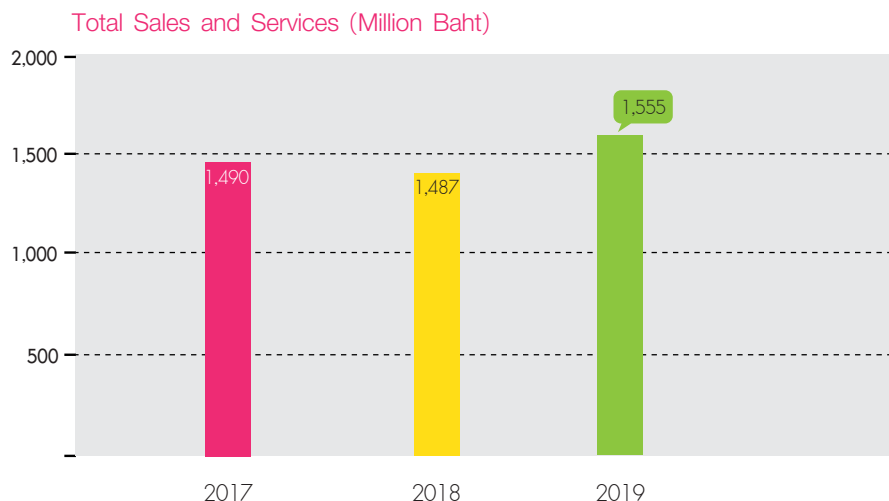
* Note : Calculation is based on accounting standard by using weighted average number of ordinary shares issued during the year.

KARMATS PUBLIC COMPANY LIMITED OPERATING RESULTS YEAR 2017, 2018 AND 2019 (CONSOLIDATED)



(Million Baht)	2017	2018	2019
Debt	478	559	582
Equity	868	982	1,015
Ratio	0.55	0.57	0.57

KARMARTS PUBLIC COMPANY LIMITED OPERATING RESULTS YEAR 2017, 2018 AND 2019 (THE COMPANY ONLY)



(Million Baht)	2017	2018	2019
Debt	477	568	591
Equity	879	859	884
Ratio	0.54	0.66	0.67

BOARD OF DIRECTORS' MESSAGE

Greetings to all shareholders. With the end of a turbulent 2018 which witnessed a deceleration of national consumption and domestic spending, along with declining performance in international tourism, the beginning of 2019 was deemed to be a hopeful year for many. The company held positive expectations in terms of domestic political stability and economic growth as well as strong Asian economic performance spear-headed by the Republic of China. To that end, KARMART was set out to achieve significant growth and soar to greater heights with our optimal and diversified business strategies planned for the year.

In terms of local political environment, however, the election held in 2019 impacted domestic demand in multiple ways through the prolonged delay in the formation of a new Parliament, during which implementation of government policies were dealt with challenges and domestic consumption remained stagnant due to ceaseless uncertainty and decreasing consumer confidence.

The company concluded the fiscal year of 2019 with THB 1,526.03 million Operating Revenue, reflecting an overall growth of 0.19% from 2018, and THB 261.24 million Net Profit which represents 12.10% growth compared to 2018, excluding the profit consolidated from associated entity which total THB 127.18 million from sales of properties. The total dividend paid out/declared for the year was THB 0.28 per share, while Return-on-Equity ratio stood at 26.16% and Return-on-Asset ratio recorded 16.59%, indicating a desirable financial health and making KARMART a preferential stock above and beyond many others.

Towards the end of 2019, news of Covid-19 hit the world stage and many expected that impacts which could be potentially sustained by China, the new economic giant, would result in adverse effects across Asia and probably the world. Holding the same view, KARMART quickly applied changes to sourcing and procurement plans to diversify supply chain risks and re-strategized directives for 2020. Operational changes were also implemented to minimize risks to employees, the company's most valuable assets, including deferment and/or cancellation of unnecessary travels and commencement of daily health checks. Moving forward, the company has firmed up decisions on investment in new packaging facility and strategic engagement of warehousing and logistics solutions provider, to name a few, as part of our business continuity plans rolled out in response to the existing macro environment.

On behalf of the Board of Directors, we like to assure all shareholders that KARMART is prepared and well-equipped with resources and expertise to brave through a stormy 2020 under the leadership of our management team. We are also thankful for and honored to have all employees', business partners' and shareholders' continuous faith in us in the coming year and beyond. As the saying goes, "the most effective way to do it, is to do it", and we shall!

Board of Directors
Karmarts Public Company Limited

INCOME STRUCTURE

The Company had the Consumer Products Sales in 2017 – 2019 as follow:

Product	2019		2018		2017	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Consumer Products Sales Value						
• Cosmetics						
Body care	189,505	12.57	221,738	14.86	270,304	17.85
Facial skin care and	287,076	19.04	318,848	21.37	375,849	24.82
Cosmetics	937,685	62.19	874,852	58.09	793,435	52.40
• Accessories	20,028	1.33	19,787	1.33	15,203	1.00
• Furnitures and marketing tools and other	31,991	2.12	21,791	1.46	17,217	1.14
• Supplomentarie	20,363	1.35	22,371	1.50	21,554	1.42
Total Consumer Products Sales Value	1,486,648	98.60	1,479,387	98.61	1,493,562	98.63
Service Income	21,067	1.40	20,757	1.39	20,757	1.37
Grand total Revenue	1,507,715	100.00	1,500,144	100.00	1,514,319	100.00
% increased (decreased)		0.50		(0.94)		5.94

CORE BUSINESS

Karmarts Public Company Limited (KARMART) operates core businesses in the fields of import, manufacturing and distribution of cosmetics and consumer products on an international scale under the concept 'Unique Beauty Solution'. The determination to become the iconic brand that fulfills all beauty needs of the mass population motivates the company to continuously produce new product innovations with distinct uniqueness and can respond to all demands of modern Thai women. Key products can be generally segregated into two groups, namely domestic house brands and international brands for which the Company possess sole distributorship within Thailand territory such as Boya etc.

Domestic house brands whose trademark rights belong with KARMART. The company plans and executes the conceptualization 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 two parts which are (i) finished goods that are developed and imported from abroad, manufactured by world-class factory that is widely accepted by various leading cosmetic brands, and (ii) semi-finished goods that are not fully assembled and are imported to Thailand to complete 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 better control production capacity to respond to the growing demands in the market.

In terms of distribution channels, the company maintains an extensive distribution network nationwide encompassing both wholesale and retail sales, e.g. local 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 consistent brand image, style and layout and implement centralized operating systems to meet the needs of consumers.

Outstanding performance from within domestic market motivated KARMART to expand operations abroad. The expansion started with Southeast Asia and has conquered other Asian markets such as Republic of China, Singapore, Cambodia, Myanmar, Vietnam, Malaysia, Laos, and Indonesia to date. 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 and core business
- 2013 Expanded distribution channels and ventured into export markets with Asian countries as initial 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 position the Company and its core businesses as well as meeting consumers’ changing preferences and demands.
- 2019 Established Cosmetic Product Packing and Assembly Departments to further enhance the Company’s competitiveness and build resilience towards any external event which may product adverse effects on operations.

BRAND and PRODUCT Overview



Gearing towards the strategic vision of becoming a leading cosmetic brand that fulfills all beauty needs of today's consumers worldwide, KARMART prides itself as the company which constantly delivers unique and innovative products to meet all beauty needs of varying target markets as we strive to be the distinguished provider of "Unique Beauty Solution" to all.

The company relentlessly focuses on better understanding target consumer groups through researches in order to derive new ideas to enhance existing products or deliver new products to better meet the needs of consumers that get more diverse with every passing day. Additionally, the company closely monitors and taps on beauty trends from other regions, both in Asia and Europe, and utilizes new cosmetic innovations from international suppliers to achieve product standards and quality comparable to international counter brands. The endless pursuit for more user-friendly product designs and newer product design trends is also a key agenda in terms of product development. Lastly, the company places extreme importance on customers' feedbacks and constantly engage such information as insights to improve product offerings.



Product Characteristics

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

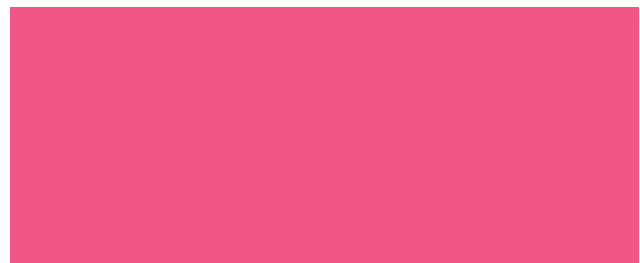
Just play it!

1. Cathy Doll: Just play it!

“Cathy Doll” is a dynamic beauty brand that delivers continuous excitement to the cosmetic industry with its ever-growing variety of trending beauty products which meets a vast spectrum of unique beauty needs and wants. Innovative products marketed under this brand bring consumers maximum fun and enjoyment with products that offer all-rounded beauty from head to toe. A leader of trendsetting innovation, the brand is well-suited for modern chic and edgy girls who welcome diverse beauty trends with 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 and Cleanser
- Body Care and Cleanser
- Makeup
- Beauty Accessories

Internationally, Cathy Doll has risen to yet another higher level in the beauty scene and successfully collaborated with The Walt Disney (Thailand) Company Limited, a world-class brand, to design and develop Cathy Doll x Disney Tsum Tsum makeup collection. Notably, the collection received outstanding market responses domestically and abroad, hence enhancing the brand's standing on the international stage in terms of both awareness and preference.



BABY
BRIGHT

Gift from nature

2. Baby Bright : Gift from nature

Baby Bright is a modern icon representing the beauty gifts nature has been found to be able to 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 and cosmetic line that boosts of its natural ingredients. 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 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 and Cleanser
- Body Care and Cleanser
- Makeup

Additionally, BABY BRIGHT brand also collaborated with The Walt Disney (Thailand) Company Limited to design and develop BABY BRIGHT x DISNEY Winnie the Pooh and Christopher Robin makeup collections which delivered huge success and increased export sales in overseas markets.



BOYA
PROFESSIONAL CARE

Professional Care

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 goes 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:

- Body Care and Cleanser
- Hair 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 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!





Everyday Happiness

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 delighted 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 KARMART's efforts in contributing back to society through donations of portions of commercial profit to charity organizations.

4.) Happiness in promoting Thai Tourism and Culture

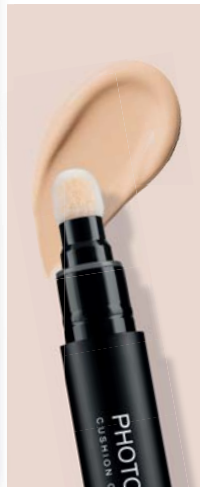
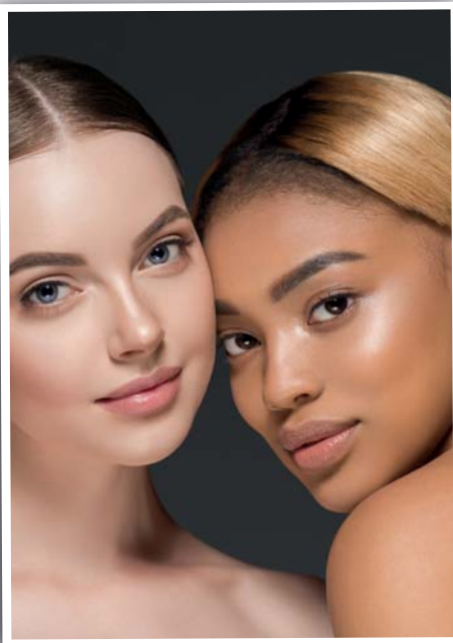
– The happiness in promoting Thai tourism and culture through the creation of products that feature unique formulas and packaging inspired by ancient traditions.

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
- Hair Care



CRAYON COLORING YOUR LIFE



6. Crayon : Coloring your life

A professional makeup line offering immense variety of colors, Crayon adds exclusive touch of glamour for every makeup 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 flavors to modern hectic and 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

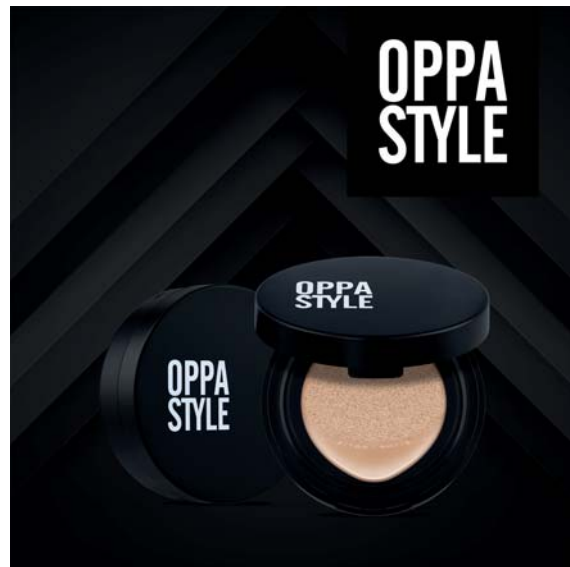
7. Cathy Choo : Boutique Fusion Spa

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 sensual 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



BE A PERFECT MAN



8. Oppa Style : Be a perfect man

Oppa Style is the brand that seeks to motivate all men to pursue beauty and grooming with enthusiasm. 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 men's needs from head to toe. With the brand's special focus on modern men, it definitely brings out the best of any male from any part of the world while enhancing with a delightful touch of Korean Oppas from Gangnam. The brand offers product choice as follows:

- Makeup

SKYNLAB+

DERMATOLOGIC LABORATORIES

9. SKYNLAB

With premium quality in mind, SKYNLAB seeks to provide luxurious oral wellness and special 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



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 nourishment for one's complexion.

- Skin Care

SPECIAL BRAND PROJECT

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 product lines exclusively for brows and eyes. The brand is jointly developed and associated with Mr. Chatchai Peangapichart who is also known as “Nongchat”, a top-notch Thai makeup artist who is widely 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 sector.



Moreover, KARMART also collaborated with another celebrity well-known for her all-rounded talents “Ja — Natthaweeranuch Thongmee, Ph.D.”, VJ, actress, writer, model, host, and university lecturer, and has jointly developed and launched 24-hour long-lasting cosmetics under the brand “J24”. Products under J24 are positioned as on-to-go beauty must-haves which are convenient and suitable for those who like travelling and being outdoor.



AWARDS AND ACHIEVEMENTS FROM LEADING MAGAZINES IN 2019

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. Cleo Beauty Hall of Fame 2019 – “Followers Favorite Cleansing Gel” by CLEO (Thailand) Magazine from Cathy Doll Clean Enough Makeup Peeling Gel



2. Cleo Beauty Hall of Fame 2019 – “Best Cleansing Wipe” by CLEO (Thailand) Magazine from Cathy Doll Micellar Cleansing Water Makeup Wipes



3. Cleo Beauty Hall of Fame 2019 – “Followers Favorites Concealer” by CLEO (Thailand) Magazine from Cathy Doll Skinny Concealer Matt & Bright

4. Cleo Beauty Hall of Fame 2019 – “Best Highlighter & Bronzer” by CLEO (Thailand) Magazine from Cathy Doll Flash Me Baked Lighting Powder #1 Aura Lights



5. Cleo Beauty Hall of Fame 2019 – “Best Eye Brow” by CLEO (Thailand) Magazine from Cathy Doll Soft Brow Pencil & Spoon Brush #04 Dark Brown

6. Cleo Beauty Hall of Fame 2019 – “Followers Favorite Toothpaste” by CLEO (Thailand) Magazine from Skynlab Premium Fresh Smile Toothpaste.

7. Cleo Beauty Hall of Fame 2019 – “Followers Favorite Mouthwash” by CLEO (Thailand) Magazine from Skynlab Premium Fresh Mint Mouthwash



8. Cleo Beauty Hall of Fame 2019 – “Best Body Cream”
by CLEO (Thailand) Magazine from Cathy Doll Ready
2 White Whitener Body Lotion



9. Cleo Beauty Hall of Fame 2019 – “Best Shampoo For
Damage Hair” by CLEO (Thailand) Magazine from Reunrom
Silicone Free Shampoo Anti-Damage Formula Pomegranate
& Blue Trumpet Vine



10. Cleo Beauty Hall of Fame 2019 – “Best Shampoo
For Hair Fall” by CLEO (Thailand) Magazine from ReunRom
Silicone-Free Shampoo Anti-Hall Fall Formula Charcoal & Phlai



11. Cleo Beauty Hall of Fame 2019 – “Best Hair
Treatment” by CLEO (Thailand) Magazine from Reunrom
Silicone-Free Hair Mask Anti-Damage Formula Pomegranate
& Blue Trumpet Vine



12. Cleo Beauty Hall of Fame 2019 – “Best Eye Brow”
by CLEO (Thailand) Magazine from Browit Brow Salon
Liquid and Cara #Couture Browne



13. Cleo Beauty Hall of Fame 2019 – “Followers Favorite
Liquid Lipstick” by CLEO (Thailand) Magazine from
J24 Ink Lipstick & Tint #Lolita Sunshine



14. Cleo Beauty Hall of Fame 2019 – “Best S.O.S For
Hair Styling” by CLEO (Thailand) Magazine from
HIVE PROFESSIONAL MAGIC VOLUME STYLING POWDER





15. Sudsapda Beauty Awards 2019 – “Best Of Serum” by SUDSAPDA Magazine from Cathy Smooth Blur Ctrl-Pore Serum



16. Sudsapda Beauty Awards 2019 – “Best Of Foundation Powder” by SUDSAPDA Magazine from Cathy Magic Dolly Face Two Way Cake Powder SPF 30 PA+++



Numéro

17. Numero Thailand Best Beauty Brands Products 2018 – 2019 – “Best Tint” by Numero (Thailand) Magazine from Baby Bright Lip and Cheek Matte Tint

OTHER PAST AWARDS ACCORDED BY DEPARTMENT OF INDUSTRIAL PROMOTION

1. 1st Prize Winner at ThaiStar Packaging Awards 2015 – “Distribution Packaging” by Department Of Industrial Promotion from Cathy Doll No.1 Frink Series

2. 1st Prize Winner at ThaiStar Packaging Awards 2015 – “Transportation Packaging” by Department Of Industrial Promotion from Karmarts Treasure Box

MARKETING AND SALES

In summary, KARMART focuses on 5 key 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, MaxValu, Jiffy, Big C Mini, Lotus Express, Tops Daily, CJ Express and Lawson108.

- Supermarket/ Hypermarket and Discount Store

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

- Specialty Store

Focusing on consumables, pharmaceuticals, cosmetics, skin care and hair care products, specialty stores are obtaining popularity in view of their friendly services, convenient locations and up-to-date product offerings which can be considered as one of the high-potential sales channels with apparent sustainable growth. To this end, KARMART currently distributes through Watsons, Boots, Beautrium, EVEANDBOY and Hej Street as well as affiliate stores such as Beauty Buffet that presently operates more than 200 branches.



- 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.



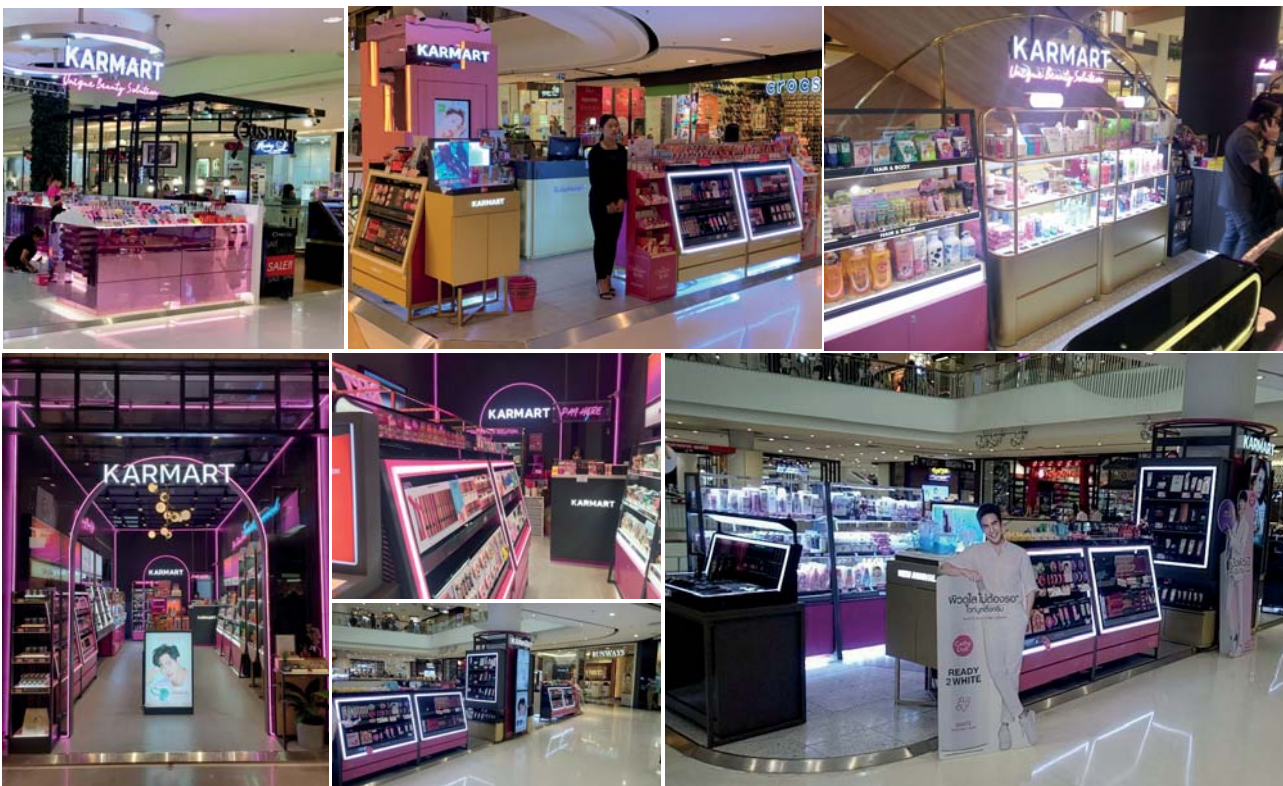
KARMART

2) KARMART Shop

KARMART shop is an important channel for the company, ensuring 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 critical factor contributing to continuous enhancement of brand loyalty.

Formerly, KARMART shops operate under 2 types of business models, namely 1. Fully-Owned Investment Stores and 2. Franchise Store. However, from year 2019 onwards, the Company has been gradually reclaiming franchise stores in order to maintain and/or improve the efficiency of store appearance and management as well as inventory organization. The Company also plans to develop CRM system (Customer Relationship Management) to appreciate customer relationship in the long run through automated and systematic data monitoring and analysis, whereby outputs of current store management systems which integrates pricing and promotion are upgraded.

At present, there are a total of 60 KARMART shops nationwide, of which 27 branches are standalone or retail shops, and 33 branches are in department stores' beauty hall zone such as The Mall and Robinson.



3) Traditional Trade or Dealer

Despite the rapid expansion of modern trade channel, the traditional trade channel remains a key sales generator for the company by virtue of their strategic locations across the entire country, some of which lack the presence of modern trade channels because of the relatively lower population density etc.

In addition, the remarkable network of traditional trade distributors aggregates to approximately 800 and spread extensively across Thailand which could effectively reach all target customers. This sales channel can be broadly sub-categorized as follows:

- Retailers: Cosmetic shop retailer and local supermarket, convenience store, hair salon, pharmacy, as well as hotel, spa and tourist souvenir shop etc
- Wholesalers: Cosmetic shop wholesaler, consumer products megastore, distribution center etc.
- Distributor: Dealers of relatively bigger operational scales and who distribute comprehensive variety of product across Thailand.



4. Export

Ventures into overseas export markets are carefully strategized following in-depth market analysis and the company went to substantial 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 16 distributorships in overseas markets such as Singapore, Cambodia, Vietnam, Myanmar, China, Laos, Indonesia, the Philippines, United Arab Emirates, Malaysia, Taiwan, Iraq, United State of America, Hong Kong, Russia and India, while establishing joint ventures in Vietnam.



KARMART SHOP MYANMAR



5. Online

Social Media is currently the most important tool influencing consumers' buying behavior, and KARMART ensures our marketing efforts successfully infiltrate the internet with vast product information, thus enabling consumers to shop with the greatest convenience anywhere at any time. The company designs and builds the online sales channels upon critical founding aspects of providing prompt responses to meet customer needs, building and maintaining positive relationships with customers as well as increasing brand loyalty.

There are 3 types of online channels which have been established presently:

- KARMART Online Store: www.karmarts.com
- Social Commerce:
 - o LINE Official Account: @karmart and @karmarts_onlineshop
 - o Facebook and Instagram Official Account: karmartsclub
 - o Facebook and Instagram Account of other KARMART'S house brands
- Electronic Marketplace: Lazada, Shopee, Kony, ShopAT24, Looksi, JD Central, Weloveshopping, 411, Line Gift Shop, Shobshop, Buzzebees, etc.

KARMART

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 mediums with outreach well-spreading across various gender, age and income levels, TV Commercial (TVC) is one of the primary communication tools KARMART undertakes to expand brand recognition locally and abroad. Thus far, the company has utilized both Free TV and Digital TV channels such as 33 HD, Thairath TV, New18, ONE, GMM, etc



Cathy Doll Bright Up Cleansing Water มาแล้ว!!!



KristSingoBabyBright I MY BABY BRIGHT



GUNxPLANKTONIIP Baby Bright Plankton Matte Cushion Lip and Moist Tint สีสันหลากหลายสองหัว



OFFxBBWATERMELON Baby Bright Watermelon & Tomato Matte BB Cream SPF45 PA++ มีสีให้เลือก



"อิน รสปาก" BabyBright ColorLipsticks - Baobab Comfort Moist Lipstick / Cotton Matte Lipstick



KRISTxREDWINE Baby Bright Red Wine Cover Pact แป้งโรยหน้า



SINGTOxLIMESAKURAandBERRIES Baby Bright Lime Sakura & Berries Bright Serum เซรั่มฟูลิธ



Cathy Doll Aloe Vera & Snail Serum Soothing Gel



Jejuvita Glutato I DareToBeShine I เจจูวิท่า กลูตาต้า I บียูสึ



Jejuvita Filinzo I เจจูวิท่า ฟิไลนโซ I เคา์ สุกิสรา



Jejuvita B Jim I B Jim Powder เจจูวิท่า บีจิน - บีจิน พาวเดอร์ I เคา์ สุกิสรา



New!! Item เพียงแค่หยดเดียวพริ้วผิวกระจ่างใส ลดจุดด่างดำ Spotlight Shift-White Serum



Cathy Doll Smooth Blur Crl-pore Serum ซีบีบีบลู สMOOTHพริ้วผิว กระจ่างใส



Ultra Light sun uid SPF50 PA++++ ซีบีบีบลู ซีบีบีบลู Cathy Doll เคา์!!!

1.1.3 Out-of-home media

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

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

2) Mupi Advertising media

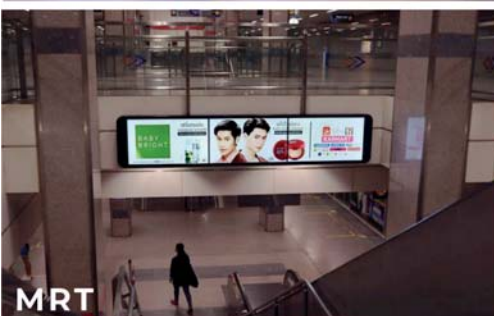
Maximum Urban People Informed or Mupi is a small-scale advertising media which can be effectively build brand recognition and is available all around Bangkok and other big cities. This media offers coverage across all residential communities and commercial areas.

3) Billboard Advertising media

Billboards are big outdoor advertising media that could attract attention from afar and is an effective tool in building brand recognition. This media is commonly available along main streets and most of the popular locations locally e.g. main road intersections, big markets or crowded areas in Bangkok.

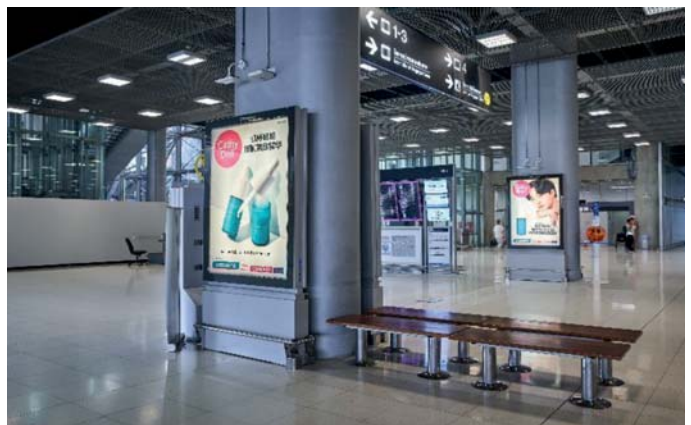
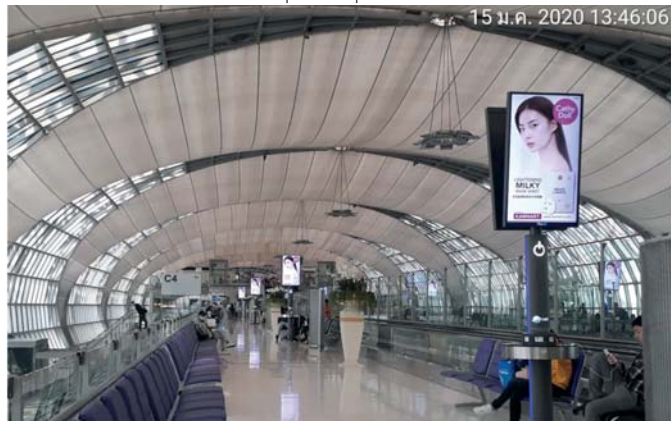
4) Digital Advertising media

Digital advertising media presents animated advertisement alike TVC, and are normally located in both residential and business areas. 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.





ป้าย OOH ในสนามบินตามจุดต่างๆ



ป้าย OOH ตามหัวเมืองใหญ่ๆ เช่น เชียงใหม่



ภูเก็ต



5) Mobile Advertising Media

Bus Wrap is one form of mobile advertising media and is the general strategy adopted to utilize various bus routes around Bangkok, including its outskirts and surrounding provinces which are accessible to the mass public as the buses travel across diverse areas, making it an excellent tool for creating brand recognition.



6) Billboard Advertising media in University Campus across the country, including sub-urban and urban areas in Bangkok.



โรงอาหาร SC1 จ.ธรรมศาสตร์ (วิทยาเขตรังสิต)



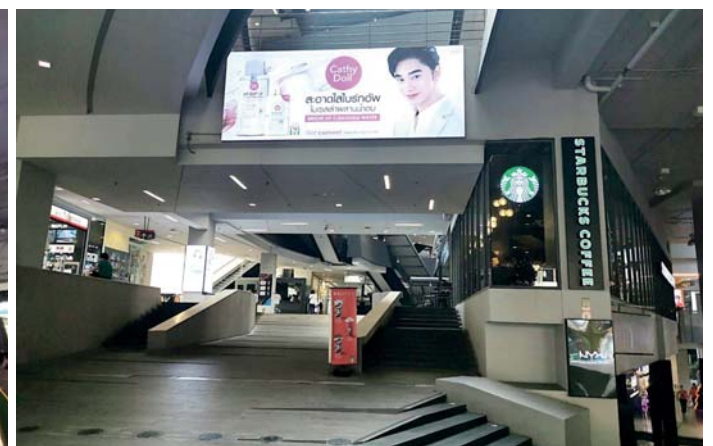
โรงอาหารกลาง ม.เกษมบัณฑิต



โรงอาหารกลาง ม.ราชภัฏ (ศูนย์พระนครเหนือ)

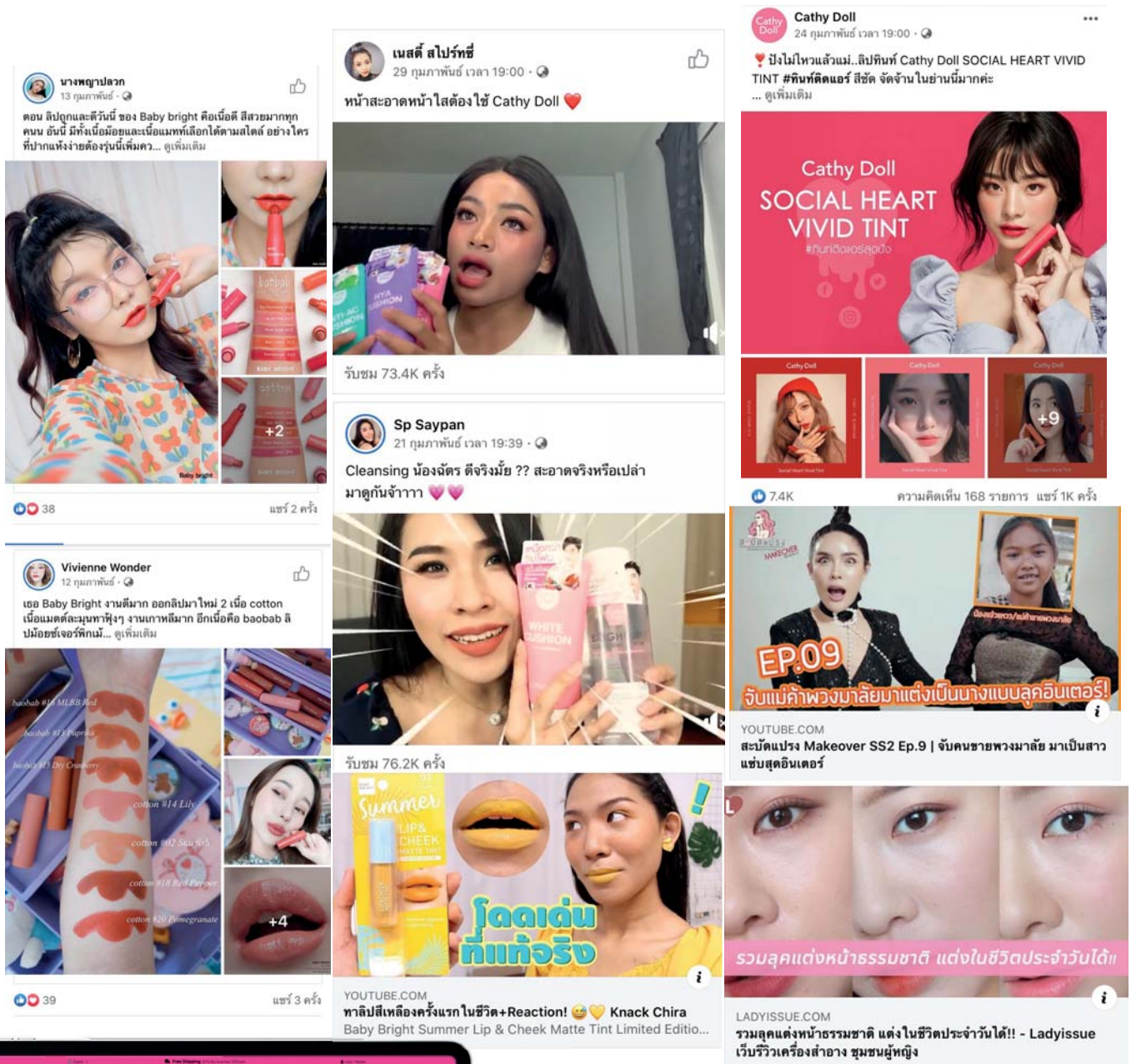


โรงอาหารกลาง ม.ราชภัฏธนบุรี



1.2 Online media

In view of the communication mechanics in modern digital age, online media, of which social media is the main focus, is a key communication channel which cannot be neglected as it is most effective in reaching out to KARMART's target consumers – the young and modern. Therefore, great focus and substantial resources are dedicated to online media. Starting from year 2018, the Company redirected marketing communication focus onto online platforms and launched a series of chronologically vital online events, 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, Skynlab_Official, Oppa Style

Instagram: Karmartsclub, Babybrightclub, Jejuvita_supplement, Reunrom.spaproduct,
Crayoncosmetics, Misshathailand, cathydollclub, Skynlab_Official,
oppastyleofficial

Website: www.karmarts.com

Youtube: [KarmartsClub](#)

Line Official: @KARMART

Twitter : Cathydollclub, Babybrightclub, SKYNLAB Official , Jejuvita supplement

2. Marketing communication activities

2019 witnessed the showcase of many outstanding milestones of KAMART through events organized with the goal of better reaching out to KARMART supporters and the mass consumers, enhancing brand value and loyalty while boosting sales performance through promotions.

2.1) **“Cathy Doll Oil Control Film Pact” Launching and Presenter Debuting Event with Peck – Palitchoke Ayanaputra and Love by Chance casts:** Phiravich Attachitsataporn (Mean), Siwat Jumlongkul (Mark), Katsamonnat Namwirote (Earth), Tanapon Sukumpantanasan (Perth), Rathavit Kijworluk (Plan), Napat Na Ranong (Gun) and Kirati Puangmalee (Title)

Date/Time/Venue: 24 January 2019 at River Park, ICONSIAM

Applicable Product/Promotion: Cathy Doll Ready2White White Boosting Cream, Ready2White Lightening Milky Mask Sheet, Blackheads Cleansing Strip, Charcoal Nose Cleansing Strip, Aloe Vera & Snail, Invisible Sun Protection, UV Alert Sun Serum Cushion SPF50 PA+++ and Skinny Brow Pencil



2.2) LOVE BY CATHY DOLL SEASON 2 “Movie Premiering Event” with Love by Chance casts: Phiravich Attachitsataporn (Mean), Siwat Jumlongkul (Mark), Katsamonnat Namwirote (Earth), Tanapon Sukumpantanasan (Perth), Rathavit Kijworoluk (Plan), Napat Na Ranong (Gun) and Kirati Puangmalee (Title)

Date/Time/Venue: 5 May 2019 at Siam Pavalai Royal Grand Theater, Siam Paragon

Applicable Product/Promotion: Cathy Doll Ready2White White Boosting Cream, Ready2White Lightening Milky Mask Sheet, Blackheads Cleansing, Charcoal Nose Cleansing Strip, Aloe Vera & Snail, Invisible Sun Protection, UV Alert Sun Serum Cushion SPF50 PA+++ and Skinny Brow Pencil



2.3) LOVE BY CATHY DOLL SEASON 3 “Movie Premiering Event in Southern Thailand” with Phiravich Attachitsataporn (Mean), Siwat Jumlongkul (Mark) and Katsamonnat Namwirote (Earth)

Date/Time/Venue: 18 June 2019, 18.00 – 20.00 PM at SF CINEMA Coliseum Suratthani, Coliseum Surat Thani



2.4) LOVE BY CATHY DOLL SEASON 3 “Movie Premiering Event in Northeastern Thailand”

with Tanapon Sukumpantanasan (Perth), Rathavit Kijworluk (Plan), Napat Na Ranong (Gun) and Kirati Puangmalee (Title)

Date/Time/Venue: 23 June 2019, 13.00 – 15.00 PM, at Major Cineplex Lotus Khonkaen Pratunam, Khonkaen



2.5) 2P Private Dining by Cathy Doll Serum

Date/Time/Venue: 28 September 2019 at THE GARDENS OF DINSOR PALACE to promote the following Cathy Doll products' sales: Smooth Blur Ctrl-Pore Serum, Babe Face Youth Space Serum and Spotlight Shift-White Serum



2.6) Event with Boy – Pakorn Chatborirak at Big C Imperial World Samrong branch was held on 29 September 2019

Applicable Product/Promotion: Cathy Doll Ultra Light Sun Fluid SPF50 PA++++, White Sun L-glutathione Magic Cream SPF50 PA+++ and Aqua Sun Non Greasy Body Sun Serum SPF50 PA+++



2.7) “CATHY DOLL Choose Your Right Partner SEASON 2”

@VANA NAVA HUAHIN HUAHIN was successfully held and filled with fun and enjoyment on 9 November 2019 at Vana Nava Water Jungle Huahin, Prachuap Khiri Khan. The event was held with two beloved presenters and one special guest, along with their amazing fans who were sorted into 3 teams: Team Boy -Pakorn Chatborirak, Team Mean -Peerawit Anantasirarat and Team Blue -Pongtiwat Tangwancharoen for the purpose of endorsing Cathy Doll products which are Aura Sun Crystal Body Sun Cream, Aqua Sun Non Greasy Body Sun Serum, Ultra Light Sun Fluid, L-Glutathione Magic Cream, lipstick product, 3-formula serum, powder pact product.



2.8) HELLO BEAUTY 2019 FAIR: Held on 30 October 2019, 19.00 – 20.00 PM at Grand Hall, G floor, The Mall Bangkhae, KARMART's leading beauty brand, Cathy Doll, participated in the event in association with GOURMET MARKET and launched exciting sales promotions which featured key focus products. Tonnes of fun and joyful activities were put in place especially for the fans of Perth – Tanapon Sukhumpantanasan who made the event extremely pleasant and wrapped up highlights of the day with fantastic atmosphere throughout the activities.



2.9) Viral Video Advertisement Sponsorship for University Students from across the Country: In search of talented and creative marketing ideas as well as enhancing brand preference and loyalty for CATHY DOLL SPEED WHITE CC CREAM, Cathy Doll brand participated in "X Campus Ads Ides Contest 2019" which was organized by Ministry of Digital Economy and Society and Association of Thai ICT Industry as the MAIN SPONSOR and provided 400,000 THB worth of prizes for the purpose of promoting CATHY DOLL SPEED WHITE CC CREAM which was utilized as a main proposition in the creation of viral videos involved in the competition.



2.10) “มันเหนือมาก ตอน ตะลุยนาข้าว” Concert at Chiang Mai Sponsorship: A sponsorship undertaken by Cathy Doll brand, “มันเหนือมาก ตอน ตะลุยนาข้าว” which was held at Brandnew Field Good, Chiang Mai, Thailand, on 28 December 2019, 17.00 PM to midnight, is a concert graced by numerous famous artists including Peck – Premmanat Suwannanon, Duo artists: New – Napassorn Phoothornjai and Jiew – Piyanut Suajongproo, Oat – Pramote Pathan, Pop – Pongkool Suebsueng, Aof – Pongsak Rattanaphong and Peck – Palitchoke Ayanaputra. The sponsorship was positioned as a public relation activity in relation to Cathy Doll brand in northern Thailand and also served as an opportunity for entrepreneurs to roll out business ideas and engage their target consumers through sales of Cathy Doll products. In a nutshell, the event mechanics allowed consumers to purchase Cathy Doll products from any channels and submit the receipts issued by POS machine to qualify for a chance to join the concert.



2.11) 2Wish Love Intention By Cathy Doll: A successful movie event “2Wish Love Intention By Cathy Doll” that featured Cathy Doll’s presenters: Mean – Phiravich Attachitsataporn and Plan – Rathavit Kijworuluk and was held on 13 December 2019, 18.30 – 20.30 PM at Paragon Cineplex, Siam Paragon, which was participated by more than 300 fans of the celebrity.



2.12) "BABY BRIGHT PRESENTS COLORS OF NATURE" PRESENTERS DEBUTTING & PRODUCTS LAUNCHING EVENT: Karmarts Public Co. Ltd., debuted 3 latest Baby Bright's presenters, namely Pat – Napapa Tantrakul, representing Cotton Matte Lipstick and Baobab Comfort Moist Lipstick, Off – Jumpol Adulkittiporn, representing foundation products: Aloe Snail AA Smooth Skin Anti-Acne Cream SPF50 PA+++, White Plankton DD Anti-Pollution Daily Defense Cream SPF50 PA+++ and Watermelon & Tomato Matte BB Cream SPF45 PA++ and Gun – Atthaphan Phunsawat, representing lipstick products: Plankton Matte Cushion Lip and Moist Tint, MM Mineral Matte Lip Paint and Lip & Cheek Matte Tint, on 14 August 2019, at River Park, ICONSIAM. With the tremendous success achieved by Baby Bright brand, including outstanding sales performance and crowning of awards from various leading associations, the event was also joined with special guests Krist – Peerawat Seangpothirat, representing powder pact products together with Singto – Prachaya Reungroj who represents serum products. In addition, the appearance of beautiful and talented actress Mew – Nittha Jirayungurn who represents Baby Bright's lipstick products brightened up the atmosphere throughout the show. In all, the event was graced by numerous business partners and celebrities as well as audience of more than 100 people.



2.13) BABY BRIGHT x SR SUPERMART: Another splendid Baby Bright event held in 2019 was a sales promotion and public relation event in collaboration with SR SUPERMART agent store at Phetchabun province and showcasing beautiful and talented actress Mew – Nittha Jirayungurn who represents Baby Bright's lipstick products. The event took place at SR SUPERMART, Phetchabun branch, on 1 September 2019 and was participated by crowds of lovely fans and target customers.



2.14) HEJ x BABY BRIGHT in HEJ BEAUTY FESTIVAL MARKET: One of the notable events held under Baby Bright brand relates to a sales promotion and public relation event at one of the leading beauty stores named “Hej Street Beauty” in Hej Beauty Festival Market. With special focus on several of Baby Bright’s products, including Aloe Snail AA Smooth Skin Anti-Acne Cream SPF50 PA+++, White Plankton DD Anti-Pollution Daily Defense Cream SPF50 PA+++ and Watermelon & Tomato Matte BB Cream SPF45 PA++, consumers earn the opportunity to participate in the event by simply spending a minimum of 2,000 THB on the selected items. One grand winner was even accorded the privilege of taking an individual picture with Off – Jumpol Adulkittiporn, who represents Baby Bright foundation products, and walked away with exclusive presents from Baby Bright. The event took place at promotion area, 1st floor, CentralFestival Hatyai, on 1 September 2019, and was brimmed with immense love from amazing fans and target customers.



2.15) BABY BRIGHT COLOR LIPSTICKS x EVEANDBOY: Held jointly with one of the leading beauty stores EVEANDBOY, another successful sales promotion and public relation event focusing on COLOR LIPSTICKS under the brand was held on 16 November 2019 at EVEANDBOY, Siam Square One branch, and received wonderful feedback from the endearing fans and target customers. As always, the brand incorporated multiple joyful activities seeking for lucky winners to participate in exclusive segments with Baby Bright’s presenters: Pat – Napapa Tantrakul and Gun – Atthaphan Phunsawat.



2.16) BABY BRIGHT x KRIST – SINGTO Season 2 with “TRUE LOVE WITH KRIST – SINGTO Mark the Map IN BANGKOK”: With the successful launch of mini-series and amazing feedback from fans of 2 popular actors who are Baby Bright’s presenters: Krist – Peerawat Seangpothirat, representing powder pact products namely Red Wine Cover Pact, Anti- AC Powder Pact and Snail & Bee Venom 2 Way Powder Pact, along with Singto – Prachaya Reungroj who represents serum products namely Lime Sakura & Berries Bright Serum and Cica & Lemon Matte Serum, Baby Bright x Krist – Singto Season 2 was launched with a blast to recreate exciting flutters in fans’ hearts with True Love with Krist – Singto Mark the Map in Bangkok, via a sequel of My Baby Bright Destiny Calls. The event took place at Paragon Cineplex, Siam Paragon, on 10 November 2019, and was participated by both domestic and overseas fans.



2.17) BABY BRIGHT X OFF – GUN in Mini-series Premiering “HAPPY DAY WITH OFF-GUN”: Organized under Baby Bright brand, the premier of “LOVE FROM OUTTA SPACE” mini-series in HAPPY DAY WITH OFF-GUN and the stars of this event, namely, Off – Jumpol Adulkittiporn, representing foundation products: Aloe Snail AA Smooth Skin Anti-Acne Cream SPF50 PA+++, White Plankton DD Anti-Pollution Daily Defense Cream SPF50 PA+++ and Watermelon & Tomato Matte BB Cream SPF45 PA++, Gun – Atthaphan Phunsawat, representing lipstick products: Plankton Matte Cushion Lip and Moist Tint, MM Mineral Matte Lip Paint and Lip & Cheek Matte Tint, took place at Paragon Cineplex, Siam Paragon, on 24 November 2019, and was hyped by both domestic and overseas fans.





2.18) **“Feel Good with Jejuvita” with Bas of SBFIVE:** With the health-conscious group of consumers in mind, Karmarts Public Co. Ltd., launched a health promotion activity under Jejuvita with Bas of SBFIVE on 2 November 2019 at 14.00 – 16.00 P.M., at TRIA Medical Wellness Center, RAMA 9. The event was held and participated by more than 50 people who engaged in fun and exciting activities such as exercises as well as fruit and vegetable juice guessing games, all while receiving useful insights regarding product information from brand administrator and instructive details on weight loss from pharmacist.



2.19) **“Jejuvita 30-Day Downsizing Challenge Season 2”** with 50,000 THB worth of prizes and Jejuvita B-JIM: Back for the second time, this 30-day downsizing challenge marketed under Jejuvita brand zoomed in primarily on weight loss achieved via consumption of Jejuvita B-JIM! The challenge was successfully held for second consecutive year, and participated by more than 50 people.

- Activity duration: 25 March – 30 April 2019.
- Challenge duration: 2 – 31 May 2019 (consumption of Jejuvita B-JIM for 30 consecutive days).
- Final round: The winner was awarded with 50,000 THB prizes at Karmarts Public Co. Ltd., Headquarters, on 8 June 2019.



2.20) **CRAYON x BEAUTRIUM:** Hosted by one of Thailand's leading beauty stores BEAUTRIUM and graced by renowned makeup artist “Hua – Kanniput Sananwong”, this sales promotion and public relation event launched under CRAYON brand was held at Beautrium shop, Center Point, Siam Square, on 1 August 2019. The chance to be the one and only person to receive free makeover from hollyhua was offered to passersby and this prestigious opportunity undoubtedly gave rise to amazing crowds, attention as well as fun and laughter.



2.21) SKYNLAB in Delivery of Beautiful Smile and Fresh Breath with MISS THAILAND WORLD 2019: Karmarts Public Co. Ltd., participated in MISS THAILAND WORLD 2019 along with SKYNLAB brand, on 3 August 2019 at Palladium Hall, the Berkeley Hotel Pratunam, having in mind how SKYNLAB can bring together a confident smile and fresh breath in the beauty pageant event. The special prize “MISS CONFIDENCE SMILE BY SKYNLAB” was designed for the one contestant who delivered the most beautiful and confident smile that could capture all judges’ attention, and the winner for this award eventually went to “Grace – Chawanluck Unger”.



2.22) “KARMART Asian Beauty Blogger Contest 2019”: In line with KARMART’s positioning as an international beauty provider, with significant prominence within Asian, the Asian Beauty Blogger Contest was organized across 12 Asian countries, namely Malaysia, Indonesia, Taiwan, China, Singapore, Thailand, Philippines, Vietnam, Laos, Myanmar, Korea and Cambodia, in search for the best Asian beauty influencer and providing opportunities to amateur and influencers within the region to showcase their true talents through an intense journey. In 2019, the competition went further than expected under a reality show concept titled “BEAUTY DASH ASIA 2019”. The show comprises 5 arousing missions for the countries’ representatives to compete against each other, seeking for the best beauty blogger in Asia, of which the last mission was beautifully wrapped up at ICONSIAM and the grand winner is Mint – Nawinda Bertotti, a representative of Thailand. The proud winner of this contest was not only featured across international online platforms, but also won herself prestigious product sponsorships and collaboration opportunities from KARMART which help promote the brand to an ever-wider range of audience, especially focusing on beauty-conscious market segments. For those who desire to witness this wonderful journey, simply check out all 5 episodes of this reality show on Facebook: Karmartsclub and YouTube: Karmarts Club.



3. Corporate Social Responsibility (CSR) activities

With Corporate Social Responsibility viewed as a core aspect of our corporate culture and reflected in the Company's mission statements, KARMART is committed to responsibility to the society at large and motivated to perform social services on a continuous basis. We aim to consistently fulfill our responsibility by utilizing internal teams and through collaboration with external social entrepreneurs or any other entity with a passion for giving back to the society. We firmly believe CSR is the key to a progressive Thailand society that can sustain developments in the long run.

Throughout 2019, KARMART engaged in multiple CSR activities to contribute and raise awareness towards the less fortunate in the society. The company contributed to 11 foundations with donations totaling approximately 1.3 million baht, and the beneficiaries are namely Duang Prateep Foundation, Rachawadee Home for Persons with Disabilities Protection and Development (for girls), Mercy Centre, Baannokkamin Foundation, Foundation For Rural Youth (FRY), The Foundation for the Deaf Under the Royal Patronage of Her Majesty the Queen, Watsanmahokfa Chiang Mai (King Power), Royal Kathina Robe Offering Ceremony at Wat Rai Khing, a royal monastery, Nakhon Pathom province, Tiang Chirathivat Foundation and World Vision Foundation of Thailand.



FUTURE PROJECTS AND PLANS

Here at KARMART, 2019 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 2020, the company shall set out to achieve milestones closely integrated with our mission of expanding domestically and regionally and continue to make significant steps towards our vision of becoming one of the world's leading beauty providers.

1) Consumer Aspect

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

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

2) Product Aspect

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

- Create innovation

With utmost dedication to creativity and innovation, the company believes that product innovation should not only deliver exciting user experiences for customers and should also come equipped with the highest product quality. Therefore, we will continue to strive for product excellence 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 the fundamental basis of KARMART's business and we plan to better enforce ethical decision-making through transparent work processes, critical management control and regular risk assessment together with forward-looking commitment on addition of value to company's operations which maximize shareholders' value. The Company also has been upholding social responsibility towards the communities as well as integrating business cooperation with entrepreneurs, related parties, including those interested in steering or participating in projects which will lead to society development, prosperity and sustainability within and beyond Thailand.

KARMART

DETAILS OF DIRECTOR, MANAGEMENT AND AUTHORIZED PERSON



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 67 Year

Position

Director, Chief Executive Officer and Chairman of the board

Educational Background

Bachelor 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 16, 2020



Lt.Gen. Kobboon Vichit

Age 73 Year

Position

Director and Audit Committee Chairman

Educational Background

Master of Public Administration, National Institute of Development Administration

Number of Share 28,000 Shares 0.003%
As at March 16, 2020



Mr. Kraiwit Satayapiwat *

Age 63 Year

Position

Director, Deputy Managing Director

Educational Background

Bachelor of Engineering Major in Mechanical, Chulalongkorn University

Number of Share 28,000 Shares 0.003%
As at March 16, 2020



Mr. Prasit Dheeraratbongkot

Age 65 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 16, 2020



Puttithorn Jirayus, PhD.

Age 44 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 16, 2020



Mr. Wongwiwat Theekhakhirikul *

Age 37 Year

Position

Director and Assistant Managing Director – Management and Business Development

Educational Background

Bachelor of Engineering, Chulalongkorn University

Number of Share 1,934,320 Shares 0.220%
As at March 16, 2020



Mr. Parit Teekakirikul

Age 37 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 16, 2020



Mr. Seah Sin Loo

Age 69 Year

Position

Director

Educational Background

Secondary

Number of Share 25,200 Shares 0.003%

As at March 16, 2020



Mr. Kattanant Yaphanich

Age 37 Year

Position

Director

Educational Background

Master of Laws (LLM.), National Institute of Development
Administration (NIDA) in 2020
Bachelor of Arts (Political Science),
Ramkhamhaeng University in 2006
Bachelor of Laws, Assumption University (ABAC) in 2005

Number of Share -

As at March 16, 2020



Mrs. Tussanee Auncharoen

Age 59 Year

Position

Deputy Managing Director of
Accounting and Finance

Educational Background

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

Number of Share 259,866 Shares 0.030%

As at March 16, 2020



Mr. Suphachaet Ngamwongvechakul

Age 53 Year

Position

Deputy Managing Director of Sales and Marketing

Educational Background

Master of Business Administration of University
of Wollongong
Bachelor of Business Administration of
Assumption University

Number of Share -

As at March 16, 2020



Mrs. Chonthida Sathawornwichee

Age 39 Year

Position

Assistant Managing Director — Sales Operation
— Modern Trade, KMS and SHOP-HQ

Educational Background

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

Number of Share 396,000 Shares 0.045%

As at March 16, 2020


Ms. Suwannee Tharacheevin
Age 55 Year
Position

Assistant Managing Director – Accounting

Educational Background

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

Number of Share 25,200 Shares 0.003%

As at March 16, 2020


Mrs. Aunruen Arunvisavakul
Age 61 Year
Position

Assistant Managing Director – Warehousing and Distribution

Educational Background

Bachelor of Liberal Arts Major Management, Bansomdejchaopraya Rajabhat University

Number of Share 25,200 Shares 0.003%

As at March 16, 2020


Mr. Phawat Chalemphongjatuporn
Age 57 Year
Position

Assistant Managing Director – Sales Operation

Educational Background

Bachelor of Political Science, Ramkhamhaeng University

Number of Share –

As at March 16, 2020


Mr. Pongwiwat Theekhakhirikul
Age 36 Year
Position

Assistant Managing Director – Marketing and Product Development

Educational Background

Bachelor of Architecture, Chulalongkorn University

Number of Share 415,200 Shares 0.047%

As at March 16, 2020


Mrs. Somsri Viriya
Age 51 Year
Position

Accounting Director

Educational Background

Bachelor of Business Administration Major in Accounting, Sukhothai Thammathirat University

Number of Share 19,200 Shares 0.002%

As at March 16, 2020


Mr. Satjapong Yongskulrote
Age 37 Year
Position

Business Development Director – Information Technology

Educational Background

Bachelor of Engineering, Chulalongkorn University

Number of Share 43,200 Shares 0.005%

As at March 16, 2020



Ms. Wei Xiuqing

Age 36 Year

Position

Business Development Director – China Region

Educational Background

Business IT and Law, Nanyang Technological University

Number of Share –

As at March 16, 2020



Miss Nattanan Muansing

Age 36 Year

Position

Sales Operation Director – Modern Trade Convenience Store

Educational Background

Bachelor of Applied Science Major Bioindustrial, King Mongkut's University of Technology North Bangkok.

Number of Share 19,200 Shares 0.002%

As at March 16, 2020



Miss Suchaya Dadsanthia

Age 43 Year

Position

Sales and Operation Director – Traditional Trade

Educational Background

Master of Business Administration Ramkhamhaeng University
Bachelor of Mass Communication Ramkhamhaeng University

Number of Share –

As at March 16, 2020



Miss Phatchara Sivipapong

Age 36 Year

Position

Marketing Director

Educational Background

Master of Business Administration at RMIT University
Bachelor of Art in Business Chinese at Assumption University

Number of Share –

As at March 16, 2020



Miss Kruatip Boontavorn

Age 42 Year

Position

Sales Operation Director – Modern Trade Beauty Store

Educational Background

Master of Business Administration (Marketing) at Kasetsart University
Bachelor of Business Administration (Marketing) at Prince of Songkla University

Number of Share –

As at March 16, 2020

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 2019 and 2018 was around USD 3, 4 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, 2019 was USD 2.57 million with an average exchange rate of 30.1540 Baht/USD. (2018: USD 4.01 million with an average exchange rate of 32.4498 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. 35.1: 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 2019 and 2018, the company has an average inventory of 19.51% and 26.73% of all assets respectively and has an average selling period of 124 days.

The company reserves devaluation of inventory aged between 1 – 3 years of Baht 18 million and another Baht 27 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

Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Group, whether directly or indirectly, or which are under common control with the Group. They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Group that gives them significant influence over the Group, key management personnel, directors, and officers with authority in the planning and direction of the Group's operations.

The Connected Transactions

As 31 December 2019 an acquisition of goods and services Baht 29 million, under normal commercial terms and conditions trade and other receivables — related persons and parties Baht 24 million, Interest expenses Baht 2 million, other income Baht 1 million, purchases of good Baht 3 million, long — term loans to related party Baht 3 million, trade and other trade payables — related persons and parties Baht 2 million short-term loan form related Baht 30 million. The company and its subsidiaries had employee benefit expenses of their directors and management Baht 37 million which had been disclosed in notes to financial statements in topic 9.

Necessities and Reasons of Connected Transactions

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

Procedures on the Connected Transactions

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

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

Policy and Trend of Transactions with Related Companies in the Future

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

Karmarts Public Company Limited Connected Persons

Connected Persons	At March 16, 2020		Subsidiary		Associates		Subsidiary of the Associate		Joint venture		Related Company									
	Karmarts Public Company Limited		J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phrakasam, Bangwaad Condominium, The Iconic Property Charan Sanit Wong 13		Karmarts Vietnam		Chaiyaboon Intertrade Limited Partnership		Beautrium Company Limited		Ruenrom Food and Beverage Company Limited		The Iconic Property Area		The Iconic 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. "Theekhakhrirul" Group																				
2.1 Mr. Wivwat Theekhakhrirul	23.191	Director			-	Director	0.01	Director	-		-		-		-	Director	-		-	
2.2 Mr. Wongwivat Theekhakhrirul	0.220	Director		Director	-		-		-		-		-		-		-		-	
2.3 Mr. Pongwivat Theekhakhrirul	0.047			Director	-		-		-		90.00	Partnership	-		-	Director	-		-	
2.4 Mr. Polkrit Theekhakhrirul	4.533				-		-		-		-		-		-		-		-	
2.5 Mr. Parit Teekakirul	3.753	Director			33.33	Director	0.01	Director	-		-		-		-		16.67	Director	65.90	Director
2.6 Ms. Viamol Theekhakhrirul	4.084				-		-		-		-		-		-		-		-	
2.7 Ms. Narapan Theekhakhrirul	0.060				-		-		-		-		-		-	Director	-		-	
2.8 Ms. Chonrada Theekhakhrirul	0.012				-		-		-		-		-		-	Director	-		-	
3. Mr. Kraiwit Satayapiwat	0.003	Director		Director	-		-		-		-		-		-		-		-	
4. The Iconic Property Co.,Ltd.																				
5. Other	67.850		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	

Director	Karmarts Public Company Limited	J Kos Laboratories Company Limited		The Iconic Property Company Limited		The Iconic Property Phrakasam, Bangwaad Condominium, The Iconic Property Charan Sanit Wong 13		Karmarts Vietnam		Chaiyaboon Intertrade Limited Partnership		Beautrium Company Limited		Ruenrom Food and Beverage Company Limited		The Iconic Property Area		The Iconic Property Bangna	
		MD		MD		MD		MD		MD		MD		MD		MD		MD	
		Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A	Director ^A
1. Mr. Wivwat Theekhakhrirul	✓			✓		✓								✓					
2. Mr. Wongwivat Theekhakhrirul	✓		✓							✓				✓					
3. Mr. Pongwivat Theekhakhrirul			✓																
4. Mr. Kraiwit Satayapiwat	✓			✓															
5 Mr. Parit Teekakirul					✓	✓													✓

Remark: Director^A Meant authorized signatory director

SHAREHOLDERS STRUCTURE

The company has its capital registration of Baht 528,000,000 (old capital register of Baht 396,000,000) which commons 880,000,000 share of par value 0.60 Baht (old 660,000,000 share) and the paid – up capital Baht 527,998,810 or common stock of 879,998,016 share.

Shareholders' name	Amount	% Owned
1. Theekhakhirikul Group	315,925,174	35.900
Mr. Wiwat Theekhakhirikul	204,083,788	23.191
Mr. Polkrit Teekhakirikul	39,893,333	4.533
Ms. Woramol Teekhakirikul	35,937,333	4.084
Mr. Parit Teekakirikul	33,025,200	3.753
Mr. Wongwiwat Theekhakhirikul	1,934,320	0.220
Ms. Narapan Theekhakhirikul	530,000	0.060
Mr. Pongwiwat Theekhakhirikul	415,200	0.047
Ms. Chonrada Theekhakhirikul	106,000	0.012
2. THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, SINGAPORE BRANCH	30,649,733	3.483
3. UBS AG SINGAPORE BRANCH	30,000,000	3.409
4. Mr. Prasert Virasathienpornkul	25,919,500	2.945
5. Mr. Aekkarith Aeksamith	25,009,333	2.842
6. Mr. Thammarith Aeksamith	24,638,000	2.800
7. Mrs. Jarunee Chinwongvorakul	21,489,400	2.442
8. Mr. Chalermdech Leewongcharoen	21,065,966	2.394
9. Thai NVDR Co., Ltd	17,062,921	1.940
10. Mr. Pramote Pasawong	15,878,400	1.804
11. Other	325,359,589	40.041
Total	879,998,016	100.000

Remark : Shareholder's name and percentage of shareholding as shown above is the same as the closing date of the securities register on March 16, 2020 by the information of Thailand Securities Depository Co., Ltd.

Share capital

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

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

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

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

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

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

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

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

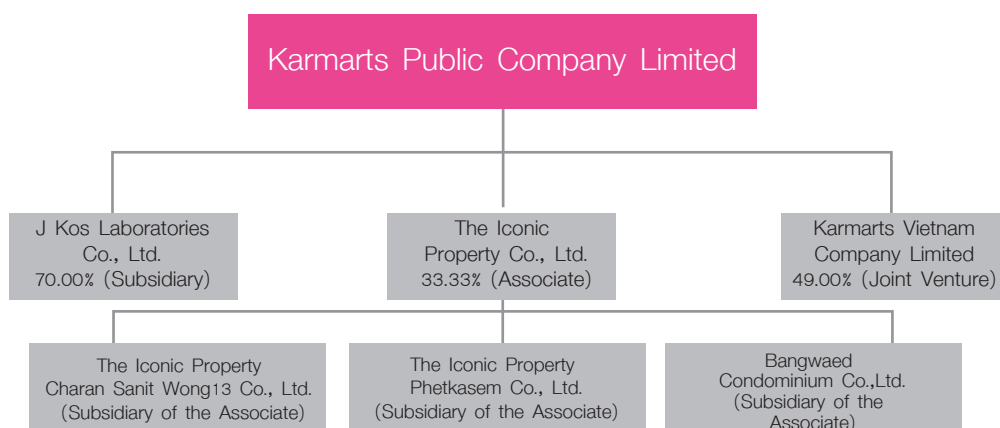
During the second quarter of this year, the Company registered the increase in its paid up share capital from the exercise of ESOP scheme with the Ministry of Commerce on 6 June 2017 (574,921 ordinary shares of Baht 0.60 each).

Dividend payment policy

The company will pay dividend on 50% of net profit as per profit and loss statement of individual company after deduct the statutory reserve that is not less than 5% of net profit until that reserve will not less than 10% of the capital registered. The statutory reserve is not available for dividend distribution. At the statutory reserve has fully been set aside.

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 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		246,371	0.28
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	61,546	0.07
Interim dividends for 2019	Board of Directors' meeting on 13 May 2019	61,598	0.07
	Board of Directors' meeting on 9 August 2019	61,600	0.07
	Board of Directors' meeting on 12 November 2019	61,599	0.07
Total dividends for 2019		246,343	0.28

INVESTMENT STRUCTURE AND TYPE OF BUSINESS IN RELATED



Juristic person which the Company hold at least 10%

	Type of business	Registered capital	Paid-up capital	Company's stake
J Kos Laboratories Co., Ltd. Location : 261/1 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. : 0-2805-2756-60 Fax. : 0-2805-0251-2	Manufacturing of skin care, cosmetics, fragrances, cosmetics accessories and the like	10,000,000	10,000,000	70.00%
The Iconic Property Co., Ltd. Location : 83 Soi Phetchakasem 54 Yak 3, Phetchakasem Rd., Bangduan, Phasicharoen, Bangkok 10160 Tel. : 0-2805-2756-60 Fax. : 0-2805-0251-2	Property development (Hotel, Resort and Condominium)	213,090,000	213,090,000	33.33%
Karmarts Vietnam Company Limited Location : Vietnam	Wholesale and retail business of cosmetics	400,000US\$	200,000US\$	49.00%

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

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 are as 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, Ph.D.	/	/	-	-	-
6. Mr. Parit Teekakirikul	/	-	-	-	-
7. Mr. Wongwiwat Theekhakhirikul*	/	-	/	/	-
8. Mr. Seah Sin Loo	/	-	-	-	-
9. Mr. Kattanant Yaphanich	/	-	-	-	-
10. Mrs. Tussanee Auncharoen	-	-	-	/	-
11. Mr. Suphachaet Ngamwongvechakul	-	-	-	/	-
12. Mrs. Chonthida Sathawornwichit	-	-	-	/	-
13. Ms. Suwannee Tharacheevin	-	-	-	/	/
14. Mrs. Aunruen Arunvisavakul	-	-	-	/	-
15. Mr. Phawat Chalermphongjatuporn	-	-	-	/	-
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. Phatchara Sivipapong	-	-	-	/	-
23. Ms. Kruatip Boontavorn	-	-	-	/	-

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

Board of Directors – Roles and Responsibilities

The Board of Directors, comprising of 9 members, is appointed to oversee the operation and execution of management division to ensure compliance with Laws and Regulations, Objective and Articles of Associations of the Company, shareholders' resolutions, as well as monitoring and ensuring that work executed by management division are done with probity, honesty and utmost safeguard to the best of company's interests.

Audit Committee – Roles & Responsibilities

The Audit Committee comprises 3 independent directors all of whom are experienced in field of accounting and financial review, and is appointed to monitor and evaluate business activities of the company in accordance with roles and responsibilities as outlined in Audit Committee Charter, such as to review financial statements and internal controls, ensure compliance with applicable laws and simplified regulations of Securities Exchange and provide Audit Committee report that will be disclosed in Annual Report, Official and Company's Regulations..

Executive Committee – Roles and Responsibilities

The Executive Committee, consisting of 3 directors, is appointed by Board of Directors to manage and oversee overall business of the company for and on behalf of the Board of Directors.

KARMART

Management Team – Roles and Responsibilities

Managing Director is designated by Board of Directors to be in charge of supervising overall management activities of the company in order to lead business growth and provide maximum benefits for shareholders. The Managing Director is empowered to appoint Management Team to effectively carry out the company's business in compliance with business plans and policy.

Directors and Management Team Appointment

The company has in place a Directors' Selection Procedure in which the Board of Directors will propose the name and subject the proposal to approval by shareholders at the shareholder meeting. One vote is granted to every shareholder who has at least one share and the approval process will follow decision reflected by the majority votes according to section 70 of the Public Limited Company Act, B.E. 2535 (1992).

The Board of Directors consists of five representatives from the corporate shareholders and is made up of one Foreigner Shareholder, two Independent Directors and one Executive Director.

In terms of the management team, the Board of Directors will appoint the highest ranking personnel within the management hierarchy 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 legitimately possess voting rights, the company maintains independent directors who are competent and qualified to preserve 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	
		2019	2018
1.	Mr. Wiwat Theekhakhirikul	80,000	80,000
2.	Lt.Gen. Kobboon Vichit	220,000	220,000
3.	Mr. Kraiwit Satayapiwat	30,000	40,000
4.	Mr. Prasit Dheeraratbongkot	130,000	130,000
5.	Puttithorn Jirayus, Ph.D.	130,000	120,000
6.	Mr. Parit Teekakirikul	40,000	40,000
7.	Mr. Wongwiwat Theekhakhirikul	40,000	30,000
8.	Mr. Seah Sin Loo	–	–
9.	Mr. Kattanant Yaphanich	40,000	–
Total		710,000	660,000

The Board of Director's remuneration for the year 2019 was kept within Baht 5 million whereas Audit Committee Chairman received Baht 20,000 per meeting, while Independent Audit Committee received Baht 10,000 per meeting, Chairman of the Board of Directors received Baht 20,000 per meeting, and the rest of the members received Baht 10,000 per meeting.

Remuneration for company's Directors and Management team in year 2019 was Baht 37 million and the previous year was aggregated Baht 32 million. The sums are in terms of salary, bonus, transportation expenses and employee benefits.

Other allowances for Directors and Management team:

None.

Good Corporate Governance Policies

1. Report on Good Corporate Governance

The Board of Directors is well aware of the importance of Good Corporate Governance principles and has placed it as a top priority as well as established a set of policies, guidelines and principles for the company to implement transparency and enhance competitive capability, in order to ensure reliability for shareholders, investors and related parties, and which cover prime matters as follows:

- Equal and fair treatment for all shareholders and stakeholders.
- Forward-looking commitment on addition of value to company's operations in the long run, prudent and thorough management as well as responsible, competent and effective execution to maximize shareholders' value while preventing any conflict of interest.
- Transparency and accountability in operation, adequate disclosure of information to all related parties.
- Awareness of risks in all business aspects and implementation of appropriate risk management strategies.
- Establishment of moral and ethical guidelines for company's directors and staff to adhere.

2. Shareholders Rights

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

3. Stakeholders Rights

Company also places utmost importance on all groups of Stakeholders Rights such as reliable and timely disclosure of information for dissemination to all stakeholders and fair treatment without taking advantage of counterparties, related parties and all staff.

4. Shareholders' Meetings

Another top priority is our Shareholders' Meetings as stipulated in Company's articles of Association. The Company has explicitly crafted the guidelines for organizing shareholders' meeting, facilitating and disseminating news and relevant information to the shareholders adequately and on equal basis.

5. Leadership and Vision

The Board of Directors proactively leads the establishment of company's vision, obligation, goal, business plan and budget considerations as well as supervising the management team to ensure that all operations are conducted efficiently and effectively as planned and within budgets provided. The Board of Directors also instituted an Internal Audit and control system as well as risk management measures, and set up regular monitoring mechanism to follow up on consistency of operations.

6. Conflicts of interest

In order to prevent conflicts of interest, the Board of Directors has drawn up ethical guidelines for directors to follow. The directors shall execute their duties while avoiding conflicts that may arise between personal and company interests in order to maximize management efficiency.

The avoidance of conflicts of interest is mainly concerned about deriving personal benefits from directorship and not using company information in a wrong manner. To this, the Board of Directors has assigned the Audit Committee to inspect directorial implementations and file report in cases where conflicts of interest may potentially arise.

7. Business Ethics

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

8. Checks and Balance of Non-Management Board Members

Company's Board of Directors consists of 9 members as follows;

- Directors who are also management members 3 persons..
- Independent Directors who also serve in Audit Committee 6 persons.

9. Aggregation or Segregation of Positions

The Chairman of the Board of Directors is not an Independent Director and does not concurrently hold Managing Director position of the company as allocated. These two separate positions are accompanied by two distinct sets of corresponding roles and duties.

Managing Director has sole right to manage and supervise company's operation as assigned and under supervision from the Board of Directors.

10. Remuneration of Board Members and Executives

The remuneration consists of meeting allowances and bonuses in accordance to the business operation results achieved every year and within the budget approved by shareholders.

Remuneration of the Board Members and Executives is set according to the policy of Management Team relative to the overall operating results and every member's performance.

11. Board of Directors' Meeting

The Board holds regular meetings quarterly and will hold collateral meetings when it is necessary with clearly specified agenda to continuously inspect quarterly implementation 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 and each meeting normally takes 3 hours. During year 2019, the Board held 4 regular meetings as indicated in the following details.

Name	Board of Audit Committee	Board of Director			Remark
		Ordinary Meeting	Extra Ordinary Meeting	Total	
1. Mr. Wiwat Theekhakhirikul	–	4/4	–	4/4	Foreign
2. Lt.Gen. Kobboon Vichit*	9/9	4/4	–	4/4	
3. Mr. Kraiwit Satayapiwat	–	3/4	–	3/4	
4. Mr. Prasit Dheeraratbongkot*	9/9	4/4	–	4/4	
5. Puttithorn Jirayus, Ph.D.*	9/9	4/4	–	4/4	
6. Mr. Parit Teekakirikul	–	4/4	–	4/4	
7. Mr. Wongwiwat Theekhakhirikul	–	4/4	–	4/4	
8. Mr. Seah Sin Loo	–	–/4	–	–/4	
9. Mr. Kattanant Yaphanich	1/9	3/4	–	3/4	

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

* refers to Independent Directors who is Audit Committee member.

12. Subcommittees

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

Audit Committee: Presently appointed via the Board of Directors' Meeting No. 1/2012 held on January 20, 2012 whereby Lt.Gen. Kobboon Vichit was appointed as the Chairman of Audit Committee while Mr. Prasit Dheeraratbongkot and Puttithorn Jirayus, Ph.D. were appointed to hold Audit Committee Director positions.

Audit Committee has held a total of nine meetings in Year 2019 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

The Company has put in place an effective internal audit and control system to cover the operations comprehensively by supervisory, management and executive personnel 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 internal audit and control system, risk management and the fulfillment of other relevant duties.

The Company has assigned the Audit Office to examine financial, managerial, operational and information systems to assure all related parties that the implementation effectively complies with laws and company's regulations. Additionally, in order to ensure the effectiveness of Internal Audit execution in terms of independently inspecting and counterbalancing, the Board of Directors has allocated the Internal Audit to directly report inspection results to Audit Committee as well as receiving performance appraisal from the committee.

14. Report of the Board of Directors concerning financial statements and information

The Board of Directors is responsible for the financial statements and information reported in the Annual Report. All financial statements published are prepared in accordance with acceptable accounting principles within Thailand. Such preparation has been applied with transparent accounting procedures and with the intention to disclose sufficient information in the Notes to financial statements. The Board of Directors realizes the necessity of having complete and accurate accounting information in order to affirm that the company's financial system has been following good corporate governance philosophy to prevent undesirable consequences, either illegal actions or significant errors.

To achieve these goals, the Board of Directors appointed the Audit Committee, consisting of non-managing directors, to oversee the disclosure of significant information and financial statements together with qualified auditor. In conclusion, the Audit Committee opines that the company's internal controls are satisfactorily reliable to deliver confidence for both internal and external parties.

15. Investor Relations

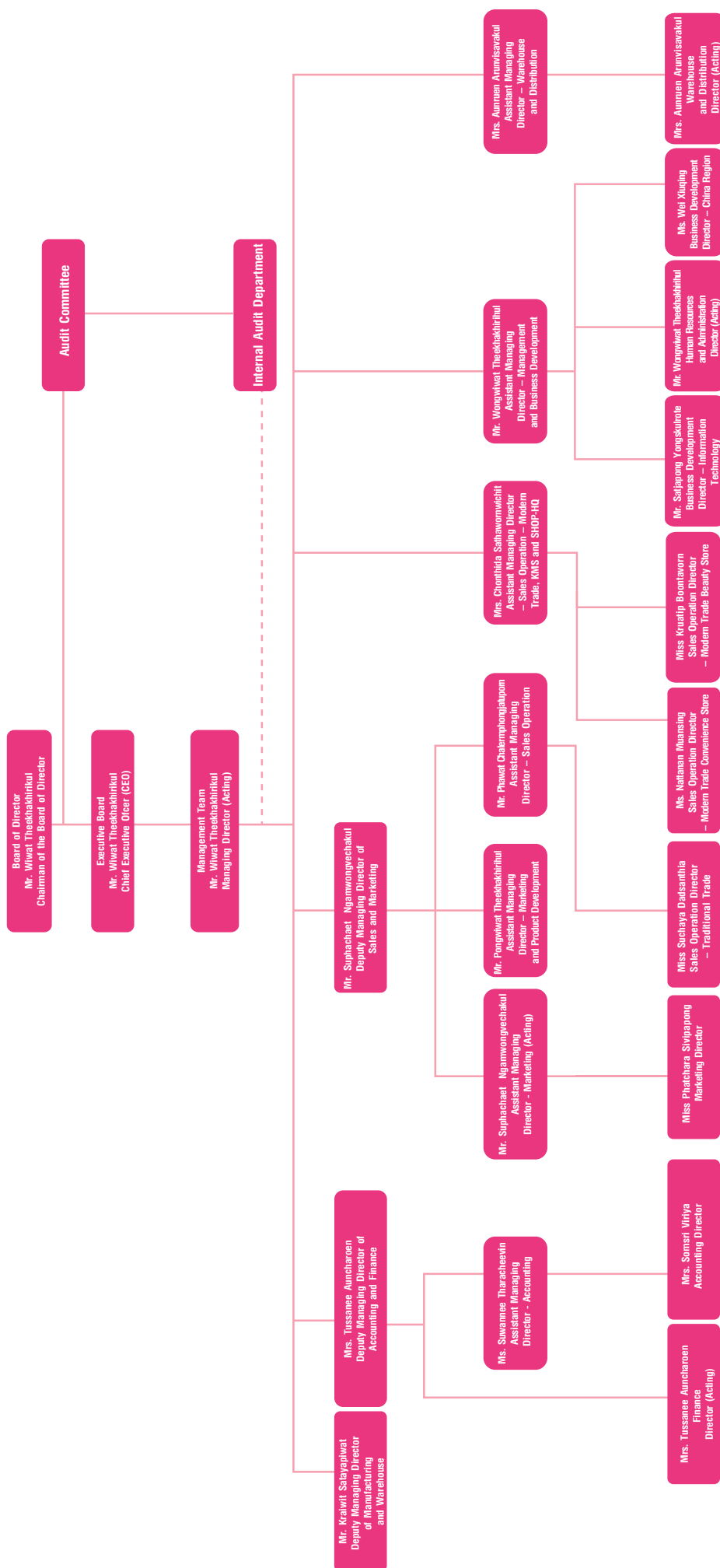
The Company is committed to foster mutually beneficial relationships with and to disclose important company information to the investors. Although the Company has not set up an Investor Relations Unit, the Information Relation section or its associated Executive Director has been tasked to communicate and promote productive ties between the company and its shareholders, investors, and analysts as well as business reporters. All investors can also access company information via hotline 0-2805-2756-60 or by visiting www.karmarts.co.th.

Assessing the Internal Information

The Company opines that all board members and management executives have high ethics and do not misuse any internal and proprietary information for personal benefits. As penalty is an ineffective prevention, therefore the Company has no written policy on this matter.

Nevertheless, the Company has accorded priority to monitor and secure internal information access and usage, identifying that only authorized person or high level executives are allowed to access internal information with shareholders' approval and specific 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 2019

Dear : Shareholders of Karmarts Public Company Limited,

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

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

With Mrs. Kanokorn Siriarunporn (Internal Audit Manager) assuming position as secretary to the Audit Committee, the Audit Committee carried out its 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 ensured maximal benefit for shareholders and that the management team carried out their duties ethically and with honesty. The summary of the key duties carried out in 2019 are as follow:

1. Review of financial statements — The Audit Committee 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 2019 which has, in entirety, been reviewed and audited by the Auditor Certified Public Accountant (EY Office Limited). 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 held one meeting with the external auditors without the participation of the company's management to facilitate open consultation on various issues from the financial statements and to demonstrate independence of the external auditors and the internal audit unit.

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

2. Review of business transactions — The Audit Committee inspected and reviewed business transactions, and agreed that decisions made by the Executive Committee were in order to ensure good corporate governance and that 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 established that conflicts of interests were non-existent.

3. Review of compliance with law and regulations of SEC and SET, as well as other related law and good corporate governance frameworks — The Audit Committee reviewed and surveyed guidelines and assured the company is in compliance with principles of good corporate governance. At present, the company has adopted the approach of The Committee of Sponsoring of the Tread way Commission (COSO) 2013 and applied internal controls in both operation and administration.

4. Review of internal audit practices — The Audit Committee 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 audit plans that cover all significant aspects.

In 2019, 8 annual meetings were executed and 1 collateral meeting was held to consider suggestions, including significant observations and comments from the Audit Committee, which led to provision of useful protocols to effectively prevent error that could affect the company, with which the Board of Directors and Executive Committee could better manage processes in a timely manner within the fast changing business environment and amidst any form of business disruption.

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

5. Assessment of Risk Management – The management team analyzed and assessed risks that might affect the company's operations on a regular basis through regular quarterly meeting to review operation plan and set standards for risk management control, and key risks identified are as follow:

- Risk of investment.
- Risk of inventory impairment.
- Risk of implementation of Information Technology (IT) system.
- Risk of business competition and fast changing environment along with risks presented by counterfeit goods.
- Foreign exchange risk etc.

The Audit Committee reviewed the risk management system of the company and provided feedback to ensure controllable and continued efficiency of the mentioned systems. All in all, the Audit Committee is of the opinion that the company has appropriate, sufficient and effective risk management systems.

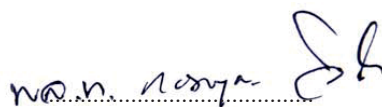
6. Review of internal control system – The Audit Committee accorded high priority to improvement suggestions on internal control system and audit plan from external and internal audit managers. The company has approached and applied the regulations of The Committee of Sponsoring Organization of the Tread way Committee (COSO) 2013. The Audit Committee is of the opinion, based on above-mentioned point 1 to 5, that the company is appropriate, adequate and independent, thereby facilitating the achievement of all goals which relate to the process of the following key aspects:

- Timely transparency and accountability in accounting and finance reporting in accordance with acceptable accounting principles.
- Effective compliance with law and regulations of SEC and SET.
- Proper and adequate internal control system.
- Efficient and effective corporate governance systems.

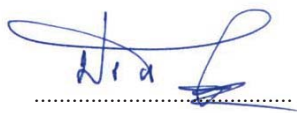
The committee is of the opinion that the Company has appropriate and sufficient internal control system and is expected to well support and accommodate the expected growth of the company in the future.

7. Appointment of Auditor – The Audit Committee reviewed the qualifications of auditor and assessed the auditor's performance regularly in the past year. The Company has applied suggestions, including significantly beneficial observations and comments from the Audit Committee which led to enhancements that effectively prevent error from occurring while maintaining highest level of compliance with law and regulations of SEC and SET together with new Accounting Standards. In view of satisfactory operational results, the audit committee decided to propose to the board of directors for the appointment, subject to approval by the shareholders at the shareholder meeting, of EY Office Limited to carry out the Auditor Certified Public Accountant for the company in 2020 accordingly.

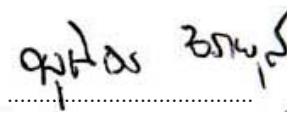
In conclusion, the audit committee of the company is of the opinion that The Company has provided accurate and reliable financial statements according to financial accounting standards and disclosed in the notes of financial statements all necessary information according to the Accounting Professions 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, 2019

1.1 Total revenues

During 2019, the Company had total revenues of Baht 1,526 million which consisted of;

- Baht 1,487 million on Sales which increased by Baht 8 million or 0.54% from the previous year. The comprises of Baht 190 million on body care products, Baht 287 million on facial skin care products, Baht 938 million on cosmetics, Baht 20 million on accessories, Baht 32 million on furniture, marketing tools and other, Baht 20 million on food and beverage section.
- Income from warehouse rental and warehouse services amounted to Baht 21 million equal to last year
- Gain on fair value adjustment of investment properties amounted to Baht 0.46 million decreased from the previous year by Baht 3.54 million.
- Other incomes totaled of Baht 18 million, decreased from the previous year by Baht 1 million or 5.26% which comprises of interest of Baht 1 million, gain on currency exchange Baht 7 million, gain on security Baht 1 million, rent income Baht 2 million and others of Baht 7 million.

1.2 Cost of sales, Selling and administrative Expenses

During the year 2019, The Total Expenses was Baht 1,189 million which comprises of;

- Cost of sales amounted to Baht 694 million which increased from the previous year by Baht 7 million or 1.02%. The cost of sales is directly proportional to the Sales Revenue. The gross profit margin was 53.28% 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 493 million which decreased from the previous year by Baht 43 million or 8.02% which consisted of the selling expenses decreased by Baht 86 million due to the company adjust expenses to be net with sales. The administration expenses increased by Baht 43 million due to the increase Baht 17 million for salary and employee benefit, increase Baht 23 million for expenses under the contract.
- Financial cost of the Company on the interest expenses totaled of Baht 10 million which decreased from the previous year by Baht 2 million or 16.67%
- Income tax expenses of Baht 65 million increased from the previous year by Baht 14 million or 27.45%.

1.3 Profit

During the year 2019, the Company had 17.12% net profit of sales which decreased from the previous year 7.23% year 2018 as the Company had share of gain (loss) from investments in joint venture and associate amounted Baht 127 million but administrative expenses increased from the previous year by Baht 43 million due to the employee benefit expenses and expenses under the contract.

1.4 Rate of Return on Equity

The business operation profit during the year 2019 resulted in the rate of return on equity at 26.16% in the previous year 38.95% during the year 2018, the Company had share of gain from investment in joint venture and associate.

2. Financial Status as at December 31, 2019.

1. Assets

1.1 Composition of Assets

The total assets at the year end 2019 was Baht 1,604 million which increased from the previous year by Baht 59 million or 3.82%.

1.1.1 Current Assets amounted to Baht 766 million, increased by Baht 9 million or 1.19% from the previous year. The details are as follows;

- Cash and cash equivalents of Baht 16 million which increased from the previous year by Baht 8 million because Net cash from operating activities increased Baht 327 million, net cash used in investing activities decreased Baht 36 million and net cash used in financing activities decreased Baht 283 million.
- Current investments amounted to Baht 0 million decreased from the previous year by Baht 10 million or 100%
- Trade accounts receivable and other account receivable at Baht 394 million, increased from the previous year by Baht 49 million or 14.20% due to the Company had increased the sales in many channels, including added more modern trade accounts.
- Current portion of finance lease receivables and finance lease receivables — net of current portion Baht 5 million increased from the previous year Baht 5 million 100%.
- Current portion of long — term loans to related party Baht 1 million, equal to last year from Company Limited which carried interests at a rate of 5.00 percent per annum.
- Inventory of Baht 313 million which comprises on consumer products and raw material which decreased from the previous year by Baht 35 million or 10.06%
- Other Current Assets of Baht 41 million, increased from the previous year Baht 5 million of 13.89%.

1.1.2 Non-Current Asset amounted to Baht 838 million which decreased by Baht 50 million or 6.35% from the previous year as follows;

- Long-Term Loans to related party-net of current portion Baht 2 million decreased from the previous year by Baht 1 million or 33.33% interests at a rate 5% per annum.
- Long-Term Loan to unrelated parties-net of current portion Baht — million decreased from the previous year by Baht 18 million which carried interests at a rate of 15% per annum. The Long — Term Loan will be due within September 19, 2020.
- Investment in the subsidiary of Baht 190 million, equal to last year because the Company share of gain from investments in associate in The Iconic Property Company Limited.
- Properties Investment was at Baht 123 million, increased from the previous year by Baht 1 million or 0.82% 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 473 million with an increase from the previous year by Baht 60 million or 14.53% because the Company acquisitions land Baht 17 million, motor vehicles Baht 7 million, machinery and equipment Baht 21 million increased depreciation Baht 38 million. Assets under installation and construction in progress increased Baht 16 million from transfer of the completed building, surplus on revaluation of assets Baht 37 million.
- 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 2.50 million decreased from the previous year by Baht 1.30 million because acquisitions computer software under installation and amortization during the year.
- Deferred Tax Assets was Baht 17.58 million increased from the previous year by Baht 6.63 million or 60.55% because the Company allowance for doubtful accounts Baht 1 million allowance for diminution in value of inventories Baht 8.99 million allowance for right to return goods Baht 3.99 million provision for long-term employee benefits Baht 2.98 million.

- Other Non-Current Assets was Baht 18 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, 2019, the Company had such account receivable balance of Baht 14.03 million (December 31, 2018 : Baht 16.14 million) with the portion due in over 12 months amounting to Baht 10.70 million (December 31, 2018: Baht 13.33 million) and classified as other non-current assets in the statements of financial position.

1.2 Quality of Assets

In 2019 trade and other receivables Baht 394 million or 24.56% of total assets. Account receivable average collection period was 91 days, increase from the previous year 6 days. (85 days in 2018) 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 2019 non-collectible debt was budgeted at 2.07% of the outstanding account receivable at the year-end.

Inventories Baht 313 million or 19.51% of total assets. Average inventory turnover of 124 days as same as the previous year (129 days in 2018).

Investment properties Baht 122 million or 7.61% 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 2019, the Company's net cash flows cash and cash equivalents was Baht 16 million, compared to 2018 which was Baht 8 million, decreased by Baht 8 million net cash from operating activities Baht 326 million, net cash used in investing activities Baht 36 million as the Company sales of current investments, purchase of land, net cash used in financing activities Baht 282 million as the Company dividend paid short – term loans from related party and long – term loans from financial institution paid.

2.2 Liquidity Ratios

Current ratio (current asset/current liabilities) in 2019 was 1.59:1 which shows high liquidity as the Company's current assets can be easily cashed in a short period of time such as short-term cash or cash equivalents 1%, account receivables 24.56%, inventories 19.51% of total assets.

The company average debt collection period was between 91 days. Average inventory turnover of 124 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 91 days while average account payment period was 154 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 81 million for supporting the business growth.

4. Sources of funds

4.1 Capital Structure

In 2019, debt/equity ratio was 0.57:1 equal to last year 0.57:1. The company had total liabilities Baht 582 million increased from the previous year Baht 23 million or 4.11% equity attributable to owners of the company Baht 1,015 million increased from the previous Baht 34 million or 3.47% increase in accordance with similar proportions.

4.2 Shareholders' Equity

In 2019, shareholders' equity increased by Baht 33 million to Baht 1,015 million from the operating profit during the year of Baht 261 million while the dividend payment was Baht 246 million, right to return goods — net of income tax Baht 10 million and other comprehensive income for the year Baht 28 million.

4.3 Liabilities

The Company's total liabilities was Baht 582 million, increased by Baht 23 million or 4.11% from the previous year.

Current Liabilities was Baht 482 million, increased by Baht 33 million or 7.35% from the previous year.

The Details are as follows:

- Bank overdrafts and Short-term loan from bank was Baht 210 million, increased by Baht 62 million from the Company's promissory notes increased from the previous year Baht 50 million interest rate MLR-2.00 short — term loans from financial institutions increased from the previous year Baht 16 million interest rate 3.25 — 4.50.
- Trade and other payables of Baht 150 million, increased by Baht 14 million.
- Short-term loan from related party amounted Baht 30 million decreased from the previous year Baht 70 million or 70% 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 10 million which decreased by Baht 2 million or 16.67% the Company finance lease for sale manager and pay off debt continuously.
- 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 33 million, increased from the previous year of Baht 6 million due to the Company's increase in net profit.
- Other Current Liabilities was Baht 36 million increased from the previous year of Baht 20 million or 133.33% due to the right to return goods.

Non-current liabilities was Baht 100 million, decreased by Baht 10 million or 9.09% from the previous year,

The Details are as follows:

- Long-term loans from financial institution-net of current portion Baht 31 million decreased from the previous year of Baht 16 million or 34.04% a long-term loans 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 equal to last year due to the new standard of accounting for employee benefit reservation No.19 had taken effect.
- Deferred Tax Liabilities at Baht 45 million, increased by Baht 8 million or 21.62% from surplus of fair value from book value of investment properties Baht 22 million surplus on revaluation of land Baht 18 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		
			2017	2018	2019
1	EY Office Limited	Karmarts Plc.	1,642,000	1,800,000	1,970,000
2	EY Office Limited	J Kos Laboratories Co., Ltd.	140,000	140,000	300,000
3	Thai Audit The Truth Limited	The Iconic Property Co., Ltd.	165,000	205,000	215,000
			<u>1,947,000</u>	<u>2,145,000</u>	<u>2,485,000</u>

OTHER FEE

– None –

**Karmarts Public Company Limited
and its subsidiary**
Report and consolidated financial statements
31 December 2019

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 2019, 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 2019, 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 8 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.



Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

EY Office Limited

Bangkok: 28 February 2020

Karmarts Public Company Limited and its subsidiary
Statement of financial position
As at 31 December 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	7	16,089,467	7,871,796	13,564,091	5,800,835
Current investments	11	–	9,789,040	–	9,789,040
Trade and other receivables	8, 9	393,795,794	344,858,997	401,143,350	355,410,801
Current portion of finance lease receivables		1,031,454	–	1,031,454	–
Current portion of long-term loans to related party	9	1,080,000	1,080,000	1,080,000	1,080,000
Current portion of long-term loans to unrelated person and party	12	–	9,600,000	–	9,600,000
Inventories	10	312,975,925	348,281,880	300,497,298	341,132,621
Other current assets		40,946,831	35,721,530	40,877,955	35,625,150
Total current assets		<u>765,919,471</u>	<u>757,203,243</u>	<u>758,194,148</u>	<u>758,438,447</u>
Non-current assets					
Finance lease receivables – net of current portion		3,601,795	–	3,601,795	–
Long-term loans to related party – net of current portion	9	2,192,516	3,084,776	2,192,516	3,084,776
Long-term loans to unrelated person and party – net of current portion	12	–	17,786,235	–	17,786,235
Investments in joint venture	13	1,011,012	–	–	–
Investments in associate	14	190,173,370	190,226,312	71,029,990	71,029,990
Investments in subsidiary	15	–	–	7,000,000	7,000,000
Investment properties	16	122,300,000	121,840,000	122,300,000	121,840,000
Property, plant and equipment	17	472,501,721	413,058,394	465,612,802	406,172,983
Land awaiting future development	18	8,284,000	8,284,000	8,284,000	8,284,000
Intangible assets	19	2,547,393	3,887,217	2,291,732	3,811,865
Deferred tax assets	25	17,581,652	10,952,148	17,473,853	10,952,148
Other non-current assets	8	18,251,013	18,948,636	18,251,013	18,595,181
Total non-current assets		<u>838,444,472</u>	<u>788,067,718</u>	<u>718,037,701</u>	<u>668,557,178</u>
Total assets		<u><u>1,604,363,943</u></u>	<u><u>1,545,270,961</u></u>	<u><u>1,476,231,849</u></u>	<u><u>1,426,995,625</u></u>

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	20	210,420,711	148,295,325	210,420,711	148,295,325
Trade and other payables	9, 21	150,370,137	136,389,564	161,679,555	148,375,088
Short-term loan from related party	9	30,000,000	100,000,000	30,000,000	100,000,000
Current portion of liabilities under finance lease agreements	22	4,322,422	4,710,411	4,211,630	4,710,411
Current portion of long-term loans from financial institution	23	17,904,000	17,904,000	17,904,000	17,904,000
Income tax payable		33,025,597	26,720,003	31,893,611	25,795,481
Other current liabilities		36,231,155	15,425,224	35,949,153	13,378,808
Total current liabilities		482,274,022	449,444,527	492,058,660	458,459,113
Non-current liabilities					
Liabilities under finance lease agreements					
– net of current portion	22	5,467,791	7,313,904	5,227,744	7,313,904
Long-term loans from financial institution					
– net of current portion	23	31,874,142	47,323,613	31,874,142	47,323,613
Provision for long-term employee benefits	24	17,657,769	18,432,557	17,195,875	18,253,937
Deferred tax liabilities	25	45,178,261	36,656,159	45,178,261	36,656,159
Total non-current liabilities		100,177,963	109,726,233	99,476,022	109,547,613
Total liabilities		582,451,985	559,170,760	591,534,682	568,006,726

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Shareholders' equity					
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 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	30	52,799,881	52,799,881	52,799,881	52,799,881
Unappropriated		260,408,017	255,876,588	129,446,704	133,019,636
Other components of shareholders' equity		<u>70,435,764</u>	<u>41,471,266</u>	<u>70,787,588</u>	<u>41,506,388</u>
Equity attributable to owners of the Company		<u>1,015,306,656</u>	<u>981,810,729</u>	<u>884,697,167</u>	<u>858,988,899</u>
Non-controlling interests of the subsidiary		<u>6,605,302</u>	<u>4,289,472</u>	<u>–</u>	<u>–</u>
Total shareholders' equity		<u>1,021,911,958</u>	<u>986,100,201</u>	<u>884,697,167</u>	<u>858,988,899</u>
Total liabilities and shareholders' equity		<u>1,604,363,943</u>	<u>1,545,270,961</u>	<u>1,476,231,849</u>	<u>1,426,995,625</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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Revenues					
Sales	9	1,486,648,072	1,479,387,428	1,555,134,375	1,487,455,249
Income from warehouse rental		21,066,559	20,756,580	21,066,559	20,756,580
Gain on fair value adjustment of investment properties	16	460,000	3,840,000	460,000	3,840,000
Other income	9	17,853,220	19,208,774	31,377,632	26,031,492
Total revenues		<u>1,526,027,851</u>	<u>1,523,192,782</u>	<u>1,608,038,566</u>	<u>1,538,083,321</u>
Expenses					
Cost of sales	9	694,488,030	687,371,729	791,391,853	708,703,513
Cost of warehouse rental		418,757	426,725	418,757	426,725
Selling and distribution expenses		308,318,742	394,183,856	308,318,742	394,183,856
Administrative expenses	9	185,483,717	142,810,393	182,131,504	146,223,396
Total expenses		<u>1,188,709,246</u>	<u>1,224,792,703</u>	<u>1,282,260,856</u>	<u>1,249,537,490</u>
Profit before share of gain from investments in joint venture and associate, finance cost and income tax expenses		<u>337,318,605</u>	<u>298,400,079</u>	<u>325,777,710</u>	<u>288,545,831</u>
Share of profit from investments in joint venture and associate	13, 14	1,274,773	126,653,438	–	–
Profit before finance cost and income tax expenses		<u>338,593,378</u>	<u>425,053,517</u>	<u>325,777,710</u>	<u>288,545,831</u>
Finance cost	9	(10,199,339)	(12,219,482)	(10,181,738)	(12,205,456)
Profit before income tax expenses		<u>328,394,039</u>	<u>412,834,035</u>	<u>315,595,972</u>	<u>276,340,375</u>
Income tax expenses	25	(64,843,022)	(51,483,461)	(62,465,146)	(50,007,673)
Profit for the year		<u><u>263,551,017</u></u>	<u><u>361,350,574</u></u>	<u><u>253,130,826</u></u>	<u><u>226,332,702</u></u>
Profit or loss attributable to:					
Equity holders of the Company		261,235,187	360,225,212	253,130,826	226,332,702
Non-controlling interests of the subsidiary		2,315,830	1,125,362	–	–
		<u>263,551,017</u>	<u>361,350,574</u>		
Basic earnings per share	27				
Profit attributable to equity holders of the Company		0.297	0.409	0.288	0.257
Weighted average number of common stock (shares)		879,998,016	879,998,016	879,998,016	879,998,016

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 2019

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2019	2018	2019	2018
Profit for the year		<u>263,551,017</u>	<u>361,350,574</u>	<u>253,130,826</u>	<u>226,332,702</u>
Other comprehensive income:					
<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		(316,702)	187,398	–	–
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent period</i>					
Actuarial loss – net of income tax	24	(984,034)	–	(984,034)	–
Changes in surplus on revaluation of assets – net of income tax	17, 28	<u>29,281,200</u>	<u>–</u>	<u>29,281,200</u>	<u>–</u>
Other comprehensive income for the year		<u>27,980,464</u>	<u>187,398</u>	<u>28,297,166</u>	<u>–</u>
Total comprehensive income for the year		<u><u>291,531,481</u></u>	<u><u>361,537,972</u></u>	<u><u>281,427,992</u></u>	<u><u>226,332,702</u></u>
Total comprehensive income attributable to:					
Equity holders of the Company		<u>289,215,651</u>	<u>360,412,610</u>	<u><u>281,427,992</u></u>	<u><u>226,332,702</u></u>
Non-controlling interests of the subsidiary		<u>2,315,830</u>	<u>1,125,362</u>		
		<u><u>291,531,481</u></u>	<u><u>361,537,972</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 2019

(Unit: Baht)

Consolidated financial statement											
	Equity attributable to owners of the Company									Non-controlling interests of the subsidiary	Total shareholders' equity
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings		Other components of shareholders' equity			Total equity attributable to owners of the Company		
				Appropriated – statutory reserve	Unappropriated	Surplus on revaluation of assets	Exchange differences on translation of joint venture's financial statements in foreign currency	Total other components of shareholders' equity			
Balance as at 1 January 2018	527,998,810	88,396,711	15,267,473	52,799,881	142,022,064	41,506,388	(222,520)	41,283,868	867,788,807	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 29)	-	-	-	-	(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
Balance as at 31 December 2018	527,998,810	88,396,711	15,267,473	52,799,881	255,876,588	41,506,388	(35,122)	41,471,266	981,810,729	4,289,472	986,100,201
Balance as at 1 January 2019 – before restated	527,998,810	88,396,711	15,267,473	52,799,881	255,876,588	41,506,388	(35,122)	41,471,266	981,810,729	4,289,472	986,100,201
Cumulative effects of prior year's adjustments (Note 4)	-	-	-	-	(9,376,489)	-	-	-	(9,376,489)	-	(9,376,489)
Balance as at 1 January 2019 – as restated	527,998,810	88,396,711	15,267,473	52,799,881	246,500,099	41,506,388	(35,122)	41,471,266	972,434,240	4,289,472	976,723,712
Profit for the year	-	-	-	-	261,235,187	-	-	-	261,235,187	2,315,830	263,551,017
Other comprehensive income for the year	-	-	-	-	(984,034)	29,281,200	(316,702)	28,964,498	27,980,464	-	27,980,464
Total comprehensive income for the year	-	-	-	-	260,251,153	29,281,200	(316,702)	28,964,498	289,215,651	2,315,830	291,531,481
Dividend paid (Note 29)	-	-	-	-	(246,343,235)	-	-	-	(246,343,235)	-	(246,343,235)
Balance as at 31 December 2019	527,998,810	88,396,711	15,267,473	52,799,881	260,408,017	70,787,588	(351,824)	70,435,764	1,015,306,656	6,605,302	1,021,911,958

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

Karmarts Public Company Limited and its subsidiary
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2019

(Unit: Baht)

	Separate financial statement						
	Issued and paid-up share capital	Share premium	Capital reduction surplus	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
				Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2018	527,998,810	88,396,711	15,267,473	52,799,881	153,057,622	41,506,388	879,026,885
Profit for the year	-	-	-	-	226,332,702	-	226,332,702
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	226,332,702	-	226,332,702
Dividend paid (Note 29)	-	-	-	-	(246,370,688)	-	(246,370,688)
Balance as at 31 December 2018	527,998,810	88,396,711	15,267,473	52,799,881	133,019,636	41,506,388	858,988,899
Balance as at 1 January 2019 - before restated	527,998,810	88,396,711	15,267,473	52,799,881	133,019,636	41,506,388	858,988,899
Cumulative effects of prior year's adjustments (Note 4)	-	-	-	-	(9,376,489)	-	(9,376,489)
Balance as at 1 January 2019 - as restated	527,998,810	88,396,711	15,267,473	52,799,881	123,643,147	41,506,388	849,612,410
Profit for the year	-	-	-	-	253,130,826	-	253,130,826
Other comprehensive income for the year	-	-	-	-	(984,034)	-	28,297,166
Total comprehensive income for the year	-	-	-	-	252,146,792	-	281,427,992
Dividend paid (Note 29)	-	-	-	-	(246,343,235)	-	(246,343,235)
Balance as at 31 December 2019	527,998,810	88,396,711	15,267,473	52,799,881	129,446,704	70,787,588	884,697,167

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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit before tax	328,394,039	412,834,035	315,595,972	276,340,375
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	40,040,672	38,094,951	37,958,288	37,192,470
Gain from the fair value adjustment of investment properties	(460,000)	(3,840,000)	(460,000)	(3,840,000)
Allowance for doubtful accounts (reversal)	5,028,586	(2,354,378)	5,028,586	(2,354,378)
Allowance for reducing cost of inventories to net realisable value	9,753,586	12,963,604	9,678,366	12,961,722
Allowance for impairment of other current assets	–	114,302	–	114,302
Allowance for impairment on investments in joint venture	–	–	–	3,563,280
Unrealised loss (gain) on exchange rate	(1,642,686)	6,181,332	(1,642,686)	6,181,332
Gain on disposal of current investments	(897,640)	(760,562)	(897,640)	(760,562)
Unrealised loss (gain) on change in the fair value of current investments	(443,635)	451,482	(443,635)	451,482
Fixed assets and intangible assets writes-off	1,386,721	533,702	1,386,721	533,702
Gain on disposal of fixed assets and intangible assets	(108,051)	(517,013)	(108,051)	(517,013)
Interest income	(1,465,911)	(12,068,417)	(1,465,911)	(12,068,417)
Dividend income	(134,000)	(12,366)	(134,000)	(12,366)
Provision for long-term employee benefits	6,674,179	3,126,235	6,390,905	2,947,615
Interest expenses	9,288,263	9,742,173	9,266,286	9,742,173
Share of profit from investments in joint venture and associate	(1,274,773)	(126,653,438)	–	–
Profit from operating activities before changes in operating assets and liabilities:	394,139,350	337,835,642	380,153,201	330,475,717
Operating assets (increase) decrease				
Trade and other receivables	(55,977,338)	(1,838,624)	(52,773,091)	(12,439,717)
Finance lease receivables	(4,633,248)	1,266,666	(4,633,248)	1,266,666
Inventories	33,090,089	(55,722,916)	38,494,677	(49,613,473)
Other current assets	(5,225,301)	(175,197)	(5,252,805)	(78,817)
Other non-current assets	697,623	1,219,491	344,168	1,552,546
Operating liabilities increase (decrease)				
Trade and other payables	32,445,686	16,664,120	31,769,579	28,476,727
Other current liabilities	2,074,678	2,133,798	3,839,093	141,934
Cash from operating activities	<u>396,611,539</u>	<u>301,382,980</u>	<u>391,941,574</u>	<u>299,781,583</u>
Cash paid for income tax	(61,375,000)	(69,671,019)	(59,096,789)	(68,694,040)
Cash paid for long-term employee benefits	(8,679,010)	(745,850)	(8,679,010)	(745,850)
Net cash from operating activities	<u>326,557,529</u>	<u>230,966,111</u>	<u>324,165,775</u>	<u>230,341,693</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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash flows from investing activities				
Interest income received	1,594,839	18,216,803	1,594,839	18,216,803
Dividend received	134,000	12,366	134,000	12,366
Decrease in short-term loans to related party	–	55,874,898		55,874,898
Decrease in short-term loans to unrelated parties	–	17,999,730	–	17,999,730
Decrease (increase) in long-term loans to related party	892,260	(4,164,776)	892,260	(4,164,776)
Decrease in long-term loans to unrelated person and party	27,386,235	10,888,587	27,386,235	10,888,587
Proceeds from disposal of equipment and intangible assets	4,210,748	1,584,049	4,210,748	1,584,049
Proceeds from disposal of current investments	37,027,715	22,405,390	37,027,715	22,405,390
Acquisition of current investments	(25,897,400)	(31,524,675)	(25,897,400)	(31,524,675)
Acquisition of land, equipment and intangible assets	(81,204,677)	(122,563,509)	(79,293,688)	(114,739,356)
Redemption of deposit for purchase of investments in a subsidiary	–	4,000,000	–	4,000,000
Increase in investments in subsidiary	–	–	–	(3,000,000)
Changes in non-controlling interests of the subsidiary from its paid up share capital	–	1,500,000	–	–
Net cash used in investing activities	<u>(35,856,280)</u>	<u>(25,771,137)</u>	<u>(33,945,291)</u>	<u>(22,446,984)</u>
Cash flows from financing activities				
Increase (decrease) in short-term loans from financial institutions	63,369,310	(33,192,502)	63,369,310	(33,192,502)
Increase (decrease) in short-term loan from related party	(70,000,000)	100,000,000	(70,000,000)	100,000,000
Cash paid under finance leases	(5,230,197)	(4,379,419)	(5,218,131)	(4,379,419)
Decrease in long-term loans from financial institution	(15,449,471)	(14,772,387)	(15,449,471)	(14,772,387)
Interest paid	(8,829,985)	(9,324,776)	(8,815,701)	(9,324,776)
Dividend paid	(246,343,235)	(246,370,688)	(246,343,235)	(246,370,688)
Net cash used in financing activities	<u>(282,483,578)</u>	<u>(208,039,772)</u>	<u>(282,457,228)</u>	<u>(208,039,772)</u>
Net increase (decrease) in cash and cash equivalents	8,217,671	(2,844,798)	7,763,256	(145,063)
Cash and cash equivalents at beginning of year	7,871,796	10,716,594	5,800,835	5,945,898
Cash and cash equivalents at end of year (Note 7)	<u>16,089,467</u>	<u>7,871,796</u>	<u>13,564,091</u>	<u>5,800,835</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 2019

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Supplemental cash flows information: –				
Non-cash transactions: –				
Sales of equipment that has not yet been collected	333,960	2,347,797	333,960	2,347,797
Undue installment for acquisition of equipment and intangible assets	141,901	18,193,227	141,901	18,193,227
Purchases of vehicles under financial leases	2,522,795	5,109,383	2,167,584	5,109,383
Transfer of equipment to inventories	527,078	582,618	527,078	582,618
Transfer of deposit for purchase of land to land	–	12,000,000	–	12,000,000
Actuarial loss	1,230,043	–	1,230,043	–
Increase in surplus on revaluation of assets	36,601,500	–	36,601,500	–

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 2019

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
		2019	2018	
		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 Group 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 of the Company 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 Group has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods 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 adoption of these financial reporting standards does not have any significant impact on the Company's and its subsidiaries' financial statements. However, the new standard involves changes to key principles, which are 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 Group adopted TFRS 15 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2019, and the comparative information was not restated. The Group elects to apply the following practical expedient.

- Not to restate completed contracts as at 1 January 2019 for which the entity has transferred all of the goods or services identified in accordance with the previous accounting policy.

The cumulative effect of the change is described in Note 4.

(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new and revised financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. 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 except the following new standards which involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments 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 Group expects the adoption of these accounting standards to result in the following adjustments

- Recognition of credit losses – The Group is to recognise an allowance for expected credit losses on its financial assets, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.
- Recognition of derivatives – The Group is to initially recognise derivatives at their fair value on the contract date and subsequently measure them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

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

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The Group plans to adopt TFRS 16 using the modified retrospective method of adoption of which the cumulative effect is recognised as an adjustment to the retained earnings as at 1 January 2020, and the comparative information was not restated

The management of the Group expects the effect of the adoption of this accounting standard to the statement of financial position as at 1 January 2020 to be to increase the Group's assets and the Group's liabilities.

The management of the Group is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

4. Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standard

As described in Note 3, during the current year, the Group has adopted TFRS 15 using the modified retrospective method of adoption. The cumulative effects of initially applying TFRS 15 are recognised as an adjustment to retained earnings as at 1 January 2019. Therefore, the comparative information was not restated.

The effects of the changes in accounting policies due to the adoption of TFRS 15 on the beginning balance of retained earnings for 2019 comprises:

(Unit: Million Baht)

	Consolidated / Separate financial statements
Impact on retained earnings as at 1 January 2019	
Right to return goods – net of income tax	9.4

The amounts of adjustments affecting the statements of financial position as at 31 December 2019 and the statements of income for the year ended 31 December 2019 are summarised below.

(Unit: Million Baht)

	As at 31 December 2019		
	Consolidated financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statement of financial position			
Inventories	305.68	7.30	312.98
Deferred tax assets	13.60	3.98	17.58
Other current liabilities	16.28	19.95	36.23
Deferred tax liabilities	43.72	1.46	45.18
Retained earnings	323.34	(10.13)	313.21

(Unit: Million Baht)

	As at 31 December 2019		
	Separate financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statement of financial position			
Inventories	293.20	7.30	300.50
Deferred tax assets	13.49	3.98	17.47
Other current liabilities	16.00	19.95	35.95
Deferred tax liabilities	43.72	1.46	45.18
Retained earnings	192.38	(10.13)	182.25

(Unit: Million Baht)

	For the year ended 31 December 2019		
	Consolidated financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statement of income			
Sales of goods	1,626.19	(139.54)	1,486.65
Cost of sales	694.79	(0.30)	694.49
Selling and distribution expenses	446.66	(138.34)	308.32
Income tax expenses	65.02	(0.18)	64.84
Profit for the year	264.28	(0.73)	263.55
Earnings per share (Baht):			
Basic earnings per share	0.298	(0.001)	0.297

(Unit: Million Baht)

	For the year ended 31 December 2019		
	Separate financial statements		
	Previous accounting policy	Increase (decrease)	TFRS 15
Statement of income			
Sales of goods	1,694.67	(139.54)	1,555.13
Cost of sales	791.69	(0.30)	791.39
Selling and distribution expenses	446.66	(138.34)	308.32
Income tax expenses	62.65	(0.18)	62.47
Profit for the year	253.86	(0.73)	253.13
Earnings per share (Baht):			
Basic earnings per share	0.289	(0.001)	0.288

The nature of these adjustments are described below:

- Right to return goods – the Group has determined that they have an obligation to customers with respect to return of goods after sales to customers. The Group estimated the effect of the right to return of goods and recognised at the time of sale in each period. Previously, the effect was accounted for when incurred.

- Considerations paid to customers in accordance with traditional business practice – the Group has 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 Group 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 and distribution expenses

5. Significant accounting policies

5.1 Revenue recognition

Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting returns, discounts, allowances and price promotions to customers.

When a contract provided a customer with a right to return the goods within a specified period, the Group recognises the amount ultimately expected they will have to return to customers as a refund liability and recognise the right to recover the goods expected to be returned by customers as an asset in the statement of financial position. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods.

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 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.

Interest income

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

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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 less provision for impairment loss (if any).

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.

5.7 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.

5.8 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.

5.9 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.

5.10 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
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No amortisation is provided for computer software under installation.

5.11 Related party transactions

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

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

5.12 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.

5.13 Foreign currencies

The consolidated and separate financial statements are presented in Baht, which is also the Group'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.

5.14 Impairment of assets

At the end of each reporting period, the Group 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 Group 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.

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

Defined benefit plans

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

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary 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.

5.16 Provisions

Provisions are recognised when the Group has 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.

5.17 Income tax

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

Current tax

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

Deferred tax

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

The Group recognises 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 Group reviews 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 Group record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Group applies 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 Group measures 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 Group determines 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.

6. 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.

Reduction of 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.

Reduction of cost to net realisable value of inventories

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

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no additional loss will result. Therefore no additional contingent liabilities are recorded as at the end of reporting period.

7. Cash and cash equivalents

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Cash	239	263	212	236
Bank deposits	15,850	7,609	13,352	5,565
Total	<u>16,089</u>	<u>7,872</u>	<u>13,564</u>	<u>5,801</u>

As at 31 December 2019, bank deposits in savings accounts carried interest at rates of 0.22% – 1.00% per annum (2018: 0.37% – 1.10% per annum).

8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts receivable – related parties				
Aged on the basis of due dates				
Not yet due	4,765	2,947	4,751	11,048
Past due				
1 – 3 months	4,730	11,255	4,713	11,255
4 – 6 months	5,951	9,547	5,951	9,547
7 – 12 months	4,143	6,775	4,143	6,775
Over 12 months	2,678	34	2,678	34
Total	22,267	30,558	22,236	38,659
Less: Allowance for doubtful accounts	(2,678)	(34)	(2,678)	(34)
Net	19,589	30,524	19,558	38,625
Trade accounts receivable – unrelated parties				
Aged on the basis of due dates				
Post dated cheques	2,593	5,994	2,593	5,994
Not yet due	194,473	155,105	194,473	155,105
Past due				
1 – 3 months	156,263	124,610	156,263	124,610
4 – 6 months	13,593	12,197	13,593	12,197
7 – 12 months	6,579	8,092	6,579	8,092
Over 12 months	3,701	2,543	3,701	2,543
Returned cheques	–	751	–	751
Total	377,202	309,292	377,202	309,292
Less: Allowance for doubtful accounts	(3,746)	(3,283)	(3,746)	(3,283)
Net	373,456	306,009	373,456	306,009
Other receivables				
Other receivables – related parties	1,929	2,603	9,307	5,054
Other receivables – unrelated parties	737	5,735	737	5,735
Total	2,666	8,338	10,044	10,789
Less: Allowance for doubtful accounts	(1,915)	(12)	(1,915)	(12)
Net	751	8,326	8,129	10,777
Total trade and other receivables – net	393,796	344,859	401,143	355,411

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 2019, the Company had such account receivable balance of Baht 14.0 million (2018: Baht 16.0 million), with the portion due in over 12 months amounting to Baht 10.7 million (2018: Baht 13.3 million) and classified as other non-current assets in the statements of financial position.

9. Related parties transactions

During the years, the Group 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.*	Common shareholder / director with the 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

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
	2019	2018	2019	2018	
<u>Transactions with subsidiary</u> (Eliminated from consolidated financial statements)					
Purchases of goods	–	–	152	72	Cost plus margin
Sales of goods	–	–	69	11	Cost
Service income	–	–	13	5	Contract price
Service expenses	–	–	13	16	Contract price
Rental income	–	–	2	1	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	10	11	10	11	Cost plus margin
Interest income	–	5	–	5	15.0 percent per annum
Interest expenses	2	1	2	1	2 percent per annum
<u>Transactions with related companies</u>					
Sales of goods	19	32	18	29	Cost plus margin
Purchases of goods	3	6	2	6	Cost plus margin
Service income	1	–	–	–	Contract price

The outstanding balances of the related transactions as at 31 December 2019 and 2018 are shown in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade and other receivables – related persons and parties (Note 8)				
Joint venture	5,167	8,617	5,167	8,617
Subsidiary	–	–	7,377	10,599
Related companies	19,029	24,544	18,999	24,497
Total	24,196	33,161	31,543	43,713
Less: Allowance for doubtful accounts	(4,593)	(34)	(4,593)	(34)
Net	19,603	33,127	26,950	43,679
Long-term loans to related party				
Related company	3,273	4,165	3,273	4,165
Less: Current portion	(1,080)	(1,080)	(1,080)	(1,080)
Long-term loans to related party – net of current portion	2,193	3,085	2,193	3,085
Trade and other payables – related persons and parties (Note 21)				
Subsidiary	–	–	18,110	15,659
Related company	352	451	286	445
Accrued managements benefits	1,210	1,260	1,210	1,260
Total	1,562	1,711	19,606	17,364
Short-term loan from related party				
Associate	30,000	100,000	30,000	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 2019	Increase	Decrease	31 December 2019
Long-term loans to related party				
Related company				
Ruenrom Food and Beverage Company Limited	4,165	–	(892)	3,273
Short-term loan from related party				
Associate				
The Iconic Property Company Limited	100,000	–	(70,000)	30,000

As at 31 December 2019 and 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 2019 and 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 2019 and 2018, the Group had employee benefit expenses of their directors and management as below.

(Unit : Million Baht)

	Consolidated / Separate financial statements	
	2019	2018
Short-term employee benefits	34	31
Post-employment benefits	3	2
Total	<u>37</u>	<u>32</u>

10. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2019	2018	2019	2018	2019	2018
Finished goods	251,370	294,848	(38,649)	(30,743)	212,721	264,105
Raw materials and supplies	73,499	63,980	(6,384)	(4,537)	67,115	59,443
Work in process	6,066	5,980	-	-	6,066	5,980
Goods in transit	19,767	18,754	-	-	19,767	18,754
Goods expected to be returned by customers	7,307	-	-	-	7,307	-
Total	<u>358,009</u>	<u>383,562</u>	<u>(45,033)</u>	<u>(35,280)</u>	<u>312,976</u>	<u>348,282</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories-net	
	2019	2018	2019	2018	2019	2018
Finished goods	251,370	294,847	(38,649)	(30,743)	212,721	264,104
Raw materials and supplies	63,924	58,472	(6,307)	(4,535)	57,617	53,937
Work in process	3,085	4,338	-	-	3,085	4,338
Goods in transit	19,767	18,754	-	-	19,767	18,754
Goods expected to be returned by customers	7,307	-	-	-	7,307	-
Total	345,453	376,411	(44,956)	(35,278)	300,497	341,133

During the year 2019, the Company reduced cost of inventories by Baht 9.8 million (2018: Baht 13.0 million), to reflect the net realisable value. This was included in cost of sales.

11. Current investments

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	31 December 2019		31 December 2018	
	Cost	Fair value	Cost	Fair value
Trading securities – ordinary shares	-	-	10,233	9,789
Unrealised gain (loss) from changes in fair value of investments	-		(444)	
Investments in trading securities – net	-		9,789	

During the year 2019, the Company sold trading securities with book value totaling Baht 36.1 million (2018: Baht 21.6 million) and recognised gain (after tax) on sale amounting to Baht 0.7 million (2018: recognised gain (after tax) by Baht 0.6 million) in profit or loss.

12. Long-term loans to unrelated person and party

(Unit: Million Baht)

	Consolidated / Separate financial statements	
	2019	2018
Long-term loans to unrelated person and party	-	27,386
Less: Current portion	-	(9,600)
Long-term loans to unrelated person and party – net of current portion	-	17,786

As at 31 December 2018, the Company had long-term loans to unrelated person and party by Baht 27.4 million and carried an interest at a rate of 15% per annum. This long-term loans matured in September 2020. During the current year, the Company obtained the repayment of these long-term loans in full amount.

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13. Investments in joint venture

13.1 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 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%				
			49	49	3,563	3,563	1,011	-

(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 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	%	%						
			49	49	3,563	3,563	(3,563)	(3,563)	-	-

13.2 Share of profit (loss) from investments in joint venture

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

(Unit: Thousand Baht)

Company's name	Consolidated financial statements	
	Share of profit (loss) from investments in joint venture during the year	
	2019	2018
Karmarts Vietnam Company Limited	1,328	(531)

13.3 Investment in joint venture with capital deficit

The Company recognised share of losses from investment in the joint venture, until the value of the investments approached zero in 2018. Subsequent losses incurred by joint venture have not been recognised in 2018 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 2019	31 December 2018	31 December 2019	31 December 2018
Karmarts Vietnam Company Limited	–	138	–	1

13.4 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	
	2019	2018
Cash and cash equivalents	4	3
Other current assets	6	5
Non-current assets	1	–
Current liabilities	(7)	(6)
Net assets	4	2
Shareholding percentage	49	49
Share of net assets	2	1
Elimination entries	(1)	(1)
Carrying amounts of joint venture based on equity method	1	–

Comprehensive income summary for the year ended 31 December 2019 and 2018 is summarised below.

(Unit: Million Baht)

	Karmarts Vietnam Company Limited	
	2019	2018
Revenue	22	18
Gain	1	–
Other comprehensive income	–	–
Total comprehensive income	1	–

This company's operation period is 50 years, starting from the date of incorporation, 9 October 2015.

As at 31 December 2019 and 2018, the Company had commitments amounting to USD 98,000 in respect of the unpaid shares in Karmarts Vietnam Company Limited

14. Investments in associate

14.1 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 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
The Iconic Property Company Limited	Properties development	Thailand	%	%				
			33.33	33.33	71,030	71,030	190,173	190,226

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			31 December 2019	31 December 2018	31 December 2019	31 December 2018
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.

During the year 2019, The Iconic Property Co., Ltd. (the associate) enter into sell and purchase agreement of land located in Phuket Province, with a total area of 17 rai 2 ngan 11 square wah and a total value of Baht 230 million, from an unrelated company. The land is jointly acquired by the associate and the associate's related person in the proportion of 99% and 1%, respectively. The associate already obtained the transfer of land ownership.

14.2 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	
	2019	2018
The Iconic Property Company Limited and its subsidiaries	(53)	127,184

14.3 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	
	2019	2018
Current assets	223	545
Non-current assets	348	73
Current liabilities	(1)	(48)
Net assets	570	570
Shareholding percentage	33.33	33.33
Share of net assets	190	190
Elimination entries	-	-
Carrying amounts of associate based on equity method	190	190

Comprehensive income summary for the year ended 31 December 2019 and 2018 is summarised below.

(Unit: Million Baht)

	The Iconic Property Company Limited and its subsidiaries	
	2019	2018
Revenue	-	539
Gain (Loss)	-	381
Other comprehensive income	-	-
Total comprehensive income	-	381

15. Investments in subsidiary

(Unit: Thousand Baht)

Company's name	Paid-up share capital	Shareholding percentage	Separate financial statements	
			Cost Method	
			31 December 2019	31 December 2018
	(Million Baht)	(%)		
J KOS Laboratories Company Limited	10.00	70.00	7,000	7,000

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During the second quarter of the year 2018, 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.

16 Investment properties

A reconciliation of the net book value of investment properties as at the beginning and end of the years 2019 and 2018 is presented below.

(Unit: Thousand Baht)

	Consolidated/Separate financial statements
	Properties used for warehouse service
Net book value at beginning of 2018	118,000
Net gain from a fair value adjustment	3,840
Net book value at end of 2018	121,840
Net gain from a fair value adjustment	460
Net book value at end of 2019	122,300

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 2019	31 December 2018	
Discount rate (%)	15	15	Decrease in fair value
Yield rate (%)	12	12	Decrease in fair value
Rental rate per square meter per month (Baht)	118.0	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.

17. Property, plant and equipment

Consolidated financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis						Total
	Land	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Assets under installation and construction in progress	
Cost/Revalued amount								
1 January 2018	131,372	256	136,549	56,137	41,975	41,947	9,271	417,507
Acquisition	71,000	-	33,793	11,314	7,425	6,847	25,300	155,679
Transfer to inventories	-	-	-	-	-	(1,058)	(27)	(1,085)
Disposal / write-off	-	-	-	(5,623)	(1,852)	(1,727)	(355)	(9,557)
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
Acquisition	17,144	-	819	19,563	6,329	5,061	16,089	65,005
Revaluation	36,602	-	-	-	-	-	-	36,602
Transfer to inventories	-	-	-	-	-	(877)	(18)	(895)
Disposal / write-off	-	-	-	(1,239)	(3,590)	(2,568)	(977)	(8,374)
Transfer in / transfer out	-	-	1,557	27	54	7,695	(9,333)	-
31 December 2019	256,118	256	198,933	80,262	50,572	60,735	8,006	654,882

Consolidated financial statements (continued)

(Unit: Thousand Baht)

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Separate financial statements

(Unit: Thousand Baht)

	Revaluation basis	Cost basis						Total
	Land	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Assets under installation and construction in progress	
Cost/Revalued amount								
1 January 2018	131,372	256	136,549	55,832	41,975	41,784	9,271	417,039
Acquisition	71,000	-	33,793	5,540	7,425	5,600	25,300	148,658
Transfer to inventories	-	-	-	-	-	(1,058)	(27)	(1,085)
Disposal / write-off	-	-	-	(5,623)	(2,278)	(1,727)	(355)	(9,983)
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
Acquisition	17,144	-	819	18,362	5,757	4,873	16,083	63,038
Revaluation	36,602	-	-	-	-	-	-	36,602
Transfer to inventories	-	-	-	-	-	(877)	(18)	(895)
Disposal / write-off	-	-	-	(1,239)	(3,590)	(2,568)	(977)	(8,374)
Transfer in / transfer out	-	-	1,557	27	54	7,695	(9,333)	-
31 December 2019	256,118	256	198,933	72,982	49,574	59,137	8,000	645,000

Separate financial statements (continued)

(Unit: Thousand Baht)

	Cost basis						
	Revaluation basis	Land improvement	Building and building improvement	Machinery and factory equipment	Motor vehicles	Office furniture, fixtures and equipment	Assets under installation and construction in progress
	Land						Total
Accumulated depreciation							
1 January 2018	-	232	40,876	34,689	23,110	25,559	124,466
Depreciation for the year	-	10	10,171	8,257	5,716	6,527	30,681
Depreciation for disposals / write-off / transfer-out	-	-	-	(3,154)	(1,958)	(1,579)	(6,691)
31 December 2018	-	242	51,047	39,792	26,868	30,507	148,456
Depreciation for the year	-	10	13,519	8,207	7,083	7,260	36,079
Depreciation for disposals / write-off / transfer-out	-	-	-	(91)	(2,519)	(2,538)	(5,148)
31 December 2019	-	252	64,566	47,908	31,432	35,229	179,387
Net book value							
31 December 2018	202,372	14	145,510	16,040	20,485	19,507	406,173
31 December 2019	256,118	4	134,367	25,074	18,142	23,908	465,613
Depreciation for the year							
2018 (Baht 7.9 million included in cost of sales and services, and the remaining balance in selling and administrative expenses)						2,245	30,681
2019 (Baht 13.0 million included in cost of sales and services, and the remaining balance in selling and administrative expenses)						8,000	36,079

The Company arranged for independent professional valuers to appraise the value of the land at the end of the year 2019. The land was revalued using the market approach. The Company recorded the resulting increase in asset values net of income tax, totaling approximately Baht 29.3 million, in "surplus on revaluation of assets" in the statement of changes in shareholders' equity for the year 2019.

Had the land been carried in the financial statements based on historical cost, its net book value as of 31 December 2019 would have been Baht 167.63 million (2018: Baht 133.33 million).

As at 31 December 2019, had equipment and vehicles under finance lease agreements with net book value amounting to Baht 15.3 million (the Company only: Baht 14.9 million) (2018: Baht 17.5 million, the Company only: Baht 17.5 million).

As at 31 December 2019, 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 (if any) amounted to approximately Baht 109.7 million (the Company only: Baht 109.7 million) (2018: Baht 100.5 million, the Company only: Baht 100.5 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.

18. Land awaiting future development

As at 31 December 2019 and 2018, the Company had land awaiting future development amounting to Baht 8.3 million. The Company placed land with net book value by Baht 3.2 million as collateral for short-term and long-term credit facilities granted by commercial banks.

19. Intangible assets

(Unit: Thousand Baht)

	Consolidated financial statements		
	Computer software	Computer software under installation	Total
Cost			
1 January 2018	24,095	220	24,315
Acquisition	184	146	330
Write-off	(68)	-	(68)
31 December 2018	24,211	366	24,577
Acquisition	410	262	672
Write-off	(51)	-	(51)
31 December 2019	24,570	628	25,198
Accumulated amortisation			
1 January 2018	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
Amortisation during the year	1,999	-	1,999
Amortisation of write-off	(38)	-	(38)
31 December 2019	22,651	-	22,651
Net book value			
31 December 2018	3,521	366	3,887
31 December 2019	1,919	628	2,547

(Unit: Thousand Baht)

	Separate financial statements		
	Computer software	Computer software under installation	Total
Cost			
1 January 2018	24,095	220	24,315
Acquisition	89	146	235
Write-off	(68)	-	(68)
31 December 2018	24,116	366	24,482
Acquisition	110	262	372
Write-off	(51)	-	(51)
31 December 2019	24,175	628	24,803
Accumulated amortisation			
1 January 2018	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
Amortisation during the year	1,879	-	1,879
Amortisation of write-off	(38)	-	(38)
31 December 2019	22,511	-	22,511
Net book value			
31 December 2018	3,446	366	3,812
31 December 2019	1,664	628	2,292

20. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (percent per annum)		Consolidated / Separate financial statements	
	2019	2018	2019	2018
Trust receipts	3.25 - 4.50	3.30 - 5.35	160,421	147,552
Bank overdrafts	-	MOR	-	743
Promissory notes	MLR - 2.00		50,000	-
			210,421	148,295

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.

21. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Trade accounts payable – related parties	247	188	17,323	14,193
Trade accounts payable – unrelated parties	19,170	18,173	15,397	14,548
Other payables – related parties	105	263	100	263
Other payables – unrelated parties	50,586	57,270	50,402	57,270
Accrued expenses – related parties	–	–	973	1,648
Accrued expenses – unrelated parties	79,052	59,236	76,275	59,193
Accrued managements benefits	1,210	1,260	1,210	1,260
Total trade and other payables	<u>150,370</u>	<u>136,390</u>	<u>161,680</u>	<u>148,375</u>

22. Liabilities under finance lease agreements

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Liabilities under finance lease agreements	10,586	13,055	10,207	13,055
Less: Deferred interest expenses	<u>(796)</u>	<u>(1,031)</u>	<u>(767)</u>	<u>(1,031)</u>
Total	9,790	12,024	9,440	12,024
Less: Portion due within one year	<u>(4,322)</u>	<u>(4,710)</u>	<u>(4,212)</u>	<u>(4,710)</u>
Liabilities under finance lease agreements – net of current portion	<u>5,468</u>	<u>7,314</u>	<u>5,228</u>	<u>7,314</u>

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

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

(Unit: Million Baht)

	Consolidated financial statements		
	As at 31 December 2019		
	Less than 1 year	1–5 years	Total
Future minimum lease payments	4	7	11
Deferred interest expenses	<u>–</u>	<u>(1)</u>	<u>(1)</u>
Present value of future minimum lease payments	<u>4</u>	<u>6</u>	<u>10</u>

(Unit: Million Baht)

	Separate financial statements		
	As at 31 December 2019		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	4	6	10
Deferred interest expenses	-	(1)	(1)
Present value of future minimum lease payments	<u>4</u>	<u>5</u>	<u>9</u>

(Unit: Million Baht)

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

23. Long-term loans from financial institution

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated / Separate financial statements	
			2019	2018
1	MLR - 2.00	Monthly principal and interest installment by Baht 1.49 million	49,778	65,228
Total			<u>49,778</u>	<u>65,228</u>
Less: Current portion			<u>(17,904)</u>	<u>(17,904)</u>
Long-term loans from financial institutions - net of current portion			<u>31,874</u>	<u>47,324</u>

Movement of the long-term loan during the year ended 31 December 2019 and 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	65,228
Add: Additional borrowings	-
Less: Repayment	<u>(15,450)</u>
Balance as at 31 December 2019	<u>49,778</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 MLR – 2.00% 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.

24. 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	
	2019	2018	2019	2018
Provision for long-term employee benefits at beginning of year	18,433	16,052	18,254	16,052
Included in profit or loss:				
Current service cost	4,037	2,754	3,762	2,577
Interest cost	374	373	366	371
Past service costs	2,263	–	2,263	–
Benefits paid during the year	(8,679)	(746)	(8,679)	(746)
Actuarial (gain) loss arising from				
Demographic assumptions changes	(384)	–	(384)	–
Financial assumptions changes	476	–	476	–
Experience adjustments	1,138	–	1,138	–
Provision for long-term employee benefits at end of year	<u>17,658</u>	<u>18,433</u>	<u>17,196</u>	<u>18,254</u>

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law has been effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 2.26 million (the Company only: Baht 2.26 million) as a result. The Group reflected the effect of the change by recognising past service costs as expenses in the income statement of the period in which the law has been effective, which was the second quarter of 2019.

Actuarial losses arising from provision for defined benefit plans which were recognised in other comprehensive income of the Group in the year 2019 amounted to Baht 0.98 million (the Company only: Baht 0.98 million) (2018: Nil).

The Group expects to pay long-term employee benefits within the next one year amounting to Baht 0.67 million (the Company only: Baht 0.67 million) (2018: Consolidated and separate financial statements: Baht 1.8 million).

As at 31 December 2019, the weighted average duration of the liabilities for the long-term employee benefit obligation of the Group is 7.60 – 28.00 years (the Company only: 7.60 years) (2018: 6.89 – 28.00 years (the Company only: 6.89 years)).

Significant actuarial assumptions are summarised below:

(Unit: percent per annum)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Discount rate	1.55 and 3.36	1.96 and 3.36	1.55	1.96
Salary increase rate	5.00 and 6.00	5.00 and 6.00	6.00	6.00
Staff turnover rate	1.91 – 52.00	1.91 – 51.00	14.00 – 52.00	11.00 – 51.00

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2019 and 2018 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Increase		Decrease	
	2019	2018	2019	2018
Discount rate (+/- 1%)	(1,318)	(1,173)	1,497	1,332
Salary increase rate (+/- 1%)	1,520	1,740	(1,364)	(1,555)
Staff turnover rate (+/- 1% and +/- 20%)	(1,411)	(1,255)	456	387

(Unit: Thousand Baht)

	Separate financial statements			
	Increase		Decrease	
	2019	2018	2019	2018
Discount rate (+/- 1%)	(1,218)	(1,133)	1,365	1,279
Salary increase rate (+/- 1%)	1,386	1,689	(1,261)	(1,515)
Staff turnover rate (+/- 1%)	(1,293)	(1,211)	284	323

25. Income tax

Income tax expenses for the years ended 31 December 2019 and 2018 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Current income tax:				
Current income tax charge	67,681	58,438	65,195	56,962
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,838)	(6,954)	(2,730)	(6,954)
Income tax expenses reported in profit or loss	<u>64,843</u>	<u>51,484</u>	<u>62,465</u>	<u>50,008</u>

The amounts of income tax relating to each component of other comprehensive income for the year ended 31 December 2019 and 2018 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax related to changes in surplus on revaluation of assets	7,320	-	7,320	-
Deferred tax related to actuarial loss	(246)	-	(246)	-
Total	<u>7,074</u>	<u>-</u>	<u>7,074</u>	<u>-</u>

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

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Accounting profit before tax	<u>328,394</u>	<u>412,834</u>	<u>315,596</u>	<u>276,340</u>
Applicable tax rate	20%	20%	20%	20%
Accounting profit before tax multiplied by income tax rate	65,679	82,567	63,119	55,268
Adjustment in respect of income tax of previous year	-	(318)	-	(318)
Effects of:				
Non-deductible expenses (reversal)	1,054	(2,456)	1,110	(2,492)
Tax exemption income	(89)	(770)	(89)	(770)
Additional deductible expenses allowed	(1,693)	(1,680)	(1,675)	(1,680)
Share of gain from investments in joint venture and associate	(255)	(25,331)	-	-
Tax effect of intercompany transactions	147	(528)	-	-
Total	<u>(836)</u>	<u>(30,765)</u>	<u>(654)</u>	<u>(4,942)</u>
Income tax expenses reported in profit or loss	<u>64,843</u>	<u>51,484</u>	<u>62,465</u>	<u>50,008</u>

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Deferred tax assets				
Allowance for doubtful accounts	1,056	245	1,056	245
Allowance for diminution in value of inventories	9,007	7,056	8,991	7,056
Provision for long-term employee benefits	3,532	3,651	3,440	3,651
Provision of right to return goods	3,987	–	3,987	–
Total	<u>17,582</u>	<u>10,952</u>	<u>17,474</u>	<u>10,952</u>
Deferred tax liabilities				
Surplus of fair value from book value of investment properties	21,796	21,704	21,796	21,704
Surplus on revaluation of land	17,696	10,376	17,696	10,376
Surplus of fair value from book value of land and building transferred from investment properties	4,225	4,576	4,225	4,576
Goods expected to be returned by customers	1,461	–	1,461	–
Total	<u>45,178</u>	<u>36,656</u>	<u>45,178</u>	<u>36,656</u>

As at 31 December 2019 and 2018, the Company and subsidiary had no deductible temporary differences and unused tax losses which had not been recognised as deferred tax assets.

26. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2019	2018	2019	2018
Salaries and wages and other employee benefits	250,467	210,085	215,313	186,371
Depreciation	38,042	31,564	36,079	30,681
Amortisation	1,999	6,531	1,879	6,511
Allowance for doubtful accounts (reversal)	5,029	(2,354)	5,029	(2,354)
Advertising and sales promotion expenses	145,038	272,843	145,038	272,843
Loss on cost reduction of inventories to net realisable value	9,754	12,964	9,678	12,962
Allowance for impairment on investments in joint venture	–	–	–	3,563
Rental expenses from operating lease agreements	17,975	10,760	17,975	10,760
Raw materials and consumables used	676,983	732,713	575,431	667,728
Purchase of goods	559,671	689,262	780,683	731,388
Changes in finished goods and work in process	(43,392)	46,597	(44,730)	44,954

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27. 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.

28. Revaluation surplus of assets

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

29. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 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>
Final dividends for 2018	Annual General Meeting of the shareholders on 26 April 2019	61,546	0.07
Interim dividends for 2019	Board of Directors' meeting on 13 May 2019	61,598	0.07
	Board of Directors' meeting on 9 August 2019	61,600	0.07
	Board of Directors' meeting on 12 November 2019	61,599	0.07
Total dividends for 2019		<u>246,343</u>	<u>0.28</u>

30. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

31. Segment information

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

For management purposes, the Group is 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 Group's operating segments for the years ended 31 December 2019 and 2018, respectively.

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Year ended 31 December 2019					
Revenue from external customers	1,486,648	21,067	1,507,715	-	1,507,715
Interest revenue	1,466	-	1,466	-	1,466
Interest expenses	(9,288)	-	(9,288)	-	(9,288)
Depreciation and amortisation	(40,041)	-	(40,041)	-	(40,041)
Allowance for doubtful accounts	(5,029)	-	(5,029)	-	(5,029)
Allowance for reducing cost of inventories to net realisable value	(9,754)	-	(9,754)	-	(9,754)
Gain on revaluation of investment properties to fair value	-	460	460	-	460
Share of gain from investments in joint venture and associate	1,275	-	1,275	-	1,275
Income tax expenses	(60,621)	(4,222)	(64,843)	-	(64,843)
Segment profit	246,665	16,886	263,551	-	263,551
Segment total assets	1,482,064	122,300	1,604,364	-	1,604,364
Investments in joint venture and associate accounted for by the equity method	191,184	-	191,184	-	191,184
Additions to non-current assets other than financial instruments and deferred tax assets	57,406	460	57,866	-	57,866
Segment total liabilities	582,452	-	582,452	-	582,452

(Unit: Thousand Baht)					
	Manufacture and distribution of consumer products segment	Warehouse rental and warehouse service segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Year ended 31 December 2018					
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
Allowance for reducing cost of inventories to net realisable value	(12,964)	-	(12,964)	-	(12,964)
Allowance for impairment loss of assets	(114)	-	(114)	-	(114)
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	-	126,653	-	126,653
Income tax expenses	(47,417)	(4,066)	(51,483)	-	(51,483)
Segment profit	341,249	20,102	361,351	-	361,351
Segment total assets	1,423,431	121,840	1,545,271	-	1,545,271
Investments in joint venture and associate accounted for by the equity method	190,226	-	190,226	-	190,226
Additions to non-current assets other than financial instruments and deferred tax assets	112,634	3,840	116,474	-	116,474
Segment total liabilities	559,171	-	559,171	-	559,171

Geographic information

The Group is 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 2019, the Group has revenue from a group of major customers in the amount of Baht 215 million, arising from sales by the manufacture and distribution of consumer products segment (2018: Baht 241 million derived from a group of major customers, arising from sales by the manufacture and distribution of consumer products segment).

32. Provident fund

The Group and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Group 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 of the Group for the year 2019 amounting to approximately Baht 1.76 million (the Company only: Baht 1.69 million) (2018: Baht 2 million) were recognised as expenses.

33. Commitment and contingent liabilities

33.1 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	
	2019	2018
Payable within:		
1 year	20.8	7.5
2 to 3 years	20.9	2.0

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 2019 and 2018, future minimum lease payments expected to be received under non-cancellable operating lease are as follows:

(Unit: Million Baht)

	As at 31 December	
	2019	2018
Receivable within:		
1 year	21.5	5.2
2 to 3 years	27.2	–

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

As at 31 December 2019 and 2018, the Company had commitments related to the construction of buildings and the purchases of machinery, equipment, inventories and computer software as follows:

(Unit: Million Baht)		
	As at 31 December	
	2019	2018
<u>Currencies</u>		
THB	20.2	–
USD	0.8	0.1
RMB	1.0	0.8

33.3 Guarantees

As at 31 December 2019, there were outstanding bank guarantees of Baht 0.5 million (2018: Baht 15.5 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, the Company had a guarantee commitment in respect of a bank guarantee provided on behalf of StarCom Co., Ltd. amounting to Baht 10 million (2019: Nil).

As at 31 December 2019, the Company had issued letters of guarantee amounting to Baht 1 million (2018: Baht 1 million) on behalf of its subsidiary to its supplier in respect of certain performance bonds required in the normal course of the subsidiary's business.

33.4 Litigation

In 2018, the Central Intellectual Property and International Trade Court rendered a judgment ordering the Company and its executive to pay damages amounting to approximately Baht 2.11 million to Microsoft Corporation and 3 co-plaintiffs in a lawsuit brought for violation of the copyright of computer software belonging to the plaintiffs. The plaintiffs subsequently appealed the judgment and on March 25, 2019, the Specialised Court of Appeal rendered a judgment ordering the Company pay damages totaling Baht 16.74 million.

On 16 August 2019, the Company filed an appeal against the judgement of the Specialised Court of Appeal to the Supreme Court. Based on the legal counsel's opinion, the management expects that the result whether the Supreme Court will accept the appeal is to be finalised within 6–8 months after the date of filing.

The management of the Company, based on the legal counsel's opinion, believes that the provision for losses has been set aside adequately.

34. Fair value hierarchy

As at 31 December 2019 and 2018, the Group had the assets that were measured or disclosed at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	31 December 2019			
	Consolidated / Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Investment properties	–	–	122,300	122,300
Land	–	256,118	–	256,118

(Unit: Thousand Baht)

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

35. Financial instruments

35.1 Financial risk management

The Group'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 and long-term loans from. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Group is exposed to credit risk primarily with respect to trade accounts receivable, finance lease receivables, loans to and other receivables. The Group 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	
	2019	2018	2019	2018	2019	2018
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	–	–	2.57	4.01	30.1540	32.4498
JPY	0.06	0.06	–	–	0.2759	0.2931
RMB	–	–	0.35	0.22	4.3147	4.7237
EURO	–	–	0.01	–	33.7311	–

As at 31 December 2019 and 2018, the Group had no foreign exchange forward contracts outstanding.

Interest rate risk

The Group'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 Group'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 2019						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1–5 years			
Financial Assets	(% p.a.)					
Cash and cash equivalents	0.22 – 1.00	–	–	13	3	16
Trade and other receivables	–	–	–	–	394	394
Finance lease receivables	8.39 – 10.72	1	4	–	–	5
Long-term loans to related party	5.00	1	2	–	–	3
		<u>2</u>	<u>6</u>	<u>13</u>	<u>397</u>	<u>418</u>
Financial liabilities						
Short-term loans from financial institutions	3.25 – 4.50	160	–	–	–	160
Promissory notes	MLR – 2.00	–	–	50	–	50
Trade and other payables	–	–	–	–	150	150
Short-term loan from related party	2.00	30	–	–	–	30
Liabilities under finance lease agreements	1.39 – 3.14	4	6	–	–	10
Long-term loan from financial institutions	MLR – 2.00	–	–	50	–	50
		<u>194</u>	<u>6</u>	<u>100</u>	<u>150</u>	<u>450</u>

(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			
Financial Assets	(% 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>
Financial liabilities						
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	MLR – 2.00	–	–	65	–	65
		<u>252</u>	<u>7</u>	<u>66</u>	<u>136</u>	<u>461</u>

(Unit: Million Baht)

Separate financial statements as at 31 December 2019						
	Interest rate	Fixed interest rates		Floating interest rate	Non-interest bearing	Total
		within 1 year	1-5 years			
Financial Assets	(% p.a.)					
Cash and cash equivalents	00.22 – 1.00	–	–	11	3	14
Trade and other receivables	–	–	–	–	401	401
Finance lease receivables	8.39 – 10.72	1	4	–	–	5
Long-term loans to related party	5.00	1	2	–	–	3
		<u>2</u>	<u>6</u>	<u>11</u>	<u>404</u>	<u>423</u>
Financial liabilities						
Short-term loans from financial institutions	3.25 – 4.50	160	–	–	–	160
Promissory notes	MLR – 2.00	–	–	50	–	50
Trade and other payables	–	–	–	–	162	162
Short-term loan from related party	2.00	30	–	–	–	30
Liabilities under finance lease agreements	1.39 – 3.14	4	5	–	–	9
Long-term loan from financial institutions	MLR – 2.00	–	–	50	–	50
		<u>194</u>	<u>5</u>	<u>100</u>	<u>162</u>	<u>461</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			
Financial Assets	(% p.a.)					
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
Financial liabilities						
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 financial institutions	MLR – 2.00	–	–	65	–	65
		252	7	66	148	473

35.2 Fair values of financial instruments

Since the majority of the Group'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.

The methods and assumptions used by the Group 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 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 year, there were no transfers within the fair value hierarchy.

36. Capital management

The primary objective of the Group'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 2019, the Group's debt-to-equity ratio was 0.6:1 (2018: 0.6:1) and the Company's debt-to-equity ratio was 0.7:1 (2018: 0.7:1).

37. Events after the reporting period

On 28 February 2020, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held on 27 April 2020 to approve the resolution to pay a total dividend payment by Baht 0.28 per share in respect of the operating result of 2019. The dividend payment is scheduled for 26 May 2020 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

38. Approval of financial statements

These financial statements were authorised for issue by the Audit Committee and the Company's Board of Directors on 28 February 2020.

**ANNUAL
REPORT
2019**

KARMART

รายงานประจำปี 2562
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