

Management Discussion and Analysis

Operation Overview

In 2016, the Company and subsidiaries reported total revenues of Baht 3,461 million, a decrease of Baht 4,338 million or 55.62% compared with 2015. This was primarily resulted from the handset market slowdown, strong competition, and subsidized campaign by mobile operators to maintain their subscribers. In addition, there was a decrease in revenues of Non-Mobile Business through Content Business and Sport Content, while revenues of TV Business (Live Broadcast) increased compared with the previous year.

Operating loss of Baht 838 million, increased by Baht 888 million compared with 2015. Operating profit margin in 2016 was (24.77%), as the decline in gross profit margin together with higher selling and administration expenses including other expenses and finance costs in a proportion of revenue compared with the previous year. As a result, net loss was Baht 720 million, an increase of Baht 757 million.

Results of Operation of Company and Subsidiaries

Sales and service income including gross profit

(Unit: Million Baht)

	Mobile Business		Non-Mobile Business		Total	
	2016	2015	2016	2015	2016	2015
Sales and service income	2,555	6,865	811	865	3,366	7,730
Selling support income	19	28	-	-	19	28
Cost of sales and service	(2,419)	(5,550)	(631)	(633)	(3,050)	(6,183)
Gross profit	155	1,343	180	232	335	1,575
Selling and Administrative expenses and other expenses					(1,067)	(1,360)
Other income					75	41
Finance cost					(182)	(206)
Corporate income tax					127	8
Non-controlling interests of the subsidiaries					(8)	(21)
Net income					(720)	37

Mobile Business

Revenue of Mobile Business, including selling support income, was Baht 2,555 million, reduced by Baht 4,310 million or 62.78% compared with 2015. This was mainly resulted from the decline in both unit and average selling price of i-mobile handset sold in the period. In addition, gross profit dropped by 1,188 million or 88.41%, related to the decrease in revenues and gross profit margin during the period.

Non-Mobile Business

Revenue of Non-Mobile Business was Baht 811 million, a decrease of Baht 54 million or 6.24% compared with 2015, mainly from the decrease in revenues of Content Business and Sport Content. However, there was an increase in revenues of TV Business (Live Broadcast) compared with the previous year. Gross profit was Baht 180 million, a decrease of Baht 52 million or 22.56%, and gross profit margin was 22.13%, dropped from 26.77% in 2015.

Other Income

Other income was Baht 75 million, representing 2.18% of total revenues in 2016, an increase of Baht 34 million or 85.91% compared with the previous year. This was majorly resulted from gain on sale of investments in subsidiaries.

Selling and Administration Expenses including Other Expenses

Selling and administration expenses including other expenses were Baht 1,067 million, a decrease of Baht 293 million or 21.56% compared with 2015. This was primarily from lower sales related expenses, including marketing and after sales service expenses in relative to the decline in total revenues compared with the previous year.

Finance Cost

Finance cost was Baht 182 million, a decrease of Baht 24 million or 11.41% compared with 2015, due to the decrease in S-T loans from banks as lower working capital requirement and loans repayment during the period.

Income Tax

Income tax expense were totally Baht 127 million, an increase from 2015 of Baht 119 million, corresponding to deferred tax benefit the Company had gain in 2016.

Financial Position

Assets

As of December 31, 2016, total assets were Baht 7,974 million, a considerable decrease of Baht 2,020 million or 20.21% compared with the end of 2015. This was contributed primarily by the decline in trade receivables and inventories corresponding to the lower revenues of Mobile Business. The portion of trade receivables and inventories were 71.24% and 5.79% of total assets respectively.

Total non-current assets were Baht 1,218 million, a decrease of 39 million or 3.13% compared with the end of 2015, representing 15.28% of total assets, in which equipment was a major component with 8.78% of total assets. Return on Asset (ROA) declined from 0.36% to (8.01%) in 2016.

Trade Receivables

As of December 31, 2016, trade receivables were Baht 5,681 million, a significant decrease of Baht 1,385 million or 19.59% compared with the end of 2015. Allowance for doubtful accounts was provided through an estimation of uncollectible receivables, which based on the Company's collection experience, analysis of debtors, and current status of receivables outstanding at balance sheets date.

Inventories

As of December 31, 2016, net inventories were Baht 461 million, significantly decreased by Baht 402 million or 46.56% compared with the end of 2015. This was mainly contributed by the decline in finished goods and supplies of Mobile Business as the slowdown of handset sold in 2016. An allowance for obsolescence has complied with the Company's policy and there was no significant change during the year compared to 2015. The Company and subsidiaries recorded an increase of 251 million for the allowance during 2016. The average sales period decreased from 99 days in 2015 to 79 days.

Other Current Assets

As of December 31, 2016, other current assets were Baht 249 million, a decrease of Baht 78 million or 23.75% compared with the end of 2015, mainly from the decrease in advance for purchase of inventories and prepaid expenses.

Non-Current Assets

As of December 31, 2016, non-current assets were Baht 1,218 million, decreased by Baht 39 million or 3.13% from the end of 2015. This was mainly contributed by the decrease in available-for-sale investments.

Liquidity

As of December 31, 2016, cash and cash equivalents were Baht 119 million, a decrease of Baht 30 million or 20.33% compared with the end of 2015. Sources and uses of fund are detailed as follows:

- Net cash flows from operating activities of Baht 759 million was mainly attributed to the decline in trade receivables and inventories corresponding to the slowdown of handset sold and trade receivables repayment.
- Net cash flows from investing activities of Baht 5 million was mainly attributed to sales of available-for-sale investment, given the purchase of equipment to support the Company's business expansion in 2016.
- Net cash flows used in financing activities of Baht 787 million was mainly attributed to repayment of S-T loans, given no dividend payment during 2016.

Compared with 2015, the Company's liquidity ratio, quick ratio, and cash ratio improved from 1.30 times to 1.31 times, from 1.09 times to 1.14 times, and from 0.03 times to 0.13 times respectively.

Sources of Funds

As of December 31, 2016, total shareholders' equity was Baht 2,516 million, a decrease of Baht 714 million or 22.09% compared with the end of 2015. Accordingly, net loss in 2016 was Baht 720 million.

Total liabilities as of December 31, 2016 were Baht 5,458 million, decreased Baht 1,306 million or 19.31% compared with the end of 2015. Total liabilities consist of current liabilities of Baht 5,172 million, and non-current liabilities of Baht 286 million, representing 64.86% and 3.58% of total assets respectively. Major components are detailed as follows:

- Bank overdrafts and loans from financial institutions were totally Baht 4,730 million, representing 86.66% of total liabilities or 59.31% of total assets, a considerable decrease of Baht 931 million or 16.45% compared with the end of 2015.
- Trade payables and other payables were Baht 497 million, representing 9.11% of total liabilities or 6.24% of total assets, significantly decreased by Baht 480 million or 49.12% compared with the end of 2015.

Regarding above liabilities and shareholders' equity, the Company's debt to equity ratio increased from 2.09 times to 2.17 times in 2016.