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14 May 2014

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

To: President

The Stock Exchange of Thailand

**Overall operating performance of the Group**

Unit: Million Baht

	Q1 2014	Q1 2013	Increase (decrease)	Variance (%)
Total revenues	870	1,238	(368)	(30%)
Net profit	28	84	(56)	(67%)

The Group had total revenues of Baht 870 million for Q1 2014, which decreased by Baht 368 million or 30% compared to the total revenues of Baht 1,238 million for Q1 2013. The drop was mainly due to the declining of revenues from EMS business, telecommunication business and related technology business.

In Q1 2014, the Group had net profit of Baht 28 million, which decreased by Baht 56 million or 67% compared to the net profit of Baht 84 million for Q1 2013. The drop was mainly due to the declining of gross profit in accordance with the revenues.

**Analysis of revenues**

	Q1 2014		Q1 2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues from main business</b>						
Electronics manufacturing services business	294	34%	552	44%	(258)	(47%)
Telecommunication business	189	22%	247	20%	(58)	(23%)
Related technology business	131	15%	254	21%	(123)	(48%)
Retail business	244	28%	173	14%	71	41%
<b>Total revenues from main business</b>	<b>858</b>	<b>99%</b>	<b>1,226</b>	<b>99%</b>	<b>(368)</b>	<b>(30%)</b>
Other income	12	1%	12	1%	0	0%
<b>Total revenues</b>	<b>870</b>	<b>100%</b>	<b>1,238</b>	<b>100%</b>	<b>(368)</b>	<b>(30%)</b>

### EMS business

In Q1 2014, the Company generated revenue of Baht 294 million from EMS business, which decreased by Baht 258 million comparing to those of the prior year. It has been resulted from the cease of hard disk drive production for Western Digital (Thailand) Co., Ltd since the end of July 2013.

### Telecommunication business

In Q1 2014, the telecommunication business for government sector has been slowing down. There are new projects occurred during this quarter such as a service agreement to design, provide and install DWDM (Dense Wavelength Division Multiplexing) equipment and IP Core Network with the Provincial Electricity Authority, with the contract value of Baht 470 million and the project for improvement of IP phone system for the police stations in Thailand (phase 2) with the Royal Thai Police, with the contract value of Baht 46 million.

### Related technology business

From related technology business, the Company generated revenues of Baht 131 million for Q1 2014, which decreased by Baht 123 million comparing to those of the prior year. The decrease was caused by the equipment and system installation projects for closed circuit television to support the Traffic and Transportation Department, which have nearly been completed. Furthermore, there was no new project incurred during this quarter.

### Retail business

In Q1 2014, the Company generated revenue of Baht 244 million from online top-up service, which increased by Baht 71 million comparing to those of the prior year. The total transaction value through "Boonterm Kiosk" during Q1 2014 was Baht 2,309 million, which increased by Baht 700 million or 41% comparing to those of the prior year. As of March 31, 2014, the numbers of "Boonterm Kiosk" were 34,996 kiosks.

### Gross Profit Margin

	Q1 2014		Q1 2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Electronics manufacturing services business	63	21%	37	7%	26	70%
Telecommunication business	32	17%	95	38%	(63)	(66%)
Related technology business	37	28%	83	33%	(46)	(55%)
Retail business	78	32%	55	32%	23	42%
<b>Gross Profit</b>	<b>210</b>	<b>25%</b>	<b>270</b>	<b>22%</b>	<b>(60)</b>	<b>(22%)</b>

In Q1 2014, the Company had gross profit margin of Baht 210 million which decreased by Baht 60 million or 22% comparing to the gross profit margin of Baht 270 million for Q1 2013. The decrease was caused by telecommunication business and related technology business as discussed in “Revenue” section above. The gross profit margin was increased from 22% in Q1 2013 to 25% in Q1 2014. The higher margin overall was because of the cease of hard disk drive production for one of our major clients which generated the low gross profit margin.

### Expenses

Unit: Million Baht

	Q1 2014	Q1 2013	Increase (decrease)	% Variance
Selling expenses	23	16	7	44%
Administrative expenses	135	130	5	4%
Finance cost	21	21	0	0%
Income tax expenses	7	14	(7)	(50%)

#### **Selling expenses**

In Q1 2014, the Company had the selling expense of Baht 23 million which increased by Baht 7 million or 44% from the same period of last year. It was mainly resulted from the marketing expenses of Forth Smart Service Public Co. Ltd (“FSMART”) such as the continuous sales promotion activities.

#### **Income tax expenses**

In Q1 2014, the Company had the income tax expenses of Baht 7 million which decreased by Baht 7 million or 50% from the same period of last year. This was in line with the declining net profit for the period.

### Financial position

#### Assets

Unit: Million Baht

	31 March 2014	31 December 2013	Increase (decrease)	% Variance
Current assets	3,237	3,377	(140)	(4%)
Non-current assets	1,307	1,259	48	4%
<b>Total assets</b>	<b>4,544</b>	<b>4,636</b>	<b>(92)</b>	<b>(2%)</b>

As at 31 March 2014, the Group’s assets was Baht 4,544 million, decreased by Baht 92 million due to the decrease of current assets. The decrease of current assets was mainly resulted from the declining of trade and other receivables from completed projects which have already been billed and collected.

## The quality of assets

### Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2014	31 December 2013
Trade account receivables – unrelated parties	807	1,030
Less: Allowance for doubtful accounts	(46)	(42)
Trade account receivables - net	761	988

As at 31 March 2014 and 31 December 2013, the Group recorded the allowance of doubtful accounts, amounting to Baht 46 million and Baht 42 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 believed that allowance for doubtful accounts was adequate in the current circumstances.

### Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 March 2014	31 December 2013
Inventories	925	843
Reduce cost to net realisable value	(172)	(165)
Inventories - net	753	678

As at 31 March 2014 and 31 December 2013, the Group recorded the reduce cost to net realisable value amounting to Baht 172 million and Baht 165 million, respectively. The Group estimated 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 believed that the reduce cost to net realisable value was adequate in the current circumstances.

## Source of fund

### Liabilities

Unit: Million Baht

	31 March 2014	31 December 2013	Increase (decrease)	% Variance
Current liabilities	2,479	2,684	(205)	(8%)
Non-current liabilities	330	255	75	29%
<b>Total liabilities</b>	<b>2,809</b>	<b>2,939</b>	<b>(130)</b>	<b>(4%)</b>

As at 31 March 2014, the Group's liabilities were Baht 2,809 million, which decreased by Baht 130 million. It was mainly due to the declining of trade payables since the bidding projects from government sector were delayed.

The Group could repay loan in accordance with the repayment schedule stipulated in the loan agreements.

### Shareholders' equity

As at 31 March 2014, the Group's shareholders' equity was Baht 1,735 million, which increased by Baht 39 million. The increase was resulted from the net profit of Baht 39 million for Q1 2014.

### The appropriate of capital structure

The Group's debt to equity ratio as at 31 March 2014 was 1.6:1 which decreased from the ratio as at 31 December 2013 at rate of 1.7: 1 as the result of the decrease of short-term liabilities used for the projects.

### Liquidity

#### Cash flows

Unit: Million Baht

	Q1 2014	Q1 2013
Cash flows from (used in) operating activities	116	190
Cash flows from (used in) investing activities	(79)	(45)
Cash flows from (used in) financing activities	(62)	(201)

Cash flows from operating activities were Baht 116 million which decreased by Baht 74 million. It was resulted from the declining of collection of outstanding debts from the projects, as well as the decrease of working capital of EMS business.

Cash flows used in investing activities for Q1 2014 were Baht 324 million. The majority of cash flows used in investing activities were the acquisition of assets i.e. top-up kiosk of one of its subsidiaries.

Cash flows used in financing activities for Q1 2014 were Baht 62 million. It was mainly resulted from the repayment of short-term and long-term loans from financial institutions of Baht 21 million and Baht 41 million, respectively.

**Liquidity ratios**

The ratio of the current assets and current liabilities as at 31 March 2014 was 1.3:1 which equal to the ratio as at 31 December 2013. This was the result of the changing rate in current assets to current liabilities related in the same direction and also similar proportion.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller