

AIT (VP-SEC) 013E/2018

May 8, 2018

Subject: Management's Discussion and Analysis of Operating Results for Q1-2018

To: The President of The Stock Exchange of Thailand

Summary of Operations Q3- 2017

	Balance by Quarter			Change			
	Q1-18	Q4-17	Q1-17	Q1-18 VS Q4-17		Q1-18 VS Q1-17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,044.9	1,279.4	1,139.2	(234.5)	(18.3)	(94.3)	(8.3)
Total Operating Expenses	948.1	1,180.1	960.5	(232.0)	(19.7)	(12.4)	(1.3)
Profit for the period	67.4	69.1	133.3	(1.7)	(2.5)	(65.9)	(49.4)

In Q1-2018, the company's total revenue decreased from Q4-2017 and Q1-2017, representing a decrease of 234.5 MB and 94.3 MB, respectively, due to the governmental projects in the first half of 2017 were relatively small and delayed. The Company also faced a higher market competition. Besides, in the Q4-2017, the projects were not yet due to deliver. As a result, revenue in Q1-2018 decreased.

In terms of total operating expenses, it usually varies with the increase or decrease in revenue. Comparing Q1-2018 and Q4-2017, showed that the change rate in total revenue and total expenses decreased at a very similar rate, representing a decrease of 18.3% and 19.7%, respectively. However, comparing to the total revenue and total expenses for Q1-2018 and Q1-2017, it found that the change rate in total revenue which was 8.3%, was lower than the increase rate in cost which was 1.3% due to the gross margin of the projects delivered in Q1-2018 was lower than those in Q1-2017. The reason came from the higher market competition and the increase of employee cost. Comparing the profit of the Company for Q1-2018 to Q4-2017, it had changed slightly, although the rate of decrease in revenue in Q1-2018 was quite different from Q4-2017. This is because in Q4-2017, revenue was recognized the projects that their gross margin was rather low at more than 220 million baht, while Q1-2018 was only 157 million baht. As a result, the gross margin for Q1-2018 was higher than those in Q4-2017. The change rate of profit for Q1-2018 was a significant decrease of 49.4% from Q1-2017 due to the gross margin of the project delivered in Q1-2018 was lower than those in Q1-2017.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q1-2018 can be shown in the following table:-

	Balance by Quarter			Change			
	Q1-18	Q1-18	Q1-18	Q1-18 VS Q4-17		Q1-18 VS Q1-17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales & Service	1,000.5	1,219.4	1,084.1	(218.9)	(18.0)	(83.6)	(7.7)
Cost of Sales & Service	819.7	1,017.2	803.3	(197.5)	(19.4)	16.4	2.0
Selling expenses	40.4	63.5	63.0	(23.1)	(36.4)	(22.6)	(35.9)
Administrative expenses	64.6	76.4	73.5	(11.8)	(15.4)	(8.9)	(12.1)

Revenues and Costs of Sales and Services

The results of operations of the Company in Q1-2018, with revenues from sales and services, decreased from Q4-2017 and Q1-2017 representing a decrease of 218.9 MB and 83.6 MB respectively, due to in Q1-2018, the company had delivered less projects because the most projects were still under contract.

Comparing to cost of sales & service for Q1-2018 and Q4-2017, it found that the reduction rate was close to the rate of a decrease in revenue. However, Compared to Q1-2018 and Q1-2017, it found that the cost of sales & service had increased while the revenue had declined due to the project of Q1-2018 that it had a lower gross margin than those in Q1-2017 due to relatively high competition.

Selling and Administrative Expenses

Selling Expenses of Q1-2018 was decreased from Q4-2017 and Q1-2017 by decreasing in the commission and employee expenses that those were in line with decreasing revenue, representing decrease of 36.4%MB and 35.9%, respectively.

Administrative Expenses of Q1-2018 decreased from Q4-2017 and Q1-2017, due to the reversal of doubtful accounts had been recorded. In addition, decreasing in employee expenses were in line with decreasing revenue. As the result, the administrative expenses of Q1-2018 were lower than those of Q4-2017.

Financial Analysis of the company

As of March 31, 2018, the Company has financial position that changed from its financial status as of December 31, 2017. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q1-18	Q4-17	Q1-18 VS Q4-17	
	(MB)		(MB)	%
Cash and cash equivalent	1,110.1	1,286.2	(176.1)	(13.7)
Unbilled Receivables	757.1	434.2	322.9	74.4
Loan to related parties	-	18.0	(18.0)	(100.0)
Inventories	267.0	305.8	(38.8)	(12.7)
Other Current Assets	118.4	104.7	13.7	13.1
Total Assets	5,104.5	5,024.9	79.6	1.6

Assets

As of March 31, 2018, the Company's total assets increased 79.6 MB, representing an increase of 1.6% from 31 December 2017. The increase in total Assets is from the following major changes:

Cash and cash equivalent in Q1-2018 decreased by 176.1MB, or 13.7 % the mainly reason was that the company invested in the project for Q1-2018, but it can not get payment from those project that had been implemented but not yet completed which those reached the invoice. As the result, cash and cash equivalents decreased.

Unbilled Receivables increased by 322.9 MB or 74.4%, due to the large project that had been implemented and recognized the revenue by completed segment but not yet completed which those reached the invoice. As the result, Unbilled Receivables increased.

The loan to related parties decreased 18.0 MB or 100% due to repayment of loans during Q1-2018, Genesis Data Center Co., Ltd., which was joint ventures of the company, had paid the all of loans to the company.

Inventories decreased by 38.8 MB, representing a decrease of 12.7% due in the end of Q1-2018 the project in accordance with the contract had completed for delivery. In addition, the new winning projects had decreased.

Other current assets increased by 13.7 MB or representing an increase of 13.1%, due to an increase in purchase tax and unpaid tax for the project has already been implemented but not yet delivered. In addition, gains from forward contracts due to forward exchange contracts were higher than the exchange rates at the end of the quarter.

Assets Items that has significant changes	Balance by Quarter		Change	
	Q1-18	Q4-17	Q1-18 VS Q4-17	
	(MB)		(MB)	%
Trade and Other Payables	1,349.8	1,294.3	55.5	4.3
Unbilled Payables	481.0	459.8	21.2	4.6
Long-terms loans, current portion	16.1	29.0	(12.9)	(44.5)
Income tax payable	37.5	24.8	12.7	51.2
Advanced receipts from customers	58.6	87.8	(29.2)	(33.3)
Other current liabilities	27.5	59.6	(32.1)	(53.9)
Total liabilities	2,165.6	2,153.4	12.2	0.6



Liabilities

As of March 31, 2018, the Company's total liabilities increased by 12.2 MB or 0.6% from December 31, 2017, the reasons for major changes are as follows:

Trade and Other Payables increased by 55.5 MB, representing an increase of 4.3% from Q4-2017. This is because in Q1-2018, the company had invested in products and services in the large projects that those were in progress but not yet completed. As a result, the trade accounts payable increased as well as the unbilled Receivables.

Unbilled Payables increased by 21.2 MB, representing an increase of 4.6% from Q4-2017. This is because the company had delivered the project in Q1-2018 resulted in an increase in unbilled payables.

Long-terms loans, current portion decreased by 12.9 MB, representing a decrease of 44.5% from Q4-2017, due to repayment of long-term loans with maturity.

Income tax payable increased by 12.7 MB, representing an increase of 51.2% when it compared to the balance as at 31 December 2017. This is because income tax from net profit in Q1-2018.

Advanced receipts from customers decreased by 29.2 MB, representing a decrease of 33.3% from Q4-2017, due to the delivery of project, which received advanced receipt from customers. As the result, the advanced receipts decreased.

Other current liabilities decreased by 32.1MB, representing a decrease of 53.9% from Q4-2017, mainly due to the decrease of withholding tax waiting for delivery in December 2017 and delivered in January 2018.

Shareholders' Equity

As of March 31, 2018, the Company had total equity equals to 2,938.9 MB, or a decrease of 67.4 MB from as at December 31, 2017, which equals to 2,871.5 MB, or a 2.4%, increased from the profit from operations in Q1-2018.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company