



(Translation)

Ref: W-AD026/2020

14 August 2020

Subject: Management Discussion and Analysis for the Performance for the six-month period ended 30 June 2020

To: President
The Stock Exchange of Thailand

The Board of Directors of Wow Factor Public Company Limited (the “Company”) No.7/2020 convened on 14 August 2020 has passed a resolution to certify the financial statements and the performance for the six-month period ended 30 June 2020 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)	Q2/2020	Q2/2019	Increase/(decrease)	%
Revenue				
Revenue from sales	222,862	126,068	96,794	76.78
Revenue from services	-	49,842	(49,842)	(100.00)
Costs of sales	(169,907)	(97,455)	72,452	(74.34)
Costs of service	-	(29,149)	(29,149)	100.00
Gross Profit	52,955	49,306	3,649	7.40
Other income	2,187	1,266	921	72.75
Profit before expense	55,142	50,572	4,570	9.04
Selling and distribution expenses	(44,345)	(30,778)	13,567	(44.08)
Administrative expenses	(54,765)	(52,733)	2,032	(3.85)
Remunerations for directors and management	(8,809)	(11,841)	(3,032)	25.61
Reversal of allowance for doubtful accounts	2,153	6,167	(4,014)	(65.09)
Gain (loss) on exchange rate	5,097	(3,621)	(8,718)	240.76
Profit (loss) before finance costs and income tax	(45,527)	(42,234)	(3,293)	7.80
Finance costs	(8,723)	(3,751)	4,972	(132.55)
Profit (loss) before income tax	(54,250)	(45,985)	(8,265)	17.97
Income tax benefit (expenses)	(1,175)	1,156	2,331	201.64
Profit (loss) for the period	(55,425)	(44,829)	(10,596)	23.64
Other comprehensive income for the period	-	(474)	474	100.00
Total comprehensive income (loss) for the period	(55,425)	(45,303)	(10,122)	22.34

Sales and cost of sales

Sales of goods can be grouped in 2 sectors as 1) producing and distributing of electronics parts and 2) selling foods and beverages. The details of sales and cost of sales are as below.

(Unit: Thousand Baht)

	30.06.20		30.06.19	
Producing and distributing electronics spare parts				
Income from sales of goods	149,353		84,202	
Cost of sales	(130,710)		(76,448)	
Gross profit	<u>18,643</u>	12%	<u>7,754</u>	9%
Selling food and beverages				
Income from sales of goods	73,509		41,866	
Cost of sales	(39,197)		(21,007)	
Gross profit	<u>34,312</u>	47%	<u>20,859</u>	50%

Sales from Producing and distributing electronics spare parts

Revenue from sales increased from year 2019, because of increased in diode order from USA to substitute products from China. The proportion of revenue from sales increase by Baht 65 million and as a result of the gross profit margin growth to 12%.

Sales from selling food and beverages

Revenue from sales increased from year 2019. Because the recognition of revenue and cost of food business by started to recognize from Eastern Cuisine (Thailand) Company Limited and Crepe & Co. Development Company Limited in August 2019. The proportion of revenue from sales increased by Baht 32 million (1st quarter: Baht 25 million, 2nd quarter: Baht 7 million). Sales in 2nd quarter slightly increased from 1st quarter mainly from the effect of the Bangkok Metropolitan Administration announcement, subject "Order of Temporary Closure of Premises" made the Company changed the sales channel to delivery and increased sales promotion by discount the price to competitive, accordingly the gross profit margin dropped the prior about 3%.

Service and cost of service

Revenue from service and cost of service sharply decreased when compared with the same interval of 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 50 million or equivalent to 100%.

Selling expenses

(Unit: Thousand Baht)

	30.06.20	30.06.19	Inc/(Dec)
Employee costs	12,993	8,278	4,715
Rental, service fee and utilities expenses	11,692	16,131	(4,439)
Depreciation and amortisation	9,477	-	9,477
Others	10,183	6,369	3,814
Total	<u>44,345</u>	<u>30,778</u>	<u>13,567</u>

Selling expenses of the Group increased from year 2019 by Baht 14 million due to the recognition of expenses such as employee costs and others of new investment in Food Industry in January and August 2019. However, the rental and service expenses were dropped when compare with the same interval of prior period, because landlord gave the discount to subsidiaries as result of the announcement "Order of Temporary Closure of Premises". In the other hand, other selling expenses increased mainly from packaging for supporting of delivery sales.

Administrative expenses

(Unit: Thousand Baht)

	30.06.20	30.06.19	Inc/(Dec)
Employee costs	15,366	12,578	2,788
Professional fee	11,035	15,177	(4,142)
Rental and service fee	2,426	2,782	(356)
Depreciation and amortisation expenses	16,390	13,127	3,263
Others	9,548	9,069	479
Total	<u>54,765</u>	<u>52,733</u>	<u>2,032</u>

Administrative expenses of the Group increased from year 2019 by Baht 2 million mainly from employee costs and depreciation and amortisation expenses due to the recognition of expenses of new investment in Food Industry in January and August 2019. However, professional fee sharply decreased due to in year 2019 the Company hired finance and legal consulting for business acquisition.

Directors and Managements' remuneration

The remuneration decreased from year 2019 by Baht 3.0 million because the number of director and meeting less than prior period.

Reversal of allowance for doubtful accounts

In year 2019, EIC Semiconductor Company Limited, a subsidiary, received the payment from accounts receivable who recorded the allowance for doubtful account amounting to Baht 5.6 million. The amount of the reversal decreased from the prior year.

Gain (loss) on Exchange Rate

Gain on exchange rate increased from prior year because of the increase in export sales of electronic parts, especially from USA. When Baht depreciated in during end of Feb until May 2020, the subsidiary gained from exchange rate.

Finance cost

Reporting Standards No. 16 "Leases" which are effective for annual accounting periods beginning on 1 January 2020. Under this standard specified that the Company must to book some rental agreement to financial lease, as a result interest expenses occurred about Baht 5.0 million.

Sincerely yours,

(Mr. Sirutt Ratanapaitoon)
Director/ Chief Financial Officer