

Ref: AC.034/2014

14 August 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

	Q2 2014	Q2 2013	Increase (decrease)	Variance (%)
Total revenues	816	1,425	(609)	(43%)
Net profit	22	65	(43)	(66%)

The Group had total revenues of Baht 816 million for Q2 2014, which decreased by Baht 609 million or 43% compared to the total revenues of Baht 1,425 million for Q2 2013. The drop was mainly due to the declining of revenues from EMS business and related technology business.

In Q2 2014, the Group had net profit of Baht 22 million, which decreased by Baht 43 million or 66% compared to the net profit of Baht 65 million for Q2 2013. The drop was mainly due to the declining of gross profit in accordance with the revenues.

	Q2 2014		Q2 2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues from main business</b>						
Electronics manufacturing services business	270	33%	488	34%	(218)	(45%)
Telecommunication business	129	16%	96	7%	33	34%
Related technology business	133	17%	644	45%	(511)	(79%)
Retail business	264	32%	185	13%	79	43%
<b>Total revenues from main business</b>	<b>796</b>	<b>98%</b>	<b>1,413</b>	<b>99%</b>	<b>(617)</b>	<b>(44%)</b>
Other income	20	2%	12	1%	8	67%
<b>Total revenues</b>	<b>816</b>	<b>100%</b>	<b>1,425</b>	<b>100%</b>	<b>(609)</b>	<b>(43%)</b>

### Analysis of revenues

#### EMS business

In Q2 2014, the Company generated revenue of Baht 270 million from EMS business, which decreased by Baht 218 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. In Q2 2013, the Company generated revenue of Baht 242 million from Western Digital (Thailand) Co., Ltd.

#### Telecommunication business

In Q2 2014, the telecommunication business for government sector has been slowing down. Major revenue was derived from a contract for services in 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 133 million for Q2 2014, which decreased by Baht 511 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. There was a new project occurred during the quarter which was a purchase agreement of information technology system and network for computer center including a disaster recovery site with Metropolitan Electricity Authority, with the contract value of Baht 470 million (the Company's portion).

#### Retail business

In Q2 2014, the Company generated revenue of Baht 264 million from online top-up service, which increased by Baht 79 million comparing to those of the prior year. The total transaction value through "Boonterm Kiosk" during Q2 2014 was Baht 2,536 million, which increased by Baht 819 million or 48% comparing to those of the prior year. As of 30 June 2014, the numbers of "Boonterm Kiosk" were 37,311 kiosks.

### Gross Profit Margin

	Q2 2014		Q2 2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Electronics manufacturing services business	56	21%	53	11%	3	6%
Telecommunication business	49	38%	(31)	(32%)	80	258%
Related technology business	32	24%	183	28%	(151)	(83%)
Retail business	79	30%	59	32%	20	34%
<b>Gross Profit</b>	<b>216</b>	<b>27%</b>	<b>264</b>	<b>19%</b>	<b>(48)</b>	<b>(18%)</b>

In Q2 2014, the Company had gross profit margin of Baht 216 million which decreased by Baht 48 million or 18% comparing to the gross profit margin of Baht 264 million for Q2 2013. The decrease was caused by related technology business as discussed in “Revenue” section above. The gross profit margin was increased from 19% in Q2 2013 to 27% in Q2 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. Furthermore, during Q2 2013, there was a reduction in the value of contract for the installation of Multi Service Access Node (MSAN), WDM equipment and related services, which affect the project’s revenue and gross profit margin to be decreased.

### Expenses

Unit: Million Baht

	Q2 2014	Q2 2013	Increase (decrease)	% Variance
Selling expenses	22	27	(5)	(19%)
Administrative expenses	143	132	11	8%
Finance cost	23	22	1	5%
Income tax expenses	12	23	(11)	(48%)

#### Selling expenses

In Q2 2014, the Company had the selling expense of Baht 22 million which decreased by Baht 5 million or 19% from the same period of last year. This was in line with the declining revenue.

#### Income tax expenses

In Q2 2014, the Company had the income tax expenses of Baht 12 million which decreased by Baht 11 million or 48% from the same period of last year. This was in line with the declining net profit.

Financial position

Assets

Unit: Million Baht

	30 June 2014	31 December 2013	Increase (decrease)	% Variance
Current assets	3,376	3,377	(1)	-
Non-current assets	1,336	1,259	77	6%
<b>Total assets</b>	<b>4,712</b>	<b>4,636</b>	<b>76</b>	<b>2%</b>

As at 30 June 2014, the Group's assets was Baht 4,712 million, slightly increased by Baht 76 million, which equivalent to 2%.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 June 2014	31 December 2013
Trade account receivables – unrelated parties	766	1,030
Less: Allowance for doubtful accounts	(48)	(42)
<b>Trade account receivables - net</b>	<b>828</b>	<b>988</b>

As at 30 June 2014 and 31 December 2013, the Group recorded the allowance of doubtful accounts, amounting to Baht 48 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	
	30 June 2014	31 December 2013
Inventories	1,010	843
Reduce cost to net realisable value	(182)	(165)
<b>Inventories - net</b>	<b>753</b>	<b>678</b>

As at 30 June 2014 and 31 December 2013, the Group recorded the reduce cost to net realisable value amounting to Baht 182 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

	30 June 2014	31 December 2013	Increase (decrease)	% Variance
Current liabilities	2,724	2,677	47	2%
Non-current liabilities	355	255	100	39%
<b>Total liabilities</b>	<b>3,079</b>	<b>2,932</b>	<b>147</b>	<b>5%</b>

As at 30 June 2014, the Group's liabilities were Baht 3,079 million, which increased by Baht 147 million. It was mainly due to the increase of bank overdrafts, short-term loans and long-term loans. The Group could repay loan in accordance with the repayment schedule stipulated in the loan agreements.

Shareholders' equity

As at 30 June 2014, the Group's shareholders' equity was Baht 1,633 million, which decreased by Baht 70 million. The increased amount was resulted from the net profit of Baht 73 million and the dividend paid to the shareholders of Baht 144 million.

The appropriate of capital structure

The Group's debt to equity ratio as at 30 June 2014 was 1.9:1 which increased from the ratio as at 31 December 2013 at rate of 1.7:1 as the result of the increase of bank overdrafts, short-term loans and long-term loans and the dividend paid to the shareholders.

Liquidity

Cash flows

Unit: Million Baht

	Q2 2014 (6 months)	Q2 2013 (6 months)
Cash flows from (used in) operating activities	117	151
Cash flows from (used in) investing activities	(151)	(131)
Cash flows from (used in) financing activities	(13)	(102)

Cash flows from operating activities were Baht 117 million which decreased by Baht 34 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 Q2 2014 were Baht 151 million. The majority of cash flows used in investing activities were the acquisition of assets i.e. top-up kiosk of a subsidiary.

Cash flows used in financing activities for Q2 2014 were Baht 13 million. It was mainly comprised of the dividend payment of Baht 144 million, the repayment of long-term loans of Baht 144 million and cash received from bank overdrafts, short-term loans and long-term loans of Baht 275 million.

### Liquidity ratios

The ratio of the current assets and current liabilities as at 30 June 2014 was 1.2:1 which was close to the ratio as at 31 December 2013, which was 1.3:1. 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