

AJA.006/2020

March 6th, 2020

Subject Management Discussion and Analysis of the Consolidated Financial Statements Year 2019

To Committee and Manager
 The Stock Exchange of Thailand

As the resolution of Board of Director Meeting of AJ Advance Technology Public Co., Ltd. (“Company”) No.5/2020 on March 6th, 2020 approved the financial statement for year 2019 as of December 31st, 2019 which had the net loss attributable to owners of the parent at 370.24 million Baht. If compared with the operation result of same period last year, company had the net loss at 186.91 million baht which was loss increased at 183.34 million baht or 98.09 percent.

Company would like to report the operation result of year 2019 as of December 31st, 2019 about the change that more than 20 percent when compared with same period of last year. The main reasons are as follows.

1. Total income was 403.74 million Baht which decrease at 213.34 million Baht or 34.57 percent when compared with same period of last year at 617.08 million Baht. Total income had changed by income categories as follows.

Unit : million Baht

Total income by category	2019	2018	Increase (Decrease)	Change percentage
Revenue from sales of goods	359.98	541.36	(181.38)	(33.50)
Revenue from rendering of services	32.55	14.88	17.67	118.75
Net foreign exchange gains	0.42	0.54	(0.12)	(22.22)
Investment income	3.54	45.81	(42.27)	(92.27)
Other Income	7.25	14.49	(7.24)	(49.97)
Total Income	403.74	617.08	(213.34)	(34.57)

Nevertheless from the table above total revenue for year 2019 was 403.74 million baht, an decrease of 213.34 million baht or 34.57 percent when compared with same period of last year at 617.08 million baht. The main reason is that sales revenue decreased from the previous year at 181.38 million baht or 33.50 percent. The company has sold electrical appliances decreased at 174.94 million baht such as DVD players ,Blu-ray are replaced by mobile phones (Smart Phone) due to that the current consumer behavior has changed, and the impact of the economic slowdown Including the market, conditions that have increased price competition. Affecting the company's sales decreased. For service income Increased from the previous year at 17.67 million baht or 118.75 percent, mainly due to the increase of prepaid telephone services, prepaid phone systems, and the provision of electronic money transfer and payment services of subsidiaries (Bangkok Pay Co., Ltd.) and investment income decreased at 42.27 million baht or 92.27 percent from the previous year. Occurred from the previous year, the company recognized the gain from the sale of investment in a company worth 43.02 million baht.

2. The cost of sales of goods was 296.72 million Baht or 82.43 percent of the revenue from sales of goods. The ratio of cost of sales of goods per revenue from sales of goods increased at 8.92 percent when compared with same period of last year at 397.92 million baht or 73.50 percent. The main reason is due to the company reduced the product price to accelerate in order to accelerate the release of electrical appliances and digital TV set-top boxes which is slow moving and long aging in stock by organizing an event expo and selling in other channels, resulting in the company having a higher of cost of sales.

3. The distribution cost was 103.77 million Baht or 25.70 percent of total revenue. The ratio of distribution cost per total revenue increased at 4.96 percent when compared with same period of last year at 127.98 million baht or 20.74 percent because impact of decreased revenue, and during the same period, the number of employees and executives of subsidiaries increased according to the business expansion plan.

4. The administrative expenses was 138.82 million baht or 34.38 percent of total revenue. The ratio of administrative expenses per total revenue increased at 25.43 million baht or 16.01 percent when compared with same period of last year at 113.39 million baht or 18.38 percent. The main reason was due to the Company disposal of all the ordinary shares in AJ Vending Company Limited and Cease of subsidiary status. The Company recorded a loss from the sale of investment at 11 million baht and caused a loss from impairment of copyright fees at 15.56 million baht as expenses.

5. Loss from impairment of investment was 171.82 million baht, or 42.56 percent of total revenue, increasing at 80.69 million baht or 27.79 percent when compared to the same period of the last year at 91.13 million baht or 14.77 percent, because the Company had investments in private fund in overseas. Funds, faced with unexpected situation and high marker fluctuation which cause negative result it its performance. Therefore set up allowance for impairment of that investment.

6. The Share of loss of associates and joint venture at 37.80 million baht or 9.36 percent of total revenue, an increase of 30.49 million baht or 8.18 percent when compared to the same period of the last year at 7.31 million or 1.18 percent because the Company has investments in associates and joint ventures that have losses accumulated over cost price of investments in associates, and operating loss and stopped operating the joint venture. The Company therefore set up an impairment in the investment.

7. Income tax expense was 3.58 million baht or 0.89 percent of total revenue. The ratio of deferred income tax expenses to total revenue decreased at 91.62 percent when compared to the same period last year which was recognized as expense at 42.66 million baht. Because from the last year was that the company has reversed the deferred income tax of allowance for decline in value of goods. Which is expected to have uncertainty to take advantage of this tax.

Please be informed accordingly.

Sincerely Yours,



(Mrs. Prangthip Chanvisitsak)

Company Secretary