

Management's Discussion and Analysis: MD&A

(1) Overview of Business Operation

Premier Technology Public Company Limited, a subsidiary of Premier Group of companies, the core business is information technology through investments in subsidiary, Datapro Computer Systems Company Limited ("Subsidiary"), and has investments in land and buildings "Premier Place Building" since 2011.

During the year 2015, the overall of the domestic economy has been witnessing a low growth rate and there is no factor that stimulates the investment in information technology equipment causing private sector business organization which is the Company's major target group to decrease their spending and investing in new projects. As the result from such factors the Company total revenue is 2,234.8 million baht, which decreased down from the previous year. In order for the Company to maintain the revenue level and to expand the sales of goods and services area, the Subsidiary has invested 100 percent into the new subsidiary, Datapro Computer Systems (Myanmar) Company Limited, which has registered the establishment in the Republic of the Union of Myanmar with the registered capital of 50,000 US Dollar. The Company has also established new branch in Chiang Mai, the northern part of Thailand.

The rapid change in technology trend caused several organizations to change their nature of investment in technology equipment. Several organizations switch from Hardware and Software investment into using different type of services from the service providers to reduce risks from the outdated of equipment that were invested in, allowing the subsidiary service revenue such as revenue from Professional Services, Revenue from providing Software As A Service and revenue from Maintenance Services Agreement increased in the year 2015.

Since 2011, the Company has invested in the Premier Place Building to utilize as an office and Disaster Recovery Center to serve the customers of the subsidiary and provide some space for lease until 2015. The Company has continuously renovated Premier Place Building both interior and exterior. The renovations include improvement of sprinkler system in the building, fire exit using air-pressurized system, installing CCTV to increase the safety of the tenants, improvement of wastewater treatment system, electricity system, and air conditioning system, installing film around the building to reduce energy consumption and to protect the environment as well as make a ramp for wheelchair etc. The total renovation expense for Premier Place Building is 36.7 million baht. At present, the total rate of the space rented in the Premier Place Building is 77 percent of the total rental space, where 64 percent were rented by the subsidiary and other companies rented 36 percent.

(2) Performance

The Company has profit from the operation for the year at 108.8 million baht and has dividend received at 100.0 million baht, therefore profit before dividend received for the period is 8.8 million baht, increased from the same period of previous year 13.5 million baht, which was the profit from renting out more space. The Company and its subsidiary have profit from the overall operation at 120.7 million baht, decreased 29.7 million baht from the same period of previous year due to the increased in administrative expense as a result of work expansion and adjustment of the welfare. The details are as follows:

1. Cost and revenue from Distribution of computers and provision of services relating to computer systems

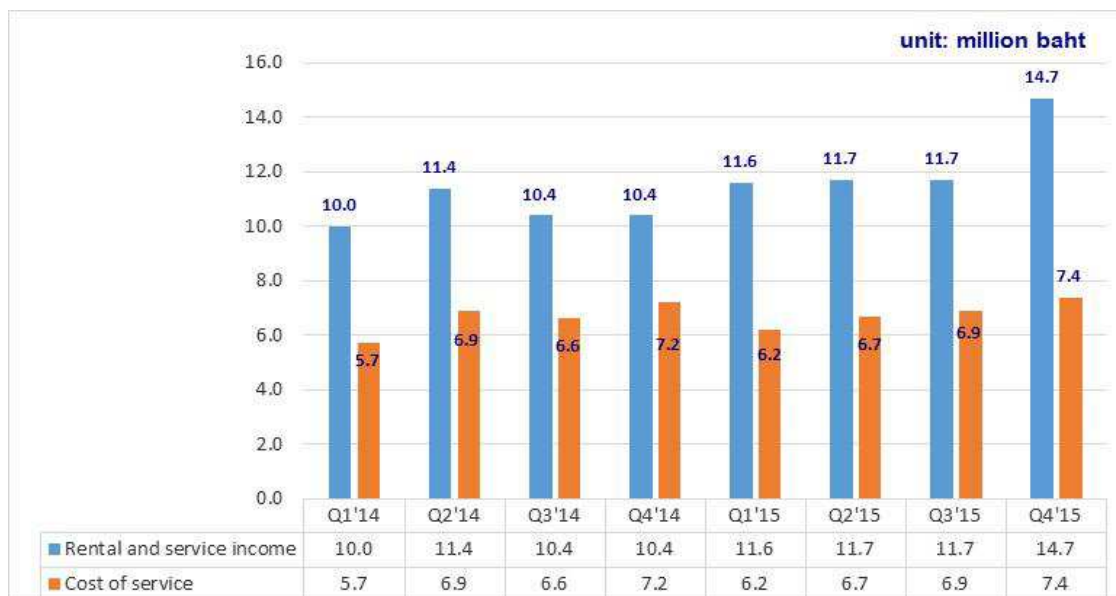


Sales revenue for the year 2015 was 1,387.5 million baht, decreased 472.7 million Baht or 25 percent from the previous year due to a slowdown in investment on the new projects during the 1st -3rd quarters of the year 2015 as a results of the economic fluctuations of both domestic and international. However, some customers started to invest in new projects and allowed the subsidiary to increase new projects in 4th quarter, where sales revenue was 549.6 million baht, which was 11.6 million baht lower than the same quarter of previous year.

Service revenue for the year 2015 was 799.0 million baht, increased 91.1 million baht or 13 percent from previous year due to the increased in Non-Recurring revenue at 26.4 million baht which was from Professional Services 8 million baht and from Digital Content Innovation Services 18.2 million baht. The Recurring revenue increased 64.7 million baht from providing Software As A Services at 2.4 million baht, revenue from Data Center increased 6.7 million baht, Maintenance Services Agreement revenue increased 70.7 million baht. For the period in 2015, service revenue decreased due to the revenue from the rental of computer equipment at 3.0 million baht, revenue from Digital Content Innovation service at 8.3 million baht and revenue from Managed Services at 3.8 million baht.

Cost of sales and services for the year 2015 was 1,519.5 million baht, decreased 382.4 million baht or 19.6 percent from previous year, divided into cost of sales decreased 443.8 million baht, cost of services increased 61.4 million Baht which linked to the decreased in sales and increased in services. Gross profit margin was 31 percent, increased from previous year 3.9 percent due to Gross profit margin from sales was 21.5 percent, increased at 3.9 percent from the previous year. Gross profit margin from services was 46.1 percent, decreased at 1.7 percent from the previous year

2. Revenue and cost of Rental spaces and services



The Company received revenue from rental and services for the year 2015 at 49.7 million baht (revenue from spaces rental to the subsidiary was 34.9 million baht), increased 7.5 million baht from the previous year due to the expansion of rental space to 821 square meters. Service cost for the year was 27.2 million baht, increased 0.8 million baht from the previous year due to the acknowledgement of the increased of the depreciation from the building renovation and building maintenance expenses during the year.

3. Other Revenue

For the year 2015, other revenue was 33.5 million baht, decreased 37.2 million baht or 52.6 percent from the same period of previous year. The main items come from the discount received from the manufacturer 24.7 million Baht, the reduction of purchasing amount according to the reduction of sale revenue and profit from the exchange rate that decreased 4.9 million baht due to the losses on exchange rate in 2015.

4. Sales and Administrative Expenses

Selling expense for the year was 204.1 million baht, decreased 34.8 million baht or 14.6 percent from the previous year. The ratio of Selling Expense to service revenue was 9.3 percent which is the same as previous year.

Administrative expense was 343.3 million baht, increased 46.2 million baht or 15.6 percent from previous year. The significant change of transaction is as follow:

- Expenses related to employee was 30.6 million baht due to the expanding of the branch in Northern part including the annual salary adjustment and a raised in welfare related to provident fund.
- Unrealized losses from change of investment value in the open-end fund in equity instruments at 4.1 million Baht.
- Loss from exchange rate increased 6.1 million baht as the result of the fluctuation in the exchange rate of US Dollar which the Company makes disbursement to the subsidiary major trade account payable on the second half of the year 2015. However, the Subsidiary has entered into Forward Contract with financial institute to reduce risk on exchange rates in 2016.

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- In the period, allowance for doubtful account decreased due to received payment from the customer which result a decrease of allowance for doubtful account 5.6 million baht from last year.

5. Financial Expenses

Financial expenses for the year 2015 was 12.8 million baht, decreased from the same period of previous year 6.6 million baht or 34 percent as the result from refinancing the Company's long term loan causing the interest rate of the contract to reduced from 7.25 percent (MLR plus 1.25 per year) to 5.0 percent (MLR minus 1.5 percent per year)

6. Income Tax

Income tax for the year 2015 was 27.4 million baht, decreased from the same period of previous year 8.3 million baht, which consisted of corporate income tax as calculated 31.6 million baht and deferred income tax 4.2 million baht.

(3) Assets Management Capability

As of 31 December 2015, the Company and its subsidiary have the total assets of 1,644.3 million baht, increased 2.4 percent from the previous year. The Company and its subsidiary's significant assets are account receivable and other receivables, service cost advance payment, inventories, real estate for investment, land, building and equipment.

Return on assets was at 7.4 percent, decreased 2.5 percent from the previous year due to the decreased in operating results. At present, the total assets value that increased are as follow:

1. Account Receivables and Other Receivable

Account receivables and other receivables were 631.3 million baht, increased 42.0 million baht from previous year due to the collection of services fees and received advance payment from the customer of the big project. The ratio of collection period is 99 days, which increased 22 days from the previous year due to the increased in account receivables during the end of 2015.

(Unit : Thousand Baht)

Description	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Trade Receivables - Aged on the basis of due dates						
Not yet due	427,677	67.7%	337,132	57.2%	344,646	66.1%
Up to 3 months	83,559	13.2%	102,087	17.3%	125,752	24.1%
3 - 6 months	2,224	0.4%	12,893	2.2%	21,322	4.1%
6 - 12 months	5,439	0.9%	13,171	2.2%	22,405	4.3%
Over 12 months	9,812	1.6%	12,640	2.1%	15,800	3.0%
Total Trade Receivables	528,711	83.8%	477,923	81.1%	529,925	101.6%
Other Receivables	10,321	1.6%	10,201	1.7%	10,201	2.0%
Unbilled Receivables	112,995	17.9%	121,968	20.7%	7,824	1.5%
Less : Allowance for doubtful debts	(20,740)	-3.3%	(20,794)	-3.5%	(26,578)	-5.1%
Total Trade and Other Receivables - Net	631,287	100.0%	589,298	100.0%	521,372	100.0%

2. Advance Payment for Cost of Service

Advance Payment for Cost of Service was 139.6 million baht, increased from previous year 32.5 million baht due to the increase in long term service contract that provide services to the customer causing the received advance payment of goods and services at 178.8 million baht, which increased from the previous year at 78.3 million baht. The account will be recognized as revenue in accordance with the terms and conditions of service of each customer. And service cost is recognized as cost of sales in accordance with the terms of service as well.

3. Inventory and Cost of Work in Process

Inventory was 198.9 million baht, decreased from previous year 7.3 million baht or 3.5 percent. Inventory consisted of finished goods 141.9 million baht, product during installation 46.6 million baht and goods in transit 10.4 million baht, which most of the inventory was ordered by the customers. Cost of work in process was 62.5 million baht, decreased from previous year 30.4 million baht or 32.7 percent. For goods of specific project, the Subsidiary will purchase from the vendors only when there is an order from the customer. For goods that need to be in stock for sells, the Subsidiary tries to manage the inventory to the minimum but must be able to satisfy the customers demand in time to reduce risks that may occur from the outdated goods such as information technology equipment which has the tendency to change rapidly.

4. Real Estate for Investment, Land, Building and Equipment

Real Estate for Investment was 158.3 million baht, decreased from previous year 0.9 million baht due to the renovation of Premier Place Building which was 4.2 million baht and depreciation in the period 5.1 million baht.

Land, building and equipment were 178.9 million baht, decreased from the previous year 2.2 million baht due to the purchase of equipment increased 20.7 million baht, sold during the year 0.1 million baht and depreciation in the period 40.2 million baht.

(4) Liquidity and Source of Funds

According to the Company's financial structure, sources of funds comes from 2 places which are

1. Cash received from operation

Cash received from operation was 241 million baht, increased from previous year 61.2 million baht due to advanced payment received in 2015 for goods and services increased at 70.5 million baht from previous year as the result from the expansion of maintenance service revenue, both Maintenance Agreement and Preventive Maintenance, which is the revenue that continues from sales of information technology goods and equipment from previous year. Implementation of marketing strategies by selling services to companies which are customers of the company as a Business Partner and increased sales decline resulted from accounts receivable and other receivables decreased 20.2 million baht from previous year and changes in inventory and work in process increased slightly from previous year.

2. Cash from Fund

In 2015, Cash from Fund decreased since the Company has entered into refinancing the credit line with the new financial institute at the amount of 200 million baht (MLR interest rate minus at 1.5% per year) with the purpose to pay off loan from the original financial institute where the outstanding debt was 179.0 million baht (MLR interest rate plus at 1.25% per year), Long term loan and Long term loan due within one year were 178.6 million baht, increased 2.9 million baht from previous year.

Short term loan from other company to pay for goods is a loan that the subsidiary made contract with one of the domestic company, which the conditions and due date are different depending on the condition of each contract. Short term loan from other companies was 6.5 million baht, decreased at 133.5 million baht from previous year as a result from payment made in accordance with the contract made.

Long term loan which occurred from entering into the financial lease contract, the Company established such contract to rent equipment used in business operation. Long term loan and long term loan due within one year were 21.3 million baht, decreased 0.9 million baht as a result from payment of the installment made in accordance with the contract.

The Company continuously consider the liquidity and necessity in using the source of finance to manage cash flow, cash in - pay out, to create balance, prevent liquidity problems by determining the duration and type of source of funds to be in line with the demand for money and capable to manage to reduce interest cost.

(5) Factors or events that will affect the future operation

The trend of new technology show continuous movement in the market. The technology has come to play an important role as well, in particular, the security of the system and data and the continuation of the business in a normal situation. Both public and private business organization considered choosing and investing in information technology that is up to date and can support different circumstances such as Cloud Computing Technology, Social Media and Big Data. These are the technologies that the business organization continuously put interest on which leads to Internet of Things (IOT) where different equipment have more potential and have the ability to connect with the devices (Things) network where data can be transfered to calculate and exchange data between one another.

A more competence technology causes business organizations to emphasize on storing data systematically, handling and manage fast and efficient network system, which the subsidiary's business is equipped with tools and services that can proficiently accommodate such changes. The Subsidiary continuously develops and improves the tools and services in order for the Subsidiary to provide the services according to the change in technology and customer demand. Moreover, the Subsidiary has create the quality of service to be different from other entrepreneurs by being the total enterprise solution and service provider, which hold the international quality and standard by professional who received ongoing training and are highly experienced.