



26 July 2018

At: ACC/HO 021/18

Re: Management Discussion and Analysis
for the three-month period and six-month ended 30 June 2018

To: President
The Stock Exchange of Thailand

The Thai economy continued to gradually expand in the second quarter, driven primarily by the export and tourism sectors, as well as an increase in the price of rice after a prolonged period of stagnation. However, these factors have not yet been fully reflected in household purchasing power due to high levels of household debt. Consequently, the increase in household income is being partly used to repay debt, and so will not result in an increase in consumption to the same extent.

Store expansion in the second quarter was in line with plan. The company opened two new stores: one HomePro S store at BigC Bangna in May, and one regular HomePro store at Kalapapruek in June. As of June 30, 2018, the company operated 82 HomePro stores, 5 HomePro S format, 12 Mega Home stores and 6 HomePro stores in Malaysia.

The performance in the second quarter shows total revenue of 16,464.72 million Baht, whilst net profit stood at 1,312.56 million Baht; this represents growth of 4.38% and 16.03% respectively compared to the same period of last year. The increase was mainly driven by positive same store sales growth (SSSG). In addition, the gross profit margin grew consistently, due to more efficient management of the product mix at HomePro, Mega Home and HomePro in Malaysia.

Moreover, the Company organized various marketing activities throughout the period with the aim of stimulating consumer spending. Activities included the sales promotion of audio and visual merchandise to meet customer demand during the FIFA World Cup 2018. Likewise, the Company rolled out activities to promote the sale of electrical appliances and cooling merchandise. High sales volumes were recorded for these 2 categories during the summer. These marketing activities were organized to encourage consumers to make a positive purchase decision. Furthermore, the Company also hosted HomePro fairs in Chiang Mai and Khon Kaen, where results were satisfactory.

Sales performance from our subsidiaries including Mega Home and HomePro in Malaysia has improved. In order to achieve our goals, the Company has focused on enhancing efficiency by improving inventory management, and by becoming more Customer-centric. In the remaining second half of 2018, the Company will focus solely on expanding the HomePro S business, particularly in Greater Bangkok, where purchasing power is expected to remain strongest.

The financial results of the Company and its subsidiaries for the three-month ended 31 June 2018 which has been reviewed by auditor as follows:

Table 1: Financial Summary for the three-month of year 2018 and 2017

Unit: Million Baht

	Q2'2018	Q2'2017	Increase (Decrease)	% Change
Sales income	15,444.64	14,802.27	642.37	4.34%
Rental and service income	444.81	417.12	27.69	6.64%
Other income	575.27	554.09	21.19	3.82%
Total revenues	16,464.72	15,773.47	691.25	4.38%
Cost of sales	11,275.59	10,954.58	321.01	2.93%
Gross profit	4,169.05	3,847.69	321.36	8.35%
Selling and administrative expenses	3,474.25	3,313.56	160.69	4.85%
Profit before finance cost and income tax expenses	1,714.88	1,505.33	209.55	13.92%
Finance cost	98.21	124.48	(26.26)	(21.10%)
Income tax expenses	304.11	249.66	54.45	21.81%
Profit for the period	1,312.56	1,131.20	181.36	16.03%

The Company's net profit for the second quarter of year 2018 was Baht 1,312.56 million representing an increase of Baht 181.36 million or up by 16.03% over the same period last year. The main reasons are as follows:

- Total revenues were Baht 16,464.72 million, an increase of Baht 691.25 million or up by 4.38%, comprising of the following:
 - Sales income was Baht 15,444.64 million, an increase of Baht 642.37 million or up by 4.34%, which was driven by same store sales growth of HomePro and HomePro in Malaysia as well as sales from new stores of HomePro, Mega Home, and HomePro in Malaysia which opened since the second half of year 2017.

- Rental and service income amounted to Baht 444.81 million, an increase of Baht 27.69 million or up by 6.64%, which resulted from higher rental income from Market Village and leasable areas of HomePro's stores.
 - Other income was Baht 575.27 million, an increase of Baht 21.19 million or up by 3.82% due to higher support fee of promotional activities with suppliers and service income under "Home Service" program.
2. Gross profit was Baht 4,169.05 million, an increase of Baht 321.36 million or up by 8.35% over the same period last year. In addition, gross profit margin as a percentage of sales has increased from 25.99% in previous year to 26.99% due to change in product sales mix of both general merchandise and directly sourced private-label goods and improved product assortment planning .
 3. Selling and administrative expenses (SG&A) amounted to Baht 3,474.25 million, an increase of Baht 160.69 million or up by 4.85% as compared with the previous year. The amount increases were mainly driven by the rise in personnel expenses, cost of transportation, cost of services to customers, marketing expense and pre-operating expense for HomePro store at Kalapapruek which operated in June 29, 2018. In addition, SG&A as a percentage of sales has marginally increase from 22.39% in previous year to 22.49%.
 4. Finance cost was Baht 98.21 million, a decrease of Baht 26.26 million or down by 21.10%, due to the lower cost of debt from refinancing bond issued in the second quarter of year 2017 and first quarter of year 2018.
 5. Income tax expenses were Bath 304.11 million, an increase of Baht 54.45 million or up by 21.81% as compared with the previous year. This was due to higher earnings before tax.

Table 2: Financial Summary for the six-month of year 2018 and 2017

Unit: Million Baht

	1H'2018	1H'2017	Increase (Decrease)	% Change
Sales income	30,319.39	29,072.96	1,246.43	4.29%
Rental and service income	943.89	898.18	45.71	5.09%
Other income	1,101.77	1,074.90	26.87	2.50%
Total revenues	32,365.05	31,046.04	1,319.01	4.25%
Cost of sales	22,159.83	21,513.87	645.96	3.00%
Gross profit	8,159.56	7,559.09	600.48	7.94%
Selling and administrative expenses	6,858.78	6,621.41	237.37	3.58%
Profit before finance cost and income tax expenses	3,346.44	2,910.76	435.68	14.97%
Finance cost	196.29	234.54	(38.25)	(16.31%)
Income tax expenses	589.12	498.80	90.33	18.11%
Profit for the period	2,561.03	2,177.43	383.61	17.62%

The Company's net profit for the first half of year 2018 was Baht 2,561.03 million representing an increase of Baht 383.61 million or up by 17.62% over the same period last year. The main reasons are as follows:

1. Total revenues were Baht 32,365.05 million, an increase of Baht 1,319.01 million or up by 4.25%, comprising of the following:
 - Sales income was Baht 30,319.39 million, an increase of Baht 1,246.43 million or up by 4.29%, which was driven by same store sales growth of HomePro and HomePro in Malaysia as well as sales from new stores of HomePro, Mega Home, and HomePro in Malaysia which opened since the second half of year 2017.
 - Rental and service income amounted to Baht 943.89 million, an increase of Baht 45.71 million or up by 5.09%, which resulted from higher rental income from Market Village and leasable areas of HomePro's stores.
 - Other income was Baht 1,101.77 million, an increase of Baht 26.87 million or up by 2.50% due to higher service income under "Home Service" program.
2. Gross profit was Baht 8,159.56 million, an increase of Baht 600.48 million or up by 7.94% over the same period last year. In addition, gross profit margin as a percentage of sales has increased from 26.00% in previous year to 26.91% due to change in product sales mix of

both general merchandise and directly sourced private-label goods and improved product assortment planning.

3. Selling and administrative expenses (SG&A) amounted to Baht 6,858.78 million, an increase of Baht 237.37 million or up by 3.58% as compared with the previous year. The amount increases were mainly driven by the rise in personnel expenses, cost of transportation, cost of services to customers and maintenance expense. However, SG&A as a percentage of sales has marginally improved, resulting to the decrease from 22.78% in previous year to 22.62%. This decrease was due to the improvement in cost efficiency.
4. Finance cost was Baht 196.29 million, a decrease of Baht 38.25 million or down by 16.31%, due to the lower cost of debt from refinancing bond issued in the second quarter of year 2017 and first quarter of year 2018.
5. Income tax expenses were Bath 589.12 million, an increase of Baht 90.33 million or up by 18.11% as compared with the previous year. This was due to higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms.Wanee Juntamongkol)

Senior Vice President – Accounting and Finance