



H.T. SET.30.2016

Date: November 10th, 2016

To: Managing Director
The Stock Exchange of Thailand

Re: Management Discussion & Analysis for Q3-Y2016 of Singer Thailand Group

For the third quarter in Y2016 the Group had a profit of Baht 5.1 Million that was lower than a profit of Baht 10.6 Million for Q3-Y2015 by 51.4%. As a result, the Group's Earning per Share (EPS) was Baht 0.02 compared to Baht 0.04 per Share for Q3-Y2015.

During the third quarter of 2016, the major highlights were:-

- Total revenue was decreased by 30.40% came from product sale netting with the consignment of mobile phone sale and interest from hire purchase contracts decreased by 41.0% and 21.5% respectively; whereas, other income still increased with net margin from consignment agreement, higher rebate from air time business and additional application and late fee from new hire purchase contracts. All main products sales were lower than the same period of last year except petrol vending machine, sewing machines, and air cooler mainly due to the impact of slow economic recovery in domestic demand, lower public spending, weak exports, lower price of agriculture products and higher household debts including with the impact from the improved measurement in the main operation of both all the credit applications that have to get the approval from Center Credit Officers (CCO), and collection that was changed from having salesman to collect the instalment amount at customers' houses to having customers to pay directly to the Company's accounts via the convenient payment channels of banks, post office, counter service and smart phone.
- The % product gross margin was lower than the prior year mainly due to the impact of higher sales of reverted and slow movement products with lower margin and price reduction of some products like television and air conditioner to compete with the market price. Lower GM of sewing machine came from higher sale of SG Capital for non-Singer brand in view of interest received only.
- A decrease of gross hire-purchase contract receivables from the end of December 2015 by Baht 209.8 Million was due to lower new hire-purchase contract receivables be opened than existing hire purchase contract receivables be closed..
- The operating cash flow for Q3-Y2016 was equal to Baht 94.9Million caused by lower hire-purchase sales and lower inventories purchasing.
- At the end of September 2016, long-term loans had been decreased from Baht 778.2 Million to Baht 683.2 Million, and short-term loans including bank overdrafts also had been decreased from Baht 245.3 Million to Baht 12.7 Million.

- At the end of September 2016, the percentage of paying accounts which is measuring how many accounts are paying from the total portfolio was equal to 66.9% due to the impact of collection process improvement to customers' direct payment to the company's account.
- Compared with the end of Y-2015, the absolute arrear value was increased by 71.19% caused by the impact of higher debts in the rural, drought situation and temporary impact from the on-going implementation of collection from using salesforce to collect the payment at the customers' houses to have customers pay directly to the company via banks, post office, Tesco Lotus and Counter services.
- At the end of September 2016, interest bearing debt ratio was at 0.44 time, and D/E was equal to 0.94 time compared with the end of December 2015 which equal to 0.65 time and 1.12 time respectively.
- In the product mix, the proportion of home appliances sales, commercial product sales and mobile sales for nine months were 47%, 37% and 16% respectively due to the Group's policy to be stricter with credit criteria, particularly for high value commercial products, until the economy has been improved.

Regarding to the remaining subsidized project of **the Government's Civil State Approach** to the rural area, the Group take this opportunity to boost sale of the petrol vending machine, the product with the guarantee meet the standard and regulations approved by the Department of Energy Business, into all the districts listed in the project for helping people to generate more income.

The future strategy of Singer Thailand Group is to continue to dominate the appliance hire purchase business in the rural areas of Thailand. The Group has been in this market for over 100 years.

The Group keeps exploring more business opportunities through SG Capital Company by offering hire-purchase of multi-branded products through dealers.

The Group keeps developing on the power of synergy to share all the potential resources with Jaymart Group to achieve the business growth together.

The Group keeps expanding the repair and maintenance revenue by offering this service to non-Singer branded appliances for the home and commercial customers in a view of building the Singer name in the service business through SG Service Plus Company.

The Group keeps upgrading 20,000 existing airtime vending machines to new server system in order to generate more income from selling airtime.

In order to launch the Non-Life Insurance business in this year, SG Broker Company, one subsidiary company of Singer Thailand Group applied the license of Non-Life Insurance Broker License with the Office of Insurance Commission and got it already since June 15th, 2016.

The Group reclassified the presentation of discount for closing hire-purchase contract in the Consolidated Financial Statements from Net sales to Selling Expense after having reconsidered that it was not trade discount.

In order to reflect the actual margin of inventory revert sale after having studied for a certain time, the Group changed the policy of cost inventory revert from 50% to 75% of balance of each revert inventory in this quarter.

In order to have more direct payment from customers with penalty and administrative charge for both old and new hire-purchase contracts in view of the cost saving for total collecting cost and the reduction of the employee's fraud, the Group had the internal auditors to audit total assets and hire-purchase accounts of all the shops.

To ensure that the new accounts created from new sales revenue remains good quality accounts, if there is any suspicious incident happened, it will be detected promptly. Strict credit controls and monitoring of red delinquent accounts in each product category have been put in place and closely monitored.

To prevent, detect and prompt recovery of fraud cases, the Group maintains on the following measures:-

- Whistle-blower Policy, which provides all personnel, especially those in the field, specific contact information for anonymous reporting of fraud cases or any suspicious activities as well as protection from harassment.
- Early Warning Report, which summarizes relevant indicators of fraud cases and ranks the shops according to the level of exposure.
- The enforcement of the **Zero Tolerance Policies**
- Closer coordination and involvement of the Legal Department and field supervision in the recovery process.
- Enter in the **Fidelity Insurance policy** to recover any loss caused by employee fraud.
- Set up the Sub Anti-Corruption Committee to investigate fraud or any suspicious activities and propose the Anti-Corruption Committee to judge it with the penalties.
- Engage the outsourcing company to support the debt collection.

At the Annual General Meeting of the Shareholders of the Group held on 28 April 2016, the shareholders approved the appropriation of dividend of Baht 0.30 per share, amounting to Baht 81.0 million. This dividend had been paid to shareholders on 27 May 2016.

Comments to Key Financial Numbers:

Statements of comprehensive income

The operating performance for Q3-Y2016 is indicating that the Group has generated net profit of Baht 5.1 Million compared to net profit of Baht 10.6 Million for Q3-Y2015.

The revenue for Q3-Y2016 decreased from Baht 796.7 Million for Q3-Y2015 to Baht 554.5 Million or a decrease by 30.4% mainly due to a decrease of main product sales after netting sales of mobile phone amounting Baht 214 Million from consignment agreement with Jay Mart by 41.0% and a decrease of interest income from hire-purchase contract by 21.5%; whereas, other revenue from rendering of services / from three air time providers and other income increased by Baht 85.6 Million.

Inventory reserve as of September 2016 equaling Baht 31.3 Million was higher than the reserve at end of December 2015 at Baht 25.9 Million due to lower product sales and higher reverted products.

In summary, the net profit for Q3-Y2016 was Baht 5.1 million compared to a net profit of Baht 10.6 million for the same period of prior year. The unfavorable difference amounting Baht 5.5 Million can be analyzed as follows:

	Million Baht
i. A decrease of products sale	-234.9
ii. A decrease of interest from installment	-39.9
iii. Margin from consignment and air time business	26.7
iv. An increase of other income	5.9
v. A decrease of cost of sale of goods	127.1
vi. A decrease of selling expenses	136.9
vii. An increase of administrative expenses	-36.6
viii. A decrease of financial expenses	4.5
ix. A decrease of income tax expenses	4.8
	-5.5
	-5.5

Statements of financial position

Net hire-purchase contract receivables decreased from Baht 1,950.5 Million at the end of December 2015 to Baht 1,788.3 Million at the end of September 2016 or decreased by 8.3% due to lower new hire-purchase sale and an increase of hire-purchase contract closed by reverting. At the end of September 2016, the number of hire-purchase contract receivables was 159,229 compared to 159,813 at the end of December 2015 or decreased by 584 accounts due to lower number of new hire-purchase contract of home appliances with lower value opened and lower new commercial hire-purchase contracts with high value opened.

Net inventory at the end of September 2016 increased from Baht 319.5 Million at the end of December 2015 to Baht 345.4 Million.

Trade account payable at the end of September 2016 increased from Baht 167.7 million at the end of December 2015 to Baht 226.5 Million, due to higher order of mobile phone.

Interest bearing debt was decreased from Baht 1,023.5 Million to Baht 695.9 Million or decreased by Baht 327.6 Million due to a decrease of short term loan including bank overdraft and long term due within one year by Baht 232.6 Million Baht, and long term loan decreased by Baht 95.1 Million.

At the end of September Y2016, the Group decreased the number of branches from 209 branches in December 2015 to 176 branches with the number of efficient sales agents equaling to 2,270 people and a plan to build **new sale network (SN)** up to 4,478 people in order to serve the growth of the Company Group.

As such, given the current economic environment and the ongoing political situation with its resultant negative impact of slow recovery in domestic demand, lower public spending, weak exports, lower price of agriculture products and higher household debts especially in the rural area, the Group has implemented various measures to have more strictly credit control through credit approval, to focus the long overdue hire-purchase contracts closely, to prevent, detect and hasten recovery of defalcations, to extend the hire-purchase term for relaxing the customers' burden to pay their monthly hire-purchase amount, to reduce overall costs and expenses, and continuing effective costs management and controls. Additionally, the Group will continue to explore plans to increase revenues – such as, focusing more on developing the existing products, launching new products in order to serve the customer's needs, expanding its revenue from air time business.

Kindly be informed,

Yours truly,

Nonglak Laksanapokin
(Chief Executive Officer)