

Ref: AC.017/2018

14 May 2018

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

	Q1' 2018	Q1' 2017	Increase (decrease)	Variance (%)
Total revenues	1,977	1,570	407	26%
Net profit	116	50	66	132%

The Group has total revenues of Baht 1,977 million for Q1' 2018, which is increased by Baht 407 million or 26% compared to the total revenues of Baht 1,570 million for Q1' 2017. The increase results from higher revenues from telecommunication business and retail business.

The Group has net profit of Baht 116 million for Q1' 2018, which is increased by Baht 66 million or 132% compared to the net profit of Baht 50 million for Q1' 2017. The increase is mainly due to the higher gross profit and the lower administrative expenses. As a result, overall net profit of the Group is increased.

**Analysis of revenues**

	Q1' 2018		Q1' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	476	24%	524	33%	(48)	(9%)
Telecommunication business	396	20%	58	4%	338	583%
Related technology business	166	9%	191	12%	(25)	(13%)
Retail business	875	44%	748	48%	127	17%
Total revenues from main business	1,913	97%	1,521	97%	392	26%
Other income	64	3%	49	3%	15	31%
Total revenues	1,977	100%	1,570	100%	407	26%

### EMS business

In Q1' 2018, the Group generates revenue of Baht 476 million from EMS business, which is decreased by Baht 48 million or 9% compared to the revenue of Baht 524 million for Q1' 2017. It results from the decrease in orders from a major customer of the manufacture and assembly of electronic circuit boards business unit.

### Telecommunication business

In Q1' 2018, the Group generates revenue of Baht 396 million from telecommunication business, which is increased by Baht 338 million or 583% compared to the revenue of Baht 58 million for Q1' 2017. This is due to an increase in revenue from telecommunication projects of a state-owned enterprise, which the Company has signed the contracts since the fourth quarter of 2017.

### Related technology business

In Q1' 2018, the Group generates revenue of Baht 166 million from related technology business, which is decreased by Baht 25 million or 13% compared to the revenue of Baht 191 million for Q1' 2017. It is due to a decrease of developing ERP system projects of a state-owned enterprise.

### Retail business

In Q1' 2018, the Group generates revenue of Baht 875 million from retail business, which is increased by Baht 127 million or 17% compared to the revenue of Baht 748 million for Q1' 2017. The Group has the top-up value via "Boonterm Kiosk" for Q1' 2018 of Baht 10,421 million, which is increased by Baht 2,421 million or 30% compared to the top-up value of Baht 8,000 million for Q1' 2017. As at 31 March 2018, the Group has 130,404 top-up kiosks across Thailand.

### Gross Profit and Gross Profit Margin

	Q1' 2018		Q1' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	98	21%	107	20%	(9)	(8%)
Telecommunication business	57	14%	14	24%	43	307%
Related technology business	39	23%	52	27%	(13)	(25%)
Retail business	237	27%	215	29%	22	10%
<b>Gross Profit</b>	<b>431</b>	<b>23%</b>	<b>388</b>	<b>26%</b>	<b>43</b>	<b>11%</b>

### EMS business

In Q1' 2018, the Group has gross profit of Baht 98 million, which is decreased by Baht 9 million or 8% compared to the gross profit of Baht 107 million for Q1' 2017. The decrease is in line with the lower revenue from

manufacture and assembly of electronic circuit boards business unit. In Q1' 2018, gross profit margin is at the rate of 21%, which is closed to the gross profit margin at rate of 20% in Q1' 2017.

#### Telecommunication business

In Q1' 2018, the Group has gross profit of Baht 57 million, which is increased by Baht 43 million or 307% compared to the gross profit of Baht 14 million for Q1' 2017. This is in line with the higher revenue from telecommunication projects. Gross profit margin for Q1' 2018 is decreased from 24% to 14% since most projects have telecommunication products which have not been manufactured by the Company. Thus, the gross profit margin is low.

#### Related technology business

In Q1' 2018, the Group has gross profit of Baht 39 million, which is decreased by Baht 13 million or 25% compared to the gross profit of Baht 52 million for Q1' 2017. The decrease is in line with the lower revenue from developing ERP system projects.

#### Retail business

In Q1' 2018, the Group has gross profit of Baht 237 million, which is increased by Baht 22 million or 10% compared to the gross profit of Baht 215 million for Q1' 2017. It is due to the continuous growth of "Boonterm Kiosk" business. Gross profit margin for Q1' 2018 is at the rate of 27%, decreased from the gross profit margin for Q1' 2017 at the rate of 29%. It is due to the higher depreciation expense of top-up kiosks in accordance with the growth of top-up kiosks.

#### Expenses and expenses to revenues from main business

	Q1' 2018		Q1' 2017		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	25	1%	27	2%	(2)	(7%)
Administrative expenses	202	11%	240	16%	(38)	(16%)
Finance cost	32	2%	27	2%	5	19%
Income tax expenses	30	2%	19	1%	11	58%

#### Selling expenses

In Q1' 2018, the Group has the selling expenses of Baht 25 million and the selling expenses to revenue from main business ratio is 1%. There is no significant change in selling expenses and selling expenses to revenue from main business ratio from those of the prior year.

### Administrative expenses

In Q1' 2018, the Group has the administrative expenses of Baht 202 million, which is decreased by Baht 38 million or 16% compared to those of prior year. It is due to the lower administrative expenses of Mindmap Commtech Inc., which has been discontinued its business since Q3' 2017.

### Finance cost

In Q1' 2018, the Group has the finance cost of Baht 32 million, which is increased by Baht 5 million or 19% compared to those of the prior year. It is due to the higher long-term loans used for the acquisition of fixed assets of the Group.

### Income tax expenses

In Q1' 2018, the Group has the income tax expenses of Baht 30 million, which is increased by Baht 11 million or 58% compared to those of the prior year. It is in line with the increase of profit.

### Financial position

#### Assets

Unit: Million Baht

	31 March 2018	31 December 2017	Increase (decrease)	% Variance
Current assets	4,806	4,491	315	7%
Non-current assets	3,657	3,658	(1)	-
<b>Total assets</b>	<b>8,463</b>	<b>8,149</b>	<b>314</b>	<b>4%</b>

As at 31 March 2018, the Group's total assets are Baht 8,463 million, increased by Baht 314 million or 4% compared to the total assets as at 31 December 2017 of Baht 8,149 million. It is mainly due to the increase of trade receivables and unbilled receivables.

### The quality of assets

#### Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2018	31 December 2017
Trade account receivables - unrelated parties	1,394	1,352
Less: Allowance for doubtful accounts	(42)	(51)
<b>Trade account receivables - net</b>	<b>1,352</b>	<b>1,301</b>

As at 31 March 2018 and 31 December 2017, the Group has the allowance for doubtful accounts, amounting to Baht 42 million and Baht 51 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. Management believes that allowance for doubtful accounts is adequate in the current circumstances.

#### Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 March 2018	31 December 2017
Inventories	1,470	1,413
Reduce cost to net realisable value	(305)	(309)
Inventories - net	1,165	1,104

As at 31 March 2018 and 31 December 2017, the Group has the reduction of cost to net realisable value amounting to Baht 305 million and Baht 309 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. Management believes that the reduce cost to net realisable value is adequate in the current circumstances.

#### Source of fund

Unit: Million Baht

	31 March 2018	31 December 2017	Increase (decrease)	% Variance
Current liabilities	4,850	4,755	95	2%
Non-current liabilities	699	674	25	4%
Total liabilities	5,549	5,429	120	2%
Total Shareholders' equity	2,914	2,720	194	7%

#### Liabilities

As at 31 March 2018, the Group's total liabilities are Baht 5,549 million, increased by Baht 120 million or 2% compared to the total liabilities as at 31 December 2017 of Baht 5,429 million. It is mainly due to the increase of long-term loans.

#### Shareholders' equity

As of 31 March 2018, the Group's shareholders' equity is Baht 2,914 million, increased by Baht 194 million or 7% compared to the total shareholders' equity as at 31 December 2017 of Baht 2,720 million. It results from the net profit for Q1' 2018.

The appropriate of capital structure

The Group's debt to equity ratio as at 31 March 2018 is 1.9:1, which is closed to the debt to equity ratio as at 31 December 2017 at rate of 2.0:1.

Liquidity

Cash flows

Unit: Million Baht

	Q1' 2018	Q1' 2017
Cash flows from (used in) operating activities	206	98
Cash flows from (used in) investing activities	(122)	(179)
Cash flows from (used in) financing activities	(175)	241

Cash flows from operating activities for Q1' 2018 are Baht 206 million, increased by Baht 108 million compared to cash flows from operating activities of Baht 98 million for Q1' 2017. It results from the increase of working capital i.e. trade receivables, unbilled receivables, trade payables etc.

Cash flows used in investing activities for Q1' 2018 are Baht 122 million, decreased by Baht 57 million compared to cash flows used in investing activities of Baht 179 million for Q1' 2017. It is due to the reduction of capital expenditures for the improvement and construction of buildings for use as warehouses and production lines.

Cash flows used in financing activities for Q1' 2018 are Baht 175 million. It results from repayment of long-term loans of Baht 125 million, drawdown of long-term loans of Baht 215 million and repayment of short-term loans of Baht 266 million.

Liquidity ratio

Current ratio as at 31 March 2018 is 0.99:1 which is closed to the current ratio as at 31 December 2017 at rate of 0.94:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller