



บริษัท เจเคเอ็น โกลบอล มีเดีย จำกัด (มหาชน)
 JKN GLOBAL MEDIA PUBLIC COMPANY LIMITED
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-Translation -

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February 23, 2018

Subject Management's Discussion and Analysis for the year ended December 31, 2017
 To The President
 The Stock Exchange of Thailand

Management's Discussion and Analysis
For the Year Ended December 31, 2017

Operating Performance

Revenues

Revenue Structure by Business Operations

| Type of Revenue | Consolidated Financial Statements For the year ended December 31 | | | | | |
|---------------------------------------|---|---------------|-----------------|---------------|---------------|--------------|
| | 2016 | | 2017 | | Changes | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenue from program rights | 723.90 | 85.53 | 1,070.71 | 92.66 | 346.81 | 47.91 |
| Service income | 79.23 | 9.36 | 64.41 | 5.57 | (14.42) | (18.71) |
| Sales income | 38.56 | 4.56 | 18.64 | 1.61 | -19.92 | (51.67) |
| Revenue from sales and service | 841.69 | 99.45 | 1,153.76 | 99.84 | 312.07 | 37.08 |
| Other income | 4.68 | 0.55 | 1.82 | 0.16 | -2.86 | (61.11) |
| Total Revenue | 846.37 | 100.00 | 1,155.58 | 100.00 | 309.21 | 36.53 |

1. Revenue from Program Rights

For the year 2017, The Company and its subsidiaries earned revenue from program rights totaled THB 1,071.71 million, an increase of THB 346.81 million or 47.91% from 2016, resulting from increased sales to clients, including digital TV station operators and cable and satellite TV station operators. Furthermore, revenue from program rights in 2017 increased from sales of rights for broadcasting via video-on-demand from both video-on-demand operators and TV station operators.

2. Service Income

For the year 2017, Service income slightly decreased from 2016, a decrease of THB 14.42 million or 18.71%. This was due to the continued effects from the situation during the end of year 2016 (from November 19, 2016 to January 21, 2017) and during October 2017. As a result, the majority of clients delaying their purchases of TV advertising slots, including JKN Dramax channel. Additionally, in 2017, the Company increased its advertising slot sales by a smaller amount compared to the previous year.

3. Sales Income

For the year 2017, the Company and its subsidiaries had sales in total of THB 18.64 million, a decrease of THB 19.92 million compared to the year 2016. This is due to the Company having more sales projects in 2016 compared to 2017.

4. Other Income

Other income of the Company and its subsidiaries consists of interest income, gain on asset sales, and gain on exchange rate. For the year 2017, other incomes totaled THB 1.82, a decrease of THB 2.86 million from 2016. This was due to a decrease in gain on exchange rate in 2017 compared to 2016.

Costs and Gross Profit

| ประเภทรายได้ | Consolidated Financial Statements | | | | | |
|--|-----------------------------------|--------|--------------|--------|--------------|---------|
| | For the year ended 31 December | | | | | |
| | 2016 | | 2017 | | Changes | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| 1. Program right business | | | | | | |
| <i>Revenue from program rights</i> | 723.90 | 100.00 | 1,070.71 | 100.00 | 346.81 | 47.91 |
| <i>Cost of program rights</i> | 387.05 | 53.47 | 637.38 | 60.06 | 250.33 | 64.68 |
| <i>Program rights business gross profit</i> | 336.85 | 46.53 | 433.33 | 40.47 | 96.48 | 28.64 |
| 2. Advertising service business | | | | | | |
| <i>Service income</i> | 79.23 | 100.00 | 64.41 | 100.00 | (14.82) | (18.71) |
| <i>Cost of services</i> | 40.89 | 51.61 | 22.65 | 30.67 | (18.24) | (44.61) |
| <i>Advertising service business gross profit</i> | 38.34 | 48.39 | 41.76 | 69.33 | 3.42 | 8.92 |
| 3. Product sales business | | | | | | |
| <i>Sales income</i> | 38.56 | 100.00 | 18.64 | 100.00 | (19.92) | (51.67) |
| <i>Cost of goods sold</i> | 18.91 | 49.04 | 5.58 | 29.94 | (13.33) | (70.49) |
| <i>Product sale business gross profit</i> | 19.65 | 50.96 | 13.06 | 70.06 | (6.59) | (33.55) |

1. Program Rights Business

Costs of program rights business consist mainly of amortization, dubbing and translation costs. For 2016 and 2017, costs of program rights business totaled THB 387.05 million and THB 637.38 million, respectively. The increase in costs resulted from increased amount of rights held by the Company and its subsidiaries.

The Company and its subsidiaries earned gross profits from program rights business for 2016 and 2017 in total of THB 336.85 million and THB 433.33 million, respectively. The increase in gross profit is consistent with the increase in the growth of revenue from expansion of business. Due to the fact that the main cost of program rights business is amortization, which is calculated on a straight-line basis regardless of the revenue from program rights, which depends on the clients and marketing strategies at the time, resulting in higher amortization costs due to higher purchases and investment in program rights. In 2016 and 2017, the

Company has significantly increased its purchase in program rights resulting in the significant increase of amortization costs of THB 388.85 million and THB 616.24 million, respectively and consequently, the gross margin of the business has decreased accordingly. In 2016 and 2017, the gross margin of the licensing business was 46.53% and 40.47% respectively.

2. Advertising Service Business

Costs of advertising service business mainly consist of cost of leasing advertising slots and fees for satellite TV use. In 2016 and 2017, costs of advertising service business totaled THB 40.89 million and THB 22.65 million, respectively. The gross profit of the advertising service business in 2016 and 2017 were THB 38.34 million and THB 41.76 million, respectively. The gross profit margins of the advertising service business in 2016 and 2017 were 48.39% and 64.83%, respectively

The increase in gross profit in 2017 was due to the higher cost of advertising in 2016 as a result of the Company's subsidiary was in process to obtain a satellite TV operator permit, resulting in higher cost of leasing advertising slot from the related company in 2016. However, the Company's subsidiary already acquired a satellite TV operator permit in 2017 and therefore the gross profit is increasing in 2017.

3. Product Sales Business

Costs of sales consist of costs of manufacturing contracting, as the Company contracts third-party manufacturers to produce the goods for the Company. In 2016 and 2017, the costs of sales total THB 18.91 million and THB 5.58 million, respectively. In 2017, the Company had fewer sales projects compared to 2016.

For the year 2016 and 2017, the gross profits of the product sales business were THB 19.65 million and THB 13.06 million, respectively, and the gross profit margins were 50.96% and 70.06%, respectively.

Expenses

Selling and Service Expenses

| Type of selling and service expenses | Consolidated Financial Statements | | | | | |
|---|-----------------------------------|---------------|--------------|---------------|--------------|--------------|
| | For the year ended 31 December | | | | | |
| | 2016 | | 2017 | | Changes | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Event expenses | 10.63 | 68.45 | 15.15 | 47.15 | 4.52 | 29.83 |
| Advertising and public relation expenses | 4.36 | 28.07 | 16.08 | 50.05 | 11.72 | 72.89 |
| Others | 0.54 | 3.48 | 0.90 | 2.80 | 0.36 | 40.07 |
| <i>Total selling and service expenses</i> | <i>15.53</i> | <i>100.00</i> | <i>32.13</i> | <i>100.00</i> | <i>16.60</i> | <i>51.67</i> |

For the year 2017, selling expenses totaled THB 32.13 million, an increase of THB 16.60 million from 2016, due to the higher expenses from organizing events, advertising and public relation to promote Indian series, Philippines series, and other series. Even though the Company had significant increase in such expenses, however, such promotions resulted is an increase in the number of customers such as Digital TV customer and increased in revenue form program right comparing to 2016.

Administrative Expenses

| Type of administrative expense | Consolidated Financial Statements | | | | | |
|---|-----------------------------------|---------------|---------------|---------------|--------------|--------------|
| | For the year ended 31 December | | | | | |
| | 2016 | | 2017 | | Changes | |
| | Million Baht | % | Million Baht | % | Million Baht | % |
| Employee and executive expense | 35.33 | 37.02 | 67.31 | 51.14 | 31.98 | 47.51 |
| Advisor expense | 9.68 | 10.14 | 11.21 | 8.52 | 1.53 | 13.67 |
| Tax and penalties | 29.32 | 30.72 | 22.19 | 16.86 | (7.13) | (32.12) |
| Reserve for doubtful debts ¹ | 1.62 | 1.70 | (0.31) | (0.24) | (1.93) | (615.13) |
| Others | 19.49 | 20.42 | 32.03 | 24.18 | 12.54 | 39.15 |
| Total administrative expense | 95.44 | 100.00 | 132.43 | 100.00 | 36.99 | 27.93 |

Note: ¹ In 2017, the Company was able to collect long-outstanding account receivables, resulting in reversal in reserves for doubtful debt for the year 2017 of THB (0.31) million

Administrative expense in the year 2017 was THB 131.61 million, an increase from the same period of 2016 of THB 36.17 million, or 27.48%, resulting from the increases of 1) employee and executive expense from hiring of additional employees to support the growth of business, 2) Other expenses which consist of depreciation of fixed assets, leasing of office building and, overseas travelling expenses. The increase came from overseas traveling for content purchasing purposes and depreciation of equipment and vehicles. The decrease came from 1) tax and penalties expense due to the Company fully settled in June 2017.

Finance Expense

In 2017, the Company had finance expense in total of THB 85.09 million, an increase over the same period in 2016 of THB 10.54 million, or 14.14%, due to expenses from the issuance of THB 400.00 million of bonds in July 2016 and the issuance of THB 210.00 million in June 2017, as well as increased usage of overdraft and short-term borrowing from financial institutions.

Net Profit and Net Margin

For the year 2017, net profits totaled THB 187.67 million, an increase of THB 23.58 million or 14.37% from 2016. The increase of net profits in 2017 was due to significant increase in revenue compared to the year 2016. However, from the increase in rights and services costs, as well as increased expenses, the net margin for the year 2017 slightly decreased compared to year 2016, with margins of 19.38% and 16.24% for 2016 and 2017, respectively.

Financial Position

Assets

Total assets as at 31st December 2016 and 2017 were THB 1,695.69 million and THB 3,138.54 million, respectively. Assets consist mainly of content rights, which are recorded as an intangible asset in the

Company group's consolidated financial statement. At ends of 2016 and 2017, such intangible asset was recorded at THB 1,023.02 million and THB 1,184.27 million, respectively, or 60.33% and 37.73% of total assets at ends of 2016 and 2017, respectively. The increase in total assets mainly came from an increase in cash and cash equivalents of THB 882.24 million, resulting from additional paid up share capital and an increase in accounts receivable of THB 440 million, resulting from increase in revenue. Furthermore, the company continues its acquisition of new content rights in order to support the growth of the business in 2017, whereby the company increase its acquisition of new content rights of THB 777.50 million.

Liabilities


Total liabilities as at 31st December 2016 and 2017 were THB 1,147.19 million and THB 1,312.16 million, respectively. Total liability as of 31st December 2017 increased from end of 2016 due to the Company using increased overdraft and short-term borrowing from financial institutions for use as working capital, as well as having pre-paid payments from sales and services of contents to clients.

Shareholders' Equity

Total shareholders' equities as at 31st December 2016 and 2017 were THB 548.50 million and THB 1826.38 million, respectively. The increase in shareholders' equity was due to operating performance of the business groups, which has yielded continuing profits, leading to the Company group having increased retained earnings in 2016 and 2017. Retained profits as at 31st December 2016 and 2017 were THB 354.60 million and THB 547.70 million, respectively. In addition, the Company issued additional ordinary shares of 140 million shares and had share premium of THB 1,022.48 million.

Please be informed accordingly,

Yours Sincerely,



(Mr. Jakkaphong Jakrajutapip)
CEO

Authorized to sign on behalf of the company