



Executive Summary

The company performance in the first half year of 2017 shows an outstanding growth compared to the same period in the year 2016 due to the government has realized the importance and necessity in integrating the information technology to the economic and social sectors by placing certain policies as a stimulus; for instance, the Digital Economy, Thailand 4.0 policy, Digital Development Plan for Economics and Society and the bidding of frequency 900 MHz and 1800 MHz. This shall enhance the development of telecommunication sector leading to many new orders awarded to the Company in the year 2017 and resulting in a favorable business performance accordingly. The Company reports the total revenue of 377.49 million THB in 2017, increased by 201.93 or 115.02% compared to the same period of 2016. With regards to cost of sales and expenses for the first six months of 2017, it is equivalent to 347.23 million THB or 92.00% of total revenue compared to last year at the amount of 167.66 Million THB or 95.59% of total revenue. Net profit shows a high growth in the first half of 2017 at 23.63 million THB or 6.26% of total revenue compared to 5.65 million THB or 3.22% of total revenue at the same period of 2016.

When considering the performance in 2nd quarter of 2017, the Company reports its total revenue at 225.24 million THB categorized into sale revenue at 224.91 million THB and other revenue at 0.34 million THB with the growth rate of 141.18 % compared to total revenue of 93.39 million THB in the same period of 2016. Its cost of sales and expenses are at 199.47 Million THB or 88.56% of total revenue in the first half of 2017 and at 90.55 million THB or 96.96 % of total revenue in the same period of 2016 whereby the positive development derives mainly from higher sales revenue in 2017. Lastly, net profit is equivalent to 20.35 million THB or 9.03 % of total revenue in Q2/2017 and equivalent to 1.90 million THB or 2.03% of total revenue for the same period of last year. The positive impact is a result of more projects awarded in 2017 leading to more negotiation power and efficient cost management.

1. Business Performance Analysis

1.1 Revenue

For the first half of the year 2017 the Company shows its total revenue of 377.49 million THB with the growth of 115.02% compared to the same period from last year showing its total revenue of 175.56 million THB because the slowdown of investment from the state enterprises in last year has been picked up during this period in 2017.

Type	Jan.-Jun. 2016		Jan.-Jun. 2017	
	MB	%	MB	%
1. Sales Revenue	174.77	99.55	376.83	99.83
2. Other Revenue*	0.80	0.45	0.66	0.17
Total Revenue	175.56	100.00	377.49	100.00

Remarks *Other Revenue comprises of interest income, FX gain, etc.

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Total revenue can be categorized into sales revenue and other revenue whereby the first half of 2016 and 2017, sales revenue is accounted for 99.55%, and 99.83% of total revenue and other revenue is equivalent to 0.45% and 0.17% respectively.

Sales Revenue

Sales revenue in the first half of 2017 consists of turnkey business including telecommunication system and construction and electrical system, supply and maintenance.

Type	Jan.-Jun. 2016		Jan.-Jun. 2017	
	%	MB	%	MB
Sales Revenue				
Sales Revenue from Turnkey Business	46.09	26.37	160.21	42.52
- Sales Revenue from Telecommunication System	46.09	26.37	160.14	42.50
- Sales Revenue from Construction and Electrical System	-	-	0.07	0.02
Sales Revenue from Supply and Maintenance	128.67	73.63	216.62	57.48
- Sales Revenue from Supply of Telecommunication System	8.94	5.12	54.41	14.44
- Sales Revenue from Maintenance of Telecommunication System	119.73	68.51	162.21	43.05
Total Sales Revenue	174.77	100.00	376.83	100.00

During the first half of 2017, sales revenue from turnkey business and supply and maintenance are reported at 160.21 million THB and 216.62 million THB or proportionately at 42.52% and 57.48% of total sales revenue respectively. Sales revenue from turnkey business shows a growth rate of 247.59% compared to the same period of last year resulting from the customer investment has been revived in this year again after the slowdown in 2016. Sales revenue from supply and maintenance grows at 68.35% deriving from the strong capability of the Company to maintain its customer bases as well as new maintenance projects awarded to the Company.

Other Revenue

In the first half of 2016 and 2017, the Company reports its other revenue at 0.80 million THB and 0.66 million THB respectively, equivalent to 0.45% and 0.17% of total revenue comprising mostly of interest income and foreign exchange gain.



1.2 Cost of Sales and Expenses

Major costs of the Company compose of cost of sales, selling expense, administrative expense and interest expense. In the first half of 2016 and 2017, the Company shows its cost of sales and expense at 167.82 million THB and 347.29 million THB respectively, proportionately at 95.59% and 92.00% of total revenue.

CoS and Expenses	Jan.-Jun. 2016		Jan.-Jun. 2017	
	%	MB	%	MB
Cost of Sales	143.90	81.97	318.86	84.47
Selling Expense	8.70	4.95	11.19	2.96
Administrative Expense	15.07	8.58	17.19	4.55
Interest Expense	0.16	0.09	0.06	0.02
Total CoS and Expenses	167.82	95.59	347.29	92.00
Total Revenue	175.56	100.00	377.49	100.00

Cost of Sales

Cost of sales in the first half of 2016 and 2017 are 143.90 million THB and 318.86 million THB respectively, resulting in gross margin of 17.66% and 15.39%. Cost of sales can be broken down for turnkey business and for supply and maintenance of which mostly are materials, service / sub-contractors and project management costs applicable to both portfolios.

Cost of Sales (CoS)	Jan.-Jun. 2016		Jan.-Jun. 2017	
	MB	GM (%)	MB	GM (%)
CoS for Turnkey Business	35.23	23.56	130.99	18.24
CoS for Supply and Maintenance	108.67	15.55	187.86	13.27
Total CoS	143.90	17.66	318.85	15.39



Cost of Sales for Turnkey Business

CoS for Turnkey business are 35.23 million THB in the first half of 2016 and 130.99 million THB in the first half of 2017 with the gross margin of 23.56% and 18.24% respectively.

In the first half of 2017, gross margin ratio of turnkey business is decreased compared to the same period of last year based on the increased scope of work of a project in order to complete the acceptance process. However, when considering the gross margin ration of 14.28% at the yearend 2016, the gross margin is increased to 18.24% due to a high margin of a turnkey project recognized particularly during the second quarter of 2017.

Cost of Sales for Supply and Maintenance

The Company reports its cost of sales for supply and maintenance for the first half of 2016 and 2017 at 108.67 million THB, 187.86 million THB respectively with the gross margin 15.55% and 13.27%.

In the first half of 2017, the Company reports the decrease of gross margin at 13.27% resulting from lower margin in some supply orders awarded in the first quarter of 2017.

Selling Expenses

In the first half of 2016 and 2017, the Company reports its selling expenses at 8.70 million THB, and 11.19 million THB, equal to 4.95% and 2.96% of total revenue. Selling expenses contain personnel related expenses, travelling, entertainment and office supplies, etc. Major portion of selling expenses is personnel related expenses which are mostly for salary, social security and provident fund.

For the first half of 2017, selling expenses are increased by 28.62% compared to the same period of last year; mostly are personnel related expenses, because there is an allocation of personnel related expenses from Products and Solution members in Q1/2016 at the amount of 1.78 million THB. However, the proportion of selling expenses to total revenue is decreased from 4.95% to 2.96% due to an outstandingly higher growth in revenue for the first half of 2017.

Administrative Expenses

The Company reports its administrative expenses at 15.07 million THB and 17.19 million THB for the first half of 2016 and for the same period of 2017 at the proportion 8.58% and 4.55% of total revenue respectively. Administrative expenses mostly comprise of personnel related expenses, office expenses and professional fees.

For the first half of 2017, its administrative expenses are increased by 14.06% compared to the same period of last year. However, the Company enjoys a tremendous increase in revenue in the first half of 2017 leading to a sharp drop in proportion of administrative expenses.

Interest Expenses

The Company reports its interest expense for the first half of 2016 and 2017 at 0.16 million THB and 0.06 million THB at the proportion of 0.09% and 0.02% of total revenue. Interest expenses are interest expenses after allocation to projects and bank fees.

1.3 Net Profit

From the business performance as aforementioned, the Company therefore reports its net profit for the first half of 2016 and 2017 at 5.65 million THB and 23.63 million THB respectively, accounted for 3.22% and 6.26%. For the first half of 2017, its revenue is increased immensely compared to the same period of last year because its sales revenue is vigorously increased and the Company is able to maintain its gross margin in the similar range as last year.

2 Financial Status

2.1 Assets

At the end of 2016 and of Q2/2017, the Company possesses total assets of 480.00 million THB and 553.26 million THB respectively. The major asset items are trade receivables, unbilled receivables and restricted bank deposits; at the end of 2016 proportionately at 47.74%, 26.54% and 10.92% of total assets and at the end of Q2/2017 proportionately at 25.32%, 29.39% and 19.15% of total assets respectively.

Trade Receivables

At the end of 2016 and of Q2/2017, the Company reports net trade receivables 229.00 million THB and 134.50 million THB or equal to 47.71% and 25.22% of total assets respectively.

Outstanding Period	At 31 Dec. 2016		At 30 Jun. 2017	
	MB	%	MB	%
<u>Trade Receivables</u>				
Undue	90.43	39.49	26.35	19.59
Overdue				
Less - equal to 3 months	102.29	44.67	100.60	74.80
More than 3 months but less than 6 months	35.63	15.56	-	-
More than 6 months but less than 12 months	0.11	0.05	7.54	5.61
More than 12 months	0.54	0.23	-	-
Total Trade Receivables	229.00	100.00	134.50	100.00
Deduct Allowance for doubtful debt	-		-	
Trade Receivables - Net	229.00		134.50	

The table depicts trade receivables of the Company in the year 2016 with undue and overdue less or equal to 3 months is at 84.16% of Net trade receivables.



At the end of Q2/2017, the Company reports the undue trade receivables, overdue with less or equal to 3 months and overdue with more than 6 months at 19.59%, 74.80%, and 5.61% of total trade receivables. Trade receivables are regarded as debtors to whom the bill placement has been proceeded according to the billing plan; however, they are still under the process of customer acceptance and final document review before customer payment. For the overdue less than or equal 3 months, the collection was made for some items and for the overdue longer than 6 months, the outstanding amount is fully settled in August 2017.

Unbilled Receivables

Due to its turnkey business, the revenue recognition is performed based on percentage of completion method which may deviate from the payment plan according to the contractual conditions. As a result, unbilled receivables are reported at the end of 2016 and of Q2/2017 at 127.41 million THB and 156.74 million THB or equivalent to 26.54% and 29.39% of total assets respectively. Unbilled receivables are increased in relation to the increase of the sales revenue. At the end of Q2/2017, unbilled receivables are increased by 23.02% from the year end of 2016 because there are some projects under delivery and acceptance as per its scope prior to the billing conditions.

Advance Payment for Goods and Services

At the end of 2016 and of Q2/2017, the Company reports its advance payment for goods and services at 4.32 million THB and 17.05 million THB required for projects.

Other Current Assets

Other current assets comprises of advance payment, undue VAT, A/R Revenue Department, withholding tax, etc. At the yearend 2016 and at the end of Q2/2017, the Company reports other current assets in the amount of 7.81 million THB and 12.39 Million THB respectively. Other current assets at the end of Q2/2017 are increased by the increase in tax i.e. undue VAT at 6.28 million THB and WHT at 3.84 million THB.

Restricted Bank Deposits

At the yearend 2016 and at the end of Q2/2017, the amount of restricted bank deposits are at 52.41 million THB and 102.13 million THB respectively. The change is subject to the credit facilities required for operating the business.

Office Improvement and Equipment

At the yearend 2016 and at the end of Q2/2017, the amount of fixed assets are at 3.22 million THB and 2.70 million THB respectively of which are basically the office improvement, office supplies, vehicles and computer equipment because the main company business is system integration and requires no big fixed asset items.

2.2 Sources of Fund

Liabilities

The Company reports its liabilities at 314.89 million THB at the yearend 2016 and 294.53 million at the end of Q2/2017 and the major items are trust receipts, account payables and short-termed loan from shareholders which are regarded as working capital for running the business.

Most of the liabilities are current liabilities with its proportion as at 2016 and at the end of Q2/2017 at 98.93% and 98.57% of total liabilities respectively.

Trade and Other Payables

The Company reports its trade and other payables at the end 2016 and of Q2/2017 at 166.42 million THB and 176.03 million THB respectively and this shall increase in relation to the company business performance and cost of sales.

Trade and Other Payables	At 31 Dec. 2016		At 30 Jun. 2017	
	MB	%	MB	%
Trade Payables	144.94	87.10	163.99	93.16
Other Payables	0.06	0.04	0.82	0.47
Accrued Interest	1.62	0.97	-	-
Trade Payables - Retention	2.10	1.26	2.22	1.26
Accrued Expenses	17.69	10.63	9.00	5.11
รวมเจ้าหนี้การค้าและเจ้าหนี้อื่น	166.41	100.00	176.03	100.00

The major trade and other payables are trade payables, mostly for equipment, service and sub-contractors costs in projects.

Unbilled Payables

Unbilled payables incur when the invoice from vendors is not placed when recognizing its revenue in the project and the company reports accrued costs at the end of 2016 and of Q2/2017 at 47.11 million THB and 37.00 million THB respectively.



Advance Receipts from Customers

Advance receipts from customers take place when the Company can invoice and collect the customer payment based on the invoicing plan. Mostly they will incur when collecting the money shortly after signing the contract. At the end of 2016 and of Q2/2017, the amount reported are 25.64 million THB and 8.21 million THB respectively.

Shareholders 'Equity

The shareholders' equity is in the amount of 165.10 million THB at the yearend of 2016 and of 238.73 million THB at the end of Q2/2560 which is constantly increased in each period. In the first half of 2017, a registered capital is increased by 50 million THB for issuing 100 million shares at the price of 0.50 Baht to the existing shareholders.

Funding Structure

D/E ratio of the Company is at 1.91, and 1.23 for the yearend 2016 and at the end of Q2/2017 respectively.