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25 February 2019

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

	2018	2017	Increase (decrease)	Variance (%)
Total revenues	8,080	7,165	915	13%
Net profit	526	272	254	93%

The Group has total revenues of Baht 8,080 million for 2018, which is increased by Baht 915 million or 13% compared to the total revenues of Baht 7,165 million for 2017. The increase results from higher revenue from related technology business and lower revenue from EMS business.

In 2018, the Group has net profit of Baht 526 million, which is increased by Baht 254 million or 93% compared to the net profit of Baht 272 million for 2017. It is due to higher gross profit from related technology business, and lower selling and administrative expenses, resulting in an overall increase in the Group's net profit.

Analysis of revenues

	2018		2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	1,658	21%	2,300	32%	(642)	(28%)
Telecommunication business	818	10%	483	7%	335	69%
Related technology business	1,858	23%	913	13%	945	104%
Retail business	3,481	43%	3,254	45%	227	7%
Total revenues from main business	7,815	97%	6,950	97%	865	12%
Other income	265	3%	215	3%	50	23%
Total revenues	8,080	100%	7,165	100%	915	13%

EMS business

In 2018, the Group generates revenue of Baht 1,658 million from EMS business, which is decreased by Baht 642 million or 28% compared to the revenue of Baht 2,300 million for 2017. It is mainly due to lower orders from a major customer of the manufacture and assembly of electronic circuit boards business unit.

Telecommunication business

In 2018, the Group generates revenue of Baht 818 million from telecommunication business, which is increased by Baht 335 million or 69% compared to the revenue of Baht 483 million for 2017. It results from the increase in revenue from the design and installation of telecommunication network and signal equipment.

Related technology business

In 2018, the Group generates revenue of Baht 1,858 million from related technology business, which is increased by Baht 945 million or 104% compared to the revenue of Baht 913 million for 2017. It results from revenue from sale of smart patrol cars and camcorder cameras installed on the police stations.

Retail business

In 2018, the Group generates revenue of Baht 3,481 million from retail business, which is increased by Baht 227 million or 7% compared to the revenue of Baht 3,254 million for 2017. The Group has the top-up value via “Boonterm Kiosk” for 2018 of Baht 41,980 million, which is increased by Baht 5,806 million or 16% compared to the top-up value of Baht 36,174 million for 2017. As at 31 December 2018, the Group has 130,053 top-up kiosks across Thailand.

Gross Profit and Gross Profit Margin

	2018		2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	362	22%	429	19%	(67)	(16%)
Telecommunication business	74	9%	133	28%	(59)	(44%)
Related technology business	483	26%	145	16%	338	233%
Retail business	845	24%	923	28%	(78)	(8%)
Gross Profit	1,764	23%	1,630	23%	134	8%

EMS business

In 2018, the Group has gross profit of Baht 362 million, which is decreased by Baht 67 million or 16% compared to the gross profit of Baht 429 million for 2017. It results from lower gross profit of a major customer of the manufacture and assembly of electronic circuit boards business unit. Gross profit margin for 2018 is 22%, which is slightly increased compared to the gross profit margin for 2017.

Telecommunication business

In 2018, the Group has gross profit of Baht 74 million, which is decreased by Baht 59 million or 44% compared to the gross profit of Baht 133 million for 2017. Gross profit margin for 2018 is decreased from 28% to 9%. It is mainly due to lower gross profit margin of the design and installation of telecommunication network and signal equipment project work and the increase of reduction of cost of inventories to net realizable value.

Related technology business

In 2018, the Group has gross profit of Baht 483 million, which is increased by Baht 338 million or 233% compared to the gross profit of Baht 145 million for 2017. Gross profit margin for 2018 is increased from 16% to 26%. It is due to gross profit from sale of smart patrol cars and camcorder cameras installed on the police stations.

Retail business

In 2018, the Company has gross profit of Baht 845 million, which is decreased by Baht 78 million or 8% compared to the gross profit of Baht 923 million for 2017. Gross profit margin for 2018 is decreased from 28% to 24%. It is due to higher depreciation expense of top-up kiosks.

Expenses and expenses to revenues from main business

	2018		2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	108	1%	139	2%	(31)	(22%)
Administrative expenses	853	11%	927	13%	(74)	(8%)
Finance cost	128	2%	124	2%	4	3%
Income tax expenses	134	2%	61	1%	73	120%

Selling expenses

In 2018, the Group has the selling expenses of Baht 108 million, which is decreased by Baht 31 million or 22% compared to those of prior year. It is due to the decrease in commission fees paid to sale agent for selling set-top box and sale promotion expenses of Forth Smart Service Public Company Limited.

Administrative expenses

In 2018, the Group has the administrative expenses of Baht 853 million, which is decreased by Baht 74 million or 8% compared to those of prior year. It is due to the cessation of a subsidiary in the Philippines during 2017 and the control of operating expenses to be more efficient.

Finance cost

In 2018, the Group has the finance cost of Baht 128 million and the finance cost to revenue from main business ratio is 2%. There is no significant change compared to those of the prior year.

Income tax expenses

In 2018, the Group has the income tax expenses of Baht 134 million, which is increased by Baht 73 million or 120% compared to those of prior year. It is in line with the increased profit.

Financial position

Assets

Unit: Million Baht

	31 December 2018	31 December 2017	Increase (decrease)	% Variance
Current assets	5,310	4,491	819	18%
Non-current assets	3,560	3,658	(98)	(3%)
Total assets	8,870	8,149	721	9%

As at 31 December 2018, the Group's total assets are Baht 8,870 million, increased by Baht 721 million or 9% compared to the total assets as at 31 December 2017 of Baht 8,149 million. It results from the increase of trade and other receivables and unbilled receivables.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 December 2018	31 December 2017
Trade account receivables - unrelated parties	2,452	1,352
Less: Allowance for doubtful accounts	(52)	(51)
Trade account receivables - net	2,400	1,301

As at 31 December 2018 and 2017, the Group has the allowance for doubtful accounts, amounting to Baht 52 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. The management believes that allowance for doubtful accounts is adequate in the current circumstances.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 December 2018	31 December 2017
Inventories	1,335	1,413
Reduce cost to net realisable value	(367)	(309)
Inventories - net	968	1,104

As at 31 December 2018 and 2017, the Group has the reduction of cost to net realisable value amounting to Baht 367 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. The management believes that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	31 December 2018	31 December 2017	Increase (decrease)	% Variance
Current liabilities	5,903	4,810	1,093	23%
Non-current liabilities	461	619	(158)	(26%)
Total liabilities	6,364	5,429	935	17%
Total Shareholders' equity	2,506	2,720	(214)	(8%)

Liabilities

As at 31 December 2018, the Group's total liabilities are Baht 6,364 million, increased by Baht 935 million or 17% compared to the total liabilities as at 31 December 2017 of Baht 5,429 million. It results from the increase of short-term loans and trade and other payables.

Shareholders' equity

As of 31 December 2018, the Group's shareholders' equity is Baht 2,506 million, decreased by Baht 214 million or 8% compared to the total shareholders' equity as at 31 December 2017 of Baht 2,720 million. It is mainly due to an acquisition of ordinary shares of the subsidiary from non-controlling interests of the subsidiary, treasury

shares of the subsidiary and payment of dividends to the Company's shareholders and the non-controlling interests of the subsidiary.

The appropriate of capital structure

The Group's debt to equity ratio as at 31 December 2018 is 2.5:1, which is increased from the ratio as at 31 December 2017 at rate of 2.0:1. It results from the increase of short-term loans and long-term loans.

Liquidity

Cash flows

Unit: Million Baht

	2018	2017
Cash flows from (used in) operating activities	608	1,201
Cash flows from (used in) investing activities	(529)	(1,120)
Cash flows from (used in) financing activities	(381)	492

Cash flows from operating activities for 2018 are Baht 608 million, decreased by Baht 593 million. It is due to the increased working capital i.e. trade and other receivables, unbilled receivables, trade and other payables etc.

Cash flows used in investing activities for 2018 are Baht 529 million, decreased by Baht 591 million. It is due to the lower acquisition of top-up kiosks of the subsidiary.

Cash flows used in financing activities for 2018 are Baht 381 million, increased by Baht 873 million. It is caused by treasury shares of the subsidiary, repayment of long-term loans and payment of dividends to the Company's shareholders and the non-controlling interests of the subsidiary.

Liquidity ratios

Current assets ratio to current liabilities as at 31 December 2018 is 0.9:1 which is equal to the ratio as at 31 December 2017.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller