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16 May 2016

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

	1Q16	1Q15	Increase (decrease)	Variance (%)
Total revenues	1,239	1,174	65	6%
Net profit	106	89	17	19%

The Group has total revenues of Baht 1,239 million for 1Q16, which is increased by Baht 65 million or 6% compared to the total revenues of Baht 1,174 million for 1Q15. The increase results from the higher revenues from related technology business and retail business.

In 1Q16, the Group has net profit of Baht 106 million, which is increased by Baht 17 million or 19% compared to the net profit of Baht 89 million for 1Q15. The increase is from the higher gross profit margin from retail business, resulting in higher net profit margin of the Group.

Analysis of revenues

	1Q16		1Q15		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	359	29%	354	30%	5	1%
Telecommunication business	86	7%	234	20%	(148)	(63%)
Related technology business	259	21%	213	18%	46	22%
Retail business	499	40%	339	29%	160	47%
Total revenues from main business	1,203	97%	1,140	97%	63	6%
Other income	36	3%	34	3%	2	6%
Total revenues	1,239	100%	1,174	100%	65	6%

EMS business

In 1Q16, the Company generates revenue of Baht 359 million from EMS business, which is closed to the revenue of Baht 354 million for 1Q15.

Telecommunication business

In 1Q16, the Company generates revenue of Baht 86 million from telecommunication business, which is decreased by Baht 148 million or 63% compared to those of the prior year. It results from no new and large projects during 1Q16.

Related technology business

In 1Q16, the Company generates revenue of Baht 259 million from related technology business, which is increased by Baht 46 million or 22% compared to those of the prior year. The Group recognises revenue of the Closed-Circuit Television (CCTV) procurement and installation in communities near floodgate in Bangkok, with the project value of Baht 497 million. The project has been started since 2Q15 and is nearly completed.

Retail business

In 1Q16, the Company generates revenue of Baht 499 million from retail business, which is increased by Baht 160 million or 47% compared to those of the prior year. The Group generates revenue from the top up value via “Boonterm Kiosk” for 1Q16 of Baht 4,909 million, which is increased by Baht 1,621 million or 33% compared to the top-up value of Baht 3,288 million for 1Q15. As of 31 March 2016, the numbers of “Boonterm Kiosk” is 72,475 kiosks.

Gross Profit and Gross Profit Margin

	1Q16		1Q15		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	68	19%	91	26%	(23)	(25%)
Telecommunication business	28	33%	38	16%	(10)	(26%)
Related technology business	82	32%	79	37%	3	4%
Retail business	192	38%	106	31%	86	81%
Gross Profit	370	31%	314	28%	56	18%

EMS business

In 1Q16, the Company has gross profit of Baht 68 million, which is decreased by Baht 23 million or 25% compared to the gross profit of Baht 91 million for 1Q15. In 1Q16, the gross profit margin is 19%, decreased from 23% in 1Q15. It has resulted from higher proportion of revenue from selling electronic parts with lower gross profit margin. As a result, the overall gross margin and gross profit margin is declined.

Telecommunication business

In 1Q16, the Company has gross profit of Baht 28 million, which is decreased by Baht 10 million or 26% compared to the gross profit of Baht 38 million for 1Q15. In 1Q16, the gross profit margin is 16%, increased from 33% in 1Q15. It results from the small projects during 1Q16. Normally, these projects have higher profit margin rather than large projects.

Related technology business

In 1Q16, the Company has gross profit of Baht 82 million, which is increased by Baht 3 million or 4% compared to the gross profit of Baht 79 million for 1Q15. It is mainly due to the profit from CCTV project. However, the gross profit margin for 1Q16 is decreased from 37% to 32%. It results from additional costs of projects during warranty period.

Retail business

In 1Q16, the Company has gross profit of Baht 192 million, which is increased by Baht 86 million or 81% compared to the gross profit of Baht 343 for 1Q15 because it has continued improving the business operation under business plan and the effective cost management. As a result, the gross profit margin for 1Q16 is increased from 31% to 38%.

Expenses and expenses to revenues from main business

	1Q16		1Q15		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	28	2%	23	2%	5	22%
Administrative expenses	181	15%	168	14%	13	8%
Finance cost	22	2%	27	2%	(5)	(19%)
Income tax expenses	24	2%	13	1%	11	85%

Selling expenses

In 1Q16, the Company has the selling expense of Baht 28 million, which is increased by Baht 5 million or 22% from 1Q15. It is mainly resulted from the advertising and sell promotion expenses of Forth Smart Service Public Co. Ltd ("FSMART").

Administrative expenses

In 1Q16, the Company has the administrative expense of Baht 181 million, which is increased by Baht 13 million or 8% from 1Q15 while the ratio of administrative expense to revenues from the Company's main business is increased from 14% to 15% compared to 1Q15.

Finance cost

In 1Q16, the Company has the finance cost of Baht 22 million, which is decreased by Baht 5 million or 19% from 1Q15. The decrease is due to interests paid for loans used for working capital of projects and the acquisition of fixed assets.

Income tax expenses

In 1Q16, the Company has the income tax expense of Baht 24 million, increased by Baht 11 million or 85% from 1Q15, which is aligned with the increase of profit.

Financial position

Assets

Unit:Million Baht

	31 March 2016	31 December 2015	Increase (decrease)	% Variance
Current assets	3,719	3,811	(92)	(2%)
Non-current assets	2,300	2,163	137	6%
Total assets	6,019	5,974	45	1%

As of 31 March 2016, the Group's total assets are Baht 6,019 million, increased by Baht 45 million compared to total assets as of 31 December 2015. The current assets are decreased by Baht 92 million, mainly from the decrease of accounts receivable of projects collected during 1Q16, while the non-current assets are increased by Baht 137 million from the increase of "Boonterm Kiosk".

The quality of assets

Trade account receivables

Unit:Million Baht

	Consolidated financial statements	
	31 March 2016	31 December 2015
Trade account receivables – unrelated parties	1,146	1,348
Less: Allowance for doubtful accounts	(47)	(45)
Trade account receivables - net	1,099	1,303

As of 31 March 2016 and 31 December 2015, the Group has the allowance for doubtful accounts, amounting to Baht 47 million and Baht 45million, 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 March 2016	31 December 2015
Inventories	1,305	1,230
Reduce cost to net realisable value	(275)	(262)
Inventories - net	1,030	968

As of 31 March 2016 and 31 December 2015, the Group has the reduction of cost to net realisable value amounting to Baht 275 million and Baht 262 million, respectively. The Group estimates net realisable value of inventories by taking into the account on the fluctuations of price or cost directly related to events occurring after the end of the period, 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 March 2016	31 December 2015	Increase (decrease)	% Variance
Current liabilities	2,982	3,184	(202)	(6%)
Non-current liabilities	377	283	94	33%
Total liabilities	3,359	3,467	(108)	(3%)
Total Shareholders' equity	2,660	2,506	156	6%

Liabilities

As of 31 March 2016, the Group's liabilities are Baht 3,359 million, decreased by Baht 108 million or 3% compared to the liabilities as of 31 December 2015. It is mainly due to the decrease of short-term loans from financial institutions. However, long-term loans from financial institutions are increased because of the expansion of "Boonterm Kiosk" of one of the subsidiaries. The Group has an ability to repay loans in accordance with the repayment schedules stipulated in the loan agreements.

Shareholders' equity

As of 31 March 2016, the Group's shareholders' equity is Baht 2,660 million, increased by Baht 156 million or 6% compared to the shareholders' equity as of 31 December 2015. It is mainly due to the increase of retained earnings.

The appropriate of capital structure

The Group's debt to equity ratio as of 31 March 2016 is 1.3:1 which is decreased from the ratio as of 31 December 2015 at rate of 1.4:1. It is mainly due to the decrease of short-term loans from the financial institutions and the increase of retained earnings.

Liquidity**Cash flows**

Unit: Million Baht

	1Q16	1Q15
Cash flows from (used in) operating activities	418	95
Cash flows from (used in) investing activities	(186)	174
Cash flows from (used in) financing activities	(130)	4

Cash flows from operating activities for three-month period of 2016 are Baht 418 million, increased by Baht 323 million. It results from the increase of profit and the decrease of trade and other receivables.

Cash flows used in investing activities for three-month period of 2016 are Baht 186 million, increased by Baht 360 million from the acquisition of "Boonterm Kiosk" of one of the subsidiaries.

Cash flows used in financing activities for three-month period of 2016 are Baht 130 million. It is comprised of the repayments of short-term and long-term loans amounting to Baht 330 million. However, the Group obtained the addition long-term loans from financial institutions amounting to Baht 200 million in 1Q16.

Liquidity ratios

The ratio of the current assets and current liabilities as of 31 March 2016 and 31 December 2015 are 1.2:1. It results from the change of rate in current assets to current liabilities which is in the same direction and proportion.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller