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14 May 2019

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' 2019	Q1' 2018	Increase (decrease)	Variance (%)
Total revenues	1,677	1,978	(301)	(15%)
Net profit	81	116	(35)	(30%)

The Group's total revenues for the first quarter of 2019 amounted Baht 1,677 million, which was decreased by Baht 301 million or a decrease of 15% compared to the total revenues for the first quarter of 2018 amounting to Baht 1,978 million. The decrease was mainly due to the lower revenues from enterprise solutions business and EMS business.

The Group's profit for the first quarter of 2019 amounted to Baht 81 million, which was decreased by Baht 35 million or an decrease of 30% compared to the profit for the first quarter of 2018 amounting to Baht 116 million. The decrease was mainly due to the lower gross profit from enterprise solutions business and EMS business.

Analysis of revenues

	Q1' 2019		Q1' 2018		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	394	24%	476	24%	(82)	(17%)
Enterprise solutions business	373	22%	562	29%	(189)	(34%)
Smart service business	840	50%	875	44%	(35)	(4%)
Total revenues from main business	1,607	96%	1,913	97%	(306)	(16%)
Other income	70	4%	64	3%	6	9%
Total revenues	1,677	100%	1,977	100%	(300)	(15%)

EMS business

The Company had revenue from EMS business for the first quarter of 2019 amounting to Baht 394 million, a decrease of Baht 82 million or a decrease of 17% compared to that of the previous period amounting to Baht 476 million. It resulted from a decrease in orders from one of the major customers of the manufacture and assembly of electronic circuit boards business unit.

Enterprise solutions business

The Company had revenue from enterprise solutions business for the first quarter of 2019 amounting to Baht 373 million, a decrease of Baht 189 million or a decrease of 34% compared to that of the previous period amounting to Baht 562 million. It was due to the project work for sale and installation of the IP Access Network equipment (MPLS Router) of the Provincial Electricity Authority that started the project since the first quarter of 2018 has been completed in the first quarter of 2019.

Smart service business

The Company had revenue from smart service business for the first quarter of 2019 amounting to Baht 840 million, a decrease of Baht 35 million or a decrease of 4% compared to that of the previous period amounting to Baht 875 million. There was no significant change compared to the same period of the previous year.

Gross Profit and Gross Profit Margin

	Q1' 2019		Q1' 2018		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	74	19%	98	21%	(24)	(24%)
Enterprise solutions business	66	18%	96	17%	(30)	(31%)
Smart service business	211	25%	237	27%	(26)	(11%)
Gross Profit	351	22%	431	12%	(80)	(19%)

EMS business

The Company had gross profit for the first quarter of 2019 amounting to Baht 74 million, which was decreased by Baht 24 million or a decrease of 24% compared to the gross profit of Baht 98 million for the first quarter of 2018. The decrease was in line with the lower revenue from the major customer of the manufacture and assembly of electronic circuit boards business unit. Gross profit margin for the first quarter of 2019 had not changed significantly compared to the same period of the previous year.

Enterprise solutions business

The Company had gross profit for the first quarter of 2019 amounting to Baht 66 million, which was decreased by Baht 30 million or a decrease of 31% compared to the gross profit of Baht 96 million for the first quarter of 2018. It was in line with the lower revenue from the project work. Gross profit margin for the first quarter of 2019 had not changed significantly compared to the same period of the previous year.

Smart service business

Gross profit for the first quarter of 2019 and gross profit margin had not changed significantly compared to the same period of the previous year.

Expenses and expenses to revenues from main business

	Q1' 2019		Q1' 2018		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	22	1%	25	1%	(3)	(12%)
Administrative expenses	191	11%	202	10%	(11)	(5%)
Finance cost	28	2%	32	2%	(4)	(13%)
Income tax expenses	29	2%	30	2%	(1)	(3%)

Selling expenses

Selling expenses for the first quarter of 2019 and selling expense to revenue from main business were not significantly change compared to the same period of the previous year.

Administrative expenses

Administrative expenses for the first quarter of 2019 and the administrative expenses to revenue from main business were not significantly change compared to the same period of the previous year.

Finance cost

The financial cost for the first quarter of 2019 and the financial cost to revenue from main business were not significantly change compared to the same period of the previous year.

Income tax expenses

Income tax expenses for the first quarter of 2019 and the income tax expenses to revenue from main business were not significantly change compared to the same period of the previous year.

Financial position

Assets

Unit: Million Baht

	31 March 2019	31 December 2018	Increase (decrease)	% Variance
Current assets	4,252	5,310	(1,058)	(20%)
Non-current assets	3,482	3,560	(78)	(2%)
Total assets	7,734	8,870	(1,136)	(13%)

Total assets as at 31 March 2019 amounted to Baht 7,734 million, an decrease of Baht 1,136 million or a decrease of 13% compared to the total assets as at 31 December 2018, amounting to Baht 8,870 million. The decrease was mainly from trade accounts receivable, unbilled receivables and inventories.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2019	31 December 2018
Trade account receivables - unrelated parties	1,531	2,455
Less: Allowance for doubtful accounts	(55)	(55)
Trade account receivables - net	1,476	2,400

As at 31 March 2019 and 31 December 2018, the Group had the allowance for doubtful accounts, amounting to Baht 55 million and Baht 55 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 believed that allowance for doubtful accounts is adequate in the current circumstances.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 March 2019	31 December 2018
Inventories	1,284	1,335
Reduction of cost to net realisable value	(386)	(367)
Inventories - net	898	968

As at 31 March 2019 and 31 December 2018, the Group had the reduction of cost to net realisable value amounting to Baht 386 million and Baht 367 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 believed that the reduce cost to net realisable value is adequate in the current circumstances.

Source of fund

Unit: Million Baht

	31 March 2019	31 December 2018	Increase (decrease)	% Variance
Current liabilities	4,738	5,903	(1,165)	(20%)
Non-current liabilities	380	461	(81)	(18%)
Total liabilities	5,118	6,364	(1,246)	(20%)
Total shareholders' equity	2,616	2,506	(110)	(4%)

Total liabilities

Total liabilities as at 31 March 2019 were Baht 5,118 million, an decrease of Baht 1,246 million or an decrease of 20% compared to the total liabilities as at 31 December 2018, which was Baht 6,364 million. The decrease was mainly due to the decrease of short-term loans from banks and trade account payables.

Shareholders' equity

Total shareholders' equity as at 31 March 2019 were Baht 2,616 million, a decrease of Baht 110 million, or a decrease of 4% compared to the total shareholders' equity as at 31 December 2018, which was Baht 2,506 million. It was due to the net profit for the period and the purchase of common shares of Forth Smart Service Public Company Limited (a subsidiary) from the non-controlling interests of the subsidiary.

The appropriate of capital structure

The debt to equity ratio as at 31 March 2019 was 1.96:1, decreased from the debt-to-equity ratio as at 31 December 2018, which was 2.54: 1. The decrease was due to the decrease of current liabilities.

Liquidity

Cash flows

Unit: Million Baht

	Q1' 2019	Q1' 2018
Cash flows from (used in) operating activities	942	207
Cash flows from (used in) investing activities	(136)	(122)
Cash flows from (used in) financing activities	(842)	(175)

Cash flows from operating activities for the first quarter of 2019 were Baht 942 million, increased by Baht 735 million compared to that of the same period of last year amounting to Baht 207 million. It resulted from the decrease of working capital i.e. trade receivables, unbilled receivables, trade payables etc.

Cash flows used in investing activities for the first quarter of 2019 were Baht 136 million, increased by Baht 14 million compared to that of the same period of last year amounting to Baht 122 million. It was due to the purchase of common shares of the subsidiary and loans to service representatives.

Cash flows used in financing activities for the first quarter of 2019 were Baht 842 million, increased by Baht 667 million compared to that of the same period of last year amounting to Baht 175 million. The increase was due to repayment of short-term loans and long-term loans.

Liquidity ratio

Current ratio as at 31 March 2019 was 0.90:1. It was not significantly change compared to the current ratio as at 31 December 2018.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)
 Financial Controller