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20 February 2015

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

	2014	2013	Increase (decrease)	Variance (%)
Total revenue	4,377	4,520	(143)	(3%)
Net profit	338	254	84	33%

The Group had total revenue of Baht 4,377 million for 2014, which decreased by Baht 143 million or 3% compared to the total revenue of Baht 4,520 million for 2013. The decreasing was mainly due to the lower revenue from Electronics manufacturing services business and Telecommunication business.

In 2014, the Group had net profit of Baht 338 million, which increased by Baht 84 million or 33% compared to the net profit of Baht 254 million for 2013. The increase was mainly due to the increasing of gross profit.

Analysis of revenues

	2014		2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from main business						
Electronics manufacturing services business	1,266	29%	1,628	36%	(362)	(22%)
Telecommunication business	917	21%	515	11%	402	78%
Related technology business	990	23%	1,525	34%	(535)	(35%)
Retail business	1,104	25%	803	18%	301	37%
Total revenue from main business	4,277	98%	4,471	99%	(194)	(4%)
Other income	100	2%	49	1%	51	104%
Total revenue	4,377	100%	4,520	100%	(143)	(3%)

EMS business

In 2014, the Company generated revenue of Baht 1,266 million from EMS business, which decreased by Baht 362 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 2013, the revenue from Western Digital (Thailand) Co., Ltd was Baht 596 million.

The Company still can keep the level of the sale and gross profit of the electronic parts closely to the one from the previous year.

Telecommunication business

In 2014, the Company generated revenue of Baht 917 million from Telecommunication business, which increased by Baht 402 million comparing to those of the prior year. It has been resulted from revenue recognition from DWDM (Dense Wavelength Division Multiplexing) project and IP Core Network with the Provincial Electricity Authority, with the project value of Baht 470 million, the procurement project of Wireless High Speed Internet of CAT Telecom Public Company Limited, with the contract value of Baht 50 million and the purchasing of Automatic Meter Reading system (AMR) including installation project with the Metropolitan Electricity Authority, with the project value of Baht 189 million.

Related technology business

In 2014, the Company generated revenues of Baht 990 million from Related technology business, which decreased by Baht 535 million comparing to those of the prior year. The decrease was caused by the revenue recognition of Baht 1,010 million from the equipment and system installation projects for closed circuit television to support the Traffic and Transportation Department in 2013. In 2014, the Company has recognised the revenue from the purchase agreement of information technology system and network for computer center including a disaster recovery site with the Metropolitan Electricity Authority, with the project value of Baht 169 million (the Company's portion) and the revenue recognition of Baht 222 million from the purchase of SAP licenses with the Metropolitan Electricity Authority.

Retail business

In 2014, the Company generated revenue of Baht 1,104 million from Retail business, which increased by Baht 301 million comparing to those of the prior year. The top up value through "Boonterm Kiosk" during 2014 was Baht 10,550 million, which increased by Baht 3,164 million or 43% comparing to those of the prior year. As of 31 December 2014, the numbers of "Boonterm Kiosk" was 42,859 kiosks.

Gross Profit and Gross Profit Margin

	2014		2013		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Electronics manufacturing services business	279	22%	234	14%	45	19%
Telecommunication business	212	23%	151	29%	61	40%
Related technology business	368	37%	388	25%	(20)	(5%)
Retail business	343	31%	265	33%	78	29%
Gross Profit	1,202	28%	1,038	23%	164	16%

EMS business

In 2014, the Company had gross profit of Baht 279 million from EMS business, which increased by Baht 45 million or 19% comparing to the gross profit of Baht 234 million for 2013. In 2014, the gross profit margin was 22%, increased from 14% in 2013. It was primarily due to the cease of hard disk drive production for Western Digital (Thailand) Co., Ltd which generated the low gross profit margin.

Telecommunication business

In 2014, the Company had gross profit of Baht 212 million from Telecommunication business, which increased by Baht 61 million or 40% comparing to the gross profit of Baht 151 million for 2013. In 2014, the gross profit margin was 23%, decreased from 29% in 2013. It was primarily due to the projects incurred in 2014 generated lower gross profit margin than those of 2013.

Related technology business

In 2014, the Company had gross profit of Baht 368 million from Related technology business, which decreased by Baht 20 million or 5% comparing to the gross profit of Baht 388 million for 2013. In 2014, the gross profit margin was 37%, increased from 25% in 2013. It was primarily due to the projects incurred in 2014 generated higher gross profit margin than those of 2013.

Retail business

In 2014, the Company had gross profit of Baht 343 million from Retail business, which increased by Baht 78 million or 29% comparing to the gross profit of Baht 265 million for 2013. In 2014, the gross profit margin was 33%, in line with the gross profit margin in 2013.

Expenses

Unit: Million Baht

	2014	2013	Increase (decrease)	% Variance
Selling expenses	101	89	12	13%
Administrative expenses	656	565	91	16%
Finance cost	92	89	3	3%
Income tax expenses	46	54	(8)	(15%)

Selling expenses

In 2014, the Company had the selling expense of Baht 101 million which increased by Baht 12 million or 13% from the same period of last year. This was mainly resulted from the marketing and sales promotion expenses of Forth Smart Service Public Co. Ltd. (“FSMART”).

Administrative expenses

In 2014, the Company had the administrative expenses of Baht 656 million which increased by Baht 91 million or 16% from the same period of last year. This was primarily due to the expense from being a listed company of Forth Smart Service Public Co. Ltd. (“FSMART”), the operating expenses from projects and allowance for doubtful debts.

Income tax expenses

In 2014, the Company had the income tax expenses of Baht 46 million which decreased by Baht 8 million or 15% from the same period of last year. This was due to the reversal of temporary differences from deferred tax.

Financial position
Assets

Unit: Million Baht

	31 December 2014	31 December 2013	Increase/ (decrease)	% Variance
Current assets	4,576	3,377	1,199	36%
Non-current assets	1,746	1,259	487	39%
Total assets	6,322	4,636	1,686	36%

As of 31 December 2014, the Group’s total assets was Baht 6,322 million, increased by Baht 1,686 million, or 36% from the same period of last year. The increase was primarily due to the increasing of current investments, which Forth Smart Service Public Co. Ltd (“FSMART”) rising from IPO, the higher of account receivables and inventory from more projects. The higher of non-current assets was mainly due to the increasing of “Boonterm Kiosk”.

The quality of assets
Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 December 2014	31 December 2013
Trade account receivables – unrelated parties	1,290	1,030
Less: Allowance for doubtful accounts	(63)	(42)
Trade account receivables - net	1,087	988

As of 31 December 2014 and 31 December 2013, the Group recorded the allowance of doubtful accounts, amounting to Baht 63 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 December 2014	31 December 2013
Inventories	1,308	843
Reduce cost to net realisable value	(201)	(165)
Inventories - net	1,107	678

As of 31 December 2014 and 31 December 2013, the Group recorded the reduce cost to net realisable value amounting to Baht 201 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 December 2014	31 December 2013	Increase (decrease)	% Variance
Current liabilities	3,669	2,677	992	37%
Non-current liabilities	358	255	103	40%
Total liabilities	4,027	2,932	1,095	37%
Total shareholders' equity	2,295	1,704	591	35%

As of 31 December 2014, the Group's liabilities were Baht 4,027 million, which increased by Baht 1,095 million. It was mainly due to the increase of bank overdrafts, account payables and long-term loans. The Group could repay loan in accordance with the repayment schedule stipulated in the loan agreements.

Shareholders' equity

As of 31 December 2014, the Group's shareholders' equity was Baht 2,295 million, which increased by Baht 591 million. The increased amount was resulted from the proceeds from increase in share capital from non-controlling interests of being a listed company of Forth Smart Service Public Co. Ltd ("FSMART"), the net profit of Baht 399 million and the dividend paid to the shareholders of Baht 288 million.

The appropriate of capital structure

The Group's debt to equity ratio as of 31 December 2014 was 1.8:1 which increased from the ratio as of 31 December 2013 at rate of 1.7:1 as the result of the increase of bank overdrafts, account payable and long-term loans.

Liquidity

Cash flows

Unit: Million Baht

	2014	2013
Cash flows from (used in) operating activities	366	483
Cash flows from (used in) investing activities	(892)	(324)
Cash flows from (used in) financing activities	518	(174)

Cash flows from operating activities for 2014 were Baht 366 million which decreased by Baht 117 million. It was resulted from the declining of collection of outstanding debts from the projects and purchasing of raw materials and goods production for sale.

Cash flows used in investing activities for 2014 were Baht 892 million. The majority of cash flows used in investing activities were the increasing of current investments and the acquisition of assets i.e. top-up kiosk of Forth Smart Service Public Co. Ltd. (“FSMART”).

Cash flows from financing activities for 2014 were Baht 518 million. It was mainly comprised of the dividend payment of Baht 288 million, the repayment of long-term loans of Baht 312 million and cash received from bank overdrafts, short-term loans and long-term loans of Baht 631 million as well as the proceeds from increase in share capital from non-controlling interests of Forth Smart Service Public Co. Ltd. (“FSMART”) of Baht 500 million.

Liquidity ratios

The ratio of the current assets and current liabilities as of 31 December 2014 was 1.2:1 which was slightly decreased from the ratio as of 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