

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

To The Shareholders and Board of Directors of
Inter Pharma Public Company Limited
(Formerly, Inter Pharma Company Limited)

Opinion

I have audited the consolidated financial statements of Inter Pharma Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and I have audited the separate financial statements of Inter Pharma Public Company Limited (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Inter Pharma Public Company Limited and its subsidiaries as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended and the separate financial position of Inter Pharma Company Limited as at December 31, 2019, and its financial performance and its 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 Company in accordance with the Federation of Accounting Professions Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matter

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

- The revenue recognition

For the year ended 31 December 2019, the Group and the Company have the revenue from sales of goods through a distributor in the amount of Baht 371.07 million and Baht 225.75 million, respectively. In this regard, the Group and the Company have strategy to market and sell goods through such distributor and the revenue will be recognized when the distributor sells the goods to end customers based on the daily sales summary report of the distributor, which has a frequency of daily sales transactions with a large number of end customer. The internal control systems of the Group and the Company require checking and reconciling all the revenue reported by distributor to the Group and the Company, which may directly affect the completeness of revenue.

In addition, the Group and the Company have near-expiry goods returns which are considered to determine the transaction price of revenue transactions by reducing the amount of revenue as the Group and the Company have a policy to grant the right to return the goods with an age of more than 6 months, sold to customers if the customers are unable to sell the goods before the goods expires, which is a factor used in estimating goods returns that will reduce the amount of revenue transactions, which may directly affect the accuracy of revenue recognition.

Therefore, I have identified that the completeness and accuracy of revenue recognition is a significant risk that requires special attention in auditing. Accounting policies for revenue recognition and the amount of revenue are disclosed in the notes to the financial statements No. 3.1 and 23 respectively.

Regarding my audit approach on such matter, I have understood the internal control system of the revenue cycle related to the reconciliation of sales orders sent by the Group and the Company to the distributor, including the inventory count at the end of the year kept at the distributor in checking the completeness of income and collection of goods return information in the past for consideration the accuracy of the transaction price of current revenue transactions, test the design and implementation of controls as well as operating effectiveness related to revenue recognition especially with regard to controlling the completeness and accuracy of sales revenue recognition, analytical review of gross margin and trend analysis on sales, sampling of sale transactions to test of details and accuracy of the transactions with relevant documents and check the completeness of revenue recording, including participating in the observation of the count of inventories kept at distributors by testing the counting. Moreover, I have considered the adequacy of the disclosure in the financial statements and notes to the financial statements.

- The recoverability of trade receivables

The Group and the Company have strategy to market and sell goods through a distributor and the revenue will be recognized when the distributor sells the goods to end customer. the Group and the Company have entered into distribution agreements with such distributor, however, the terms of the contract between the subsidiary company and the distributor stipulates that the subsidiary is responsible for the credit risk of the end customer receivables but the distributor is solely responsible for collecting the debt for the subsidiary. As a result, the subsidiary has counted the aging of the end customer receivables according to the aging of the distributor to the end customer receivables, which have a significant amount of overdue trade receivables, then directly affects the valuation of the recoverability of trade receivables. Therefore, I have identified that the valuation of trade receivables is a significant risk that requires special attention in auditing. Accounting policies for valuation of trade receivables and the amount of retail trade receivables during the overdue period are disclosed in the notes to the financial statements No. 3.3 and 7.1, respectively.

Regarding my audit approach on such matter, I have understood the internal control system of the revenue cycle and related accounting transactions, test the design and implementation of controls as well as operating effectiveness related to revenue recognition and related accounting transactions especially with regard to controlling the credit of receivables and considering setting up an allowance for doubtful accounts, inquiring the management on any unusual incidents or situations of trade receivable which might affect the recoverability of receivables, test and analyzing trade receivables aging report, Analyzing the payment history including the analyzing of the aging report of the remaining receivables after the end of the period. Moreover, I have considered the adequacy of the disclosure in the financial statements and notes to the financial statements.

- The basis of accounting for inventory at distributors' warehouses

As at 31 December 2019, the Group and the Company have inventories stored at the distributors' warehouse, at cost amounted to Baht 51.06 million and Baht 24.69 million, respectively, which are significant amounts. A large part of the Group's and the Company's sales transactions is sales through distributors. The Group and the Company entered into distribution agreements which indicate that the Group and the Company still has managerial involvement over the inventory sold to such distributors. Risks and rewards in inventory are passed to end customers when the customers acknowledge receipt of goods. For goods that the distributors have not yet sold to the end customers at the end of the year, they are still considered as inventories of the Group and the Company. However, inventory information at the end of the year kept at the distributors derived from the report on the internal control systems of distributors and counting of goods at the end of the year to reconcile the data in the internal control systems of the Group and the Company. The inventory is kept at the above-mentioned external warehouse, then, the goods is not under the internal control system of the Group and the Company, as a result, directly affect the difficulty in

verifying the completeness, existence and accuracy of the inventories. Therefore, I have identified that the completeness, existence and accuracy of the inventories are a significant risk that requires special attention in auditing. The amount of inventories are disclosed in the notes to the financial statements No. 8.

Regarding my audit approach on such matter, I have understood the internal control system regarding data collection and accounting for inventory at distributors' warehouse, test the design and implementation of controls as well as operating effectiveness related to accounting for inventory at distributors' warehouse especially with regard to controlling the completeness and accuracy of accounting for inventory at distributors' warehouse, analytical review of gross margin and trend analysis on sales, sampling of transactions to test of details and completeness and accuracy of the accounting for inventory at distributors' warehouse with relevant documents, test the existence of inventory kept at distributors by, on a sampling basis, observing the inventory count at the distributors or obtained the inventory balance confirmation at year end. Moreover, I have considered the adequacy of the disclosure in the financial statements and notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements and separate 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 consolidated financial statements and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company 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 consolidated financial statements and separate 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 consolidated financial statements and separate 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 consolidated financial statements and separate 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 and the Company'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 and the Company'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 consolidated financial statements and separate 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and separate financial statements, including the disclosures, and whether the consolidated financial statements and separate 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 we 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 consolidated financial statements and separate 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Thanawut Piboonsawat.

(Mr. Thanawut Piboonsawat)
Certified Public Accountant
Registration No. 6699

Dharmniti Auditing Company Limited
Bangkok, Thailand
February 21, 2020

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

| | | <u>ASSETS</u> | | | |
|--|----|-----------------------------------|------------------------------|-------------------------------|------------------------------|
| | | Baht | | | |
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | | (Reclassified) | | (Reclassified) |
| Note | | | (Note 32) | | (Note 32) |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 342,647,121.71 | 32,449,857.24 | 334,948,451.01 | 22,340,007.94 |
| Temporary investment | | 189,775.86 | 178,483.36 | 189,775.86 | 178,483.36 |
| Trade and other accounts receivable | 7 | | | | |
| Related parties | 5 | 1,956,070.35 | 509,109.65 | 21,491,937.64 | 10,579,588.54 |
| Other companies | | 109,577,704.39 | 86,945,635.78 | 65,727,850.21 | 60,897,139.52 |
| | | <u>111,533,774.74</u> | <u>87,454,745.43</u> | <u>87,219,787.85</u> | <u>71,476,728.06</u> |
| Current portion of long-term loan to employees | 9 | 60,000.00 | 130,000.00 | 60,000.00 | 130,000.00 |
| Short-term to subsidiaries | 5 | - | - | 11,800,000.00 | 2,400,000.00 |
| Inventories | 8 | 50,259,446.68 | 54,069,210.22 | 23,994,052.70 | 44,434,295.22 |
| Other current assets | | 363,527.81 | 1,506,856.72 | 258,687.76 | 1,392,741.12 |
| Total current assets | | <u>505,053,646.80</u> | <u>175,789,152.97</u> | <u>458,470,755.18</u> | <u>142,352,255.70</u> |
| Non-current assets | | | | | |
| Restricted deposits at financial institutions | 30 | 1,312,014.00 | 1,307,856.00 | 907,856.00 | 907,856.00 |
| Investment in associate | 10 | 4,614,810.37 | 4,839,729.18 | 4,839,729.18 | 4,839,729.18 |
| Investment in subsidiaries | 11 | - | - | 5,149,700.00 | 5,149,700.00 |
| Long-term loan to employees | 9 | 115,000.00 | 175,000.00 | 115,000.00 | 175,000.00 |
| Leaseholds improvement and equipment | 12 | 9,665,749.50 | 10,740,295.21 | 9,022,493.78 | 10,371,255.82 |
| Intangible assets | 13 | 1,277,634.67 | 90,343.67 | 1,209,200.67 | 84,581.94 |
| Deferred tax assets | 14 | 3,259,860.53 | 2,030,952.95 | 2,129,203.27 | 1,734,373.69 |
| Other non-current assets | | 578,976.16 | 494,122.40 | 538,976.16 | 454,122.40 |
| Total non-current assets | | <u>20,824,045.23</u> | <u>19,678,299.41</u> | <u>23,912,159.06</u> | <u>23,716,619.03</u> |
| TOTAL ASSETS | | <u><u>525,877,692.03</u></u> | <u><u>195,467,452.38</u></u> | <u><u>482,382,914.24</u></u> | <u><u>166,068,874.73</u></u> |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
STATEMENTS OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | Baht | | | |
|---------------------------------|----|-----------------------------------|----------------|-------------------------------|----------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | | (Reclassified) | | (Reclassified) |
| | | | (Note 32) | | (Note 32) |
| | | Note | | | |
| Current liabilities | | | | | |
| Trade and other account payable | 15 | | | | |
| Related parties | 5 | 6,860,638.64 | 6,404,591.24 | 1,205,353.30 | 3,413,529.14 |
| Other companies | | 31,393,519.26 | 61,389,403.61 | 19,478,798.20 | 54,493,780.75 |
| | | 38,254,157.90 | 67,793,994.85 | 20,684,151.50 | 57,907,309.89 |
| Short-term from other person | 16 | 6,000,000.00 | - | - | - |
| Short-term from related parties | 5 | 3,200,000.00 | 11,600,000.00 | - | - |
| Income tax payable | | 5,351,762.79 | 4,820,866.87 | 2,942,541.41 | 4,463,212.83 |
| Other current liabilities | | 3,423,222.06 | 2,949,756.25 | 2,590,646.11 | 2,506,169.56 |
| Total current liabilities | | 56,229,142.75 | 87,164,617.97 | 26,217,339.02 | 64,876,692.28 |
| Non-current liabilities | | | | | |
| Employee benefit obligation | 17 | 3,905,742.00 | 1,313,129.00 | 3,345,958.00 | 1,150,101.00 |
| Total non-current liabilities | | 3,905,742.00 | 1,313,129.00 | 3,345,958.00 | 1,150,101.00 |
| TOTAL LIABILITIES | | 60,134,884.75 | 88,477,746.97 | 29,563,297.02 | 66,026,793.28 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
STATEMENTS OF FINANCIAL POSITION (CONT.)
AS AT DECEMBER 31, 2019

LIABILITIES AND SHAREHOLDERS' EQUITY (CONT.)

| | | Baht | | | |
|---|--------|-----------------------------------|----------------|-------------------------------|----------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | | (Reclassified) | | (Reclassified) |
| | Note | | (Note 32) | | (Note 32) |
| Shareholders' equity | | | | | |
| Share capital | | | | | |
| Authorized share capital | 18 | | | | |
| 206,000,000 ordinary shares of Baht 0.50 each | | 103,000,000.00 | | 103,000,000.00 | |
| 650,000 ordinary shares of Baht 100 each | | | 65,000,000.00 | | 65,000,000.00 |
| Issued and fully paid-up share capital | 18 | | | | |
| 206,000,000 ordinary shares of Baht 0.50 each | | 103,000,000.00 | | 103,000,000.00 | |
| 650,000 ordinary shares of Baht 100 each | | | 65,000,000.00 | | 65,000,000.00 |
| Premium on share capital | 18 | 286,711,312.80 | - | 286,711,312.80 | - |
| Surplus on share-based payment transactions | 21 | 18,272,800.00 | 18,272,800.00 | 18,272,800.00 | 18,272,800.00 |
| Difference from the reorganization of the Group | | | | | |
| under common control | 11 | 3,703,227.92 | 3,703,227.92 | - | - |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | 20, 22 | 6,320,108.00 | 3,600,000.00 | 6,320,108.00 | 3,600,000.00 |
| Unappropriated | | 37,701,750.47 | 9,970,758.91 | 38,515,396.42 | 13,169,281.45 |
| Total equity attributable to owners of the parent | | 455,709,199.19 | 100,546,786.83 | 452,819,617.22 | 100,042,081.45 |
| Non-controlling interest | 11 | 10,033,608.09 | 6,442,918.58 | - | - |
| Total shareholders' equity | | 465,742,807.28 | 106,989,705.41 | 452,819,617.22 | 100,042,081.45 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 525,877,692.03 | 195,467,452.38 | 482,382,914.24 | 166,068,874.73 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Baht | | | |
|--|-------|-----------------------------------|----------------|-------------------------------|----------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | | (Reclassified) | | (Reclassified) |
| | | | (Note 32) | | (Note 32) |
| | Note | | | | |
| Revenues | 3 | | | | |
| Revenue from sales | 5, 23 | 371,326,219.83 | 316,832,472.72 | 290,095,126.32 | 273,260,071.66 |
| Other incomes | 5 | 4,557,381.18 | 754,375.94 | 8,526,935.36 | 4,967,688.78 |
| Total revenues | | 375,883,601.01 | 317,586,848.66 | 298,622,061.68 | 278,227,760.44 |
| Expenses | 3 | | | | |
| Cost of sales | 5, 23 | 157,387,169.33 | 125,043,671.29 | 133,967,852.66 | 115,486,606.97 |
| Selling expenses | 5 | 106,751,595.08 | 101,325,462.95 | 68,360,589.60 | 78,522,991.82 |
| Administrative expenses | 5 | 49,976,365.68 | 50,255,658.52 | 43,938,456.68 | 43,356,416.33 |
| Finance costs | 5 | 589,404.14 | 43,211.97 | 240,928.83 | 20,107.13 |
| Total expenses | | 314,704,534.23 | 276,668,004.73 | 246,507,827.77 | 237,386,122.25 |
| Share of loss of associates | 10 | (224,918.81) | (647,879.42) | - | - |
| Profit before income tax expense | | 60,954,147.97 | 40,270,964.51 | 52,114,233.91 | 40,841,638.19 |
| Income tax expense | 26 | 13,822,813.30 | 11,212,505.15 | 11,112,071.74 | 10,327,696.20 |
| Profit for the year | | 47,131,334.67 | 29,058,459.36 | 41,002,162.17 | 30,513,941.99 |
| Other comprehensive income | | | | | |
| Item that will not be reclassified to profit or loss: | | | | | |
| Actuarial gains (loss) on defined employee benefit plans | 17 | (1,899,432.00) | 735,599.00 | (1,707,424.00) | 772,036.00 |
| Income tax relating to component of other comprehensive income | 26 | 379,886.40 | (147,119.80) | 341,484.80 | (154,407.20) |
| Other comprehensive income (loss) for the year, net of tax | | (1,519,545.60) | 588,479.20 | (1,365,939.20) | 617,628.80 |
| Total comprehensive income for the year | | 45,611,789.07 | 29,646,938.56 | 39,636,222.97 | 31,131,570.79 |
| Profit (loss) attributable to | | | | | |
| Owners of the parent | | 43,471,522.28 | 29,679,815.96 | 41,002,162.17 | 30,513,941.99 |
| Non-controlling interests | | 3,659,812.39 | (621,356.60) | - | - |
| | | 47,131,334.67 | 29,058,459.36 | 41,002,162.17 | 30,513,941.99 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
STATEMENTS OF COMPREHENSIVE INCOME (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Baht | | | |
|---|----|-----------------------------------|----------------|-------------------------------|----------------|
| | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | | (Reclassified) | | (Reclassified) |
| Note | | | (Note 32) | | (Note 32) |
| Total comprehensive income (expenses) attributable to | | | | | |
| Owners of the parent | | 42,021,099.56 | 30,281,412.48 | 39,636,222.97 | 31,131,570.79 |
| Non-controlling interests | 11 | 3,590,689.51 | (634,473.92) | - | - |
| | | 45,611,789.07 | 29,646,938.56 | 39,636,222.97 | 31,131,570.79 |
| Earnings per share | | | | | |
| Basic earnings per share | | | | | |
| Attributable to owners of the parent | 27 | 0.28 | 0.27 | 0.26 | 0.27 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

(FORMERLY, INTER PHARMA COMPANY LIMITED)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

| | | Baht | | | | | | | | |
|------|----|---|-----------------------------|--|---|-------------------------------|-----------------|--|-----------------|----------------------------------|
| | | Consolidated financial statements | | | | | | | | |
| | | Ordinary shares, issued and paid-up | Premium on share capital | Surplus on share-based payment transactions | Difference from the reorganization of the group under common control | Retained earnings | | Total equity attributable to owners of the parent | Non-controlling | Total shareholders' equity |
| | | | | | | Appropriated legal reserve | Unappropriated | | | |
| Note | | | | | | | | | | |
| | | 40,000,000.00 | - | 18,272,800.00 | 3,703,227.92 | 2,100,000.00 | 9,189,346.43 | 73,265,374.35 | 5,477,092.50 | 78,742,466.85 |
| | | 25,000,000.00 | - | - | - | - | - | 25,000,000.00 | - | 25,000,000.00 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | - | - | - | - | - | - | - | 1,600,300.00 | 1,600,300.00 |
| | 22 | - | - | - | - | 1,500,000.00 | (1,500,000.00) | - | - | - |
| | 22 | - | - | - | - | - | (28,000,000.00) | (28,000,000.00) | - | (28,000,000.00) |
| | | | | | | | | | | |
| | | - | - | - | - | - | 29,679,815.96 | 29,679,815.96 | (621,356.60) | 29,058,459.36 |
| | | | | | | | | | | |
| | | - | - | - | - | - | 601,596.52 | 601,596.52 | (13,117.32) | 588,479.20 |
| | | 65,000,000.00 | | 18,272,800.00 | 3,703,227.92 | 3,600,000.00 | 9,970,758.91 | 100,546,786.83 | 6,442,918.58 | 106,989,705.41 |
| | 18 | 38,000,000.00 | 299,000,000.00 | - | - | - | - | 337,000,000.00 | - | 337,000,000.00 |
| | | | | | | | | | | |
| | 18 | - | (12,228,687.20) | - | - | - | - | (12,228,687.20) | - | (12,228,687.20) |
| | 22 | - | - | - | - | 2,720,108.00 | (2,720,108.00) | - | - | - |
| | 22 | - | - | - | - | - | (11,570,000.00) | (11,570,000.00) | - | (11,570,000.00) |
| | | | | | | | | | | |
| | | - | - | - | - | - | 43,471,522.28 | 43,471,522.28 | 3,659,812.39 | 47,131,334.67 |
| | | | | | | | | | | |
| | | - | - | - | - | - | (1,450,422.72) | (1,450,422.72) | (69,122.88) | (1,519,545.60) |
| | | 103,000,000.00 | 286,771,312.80 | 18,272,800.00 | 3,703,227.92 | 6,320,108.00 | 37,701,750.47 | 455,769,199.19 | 10,033,608.09 | 465,802,807.28 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2019

| Baht | | | | | | |
|--|------|---|-----------------------------|---|--|----------------------------------|
| Separate financial statements | | | | | | |
| | Note | Ordinary shares, issued and paid-up | Premium on share capital | Surplus on share-based payment transactions | Retained earnings Appropriated Unappropriated legal reserve | Total Shareholders' equity |
| | | | | | | |
| Beginning balance as at January 1, 2018 | | 40,000,000.00 | - | 18,272,800.00 | 2,100,000.00 11,537,710.66 | 71,910,510.66 |
| Increase in share capital | | 25,000,000.00 | - | - | - | 25,000,000.00 |
| Legal reserve | 22 | - | - | - | 1,500,000.00 (1,500,000.00) | - |
| Dividend | 22 | - | - | - | - (28,000,000.00) | (28,000,000.00) |
| Comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | - 30,513,941.99 | 30,513,941.99 |
| Other comprehensive income for the year, net of tax | | | | | | |
| - Actuarial gains | | - | - | - | - 617,628.80 | 617,628.80 |
| Ending balance as at December 31, 2018 | | 65,000,000.00 | - | 18,272,800.00 | 3,600,000.00 13,169,281.45 | 100,042,081.45 |
| Increase in share capital | 18 | 38,000,000.00 | 299,000,000.00 | - | - | 337,000,000.00 |
| Attributable expenses of public offering the initial - net of tax | | - | (12,288,687.20) | - | - | (12,288,687.20) |
| Legal reserve | 22 | - | - | - | 2,720,108.00 (2,720,108.00) | - |
| Dividend | 22 | - | - | - | - (11,570,000.00) | (11,570,000.00) |
| Comprehensive income for the year | | | | | | |
| Profit for the year | | - | - | - | - 41,002,162.17 | 41,002,162.17 |
| Other comprehensive income for the year, net of tax | | | | | | |
| - Actuarial gains (loss) | | - | - | - | - (1,365,939.20) | (1,365,939.20) |
| Ending balance as at December 31, 2019 | | 103,000,000.00 | 286,711,312.80 | 18,272,800.00 | 6,320,108.00 38,515,396.42 | 452,819,617.22 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

(FORMERLY, INTER PHARMA COMPANY LIMITED)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Baht | | | |
|---|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | (Reclassified) (Note 32) | | (Reclassified) (Note 32) |
| <u>Cash flows from operating activities</u> | | | | |
| Profit for the year | 47,131,334.67 | 29,058,459.36 | 41,002,162.17 | 30,513,941.99 |
| Reconciliations of profit for the year to net cash provided by (used in) operating activities: | | | | |
| Increase (decrease) in allowance for doubtful accounts | 378,126.90 | 553,031.52 | 228,352.50 | 328,152.50 |
| Increase (decrease) in allowance for diminution in value of inventories | (1,329,872.16) | 956,044.00 | (774,426.13) | 826,483.34 |
| Provision of goods return | 255,510.73 | 437,784.70 | 162,814.56 | 248,465.58 |
| Loss on disposal of leaseholds improvement and equipment | 97.31 | 1,059,461.80 | 259.03 | 979,937.95 |
| Depreciation | 1,694,237.34 | 1,752,116.88 | 1,487,374.59 | 1,609,326.45 |
| Amortization of intangible assets | 372,949.00 | 93,148.11 | 346,841.27 | 46,993.65 |
| Unrealized loss on exchange rate | (14,978.68) | (155,082.43) | (14,978.68) | (155,082.43) |
| Interest income | (44,938.82) | (101,183.92) | (261,419.42) | (94,890.05) |
| Employee benefit expense | 820,554.00 | 490,064.00 | 622,232.00 | 419,812.00 |
| Interest expense | 589,404.14 | 43,211.97 | 240,928.83 | 20,107.13 |
| Loss on impairment of investment in associate | - | 328,780.92 | - | 1,410,270.82 |
| Share of loss from investment in associate | 224,918.81 | 647,879.42 | - | - |
| Income tax expense | 13,822,813.30 | 11,212,505.15 | 11,112,071.74 | 10,327,696.20 |
| Profit from operating activities before changes in operating assets and liabilities | 63,900,156.54 | 46,376,221.48 | 54,152,212.46 | 46,481,215.13 |
| (Increase) decrease in operating assets | | | | |
| Trade and other accounts receivable | (24,457,140.70) | (50,223,431.48) | (15,797,472.60) | (37,287,397.94) |
| Inventories | 5,139,635.70 | (41,066,419.60) | 21,214,668.65 | (36,578,271.72) |
| Other current assets | 1,150,408.71 | (609,936.77) | 1,134,053.36 | (1,075,787.09) |
| Other non-current assets | (84,853.76) | 58,789.00 | (84,853.76) | 58,789.00 |
| Increase (decrease) in operating liabilities | | | | |
| Trade and other accounts payable | (29,619,236.35) | 52,335,600.67 | (37,208,179.71) | 45,921,207.61 |
| Other current liabilities | 56,405.08 | 584,250.90 | (239,888.01) | 447,867.81 |
| Cash received (paid) from operations | 16,085,375.22 | 7,455,074.20 | 23,170,540.39 | 17,967,622.80 |
| Interest income received | 24,802.23 | - | 19,832.63 | - |
| Income tax expense paid | (11,075,846.56) | (13,643,987.99) | (9,613,916.14) | (12,283,025.92) |
| Net cash provided by (used in) operating activities | 5,034,330.89 | (6,188,913.79) | 13,576,456.88 | 5,684,596.88 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)

STATEMENTS OF CASH FLOWS (CONT.)

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Baht | | | |
|--|-----------------------------------|-----------------|-------------------------------|-----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| <u>Cash flows from investing activities</u> | | | | |
| (Increase) decrease in temporary investment | (11,292.50) | (68,910.46) | (11,292.50) | (68,910.46) |
| (Increase) decrease in restricted deposits at financial institutions | (4,158.00) | (759,504.00) | - | (359,504.00) |
| (Increase) decrease in short-term loan to subsidiary | - | - | (9,400,000.00) | (2,400,000.00) |
| (Increase) decrease in long-term loan to employees | 130,000.00 | (10,000.00) | 130,000.00 | (10,000.00) |
| Cash payment for investment in subsidiary | - | - | - | (2,399,700.00) |
| Cash receipts from disposal of leaseholds improvement and equipment | 3,177.56 | 2,383,177.57 | 186.92 | 2,383,177.57 |
| Cash payments for purchase of leaseholds improvement and equipment | (622,966.50) | (9,218,016.92) | (139,058.50) | (8,842,311.32) |
| Cash payments for purchase of intangible assets | (1,560,240.00) | - | (1,471,460.00) | - |
| Interest income received | 20,121.08 | 95,241.18 | 67,647.10 | 88,947.31 |
| Net cash provided by (used in) investing activities | (2,045,358.36) | (7,578,012.63) | (10,823,976.98) | (11,608,300.90) |
| <u>Cash flows from financing activities</u> | | | | |
| Cash receipts from short-term loan from other person | 6,000,000.00 | - | - | - |
| Cash receipts from short-term loan from related parties | 11,600,000.00 | 11,600,000.00 | 10,000,000.00 | - |
| Cash payments for short-term loan from related parties | (20,000,000.00) | - | (10,000,000.00) | - |
| Cash payments for liabilities under finance lease agreements | - | (62,343.97) | - | (62,343.97) |
| Cash receipts from share capital | 337,000,000.00 | 26,600,300.00 | 337,000,000.00 | 25,000,000.00 |
| Cash payments on directly attributable expenses of public offering the initial | (15,360,859.00) | - | (15,360,859.00) | - |
| Dividend paid | (11,570,000.00) | (28,000,000.00) | (11,570,000.00) | (28,000,000.00) |
| Interest expense paid | (460,849.06) | (1,183.13) | (213,177.83) | (1,183.13) |
| Net cash provided by (used in) financing activities | 307,208,291.94 | 10,136,772.90 | 309,855,963.17 | (3,063,527.10) |
| Net increase (decrease) in cash and cash equivalents | 310,197,264.47 | (3,630,153.52) | 312,608,443.07 | (8,987,231.12) |
| Cash and cash equivalents - beginning of year | 32,449,857.24 | 36,080,010.76 | 22,340,007.94 | 31,327,239.06 |
| Cash and cash equivalents - ending of year | 342,647,121.71 | 32,449,857.24 | 334,948,451.01 | 22,340,007.94 |

Notes to the financial statements form an integral part of these financial statements.

INTER PHARMA COMPANY LIMITED AND ITS SUBSIDIARIES
(FORMERLY, INTER PHARMA COMPANY LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. GENERAL INFORMATION

(a) Legal status and address of the Company

The Company had registered to be a limited company with the Ministry of Commerce on April 20, 2006. According to the Extraordinary Shareholders' Meeting No.1/2019 held on May 7, 2019, the shareholders had a resolution to change the Company's status to a public limited company. The change of Company's status to be the public company limited was registered with the Ministry of Commerce on May 15, 2019 and registered with the Market for Alternative Investment (MAI) on November 5, 2019.

The address of its registered office is as follows:

Head office is located at 140/9 ITF Tower 9th Floor, Silom Road, Suriyawongse, Bangrak, Bangkok Thailand.

Branch offices are located at

- (1) 160/636-637 ITF - Silom Palace 26th Floor, Silom Road, Suriyawongse, Bangrak, Bangkok Thailand.
- (2) 140/10 ITF Tower 9th Floor, Silom Road, Suriyawongse, Bangrak, Bangkok Thailand.
- (3) 99/19 Moo. 3 Bangna-Trad Road. Km.23 Tumbol Bang Sao Thong, Amphoe Bang Sao Thong, Samut Prakan Thailand.
- (4) 99/20 Moo. 3 Bangna-Trad Road. Km.23 Tumbol Bang Sao Thong, Amphoe Bang Sao Thong, Samut Prakan Thailand.
- (5) 99/2 Moo. 3 Bangna-Trad Road. Km.23 Tumbol Bang Sao Thong, Amphoe Bang Sao Thong, Samut Prakan Thailand.

(b) Nature of the Company's operations

The Company operates the main business on import and distribute dietary supplement product for humans and animals.

From September 1, 2018 onward, the Company and its subsidiaries has entered into an agreement to appoint a company as their distributor to handle the distribution. (Note 30.4).

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis for the preparation of financial statements

The financial statements have been prepared in accordance with the accounting standards prescribed by Thai Accounts Act enunciated under the Accounting Profession Act B.E.2547 by complying with the financial reporting standards. The presentation of the financial statements has been made in compliance with the Notification of the Department of Business Development, the Ministry of Commerce, re: the financial statements presentation for public limited company, issued under the Accounting Act B.E. 2543.

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

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 financial statements in Thai language version.

2.2 Basis for the preparation of consolidated financial statements

2.2.1 These consolidated financial statements were prepared to reflect the financial position, financial performance and cash flows in accordance with the economic contents by the reorganization of the Group under common control. The consolidated financial statements were prepared by including the financial statements of Inter Pharma Public Company Limited and its subsidiaries as follows;

| Company name | Type of business | Percentage of shareholding of share capital | | Country of Incorporation |
|----------------------------|--|--|-------|--------------------------|
| | | 2019 | 2018 | |
| <u>Direct shareholding</u> | | | | |
| Inter Vetta Co.,Ltd. | Distribute pet food and dietary supplement for companion animal and livestock | 55.00 | 55.00 | Thailand |
| Inter Petrina Co.,Ltd. | Selling pet food | 60.00 | 60.00 | Thailand |

2.2.2 The assets and liabilities of each transaction and financial performance of the subsidiaries mentioned above are included with the Company as if this business combination has taken place before the reorganization day of the Group under common control. Gain or loss occurring before the reorganization of the Group under common control is presented under shareholder's equity of the subsidiaries before reorganization the Group under common control in the consolidate statement of comprehensive income.

2.2.3 The Company recognizes the difference between acquisition cost of the reorganization of the Group under common control which is lower than the attributable net book value of such companies in shareholder's equity under the caption "Difference from the reorganization of the Group under common control" in the consolidated statement of financial position.

2.2.4 Significant accounting policies of the subsidiaries of the similar transactions use the same accounting policies as the parent company.

2.2.5 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2.2.6 Non-controlling interest represent the interest in the subsidiaries that are not held by the Company and presented as a separate item from shareholder's equity of the parent company.

2.2.7 The difference between net consideration paid or received from the change in shareholding proportion in the Company's subsidiaries and equity of the non-controlling interest of the subsidiaries at the net book value of the subsidiary as at the change date is presented in the consolidated statement of changes in shareholder's equity under the caption "Change in the interest in the subsidiary that do not result in a loss of control."

2.3 The financial reporting standards are effective in the current year

During the year, the Company and its subsidiaries have adopted the revised (revised 2018) and new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after January 1, 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

2.4 The newly issued and revised financial reporting standards and effective in the future

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 January 1, 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 new standard involves changes to key principles, as summarized below.

Financial reporting standards related to financial instruments:

A set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

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 amortized 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.

TFRS 16 Leases

These TFRSs 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 recognize 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 management of the Company and its subsidiaries are currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue and expenses recognition

Revenue from sale of goods is recognized 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 and discounts.

For sale with a right to return the goods, the Company and its subsidiaries recognize the refund amount expected to be returned to customers, by considering the consistent level of returns over historical experiences which is highly probable that a significant reversal in the cumulative revenue recognized will not occur, as a refund liability and recognized a return of goods from customers as an asset in the statement of financial position. The asset is measured by the previous carrying amount of the inventory, deducting expected costs of returned goods, including any potential of the diminution in value of the returned goods.

Interest income is recognized over the period of time in consideration of the effective rate.

Other income and expenses are recognized on the accrual basis.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

3.3 Trade and other accounts receivables

Trade and other accounts receivables (including balances with related parties) are initially recognized by the invoice amount and subsequently measured at the remaining amount less an allowance for doubtful accounts (if any) based on a review of all outstanding amounts at year end. The allowance for doubtful accounts is the difference between the carrying amount of trade accounts receivable and the amount expected to be collectible. Bad debts are immediately recognized in the profit or loss as part of administrative expenses.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Allowances made are based on historical write-off patterns and the aging of accounts receivable. Bad debts are written off when incurred.

3.4 Inventories

Inventories are presented at the lower of cost or net realizable value, cost being determined on first-in first-out basis.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties, transportation charges and other direct costs incurred in acquiring the inventories less all trade discounts, allowances or rebates.

The net realizable value of inventory is estimated from the selling price in the ordinary course of business less the estimated costs to complete production and the estimated costs to complete the sale.

Allowance for diminution in value of inventories is set up based on the outstanding inventories balance at the end of year which estimated from consideration of states and quality of inventories by the management.

3.5 Investment

Investments in associates and subsidiaries

Associates are those companies in which the Company has significant influence over the associates, that is the Company has power to participate in determining relating to the financial and operating policies of the enterprise but not up to the level of governing such policies.

Subsidiaries are those companies in which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights.

Investments in associates and subsidiaries are stated at cost net from allowance on impairment (if any). Loss on impairment of investment will be recognized as loss in the statement of comprehensive income in the separate financial statements and investments in associates and subsidiaries are stated at equity in the consolidated financial statements.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company and its subsidiaries dispose of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

3.6 Leaseholds improvement and equipment and depreciation

Leaseholds improvement and equipment are stated at cost less accumulated depreciation and impairment loss (if any).

Cost is initially recognized upon acquisition of assets along with other direct costs attributing to acquiring such assets in the condition ready to serve the objectives, including the costs of asset demolition, removal and restoration of the asset location, which are the obligations of the company (if any).

Allowance for impairment loss of assets will be made when there is any event or circumstance indicating that the recoverable values of these assets are less than their carrying values.

Expenditure incurred in addition, renewal or betterment are recorded add in involve fixed asset, if it is certainly probable the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Repair and maintenance costs are recognized as an expense when incurred.

Depreciation is calculated by cost less residual value on the straight-line method over the estimated useful life of the assets as follows:

| | |
|------------------------|-----------|
| Leaseholds improvement | 5 years |
| Office equipment | 5 years |
| Computer and equipment | 3 years |
| Vehicles | 5 years |
| Equipment | 3-5 years |
| Furniture and fixture | 5 years |

The Company and its subsidiaries have reviewed the residual value and useful life of the assets every year.

The depreciation for each asset component is calculated on the separate components when each component has significant cost compared to the total cost of that asset.

Depreciation is included in determining income.

No depreciation is provided on construction in progress and equipment under installation.

Leaseholds improvement and equipment are written off at disposal. Gains or losses arising from sale or write-off of assets are recognized in the statement of comprehensive income.

3.7 Intangible assets and amortization

Intangible assets that are acquired by the Company and its subsidiaries and have finite useful life are stated at cost less accumulated amortization and allowance on impairment (if any).

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortization is calculated by cost on the straight-line method over the estimated useful life of the assets as follows:

| | |
|----------------------------|---------|
| Computer software licences | 3 years |
| Copyright | 5 years |

The Company and its subsidiaries have reviewed the residual value and useful life of the assets every year.

3.8 Impairment of assets

As at the statement of financial position date, the Company and its subsidiaries assesses whether there is an indication of asset impairment. If any such indication exists, the Company and its subsidiaries will make an estimate of the asset's recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of comprehensive income. In addition, impairment loss is reversed if there is a subsequent increase in the recoverable amount. The reversal shall not exceed the carrying value that would have been determined net of accumulated depreciation or amortization. The recoverable amount of the asset is the asset's value in use or fair value less costs to sell.

3.9 Trade and others accounts payable

Trade and other accounts payable (including balances with related parties) are stated at cost.

3.10 Financial lease

The contract of leased asset carried the risk and owner remuneration is mainly transferred to lessors will be classified as financial leased contract. The contract of financial lease is recorded as capital expenditure by fair value of leased asset or present value of minimum amount which has to repay in accordance with the leased contract whichever amount is lower. The amount which has to repay in each time is divided as liability portion and financial expenditure so that fixed interest rate over outstanding liability obligation burden in accordance with the financial leased contract will be recorded as long-term liability. Interest payable will be recorded in the statement of income throughout the leased contract life.

3.11 Provisions

A provision is recognized in the statement of financial position when the Company and its subsidiaries have a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Financial instruments

The Company and its subsidiaries have no policy to speculate in and or engage in the trading of any financial derivative instruments.

Details of significant accounting policies and methods adopted, including criteria for recognition of revenues and expenses relating to financial assets and financial liabilities are disclosed in note 29.

3.13 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3.14 Foreign currency transactions

Transactions in foreign currencies throughout the years are recorded in Baht at prevailing Bank of Thailand rates at the transaction dates. Outstanding monetary assets and liabilities denominated in foreign currencies at the statement of financial position dates are translated into Baht at the prevailing rates at those dates. Gain or loss arising from translation are credited or charged against current operations.

3.15 Employee benefits

Short-term employment benefits

The Company and its subsidiaries recognize salary, wage, bonus and contributions to social security fund and provident fund as expenses when incurred.

Post-employment benefits (Defined contribution plans)

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

Post-employment benefits (Defined benefit plans)

The Company and its subsidiaries have obligations in respect of the severance payments that it must pay to the employees upon retirement under the Company's and its subsidiaries' article and the labor law and other employee benefit plans. The Company and its subsidiaries treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is calculated based on the actuarial principles by a qualified independent actuary using the projected unit credit method. Such estimates are made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

Actuarial gains and losses for post-employment benefits of the employees will be recognized immediately in other comprehensive income as a part of retained earning.

3.16 Share-based payment

The Company recognizes share-based payment transactions as at the grant date by the fair value of the rights to purchase the shares by recording it as an expense by the age of the share purchase rights in profit or loss and the increase of surplus on share-based payment transactions in shareholder's equity.

3.17 Operating lease

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term.

3.18 Income tax

Income tax comprises current income tax and deferred tax.

Current tax

The Company and its subsidiaries record income tax expense, if any, based on the amount currently payable under the Revenue Code at the income tax rates (20%) of net profit before income tax, after adding back certain expenses which are non-deductible for income tax computation purposes, and less certain transactions which are exemption or allowable from income tax.

Deferred tax

Deferred tax assets and liabilities are provided on the temporary differences between the carrying amount and the tax bases of assets and liabilities at the end of the reporting period. Changes in deferred tax assets and liabilities are recognized as deferred tax income or deferred tax expense which are recognized in the profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or in other comprehensive income.

The deductible temporary differences are recognized as deferred tax assets when it is probable that the Company and its subsidiaries will have future taxable profit to be available against which the deferred tax assets can be utilized. The taxable temporary differences on all taxable items are recognized as deferred tax liabilities. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiary and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that the Company and its subsidiaries expect to apply to the period when the deferred tax assets are realised or the deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

At the end of each reporting period, the carrying amount of deferred tax assets are reviewed and reduced the value when it is probable that the Company and its subsidiaries will have no longer the future taxable profit that is sufficient to be available against which all or some parts of deferred tax assets are utilized.

Deferred tax assets and deferred tax liabilities are offset when there is the legal right to settle on a net basis and they relate to income taxes levied by the same tax authority on the same taxable entity.

3.19 Fair value of financial instrument

The Company and its subsidiaries use 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

Level 1 - Use of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Use of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices).

Level 3 - Use of unobservable inputs such as estimates of future cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect amounts reported⁸ in the financial statements and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

4.1 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.

4.2 Allowance for diminution in value of inventory

The determination of allowance for diminution in the value of inventory, requires management to make judgements and estimates of the loss expected to occur. The allowance for diminution in net realizable value is estimated based on the selling price expected in the ordinary course of business less selling expense. The provision for obsolete slow-moving and deteriorated inventory, is based on the approximate age of each type of inventory. The allowance for diminution in value of inventory as determined is compared with the original balance in the books of account and the increase or decrease in the allowance for diminution in value of inventory will be recognized as cost of sales and service in profit or loss.

4.3 Impairment of investment

In determining an allowance for doubtful account the management need to prepare projections of the cash flows expected to be generated by the investment in the future, and to choose a suitable discount rate in order to calculate the present value of those cash flow or assessing the fair value less cost to sell.

4.4 Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement in evaluating the conditions and details of the agreement whether significant risk and rewards of ownership of the leased asset has been transferred.

4.5 Leaseholds improvement and equipment / Depreciation

In determining depreciation of leaseholds improvement and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review the estimated useful lives and residual values when there are any changes.

In addition, the management is required to review leaseholds improvement and equipment for impairment on a periodical basis and record the impairment loss when it is determined that the recoverable amount is lower than the carrying amount. This requires judgement regarding forecast of future revenues and expenses relating to the assets subject to the review.

4.6 Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimated future taxable profits.

4.7 Post-employment benefits under defined benefit plans

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

5. RELATED PARTIES TRANSACTION

The Company and its subsidiaries have certain transaction with its related parties, such transactions comply with commercial terms and based on the agreed upon between the Company and its subsidiaries and related parties as an ordinary course of business.

The nature of relationship with related parties were summarized as follows:

| Related parties | Relationship |
|--|---|
| <u>Subsidiaries companies</u> | |
| Inter Vetta Co.,Ltd. | Shareholder and common shareholders and directors |
| Inter Petrina Co.,Ltd. | Shareholder and common shareholders and directors |
| <u>Associate company</u> | |
| Inter Stemma Co.,Ltd. | Shareholder and common shareholders and directors |
| <u>Related company</u> | |
| Inno-biocosmed Co.,Ltd. | Common directors and independent director being director of a company which is a major shareholder of Inno-biocosmed Co.,Ltd. |
| Brandanything Co., Ltd. | Independent director being director (The such director resigned from the Company since August 14, 2019) |
| M-nature Plus Co., Ltd. | Shareholder in the subsidiary |
| Asian Group Services Co., Ltd. (Change the company name to Asian Pets Care Corporation Co., Ltd. since February 3, 2020.) | Shareholder in the subsidiary |
| Asian Alliance International Co., Ltd. | Same shareholder with the shareholder of the subsidiary |
| A related company | Same shareholder with the shareholder of the subsidiary |
| <u>Related person</u> | |
| Key management personnel | Persons having authority and responsibility for management |
| Shareholder | Shareholder of the Company and subsidiaries |

The pricing policy for transaction with related parties as follows:

| Transactions | Pricing policies |
|------------------------------|--|
| - Revenue from sale | Mutual agreement |
| - Interest income | Mutual agreement |
| - Other income | Mutual agreement |
| - Purchase of goods | Mutual agreement |
| - Rental fee | Mutual agreement |
| - Interest expense | Mutual agreement |
| - Purchase of asset | Mutual agreement |
| - Compensation to management | According to be approved by director and/or shareholders |
| - Dividend paid | As declared |

Balances of the account with the related parties as at December 31, 2019 and 2018 consisted of:

| | Baht | | | |
|------------------------------------|-----------------------------------|-------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| <u>Assets</u> | | | | |
| Trade and other account receivable | | | | |
| Subsidiaries | | | | |
| Inter Vetta Co.,Ltd. | - | - | 21,167,648.56 | 10,572,750.18 |
| Inter Petrina Co.,Ltd. | - | - | 324,289.08 | 6,838.36 |
| Related company | | | | |
| Asian Group Services Co., Ltd. | 1,815,886.00 | - | - | - |
| A related company | 140,184.35 | 509,109.65 | - | - |
| | <u>1,956,070.35</u> | <u>509,109.65</u> | <u>21,491,937.64</u> | <u>10,579,588.54</u> |
| Short-term loan | | | | |
| Subsidiaries | | | | |
| Inter Vetta Co.,Ltd. | - | - | 7,000,000.00 | - |
| Inter Petrina Co.,Ltd. | - | - | 4,800,000.00 | 2,400,000.00 |
| | <u>-</u> | <u>-</u> | <u>11,800,000.00</u> | <u>2,400,000.00</u> |

Movement of short-term loan to subsidiaries for the year ended December 31, 2019 and 2018 were as follows :

| | Baht | | | |
|----------------------------|-----------------------------------|----------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| As at January 1, | - | - | 2,400,000.00 | - |
| Additional during the year | - | - | 9,400,000.00 | 2,400,000.00 |
| Deduction during the year | - | - | - | - |
| As at December 31, | <u>-</u> | <u>-</u> | <u>11,800,000.00</u> | <u>2,400,000.00</u> |

Short-term loan to subsidiaries are presented in the form of promissory note, maturity at call and within 1 year with the interest at the rate of 4.00% per annum .

| | Baht | | | |
|--|-----------------------------------|----------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| <u>Liabilities</u> | | | | |
| Trade and other payables | | | | |
| Subsidiary | | | | |
| Inter Vetta Co., Ltd. | - | - | - | 42,050.00 |
| Related company | | | | |
| Asian Alliance International Co., Ltd. | 3,762,213.60 | 48,000.00 | - | - |
| Asian Group Services Co., Ltd. | 153,983.57 | 6,838.36 | - | - |
| Inno-biocosmed Co., Ltd. | - | 148,409.00 | - | 148,409.00 |
| Related person | | | | |
| Directors | 2,944,441.47 | 6,201,343.88 | 1,205,353.30 | 3,223,070.14 |
| | <u>6,860,638.64</u> | <u>6,404,591.24</u> | <u>1,205,353.30</u> | <u>3,413,529.14</u> |
| Short-term loan | | | | |
| Related company | | | | |
| Asian Group Services Co., Ltd. | 3,200,000.00 | 1,600,000.00 | - | - |
| Related person | | | | |
| Director | - | 10,000,000.00 | - | - |
| | <u>3,200,000.00</u> | <u>11,600,000.00</u> | <u>-</u> | <u>-</u> |

Movement of short-term loan from related parties for the year ended December 31, 2019 and 2018 were as follows :

| | Baht | | | |
|----------------------------|-----------------------------------|----------------------|-------------------------------|----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| As at January 1, | 11,600,000.00 | - | - | - |
| Additional during the year | 11,600,000.00 | 11,600,000.00 | (10,000,000.00) | - |
| Deduction during the year | (20,000,000.00) | - | (10,000,000.00) | - |
| As at December 31, | <u>3,200,000.00</u> | <u>11,600,000.00</u> | <u>-</u> | <u>-</u> |

Short-term loan from related parties are presented in the form of promissory note, maturity at call and within 1 year with the interest at the rate of 4.00% per annum.

Transactions during the year with related parties for the year ended December 31, 2019 and 2018 were as follows:

| | Baht | | | |
|--|-----------------------------------|--------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Purchase of asset | | | | |
| Related company | | | | |
| Asian Alliance International | | | | |
| Co., Ltd. | 483,908.00 | 321,000.00 | - | - |
| Revenue from sale | | | | |
| Subsidiary | | | | |
| Inter Vetta Co.,Ltd. | - | - | 64,761,887.25 | 52,835,656.74 |
| Related company | 5,541,016.73 | 6,525,682.57 | - | - |
| Related person | | | | |
| Director | - | 98,388.77 | - | 98,388.77 |
| | 5,541,016.73 | 6,624,071.34 | 64,761,887.25 | 52,934,045.51 |
| Other income | | | | |
| Subsidiaries | | | | |
| Inter Vetta Co.,Ltd. | - | - | 4,362,923.30 | 3,866,542.40 |
| Inter Petrina Co.,Ltd. | - | - | 656,165.72 | 433,531.51 |
| Related company | | | | |
| Asian Group Service Co.,Ltd. | 986,699.25 | - | - | - |
| | 986,699.25 | - | 5,019,089.02 | 4,300,073.91 |
| Purchase of goods and cost of purchase | | | | |
| Subsidiary | | | | |
| Inter Vetta Co.,Ltd. | - | - | - | 6,930.00 |
| Related company | | | | |
| Asian Alliance International Co.,Ltd. | 15,347,852.80 | 3,943,566.14 | - | - |
| Inno-biocosmed Co.,Ltd. | 300,000.00 | 1,509,400.00 | 300,000.00 | 1,509,400.00 |
| Asian Group Service Co.,Ltd | 3,693,923.56 | - | - | - |
| | 19,341,776.36 | 5,452,966.14 | 300,000.00 | 1,516,330.00 |
| Selling expenses | | | | |
| Related company | | | | |
| Brandanything Co., Ltd. | 800,000.00 | 1,020,000.00 | 400,000.00 | 510,000.00 |

| | Baht | | | |
|--------------------------------|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Administration expense | | | | |
| Rental fee | | | | |
| Related person | | | | |
| Director | 80,000.00 | 480,000.00 | - | - |
| Interest expenses | | | | |
| Related company | | | | |
| Asian Group Services Co., Ltd. | 87,145.21 | 6,838.36 | - | - |
| Related person | | | | |
| Director | 186,191.79 | 13,150.68 | 146,958.91 | - |
| | 273,337.00 | 19,989.04 | 146,958.91 | - |
| Management's benefits * | | | | |
| Short-term employee benefit | 17,852,554.16 | 16,982,728.39 | 17,327,554.16 | 14,582,728.39 |
| Post-retirement benefits | 322,289.00 | 260,978.00 | 322,289.00 | 260,978.00 |
| | 18,174,843.16 | 17,243,706.39 | 17,649,843.16 | 14,843,706.39 |

* Management benefit

Management benefit expenses represents the benefits paid to the Company's management and directors such as salaries, related benefit and directors' remuneration, including the benefit paid by other means. The Company's management is the persons who are defined under the Securities and Exchange Act. The management is comprised managing director or the managements who have the top position at the management level from the four lists following by the manager level.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of:

| | Baht | | | |
|--|-----------------------------------|---------------|-------------------------------|---------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Cash | 17,882.75 | 57,454.00 | 5,715.50 | 28,205.00 |
| Bank deposits - current accounts | 15,938,543.98 | 16,467,226.56 | 12,955,124.87 | 12,063,393.38 |
| - savings accounts | 326,690,694.98 | 15,194,533.57 | 321,987,610.64 | 10,047,661.88 |
| Cheques that are due but have not been deposited | - | 730,643.11 | - | 200,747.68 |
| Total | 342,647,121.71 | 32,449,857.24 | 334,948,451.01 | 22,340,007.94 |

As at December 31, 2019 and 2018, bank deposits in savings accounts carried interests between 0.100% and 0.375% per annum and 0.100% and 0.375% per annum, respectively.

7. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable consisted of:

| | Baht | | | |
|--|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | (Reclassified) (Note 32) | | (Reclassified) (Note 32) |
| Trade accounts receivable (Note 7.1) | | | | |
| - Trade accounts receivable - subsidiaries | - | - | 19,999,874.59 | 9,501,766.08 |
| - End customer receivable through distributor* | 90,764,531.79 | 69,948,563.39 | 60,202,590.02 | 53,991,828.90 |
| - Other end customer receivable | 4,568,982.32 | 13,988,154.16 | 4,356,915.03 | 8,073,735.78 |
| | 95,333,514.11 | 83,936,717.55 | 84,559,379.64 | 71,567,330.76 |
| Other accounts receivable (Note 7.2) | 21,453,414.08 | 8,393,054.43 | 7,538,908.24 | 4,559,544.83 |
| <u>Less</u> Allowance for doubtful accounts | <u>(5,253,153.45)</u> | <u>(4,875,026.55)</u> | <u>(4,878,500.03)</u> | <u>(4,650,147.53)</u> |
| Net | <u>111,533,774.74</u> | <u>87,454,745.43</u> | <u>87,219,787.85</u> | <u>71,476,728.06</u> |

* End customer receivable through the distributor is presented with the balance before deducting service discount for distribution that the Company and subsidiary have to pay to the distributor when the goods are sold to retail customer via the distributor.

Movement of the allowance for doubtful accounts were as follows:

| | Baht | | | |
|-------------------------------|-----------------------------------|---------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | | | |
| Beginning balance of the year | 4,875,026.55 | 4,321,995.03 | 4,650,147.53 | 4,321,995.03 |
| Additional during the year | 1,136,415.42 | 553,031.52 | 792,734.99 | 328,152.50 |
| Deduction during the year | (758,288.52) | - | (564,382.49) | - |
| Ending balance at end of year | <u>5,253,153.45</u> | <u>4,875,026.55</u> | <u>4,878,500.03</u> | <u>4,650,147.53</u> |

7.1 Trade accounts receivable

| | Baht | | | |
|---------------------|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | (Reclassified) (Note 32) | | (Reclassified) (Note 32) |
| Not over due | 81,936,949.56 | 71,643,912.13 | 60,815,963.17 | 64,778,998.47 |
| Over due | | | | |
| 1 day to 30 days | 4,886,805.50 | 3,186,905.83 | 7,242,845.05 | 682,578.11 |
| 31 days to 60 days | 1,124,891.44 | 762,060.94 | 9,555,447.13 | 152,975.53 |
| 61 days to 90 days | 1,154,462.93 | 1,118,866.08 | 1,513,524.09 | 189,158.17 |
| 91 days to 180 days | 659,996.08 | 2,031,481.12 | 563,225.17 | 836,404.00 |
| More than 180 days | 5,570,408.60 | 5,193,491.45 | 4,868,375.03 | 4,927,216.48 |
| Total | <u>95,333,514.11</u> | <u>83,936,717.55</u> | <u>84,559,379.64</u> | <u>71,567,330.76</u> |

The aging of the end customer receivable sold through distributor has the following criteria:

- (1) In case of the Company, the aging is held by the credit term granted by the Company to the distributor as specified in the distributor agreement as the distributor is responsible for the risk in terms of the credit term of end customer receivable by starting the aging count from the month-end that the Company sells to its end customer through the distributor.
- (2) In case of a subsidiary, the aging is held by the credit term granted by the distributor to the end customer receivable as the subsidiary is responsible for the risk of credit term of the end customer receivable. But, the distributor will be responsible only for debt collection by starting the aging count from the day that the subsidiary sells to its end customer through the distributor.

7.2 Other accounts receivable

Other accounts receivable consisted of:

| | Baht | | | |
|--------------------------------|-----------------------------------|-------------------------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 (Reclassified) (Note 32) | 2019 | 2018 |
| Accrued service income | - | 141,946.60 | 1,311,285.00 | 1,070,984.10 |
| Prepaid expenses | 5,660,947.92 | 1,502,704.55 | 4,794,066.30 | 1,032,007.59 |
| Deposit for inventories | 1,169,243.70 | 1,888,485.00 | 1,169,243.70 | 1,888,485.00 |
| Advance payment | 132,887.96 | 177,777.74 | 55,000.00 | 27,777.74 |
| Other receivable - distributor | 12,590,746.06 * | 4,147,192.61 * | - | - |
| Others | 1,899,588.44 | 534,947.93 | 209,313.24 | 540,290.40 |
| Total | <u>21,453,414.08</u> | <u>8,393,054.43</u> | <u>7,538,908.24</u> | <u>4,559,544.83</u> |

* Other accounts receivable-distributor is the accounts receivable from the distributor collecting payment from trade accounts receivable but not yet submitted payment to the subsidiary. The distributor will submit the payment received to the subsidiary within the credit term granted by the subsidiary to the distributor as specified in the distributor agreement.

8. INVENTORIES

Inventories consisted of:

| | Baht | | | |
|--|-----------------------------------|-----------------------|-------------------------------|-----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Finished goods | 52,318,597.91 | 54,423,378.78 | 25,702,979.76 | 43,882,793.58 |
| Goods in transit | 139,801.11 | 3,174,655.94 | 139,801.11 | 3,174,655.94 |
| Less: Allowance for diminution in value of inventories | <u>(2,198,952.34)</u> | <u>(3,528,824.50)</u> | <u>(1,848,728.17)</u> | <u>(2,623,154.30)</u> |
| Net | <u>50,259,446.68</u> | <u>54,069,210.22</u> | <u>23,994,052.70</u> | <u>44,434,295.22</u> |

Movements of the allowance for diminution in value of inventories were as follows:

| | Baht | | | |
|-------------------------------|-----------------------------------|---------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Beginning balance of the year | 3,528,824.50 | 2,572,780.50 | 2,623,154.30 | 1,796,670.96 |
| Additional during the year | 323,794.55 | 2,019,666.80 | 81,570.18 | 1,127,156.10 |
| Deduction during the year | (1,653,666.71) | (1,063,622.80) | (855,996.31) | (300,672.76) |
| Ending balance at end of year | <u>2,198,952.34</u> | <u>3,528,824.50</u> | <u>1,848,728.17</u> | <u>2,623,154.30</u> |

| | Baht | | | |
|---|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Decline in value of inventory recognized as cost of goods sold for the period | - | 956,044.00 | - | 826,483.34 |
| Reversal of the decline in value of inventory for the period | 1,329,872.16 | - | 774,426.13 | - |

9. LONG-TERM LOAN TO EMPLOYEES

Long-term loan to employees consisted of:

| | Baht | |
|---|--|-------------------|
| | Consolidated financial statements / Separate financial statements | |
| | 2019 | 2018 |
| Long-term loan to employees | 175,000.00 | 305,000.00 |
| <u>Less</u> Current portion due within one year | (60,000.00) | (130,000.00) |
| Long-term loan to employees - net | <u>115,000.00</u> | <u>175,000.00</u> |

Long-term loan to employees is a loan in the total amount of Baht 400,000.00 prepared in agreement and due for payment of the monthly principal at Baht 5,000.00 - 10,000.00 to be paid on the day that the employees receives wages from the Company with interest at the rate of 2.00% per annum.

10. INVESTMENT IN ASSOCIATE

Investments in associate consisted of:

| Associate's name | Nature of business | Thousand Baht | | | | | | | |
|---|------------------------------|-----------------------------|-------|--|--------|-----------------------------------|--------------|-------------------------------|--------------|
| | | Percentage of ownership (%) | | Issued and fully paid-up share capital | | Consolidated financial statements | | Separate financial statements | |
| | | 2019 | 2018 | 2019 | 2018 | At equity method | | At cost method | |
| | | | | | | 2019 | 2018 | 2019 | 2018 |
| Inter Stemma Co.,Ltd. | Stemcell safekeeping service | 25.00 | 25.00 | 25,000 | 25,000 | 4,615 | 5,169 | 6,250 | 6,250 |
| <u>Less</u> Allowance for impairment of investments | | 25.00 | 25.00 | 25,000 | 25,000 | - | (329) | (1,410) | (1,410) |
| | | | | | | <u>4,615</u> | <u>4,840</u> | <u>4,840</u> | <u>4,840</u> |

Change in investment in associate by the equity method for the year ended December 31, 2019 and 2018 were as follows:

| | Baht | | | |
|---|-----------------------------------|---------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | At equity method | | At cost method | |
| | 2019 | 2018 | 2019 | 2018 |
| Net book value as at the beginning of the year | 4,839,729.18 | 5,816,389.52 | 4,839,729.18 | 6,250,000.00 |
| Increase in investment during the year | - | - | - | - |
| Share of loss in investment in associate | (224,918.81) | (647,879.42) | - | - |
| Allowance for impairment of investment in associate | - | (328,780.92) | - | (1,410,270.82) |
| Dividend income | - | - | - | - |
| Net book value at the end of the year | <u>4,614,810.37</u> | <u>4,839,729.18</u> | <u>4,839,729.18</u> | <u>4,839,729.18</u> |

Summarization of financial information of Inter Stemma Co., Ltd. (associate company)

| | Baht | |
|---|---------------|----------------|
| | 2019 | 2018 |
| Current assets | 1,256,495.88 | 1,413,916.74 |
| Non-current assets | 17,239,045.61 | 19,302,445.46 |
| Current liabilities | 36,300.00 | 42,321.81 |
| Revenue | 4,662.07 | 5,504.40 |
| Gain (loss) for the year | (857,353.44) | (2,591,517.69) |
| Other comprehensive income (expense) for the year | - | - |
| Total comprehensive income (expense) for the year | (857,353.44) | (2,591,517.69) |

Reconciliation of the above summarized financial information to the carrying amount of the interest of Inter Stemma Co.,Ltd. recognized in the consolidated financial statements:

| | Baht | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| Net assets of associated | 18,459,241.49 | 20,674,040.39 |
| Proportion of the interest in associate (%) | 25 | 25 |
| Book value of the interest | 4,614,810.37 | 5,168,510.10 |
| Other adjustments - allowance for impairment of investment in associate | - | (328,780.92) |
| Carrying amount of the interest in associate | <u>4,614,810.37</u> | <u>4,839,729.18</u> |

Impairment of investment

The Company has considered to provide an allowance for impairment of investment in Inter Stemma Co.,Ltd. in the separate financial statement by assessing the fair value less cost to sells because such company has no operation plan and the management expects that it will be unable to operate at profit to break even and pay back to the company.

11. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries consisted of:

| Subsidiaries' name | Nature of business | Thousand Baht | | | | | | | |
|------------------------|---|-------------------------|------|--|-------|-----------------------------------|--------------|-------------------------------|--------------|
| | | Percentage of ownership | | Issued and fully paid-up share capital | | Consolidated financial statements | | Separate financial statements | |
| | | (%) | | | | At equity method | | At cost method | |
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Inter Vetta Co.,Ltd. | Distribute pet food and dietary supplement for companion animal and live stocks | 55 | 55 | 5,000 | 5,000 | 15,480 | 8,059 | 2,750 | 2,750 |
| Inter Petrina Co.,Ltd. | Selling pet food | 60 | 60 | 4,000 | 4,000 | (3,946) | (227) | 2,400 | 2,400 |
| | | | | | | <u>11,534</u> | <u>7,832</u> | <u>5,150</u> | <u>5,150</u> |

● Inter Petrina Co.,Ltd.

On March 19, 2018, the Company has jointly invested with Asian Group Service Co., Ltd. (Change of company's name to Asian Pets Care Corporation Co., Ltd. since February 3, 2020.) by establishing Inter Petrina Co., Ltd. to sell pet food. The registered capital is Baht 4 million. The Company holds 60% shareholding and Asian Group Service Co., Ltd. holds 40%. Such company has registered to establish a company with the Ministry of Commerce on March 19, 2018. The Company has signed the joint venture agreement with such company effective May 18, 2018 onwards. In addition, the agreement specifies that the shareholder must provide financial support by lending to such company at the set amount in the joint venture agreement as follows:

| Subsidiary | Baht | |
|------------------------|--------------------|------------------------------|
| | Registered capital | Loan amount from shareholder |
| Inter Petrina Co.,Ltd. | 4,000,000.00 | 4,000,000.00 |

The partners of both parties accept the interest rate condition from the shareholder's borrowing at the rate of 4% per annum throughout the period of the agreement binding the loan. Both parties have to be repaid under the agreement at the investment proportion.

The subsidiaries that have material non-controlling interests

The Company has consolidated two subsidiaries, 1) Inter Vetta Co.,Ltd. , 2) Inter Petrina Co.,Ltd. that have material non-controlling interest as follow;

| Subsidiaries's name | Country of Incorporation | Proportion of ownership interests and voting rights held by non-controlling interests | | Baht | | | |
|------------------------|--------------------------|---|------|---|---------------------|---------------------------------------|---------------------|
| | | | | Comprehensive income (expense) allocated to non-controlling interests | | Accumulated non-controlling interests | |
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Inter Vetta Co.,Ltd. | Thailand | 45 | 45 | 6,071,269.71 | 1,117,003.61 | 12,665,365.82 | 6,594,096.11 |
| Inter Petrina Co.,Ltd. | Thailand | 40 | 40 | (2,480,580.20) | (1,751,477.53) | (2,631,757.73) | (151,177.53) |
| | | | | <u>3,590,689.51</u> | <u>(634,473.92)</u> | <u>10,033,608.09</u> | <u>6,442,918.58</u> |

Financial information of subsidiaries before intragroup eliminations

- Financial information of Inter Vetta Co.,Ltd. represents amounts before intragroup eliminations as follow;

| | Baht | |
|--|---------------------|------------------------|
| | 2019 | 2018 (Reclassified) |
| Current assets | 80,497,893.09 | 45,597,732.93 |
| Non-current assets | 886,186.22 | 845,735.32 |
| Current liabilities | 52,679,037.96 | 31,626,893.36 |
| Non-current liabilities | 559,784.00 | 163,028.00 |
| Non-Controlling interests | 12,665,365.82 | 6,594,096.11 |
| Total revenue | 151,086,159.40 | 99,211,074.94 |
| Profit attributable to the non-controlling interests | 6,140,392.59 | 1,130,120.93 |
| Other comprehensive expense to the non-controlling interests | (69,122.88) | (13,117.32) |
| Net cash provided by (used in) operating activities | (3,208,291.99) | (6,969,766.20) |
| Net cash provided by (used in) investing activities | (85,747.36) | (448,411.73) |
| Net cash provided by (used in) financing activities | 2,700,602.75 | 10,000,000.00 |
| Net cash increase | <u>(593,436.60)</u> | <u>2,581,822.07</u> |

- Financial information of Inter Petrina Co.,Ltd. represents amounts before intragroup eliminations as follow;

| | Baht | |
|---|-----------------------|------------------------|
| | 2019 | 2018 (Reclassified) |
| Current assets | 7,846,163.33 | 4,494,075.61 |
| Non-current assets | 582,996.87 | 265,645.06 |
| Current liabilities | 15,007,321.12 | 5,137,593.64 |
| Non-controlling interests | (2,631,757.73) | (151,177.53) |
| Total revenue | 14,827,924.28 | 4,274,099.58 |
| Profit (loss) attributable to the non-controlling interests | (2,480,580.20) | (1,751,477.53) |
| Net cash provided by (used in) operating activities | (5,333,834.00) | (4,903,744.47) |
| Net cash provided by (used in) investing activities | (483,908.00) | (321,000.00) |
| Net cash provided by (used in) financing activities | 4,000,000.00 | 8,000,000.00 |
| Net cash increase (decrease) | <u>(1,817,742.00)</u> | <u>2,775,255.53</u> |

12. LEASEHOLDS IMPROVEMENT AND EQUIPMENT

Leaseholds improvement and equipment consisted of:

| | Baht | | |
|---|---|--|---|
| | Consolidated financial statements | | |
| | Balance per book as at Dec. 31, 2018 | Movement during the year Additions Deduction | Balance per book as at Dec. 31, 2019 |
| <u>At cost</u> | | | |
| Leaseholds improvement | 505,000.00 | 15,000.00 - | 520,000.00 |
| Office equipment | 2,740,008.48 | 118,058.50 (96,288.03) | 2,761,778.95 |
| Computer and equipment | 292,222.17 | - - | 292,222.17 |
| Vehicles | 8,887,627.10 | - - | 8,887,627.10 |
| Equipment | 713,842.44 | 483,908.00 - | 1,197,750.44 |
| Furniture and fixture | 348,789.90 | 6,000.00 - | 354,789.90 |
| Total | <u>13,487,490.09</u> | <u>622,966.50</u> <u>(96,288.03)</u> | <u>14,014,168.56</u> |
| <u>Accumulated depreciation</u> | | | |
| Leaseholds improvement | (124,038.15) | (103,423.50) - | (227,461.65) |
| Office equipment | (1,140,994.37) | (512,714.22) 93,013.16 | (1,560,695.43) |
| Computer and equipment | (168,282.12) | (58,065.30) - | (226,347.42) |
| Vehicles | (943,121.49) | (704,503.61) - | (1,647,625.10) |
| Equipment | (234,212.66) | (245,124.28) - | (479,336.94) |
| Furniture and fixture | (136,546.09) | (70,406.43) - | (206,952.52) |
| Total | <u>(2,747,194.88)</u> | <u>(1,694,237.34)</u> <u>93,013.16</u> | <u>(4,348,419.06)</u> |
| Leaseholds improvement and equipment, net | <u>10,740,295.21</u> | | <u>9,665,749.50</u> |

| | Baht | | | |
|---|-----------------------------------|--------------------------|----------------|---------------------|
| | Consolidated financial statements | | | |
| | Balance per book | Movement during the year | | Balance per book |
| | as at Dec. 31, 2017 | Additions | Deduction | as at Dec. 31, 2018 |
| <u>At cost</u> | | | | |
| Leaseholds improvement | 505,000.00 | - | - | 505,000.00 |
| Office equipment | 3,413,487.36 | 592,016.92 | (1,265,495.80) | 2,740,008.48 |
| Computer and equipment | 382,259.81 | 20,000.00 | (110,037.64) | 292,222.17 |
| Vehicles | 4,924,327.10 | 8,250,000.00 | (4,286,700.00) | 8,887,627.10 |
| Equipment | 499,946.65 | 321,000.00 | (107,104.21) | 713,842.44 |
| Furniture and fixture | 331,218.90 | 35,000.00 | (17,429.00) | 348,789.90 |
| Total | 10,056,239.82 | 9,218,016.92 | (5,786,766.65) | 13,487,490.09 |
| <u>Accumulated depreciation</u> | | | | |
| Leaseholds improvement | (23,039.15) | (100,999.00) | - | (124,038.15) |
| Office equipment | (1,637,671.28) | (604,300.20) | 1,100,977.11 | (1,140,994.37) |
| Computer and equipment | (178,696.30) | (92,812.10) | 103,226.28 | (168,282.12) |
| Vehicles | (1,252,736.72) | (739,727.44) | 1,049,342.67 | (943,121.49) |
| Equipment | (170,760.66) | (146,272.63) | 82,820.63 | (234,212.66) |
| Furniture and fixture | (76,301.17) | (68,005.51) | 7,760.59 | (136,546.09) |
| Total | (3,339,205.28) | (1,752,116.88) | 2,344,127.28 | (2,747,194.88) |
| Leaseholds improvement and equipment, net | 6,717,034.54 | | | 10,740,295.21 |

| | Baht | | | |
|---|-------------------------------|--------------------------|-------------|---------------------|
| | Separate financial statements | | | |
| | Balance per book | Movement during the year | | Balance per book |
| | as at Dec. 31, 2018 | Additions | Deduction | as at Dec. 31, 2019 |
| <u>At cost</u> | | | | |
| Leaseholds improvement | 505,000.00 | 15,000.00 | - | 520,000.00 |
| Office equipment | 2,658,548.05 | 118,058.50 | (86,928.03) | 2,689,678.52 |
| Computer and equipment | 185,995.34 | - | - | 185,995.34 |
| Vehicles | 8,887,627.10 | - | - | 8,887,627.10 |
| Equipment | 392,842.44 | - | - | 392,842.44 |
| Furniture and fixture | 331,833.55 | 6,000.00 | - | 337,833.55 |
| Total | 12,961,846.48 | 139,058.50 | (86,928.03) | 13,013,976.95 |
| <u>Accumulated depreciation</u> | | | | |
| Leaseholds improvement | (124,038.15) | (103,423.50) | - | (227,461.65) |
| Office equipment | (1,112,964.06) | (497,004.03) | 86,482.08 | (1,523,486.01) |
| Computer and equipment | (99,974.19) | (36,859.60) | - | (136,833.79) |
| Vehicles | (943,121.49) | (704,503.61) | - | (1,647,625.10) |
| Equipment | (178,857.72) | (78,568.09) | - | (257,425.81) |
| Furniture and fixture | (131,635.05) | (67,015.76) | - | (198,650.81) |
| Total | (2,590,590.66) | (1,487,374.59) | 86,482.08 | (3,991,483.17) |
| Leaseholds improvement and equipment, net | 10,371,255.82 | | | 9,022,493.78 |

| | Baht | | | |
|---|-------------------------------|--------------------------|----------------|---------------------|
| | Separate financial statements | | | |
| | Balance per book | Movement during the year | | Balance per book |
| | as at Dec. 31, 2017 | Additions | Deduction | as at Dec. 31, 2018 |
| <u>At cost</u> | | | | |
| Leaseholds improvement | 505,000.00 | - | - | 505,000.00 |
| Office equipment | 3,194,671.20 | 557,311.32 | (1,093,434.47) | 2,658,548.05 |
| Computer and equipment | 241,761.98 | - | (55,766.64) | 185,995.34 |
| Vehicles | 4,924,327.10 | 8,250,000.00 | (4,286,700.00) | 8,887,627.10 |
| Equipment | 467,946.65 | - | (75,104.21) | 392,842.44 |
| Furniture and fixture | 296,833.55 | 35,000.00 | - | 331,833.55 |
| Total | 9,630,540.48 | 8,842,311.32 | (5,511,005.32) | 12,961,846.48 |
| <u>Accumulated depreciation</u> | | | | |
| Leaseholds improvement | (23,039.15) | (100,999.00) | - | (124,038.15) |
| Office equipment | (1,518,390.03) | (571,961.42) | 977,387.39 | (1,112,964.06) |
| Computer and equipment | (102,115.02) | (50,991.26) | 53,132.09 | (99,974.19) |
| Vehicles | (1,252,736.72) | (739,727.44) | 1,049,342.67 | (943,121.49) |
| Equipment | (162,367.48) | (84,517.89) | 68,027.65 | (178,857.72) |
| Furniture and fixture | (70,505.61) | (61,129.44) | - | (131,635.05) |
| Total | (3,129,154.01) | (1,609,326.45) | 2,147,889.80 | (2,590,590.66) |
| Leaseholds improvement and equipment, net | 6,501,386.47 | | | 10,371,255.82 |

| | Baht | | | |
|----------------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Depreciation for the year | 1,694,237.34 | 1,752,116.88 | 1,487,374.59 | 1,609,326.45 |
| Loss on disposal of assets | 97.31 | 1,059,461.80 | 259.03 | 979,937.95 |

As at December 31, 2019 and 2018, the Company and its subsidiaries had equipment, which were fully depreciated but they are still in use with gross carrying amount of Baht 1.02 million and Baht 0.19 million (for the Company: Baht 0.96 million and Baht 0.08 million), respectively.

13. INTANGIBLE ASSETS

Intangible assets consisted of :-

| | Baht | | |
|---------------------------------|-----------------------------------|--------------------------|-----------|
| | Consolidated financial statements | | |
| | Balance per book | Movement during the year | |
| | as at Dec. 31, 2018 | Additions | Deduction |
| <u>At cost</u> | | | |
| Computer software | 294,225.00 | 710,240.00 | - |
| Copyright | - | 850,000.00 | - |
| Total | 294,225.00 | 1,560,240.00 | - |
| <u>Accumulated amortization</u> | | | |
| Computer Software | (203,881.33) | (215,524.49) | - |
| Copyright | - | (157,424.51) | - |
| Total | (203,881.33) | (372,949.00) | - |
| Intangible asset, net | 90,343.67 | | |

| | Baht | | |
|---------------------------------|-----------------------------------|--------------------------|-----------|
| | Consolidated financial statements | | |
| | Balance per book | Movement during the year | |
| | as at Dec. 31, 2017 | Additions | Deduction |
| <u>At cost</u> | | | |
| Computer software | 294,225.00 | - | - |
| Total | 294,225.00 | - | - |
| <u>Accumulated amortization</u> | | | |
| Computer Software | (110,733.22) | (93,148.11) | - |
| Total | (110,733.22) | (93,148.11) | - |
| Intangible asset, net | 183,491.78 | | |

| | Baht | | |
|---------------------------------|-------------------------------|--------------------------|-----------|
| | Separate financial statements | | |
| | Balance per book | Movement during the year | |
| | as at Dec. 31, 2018 | Additions | Deduction |
| <u>At cost</u> | | | |
| Computer software | 141,000.00 | 621,460.00 | - |
| Copyright | - | 850,000.00 | - |
| Total | 141,000.00 | 1,471,460.00 | - |
| <u>Accumulated amortization</u> | | | |
| Computer Software | (56,418.06) | (189,416.76) | - |
| Copyright | - | (157,424.51) | - |
| Total | (56,418.06) | (346,841.27) | - |
| Intangible asset, net | 84,581.94 | | |

| | Baht | | |
|---------------------------------|-------------------------------|--------------------------|-----------|
| | Separate financial statements | | |
| | Balance per book | Movement during the year | |
| | as at Dec. 31, 2017 | Additions | Deduction |
| <u>At cost</u> | | | |
| Computer software | 141,000.00 | - | - |
| Total | 141,000.00 | - | - |
| <u>Accumulated amortization</u> | | | |
| Computer Software | (9,424.41) | (46,993.65) | - |
| Total | (9,424.41) | (46,993.65) | - |
| Intangible asset, net | 131,575.59 | | |

| | Baht | | | |
|---------------------------|-----------------------------------|-----------|-------------------------------|-----------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | 372,949.00 | 93,148.11 | 346,841.27 | 46,993.65 |
| Amortization for the year | | | | |

As at December 31, 2019 and 2018, the a subsidiary had intangible asset, which were fully depreciated but they are still in use with gross carrying amount of Baht 0.15 million and Baht 0.10 million, respectively.

14. DEFERRED TAX ASSETS

Changes in deferred tax assets for the year ended December 31, 2019 and 2018, were as follows:

| | Baht | | |
|--|-----------------------------------|----------------------------------|-------------------------------|
| | Consolidated financial statements | | |
| | Balance per book | Income (expense) during the year | |
| | as at Dec. 31, 2018 | In profit or loss | In other comprehensive income |
| Deferred tax assets : | | | |
| Allowance for doubtful accounts | 975,005.31 | 75,625.39 | - |
| Allowance for diminution in value of inventories | 705,764.90 | (265,974.44) | - |
| Provision for goods return | 87,556.94 | 51,102.14 | - |
| Employee benefit obligation | 262,625.80 | 170,946.20 | 379,886.40 |
| Margin in inventory | - | 817,321.89 | - |
| Total | 2,030,952.95 | 849,021.18 | 379,886.40 |

| | Baht | | |
|--|-----------------------------------|----------------------------------|-------------------------------|
| | Consolidated financial statements | | |
| | Balance per book | Income (expense) during the year | |
| | as at Dec. 31, 2017 | In profit or loss | In other comprehensive income |
| Deferred tax assets : | | | |
| Allowance for doubtful accounts | 864,399.01 | 110,606.30 | - |
| Allowance for diminution in value of inventories | 514,556.10 | 191,208.80 | - |
| Provision for goods return | - | 87,556.94 | - |
| Employee benefit obligation | 307,340.80 | 102,404.80 | (147,119.80) |
| Total | 1,686,295.91 | 491,776.84 | (147,119.80) |

| | Baht | | | |
|--|-------------------------------|----------------------------------|-------------------------------|---------------------|
| | Separate financial statements | | | |
| | Balance per book | Income (expense) during the year | | Balance per book |
| | as at Dec. 31, 2018 | In profit or loss | In other comprehensive income | as at Dec. 31, 2019 |
| Deferred tax assets : | | | | |
| Allowance for doubtful | 930,029.51 | 45,670.50 | - | 975,700.01 |
| Allowance for diminution in value of inventories | 524,630.86 | (154,885.23) | - | 369,745.63 |
| Provision for goods return | 49,693.12 | 32,562.91 | - | 82,256.03 |
| Employee benefit obligation | 230,020.20 | 129,996.60 | 341,484.80 | 701,501.60 |
| Total | 1,734,373.69 | 53,344.78 | 341,484.80 | 2,129,203.27 |

| | Baht | | | |
|--|-------------------------------|----------------------------------|-------------------------------|---------------------|
| | Separate financial statements | | | |
| | Balance per book | Income (expense) during the year | | Balance per book |
| | as at Dec. 31, 2017 | In profit or loss | In other comprehensive income | as at Dec. 31, 2018 |
| Deferred tax assets : | | | | |
| Allowance for doubtful | 864,399.01 | 65,630.50 | - | 930,029.51 |
| Allowance for diminution in value of inventories | 359,334.19 | 165,296.67 | - | 524,630.86 |
| Provision for goods return | - | 49,693.12 | - | 49,693.12 |
| Employee benefit obligation | 296,680.20 | 87,747.20 | (154,407.20) | 230,020.20 |
| Total | 1,520,413.40 | 368,367.49 | (154,407.20) | 1,734,373.69 |

15. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable consisted of:

| | Baht | | | |
|------------------------|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | (Reclassified) (Note 32) | | (Reclassified) (Note 32) |
| Trade accounts payable | 17,144,118.64 | 42,968,685.18 | 9,421,604.54 | 39,812,638.15 |
| Notes payable | 25,150.00 | 136,098.75 | - | 3,433.32 |
| Other accounts payable | 21,084,889.26 | 24,689,210.92 | 11,262,546.96 | 18,091,238.42 |
| Total | 38,254,157.90 | 67,793,994.85 | 20,684,151.50 | 57,907,309.89 |

Other accounts payables

other accounts payables consisted of:

| | Baht | | | |
|-----------------------------|-----------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | (Reclassified) (Note 32) | | (Reclassified) (Note 32) |
| Accrued expenses | 7,686,455.02 | 12,895,493.59 | 3,697,395.68 | 7,445,582.38 |
| Distributor account payable | 12,029,668.53 | 6,235,575.14 | 6,532,132.23 | 5,173,854.93 |
| Others | 1,368,765.71 | 5,558,142.19 | 1,033,019.05 | 5,471,801.11 |
| Total | 21,084,889.26 | 24,689,210.92 | 11,262,546.96 | 18,091,238.42 |

16. SHORT-TERM LOAN FROM OTHER PERSON

A subsidiary has short-term loan from other person are presented in the form of promissory note, maturity at call with the interest of 4.00% per annum .

17. EMPLOYEE BENEFIT OBLIGATIONS

Movement of employee benefit obligations for the year ended December 31, 2019 and 2018 were summarized as follows :

| | Baht | | | |
|--|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| | | | | |
| Beginning balance | 1,313,129.00 | 1,536,704.00 | 1,150,101.00 | 1,483,401.00 |
| Past service costs and interest | | | | |
| - change a post-employment plan amendment | 84,656.00 | - | 11,509.00 | - |
| Current service costs during the year | 735,898.00 | 490,064.00 | 610,723.00 | 419,812.00 |
| Interest during the year | 34,177.00 | 21,960.00 | 27,751.00 | 18,924.00 |
| Actuarial (gain) loss | 1,899,432.00 | (735,599.00) | 1,707,424.00 | (772,036.00) |
| Less Employee benefit obligations due within | | | | |
| one year | (161,550.00) | - | (161,550.00) | - |
| Ending balance | 3,905,742.00 | 1,313,129.00 | 3,345,958.00 | 1,150,101.00 |

Expense recognized in the statements of comprehensive income for the year ended December 31, 2019 and 2018

| | Baht | | | |
|-------------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Past service costs | 84,656.00 | - | 11,509.00 | - |
| Current service costs | | | | |
| Selling and administrative expenses | 413,609.00 | 229,085.00 | 288,434.00 | 158,833.00 |
| Management's benefits | 322,289.00 | 260,979.00 | 322,289.00 | 260,979.00 |
| | 735,898.00 | 490,064.00 | 610,723.00 | 419,812.00 |
| Interest on obligation | 34,177.00 | 21,960.00 | 27,751.00 | 18,924.00 |
| Total | 854,731.00 | 512,024.00 | 649,983.00 | 438,736.00 |

Actuarial gain (loss)

| | Baht | | | |
|------------------------------------|-----------------------------------|------------|-------------------------------|------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Actuarial gain (loss) arising from | | | | |
| Change in demographic assumption | (60,011.00) | 16,683.00 | (176,949.00) | 142,372.00 |
| Change in financial assumption | (1,402,796.00) | 351,876.00 | (1,131,475.00) | 319,356.00 |
| Experience adjustment | (436,625.00) | 367,040.00 | (399,000.00) | 310,308.00 |
| Total | (1,899,432.00) | 735,599.00 | (1,707,424.00) | 772,036.00 |

Principal actuarial assumptions at the reporting date

| | Percentage | | | |
|------------------------|-----------------------------------|-------------|-------------------------------|-------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 1.58 - 2.04 | 2.66 - 3.38 | 1.58 | 2.66 |
| Salary increase rate | 4.00 | 0.00 - 3.00 | 4.00 | 0.00 - 3.00 |
| Employee turnover rate | 0 - 38 | 0 - 37 | 0 - 38 | 0 - 37 |
| Disability | 5.00 | 5.00 | 5.00 | 5.00 |

Sensitivity analysis

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

| | Baht | | | |
|------------------------|-----------------------------------|--------------|-------------------------------|--------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Discount rate | | | | |
| 1% increase | (452,302.00) | (139,117.00) | (343,537.00) | (107,340.00) |
| 1% decrease | 526,869.00 | 162,662.00 | 389,191.00 | 122,429.00 |
| Salary increase rate | | | | |
| 1% increase | 514,524.00 | 162,293.00 | 382,190.00 | 124,261.00 |
| 1% decrease | (450,661.00) | (74,943.00) | (344,059.00) | (44,467.00) |
| Employee turnover rate | | | | |
| 1% increase | (482,543.00) | (150,438.00) | (367,623.00) | (116,724.00) |
| 1% decrease | 123,365.00 | 47,033.00 | 96,963.00 | 39,451.00 |

Employee benefit obligations

On April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the profit or loss.

18. SHARE CAPITAL2019

- (1) According to the minutes of the Annual General Shareholders' Meeting 2019 held on April 18, 2019, the shareholders had a resolution to increase the registered capital of the Company from Baht 65 million to Baht 80 million. The share capital increase Baht 15 million is divided into 150,000 shares at Baht 100 per share. The Company has registered the capital increase with the Ministry of Commerce on April 24, 2019.
- (2) According to the resolution of the Extraordinary Shareholders' Meeting No.1/2019 held on May 7, 2019, the shareholders had the resolution on the following significant matters.
 - (2.1) Approve the change of par value to be in line with the company conversion from a limited company to a public company by changing the par value from Baht 100 per share to Baht 0.50 per share resulting in an increase of the Company's ordinary shares (after the capital increase according to Note 18 (1) from 800,000 shares to 160 million shares.

- (2.2) Approve the registered capital increase for Baht 23 million from formerly Baht 80 million to the registered capital Baht 103 million by issuing ordinary shares capital increase 46 million shares at the par value of Baht 0.50 per share as the Company intends to list all its ordinary shares as registered securities on the Stock Exchange by the Initial Public Offering.
- (2.3) Approve the allocation of ordinary shares capital increase as approved at the meeting to increase the registered capital of the Company for additional Baht 23 million by issuing ordinary shares capital increase 46 million shares at the par value of Baht 0.50 per share. The details are as follows:
 - (1) Allocate ordinary share capital increase of 39.1 million shares at the par value of Baht 0.50 per share for Initial Public Offering.
 - (2) Allocate the ordinary share capital increase 6.9 million shares at the par value of Baht 0.50 per share for offering to the director, management and/or employees and/or subsidiary at the same price as with the public offering. Any leftover ordinary share capital increase from the allocation to director, management and/or employees and/or subsidiary, then allocate the remaining ordinary shares by the Initial Public Offering.
- (2.4) Approve listing the ordinary shares as registered securities on Market Alternative Investment (mai).

The Company has registered to change the share value and capital increase with the Ministry of Commerce on May 15, 2019.

During October 28 - 30, 2019, the Company has made the initial public offering for 46 million shares to the subscribers at Baht 7.00 per share. On October 31, 2019, the Company has received the shares payment at the amount of Baht 322 million and has registered the increased paid-up capital with the Ministry of Commerce on November 1, 2019. The Stock Exchange of Thailand has received the Company's ordinary shares as listed securities in the Market for Alternative Investment (mai). The commencing trading is on November 5, 2019. The Company has the direct expenses related to the Initial Public Offering in the amount of Baht 12.29 million (net of income tax), shown as a deduction from the premium on ordinary share received from shareholders. As a result, the Company has the premium on ordinary shares amounting to Baht 286.71 million shown as a separate item under "shareholders' equity" in the statement of financial position. This share premium cannot be paid as dividend.

As at December 31, 2019, the Company has registered ordinary shares in the amount of 206 million shares at the par value of Baht 0.50 per share making up registered capital of Baht 103 million by issuing 206 million ordinary shares at the par value of Baht 0.50 per share. Full payment of the shares has been made amounting to the issued and paid up capital of Baht 103 million.

The details of share capital are as follows:

| | Registered capital | | Issued and paid up capital | |
|--|--------------------|----------------|----------------------------|----------------|
| | share | Baht | share | Baht |
| As at January 1, 2019 | 650,000 | 65,000,000.00 | 650,000 | 65,000,000.00 |
| Increase registered capital and call for share payment | 150,000 | 15,000,000.00 | 150,000 | 15,000,000.00 |
| Balance before change the par value of ordinary shares | 800,000 | 80,000,000.00 | 800,000 | 80,000,000.00 |
| Balance after the change in par value of the ordinary shares | 160,000,000 | 80,000,000.00 | 160,000,000 | 80,000,000.00 |
| Increase in registered capital | 46,000,000 | 23,000,000.00 | 46,000,000 | 23,000,000.00 |
| As at December 31, 2019 | 206,000,000 | 103,000,000.00 | 206,000,000 | 103,000,000.00 |

2018

According to the Annual General Shareholders' Meeting 2018 held on April 30, 2018, the shareholders had a resolution to increase the registered capital from Baht 40.00 million to Baht 65.00 million. The share capital increase Baht 25.00 million is divided into 250,000 shares at Baht 100.00 per share. The Company has registered the capital increase with the Ministry of Commerce on May 15, 2018.

19. CAPITAL MANAGEMENT

The primary objective of capital management of the Company and its subsidiaries 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 statement of financial position as at December 31, 2019 and 2018, the Group's debt-to-equity ratio was 0.13 : 1 and 0.83 : 1 (for the Company's was 0.07 : 1 and 0.66 : 1), respectively.

20. LEGAL RESERVE

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5 % of its annual net profit after deduction of the deficit brought forward (if any) as legal reserve until the reserve equal to 10 % of authorized share capital. The reserve is not available for dividend distribution.

21. SURPLUS ON SHARE-BASED PAYMENT TRANSACTIONS

In March 2017, the Company had a resolution to issue partial capital increase shares through private placement at the par value that is lower than the book value. The grant date and the exercise date is the same day. The Company has measured the fair value of the private placement shares above at the grant date by reference to the fair value of the shares and the consideration to be paid. The fair value is higher than the exercise price. Such transactions were treated as share-based payment transactions. Therefore, the Company has recorded such related expense and recognized the increase of the shareholder's equity as required in such financial reporting standards.

The fair value estimate of each share as at the grant date is calculated by an independent appraiser by the Discounted Cash Flow method. Significant financial assumption is the weighted average cost of capital at the rate of 23.78% per annum. The terminal growth rate after the estimation period is at 0.00% per annum and the growth rate of sales is 3.50 - 3.90% per annum.

The fair value of shares and exercise price as at the grant date and total number of shares are as follows:

| Grant date | Baht | | Number of shares (share) |
|---------------|------------|----------------|-----------------------------|
| | Fair value | Exercise price | |
| 20 March 2017 | 328.41 | 100.00 | 80,000 |

The Company has recorded the related expense in the financial statements in the amount of Baht 18.27 million in “Expense arising from share-based payment” in profit or loss and recognized “Surplus on share-based payment transaction” in shareholders’ equity by the same amount.

22. APPROPRIATION OF RETAINED EARNING

Year 2019

According to the Annual General Meeting 2019, held on April 18, 2019, shareholders approved the payment of dividend for the performance results of the fiscal year 2018 after deducting legal reserve to the shareholders, by the rate of Baht 17.80 per share, or in the amount of Baht 11.57 million. and the appropriation of profits as a legal reserve in the total amount of Baht 0.67 million. The Company fixed the names of shareholders who are entitled to receive dividends, whose names appear in the Register of Shareholders on March 1, 2019 and is scheduled to pay dividend within 30 days from the resolution of the General Shareholders’ Meeting which the Company has paid the dividends on April 19, 2019.

As at December 31, 2019, the Company appropriated the legal reserve at the rate of 5% of net profit for the year 2019 amounted to Baht 2.05 million.

Year 2018

According to the Annual General Shareholders’ Meeting 2018 held on April 30, 2018, the shareholders had the resolution to pay the dividend from the annual net profit 2017 after deducting legal reserve to the shareholders at Baht 70.00 per share totaling Baht 28.00 million and to appropriate the profit as legal reserve for Baht 1.50 million. The Company sets the name list of shareholders who are entitled to receive the dividend according to the names as appeared in the shareholders’ registration book as at May 1, 2018. The dividend is scheduled to be paid on May 7, 2018.

23. OPERATING SEGMENT

The Company and its subsidiaries operate in 2 main reports by products operating segments in a main geographical area in Thailand as follows:

| Type of operating segment | Nature of operating segment |
|---------------------------|---|
| - Human healthcare | Healthcare product, anti-aging and human beauty product such as medical supplies, nutrition therapy, cosmetics, supplementary food, probiotic and prebiotic product, health food product, general food product, and medical equipment, etc. |
| - Animal healthcare | Pet healthcare and livestock product such as medical supplies, nutrition therapy, vaccine, supplementary food, probiotic & prebiotic product, animal health food product, premium grade animal food, general formula animal food, and medical equipment related to pet and livestock care product, etc. |

The operating segment's performance is regularly reviewed by the chief operating decision maker who is the Executive Directors in order to make decisions about the allocation of resources to the segment and assess its performance. The Company and its subsidiaries assess the performance of the operating segment by using the operating profit or loss as the same basis to assess operating profit or loss in the financial statements.

Details of financial information by segment operations for the years ended December 31, 2019 and 2018

| | Thousand Baht | | | | | |
|-----------------------------|-----------------------------------|------------------------|-------------------|------------------------|---------|------------------------|
| | Consolidated financial statements | | | | | |
| | Human healthcare | | Animal healthcare | | Total | |
| | 2019 | 2018 (reclassified) | 2019 | 2018 (reclassified) | 2019 | 2018 (reclassified) |
| Revenue from sales | 229,870 | 224,580 | 141,456 | 92,252 | 371,326 | 316,832 |
| Cost of sales | 86,655 | 78,882 | 70,732 | 46,162 | 157,387 | 125,044 |
| Gross profit | 143,215 | 145,698 | 70,724 | 46,090 | 213,939 | 191,788 |
| Selling expense | | | | | 106,752 | 101,325 |
| Administrative expenses | | | | | 49,976 | 50,256 |
| Operating profit | | | | | 57,211 | 40,207 |
| Other income | | | | | 4,557 | 754 |
| Finance cost | | | | | 589 | 43 |
| Share of loss of associates | | | | | 225 | 648 |
| Income tax expenses | | | | | 13,823 | 11,212 |
| Profit for the period | | | | | 47,131 | 29,058 |

Major customer

The Groups has no sales revenue from any one of retail customer through distributor more than 10 percent of sales revenue of the company group. Thus, information has not been disclosed on the major customer.

24. PROVIDENT FUND

The Company and its subsidiaries established a contributory registered provident fund covering all permanent employees in accordance with the Provident Fund Act B.E.2530.

Under the provident fund plan, employees' and Company and its subsidiaries's contributions are equivalent to certain percentages of employees' basic salaries. The employees are entitled to the Company and its subsidiaries's contributions in accordance with the rules and regulations of the fund and on the length of service with the Company and its subsidiaries. The Company and its subsidiaries appointed a fund manager to manage the fund in accordance with the terms and conditions prescribed in the Provident Fund Act B.E.2530.

The Company and its subsidiaries's contributions for the years ended December 31, 2019 and 2018 were amounted to Baht 1,608,439.42 and Baht 1,098,742.57 (for the Company: Baht 1,250,873.42 and Baht 875,162.57), respectively.

25. EXPENSES BY NATURE

Significant expenses classified by nature for the years ended December 31, 2019 and 2018 were as follows:

| | Baht | | | |
|--|-----------------------------------|-----------------|-------------------------------|-----------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Change in inventories of finished goods | 774,908.71 | (36,935,719.66) | 17,405,387.69 | (32,577,132.44) |
| Purchase of finished goods | 159,579,639.54 | 163,724,216.13 | 119,877,628.18 | 149,217,462.45 |
| Depreciation and amortization expenses | 2,067,186.34 | 1,845,264.99 | 1,834,215.86 | 1,656,320.10 |
| Salaries and wages and other employee benefits | 54,534,582.43 | 48,540,279.23 | 34,767,178.28 | 34,882,113.22 |
| Advertising | 19,939,798.24 | 36,586,149.77 | 15,884,465.97 | 33,835,839.34 |
| Distribution expenses | 23,754,907.01 | 4,359,848.12 | 14,755,357.70 | 3,214,395.36 |
| Management benefit expenses | 18,174,843.16 | 17,243,706.39 | 17,649,843.16 | 14,843,706.39 |

26. INCOME TAX EXPENSE (INCOME)

26.1 Major components of income tax expense (income) for the year ended December, 2019 and 2018 consisted of:

| | Baht | | | |
|--|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Income tax expense (income) shown in profit or loss: | | | | |
| Current tax expense: | | | | |
| Income tax expense for the year | 14,671,834.48 | 11,704,281.99 | 11,165,416.52 | 10,696,063.69 |
| Deferred tax expense (income): | | | | |
| Changes in temporary differences relating to the original recognition and reversal | (849,021.18) | (491,776.84) | (53,344.78) | (368,367.49) |
| Total | <u>13,822,813.30</u> | <u>11,212,505.15</u> | <u>11,112,071.74</u> | <u>10,327,696.20</u> |
| Income tax relating to components of comprehensive income: | | | | |
| Deferred tax expense (income) relating to | | | | |
| Actuarial gain (loss) | (379,886.40) | 147,119.80 | (341,484.80) | 154,407.20 |
| Total | <u>(379,886.40)</u> | <u>147,119.80</u> | <u>(341,484.80)</u> | <u>154,407.20</u> |

26.2 A numerical reconciliation between income tax expense (tax income) and the product of accounting profit multiplied by the applicable tax rate for the years ended December 31, 2019 and 2018 which were summarized as follows:

| | Baht | | | |
|---|-----------------------------------|----------------------|-------------------------------|----------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Accounting profit for the year | 60,954,147.97 | 40,270,964.51 | 52,114,233.91 | 40,841,638.19 |
| The applicable tax rate (%) | 20 | 20 | 20 | 20 |
| Income tax expense at the applicable tax rate | <u>12,190,829.59</u> | <u>8,054,192.90</u> | <u>10,422,846.78</u> | <u>8,168,327.64</u> |
| Reconciliation items: | | | | |
| Tax effect of expenses that are not deductible in determining tax profit: | | | | |
| - Expenses not allowed as expenses in determining taxable profit | 679,012.36 | 2,248,641.78 | 571,624.96 | 2,259,368.56 |
| Share of loss from investment in associate | 44,983.76 | 129,575.88 | - | - |
| Unrecognized tax loss on deferred tax asset | 1,226,057.59 | 875,574.59 | - | - |
| Others | (318,070.00) | (95,480.00) | 117,600.00 | (100,000.00) |
| Total reconciliation items | <u>1,631,983.71</u> | <u>3,158,312.25</u> | <u>689,224.96</u> | <u>2,159,368.56</u> |
| Total income tax expense | <u>13,822,813.30</u> | <u>11,212,505.15</u> | <u>11,112,071.74</u> | <u>10,327,696.20</u> |

As at December 31, 2019, a subsidiary had an accumulated loss (in tax) that was still unused of approximately Baht 10.51 million. The subsidiary above did not record deferred tax assets from such loss because there was an uncertainty whether the subsidiary would have enough profit to utilize the benefits from deferred tax assets or not.

- 26.3 A numerical reconciliation between the average effective tax rate and the applicable tax rate for the years ended December 31, 2019 and 2018 were summarized as follows:

| | Consolidated financial statements | | | |
|--|-----------------------------------|-----------------|----------------------|-----------------|
| | 2019 | | 2018 | |
| | Tax amount (Baht) | Tax rate (%) | Tax amount (Baht) | Tax rate (%) |
| Accounting profit before tax expense for the year | 60,954,147.97 | | 40,270,964.51 | |
| Tax expense at the applicable tax rate | 12,190,829.59 | 20.00 | 8,054,192.90 | 20.00 |
| Reconciliation items | 1,631,983.71 | 2.68 | 3,158,312.25 | 7.84 |
| Income tax expense at the average effective tax rate | 13,822,813.30 | 22.68 | 11,212,505.15 | 27.84 |

| | Separate financial statements | | | |
|--|-------------------------------|-----------------|----------------------|-----------------|
| | 2019 | | 2018 | |
| | Tax amount (Baht) | Tax rate (%) | Tax amount (Baht) | Tax rate (%) |
| Accounting profit before tax expense for the year | 52,114,233.91 | | 40,841,638.19 | |
| Tax expense at the applicable tax rate | 10,422,846.78 | 20.00 | 8,168,327.64 | 20.00 |
| Reconciliation items | 689,224.95 | 1.32 | 2,159,368.56 | 5.29 |
| Income tax expense at the average effective tax rate | 11,112,071.73 | 21.32 | 10,327,696.20 | 25.29 |

27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent company for the period by the weighted average number of ordinary shares which are issued during the year and held by outside party issue during the year after adjusting the number of ordinary share to reflect the effect of change to the par value as described in the financial statements No.18 and basic earnings per share of the previous period was recalculated as if the change in the par value has occurred since the beginning of the first period which the report is presented.

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|--------------------|-------------------------------|--------------------|
| | 2019 | 2018 (restated) | 2019 | 2018 (restated) |
| Profit for the year of the parent company (Baht) | 43,471,522.28 | 29,679,815.96 | 41,002,162.17 | 30,513,941.99 |
| Weighted average number of ordinary shares (shares) | 156,673,973 | 111,643,800 | 156,673,973 | 111,643,800 |
| Basic earnings per share (Baht per share) | 0.28 | 0.27 | 0.26 | 0.27 |

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in the liabilities arising from financing activities for the years ended December 31, 2019 and 2018 are as follows:

| | | Baht | | |
|---------------------------------|-----------------|-----------------------------------|----------------------|-------------------|
| | | Consolidated financial statements | | |
| | Balance as at | Cash flows | Non-cash transaction | Balance as at |
| | January 1, 2019 | Increase | Increase | December 31, 2019 |
| | | (decrease)* | | |
| Short-term from related parties | 11,600,000.00 | (8,400,000.00) | - | 3,200,000.00 |
| Total | 11,600,000.00 | (8,400,000.00) | - | 3,200,000.00 |

| | | Baht | | |
|---|-----------------|-----------------------------------|----------------------|-------------------|
| | | Consolidated financial statements | | |
| | Balance as at | Cash flows | Non-cash transaction | Balance as at |
| | January 1, 2018 | Increase | Increase | December 31, 2018 |
| | | (decrease)* | | |
| Short-term from related parties | - | 11,600,000.00 | - | 11,600,000.00 |
| Liabilities under a finance lease agreement | 62,343.97 | (62,343.97) | - | - |
| Total | 62,343.97 | 11,537,656.03 | - | 11,600,000.00 |

| | | Baht | | |
|---|-----------------|-------------------------------|----------------------|-------------------|
| | | Separate financial statements | | |
| | Balance as at | Cash flows | Non-cash transaction | Balance as at |
| | January 1, 2018 | Increase | Increase | December 31, 2018 |
| | | (decrease)* | | |
| Liabilities under a finance lease agreement | 62,343.97 | (62,343.97) | - | - |
| Total | 62,343.97 | (62,343.97) | - | - |

* Financing cash flows included net proceed and repayment cash transactions in the statements of cash flows.

29. FINANCIAL INSTRUMENTS

29.1 Risk management

The Company and its subsidiaries manage their financial risk exposure on financial assets and financial liabilities in the normal business by its internal management and control system, and the Company and its subsidiaries do not hold or issue derivative financial instruments for speculative or trading purposes.

29.2 Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relates primarily to its cash at banks. However, most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market. However, the management believed that the future fluctuation on market interest rate would not provide significant effect to their operations and cash flows, therefore; no financial derivative was adopted to manage such risks.

As at December 31, 2019 and 2018, the significant financial assets and financial liabilities classified by types of interest rates were as follows:

| | Baht | | | |
|---|-----------------------------------|------------------------|----------------|----------------|
| | 2019 | | | |
| | Consolidated financial statements | | | |
| | Floating interest rate | Fixed interest rate | No interest | Total |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | 326,690,694.98 | - | 15,956,426.73 | 342,647,121.71 |
| Temporary investment | - | 189,775.86 | - | 189,775.86 |
| Trade and other accounts receivable | - | - | 111,533,774.74 | 111,533,774.74 |
| Restricted deposits of financial institutions | - | 1,312,014.00 | - | 1,312,014.00 |
| Investment in associate | - | - | 4,614,810.37 | 4,614,810.37 |
| Long-term loan to employees | - | 175,000.00 | - | 175,000.00 |
| <u>Financial Liabilities</u> | | | | |
| Trade and other accounts payable | - | - | 38,254,157.90 | 38,254,157.90 |
| Short-term from related parties | - | 3,200,000.00 | - | 3,200,000.00 |
| Short-term from other person | - | 6,000,000.00 | - | 6,000,000.00 |

| | Baht | | | |
|---|-----------------------------------|------------------------|---------------|---------------|
| | 2018 | | | |
| | (Reclassified) | | | |
| | Consolidated financial statements | | | |
| | Floating interest rate | Fixed interest rate | No interest | Total |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | 15,194,533.57 | - | 17,255,323.67 | 32,449,857.24 |
| Temporary investment | - | 178,483.36 | - | 178,483.36 |
| Trade and other accounts receivable | - | - | 87,454,745.43 | 87,454,745.43 |
| Restricted deposits of financial institutions | - | 1,307,856.00 | - | 1,307,856.00 |
| Investment in associate | - | - | 4,839,729.18 | 4,839,729.18 |
| Long-term loan to employees | - | 305,000.00 | - | 305,000.00 |
| <u>Financial Liabilities</u> | | | | |
| Trade and other accounts payable | - | - | 67,793,994.85 | 67,793,994.85 |
| Short-term from related parties | - | 11,600,000.00 | - | 11,600,000.00 |

| | Baht | | | |
|---|-------------------------------|------------------------|---------------|----------------|
| | 2019 | | | |
| | Separate financial statements | | | |
| | Floating interest rate | Fixed interest rate | No interest | Total |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | 321,987,610.64 | - | 12,960,840.37 | 334,948,451.01 |
| Temporary investment | - | 189,775.86 | - | 189,775.86 |
| Trade and other accounts receivable | - | - | 87,219,787.85 | 87,219,787.85 |
| Short-term loan to subsidiaries | - | 11,800,000.00 | - | 11,800,000.00 |
| Restricted deposits of financial institutions | - | 907,856.00 | - | 907,856.00 |
| Investment in associate | - | - | 4,839,729.18 | 4,839,729.18 |
| Investment in subsidiaries | - | - | 5,149,700.00 | 5,149,700.00 |
| Long-term loan to employees | - | 175,000.00 | - | 175,000.00 |
| <u>Financial Liabilities</u> | | | | |
| Trade and other accounts payable | - | - | 20,684,151.50 | 20,684,151.50 |

| | Baht | | | |
|---|-------------------------------|------------------------|---------------|---------------|
| | 2018 | | | |
| | (Reclassified) | | | |
| | Separate financial statements | | | |
| | Floating interest rate | Fixed interest rate | No interest | Total |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | 10,047,661.88 | - | 12,292,346.06 | 22,340,007.94 |
| Temporary investment | - | 178,483.36 | - | 178,483.36 |
| Trade and other accounts receivable | - | - | 71,476,728.06 | 71,476,728.06 |
| Short-term loan to subsidiaries | - | 2,400,000.00 | - | 2,400,000.00 |
| Restricted deposits of financial institutions | - | 907,856.00 | - | 907,856.00 |
| Investment in associate | - | - | 4,839,729.18 | 4,839,729.18 |
| Investment in subsidiaries | - | - | 5,149,700.00 | 5,149,700.00 |
| Long-term loan to employees | - | 305,000.00 | - | 305,000.00 |
| <u>Financial Liabilities</u> | | | | |
| Trade and other accounts payable | - | - | 57,907,309.89 | 57,907,309.89 |

29.3 Credit risk

The Company and its subsidiaries are exposed to credit risk primarily relating to trade accounts receivable. The management of the Company and its subsidiaries manage this risk by establishing appropriate credit control policies and procedures. Therefore, it does not expect to incur material losses from debt collection more than the amount already provided in the allowance for doubtful accounts.

29.4 Foreign currency risk

The Company has foreign currency exchange rate risk because the Company has transaction of purchases which were denominated in foreign currencies. However, the Company believe that the fluctuating exchange rate in the future will not significantly affect the operating performance and cash flows of the company. The Company did not use other derivative to hedge against such risk.

29.5 Liquidity risk

The Company and its subsidiaries manages its liquidity risk by maintaining adequate level of cash and cash equivalents to support the Company's and its subsidiaries's operations as well as securing short-term credit facilities from financial institutions for reserve as necessary and to reduce the impact of fluctuations in cash flow.

29.6 Fair value

The carrying amount of financial assets and financial liabilities as presented in the statement of financial position are mostly bear floating interest rates or fixed interest rates which are close to market rate. The management believes that the fair value of those financial assets and financial liabilities does not materially differ from their carrying amount.

30. COMMITMENTS

30.1 Commitment on operating lease and services agreements

As at December 31, 2019 and 2018, the Company and its subsidiaries had commitments on operating lease and service agreements which have minimum future rental payments under the lease and service agreements as follow:

| | Baht | | | |
|-----------------------------------|-----------------------------------|---------------------|-------------------------------|---------------------|
| | Consolidated financial statements | | Separate financial statements | |
| | 2019 | 2018 | 2019 | 2018 |
| Within 1 year | 6,098,013.06 | 4,586,347.60 | 5,114,013.06 | 3,379,097.60 |
| Over 1 year but less than 5 years | 2,551,947.60 | 4,123,000.00 | 2,432,947.60 | 3,800,000.00 |
| Total | <u>8,649,960.66</u> | <u>8,709,347.60</u> | <u>7,546,960.66</u> | <u>7,179,097.60</u> |

30.2 Commitment on purchase of goods and service agreements

As at December 31, 2019, the Company and its subsidiaries had commitments on purchase of goods and service agreements in the amount of Baht 24.79 million (for the Company: Baht 16.78 million).

30.3 Obligations related to capital expenditures

On November 20, 2019, the Company entered into an agreement to prepare software system for data collection in accounting systems and data for management purposes with a company. The project value under agreement amounted of Baht 1.85 million (excluding VAT). As at December 31, 2019, the Company has not made the payment and the outstanding obligations under agreement amounting to Baht 1.85 million. Such project is expected to be completed in 2020.

30.4 Commitment on distribution agreements

As at December 31, 2019, the Company and its subsidiary have commitment under the distributor with a local company. Such distributor agreement is effective from September 1, 2018 ending August 31, 2023. The Company and its subsidiary have commitment to pay service fees for distribution to such company at a percentage of sale as specified in the agreement.

31. CONTINGENT LIABILITIES

As at December 31, 2019 and 2018, the Company and its subsidiaries had contingent liabilities from letter of guarantee issued by several commercial banks to guarantee of product selling and other amounting to Baht 1.31million and Baht 1.31 million (for the Company: Baht 0.91 million and Baht 0.91 million), respectively. This is guaranteed by the fixed deposit of such bank in the amount of Baht 1.31 million and Baht 1.31 million (for the Company: Baht 0.91million and Baht 0.91 million), respectively.

32. RECLASSIFICATION

In presenting the financial statement for the year ended December 31, 2019, the Company and its subsidiaries have presented the discount transactions arising from selling service fee that the Company and its subsidiary have to pay the distributor upon selling goods to the retail customer via the distributor as a selling expense as previously shown net with sales revenue. Therefore, certain accounting transactions in the financial statements have been reclassified to be consistent with the current year's classification with no effect on profit or shareholders' equity. Reclassification includes the following:

| | Baht | | |
|--|-----------------------------------|-------------------------------------|-----------------|
| | Consolidated financial statements | | |
| | As previously reported | Reclassified increase (decrease) | As reclassified |
| <u>Statements of financial position as at December 31, 2018</u> | | | |
| Trade and other accounts receivable | 84,138,136.70 | 3,316,608.73 | 87,454,745.43 |
| Trade and other accounts payable | 64,477,386.12 | 3,316,608.73 | 67,793,994.85 |
| <u>Statements of comprehensive income</u> <u>for the year ended December 31, 2018</u> | | | |
| Revenue from sales | 313,643,122.98 | 3,189,349.74 | 316,832,472.72 |
| Selling expenses | 98,136,113.21 | 3,189,349.74 | 101,325,462.95 |
| <u>Statements of cash flows</u> <u>for the year ended December 31, 2018</u> | | | |
| (Increase) decrease in operating assets | | | |
| Trade and other accounts receivable | (46,906,822.75) | (3,316,608.73) | (50,223,431.48) |
| Increase (decrease) in operating liabilities | | | |
| Trade and other accounts payable | 49,018,991.94 | 3,316,608.73 | 52,335,600.67 |
| | Baht | | |
| | Separate financial statements | | |
| | As previously reported | Reclassified increase (decrease) | As reclassified |
| <u>Statements of financial position as at December 31, 2018</u> | | | |
| Trade and other accounts receivable | 69,195,519.54 | 2,281,208.52 | 71,476,728.06 |
| Trade and other accounts payable | 55,626,101.37 | 2,281,208.52 | 57,907,309.89 |
| <u>Statements of comprehensive income</u> <u>for the year ended December 31, 2018</u> | | | |
| Revenue from sales | 271,094,496.28 | 2,165,575.38 | 273,260,071.66 |
| Selling expenses | 76,357,416.44 | 2,165,575.38 | 78,522,991.82 |
| <u>Statements of cash flows</u> <u>for the year ended December 31, 2018</u> | | | |
| (Increase) decrease in operating assets | | | |
| Trade and other accounts receivable | (35,006,189.42) | (2,281,208.52) | (37,287,397.94) |
| Increase (decrease) in operating liabilities | | | |
| Trade and other accounts payable | 43,639,999.09 | 2,281,208.52 | 45,921,207.61 |

33. EVENT AFTER THE REPORTING PERIOD

According to the minutes of the Board of Directors' Meeting held on February 21, 2020, it had the resolution to pay the dividend from the net profit for the year 2019 after deducting legal reserve to the shareholders at Baht 0.185 per share totaling Baht 38.11 million and to appropriate the profit as legal reserve for Baht 2.10 million. The Company sets the name list of shareholders who are entitled to receive the dividend as appeared on the shareholders' registration book as at April 3, 2020 and is scheduled to pay the dividend within 30 days from the resolution of the Annual General Shareholders' Meeting.

34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on February 21, 2020.