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25 February 2014

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

To: President and Managers

The Stock Exchange of Thailand

Overall operating performance of the Group

Unit: Million Baht

	2013	2012	Increase (decrease)	Variance (%)
Total revenues	4,520	5,938	(1,418)	(24%)
Net profit	254	120	134	112%

The Group had total revenues in 2013 of Baht 4,520 million, decreased by Baht 1,418 million or 24% compared to total revenues in 2012 of Baht 5,938 million which was mainly due to the decrease of an electronic turnkey contract from one of our major clients.

In 2013, the Group had net profit of Baht 254 million, increased by Baht 134 million or 112% compared to net profit in 2012 amounting to Baht 120 million which was mainly due to the increase in gross profit and the decrease from financial costs.

Analysis of revenues

	2013		2012	
	Million Baht	%	Million Baht	%
Revenues from main business				
Electronics manufacturing services business	1,628	36	3,948	67
Telecommunication business	515	11	480	8
Technology related business	1,525	34	906	15
Retail business	803	18	553	9
Total revenues from main business	4,471	99	5,887	99
Other income	49	1	51	1
Total revenues	4,520	100	5,938	100

EMS business

In 2013, the Company generated revenue from EMS business of Baht 1,628 million which decreased by Baht 2,320 million due to the cease of hard disk drive production for our major client, Western Digital (Thailand) Co., Ltd since the end of July 2013. For electronic parts distribution, the Company still maintains the sale volumes and the gross profit margin of the electronic parts similar to the last year.

Telecommunication business

In 2013, the telecommunication business of government sector has slowed down continuously from last year. The new project occurred during the year such as procurement project of Wireless High Speed Internet for Smart Thailand of TOT Plc. amounting to Baht 149 million and the modification of IP phone system for all police stations (Phase1) of Royal Thai Police amounting to Baht 84 million.

Related technology business

The Company generated revenues for 2013 from related technology business, amounting to Baht 1,525 million which increased by Baht 619 million. The increase derived from the 2 main areas:

- The manufacture, distribution and installment of the traffic light equipment and system, close circuit cameras (CCTV), the electronic board system and equipment and its services mainly for Bangkok Metropolitan Authority. The Company generated the revenue in 2013 amounting to Baht 1,310 million which increased by Baht 792 million. Most of the revenue derived from installing CCTV during the end of 2012.
- The implementation of ERP system, the Company generated revenue of Baht 202 million in 2013 which decreased by Baht 165 million comparing to last year. The service was provided to 2 public sectors e.g. Metropolitan Electricity Authority and Thai Airways International Plc.; while in 2012, the service was provided to 3 public sectors e.g. Metropolitan Electricity Authority, the State Railway of Thailand and Thai Airways International Plc.

Retail business

In 2013, the online top-up service business has been continuously growing and the Company generated revenue from online top-up service of Baht 803 million, which increased by Baht 250 million comparing to last year because the number of kiosks has been increased from 19,000 kiosks to 29,000 kiosks and the revenue from online-top-up service increased from Baht 4,700 million to Baht 7,400 Baht. In addition, the Company had been conducted marketing activities continuously.

Costs and expenses

Unit: Million Baht

	2013	2012	Increase (decrease)	% Variance
Cost of sales/services/project work	3,433	5,097	(1,664)	(33)
Selling expenses	89	62	27	44
Administrative expenses	565	541	24	4
Financial cost	89	122	(33)	(27)
Total expenses	4,176	5,822	(1,646)	(28)

Cost of sales/services/project work

Cost of sales/services/project work for 2013 were Baht 3,433 million, decreased by Baht 1,664 million or 33%. The decrease was in line with the declining sale of EMS business. In addition, the reduce cost to net realisable value of inventories, which is included in cost of sales decreased by Baht 21 million as a result of efficient inventory management and the depreciation of the top-up kiosks, which is included in cost of services decreased by Baht 47 million as a result of the change in estimated useful life of top-up kiosks from 5 years to 8 years.

Selling expenses

Selling expenses increased by Baht 27 million. It was mainly resulted from the marketing expenses of Forth Smart Service Co. Ltd ("FSMART") because it had the continuous promotion activities throughout the year.

Administrative expenses

Administrative expenses for 2013 were Baht 565 million, increased by Baht 24 million or 4% which mainly resulted from loss of impairment of top-up kiosks and spare parts amounting to Baht 13 million and loss on write-off of top-up kiosk losing amounting to Baht 3 million.

Finance cost

In 2013, the finance cost was Baht 89 million, decreased by Baht 33 million or 27% which resulted from the loan repayment in succession from the project completed during the year as well as the repayment of the long-term loan due under the term of contract.

Financial position

Assets

Unit: Million Baht

	31 December 2013	31 December 2012	Increase (decrease)	% Variance
Current assets	3,394	3,497	(103)	(3)
Non-current assets	1,259	1,121	138	12
Total assets	4,653	4,618	35	1

As at 31 December 2013, the Group's assets was Baht 4,653 million, increased by Baht 35 million due to the decrease of current assets amounting to Baht 103 million and the increase of non-current assets amounting to Baht 138 million.

The decrease of current assets was mainly resulted from the decrease of trade and other receivables and unbilled receivables from the installation of Wireless High Speed Internet of TOT Plc. and the implementation of ERP system of Thai Airways International Plc. were completed and had been billed and collected. Major trade account receivables and unbilled receivables as at 31 December 2013 were consisted of receivables from the installation of CCTV project of Bangkok Metropolitan Authority. For the increasing of non-current assets, it was resulted from the acquisition of property, building and equipment i.e. top-up kiosk.

The quality of assets

Trade account receivables

Trade account receivables excluded related parties as at 31 December 2013 and 2012 were Baht 1,048 million and Baht 1,395 million, respectively. The Group has policy on granting 30-90 days credit term for account receivables which could be categorized by the due date as follows:

Unit: Million Baht

	Consolidated financial statements	
	31 December 2013	31 December 2012
Not yet due	732	643
Over due		
Less than 3 months	103	528
3 - 6 months	28	32
6 - 12 months	34	42
More than 12 months	151	150
Total	1,048	1,395
Less: Allowance for doubtful accounts	(42)	(43)
Trade account receivables - net	1,006	1,352

As at 31 December 2013 and 2012, the Group recorded the allowance of doubtful accounts, amounting to Baht 42 million and Baht 43 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 December 2013	31 December 2012
Raw Materials	257	314
Work in process	77	63
Project in process	45	47
Finished goods	462	452
Goods in transit	2	2
Total	843	878
Reduce cost to net realisable value	(165)	(163)
Inventories - net	678	715

As at 31 December 2013 and 2012, the Group recorded the reduce cost to net realisable value amounting to Baht 165 million and Baht 163 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 year 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.

The right to derive benefit from smart traffic boards

In 2013, JV Genius reviewed the recoverable amount of the right to derived benefit from smart traffic boards by estimating the future cash flow that was discounted to its present value. A result was that its recoverable amount was higher than its net book value. Therefore, the management believed that the allowance for impairment loss of Baht 26 million in its accounts was adequate in the current circumstances.

Source of fund

Liabilities

Unit: Million Baht

	31 December 2013	31 December 2012	Increase (decrease)	% Variance
Current liabilities	2,702	2,871	(169)	(6)
Non-current liabilities	255	131	124	95
Total liabilities	2,957	3,002	(45)	(1)

As at 31 December 2013, the Group's liabilities were Baht 2,957 million, which decreased by Baht 45 million. It mainly caused by repayment of short-term loan used for the completed project. Besides, the Group had acquired the long-term loan of Baht 445 million for the working capital and asset acquisition. In addition, the Company repaid the long-term loan amounting Baht 235 million.

The Group could repay loan in accordance with the repayment schedule stipulated in the loan agreements. A subsidiary was unable to maintain certain financial ratios as stipulated in the loan agreement. The subsidiary therefore requested the bank to grant it a waiver of its non-compliance with such covenants and received the waiver in February 2014, as discussed in Note 17 to financial statements.

Shareholders' equity

As at 31 December 2013, the Group's shareholders' equity was Baht 1,696 million, which increased by Baht 80 million. The increase was resulted from the net profit in 2013 of Baht 284 million as well as cash receipts from the subsidiary's capital increase from minority shareholders of a subsidiary amounting to Baht 27 million. Meanwhile, the shareholders' equity of the Group decreased Baht 230 million from the dividend payment.

The appropriate of capital structure

The Group's debt to equity ratio as at 31st December 2013 was 1.7:1 which decreased from 2012 at rate of 1.9: 1 as the result of the decrease of short-term liabilities used for the project work.

Liquidity

Cash flows

Unit: Million Baht

	2013	2012
Cash flows from (used in) operating activities	483	1,625
Cash flows from (used in) investing activities	(324)	(277)
Cash flows from (used in) financing activities	(174)	(1,265)

In 2013, the Group's cash flows from operating activities were Baht 483 million which decreased by Baht 1,142 million. It was resulted from the decline of collection of outstanding debts which was completed, as well as the decrease of working capital of EMS business.

Cash flows used in investing activities for 2013 were Baht 324 million. The majority of cash flows used in investing activities were the acquisition of assets i.e. top-up kiosk of its subsidiary and the payment of leasehold right and the decoration of its new head office.

Cash flows used in financing activities for 2013 were Baht 174 million. It was mainly resulted from the repayment of short-term loans from financial institutions of Baht 180 million, the repayment of long-term loans of Baht 235 million and the dividend payment to the shareholders of Baht 230 million, cash receipt from long-term loans of Baht 445 million and proceeds from the minority shareholders of a subsidiary for the increase in the subsidiary's share capital of Baht 27 million.

Liquidity ratios

The ratio of the current assets and current liabilities as at 31 December 2013 was 1.3:1 which was closed to the one of 2012 by 1.2:1. This was the result of the changing rate in current assets to current liabilities related in the same direction and also similar proportion.

The liquidity ratio as at 31 December 2013 equaled to 0.5: 1 which was closed to that of 2012 by 0.6:1. This was the result of the changing rate of liquidity assets, comprising of cash and cash equivalents and trade and other receivables, to current liabilities related in the same direction and also similar proportion.

For auctions of public sector's project that required tender guarantee for each project covering the notional amount, advance payment, retention guarantee of each project. Since the Group had good relationship with financial institutes, it would not have any impact on the liquidity of the Group.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller