

FS. 03/2016

February 11, 2016

Subject: Management Discussion and Analysis of Financial Positions and operating results
To: Director and Manager
The Stock Exchange of Thailand

Forth Smart Service Public Company Limited (“FSMART”) would like to report on Management Discussion and Analysis of Financial Positions and operating results for the year ended December 31, 2015. The details are as follows:

1. Analysis of operating performance

1.1 Overview of business operations

FSMART operates principally engaged in rendering of top-up service for prepaid phone (Pre-paid) and other online services through online top-up machines under the trademark of “Boonterm”. The process of doing transactions at FSMART began of the customers to pay for rendering of top-up service for prepaid phone and other online services along with the fee (Service Charge) through online top-up machines or “Boonterm kiosk” at the same time. The Company’s agents, which have been appointed by FSMART will collect money from “Boonterm kiosk” and transfer all money to FSMART. In the past three years (Year 2013 – 2015), FSMART’s total receipt amount from rendering of top-up service along with the service charge through “Boonterm kiosk” increased steadily. The details are shown as table below;

	2013	2014	2015
Total receipt amount through “Boonterm kiosk” (Million Baht)	7,386	10,550	15,386
“Boonterm kiosk” as the period ended (Kiosks)	32,692	42,859	65,867

In 2015, total receipt amount from rendering of top-up service along with the service charge through “Boonterm kiosk” of FSMART was Baht 15,386 million, higher than FY15 target as Baht 15,000 million. Total receipt amount from rendering of top-up service along with the service charge through “Boonterm kiosk” of FSMART is growing steadily, evidenced by the Compound Annual Growth Rate (CAGR) of 44.33% or an

average annual growth rate of Baht 4,000 million during the period from 2013 to 2015. The reasons are as follows;

1) An increasing number of “Boonterm kiosk” FSMART continue to expand our “Boonterm kiosk” to all regions of the country. “Boonterm kiosk” as the period ended in 2015 was 65,867 kiosks, higher than 2015 target as 60,000 kiosks. “Boonterm kiosk” increased an average of 16,588 kiosks per year for the past 3 years (Year 2013 – 2015).

2) the efficiency of company management such as

2.1 Variety of service applications, which as of December 31, 2015, “Boonterm kiosk” offers services through 65 applications.

2.2 The radio, newspaper and television advertising as well as road show activities such as Thairath newspaper, FM 95 radio and community radio stations, TV sponsorship “Thai Fight” “Thai Boxing” etc. The road show activities such as “Rally roadshow Boonterm family” “English on the road 2015” etc.

2.3 The sales promotions such as “Boonterm...Top-up and get a prize 2nd year” and loyalty program such as point collection.

2.4 The effectiveness for rendering of the online service system “Boonterm kiosk” which is quick, accuracy and reliability, Customer service (Call Center) that can solve problems for customers in the short time for 24 hours a day as well as the active call center, which monitoring and solving problem of customer without waiting the incoming call.

3) The payment through “Boonterm kiosk” has been becoming increasingly popular from customers. Caused by installation of “Boonterm kiosk” for a period of time until customers have learned how to make payment through “Boonterm kiosk” includes customer awareness the location of “Boonterm kiosk”, to cause a repeat continuously.

The Company is rendering of top-up service through online top-up machines of “Boonterm kiosk” which is not operators directly. Therefore, the company's revenue is recognized in the income from rendering of top-up service for prepaid phone and other online service (Commission) which has been provided by the operators and income from rendering of services through “Boonterm kiosk” (Service charge) which has been provided by customers, which is analyzed in the next section.

1.2 Operating performance and profitability

Total revenue

For the year of 2015, FSMART's total revenues were Baht 1,684 million, increasing of Baht 521 million or 45% from the same period in the prior year, increased in line with the growing of total receipt amount through "Boonterm kiosk". Total revenue can be separated as below;

The table is shown the type of revenue for the year of 2015

Type of revenue	2015		2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Income from rendering of top-up service for prepaid phone and other online service (Commission)	640	38%	436	38%	204	47%
Income from rendering of services through online top-up machines "Boonterm kiosk" (Service charge)	893	53%	642	55%	251	39%
Entrance fee income	2	0%	7	1%	(5)	(71%)
Advertising income	12	1%	3	0%	9	300%
Total revenue from core business (4 items)	1,547	92%	1,088	94%	459	42%
Sales of goods	41	2%	17	1%	24	141%
Other income	96	6%	58	5%	38	66%
Total revenues	1,684	100%	1,163	100%	521	45%

1) Income from rendering of top-up service for prepaid phone and other online service (Commission)

For the year of 2015, were Baht 640 million, increasing of Baht 204 million or 47% from the same period in the prior year, increased in line with the growth of total receipt amount through "Boonterm kiosk".

2) Income from rendering of services through online top-up machines "Boonterm kiosk" (Service charge)

For the year of 2015, were Baht 893 million, increasing of Baht 251 million or 39% from the same period in the prior year, increased in line with the growth of total receipt amount through "Boonterm kiosk".

3) Advertising revenue

For the year of 2015, were Baht 12 million. While in 2014, the advertising revenue was Baht 3 million from first recognition in December 2014.

4) **Total revenue from core business (4 items)** For the year of 2015, were Baht 1,547 million, increasing of Baht 459 million or 42% from the same period in the prior year, increased in line with the growth of total receipt amount through “Boonterm kiosk”, increasing the number of “Boonterm kiosk”, the efficiency of company management and the popular of using “Boonterm kiosk” with described above.

5) **Other income** For the year of 2015, were Baht 96 million, increasing of Baht 38 million or 66% from the same period in the prior year, mainly from the growth of total receipt amount through “Boonterm kiosk” and the increasing in the number of “Boonterm kiosk”.

Gross profit margin and net profit margin

The table is shown the proportion of gross profit and net profit to total revenue from core business (4 items) for the year of 2015

Income statements	2015		2014		Increases / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Total revenue from core business (4 items)	1,547	100.0%	1,088	100.0%	459	42%
Cost of services	1,126	72.8%	803	73.8%	323	40%
Gross profit	421	27.2%	285	26.2%	136	48%
Service & Administrative expenses	165	10.7%	131	12.0%	34	26%
Operating profit	256	16.5%	154	14.2%	102	66%
Finance costs	(13)	(0.8%)	(19)	(1.7%)	6	32%
Other income	97	6.3%	59	5.4%	38	64%
Income tax expenses	(68)	(4.4%)	(40)	(3.7%)	(28)	(70%)
Net profit	272	17.6%	154	14.2%	118	77%

1) **Gross profit margin** For year of 2015 was 27.2%, up from 26.2% from the same period of prior year. The increase was primarily due to advertising revenue and the efficiency of cost of service management.

2) **Net profit margin** For year of 2015 was 17.6%, up from 14.2% from the same period of prior year, which was primarily due to the higher gross profit margin, the efficient control of service & administrative expenses, which some expenses were fixed cost and the employees expenses which were the major expenses,

increasing in the lower rate when comparing with revenue growth and the higher of other income which described above.

2. Financial position

2.1 Total assets

Statement of financial position	December 31, 2015		December 31, 2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current assets	720	32%	901	50%	(181)	(20%)
Non-current assets	1,517	68%	884	50%	633	72%
Total assets	2,237	100%	1,785	100%	452	25%

As of December 31, 2015, FSMART's total assets were Baht 2,237 million, an increase from as of December 31, 2014 amounted to Baht 452 million or growth of 25%, mainly due to the increasing of "Boonterm kiosk" which in line with business growth. While the current investments from Initial Public Offering (IPO) in 2014 decreased from the investment in "Boonterm kiosk".

2.2 Total liabilities and shareholders' equity

Statement of financial position	December 31, 2015		December 31, 2014		Increase / (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Current liabilities	1,218	54%	702	39%	516	74%
Non-current liabilities	2	0%	73	4%	(71)	(97%)
Total liabilities	1,220	55%	775	43%	445	57%
Total shareholders' equity	1,017	45%	1,010	57%	7	1%
Total liabilities and shareholders' equity	2,237	100%	1,785	100%	452	25%

As of December 31, 2015, FSMART's total liabilities were Baht 1,220 million, an increase from as of December 31, 2014 amounted to Baht 445 million or growth of 57%, mainly due to the increasing of Trade and other payables and the increasing of Retention received from service representatives because of the increasing of "Boonterm kiosk".

As of December 31, 2015, FSMART's total shareholders' equity were Baht 1,017 million, increased by Baht 7 million which mainly due to annual dividend payment of Baht 160 million and interim dividend payment of Baht 104 million while FSMART have net profit of Baht 272 million in 2015.

2.3 Current ratio and capital structure

Financial ratio	December 31, 2015	December 31, 2014
Current ratio (times)	0.59	1.28
Interest-bearing debt to equity ratio (times)	0.13	0.17
Debt to equity ratio (times)	1.20	0.77

As of December 31, 2015, FSMART's current ratio decreased from 1.28 times to 0.59 times, mainly from the decreasing of current investments from Initial Public Offering (IPO) as described above.

As of December 31, 2015, FSMART's interest-bearing debt to equity ratio decreased from 0.17 times to 0.13 times, mainly from repayment of loans. Debt to equity ratio was 1.20 times, up from 0.77 times, mainly from the increasing of Trade and other payables and the increasing of Retention received from service representatives as described above.

Please be informed accordingly.

Yours faithfully,

Forth Smart Service Public Company Limited.

(Narongsak Lertsuptavee)

Assistant managing director