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14 August 2018

Subject: Management discussion and analysis of financial position and operating results

To: President and Manager

The Stock Exchange of Thailand

**Overall operating performance of the Group**

Unit: Million Baht

	Q2' 2018	Q2' 2017	Increase (decrease)	Variance (%)
Total revenues	1,822	1,909	(87)	(5%)
Net profit	170	116	54	47%

The Group's total revenues for the second quarter of 2018 amounted Baht 1,822 million, which was decreased by Baht 87 million or a decrease of 5% compared to the total revenues for the second quarter of 2017 amounting to Baht 1,909 million. The decrease was mainly due to the lower revenues from EMS business and telecommunication business.

The Group's profit for the second quarter of 2018 amounted to Baht 170 million, which was increased by Baht 54 million or an increase of 47% compared to the profit for the second quarter of 2017 amounting to Baht 116 million. The increase was mainly due to the higher gross profit from related technology business and the lower selling expenses. As a result, overall the profit of the Group was increased.

**Analysis of revenues**

	Q2' 2018		Q2' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	389	21%	553	29%	(164)	(30%)
Telecommunication business	109	6%	131	7%	(22)	(17%)
Related technology business	362	20%	362	19%	-	-
Retail business	881	48%	812	42%	69	8%
Total revenues from main business	1,741	95%	1,858	97%	(117)	(6%)
Other income	81	5%	51	3%	30	59%
Total revenues	1,822	100%	1,909	100%	(87)	(5%)

### EMS business

The Company had revenue from EMS business for the second quarter of 2018 amounting to Baht 389 million, a decrease of Baht 164 million or a decrease of 30% compared to that of the previous year amounting to Baht 553 million. It resulted from a decrease in orders from one of the major customers of the manufacture and assembly of electronic circuit boards business unit.

### Telecommunication business

The Company had revenue from telecommunication business for the second quarter of 2018 amounting to Baht 109 million, a decrease of Baht 22 million or a decrease of 17% compared to that of the previous year amounting to Baht 131 million. The decrease was due to during the prior year, the Company had revenue from sales of set-top box in accordance with the Digital TV subsidy program (phase 2) by the NBTC.

### Related technology business

The Company had revenue from related technology business for the second quarter of 2018 amounting to Baht 362 million. It did not change as compared to the same period of last year.

### Retail business

The Company had revenue from retail business for the second quarter of 2018 amounting to Baht 881 million, an increase of Baht 69 million or an increase of 8% compared to that of the previous year amounting Baht 812 million. The top-up value via “Boonterm Kiosk” for the second quarter of 2018 amounted to Baht 10,611 million, an increase of Baht 1,833 million or an increase of 21% compared to the top-up value for the second quarter of 2017 amounting to Baht 8,778 million. As at 30 June 2018, the Company had 130,348 top-up kiosks across Thailand.

### Gross Profit and Gross Profit Margin

	Q2' 2018		Q2' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	76	20%	129	23%	(53)	(41%)
Telecommunication business	13	12%	28	21%	(15)	(54%)
Related technology business	173	48%	60	17%	113	188%
Retail business	230	26%	239	29%	(9)	(4%)
<b>Gross Profit</b>	<b>492</b>	<b>28%</b>	<b>456</b>	<b>25%</b>	<b>36</b>	<b>8%</b>

### EMS business

The Company had gross profit for the second quarter of 2018 amounting to Baht 76 million, which was decreased by Baht 53 million or a decrease of 41% compared to the gross profit of Baht 129 million for the second quarter of 2017. Gross profit margin for the second quarter of 2018 was also decreased from 23% to 21%. The decrease was in line with the lower revenue from the major customer of the manufacture and assembly of electronic circuit boards business unit.

### Telecommunication business

The Company had gross profit for the second quarter of 2018 amounting to Baht 13 million, which was decreased by Baht 15 million or a decrease of 54% compared to the gross profit of Baht 28 million for the second quarter of 2017. It was in line with the lower revenue from sale of set-top box. Gross profit margin for the second quarter of 2018 was decreased from 21% to 12% due to an increase of allowance for diminution in value of inventories.

### Related technology business

The Company had gross profit for the second quarter of 2018 amounting to Baht 173 million, which was increased by Baht 113 million or an increase of 188% compared to the gross profit of Baht 60 million for the second quarter of 2017. Gross profit margin for the second quarter of 2018 was increased from 17% to 48% due to higher gross profit and gross profit margin from a contract with the Royal Thai Police Office for procurement of 1,482 camcorder cameras on the police stations.

### Retail business

The Company had gross profit for the second quarter of 2018 amounting to Baht 230 million, which was decreased by Baht 9 million or a decrease of 4% compared to the gross profit of Baht 239 million for the second quarter of 2017. Gross profit margin for the second quarter of 2018 was decreased from 29% to 26% due to higher depreciation expense of top-up kiosks.

### Expenses and expenses to revenues from main business

	Q2' 2018		Q2' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	24	1%	36	2%	(12)	(33%)
Administrative expenses	226	13%	225	12%	1	-
Finance cost	33	2%	31	2%	2	6%
Income tax expenses	48	3%	27	1%	21	78%

### Selling expenses

Selling expenses for the second quarter of 2018 amounted to Baht 24 million, a decrease of Baht 12 million or a decrease of 33% from the same period of last year. The decrease was due to the reduction of commission for sales of set-top box. Selling expense to revenue from main business accounted for 1%, with no significant change compared to the same period of last year.

### Administrative expenses

Administrative expenses for the second quarter of 2018 amounted to Baht 226 million and the administrative expenses to revenue from main business accounted for 13%, which was not significantly changed from the same period of prior year.

### Finance cost

The financial cost for the second quarter of 2018 amounted to Baht 33 million and the financial cost to revenue from main business was 2%, which was not significantly changed from the same period of last year.

### Income tax expenses

Income tax expenses for the second quarter of 2018 amounted to Baht 48 million, an increase of Baht 21 million or an increase of 78% from the same period of last year. This is consistent with the increased profit.

### Financial position

#### Assets

Unit: Million Baht

	30 June 2018	31 December 2017	Increase (decrease)	% Variance
Current assets	5,114	4,491	623	14%
Non-current assets	3,560	3,658	(98)	(3%)
<b>Total assets</b>	<b>8,674</b>	<b>8,149</b>	<b>525</b>	<b>6%</b>

Total assets as at 30 June 2018 amounted to Baht 8,674 million, an increase of Baht 525 million or an increase of 6% compared to the total assets as at 31 December 2017, amounting to Baht 8,149 million. The increase was mainly from trade accounts receivable, unbilled receivables and inventories.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 June 2018	31 December 2017
Trade account receivables - unrelated parties	1,716	1,352
Less: Allowance for doubtful accounts	(43)	(51)
Trade account receivables - net	1,673	1,301

As at 30 June 2018 and 31 December 2017, the Group had the allowance for doubtful accounts, amounting to Baht 43 million and Baht 51 million, respectively. The Group's policy on allowance for doubtful accounts is based on past collection history, aging profile of outstanding debts and the prevailing economic condition. Management believed that allowance for doubtful accounts is adequate in the current circumstances.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	30 June 2018	31 December 2017
Inventories	1,572	1,413
Reduce cost to net realisable value	(324)	(309)
Inventories - net	1,248	1,104

As at 30 June 2018 and 31 December 2017, the Group had the reduction of cost to net realisable value amounting to Baht 324 million and Baht 309 million, respectively. The Group estimates net realisable value of inventories taking into the account fluctuations of price or cost directly related to events occurring after the end of the period and movements of inventories and the prevailing economic condition. Management believed that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	30 June 2018	31 December 2017	Increase (decrease)	% Variance
Current liabilities	5,562	4,755	807	17%
Non-current liabilities	560	674	(114)	17%
Total liabilities	6,122	5,429	693	13%
Total shareholders' equity	2,552	2,720	(168)	(6%)

### Liabilities

Total liabilities as at 30 June 2018 were Baht 6,122 million, an increase of Baht 693 million or an increase of 13% compared to the total liabilities as at 31 December 2017, which was Baht 5,429 million. The increase was mainly due to the increase of short-term loans from banks.

### Shareholders' equity

Total shareholders' equity as at 30 June 2018 were Baht 2,552 million, a decrease of Baht 168 million, or a decrease of 6% compared to the total shareholders' equity as at 31 December 2017, which was Baht 2,720 million. The change was due to the net profit for the period, the dividend payment to the shareholders and the share repurchase of the subsidiary.

### The appropriate of capital structure

The debt to equity ratio as at 30 June 2018 was 2.4: 1, increased from the debt-to-equity ratio as at 31 December 2017, which was 2.0: 1. The increase was due to the increase of current liabilities, the dividend payment to the shareholders and the share repurchase of the subsidiary.

### Liquidity

#### Cash flows

Unit: Million Baht

	Q2' 2018	Q2' 2017
Cash flows from (used in) operating activities	111	182
Cash flows from (used in) investing activities	(223)	(477)
Cash flows from (used in) financing activities	(95)	435

Cash flows from operating activities for the second quarter of 2018 were Baht 111 million, decreased by Baht 71 million compared to that of the previous year amounting to Baht 182 million. It resulted from the increase of working capital i.e. trade receivables, unbilled receivables, trade payables etc.

Cash flows used in investing activities for the second quarter of 2018 were Baht 223 million, decreased by Baht 254 million compared to that of the prior year amounting to Baht 477 million. It was due to the decrease of capital expenditures for purchase of top-up kiosk of one of the subsidiaries.

Cash flows used in financing activities for the second quarter of 2018 were Baht 95 million. The increase was due to drawdown of short-term loans of Baht 507 million and drawdown of long-term loans of Baht 215 million. The decrease was due to repayment of long-term loans of Baht 125 million, dividend payment to the shareholders of the Company and the subsidiary of Baht 370 million, and share repurchase of the subsidiary of Baht 187 million.

Liquidity ratio

Current ratio as at 30 June 2018 was 0.92:1 which was closed to the current ratio as at 31 December 2017, which was 0.94:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller