

Karmarts Public Company Limited and its subsidiary

Notes to interim financial statements

For the three-month and six-month periods ended 30 June 2020

1. General information

1.1 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 rental. The Company’s registered address is 81-81/1, Soi Phetchakasem 54 sub 3, Phetchakasem Road, Bangduan, Phasicharoen, Bangkok.

1.2 Coronavirus disease 2019 Pandemic

The Coronavirus disease 2019 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting most businesses and industries. This situation may bring uncertainties and have an impact on the environment in which the Group operates. The Group’s management will continuously monitor ongoing developments and assess the financial impact in respect of the valuation of assets, provisions and contingent liabilities, and will use estimates and judgement in respect of various issues as the situation has evolved.

2. Basis of preparation

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 has 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 2019. There have been no significant changes in the composition of the group during the current period.

2.3 New financial reporting standards that became effective in the current period

During the period, the Group has adopted the revised (revised 2019) and new 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. The adoption of these financial reporting standards does not have any significant impact on the Group's financial statements. However, the new standards 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
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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.

The impact of the adoption of these standards on the Group's financial statements is as follows.

- Recognition of credit losses - The Group recognises 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 initially recognises derivatives at their fair value on the contract date and subsequently measures them at fair value at the end of each reporting period. Changes in the fair value of derivatives are recognised in profit or loss.

However, the cumulative effect from the first-time adoption of these standards of the group does not have any significant impact on the Group's financial statements.

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 of 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.

The Group adopted these financial reporting standards using the modified retrospective method of initial 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 cumulative effect of the change is described in Note 2.5.

Accounting Guidance on Temporary Relief Measures for Accounting Alternatives in Response to the Impact of the Covid-19 Pandemic

The Federation of Accounting Professions announced Accounting Guidance on "Temporary relief measures for accounting alternatives in response to the impact of the COVID-19 pandemic". Its objectives are to alleviate some of the impact of applying certain financial reporting standards, and to provide clarification about accounting treatments during the period of uncertainty relating to this situation.

On 22 April 2020, the Accounting Guidance was announced in the Royal Gazette and it is effective for the financial statements prepared for reporting periods ending between 1 January 2020 and 31 December 2020.

The Group has elected to apply the following temporary relief measures on accounting alternatives:

- Not to take into account forward-looking information when determining expected credit losses, in cases where the Group uses a simplified approach to determine expected credit losses.
- Not to use information relating to the COVID-19 situation that may affect financial forecasts used in measuring the fair values of land and investment property.
- Not to account for any reduction in lease payments by lessors resulting from the COVID-19 situation as a lease modification, with the lease liabilities that come due in each period reduced in proportion to the reduction and depreciation of right-of-use assets and interest on lease liabilities recognised in each period reversed in proportion to the reduction, with any differences then recognised in profit or loss.
- Not to use information relating to the COVID-19 situation in determining whether sufficient taxable profits will be available in future periods against which deferred tax assets can be utilised.
- Not to consider the COVID-19 situation as an indication that an asset may be impaired in accordance with TAS 36, Impairment of Assets.

2.4 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 2019 except the changes in accounting policies related to financial instruments and leases.

2.4.1 Financial instruments

Classification and measurement

Financial assets that are debt instruments are measured at fair value through profit or loss, fair value through other comprehensive income, or amortised cost. Classification is driven by the Group's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

Financial assets that are equity instruments are measured at fair value through profit or loss. In certain cases, the Group makes an election to measure them at fair value through other comprehensive income, with no subsequent recycling to profit or loss.

Financial liabilities are classified and measured at amortised cost.

Derivatives are classified and measured at fair value through profit or loss.

Impairment of financial assets

The Group recognises an allowance for expected credit losses on its financial assets measured at amortised cost without requiring a credit-impaired event to have occurred prior to the recognition. The Group accounts for changes in expected credit losses in stages, with differing methods of determining allowance for credit losses and the effective interest rate applied at each stage. An exception from this approach is that for trade receivables that do not contain a significant financing component, the Group applies a simplified approach to determine the lifetime expected credit losses.

2.4.2 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised through initial measurement, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received.

Unless the Group is reasonably certain that it will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term, discounted by the interest rate implicit in the lease or the Group's incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or reassessment.

Short-term leases and Leases of low-value assets

Payments under leases that, have a lease term of 12 months or less at the commencement date, or are leases of low-value assets, are recognised as expenses on a straight-line basis over the lease term.

Sub lease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described in “Short-term leases and leases of low-value asset”, then it classifies the sub-lease as an operating lease.

The Group as an intermediate lessor accounts for the sublease as follow:

- If the sublease is classified as an operating lease, the Group continues to account for the lease liability and right-of-use asset on the head lease like any other lease; or
- If the sublease is classified as a finance lease, the Group derecognises the right-of-use asset on the head lease at the sublease commencement date and continue to account for the original lease liability in the head lease.

2.5 Cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards

As described in Note 2.4, during the current period, the Group has adopted financial reporting standards related to financial instruments and TFRS 16. The cumulative effect of initially applying these standards is recognised as an adjustment to retained earnings as at 1 January 2020. Therefore, the comparative information was not restated.

Changes in accounting policies due to the adoption of these standards have no impact on the Group’s retained earnings as at 1 January 2020.

The amounts of adjustments affecting the statements of financial position of the Group as at 1 January 2020 are summarised below:

(Unit: Thousand Baht)

	Consolidated financial statements			
	The impacts of			1 January 2020
	31 December 2019	Financial reporting standards related to financial instruments	TFRS 16	
Statement of financial position				
Assets				
Current assets				
Current portion of lease receivables	1,031	-	2,688	3,719
Non-current assets				
Lease receivables - net of current portion	3,602	-	5,353	8,955
Property, plant and equipment	472,502	-	(15,804)	456,698
Right-of-use assets	-	-	41,127	41,127
Liabilities and shareholders' equity				
Current liabilities				
Current portion of lease liabilities	4,322	-	12,878	17,200
Non-current liabilities				
Lease liabilities - net of current portion	5,468	-	20,486	25,954
Shareholders' equity				
Retained earnings - unappropriated	260,408	-	-	260,408

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	The impacts of			
		Financial reporting standards related to financial instruments	TFRS 16	
	31 December 2019			1 January 2020
Statement of financial position				
Assets				
Current assets				
Current portion of lease receivables	1,031	-	2,688	3,719
Non-current assets				
Lease receivables - net of current portion	3,602	-	5,353	8,955
Property, plant and equipment	465,613	-	(15,356)	450,257
Right-of-use assets	-	-	40,679	40,679
Liabilities and shareholders' equity				
Current liabilities				
Current portion of lease liabilities	4,212	-	12,878	17,090
Non-current liabilities				
Lease liabilities - net of current portion	5,228	-	20,486	25,714
Shareholders' equity				
Retained earnings - unappropriated	129,447	-	-	129,447

2.5.1 Financial instruments

The classifications, measurement basis and carrying values of financial assets in accordance with TFRS 9 as at 1 January 2020, and with the carrying amounts under the former basis, are as follows:

(Unit: Thousand Baht)

Consolidated financial statements					
	Carrying amounts under the former basis	Classification and measurement in accordance with TFRS 9			
		Fair value through		Amortised cost	Total
		Fair value through profit or loss	other comprehensive income		
Financial assets as at 1 January 2020					
Cash and cash equivalents	16,089	-	-	16,089	16,089
Trade and other receivables	393,796	-	-	393,796	393,796
Lease receivables	4,633	-	-	4,633	4,633
Long-term loans to related party	3,273	-	-	3,273	3,273
Other non-current financial assets	14,037	-	-	14,037	14,037
Total financial assets	431,828	-	-	431,828	431,828

(Unaudited but reviewed)

(Unit: Thousand Baht)

Separate financial statement					
Carrying amounts					
under the former basis	Classification and measurement in accordance with TFRS 9				
		Fair value through			
		Fair value through	other comprehensive	Amortised cost	Total
		profit or loss	income		
Financial assets as at 1 January 2020					
Cash and cash equivalents	13,564	-	-	13,564	13,564
Trade and other receivables	401,143	-	-	401,143	401,143
Lease receivables	4,633	-	-	4,633	4,633
Long-term loans to related party	3,273	-	-	3,273	3,273
Other non-current financial assets	14,037	-	-	14,037	14,037
Total financial assets	436,650	-	-	436,650	436,650

As at 1 January 2020, the Group has not designated any financial liabilities at fair value through profit or loss.

2.5.2 Leases

Upon initial application of TFRS 16, the Group recognised lease liabilities previously classified as operating leases at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2020. For leases previously classified as finance leases, the Group recognised the carrying amounts of the right-of-use assets and lease liabilities based on the carrying amounts of the lease assets and lease liabilities immediately before the date of initial application of TFRS 16.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Operating lease commitments as at 31 December 2019	41,687	41,687
Add: Option to extend lease term	25,189	25,189
Less: Contracts reassessed as service agreements	(31,186)	(31,186)
Less: Others	(143)	(143)
Less: Deferred interest expenses	(2,183)	(2,183)
Increase in lease liabilities due to TFRS 16 adoption	33,364	33,364
Liabilities under finance lease agreements as at		
31 December 2019	9,790	9,440
Lease liabilities as at 1 January 2020	43,154	42,804
Comprise of:		
Current lease liabilities	17,200	17,090
Non-current lease liabilities	25,954	25,714
	43,154	42,804

The adjustments of right-of-use assets due to initial TFRS 16 adoption as at 1 January 2020 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Land and land improvement	961	961
Buildings and building improvement	24,362	24,362
Motor vehicles	15,804	15,356
Total right-of-use assets	41,127	40,679

3. Trade and other receivables

	Consolidated		(Unit: Thousand Baht)	
			Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
Trade accounts receivable - related parties				
Aged on the basis of due dates				
Not yet due	5,711	4,765	5,711	4,751
Past due				
1 - 3 months	3,076	4,730	3,076	4,713
4 - 6 months	-	5,951	-	5,951
7 - 12 months	-	4,143	-	4,143
Over 12 months	-	2,678	-	2,678
Total	8,787	22,267	8,787	22,236
Less: Allowance for expected credit losses/				
Allowance for doubtful accounts	(22)	(2,678)	(22)	(2,678)
Net	8,765	19,589	8,765	19,558
Trade accounts receivable - unrelated parties				
Aged on the basis of due dates				
Post dated cheques	5,681	2,593	5,681	2,593
Not yet due	130,001	194,473	130,001	194,473
Past due				
1 - 3 months	92,338	156,263	92,338	156,263
4 - 6 months	35,428	13,593	35,428	13,593
7 - 12 months	17,691	6,579	17,691	6,579
Over 12 months	6,082	3,701	6,082	3,701
Returned cheques	610	-	610	-
Total	287,831	377,202	287,831	377,202
Less: Allowance for expected credit losses/				
Allowance for doubtful accounts	(12,337)	(3,746)	(12,337)	(3,746)
Net	275,494	373,456	275,494	373,456
Other receivables				
Other receivables - related parties	1,575	1,929	28,802	9,307
Other receivables - unrelated parties	1,874	737	1,874	737
Total	3,449	2,666	30,676	10,044
Less: Allowance for expected credit losses/				
Allowance for doubtful accounts	(1,573)	(1,915)	(1,721)	(1,915)
Net	1,876	751	28,955	8,129
Total trade and other receivables - net	286,135	393,796	313,214	401,143

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 30 June 2020, the Company had accounts receivable balance of Baht 12.0 million (31 December 2019: Baht 14.0 million), with the portion due in over 12 months amounting to Baht 9.3 million (31 December 2019: Baht 10.7 million) and classified as other non-current financial assets in the statements of financial position.

4. Related parties 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.

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
Ruenrom Food and Beverage Co., Ltd.	Common shareholder / director with the Company
June Laboratories Co., Ltd.	Common shareholder / director with the subsidiary

Such significant transactions are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the three-month periods ended 30 June		For the three-month periods ended 30 June		Transfer Pricing Policy
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with subsidiary</u>					
(Eliminated from consolidated financial statements)					
Purchases of goods	-	-	33,919	41,570	Cost plus margin
Sales of goods	-	-	24,397	21,716	Cost
Service income	-	-	2,911	3,758	Contract price
Service expenses	-	-	3,445	2,697	Contract price
Rental income	-	-	429	429	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	4,099	2,322	4,099	2,322	Cost plus margin
Interest expenses	149	499	149	499	2.0% per annum
<u>Transactions with related companies</u>					
Sales of goods	79	3,869	-	3,614	Cost plus margin
Purchases of goods	641	1,424	30	1,255	Cost plus margin
Service income	43	-	43	-	Contract price
Rental income	14	-	14	-	Contract price
Interest income	37	48	37	48	5.0% per annum

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		Transfer Pricing Policy
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with subsidiary</u>					
(Eliminated from consolidated financial statements)					
Purchases of goods	-	-	65,451	70,445	Cost plus margin
Sales of goods	-	-	38,566	33,086	Cost
Service income	-	-	5,686	5,982	Contract price
Service expenses	-	-	6,873	6,706	Contract price
Rental income	-	-	857	857	Contract price
<u>Transactions with joint venture and associate</u>					
Sales of goods	8,791	5,753	8,791	5,753	Cost plus margin
Interest expenses	299	992	299	992	2.0% per annum

Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements		
	For the six-month periods ended 30 June		For the six-month periods ended 30 June		Transfer Pricing Policy
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
<u>Transactions with related companies</u>					
Sales of goods	118	11,748	-	11,078	Cost plus margin
Purchases of goods	1,089	2,251	473	1,594	Cost plus margin
Service income	122	-	122	-	Contract price
Rental income	29	-	29	-	Contract price
Interest income	76	98	76	98	5.0% per annum

The outstanding balances with the related persons and parties as at 30 June 2020 and 31 December 2019 are presented in the statements of financial position as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<u>Trade and other receivables - related parties (Note 3)</u>				
Joint venture	8,787	5,167	8,787	5,167
Subsidiary	-	-	27,227	7,377
Related companies	1,575	19,029	1,575	18,999
Total	10,362	24,196	37,589	31,543
Less: Allowance for expected credit losses/ Allowance for doubtful accounts	(1,595)	(4,593)	(1,743)	(4,593)
Net	8,767	19,603	35,846	26,950
<u>Long-term loans to related party</u>				
Related company	2,811	3,273	2,811	3,273
Less: Current portion	(2,811)	(1,080)	(2,811)	(1,080)
Long-term loans to related party - net of current portion	-	2,193	-	2,193
<u>Trade and other payables - related persons and parties (Note 15)</u>				
Subsidiary	-	-	27,178	18,110
Related company	98	352	98	286
Accrued management benefits	620	1,210	620	1,210
Total	718	1,562	27,896	19,606
<u>Short-term loan from related party</u>				
Associate	30,000	30,000	30,000	30,000

Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Consolidated / Separate financial statements			
	1 January			30 June
	2020	Increase	Decrease	2020
<u>Long-term loans to related party</u>				
Related company				
Ruenrom Food and Beverage Company Limited	3,273	-	(462)	2,811
<u>Short-term loan from related party</u>				
Associate				
The Iconic Property Company Limited	30,000	-	-	30,000

As at 30 June 2020 and 31 December 2019, long-term loans to related party is due within 29 March 2021 and carry an interest at a rate of 5.0% per annum.

As at 30 June 2020 and 31 December 2019, short-term loan from the associate matures at call and carries an interest at a rate of 2.0% per annum.

Directors and management benefits

During the three-month and six-month periods ended 30 June 2020 and 2019, the Group had employee benefit expenses of their directors and management as below.

(Unit: Million Baht)

	Consolidated / Separate financial statements			
	For the three-month		For the six-month	
	periods ended		periods ended	
	30 June		30 June	
	2020	2019	2020	2019
Short-term employee benefits	9	8	17	16
Post-employment benefits	-	1	-	1
Total	9	9	17	17

5. Inventories

Movements in the allowance for reducing cost of inventories to net realisable value during the six-month period ended 30 June 2020 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2020	45,033	44,956
Reversal of allowance for reducing cost of inventories to net realisable value	(1,092)	(1,172)
Balance as at 30 June 2020	43,941	43,784

6. Investments in 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	
			30	31	30	31	30	31
			June 2020	December 2019	June 2020	December 2019	June 2020	December 2019
			%	%				
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	49	49	3,563	3,563	473	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	
			30	31	30	31	30	31	30	31
			June 2020	December 2019	June 2020	December 2019	June 2020	December 2019	June 2020	December 2019
			%	%						
Karmarts Vietnam Company Limited	Distribution of cosmetic products	Vietnam	49	49	3,563	3,563	(3,563)	(3,563)	-	-

As at 30 June 2020 and 31 December 2019, the Company had commitments amounting to USD 98,000 in respect of the uncalled shares in Karmarts Vietnam Company Limited.

7. Investments in 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	
			30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
			%	%				
The Iconic Property Company Limited	Property development	Thailand	33.33	33.33	71,030	71,030	189,779	190,173

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements			
			Shareholding percentage		Cost	
			30 June 2020	31 December 2019	30 June 2020	31 December 2019
			%	%		
The Iconic Property Company Limited	Property development	Thailand	33.33	33.33	71,030	71,030

8. Investments in subsidiary

(Unit: Thousand Baht)

Company's name	Paid-up share capital (Million Baht)	Shareholding percentage (%)	Separate financial statements	
			Cost method	
			30 June 2020	31 December 2019
J KOS Laboratories Company Limited	10.00	70.00	7,000	7,000

9. Investment properties

Movements of the investment properties during the six-month period ended 30 June 2020 are as summarised below.

(Unit: Thousand Baht)

	Consolidated / Separate financial statements
1 January 2020	122,300
Increase/(decrease) in fair value during the period	-
30 June 2020	122,300

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

10. Property, plant and equipment

Movements of property, plant and equipment during the six-month period ended 30 June 2020 are as summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	472,502	465,613
Reclassification to right-of-use assets due to the adoption of TRFS 16	(15,804)	(15,356)
Acquisitions during the period - at cost	22,362	20,298
Transfer of equipment to inventories - net book value	(295)	(289)
Disposals and write-off during the period - net book value	(2,209)	(1,858)
Depreciation for the period	(16,465)	(15,490)
Net book value as at 30 June 2020	460,091	452,918

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.

11. Land awaiting future development

As at 30 June 2020 and 31 December 2019, 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.

12. Right-of-use assets

The movements of right-of-use assets for the six-month period ended 30 June 2020 are presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	-	-
Reclassification to right-of-use assets due to the adoption of TFRS 16	41,127	40,679
Increase during the period	7,260	7,260
Depreciation for the period	(10,328)	(10,274)
Net book value as at 30 June 2020	38,059	37,665

13. Intangible assets

Movements of the intangible assets during the six-month period ended 30 June 2020 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2020	2,547	2,292
Acquisitions during the period - at cost	526	526
Write-off during the period - net book value	(4)	(4)
Amortisation for the period	(1,115)	(1,050)
Net book value as at 30 June 2020	1,954	1,764

14. Short-term loans from banks

	(Unit: Thousand Baht)			
	Interest rate (percent per annum)		Consolidated / Separate financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Trust receipts	1.94 - 3.72	3.25 - 4.50	167,262	160,421
Promissory notes	MLR - 2.00, 2.82 - 5.48	MLR - 2.00	66,467	50,000
			233,729	210,421

Unaudited but reviewed)

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

15. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Trade accounts payable - related parties	33	247	25,968	17,323
Trade accounts payable - unrelated parties	13,867	19,170	13,401	15,397
Other payables - related person and party	65	105	65	100
Other payables - unrelated parties	61,425	50,586	61,408	50,402
Accrued expenses - related parties	-	-	1,243	973
Accrued expenses - unrelated parties	58,313	79,052	57,431	76,275
Accrued management benefits	620	1,210	620	1,210
Total trade and other payables	<u>134,323</u>	<u>150,370</u>	<u>160,136</u>	<u>161,680</u>

16. Long-term loans from financial institution

Loan	Interest rate (percent per annum)	Repayment schedule	(Unit: Thousand Baht)	
			Consolidated / Separate	
			financial statements	
			30 June 2020	31 December 2019
1	MLR -2.00	Principal and interest payable in monthly installments of Baht 1.49 million each	41,707	49,778
Total			41,707	49,778
Less: Current portion			(17,904)	(17,904)
Long-term loans from financial institution - net of current portion			<u>23,803</u>	<u>31,874</u>

Movement of the long-term loan during the six-month ended 30 June 2020 are summarised below:

	(Unit: Thousand Baht)	
	Consolidated /	
	Separate financial	
	statements	
Balance as at 1 January 2020	49,778	
Add: Additional borrowings	-	
Less: Repayment	(8,071)	
Balance as at 30 June 2020	<u>41,707</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.

17. 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.

18. 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 expenses for the three-month and six-month periods ended 30 June 2020 and 2019 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Current income tax:				
Interim corporate income tax charge	4,822	14,673	4,597	14,118
Deferred tax:				
Temporary differences relating to origination and reversal of temporary differences	306	470	306	470
Income tax expenses reported in the income statements	5,128	15,143	4,903	14,588

Unaudited but reviewed)

(Unit: Thousand Baht)

	For the six-month periods ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Current income tax:				
Interim corporate income tax charge	15,509	33,556	14,933	32,491
Deferred tax:				
Temporary differences relating to origination and reversal of temporary differences	(687)	153	(687)	153
Income tax expenses reported in the income statements	14,822	33,709	14,246	32,644

19. Earnings per share

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

20. 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 balances of financial assets and liabilities denominated in foreign currencies of the Company are summarised below.

Currency	Financial assets		Financial liabilities		Average exchange rate	
	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
USD	-	-	2.96	2.57	30.8905	30.1540
JPY	0.06	0.06	-	-	0.2868	0.2759
RMB	-	-	0.03	0.35	4.3677	4.3147
EUR	-	-	0.01	0.01	34.7015	33.7311

As at 30 June 2020 and 31 December 2019, the Group had no foreign exchange forward contracts outstanding.

21. Fair value of financial instruments

The Group uses the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Group endeavours to use relevant observable inputs as much as possible. TFRS 13 *Fair Value Measurement* establishes a fair value hierarchy categorising such inputs into three levels 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

As at 30 June 2020 and 31 December 2019, the Group had no outstanding assets and liabilities that were measured at fair value.

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

22. Commitments and contingent assets/liabilities

22.1 Operating lease and service agreements commitments

In 2020, the Group has adopted TFRS 16. As at 1 January 2020, the Group recognised the lease liabilities previously classified as operating lease at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, as described in Note 2.3.

As at 30 June 2020, the Group had future minimum payments required under 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 are as follows:

Unaudited but reviewed)

As at 31 December 2019, the Group had future minimum payments required under the non-cancellable operating leases and service agreements as follows:

	(Unit: Million Baht)	
	<u>30 June 2020</u>	<u>31 December 2019</u>
Payable within:		
1 year	16.1	20.8
2 to 3 years	10.3	20.9

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

Future minimum lease payments expected to be received under non-cancellable operating lease are as follows:

	(Unit: Million Baht)	
	<u>30 June 2020</u>	<u>31 December 2019</u>
Receivable within:		
1 year	21.5	21.5
2 to 3 years	16.4	27.2

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

As at 30 June 2020 and 31 December 2019, the Company had commitments related to the construction of buildings and the purchases of machinery, equipment, inventories and computer software as follows:

	(Unit: Million)	
<u>Currencies</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
THB	12.2	20.2
USD	0.3	0.8
RMB	1.6	1.0

22.3 Guarantees

As at 30 June 2020 and 31 December 2019, 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.

As at 30 June 2020 and 31 December 2019, the Company had issued letters of guarantee amounting to 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.

22.4 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 25 March 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 with the Supreme Court. The management is unable to predict how long it will take the Supreme Court to reach a decision on whether to accept the appeal.

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

23. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2019	Annual General Meeting of the shareholders on 5 May 2020	61,600	0.07
Interim dividends for 2020	Board of Directors' meeting on 14 May 2020	26,400	0.03
Total dividends for 2020		88,000	0.10
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
Total dividends for 2019		123,144	0.14

24. Segment information

The Group is organised into business units based on their products and services. During the current period, the Group has not changed the organisation of their reportable segments.

The following tables present revenue and profit information regarding the Group's operating segments for the periods of three-month and six-month ended 30 June 2020 and 2019, respectively.

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statement
For the three-month period ended 30 June 2020					
Sales and service income					
Revenue from external customers	235,502	5,293	240,795	-	240,795
Inter-segment revenue	-	-	-	-	-
Total revenue	235,502	5,293	240,795	-	240,795
Operating results					
Segment profit	24,176	5,284	29,460	-	29,460
Other income					2,440
Loss on sale of assets					(426)
Share of loss from investments in joint venture and associate					(615)
Finance cost					(2,701)
Profit before income tax expenses					28,158
Income tax expenses					(5,128)
Profit for the period					23,030

Unaudited but reviewed)

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statement
For the three-month period ended 30 June 2019					
Sales and service income					
Revenue from external customers	376,269	5,293	381,562	-	381,562
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>376,269</u>	<u>5,293</u>	<u>381,562</u>	<u>-</u>	<u>381,562</u>
Operating results					
Segment profit	68,136	5,188	73,324	-	73,324
Other income					4,346
Loss on sale of assets					(1)
Share of profit from investments in joint venture and associate					91
Finance cost					(2,339)
Profit before income tax expenses					<u>75,421</u>
Income tax expenses					(15,143)
Profit for the period					<u>60,278</u>

Unaudited but reviewed)

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statement
For the six-month period ended 30 June 2020					
Sales and service income					
Revenue from external customers	590,248	10,585	600,833	-	600,833
Inter-segment revenue	-	-	-	-	-
Total revenue	<u>590,248</u>	<u>10,585</u>	<u>600,833</u>	<u>-</u>	<u>600,833</u>
Operating results					
Segment profit	63,624	10,568	74,192	-	74,192
Other income					3,709
Loss on sale of assets					(426)
Share of loss from investments in joint venture and associate					(1,331)
Finance cost					(5,466)
Profit before income tax expenses					<u>70,678</u>
Income tax expenses					(14,822)
Profit for the period					<u>56,856</u>

Unaudited but reviewed)

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statement
For the six-month period ended 30 June 2019					
Sales and service income					
Revenue from external customers	739,414	10,482	749,896	-	749,896
Inter-segment revenue	-	-	-	-	-
Total revenue	739,414	10,482	749,896	-	749,896
Operating results					
Segment profit	154,229	10,274	164,503	-	164,503
Other income					11,068
Loss on sale of assets					(61)
Share of profit from investments in joint venture and associate					999
Finance cost					(4,898)
Profit before income tax expenses					171,611
Income tax expenses					(33,709)
Profit for the period					137,902

Unaudited but reviewed)

The following table presents assets information regarding the Group's operating segments as at 30 June 2020 and 31 December 2019:

(Unit: Thousand Baht)

	Manufacture and distribution of consumer products segment	Warehouse rental segment	Total reportable segments	Adjustments and eliminations	Consolidated financial statements
Segment assets					
As at 30 June 2020	1,435,522	122,300	1,557,822	-	1,557,822
As at 31 December 2019	1,464,482	122,300	1,586,782	-	1,586,782

25. Events after the reporting period

On 10 August 2020, the Company's Board of Directors Meeting passed a resolution to approve the payment of an interim dividend by cash of Baht 0.03 per share, from the operating results of the second quarter of 2020, or a total of Baht 26.4 million. The dividend payment will be made on 9 September 2020.

26. 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 10 August 2020.