

Ref: BC. 031/2018

November 13, 2018

Subject: Interim Management's Discussion and Analysis for the nine-month period ended September 30, 2018

To The President
The Stock Exchange of Thailand

Management Discussion and Analysis
Consolidated Financial Statements
For the nine-month period ended September 30, 2018

Operating performance

Revenues

Type of Revenue	Jan-Sep 2018		Jan-Sep 2017	
	THB (m)	%	THB (m)	%
1. HR Solutions				
1.1 Human Resources and Payroll Outsourcing-services	177.54	46.66	163.66	46.87
1.2 Income from software and Human Resources System	120.75	31.73	99.32	28.44
Revenues from HR Solutions	298.29	78.39	262.98	75.31
2. Financial Solutions				
2.1 Enterprise Resource Planning	63.28	16.63	62.35	17.85
2.2 Accounting and Finance Outsourcing	13.28	3.49	18.98	5.43
Revenues from Financial Solutions	76.56	20.12	81.33	23.28
Sales and service income	374.85	98.51	344.31	98.59
3. Other income (*)	5.66	1.49	4.91	1.41
Total Revenues	380.51	100.00	349.22	100.00

Remark: (*) Other income consist of supporting money from software developers, interest income, gain from sale of fixed assets and gain on investment etc.

Sales and service income for the nine-month period ended September 30, 2018 amounting to THB 374.85 million improved by THB 30.54 million or 8.87% (2017: THB 344.31 million) resulting from higher revenues from HR solutions but slightly affected by the decrease in revenue from Financial Solutions HR Solutions grew by THB 35.31 million or 13.43% from the recognition of license income and implementation fee from projects in Thailand and Malaysia, as well as, organic growth in recurring outsourcing income. Revenues from Financial Solutions decreased by THB 4.77 million or 5.87% to THB 76.56 million (2017: THB 81.33 million) due to loss of accounting services contracts with high revenue but low margin in mid-2017, despite an additional contribution from the newly acquired business in accounting outsourcing since July 2018. Compared to quarter 3 2017, the recognition of license income from Enterprise Resource Solution is slower this year, which we expect to pick up in next quarter for jobs in the pipeline.

Cost and Gross margin

Cost of sales and services	Jan-Sep 2018		Jan-Sep 2017	
	THB (m)	Gross margin (%)	THB (m)	Gross margin (%)
Cost of sales and services-HR Solutions	166.32	44.24	165.28	37.15
Cost of sales and services-Financial Solutions	51.01	33.37	59.41	26.95
Total cost of sales and services	217.33	42.02	224.69	34.74

Gross margin increased by 728 basis point from 34.74% to 42.02%. Gross margin in HR Solution improved by 709 basis point from 37.15% to 44.24% attributing to higher productivity and recognition of license fee for implementation jobs in HR Solution. In Financial Solution, despite a lower revenue of THB 4.77 million, we have continued to maintain costs and raised gross margin by 642 basis point from 26.95% to 33.37%.

Administrative expenses

Administrative expenses remains consistent for the nine-month period ended September 30, 2018, slightly decreased by THB 3.53 million or 6.00% from THB 58.84 million to THB 55.31 million due to the reversal of provision for doubtful debt THB 4.71 million in quarter 2.

Profit and Net profit margin

Profit for the nine-month period ended September 30, 2018 increased by THB 38.16 million or 68.15% from THB 56.00 million to THB 94.16 million. The recognition of license fee for products installed and growth in recurring services of HR Solution results in an increase in net profit margin from 16.03% in 2017 to 24.75% in 2018.

Please be informed accordingly,

Yours Sincerely,



Mr. Soontorn Dentham

Chief Executive Officer