

Ref: AC.031/2017

15 August 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

	2Q17	2Q16	Increase (decrease)	Variance (%)
Total revenues	1,910	1,307	603	46%
Net profit	116	89	27	30%

The Group has total revenues of Baht 1,910 million for 2Q17, which is increased by Baht 603 million or 46% compared to the total revenues of Baht 1,307 million for 2Q16. It is mainly due to the increase in revenues from EMS business and retail business.

In 2Q17, the Group has net profit of Baht 116 million, which is increased by Baht 27 million or 30% compared to the net profit of Baht 89 million for 2Q16. The increase is mainly due to the increase in gross profit from EMS business and retail business. As a result, overall net profit increased.

Analysis of revenues

	2Q17		2Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	553	29%	364	28%	189	52%
Telecommunication business	131	7%	85	6%	46	54%
Related technology business	362	19%	283	22%	79	28%
Retail business	812	42%	537	41%	275	51%
Total revenues from main business	1,858	97%	1,269	97%	589	46%
Other income	51	3%	38	3%	13	34%
Total revenues	1,909	100%	1,307	100%	602	46%

EMS business

In 2Q17, the Group generates revenue of Baht 553 million from EMS business, which is increased by Baht 189 million or 52% 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.

Telecommunication business

In 2Q17, the Group generates revenue of Baht 131 million from telecommunication business, which is increased by Baht 46 million or 54% compared to the revenue of the prior year. It results from the increase in sale of set-top box which has been started since the end of 1Q17.

Related technology business

In 2Q17, the Group generates revenue of Baht 362 million from related technology business, which is increased by Baht 79 million or 28% compared to the revenue of the prior year. It results from turkey project to improve and add CCTV with a government agency. The project has been commenced in early 2017.

Retail business

In 2Q17, the Group generates revenue of Baht 812 million from retail business, which is increased by Baht 275 million or 51% compared to the revenue of the prior year. The Group generated revenue from the top-up value via “Boonterm Kiosk” for 2Q17 of Baht 8,778 million, which is increased by Baht 3,446 million or 65% compared to the top-up value of Baht 5,332 million for 2Q16. As at 30 June 2017, the Group has 100,563 top-up kiosks across Thailand.

Gross Profit and Gross Profit Margin

	2Q17		2Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	134	24%	78	21%	56	72%
Telecommunication business	28	21%	11	13%	17	155%
Related technology business	60	17%	81	29%	(21)	(26%)
Retail business	239	29%	170	32%	69	41%
Gross Profit	461	25%	340	27%	121	36%

EMS business

In 2Q17, the Group has gross profit of Baht 134 million, which is increased by Baht 56 million or 72% compared to the gross profit of Baht 78 million for 2Q16. In 2Q17, the gross profit margin is at the rate of 24%, which is increased from the gross profit margin at rate of 21% in 2Q16. It results from the higher gross profit and gross margin of the major customer of the manufacture and assembly of electronic circuit boards business unit.

Telecommunication business

In 2Q17, the Group has gross profit of Baht 28 million, which is increased by Baht 17 million or 155% compared to the gross profit of Baht 11 million for 2Q16. In 2Q17, the gross profit margin is at the rate of 21%, increased from the gross profit margin at rate of 13% in 2Q16. It is in line with the increase in sales of set-top box while in 2Q16, the Group had revenue from the TOU Meter procurement project of a state-owned enterprise, which had a low gross margin.

Related technology business

In 2Q17, the Group has gross profit of Baht 60 million, which is decreased by Baht 21 million or 26% compared to the gross profit of Baht 81 million for 2Q16. It results from turkey project to improve and add CCTV with the government agency which had a low gross margin as well as the increase in cost of projects incurred during the warranty period.

Retail business

In 2Q17, the Group has gross profit of Baht 239 million, which is increased by Baht 69 million or 41% compared to the gross profit of Baht 170 million for 2Q16 because of the continuous growth of "Boonterm Kiosk" business. In 2Q17, the gross profit margin is at the rate of 29%, decreased from the gross profit margin at rate of 32% in 2Q16. 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

	2Q17		2Q16		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	36	2%	20	2%	16	80%
Administrative expenses	230	12%	177	14%	53	30%
Finance cost	31	2%	23	2%	8	35%
Income tax expenses	27	1%	19	2%	8	42%

Selling expenses

In 2Q17, the Group has the selling expense of Baht 36 million, which is increased by Baht 16 million or 80% compared to those of the prior year. The increase is mainly due to commission paid to sale agent for selling set-top box.

Administrative expenses

In 2Q17, the Group has the administrative expense of Baht 230 million, which is increased by Baht 53 million or 30% compared to the administrative expense of Baht 177 million for 2Q16. It results from the increase in the employee expenses on growing business, depreciation on building improvement and equipment of the subsidiaries and the provision for doubtful accounts of the Company.

Finance cost

In 2Q17, the Group has the finance cost of Baht 31 million, which is increased by Baht 9 million or 35% 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.

Income tax expense

In 2Q17, the Group has the income tax expense of Baht 27 million, which is increased by Baht 8 million or 42% compared to those of the prior year. It was in line with the increasing profit.

Financial position

Assets

Unit: Million Baht

	30 June 2017	31 December 2016	Increase (decrease)	% Variance
Current assets	4,704	3,932	772	20%
Non-current assets	3,241	2,937	304	10%
Total assets	7,945	6,869	1,076	16%

As at 30 June 2017, the Group's total assets are Baht 7,945 million, increased by Baht 1,076 million or 16% compared to the total assets as at 31 December 2016 of Baht 6,869 million. It results from the increase in inventories, unbilled receivables and trade account payables.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 June 2017	31 December 2016
Trade account receivables – unrelated parties	1,357	1,408
Less: Allowance for doubtful accounts	(50)	(42)
Trade account receivables - net	1,307	1,366

As at 30 June 2017 and 31 December 2016, the Group has the allowance for doubtful accounts, amounting to Baht 50 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 June 2017	31 December 2016
Inventories	1,726	1,443
Reduce cost to net realisable value	(282)	(278)
Inventories - net	1,444	1,165

As at 30 June 2017 and 31 December 2016, the Group has the reduction of cost to net realisable value amounting to Baht 282 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 June 2017	31 December 2016	Increase (decrease)	% Variance
Current liabilities	4,730	3,673	1,057	29%
Non-current liabilities	521	567	(46)	(8%)
Total liabilities	5,251	4,240	1,011	24%
Total Shareholders' equity	2,694	2,629	65	2%

Liabilities

As at 30 June 2017, the Group's total liabilities are Baht 5,251 million, increased by Baht 1,011 million or 24% 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 June 2017, the Group's shareholders' equity is Baht 2,694 million, increased by Baht 65 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 315 million. On the other hand, the decline is due to dividend paid to the

Company's shareholders of Baht 163 million and dividend paid to non-controlling interest of one of the subsidiaries of Baht 109 million.

The appropriate of capital structure

The Group's debt to equity ratio as at 30 June 2017 is 2.0:1, 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

	2Q17	2Q16
Cash flows from (used in) operating activities	182	575
Cash flows from (used in) investing activities	(477)	(494)
Cash flows from (used in) financing activities	435	(46)

Cash flows from operating activities for 2Q17 are Baht 182 million, decreased by Baht 393 million compared to the cash flows from operating activities of Baht 575 million for 2Q16. It results from the increase in working capital such as inventories, unbilled receivables, trade account payables etc.

Cash flows used in investing activities for 2Q17 are Baht 477 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 2Q17 are Baht 435 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 June 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