

Enclosure 3.

Company's financial statements and summary of
management discussion and analysis from
the 2016 annual report

Independent Auditor's Report

To the Shareholders of Mono Technology Public Company Limited

Opinion

I have audited the accompanying consolidated financial statements of Mono Technology Public Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Mono Technology Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mono Technology Public Company Limited and its subsidiaries and of Mono Technology Public Company Limited as at 31 December 2016, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

Revenue recognition

The Group's core businesses include media business, content business and entertainment business. As a result, the Group has revenue from sales of various goods and services. The Group's revenue amount is significant to the financial statements and directly affects its operating results, to which users of financial statements pay attention. I have therefore focused on the revenue recognition of the Group.

I have examined the revenue recognition of the Group by

- Assessing and testing the Group's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls.
- On a sampling basis, examined supporting documents for actual sales and service transactions occurring during the year and near the end of the accounting period.
- Reviewed credit notes that the Group issued after the period-end.
- Performed analytical procedures on disaggregated data to detect possible irregularities in sales and service transactions throughout the period, particularly for accounting entries made through journal vouchers.

Impairment of intangible assets and cost of spectrum license

As at 31 December 2016, the Group had intangible assets and cost of spectrum license totaling Baht 3,538 million, representing 66% of total assets, as discussed in Note 13 and 14 to the financial statements. The management's assessment was that there were indicators of impairment of the intangible assets. Determining the impairment loss on such assets requires significant management judgement with respect to the projections of future operating performance and the assessment of future plans. The determination of key assumptions used to prepare the projections directly affects the amount of such impairment loss.

I gained an understanding of and assessed the key assumptions used for the preparation of business plans and the estimation of future cash inflows by gaining an understanding of the procedures undertaken to determine the assumptions, checking the assumptions against information from both internal and external sources, and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by the management through analysis of the finance costs of the Group and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for intangible assets and cost of spectrum license.

Impairment of investments in subsidiaries and loans to subsidiaries

As at 31 December 2016, the Company had investments in subsidiaries and loans to subsidiaries amounting to Baht 2,957 million and Baht 499 million, representing 70% and 12% of total assets. As discussed in Note 10 and 7 to the financial statements. The management's assessment was that there were indicators of impairment of these investments in subsidiaries and loans to subsidiaries. In determining the impairment loss, the management had to exercise judgment with respect to the projections of future operating performance and the assessment of future plans. The determination of key assumptions with respect to the projections directly affects the impairment of investments in subsidiaries and loans to subsidiaries.

I gained an understanding of and assessed the key assumptions used for the preparation of business plans and the estimation of future cash flows by gaining an understanding of the procedures undertaken to determine the key assumptions, checking the assumptions against information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgment in estimating the cash flow projections. I also evaluated the discount rate applied by the management through analysis of the finance costs of the Group and of the industry, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for investments in subsidiaries and loans to subsidiaries.

Deferred tax asset from unused taxable losses

As at 31 December 2016, the Group had deferred tax asset from unused taxable losses amounting to Baht 200 million, representing 4 percent of total assets. The Group disclosed its accounting policy and details relating to the deferred tax asset in Note 25 to the financial statements. A deferred tax asset is recognised when it is highly probable that the Group's taxable profit will be sufficient to allow utilisation of the deferred tax asset in the future. Determining whether there will be sufficient future taxable profit to utilise taxable losses requires significant management judgment with respect to the preparation of business plans and projections of future taxable profit based on approved business plans. Therefore, there is a risk with respect to the amount of deferred tax asset.

I gained an understanding of the key related controls over the preparation and the approval of the estimates of future taxable profit for the purpose of deferred tax asset recognition by making enquiry of responsible executives and gaining an understanding of the designed controls. I assessed the estimates of future taxable profit by checking the required information and key economic assumptions used in the projections against information from both internal and external sources, with consideration of information and assumptions that directly affect revenue growth and gross profit margin. Furthermore, I compared the past projections with actual taxable profits to assess the exercise of management judgment in estimating the taxable profits. I also tested the calculation of

future taxable profit based on the above information and assumptions, and considered the effects of changes to key assumptions on the projected future taxable profits, especially in respect of long-term revenue growth. In addition, I reviewed the disclosures made with respect to temporary differences and unused taxable losses for which deferred tax asset was not recognised by the Group.

Other Matter

The consolidated financial statements of Mono Technology Public Company Limited and its subsidiaries and the separate financial statements of Mono Technology Public Company Limited for the year ended 31 December 2015 were audited by another auditor of our firm who expressed an unqualified opinion on those statements, but drew attention to the matter regarding the change in recognition of the cost of spectrum license, under his report dated 19 February 2016, expressed an unqualified opinion on those financial statements.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Miss Krongkaew Limkittikul.



Krongkaew Limkittikul

Certified Public Accountant (Thailand) No. 5874

EY Office Limited

Bangkok: 21 February 2017

Management Discussion and Analysis

(1) Overview of Operation Results

Revenue

Total revenue of the Company and subsidiaries for 2016 amounted to 2,112.70 million Baht, compared to 1,925.14 million Baht in 2015, increasing by 187.56 million Baht or 9.74 percent, with details summarized as follows:

Revenue	Consolidated Financial Statements			
	2016	2015	Increase (Decrease)	%
Sales and service income	2,076.76	1,892.96	183.80	9.71
Other income	35.94	32.18	3.76	11.68
Total	2,112.70	1,925.14	187.56	9.74

Sales and service income of the Company and subsidiaries for 2016 totaled 2,076.76 million Baht, compared to 1,892.96 million Baht in 2015, increasing by 183.80 million Baht, or 9.71 percent. Details of sales and service income can be categorized in terms of business as follows:

Business	Consolidated Financial Statements			
	2016	2015	Increase(Decrease)	%
Media and content business	1,950.07	1,682.88	262.06	15.52
Entertainment business	126.69	204.95	(78.26)	(38.18)
Total	2076.76	1,892.96	186.80	9.71

Revenue from media and content business comprising mobile internet, publishing and TV businesses of the Company and subsidiaries for 2016 was 1,950.07 million Baht, compared to 1,688.01 million Baht in 2015, increasing by 262.06 million Baht, or 15.52 percent. The increase of revenue mostly derives from TV advertising of the fact that a subsidiary has run business on SDTV under the name MONO29 channel. Being rated one of the top four favorite free-to-air digital TV, the channel's popularity has been on the increase drawing attention of advertising agencies and customers to advertise their products and services via our channel. This trend is continuously growing higher.

Revenue from entertainment business comprising music and movie businesses of the Company and subsidiaries in 2016 amounted to 126.69 million Baht, compared to 204.95 million Baht in 2015, decreasing by 78.26 million Baht, or 38.18 percent. This is due to a subsidiary had reduced importing premium movies to show on cinemas and music business was in process of developing new music projects.

Other income of the Company and subsidiaries in 2016 was 35.94 million Baht, compared with 32.18 million Baht in 2015, increasing by 3.76 million Baht or 11.68 percent.

Cost, Expense, Financial Cost and Income Tax

Cost, expense, financial cost and income tax of the Company and subsidiaries in 2016 totaled 2,362.25 million Baht, compared to 2,411.71 million Baht in 2015, decreasing by 49.46 million Baht or 2.05 percent.

Details	Consolidated Financial Statements			
	2016	2015	Increase (Decrease)	%
Cost of sales and services	1,633.84	1,649.96	(16.12)	(0.98)
Selling and servicing expenses	107.57	229.65	(122.08)	(53.16)
Administrative expenses	417.92	449.91	(31.99)	(7.11)
Loss on impairment of investment in joint venture	21.30	-	21.30	-
Loss on impairment of intangible assets	23.78	2.73	21.05	771.06
Doubtful account	1.37	-	1.37	-
Total expenses	2,205.78	2,332.25	(126.47)	(5.42)
Share of loss from investment in joint venture	1.81	-	1.81	-
Finance cost	145.01	133.10	11.91	8.95
Income tax expenses	9.65	(53.64)	63.29	117.99
Total	2,362.25	2,411.71	(49.46)	(2.05)

The decrease of cost and expense was the result of the Company and its subsidiaries had managed promotion activities more efficiently on both its marketing channels and other commercial marketing channels including more collaboration on co-promotion with partners and sponsors.

Net Profit

The Company and subsidiaries recorded the net loss for 2016 at 249.55 million Baht, decreasing by 237.02 million Baht or 48.71 percent from 486.57 million Baht of 2015, as a result of higher advertising income of the subsidiaries, thanks to higher ratings compared to last year's performance. Moreover, premium contents and the more efficient public relations initiatives for MONO29 channel as well as precise management of the Company and subsidiaries led to higher number of audiences. The significant decrease in the net loss of the Company and subsidiaries was also supported by the lower relevant costs.

(2) Financial Status Analysis**Assets**

The total assets of the Company and subsidiaries as of the end of 2016 amounted to 5,391.66 million Baht, increasing by 113.92 million Baht of 2015. This was in consequence of non-current assets increased in amount of 276.51 million Baht and current assets decreased in amount of 162.59 million Baht.

A decrease in current assets was mostly because:

Cash and bank deposit decreased by 107.48 million Baht due to the investment in studio construction and content acquisition in support of the growth of Digital TV business and movie business.

An increase in non-current assets was mostly because:

The costs of property, plant and equipment amounted to 777.36 million Baht, increasing by 60.67 million Baht. The intangible assets amounted to 1,951.97 million Baht, increasing by 228.57 million Baht from investment in studio as well as content acquisition in support of the growth of Digital TV business and movie business.

Liabilities

As of the end of 2016, total liabilities of the Company and subsidiaries stood at 3,026.05 million Baht, increasing by 171.87 million Baht from 2015 as a result of an increase in long-term loan from bank of 668.42 million Baht. Meanwhile, the decline in some liabilities was due to the decrease in the spectrum license cost of 339.12 million Baht, the decrease in creditors of 198.08 million Baht from the payment of studio construction and content acquisition.

Shareholders' equity

Shareholders' equity of the Company and subsidiaries as of the end of 2016 was 2,365.61 million Baht, decreasing by 57.95 million Baht from 2015 due largely to the 2016 losses in operating performance of 249.55 million baht and the total comprehensive income (loss) for the year at the contraction of -5.82 million Baht. This affected the decrease in retained earnings by 255.37 million baht. During 2016, the Company's paid-up share capital rose by 100 million shares, or 196.50 million Baht.

Investment Structure

As of December 31, 2016, the Company and subsidiaries recorded the total liabilities of 3,026.05 million Baht, accounting for 56.12 percent of liability and shareholders' equity. Shareholders' equity was 2,365.61 million Baht, accounting for 43.88 percent of liability and shareholders' equity. Debt to Equity Ratio was 1.28 times, increasing by 0.10 times from the year 2015.

Profitability

As of December 31, 2016, the Company and subsidiaries' gross profit margin was 20.18 percent, increasing by 7.49 percent from 2015. Net profit margin was a contraction of -11.81 percent, decreasing by 13.46 percent from 2015. A key factor for the increase in profitability ratio over year included the fact that MONO29, a new digital TV business of a subsidiary, was supported by effective PR plan. That is to say, the Company and subsidiaries' precise management and PR program helped improve the TV advertising value of the subsidiary.

Thus, the increasing profitability ratio and Return on Equity (ROE) for 2016 of -10.42 percent, decreasing by 7.82 percent from 2015 were due to higher profit as mentioned above.

Asset Management Ability

In 2016, the Company and subsidiaries' Return on Assets (ROA) was -1.78 percent, decreasing by 5.85 percent from the previous year and Total Assets Turnover was 0.40 times which increased by 0.04 times from the previous year. This was because in 2016 the Company and subsidiaries had profit increase more than the investments of asset and content to support the growth of TV digital business.

Liquidity and Capital Adequacy

In 2016, the Company and subsidiaries' liquidity ratio was 0.73 times, decreasing by 0.09 times from the previous year. Quick Ratio was 0.54 times, decreasing by 0.05 times from 2015 due to property investment and content acquisition to support the growth of TV digital business.

In 2016, debt to equity ratio was 1.28 times, increasing by 0.10 times from the previous year because a subsidiary has increased investment on more contents in order to support TV digital business. Thus, debt to equity has risen. Nevertheless, the Company's capital was in adequate level.

Liability Commitments

In 2016, the future minimum lease payments required under these operating lease and service contracts were as follows:

Unit: Million Baht

Payment Period	Amount
Within one year	174
More than one year but not exceeding 5 years	299
More than 5 years	369