

**ELECTRONICS INDUSTRY PUBLIC COMPANY LIMITED**TH97/10561QM TW00/17276EM IATF 0060636
SGS TH07/1033

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(Translation)

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2 March 2020

Subject: Management Discussion and Analysis for the Performance for the year ended 31 December 2019

To: President

The Stock Exchange of Thailand

The Board of Directors of Electronics Industry Public Company Limited (the “Company”) No.1/2020 convened on 28 February 2020 has passed a resolution to certify the financial statements and the performance for the year ended 31 December 2019 which has been reviewed by the Auditor.

The overall of the Company’s performance can be summarised as follows:

(Unit : Thousand Baht)

Performance (Income Statement)	2019	2019	Increase/(decrease)	%
Income				
Income from Sale of Goods	364,354	190,462	173,892	91.30
Income from Service	60,291	107,527	(47,236)	(43.93)
Cost of Sale of Goods	(244,903)	(151,506)	93,397	(61.65)
Cost of Service	(34,589)	(59,328)	(24,739)	41.70
Gross Profit	145,153	87,155	57,998	66.55
Gain on sales of investment in subsidiary	174,875	-	174,875	100.00
Reversal (loss) of doubtful account	10,364	14,239	(3,875)	(27.21)
Interest income	804	4,702	(3,898)	(82.90)
Other Income	5,048	2,231	2,817	126.28
Profit before Expense	336,244	108,327	227,917	210.40
Sale Expense	(83,396)	(11,762)	71,634	(609.00)
Administrative Expense	(131,143)	(57,706)	73,437	(127.26)
Directors and Executives' Remuneration	(23,084)	(16,557)	6,527	(39.42)
Loss on impairment of intangible assets	(22,140)	-	(22,140)	100.00
Loss on impairment of goodwill	(92,361)	-	(92,361)	100.00
Profit (loss) from Exchange Rate	(6,254)	(931)	5,323	(571.74)
Profit (loss) before Finance cost and Income Tax	(22,134)	21,370	(43,504)	(203.58)
Finance Cost	(7,881)	(7,123)	758	(10.64)
Profit (loss) before Income Tax	(30,015)	14,246	(42,746)	(300.05)
Income Tax Expense	8,130	(9,014)	(17,144)	190.19
Annual Net Loss	(21,885)	5,232	(27,117)	(518.28)
Remeasurement of employee benefit obligations	(474)	-	(474)	(100.00)
Comprehensive Profit (loss) for Period	(22,359)	5,232	(27,117)	(518.28)

Year 2019, the Company's revenue from sales and cost of sales increased when compared with prior year. Because the recognition of revenue and cost of food business by started to recognize from Bake Cheese Tart (Thailand) Company Limited in January 2019, Eastern Cruise (Thailand) Company Limited and Crepe & Co. Development Company Limited in August 2019. The proportion of revenue from sales increased by Baht 174 million or equivalent to 91% and gross profit margin from sales was 33%.

However, revenue from service and cost of service decreased when compared with last year, resulted from the Company sold investment in a subsidiary (S.Thana Media Company Limited) who provides service for rent and advertising production since August 2019. The proportion of revenue from service decreased by Baht 47 million or equivalent to 44%.

Gain from sales of investment in subsidiary

During year 2019, the Company sold the investments in S.Thana Media Company Limited (100% of all investment) to unrelated parties. The Company recognised gain from sales on equity method of Baht 175 million.

Reversal of Allowance for Doubtful Accounts

During year 2018, the Company reversed allowance for doubtful accounts amounting to Baht 15 million due to the Company received partial payment of advances for share subscription from Khun Pornpan. For year 2019, the Company received the payment of advance for share subscription and reversed the allowance amounting to Baht 0.9 million. And EIC Semiconductor Company Limited also received payment from customers who had already set up allowance for doubtful accounts of Baht 9 million.

Selling Expenses and Administrative Expenses

Selling and administrative expenses increased by Baht 145 million when compared with prior year mainly due to the recognition of expenses of new investments in Food Industry in January and August 2019. The increase in selling expenses were mainly from rental and utilities expenses amounting to Baht 42 million, employee expenses amounting to Baht 24 million, royalty fee amounting to Baht 4 million, marketing fee amounting to Baht 4 million and depreciation to Baht 2 million. Administrative expenses increased mainly from employee expenses amounting to Baht 11 million, depreciation expenses amounting to Baht 26 million, write-off expense due to branches closing and demolition amounting to Baht 12 million and law consulting and professional fee amounting to Baht 16 million.

Directors and Managements' remuneration

The Company and its subsidiaries' directors and managements' remuneration in year 2019 increased by Baht 6.5 million or equivalent to 39% when compared with last year because the Company appointed Management team to oversee the effectiveness of all functions during the year.

Loss on impairment of intangible assets and goodwill

At the end of year 2019, the Company hired independent appraiser to value the investments in subsidiaries and found that fair market value of Bake Cheese Tart (Thailand) Company Limited decreased. Therefore, the Company recorded loss on impairment of trademark amounting to Baht 23 million and loss on impairment of goodwill amounting to Baht 92 million.

However, Thailand's pastry and bakery industry face fierce competition from both direct and indirect competitors as result from (1) Pastry and bakery industry face a threat from a price war; hence competitors often use discounted pricing and other promotions to attract customers for increase in market share. (2) Pastry and bakery industry have a lot of new players each year result from low barriers to entry due to low start-up costs and indifferent products among competitors result in low customer's royalty. (3) Pastry and bakery industry also face a threat from indirect competitors including healthy food business and traditional Thai desserts, which gained popularity in this past period. From the reasons mentioned above, in 2019 there are a total of 3,247 new players in Thailand's pastry and bakery industry or an increase of 33.5% year on year, reflecting intense competition in the industry.

As Bake Cheese Tart (Thailand) Company Limited runs under franchise business, which has rigid restrictions from the franchisor in Japan. For example, it is required to get an approval of any changes or additions to the form and taste of products, of determining and changing marketing strategies, and of the design and store locations. Since every process must be inspected and approved by franchisor which in some circumstances takes up to 3 - 4 months, resulting in the company miss out on product changes or strategies in response to current consumer trend, the company thus loses the ability to compete in the pastries and bakery businesses to competitors. As a result, branches in locations with high competition lose profit and have to shut down, causing impairment of the trademark and goodwill.

Company is going through the process of changing business strategy to respond with the intense competition in an industry and rigid restrictions from the franchisor.

Loss on Exchange Rate

The Company and its subsidiaries' loss on exchange rate in year 2019 increased by Baht 5 million when compared with last year due to Baht appreciation, resulting to loss from exchange rate of export sales of electronics equipment.

Income Tax

Year 2019, the Company and its subsidiaries' income tax revenue were Baht 8 million mainly from amortization of excess fair market value of intangible assets that occurred from subsidiaries' acquisition in during year as result of decreased deferred tax liabilities. Income tax expenses of year 2018 is from S.Thana Media Company Limited had gain from operation and paid income tax amounting to Baht 8 million.

Please be informed accordingly.

Sincerely yours,

(Mrs. SangduanEwbamrung)

Director/(Acting) Chief Executive Officer