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14 November 2017

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

	3Q17	3Q16	Increase (decrease)	Variance (%)
Total revenues	1,850	1,362	488	36%
Net profit	54	95	(41)	(43%)

The Group has total revenues of Baht 1,850 million for 3Q17, which is increased by Baht 488 million or 36% compared to the total revenues of Baht 1,362 million for 3Q16. It is mainly due to the increase in revenues from EMS business and retail business.

In 3Q17, the Group has net profit of Baht 54 million, which is decreased by Baht 41 million or 43% compared to the net profit of Baht 95 million for 3Q16. The decrease of Baht 41 million is due to allowance for impairment loss on top-up kiosks and related equipment of Mindmap Commtech Inc.

Analysis of revenues

	3Q17		3Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	651	35%	410	30%	241	59%
Telecommunication business	116	6%	57	4%	59	104%
Related technology business	199	11%	282	21%	(83)	(29%)
Retail business	828	45%	573	42%	255	45%
Total revenues from main business	1,794	97%	1,322	97%	472	36%
Other income	56	3%	40	3%	16	40%
Total revenues	1,850	100%	1,362	100	488	36%

EMS business

In 3Q17, the Group generates revenue of Baht 651 million from EMS business, which is increased by Baht 241 million or 59% compared to the revenue of the prior year. It resulted from the increase in orders from a major customer of the manufacture and assembly of electronic circuit boards business unit.

Telecommunication business

In 3Q17, the Group generates revenue of Baht 116 million from telecommunication business, which is increased by Baht 59 million or 104% compared to the revenue of the prior year as a result of increase in sale of set-top box, telecommunication equipment and installation of indoor WIFI antenna projects.

Related technology business

In 3Q17, the Group generates revenue of Baht 199 million from related technology business, which is decreased by Baht 83 million or 29% compared to the revenue of the prior year. It resulted from the delay from amended contract of project to improve and add CCTV for a government agency. In addition, the installation of LED electricity system in the buildings of government agencies of the Ministry of Justice were completed in 3Q16.

Retail business

In 3Q17, the Group generates revenue of Baht 828 million from retail business, which is increased by Baht 255 million or 45% compared to the revenue of the prior year. The Group generated revenue from the top-up value via “Boonterm Kiosk” for 3Q17 of Baht 9,311 million, which is increased by Baht 3,545 million or 61% compared to the top-up value of Baht 5,766 million for 3Q16. As at 30 September 2017, the Group has 119,166 top-up kiosks across Thailand.

Gross Profit and Gross Profit Margin

	3Q17		3Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	103	16%	94	23%	9	10%
Telecommunication business	67	58%	21	37%	46	219%
Related technology business	21	11%	65	23%	(44)	(68%)
Retail business	231	28%	180	31%	51	28%
Gross Profit	422	24%	360	27%	62	17%

EMS business

In 3Q17, the Group has gross profit of Baht 103 million, which is increased by Baht 9 million or 10% compared to the gross profit of Baht 94 million for 3Q16. In 3Q17, the gross profit margin is at the rate of 16%, which is decreased from the gross profit margin at rate of 23% in 3Q16. It is due to the proportion of revenue and gross profit of the major customer of the electronic manufacturing service business (EMS business) is over 50% of total revenue and total gross profit of EMS business. Gross profit margin of the major customer is at the rate of 16%. As the result, the average gross profit margin of EMS business is closed to gross profit margin of the mentioned customer.

Telecommunication business

In 3Q17, the Group has gross profit of Baht 67 million, which is increased by Baht 46 million or 219% compared to the gross profit of Baht 21 million for 3Q16. In 3Q17, the gross profit margin is at the rate of 37%, increased from the gross profit margin at rate of 58% in 3Q16. It is in line with the increase in sales of set-top box, telecommunication equipment and revenue from installation of indoor WIFI antenna projects as well as the reduction of allowance for diminution in value of inventories.

Related technology business

In 3Q17, the Group has gross profit of Baht 21 million, which is decreased by Baht 44 million or 68% compared to the gross profit of Baht 65 million for 3Q16. It resulted from the delay of project to improve and add CCTV which had a low gross margin as well as the increase in cost of ERP project incurred during the final delivery period.

Retail business

In 3Q17, the Group has gross profit of Baht 231 million, which is increased by Baht 51 million or 28% compared to the gross profit of Baht 180 million for 3Q16 because of the continuous growth of "Boonterm Kiosk" business. In 3Q17, the gross profit margin is at the rate of 28%, decreased from the gross profit margin at rate of 31% in 3Q16. It resulted from the increase in depreciation of Boonterm Kiosks which is aligned with the expansion of Boonterm Kiosks.

Expenses and expenses to revenues from main business

	3Q17		3Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	21	1%	25	2%	(4)	(16%)
Administrative expenses	277	15%	173	13%	104	60%
Finance cost	33	2%	23	2%	10	43%
Income tax expenses	19	1%	24	2%	(5)	(21%)

Selling expenses

In 3Q17, the Group has the selling expense of Baht 21 million and the selling expense to revenue from main business ratio is at the rate of 1%. There is no significant change of selling expense from those of the prior year.

Administrative expenses

In 3Q17, the Group has the administrative expense of Baht 277 million, which is increased by Baht 104 million or 60% compared to those of prior year. It resulted from the increase in the employee expenses on growing business, depreciation on building improvement and equipment of the subsidiaries and impairment loss of equipment of the subsidiaries.

Finance cost

In 3Q17, the Group has the finance cost of Baht 33 million, which is increased by Baht 10 million or 43% compared to those of the prior year. It is due to the increase in loans obtained from financial institutions for the purpose of working capital of the Group.

Income tax expense

In 3Q17, the Group has the income tax expense of Baht 19 million, which is decreased by Baht 5 million or 21% compared to those of the prior year. It is in line with the decreasing profit.

Financial position

Assets

Unit: Million Baht

	30 September 2017	31 December 2016	Increase (decrease)	% Variance
Current assets	4,781	3,932	849	22%
Non-current assets	3,393	2,937	456	16%
Total assets	8,174	6,869	1,305	19%

As at 30 September 2017, the Group's total assets are Baht 8,174 million, increased by Baht 1,305 million or 19% compared to the total assets as at 31 December 2016 of Baht 6,869 million. It resulted from the increase in cash and deposits and banks, inventories, unbilled receivables and trade account payables.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 September 2017	31 December 2016
Trade account receivables – unrelated parties	1,365	1,408
Less: Allowance for doubtful accounts	(51)	(42)
Trade account receivables - net	1,314	1,366

As at 30 September 2017 and 31 December 2016, the Group has set up allowance for doubtful accounts, amounting to Baht 51 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 believes that allowance for doubtful accounts is adequate in the current circumstances.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	30 September 2017	31 December 2016
Inventories	1,679	1,443
Reduce cost to net realisable value	(281)	(278)
Inventories - net	1,398	1,165

As at 30 September 2017 and 31 December 2016, the Group has set up reduction of cost to net realisable value, amounting to Baht 281 million and Baht 278 million, respectively. The Group estimates 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 believes that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	30 September 2017	31 December 2016	Increase (decrease)	% Variance
Current liabilities	5,038	3,673	1,365	37%
Non-current liabilities	547	567	(20)	(4%)
Total liabilities	5,585	4,240	1,345	32%
Total Shareholders' equity	2,589	2,629	(40)	(2%)

Liabilities

As at 30 September 2017, the Group's total liabilities are Baht 5,585 million, increased by Baht 1,345 million or 37% compared to the total liabilities as at 31 December 2016 of Baht 4,240 million. It is mainly due to the increase in short-term loans from financial institutions.

Shareholders' equity

As at 30 September 2017, the Group's shareholders' equity is Baht 2,589 million, decreased by Baht 40 million or 2% compared to the total shareholders' equity as at 31 December 2016 of Baht 2,629 million. The increase is due to the net profit for the period of Baht 414 million and proceed from non-controlling interests of the subsidiary from increase capital of the subsidiary of Baht 54 million. On the other hand, the decline is due to dividend paid to the Company's shareholders of Baht 326 million and dividend paid to non-controlling interest of one of the subsidiaries of Baht 217 million.

The appropriate of capital structure

The Group's debt to equity ratio as at 30 September 2017 is 2.2:1, increased from the ratio as at 31 December 2016 at rate of 1.6:1. It resulted from the increase in short-term loans from financial institutions.

Liquidity**Cash flows**

Unit: Million Baht

	3Q17	3Q16
Cash flows from (used in) operating activities	742	1,244
Cash flows from (used in) investing activities	(745)	(669)
Cash flows from (used in) financing activities	585	(318)

Cash flows from operating activities for 3Q17 are Baht 742 million, decreased by Baht 502 million compared to the cash flows from operating activities of Baht 1,244 million for 3Q16. It resulted from the increase in working capital such as inventories, unbilled receivables, trade account payables etc.

Cash flows used in investing activities for 3Q17 are Baht 745 million. It is mainly due to the renovation and improvement of building to serve as a warehouse and production line and the expansion of top-up kiosks and vending machines.

Cash flows used in financing activities for 3Q17 are Baht 585 million. It is mainly due to the increase in short-term loans from financial institutions and the payment of dividend to non-controlling interest of one of the subsidiaries.

Liquidity ratios

The ratio of the current assets and current liabilities as at 30 September 2017 is 1.0:1 which is closed to the ratio as at 31 December 2016 at rate of 1.1:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller