



(Translation)

BorMorJor.115  
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Attention: Director and Manager  
The Stock Exchange of Thailand

Re: Management's Discussion and Analysis (MD&A) and operating results for the second quarter of 2014

### **Overview 2Q14 Performance**

In the beginning period of 2Q14, overall economy and domestic consumption were still affected negatively by political situation. Consumer remained spending their money carefully. After the military junta began in May, demonstrations were ceased and the political situation has been relieved. Consumers had more confidence in the overall economy led to an increasing in Consumer Confidence Index for the first time after the regression. However, the imposed curfew impacted the retail operators because operating service hours were shorten since store needed to close early than usual, while the tourism sector was affected by declining foreign tourist arrivals due to various countries issuing travel warnings.

As of 30 June 2014, the Company operated 35 stores, comprising of 10 stores in greater Bangkok and 24 stores in upcountry. In this quarter, the Company has opened 1 new store in Hanoi, Vietnam.

In 2Q14, the Company had net profit of Baht 440 million, decreasing by 1.5% from the same period of last year. The details are as follow:

#### **Income**

In 2Q14, the Company had total income of Baht 6,120 million, increasing by Baht 69 million or 1.1% from the same period of last year. This can be summarized as follow;

- The net sales was Bath 5,500 million, decreasing by Baht 59 million or 1.1% from the same period of last year. This was mainly due to shopping sentiment was weakened and the imposed curfew negatively affected store operating hours. Meanwhile the adverse impact from new store opening of the competitor in Chaing Mai and Had Yai remained exist in this quarter.



- The investment income was Baht 439 million, increasing by Baht 127 million or 40.9% from the same period of last year. This was due to an increasing in rental income from the Lifestyle Centers as well as higher rental income from existing rental area.
- The other income was Baht 181 million, increasing by 1 million or 0.4% from the same period of last year. This was due to an increase in income related to rental areas.

#### **Cost of Sales of Goods (COGS)**

- COGS amount to Baht 4,154 million, decreasing by Baht 19 million or 0.5% from the same period of last year. The COGS accounted to the 75.5% of the sale revenue increasing from 75.1% from the same period of last year. This was mainly due to higher level of sales promotion offers.

Gross profit was Baht 1,346 million, decreasing by Baht 40 million or 2.9% from the same period of last year.

#### **Selling and Administrative Expenses (SG&A)**

- SG&A expenses totaled Baht 1,492 million, increasing by Baht 141 million or 10.5% from the same period of last year. The increases were mainly due to selling and administrative expenses, including asset depreciations, from new stores which opened last year, as well as store in Hanoi, Vietnam.

#### **Share of Profit of Associates**

- The share of profit of associates was Baht 121 million, increasing by Baht 47 million or 62.4% from the same period of last year. CRC Sport Co., Ltd. remained generate a high earning growth because merchandising that they offered were in the market trend. While, Power Buy Co., Ltd operating performance improved from the same period of last year due to good marketing campaigns which matched the market demand proportionately.

#### **Net Profit**

- The net profit totaled Baht 440 million, decreasing by Baht 7 million or 1.5% from the same period of last year. This was mainly due to the decreasing in net sales from the same period of last year and the expenses of the new stores.



## **Overview 1H14 performance**

- The Company had net sales in the amount of Baht 11,441 million, decreasing by Baht 423 million or 3.6% from the same period of last year. The net profit amounted to Baht 979 million, decreasing by Baht 19 million or 1.9% from the same period of last year. This was a result of adverse impact of unfavorable economic conditions together with an increase of expenses from new stores.

## **Financial Status**

(As of 30 June 2014 compared to 31 December 2013)

### **Assets**

- The total assets amounted to Baht 19,401 million, an increase of Baht 571 million or 3.0%. Current assets decreased by Baht 1,415 million from cash and current investment due to payment of construction cost of new stores, payment of account payable, and dividend payment. While, non-current assets increased by Baht 1,986 million due to an increase in assets of new stores and an increase in investments in associates.

### **Liabilities and Shareholders' Equity**

- The total liabilities amounted to Baht 7,416 million, increasing by Baht 598 million or 8.8%. The short-term loan increased by Baht 2,120 million in order to pay the construction cost of new stores. Meanwhile, account payable and other payable decreased. While, the shareholders' equity amounted to Baht 11,985 million, decreasing by Baht 28 million or 0.2%.

### **Capital Structure**

- As of 30 June 2014, the Company's capital structure comprised of total liabilities of Baht 7,416 million and total equity of Baht 11,985 million; therefore, the Company had liability to equity ratio equal to 0.6.

### **Expansion plan**

- In 2Q14, the Company has opened 1 new store, with format of department store in shopping complex, in Hanoi, Vietnam.

For year 2014, the Company targets to expand 5 new lifestyle centers in Thailand, and 1 new stores in Vietnam.



**Statements of Comprehensive Income  
(for 3 month period)**

(Unit : Million Baht)

	<b>2Q14</b>	<b>2Q13</b>	<b>% Change</b>
Revenue from sales of goods	5,500	5,560	-1.1%
Total income	6,120	6,051	1.1%
Cost of sales of goods	4,154	4,174	-0.5%
Selling and administrative expenses	1,492	1,351	10.5%
Share of profit of associates	121	75	62.4%
Net profit	440	447	-1.5%
Core net profit*	319	372	-14.3%

**Statements of Financial Position**

(Unit : Million Baht)

	<b>30-Jun-14</b>	<b>31-Dec-13</b>	<b>% Change</b>
Cash and cash equivalents	1,014	1,882	-46.1%
Other current assets	2,381	2,929	-18.7%
Non-current assets	16,006	14,020	14.2%
Total assets	19,401	18,830	3.0%
Current liabilities	7,196	6,629	8.5%
Total liabilities	7,416	6,818	8.8%
Total equity	11,985	12,013	-0.2%

**Financial Ratios**

	<b>2Q14</b>	<b>2Q13</b>
Gross profit margin (%)	24.5%	24.9%
Net margin (%)	8.0%	8.0%
Core net profit margin* (%)	5.8%	6.7%
Return on equity (%) (Annualized)	17.2%	16.0%
Return on assets (%) (Annualized)	10.9%	10.5%

  

	<b>30-Jun-14</b>	<b>31-Dec-13</b>
Current ratio (time)	0.5	0.7
Liability to equity ratio (time)	0.6	0.6

Please be informed accordingly

Yours faithfully,

Ms. Jiraphan Thongtan  
Authorized Person to Disclose Information

\*Core net profit is net profit excludes share of profit of associates