

**Karmarts Public Company Limited and its subsidiaries**

**Notes to interim financial statements**

**For the three-month period ended 31 March 2022**

**1. General information of the Company**

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 for 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 Basis for the preparation of interim financial information**

The interim financial information has been prepared in accordance with Thai Accounting Standard No. 34 “Interim Financial Reporting” with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, statements of income, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial information is intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. This interim financial information should therefore be read in conjunction with the latest annual financial statements.

The interim financial information in Thai language is the official statutory financial information of the Company. The interim financial information in English language have been translated from the Thai language financial information.

**2.2 Basis of consolidation**

The interim consolidated financial statements are prepared by applying the same basis as that applied for the preparation of the consolidated financial statements for the year ended 31 December 2021. In the current period, the Company invested in KJF Global Company Limited and recorded such investment as investment in subsidiary.

**2.3 Significant accounting policies**

The interim financial information is prepared by using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2021.

**3. Trade and other receivables**

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
<b>Trade accounts receivable - related parties</b>				
Aged on the basis of due dates				
Not yet due	6,286	5,692	6,798	5,351
Past due				
1 - 3 months	59	783	59	783
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	6,345	6,475	6,857	6,134
Less: Allowance for expected credit losses	(22)	(22)	(22)	(22)
Net	6,323	6,453	6,835	6,112
<b>Trade accounts receivable - unrelated parties</b>				
Aged on the basis of due dates				
Post dated cheques	7,466	4,466	7,466	4,466
Not yet due	170,416	161,753	170,013	161,751
Past due				
1 - 3 months	128,898	109,488	128,844	109,488
3 - 6 months	23,303	35,343	23,303	35,343
6 - 12 months	9,798	11,762	9,798	11,762
Over 12 months	3,438	3,938	3,438	3,938
Returned cheques	327	225	327	225
Total	343,646	326,975	343,189	326,973
Less: Allowance for expected credit losses	(14,444)	(14,686)	(14,444)	(14,686)
Net	329,202	312,289	328,745	312,287
<b>Other receivables</b>				
Advances to related persons and related parties	70	-	7	-
Other receivables - related parties	450	-	10,616	8,994
Other receivables - unrelated parties	2,780	1,510	2,780	1,117
Total	3,300	1,510	13,403	10,111
Less: Allowance for expected credit losses	(54)	(121)	(116)	(210)
Net	3,246	1,389	13,287	9,901
Total trade and other receivables - net	338,771	320,131	348,867	328,300

#### 4. Related party transactions

During the periods, 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. There were no significant changes in the pricing policy of transactions with related parties during the current period.

Significant transactions are summarised below.

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Transactions with subsidiaries</u>				
(Eliminated from consolidated financial statements)				
Purchases of goods	-	-	32,737	38,366
Sales of goods	-	-	15,090	18,387
Service income	-	-	1,578	2,432
Service expenses	-	-	892	1,462
Rental income	-	-	428	428
Interest income	-	-	103	-
<u>Transactions with joint venture and associate</u>				-
Sales of goods	6,548	4,423	6,548	4,423
Interest expenses	114	148	114	148
<u>Transactions with related companies</u>				
Sales of goods	25	-	-	-
Purchases of goods	205	426	-	216
Service expenses	100	-	100	-
Interest Income	-	33	-	33

(Unaudited but reviewed)

The outstanding balances of the related persons and parties as at 31 March 2022 and 31 December 2021 are presented in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
<b><u>Trade and other receivables - related parties (Note 3)</u></b>				
Joint venture	6,722	6,046	6,722	6,046
Subsidiary	-	-	10,753	9,082
Related companies	143	429	5	-
Total	6,865	6,475	17,480	15,128
Less: Allowance for expected credit losses	(22)	(22)	(84)	(112)
Net	6,843	6,453	17,396	15,016
<b><u>Lease receivables</u></b>				
Related company	-	-	238	260
<b><u>Short-term loans to related party</u></b>				
Subsidiary	-	-	20,000	21,000
<b><u>Trade and other payables - related persons and parties</u></b>				
Subsidiary	-	-	13,216	7,956
Related company	9,004	134	378	65
Accrued management benefits	230	1,150	230	1,150
Total	9,234	1,284	13,824	9,171
<b><u>Share subscription payables</u></b>				
Directors and related persons	-	2,200	-	2,200
<b><u>Short-term loans from related parties and persons</u></b>				
Associate	23,000	26,000	23,000	26,000
Directors	-	26,051	-	-
Related persons	-	4,281	-	-
Total	23,000	56,332	23,000	26,000

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated financial statements			
	1 January			31 March
	2022	Increase	Decrease	2022
<b><u>Short-term loans from related parties</u></b>				
<b><u>Associate</u></b>				
The Iconic Property Company Limited	26,000	-	3,000	23,000
Directors and related persons	30,332	-	30,332	-
Total	56,332	-	33,332	23,000

(Unit: Thousand Baht)

	Separate financial statements			
	1 January			31 March
	2022	Increase	Decrease	2022
<b><u>Short-term loan to related party</u></b>				
<b><u>Subsidiary</u></b>				
Pa Donphutsa Co., Ltd.	21,000	20,000	(21,000)	20,000
<b><u>Short-term loans from related parties</u></b>				
<b><u>Associate</u></b>				
The Iconic Property Company Limited	26,000	-	3,000	23,000
Total	26,000	-	3,000	23,000

**Directors and management benefits**

During the three-month periods ended 31 March 2022 and 2021, the Group had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated / Separate financial statements	
	2022	2021
	7	7
Short-term employee benefits		

**5. Investment in joint venture**

Investment in joint venture represented investment in Karmarts Vietnam Company Limited, a jointly controlled entity, by the Company and other party. This Company is incorporated in Vietnam for distribution of cosmetic products. The Company invested 49% in this entity. Value of investment was as follow:

(Unit: Thousand Baht)

Consolidated financial statements		Separate financial statements					
Carrying amount based on equity method		Cost		Allowance for impairment of investment		Carrying amount based on cost method - net	
31	31	31	31	31	31	31	31
March	December	March	December	March	December	March	December
2022	2021	2022	2021	2022	2021	2022	2021
510	421	3,563	3,563	(3,563)	(3,563)	-	-

As at 31 March 2022 and 31 December 2021, the Company had commitment to pay USD 98,000 in respect of uncalled portion in shares of Karmarts Vietnam Company Limited.

**6. Investment in associate**

Investment in associate represented investment in The Iconic Property Company Limited which is incorporated in Thailand, and engaged in property development. The Company invested 33.33% in shares of this company. Value of investment was as follow:

(Unit: Thousand Baht)

Consolidated financial statements		Separate financial statements	
Carrying amount based on equity method		Cost	
31 March	31 December	31 March	31 December
2022	2021	2022	2021
180,292	180,686	71,030	71,030

**7. Investments in subsidiaries**

(Unit: Thousand Baht)				
Subsidiaries	Paid-up share capital (Million Baht)	Shareholding percentage (%)	Separate financial statements	
			Cost method	
			31 March 2022	31 December 2021
J KOS Laboratories Company Limited	10.00	70.00	7,000	7,000
Pa Donphutsa Company Limited	260.00	86.00	225,100	18,700
(31 December 2021:				
	20.00)			
KJF Global Company Limited	10.00	51.00	5,100	-
Total investments in subsidiaries			237,200	25,700

On 4 January 2022, the Extraordinary General Meeting of the shareholders of Pa Donphutsa Co., Ltd. approved an increase of Baht 240 million in share capital of its company (2.4 million ordinary shares of Baht 100 each). After an increase in capital, the subsidiary has the registered share capital of Baht 260 million (2.6 million ordinary shares of Baht 100 each). On 18 January 2022, the subsidiary registered the increase of share capital with the Ministry of Commerce, and called for share subscription in full.

The Company paid Baht 206.4 million for the share capital increase (2.064 million shares of Baht 100 each) and non-controlling interests of the subsidiary paid a total of Baht 33.6 million for share capital increase (0.336 million shares of Baht 100 each). The Company still holds 86.00% in shares of this company.

KJF Global Co., Ltd. was registered as a company on 2 December 2021 with a registered share capital of Baht 1 million. The Company has acquired all shares of this company on 2 February 2022, and paid share subscription in full.

On 28 February 2022, the Extraordinary General Meeting of the shareholders of the subsidiary approved an increase of Baht 9 million in its share capital (90,000 ordinary shares of Baht 100 each). After the increase in capital, the subsidiary has the registered share capital of Baht 10 million (100,000 ordinary shares of Baht 100 each). The Company acquired 41,000 shares of shares increase or Baht 4.1 million, and other shareholders acquired 49,000 shares of share increase or Baht 4.9 million. After the capital increase, the Company holds 51.00% in shares of this company and remains control over this subsidiary.

KJF Global Co., Ltd. registered the increase of its share capital with the Ministry of Commerce on 28 February 2022.

**8. Investment properties**

The majority of investment properties of the Company were placed as collateral to secure credit facilities granted by banks.

**9. Property, plant and equipment**

Movements of property, plant and equipment during the three-month period ended 31 March 2022 were summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2022	466,553	431,156
Acquisitions during the period - at cost	258,799	10,479
Transfer to inventories - net book value	(157)	(157)
Disposals and written-off during the period		
- net book value	(14)	(14)
Depreciation for the period	(8,747)	(7,874)
Net book value as at 31 March 2022	716,434	433,590

The Company has placed a majority of its land with structures thereon as collateral to secure credit facilities granted by banks.

**10. Land held for development**

Land held for development with value of Baht 3.2 million was mortgaged as collateral to secure credit facilities granted by banks.

**11. Right-of-use assets**

The movements of right-of-use assets for the three-month period ended 31 March 2022 were presented below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2022	28,560	28,331
Increase during the period	5,608	5,608
Depreciation for the period	(4,055)	(4,028)
Net book value as at 31 March 2022	30,113	29,911



(Unaudited but reviewed)

## 12. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rates (percent per annum)		Consolidated / Separate financial statements	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
Trust receipts	1.80 - 3.89	1.80 - 3.00	193,882	133,193
Promissory notes	2.72 - 3.97	2.63 - 2.77	36,453	29,815
Total			230,335	163,008

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

## 13. Long-term loan from financial institution

(Unit: Thousand Baht)

Loan	Interest rate (percent per annum)	Repayment schedule	Consolidated / Separate financial statements	
			31 March 2022	31 December 2021
1	MLR - 2.00	Principal and interest payable in monthly installments of Baht 1.49 million each	12,062	16,410
Less: Current portion			(12,062)	(16,410)
Long-term loans from financial institution - net of current portion			-	-

Movement of the long-term loan during the three-month ended 31 March 2022 was summarised below:

(Unit: Thousand Baht)

	Consolidated / Separate financial statements
Balance as at 1 January 2022	16,410
Less: Repayment	(4,348)
Balance as at 31 March 2022	12,062

The loan is secured by the mortgage of the majority of the Company's land and construction thereon.

The loan agreement contained several covenants which, among other things, required the Company to maintain debt-to-equity ratio and debt service coverage ratio.

**14. Income tax**

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expense for the three-month periods ended 31 March 2022 and 2021 were made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	2022	2021	2022	2021
<b>Current income tax:</b>				
Interim corporate income tax charge	15,900	12,543	15,900	12,206
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	1,606	(1,977)	1,606	(1,977)
<b>Income tax expense reported in the income statements</b>	<b>17,506</b>	<b>10,566</b>	<b>17,506</b>	<b>10,229</b>

**15. Fair value of financial instrument**

Most of the Group's financial instruments are classified as short-term or have interest rates that are close to market rates. Therefore, the carrying amounts of these financial instruments are estimated to approximate their fair value.

**16. Commitments and contingent liabilities****16.1 Lease and service agreements commitments**

The Company had future minimum payments required under these non-cancellable leases contracts that have not yet commenced and leases that have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, and non-cancellable service agreements as follows:

	(Unit: Million Baht)
	31 March 2022
Payable:	
Within 1 year	16.2
Over 1 and up to 3 years	19.0

**16.2 Commitments in respect of purchases of goods and capital expenditure**

As at 31 March 2022, the Company had commitments related to acquisitions of land, construction of buildings and purchases of machinery, equipment, and inventories as follows:

(Unit: Million)

Currency	Consolidated financial statements	Separate financial statements
THB	21.3	9.5
USD	0.5	0.5
RMB	0.3	0.3

**16.3 Bank guarantees**

As at 31 March 2022, there were outstanding bank guarantees of Baht 0.5 million issued by the banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

**16.4 Litigation**

On 7 February 2022, the Customs Department and the Revenue Department filed a lawsuit against the Company with the Central Tax Court, demanding payment for import duty and VAT of Baht 1.8 million. The Company filed a counterclaim on the grounds that such taxes were a result of ineffective tax assessment conducted by plaintiffs who did not take appropriate action within the period prescribed by law, and thus the statute of limitations for the lawsuit has already expired. Currently, mediation for the lawsuit is being scheduled. The management believes that the Company is unlikely to pay import duty and VAT of material amount. Therefore, the Company does not record provision for contingent liabilities arising from such litigation.

**17. Segment information**

The Group is organised into business units based on their products and services. In the fourth quarter of 2021, the Group established a segment related to farming and agriculture.

The following tables present revenue and profit information regarding the Group's operating segments for the three-month periods ended 31 March 2022 and 2021, respectively.

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the three-month period ended 31 March 2022

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Farming and agriculture segment	Consolidated
<b>Sales and service income</b>				
Revenue from external customers	407,161	5,292	20	412,473
Inter-segment revenue	-	-	-	-
<b>Total revenue</b>	<u>407,161</u>	<u>5,292</u>	<u>20</u>	<u>412,473</u>
<b>Operating results</b>				
<b>Segment profit (loss)</b>	79,700	5,270	(1,359)	83,611
Other income				3,069
Gain on sale of equipment				1,953
Gain on exchange				633
Share of loss from investments in joint venture and associate				(394)
Finance income				122
Finance cost				(2,263)
<b>Profit before income tax expense</b>				<u>86,731</u>
Income tax expense				(17,506)
<b>Profit for the period</b>				<u>69,225</u>

(Unit: Thousand Baht)

For the three-month period ended 31 March 2021

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Consolidated
<b>Sales and service income</b>			
Revenue from external customers	335,789	5,292	341,081
Inter-segment revenue	-	-	-
<b>Total revenue</b>	<u>335,789</u>	<u>5,292</u>	<u>341,081</u>
<b>Operating results</b>			
<b>Segment profit</b>	49,210	5,255	54,465
Other income			834
Share of profit from investments in joint venture and associate			327
Finance income			213
Finance cost			(1,810)
<b>Profit before income tax expense</b>			<u>54,029</u>
Income tax expense			(10,566)
<b>Profit for the period</b>			<u>43,463</u>

**18. Events after the reporting period**

On 25 April 2022, the Annual General Meeting of the Company's shareholders passed a resolution to approve a dividend payment of Baht 0.18 per share from the operating result of 2021 for which after deducting interim dividend of Baht 0.12 per share, the final dividend for the year is Baht 0.06 per share or a total of Baht 52.8 million. The dividend payment is scheduled on 24 May 2022

On 13 May 2022, the Company's Board of Directors Meeting passed a resolution to approve the payment of an interim dividend of Baht 0.06 per share, from the operating results of the first quarter of 2022, or a total of Baht 52.8 million. The dividend payment will be made on 10 June 2022.

**19. Approval of interim financial information**

The interim financial information was authorised for issue by the Audit Committee and the Company's Board of Directors on 13 May 2022.