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15 May 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

	1Q17	1Q16	Increase (decrease)	Variance (%)
Total revenues	1,566	1,239	327	26%
Net profit	50	106	(56)	(53%)

The Group has total revenues of Baht 1,566 million for 1Q17, which is increased by Baht 327 million or 26% compared to the total revenues of Baht 1,239 million for 1Q16. It is mainly due to the increase in revenues from EMS business and retail business.

In 1Q17, the Group has net profit of Baht 50 million, which is decreased by Baht 56 million or 53% compared to the net profit of Baht 106 million for 1Q16. The decrease is mainly due to the increase in administrative expenses.

As a result, overall net profit declined.

Analysis of revenues

	1Q17		1Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	524	33%	359	29%	165	46%
Telecommunication business	58	4%	86	7%	(28)	(33%)
Related technology business	191	12%	259	21%	(68)	(26%)
Retail business	748	48%	499	40%	249	50%
Total revenues from main business	1,521	97%	1,203	97%	318	26%
Other income	45	3%	36	3%	9	25%
Total revenues	1,566	100%	1,239	100%	327	26%

EMS business

In 1Q17, the Group generates revenue of Baht 524 million from EMS business, which is increased by Baht 165 million or 46% compared to the revenue of the prior year. It results from the increase in orders from a major

customer of the manufacture and assembly of electronic circuit boards business unit and the increase in orders from new and existing customers of the distribution of electronic components business unit.

Telecommunication business

In 1Q17, the Group generates revenue of Baht 58 million from telecommunication business, which is decreased by Baht 28 million or 33% compared to the revenue of the prior year. As in 1Q16, the Company had revenue from the rental of Digital TV Transmitter to a state enterprise. The contract expired at the end of February 2016. In addition, there was a revenue from TOU Meter procurement project of a state-owned enterprise, which had been completed since 2Q16.

Related technology business

In 1Q17, the Group generates revenue of Baht 191 million from related technology business, which is decreased by Baht 68 million or 26% compared to the revenue of the prior year. It results from the decrease in ERP system development projects of a state-owned enterprise.

Retail business

In 1Q17, the Group generates revenue of Baht 748 million from retail business, which is increased by Baht 249 million or 50% compared to the revenue of the prior year. The Group generated revenue from the top-up value via “Boonterm Kiosk” for 1Q17 of Baht 8,000 million, which is increased by Baht 3,091 million or 39% compared to the top-up value of Baht 4,909 million for 1Q16. As at 31 March 2017, the numbers of “Boonterm Kiosk” is 100,022 kiosks.

Gross Profit and Gross Profit Margin

	1Q17		1Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	113	22%	88	25%	25	28%
Telecommunication business	14	24%	32	37%	(18)	(56%)
Related technology business	52	27%	82	32%	(30)	(37%)
Retail business	215	29%	168	34%	47	28%
Gross Profit	394	26%	370	31%	24	6%

EMS business

In 1Q17, the Group has gross profit of Baht 113 million, which is increased by Baht 25 million or 28% compared to the gross profit of Baht 88 million for 1Q16. In 1Q17, the gross profit margin is at the rate of 22%, which is decreased from the gross profit margin at rate of 25% in 1Q16. It results from the reduction in selling price to a major customer of the manufacture and assembly of electronic circuit boards business unit.

Telecommunication business

In 1Q17, the Group has gross profit of Baht 14 million, which is decreased by Baht 18 million or 56% compared to the gross profit of Baht 32 million for 1Q16. In 1Q17, the gross profit margin is at the rate of 24%, decreased from the gross profit margin at rate of 37% in 1Q16. As in 1Q16, the rental service of Digital TV Transmitter had high gross margin. Furthermore, the proportion of distribution of telecommunication equipment under the Company's brand, which has a high gross margin, is less than the proportion of distribution of telecommunication equipment purchased by the Company. As a result, overall gross profit margin declined.

Related technology business

In 1Q17, the Group has gross profit of Baht 52 million, which is decreased by Baht 30 million or 37% compared to the gross profit of Baht 82 million for 1Q16. It is in line with the decline in ERP system development projects and the increase in cost of CCTV maintenance work.

Retail business

In 1Q17, the Company has gross profit of Baht 215 million, which is increased by Baht 47 million or 28% compared to the gross profit of Baht 168 million for 1Q16 because of the continuous growth of "Boonterm Kiosk" business. In 1Q17, the gross profit margin is at the rate of 29%, decreased from the gross profit margin at rate of 34% in 1Q16. It results 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

	1Q17		1Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	27	2%	28	2%	(1)	(4%)
Administrative expenses	246	16%	181	15%	65	36%
Finance cost	27	2%	22	2%	5	23%
Income tax expenses	19	1%	24	2%	(5)	(21%)

Selling expenses

In 1Q17, the Company has the selling expense of Baht 27 million and the selling expense to revenue from main business ratio is 2%. There is no significant change of selling expense and the selling expense to revenue from main business ratio from those of the prior year.

Administrative expenses

In 1Q17, the Company has the administrative expense of Baht 246 million, which is increased by Baht 65 million or 36% compared to the administrative expense of Baht 181 million for 1Q16. It is due to the consolidation of Mindmap Commtech Inc.'s performance in 4Q16, as well as the increase in rework costs and unallocated manufacturing expenses into product costs, which is the result of the actual production capacity lower than the normal production capacity.

Finance cost

In 1Q17, the Company has the finance cost of Baht 27 million and the finance cost to revenue from main business ratio is 2%. There is no significant change of finance cost and the finance cost to revenue from main business ratio from those of the prior year.

Income tax expense

In 1Q17, the Company has the income tax expense of Baht 19 million and the income tax expense to revenue from main business ratio is 1%. There is no significant change of income tax expense and the income tax expense to revenue from main business ratio from those of the prior year.

Financial position

Assets

Unit: Million Baht

	31 March 2017	31 December 2016	Increase (decrease)	% Variance
Current assets	4,356	3,932	424	11%
Non-current assets	3,023	2,937	86	3%
Total assets	7,379	6,869	510	7%

As at 31 March 2017, the Group's total assets are Baht 7,379 million, increased by Baht 510 million or 7% compared to the total assets as at 31 December 2016 of Baht 6,869 million. It is mainly due to the increase in inventories for projects and goods in transit.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2017	31 December 2016
Trade account receivables – unrelated parties	1,246	1,408
Less: Allowance for doubtful accounts	(43)	(42)
Trade account receivables - net	1,203	1,366

As at 31 March 2017 and 31 December 2016, the Group has the allowance for doubtful accounts, amounting to Baht 43 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	
	31 March 2017	31 December 2016
Inventories	1,694	1,443
Reduce cost to net realisable value	(275)	(278)
Inventories - net	1,419	1,165

As at 31 March 2017 and 31 December 2016, the Group has the reduction of cost to net realisable value amounting to Baht 275 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

	31 March 2017	31 December 2016	Increase (decrease)	% Variance
Current liabilities	4,248	3,673	575	16%
Non-current liabilities	461	567	(106)	(19%)
Total liabilities	4,709	4,240	469	11%
Total Shareholders' equity	2,670	2,629	41	2%

Liabilities

As at 31 March 2017, the Group's total liabilities are Baht 4,709 million, increased by Baht 469 million or 11% 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 31 March 2017, the Group's shareholders' equity is Baht 2,670 million, increased by Baht 41 million or 2% compared to the total shareholders' equity as at 31 December 2016 of Baht 2,629 million. It results from the increase in retained earnings.

The appropriate of capital structure

The Group's debt to equity ratio as at 31 March 2017 is 1.7:1, slightly increased from the ratio as at 31 December 2016 at rate of 1.6:1. It results from the increase in short-term loans from financial institutions.

Liquidity

Cash flows

Unit: Million Baht

	1Q17	1Q16
Cash flows from (used in) operating activities	98	418
Cash flows from (used in) investing activities	(179)	(186)
Cash flows from (used in) financing activities	241	(130)

Cash flows from operating activities for 1Q17 are Baht 98 million, decreased by Baht 320 million compared to the cash flows from operating activities of Baht 418 million for 1Q16. It is due to the increase in working capital such as inventories, advance payment for purchase of goods and services, etc.

Cash flows used in investing activities for 1Q17 are Baht 179 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 1Q17 are Baht 241 million. It is mainly due to the repayment of long-term loans of Baht 114 million and the increase in short-term loans from financial institutions for use as working capital of the Company.

Liquidity ratios

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



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Please be informed accordingly.

Yours sincerely,

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Financial Controller