



ที่ APCO.006/2562

August 13, 2019

Subject: Management Discussion and Analysis (MD&A) For the First Quarter of 2019

To: President and Manager, The Stock Exchange of Thailand

Asian Phytoceuticals Public Company Limited (“The Company”) would like to submit this Management Discussion and Analysis for the second quarter ended 30 June 2019, with details as follow:

Statement of Comprehensive Income	Apr – Jun 2019		Apr – Jun 2018		% Growth (Y-o-Y)
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	
Sales	64.57	97.35%	80.73	97.95%	(20.02%)
Total Revenue	66.33	100.00%	82.42	100.00%	(19.52%)
Costs of sales	13.78	20.77%	13.68	16.60%	0.78%
Selling expenses	16.52	24.91%	25.29	30.68%	(34.65%)
Administrative expenses	21.63	32.61%	20.32	24.65%	6.45%
Share of gain from investment in associate	0.15	0.23%	0.21	0.25%	(28.21%)
Profit before tax expense	14.55	21.94%	23.35	28.33%	(37.71%)
Tax expense	2.93	4.42%	4.65	5.64%	(37.09%)
Profit for the period	11.62	17.52%	18.70	22.69%	(37.86%)
<b>Profit for the period (Excluding the impact of labour law amendment)</b>	<b>14.29</b>	<b>21.54%</b>	<b>18.70</b>	<b>22.69%</b>	<b>(23.58%)</b>

#### Net Profit and Net Profit Margin

During the second quarter of 2019, the company had a net profit of 11.62 million baht, a decrease from 18.70 million baht in the same period of 2018, or a decrease of 37.86% and a net profit margin of 17.52% Total revenue decreased from 22.69% of total revenue during the same quarter of 2018. This was mainly due to the recognition of the one-time expense resulting from the amendment of labour law which has become effective since 5 May 2019. This stipulates additional



legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The Company have recognized the effect of such change in the total amount of 3.34 million Baht (0.86 million Baht as cost of sales and 2.48 million Baht as administrative expenses). Excluding such changes, the company will have a net profit of 14.29 million baht, compared to the same period of 2018, will decrease by 23.58% and have a net profit margin 21.54% of total revenue.

#### Revenue

The company's revenue for the 3 months ended June 30, 2019 is 64.57 million baht, decreasing by 20.02% from the same quarter of 2018 because in this quarter the Company has cancelled the distribution network and established a distribution channel for sales agents with a 20% discount on buying agent products. This causing the company to recognize revenue reduced by about 20%

#### Costs of Sales and Gross Profit

During the second quarter of 2019, the company had cost of sales of 13.78 million baht, an increase of 0.78% from the same quarter of 2018 and gross profit of 50.79 million baht, a decrease of 24.26% compared to the same quarter of the year 2018.

As mentioned above, the main reason is an increase in cost of sales in the second quarter of 2019 due to the recognition of expenses incurred from changes in labour laws. And the reason that the gross profit decreased because the company gave discounts to agents, thus, resulting in a decrease in the company's revenue recognition

#### Administrative Expenses

During the second quarter of 2019, the Company has incurred total administrative expenses of 21.63 million Baht, increased by 6.45% from the same period of 2018. Excluding the mentioned labour law amendment impact, this expense would total 19.15 million baht, decrease by 5.76% from the second quarter of last year.

Please be informed accordingly.

Sincerely yours,

(Prof. Dr. Pichaet Wiriyachitra)

Chief Executive Officer