



Ref. STARK014/2562

5 September 2019

Subject: Management Discussion and Analysis for Proforma Consolidated Financial Statement of Quarter 2  
Ending 30 June 2019

Attention: 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 STA2 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) The issuance of newly issued ordinary shares amount 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 and completed 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) The issuance of newly issued ordinary share amount 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 Discussion and Analysis that reported to the Stock Exchange of Thailand on 15 August 2019 according to the Company's book STARK002/2562 analyzed on the Company's operation of media and publishing business (previous business) and production and distribution of copper and aluminum wires business (new business) under operation of Phelps Dodge International (Thailand) Limited ("PDITL") only. Thus, the Company considered to prepare the proforma financial statement for clarification to the Stock Exchange of Thailand and Investor.

**II. Assumption of proforma financial statement**

Assumption of proforma financial statement shows an effect on company's financial statement after restructure process is completed The processes reflected on all list of events before approving company's financial statement on 14 August 2019 are as follow:

Important Events	Date of Restructure Process	Proforma accounting records
Restructuring the company in to Holding company by established SMM Plus Co., Ltd. (its subsidiary company 99%) to transfer in its existing publishing and media business which the subsidiary company will be sold to The Best Book Co., Ltd.	Process completed on 15 August 2019	The company has recorded that the business has been sold at 400 Million Baht to The Best Book Co., Ltd. The transaction was proceeded on 15 August 2019 after approval of Q2/2019 financial statement by Board of Director (15 August 2019)  This proforma statement does not show company's publishing and media business operating result due to the assumption was set as distributed at the end of 2018.
Entire Business Transfer of Team A	Process completed	Recorded the transaction which is issuance

<p>Holding Co., Ltd. (TAH2) and its subsidiary which conduct a business in distributing copper and aluminum wire by issuance of newly ordinary shares amount of 21,500,000,000 shares to TAH2 shareholders as a compensation payment.</p>	<p>on 9 July 2019</p>	<p>of newly ordinary shares amount of 21,500,000,000 shares in exchange for copper an aluminum wired business.</p>
<p>Issuance of newly ordinary shares amount of 1,000,000,000 shares to Mr. Rewin Pataibunlue and Mr. Nuttapong Sitavorarat at 0.60 baht per shares totaling 600 Million Baht.</p>	<p>Process completed on 9 July 2019 for Mr. Rewin Paetaibunlue amount of 666,666,666 shares totaling 400 Million Baht</p>	<p>Recorded only issuance transaction of Mr. Rewin Pataibunlue amount 666,666,666 shares totaling 400 Million Baht.</p>

### III. The Company's performance analysis regarding of proforma financial statement

The Board of Directors have reviewed the proforma financial statement which appear to be similar with the PDITL's financial statement, that has reported to the Stock Exchange of Thailand, and proposed to clarify only on a significantly different items as follows:

#### **(1) Revenue**

In proforma financial statement, other incomes are lower than PDITL's financial statement due to PDITL has incurring interest from loans to TAH2 or currently named STARK amount 31.32 Million Baht. The mentioned transaction is related party transaction; therefore, such transaction is not shown in the consolidation financial statement including the dividend received from the Thai Copper Rock Company Limited amount 3.00 Million Baht in which of proforma financial statement will recognize the above operation as profits from associated company. Consequently, total revenue of proforma financial statement in the first half of 2019 is 5,173 Million Baht, lower than PDITL's financial statement by amount of 34.32 Million Baht

	<i>6 months (Jan – Jun)</i>				
	6M/2018		6M/2019		Change in (%)
	Million Baht	%	Million Baht	%	
Income from Sales	4,100.4	98.1	5,098.3	98.6	24.3%
Income from Services	2.1	0.1	4.3	0.1	104.8%
Others income	75.4	1.8	70.7	1.4	(6.2%)
<b>Total revenue</b>	<b>4,177.9</b>	<b>100.0</b>	<b>5,173.3</b>	<b>100.0</b>	<b>23.8%</b>

In this regard, if the revenue is reviewed on the same basis with the first half of 2018 which has revenue amount 4,177.9 Million Baht. The Company's first half revenue of 2019 will be increased from the same period comparing with 2018 equivalent to 23.8 percent

## **(2) Gross margin and Depreciation**

Depreciation is the main component in cost of operation of the Company. The higher of depreciation in proforma financial statement than PDITL's financial statement by 38.2 Million Baht derived from valuation of assets of PDITL in regard with new account standards when TAH2 acquired PDITL in 2014. Therefore, the cost of operation in proforma financial statement is higher than PDITL's financial statement.

In this regard, if the same basis is applied, the Company will have gross margin equal to 14.4 percent and 12.8 percent respectively for the first half of 2018 and 2019 respectively.

## **(3) Administrative and distribution expenses**

Because the restructuring process of (1), the company had an expense related to this process such as financial advisory fee and legal fee amount of 37.0 Million Baht. These expenses are one-time expenses due to restructuring process and only result in administrative and distribution expenses 1H2019 amount 245.5 Million Baht. The expenses were higher than same period in 2018 which the company had administrative and distribution expenses of 229.2 Million Baht.

(4) EBITDA and Net profit

	<i>Six-month period (Jan. – Jun)</i>				
	6M/2561		6M/2562		Rate of change
	Million Baht	%*	Million Baht	%*	
EBITDA	447.2	10.7	496.4	9.6	11.0%
EBITDA adjustment**	447.2	10.7	533.4	10.3	19.3%
Net profit	157.4	3.8	134.0	2.6	(14.9%)
Net profit adjustment**	157.4	3.8	171.1	3.3	8.7%

Note \* Profit margin

\*\* Adjusted by one-time expense from business restructure

**EBITDA**

EBITDA of first half of 2018 and 2019 is 447.2 Million Baht and 496.4 Million Baht respectively. If adjusted for one-time expense mentioned in (3), it can be seen that adjusted EBITDA of 1H2019 equals to 533.4 Million Baht increased from same period of 2018 by 19.3 percent.

**Net profit**

In 1H2019 and 2018, the Company has net profit of 157.4 Million Baht and 134.1 Million Baht respectively. If one-time expense adjustment is taken into consideration mentioned in (3), It can be seen that net profit of 1H2019 equals to 171.1 Million Baht increased from same period of 2018 by 8.7 percent

Please be informed accordingly

Sincerely yours,

-Mr. Sathar Chantrasettalead-

(Mr. Sathar Chantrasettalead)

Director