



(Translation)

Ref. STARK002/2019

14 August 2562

Subject: Management Discussion and Analysis Quarter 2 Ending 30 June 2019 (Additional)

Attention: The President

The Stock Exchange of Thailand

I. History

According to STARK Corporation Public Company Limited (Originally named Siam Inter Multimedia Public Company Limited has a resolution of the Extraordinary General Meeting of Shareholders' No.1/2019, convened on 11 April 2019 that have approved the business restructuring plan to support the acquisition and acceptance which the Company proceed as follows:

- (1) Restructuring the Company to be a Holding Company by established SMM Plus Ltd. (Subsidiary 99%) to receive the transfer of media and publishing business which will be sold such subsidiary to The Best Book Co., Ltd. due to the Company has to policy to continue publishing business.
- (2) Acquisition and acceptance of the entire business transfer of Team A Holding 2 Co., Ltd. and including the subsidiary Phelps Dodge International (Thailand) Limited ("PDITL") which operates production and distribution of copper and aluminum wires. SMM shall issue new ordinary shares at the amount of 21,500,000,000 shares to the Shareholders' of TAH2 namely Mr. Vonnarat Tangkaravakoon and Stark Investment Corporation Limited (Mr. Vonnarat's Legal entity Clause 258) at Baht 0.60 per share Total value of Baht 12,900,000,000.
- (3) SMM issues new ordinary shares of 666,666,666 shares to Mr. Rewin Petaibunlue at Baht 0.60 per share total value of Baht 400,000,000 to be used to settle off debt to financial institutions.

On 9 July 2019, STARK Corporation Public Company Limited has proceeded according to the resolution of General Meeting of Shareholders' No.1/2019 considering (1) Acquisition and acceptance of the entire business transfer of Team A Holding 2 Co., Ltd. and the subsidiary. (2) Completion issues of new ordinary shares of 666,666,666 shares to Mr. Rewin Petaibunlue at Baht 0.60 per share.

Including on 15 August 2019, the Company has completed the process of the restructuring the Company to be a Holding Company by established SMM Plus Ltd. (Subsidiary 99%) to receive the transfer of media and publishing business which will be sold such subsidiary to The Best Book Co., Ltd.

The events as mentioned above is an incident that occurs later on 30 June 2019. As a result, the Company's financial statement of Q2/2019 did not include the operation of Phelps Dodge International (Thailand) Limited ("PDITL") and subsidiary but only show the operation of publishing business in Q2/2019 which such business currently disposed to The Best Book Co., Ltd. Therefore, The



Management and Analysis will be discussed on the Company's operation of media and publishing business (previous business) and production and distribution of copper and aluminum wires business (new business).

Whereas the Analysis will only be reviewed on production and distribution of copper and aluminum wires business in Phelps Dodge International (Thailand) Limited ("PDITL") because it is core business of the Company and excluded an analysis of Thai Copper Rod Co., Ltd. which did not has significant effect (less than 1 percent effect)

II. Management's Discussion and Analysis of Media and Publishing business (Previous business)

Details refer to the book number STARK001/2562 dated 14 August 2019 subject to clarification of the operating results in Q2/2019 and clarification of the change in operating results more than 20 percent in accordance with Disclosure information via the electronic media of The Stock Exchange of Thailand in ELCID system (Electronic Company Information Disclosure: ELCID)

1. Total revenue amount of 86.85 million baht, increase of 0.77% y-o-y from 2018 is mainly attributed from selling books accounted for 22.89 and Broadcast live and organize sports activities accounted for 8.19%
2. Cost of sales, cost of distribution, administrative and expense and financial costs totaling 160.57 million baht increase of 12.88% y-o-y from 2018:
 - Cost of sales increased by 21.51% mainly from accounting expense estimated cost of returned books amount of 10.73 million baht.
 - Cost of distribution and administrative expense decreased by 4.21% from the policy of controlling all cost of expenses.
 - Financial costs decreased by 14.56% due to the reduction of loan in accordance with the conditions.
3. Net loss of 75.24 million baht, increased by 53.47% y-o-y due to the total revenue did not meet the target. In addition, there is tax increase amount of 1.53 million baht.

III. Management's Discussion and Analysis of Phelps Dodge International (Thailand) Limited ("PDITL") production and distribution of copper and aluminum wires business (new business).

Operational result

Total revenue

	<i>3 months (Apr – Jun)</i>					<i>6 months (Jan – Jun)</i>				
	Q2/2561		Q2/2562		% Change in	6M/2561		6M/2562		% Change in
	MB	%	MB	%		MB	%	MB	%	
Sales income	2,335.5	97.6	2,657.7	97.9	13.8%	4,100.4	96.4	5,098.3	97.9	24.3%
Income from service	1.4	0.1	1.0	0.0	(27.8%)	2.1	0.1	4.3	0.1	97.9%
Others income	55.9	2.3	56.3	2.1	0.7%	151.8	3.6	105.4	2.0	(30.6%)
Total revenue	2,392.8	100.0	2,715.0	100.0	13.5%	4,254.4	100.0	5,208.0	100.0	22.4%

In Quarter 2, 2018 and 2019, Phelps Dodge International (Thailand) Limited (“PDITL”) generate total revenue of 2,392.8 million baht and 2,715.0 million baht respectively or accounted for growth of 13.5%. PDITL has 6 months (Jan-Jun) total revenue in 2018 and 2019 of 4,254.4 million baht and 5,208.0 million baht respectively or accounted for growth of 22.4%. The increase in revenue mainly from product sales in retail customers which is the result from policy of customer and distribution channel of expansion which have been starting from 2018.

Revenue can be divided into 3 main group as follows:

1. **Sales income** accounted for proportion of 96.4% to 97.9% of total revenue in 3 months (Apr-Jun) and 6 months (Jan-Jun). The main products are (1) electrical wire for transmission and distribution of electricity (such as Bare Wire, High Voltage Wire and Medium Voltage Wire) and (2) General electrical wire (such as Building Wire, Household Wire, Telephone Line and Cable, and Other Electrical Wire).
2. **Income from service** started from 2017 onwards, from providing mobile inspection of high voltage wire by receiving from service accounted for 0.1% of total revenue in 3 months (Apr-Jun) and 6 months (Jan-Jun).
3. **Others income** consist of gain from foreign exchange rates, interest income and other income from non-company core business operation accounted for 2.0% to 3.6% of total revenue in 3 months (Apr-Jun) and 6 months (Jan-Jun).

Cost of sales

In Quarter 2, 2018 and 2019, the Company has cost of sale equivalent to 2,021.8 million baht and 2,397.7 million baht respectively or calculated as cost of sales/sales revenue equivalent to 86.6% and 90.2% of sale revenue respectively. The cost of sales in first six months (Jan-Jun) in 2018 and 2019 equivalent to 3,535.0 million baht and 4,469.8 million baht respectively or calculated as cost of sales/sales revenue equivalent to 86.2% and 87.7% of sales revenue. In Quarter2, 2019 and first six months (Jan-Jun) ,2019, the Company has a higher cost of sales/sales revenue mainly because of a higher cost in Metal and Insulator.

Gross profit

In Quarter 2, 2018 and 2019, the Company has gross profit equivalent to 313.7 million baht and 260.0 million baht respectively or calculated as cost of sales / sales revenue equivalent to 13.4% and 9.8% of sales revenue respectively. The cost of sales in first six months (Jan-Jun) in 2018 and 2019 equivalent to 565.4 million baht and 628.5 million baht respectively or calculated as cost of sales/sales revenue equivalent to 13.8% and 12.3% of sales revenue. In Quarter2, 2019 and first six months (Jan-Jun), 2019, the Company has a higher gross profit / sales revenue mainly because of a higher cost in Metal and Insulator

Administrative and Selling expense

	<i>3 months (Apr – Jun)</i>					<i>6 months (Jan – Jun)</i>				
	Q2/2561		Q2/2562		% Change in	6M/2561		6M/2562		% Change in
	MB	%	MB	%		MB	%	MB	%	
Selling expense	52.0	2.2	68.7	2.6	32.1%	102.5	2.5	118.7	2.3	15.8%
Administrative expense	145.1	6.2	54.9	2.0	(62.2%)	222.1	5.4	106.1	2.1	(52.2%)
Total Administrative and Selling expense	197.1	8.4	123.6	4.6	(37.3%)	324.6	7.9	224.8	4.4	(30.8%)

In Quarter2, 2018 and 2019, The Company has Administrative and Selling expense equivalent to 197.1 million baht and 123.6 million baht respectively or (37.3%) growth rate. The cost of sales in first six months (Jan-Jun) in 2018 and 2019 equivalent to 324.6 million baht and 224.8 million baht respectively or (30.8%) growth rate. As a result of increasing the production efficiency and the work of the employees to focus on reducing unnecessary expenses according to the Company's policy of Lean Management by improving various steps in Supply Chain from the procurement of raw materials, bargaining power from gather ordering in each type of raw materials as well as reduction the Set-up time for changing in different product line production and reduction of production losses in term of time and raw materials etc. The important details are as follows:

1. **Selling expense** mainly consists of selling support expenses, logistic expenses and Sale staff expenses. In Quarter 2, 2018 and 2019, the Company has Selling expense equivalent to 52.0 million baht and 68.7 million baht respectively or calculated as 32.1% growth rate. The selling expense/total revenue equivalent to 2.2% and 2.6% of total revenue respectively. Selling expense in first six months (Jan-Jun) in 2018 and 2019 equivalent to 102.5 million baht and 118.7 million baht respectively or calculated as 15.8% growth rate. Selling expense / Total revenue equivalent to 2.5% and 2.3% respectively which the cost of selling expense are variable cost based on sale revenue.

2. **Administrative expense** mainly consists of employees' expense and utilities. In Quarter 2, 2018 and 2019, the Company has Administrative expense equivalent to 145.1 million baht and 54.9 million baht respectively or calculated as (62.2) growth rate. Administrative expense / total revenue equivalent to 6.2% and 2.0% of total revenue respectively. Administrative expense in first six months (Jan-Jun) in 2018 and 2019 equivalent to 222.1 million baht and 106.1 million baht respectively or calculated as (52.2)% growth rate. Administrative expense / total revenue equivalent to 5.4% and 2.1% of total revenue respectively.

Earnings before interest, tax, depreciation and amortization (EBITDA)

In Quarter 2, 2018 and 2019, the Company has EBITDA equivalent to 212.3 million baht and 189.3 million baht respectively or calculated as EBITDA / Total revenue of 7.9% and 7.8% of total revenue respectively. EBITDA in first six months (Jan-Jun) in 2018 and 2019 equivalent to 425.3 million baht and 549.8 million baht respectively or calculated as EBITDA / Total revenue equivalent to 10.0% and 10.6% of total revenue respectively.

Earnings before interest and tax (EBIT)

In Quarter 2, 2018 and 2019, the Company has EBIT equivalent to 172.8 million baht and 192.4 million baht respectively or calculated as EBITDA / Total revenue of 7.2% and 7.1% of total revenue respectively. EBIT in first six months (Jan-Jun) in 2018 and 2019 equivalent to 392.6 million baht and 511.0 million baht respectively or calculated as EBITDA / Total revenue equivalent to 9.2% and 9.8% of total revenue respectively.

Financial Costs

Financial costs of the Company consist of financial costs from short-term and long-term loans, finance lease agreements, finance purchasing of metal raw materials in accordance with the purchase contract with partners and interest charged at the agreed rate which is normal trade condition in industry partners.

In Quarter 2, 2018 and 2019, the Company has financial costs equivalent to 74.2 million baht and 110.8 million baht respectively or calculated as financial costs / Total revenue of 3.1% and 4.1% of total revenue respectively. Financial costs in first six months (Jan-Jun) in 2018 and 2019 equivalent to 144.8 million baht and 220.6 million baht respectively or calculated as financial costs / Total revenue equivalent to 3.4% and 4.2% of total revenue respectively which is mainly due to increased in sales. As a result, the Company increase more order of purchases material from partner than last year and it increased in finance cost from purchase material.

Net profit

In Quarter 2, 2018 and 2019, the Company has Net profit equivalent to 60.3 million baht and 64.0 million baht respectively or calculated as Net profit / Total revenue of 2.5% and 2.4% of total revenue respectively. Net profit in first six months (Jan-Jun) in 2018 and 2019 equivalent to 185.6 million baht and 225.9 million baht respectively or calculated as Net profit / Total revenue equivalent to 4.4% and 4.3% of total revenue respectively

Financial Position

Assets

In Quarter 1 and 2 year ended 2019, the Company has total assets equivalent to 11,293.6 million baht and 10,912.3 million baht respectively whereas mainly assets attributed from current assets. In Quarter 1 and 2 year ended 2019, current assets equivalent to 73.7% – 76.3% of total assets and non-current assets of 23.7% - 26.3% of total assets respectively.

Total Assets	31 March 2562 (Q1/2562)		30 June 2562 (Q2/2562)	
	MB	(%)	MB	(%)
Current assets	8,618.8	76.3	8,041.6	73.7
Non-Current assets	2,674.8	23.7	2,870.7	26.3
Total assets	11,293.6	100.0	10,912.3	100.0

1. Current assets

In Quarter 1 and 2 year ended 2019, the Company has current assets of 8,618.8 million baht and 8,041.6 million baht or calculated as 76.3% and 73.7% of total assets respectively. The Company has cash & equivalent to cash of 550.4 million baht and 1,493.9 million baht in Quarter 1 and 2 year ended 2019 respectively. Moreover, the Company has account receivable of 4,140.6 million baht and 2,509.4 million baht in Quarter 1 and 2 year ended 2019 respectively. Inventory equivalent to 3,831.0 million baht and 3,929.3 million baht mainly consists of materials, work in process and finish goods etc.

2. Non-current assets.

In Quarter 1 and 2 year ended 2019, The Company has Non-current assets of 2,674.9 million baht and 2,870.7 million baht or calculated as 23.7% and 26.3% of total assets respectively consists of Plant, Property and Equipment's equivalent to 1,352.7 million baht and 1,389.7 million baht in Quarter 1 and 2 year ended 2019 respectively consists mainly of Plant and Equipment's. Moreover, the Company has Loan-term loans to major shareholders of the Company amount of 1,221.3 million baht and 1,364.8 million baht in Quarter 1 and 2 year ended 2019 respectively.

Liabilities

In Quarter 1 and 2 year ended 2019, the Company has total liabilities equivalent to 10,428.0 million baht and 9,982.7 million baht respectively whereas mainly current liabilities attributed from current liabilities. In Quarter 1 and 2 year ended 2019, current liabilities equivalent to 77.3% – 78.6% of total assets and non-current liabilities of 21.4% - 22.7% of total assets respectively.

Total liabilities	31 March 2562 (Q1/2562)		30 June 2562 (Q2/2562)	
	MB	(%)	MB	(%)
Current liabilities	8,061.0	77.3	7,843.1	78.6
Non- Current liabilities	2,367.0	22.7	2,139.6	21.4
Total liabilities	10,428.0	100.0	9,982.7	100.0

1. Current liabilities

In Quarter 1 and 2 year ended 2019, the Company has current liabilities of 8,061.0 million baht and 7,843.1 million baht or calculated as 77.33% and 78.6% of total liabilities respectively. The Company Account payable of 6,464.7 million baht and 5,859.3 million baht in Quarter 1 and 2 year ended 2019 respectively. Moreover, the Company has short-term loans with financial institution and others equivalent to 650.0 million baht and 1,010.0 million baht in Quarter 1 and 2 year ended 2019 respectively.

2. Non-current liabilities

In Quarter 1 and 2 year ended 2019, the Company has non-current liabilities of 2,367.0 million baht and 2,139.6 million baht or calculated as 22.7% and 21.4% of total liabilities respectively which mainly consist of long-term loan from financial institution amount of 2,007.7 million baht and 1,896.3 million baht respectively.

Shareholders' Equity

In Quarter 1 and 2 year ended 2019, The Company has Shareholders/ Equity of 865.6 million baht and 929.6 million baht respectively which mainly from net profit from normal operation.

Liquidity

In Quarter 1 and 2 year ended 2019, Current ratio is equivalent to 1.1 times and 1.0 times

	6 months (Jan – Jun)		
	6M/2561	6M/2562	Change
	MB	MB	
Cash flow from operating activities	(148.4)	1,344.2	1,492.6
Cash flow from investment activities	(188.0)	(321.2)	(133.2)
Cash flow from financial activities	404.0	(26.7)	(430.7)
Net increase in cash and cash equivalent	67.6	996.3	928.7



Cash flow from operating activities at the amount of 1,344.2 million baht for the use of first six months of year 2019 increased 1,492.6 million baht from same period of last year mainly due to profit from operation including the transaction of non-cash back items such as depreciation & amortization. Assets and liabilities have change in operation especially decrease in collection of debt period.

In the first six months of 2019, cash amount of 329.0 million baht used to pay off to major shareholders and investment in plant for support business expansion in future.

Moreover, the Company receive short-term loan from financial institution 360.0 million baht and used to pay off the long-term borrowing from financial institution in the amount of 238.1 million baht in first six months of 2019.

In conclusion, from cash flow mentioned above net cash & cash equivalent increase (decrease) equivalent to 67.6 million baht and 996.3 million baht in the first six months of 2018 and 2019 respectively.

IV. Impact on operation in Q3/2019

Due to the completion of various restructuring in August 2019, the results of operation in Q3/2019 will be focused mainly on core business which is production and distribution of copper and aluminum wires and the result of operation from media and publishing will be discontinued in the future (Stop operations from 15 August 2019)

Please be informed accordingly.

Sincerely yours,

(Mr. Sathar Chantrasettaled)

Director