

Ref.: SKY_SC62/020

February 25th, 2019

Subject Management's Discussion Analysis for the year of 2018
To President
The Stock Exchange of Thailand
Enclosed A copy of the financial statement ended December 31st, 2018 (1 set)

Sky ICT Public Company Limited ("the Company") would like to submit the financial statement for the year ended December 31st, 2018 which was audited by the Auditor. The information will be useful for investors and those who are interested in. The operational performance of the Company for the year ended December 31st, 2018 and 2017 are as follows:

Executive Summary

There are significant investments of the Company in 2018 as follows

1. At the Extraordinary General Shareholder Meeting no.1/2018 dated 23 February 2018, the shareholders approved the appropriation of register shares of 91,500,000 ordinary shares in exchange of 680,000 ordinary shares of Turnkey Communication Services Co., Ltd. ("TKC") which represents 34.00% of registered share capital of the associate. TKC commences telecommunication business, system integration and the business of cyber security. In 2018, the Company received profit sharing from TKC amounting to 74.22 MB.

2. On 17 August 2018, the Board of Directors passed a resolution to approve the establishment of a new associate, Astro Solutions Co, Ltd. ("ASTRO"), to provide marketing services, consulting services and information technology and software management including information service center (Call Center). The Company invested in 60,000 ordinary shares at the par value of Baht 100 per share, representing 30% of the registered share capital of the associate. Since ASTRO registered the company on September 6th, 2018, they have not yet generated any revenue as the project under their supervision is in preparation phase in which there occurred some administrative expense for business operation. Thus, the Company recognized sharing of loss amounting to 0.2 MB.

Since 2017, the Company has changed its business strategy to be focusing on system integration, information and communication technology, designing and installing a computer network, wireless network and applied computer programs. This includes enterprise security system, Closed-Circuit Television system and also the

after sales services. The Company has consistently been winning numbers of projects, mainly in government procurement projects such as

1. The license to operate Digital Platform project in accordance with the AOT 4.0 policy
2. The Digital Trunking Phase 2 Project (“Project”) to The Royal Thai Police
3. Project to increase the capacity of the network linking to the border connecting with Cambodia, Laos and Myanmar and to the submarine cable station in Chonburi, Petchabun, Songkhla Satun and Telecommunication Center of CAT Telecom Public Company Limited.
4. Project to providing the Authentication, authorization, and accounting system for access the broadband internet under the Broadband Internet Service Provider in rural area project of the national broadcasting and telecommunications commission.

In 2018, the Company has recognized revenue mainly from the projects won in 2017 such as (1) Passenger luggage trolleys at Suvarnabhumi Airport Project. (2) The Procurement and Installment of Closed-Circuit Television (CCTV) at Suvarnabhumi Airport and (3) The Broadband Internet Service Provider in rural area (Zone C+), Group 4(Central-Southern) and Group 5(the three southern border provinces including 4 district in Songkhla), part 2 of the National Broadcasting and Telecommunications Commission (“NBTC”). Moreover, the Company has recognized revenue from the delivery of some work of the won projects in 2018. These are resulting in the Company total revenue in 2018 amounting to 966.33 MB increased 427.17 MB or 79% comparing to last year. (2017: 539.16 MB) and the Company net profit of the owner of the parent was 108.52 MB which increased by 103.6 MB or 2,106% comparing to last year (2017: 4.92 MB).

Performances of the year ended December 31st, 2018 and 2017

1. Total Revenues

Revenue	Amount (Million baht)		Increase (Decrease)	
	2018	2017	Million Baht	%
Revenue from system integration service	299.94	-	299.94	-
Revenue from sales	277.04	258.82	18.22	7
Revenue from finance lease contracts	272.31	189.20	83.11	44
Revenue from services	117.04	91.14	25.9	28
Total Revenues	966.33	539.16	427.8	79

The Company' total revenue in 2018 was 966.33 MB which increased 427.17 MB or 79% from last year. It was the result from the changing of business strategy by focusing on the larger scale projects in government sector, especially, telecommunication and security projects that are in-line with the National Strategy. Now, the Company has 4 streams of income as follows:

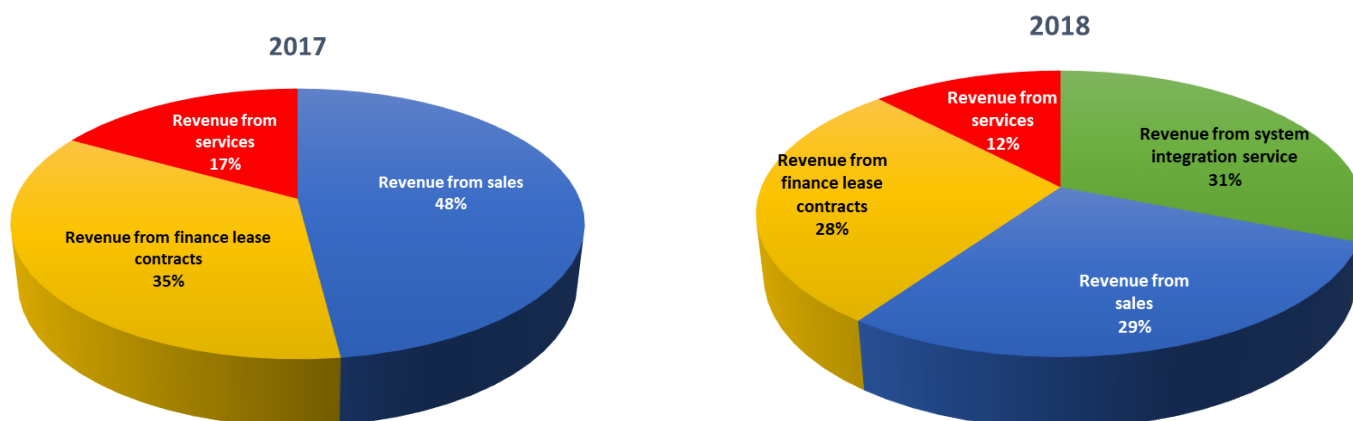
- a. Revenue from system integration service amounting to 299.94 MB (31% of total revenue). This was due to the Company strategy that focused on system integration, information and communication technology in both government and private customers. Thus the Company has submitted bidding proposals and won some projects in 2017 and started to recognize part of revenue from delivered service in 2018 from following projects: The Procurement and Installment of Closed-Circuit Television (CCTV) at Suvarnabhumi Airport and The Broadband Internet Service Provider in rural area (Zone C+), Group 4 (Central-Southern) and Group 5 (the three southern border provinces including 4 district in Songkhla), part 2 of the National Broadcasting and Telecommunications Commission ("NBTC").
- b. Revenue from sales amounting to 277.04 MB (29% of total revenue) increased 18.22 MB or 7% from last year. This was due to the products and equipment selling to customers which is used in IP Access Network, equipment for The Broadband Internet Service Provider in rural area and also the radio trunk for the Tourist Police Bureau. Moreover, GFIN (Thailand) which is subsidiary company generated revenue from sales amounting to 40 MB.
- c. Revenue from financial lease contract amounting to 272.31 MB (28% of total revenue) increased 83.11 MB or 44% from last year. This is mainly from the project Passenger luggage trolleys at Suvarnabhumi Airport which was delivered in January 2018 and the rental of computer and mail sorting machines to Thai Post Office.
- d. Revenue from service amounting to 117.04 MB (12% of total revenue) increased 25.90 MB or 28% comparing to last year. This is mainly from the 7-year service contract to provide AOT in Passenger luggage trolleys at Suvarnabhumi Airport which started since January 24th 2018 onwards.

2. Total Costs

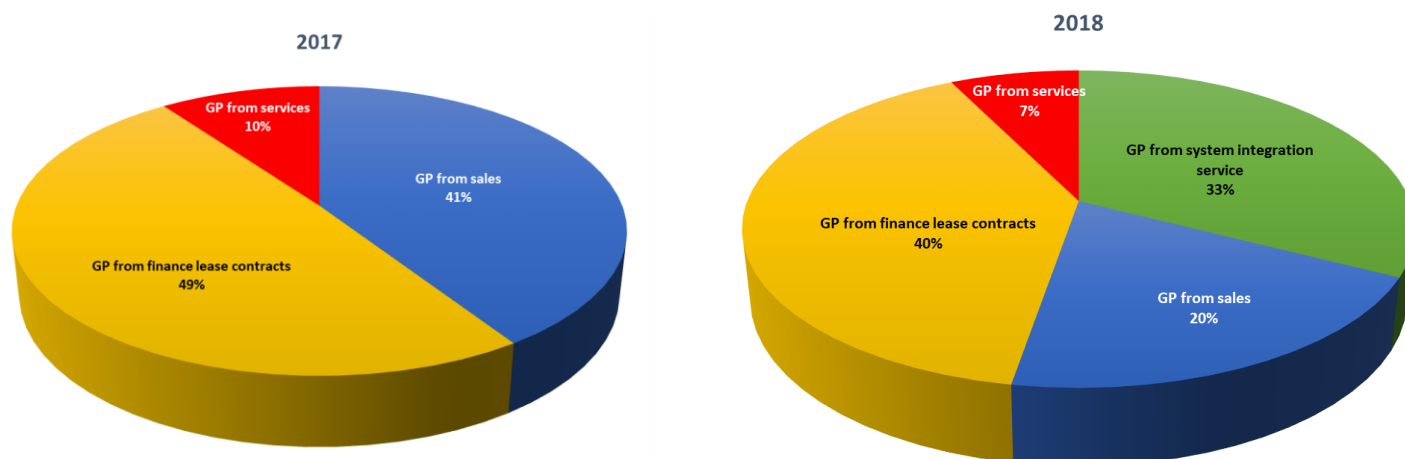
Cost and Gross Profit	Amount (Million baht)		Increase (Decrease)	
	2018	2017	Million Baht	%
Cost of system integration service	241.77	-	241.77	-
Cost of sales	241.41	227.60	13.81	6
Cost of services	200.94	151.49	49.45	33
Cost of sales from finance lease contracts	103.92	83.50	20.42	24
Total Cost	788.04	462.59	325.45	70
Total Gross Profit	178.29	76.57	101.72	133
Gross Profit ratio (%)	18.45%	14.20%		

Total cost in 2018 was 788.04 MB increased 325.45 MB or 70% comparing to last year. This was mainly due to the system integration service projects. However, the increasing of cost didn't cause the gross profit ratio to drop. On the other hand, it was increased from 14.20% to 18.45%. In 2018, the revenue from financial lease contracts has contributed the most gross margin to the Company. Moreover, the efficient cost management also plays a big role in increasing of gross profit.

Proportion of Revenue Stream in 2017 and 2018



Proportion of Gross Profit in 2017 and 2018



3. Expenses

Expense	Amount (Million baht)		Increase (Decrease)	
	2018	2017	Million Baht	%
Selling expenses	40.16	14.31	25.85	181
Administrative expenses	116.06	57.01	59.05	104
Financial costs	6.59	1.87	4.72	252
Total expenses	162.81	73.19	89.62	122
% to Revenue	16.85	13.57		

The total expenses of 2018 were higher than the prior year expenses in the amounting of 89.62 MB or 122%. The main reason was from the increment of personnel costs compensation from the Company's restructuring to support the signed projects, especially, the expert top management and project engineer team to deliver the projects on time within the budgeted project cost.

Also, GFIN (Thailand) which is a subsidiary company, registered on November 8th 2017, recruited more employees to support operation. These are resulted in the increase of employee and administrative cost.

For the financial costs amounting to 6.59 MB increased 4.72 MB or 252%. During the 2018, the Company had increased credit facilities from many financial institutions to support the expansion of business, hence financial cost was increased

4. Other Incomes

In 2018, the Company has other incomes at the total amounting to 29.92 MB increased 26.80 MB. This was mainly due to the gain on exchange rate amounting to 15.98 MB, the gain on selling of fixed assets amounting to 6.35 MB and interest income amounting to 2.23MB.

5. Share of profit from associated company

In 2018, the Company recognized the sharing profit from associated company amounting to 74.22 MB. This was 34% of net profit of Turnkey Communication Service Co., Ltd. ("TKC") since March to December 2018 amounting to 223.44 MB. The profit sharing from TKC was mainly due to the fact that they have already recognized revenue completely from the project, "Procure and Installation of Phase I Digital Radio Project" in the 2nd Quarter of 2018.

Moreover, the Company also recognized the sharing loss from Astro Solution Co., Ltd. ("Astro") which registered on 6th September 2018. Since Astro just started the business and has no revenue from operating yet which led to net loss of 0.2 MB.

6. Net profit (loss)

From the business performance, as mentioned above, the Company reports its net profit for owner of the parent amounting to 108.52 MB, increased 103.60 million Baht or 2,106% comparing to the last year.

Profit (Loss)	Amount (Million Baht)		Increase(Decrease)	
	2018	2017	Million Baht	%
Owner of the Parent	108.52	4.92	103.60	2,106
Non-Controlling Interest	(1.13)	(0.12)	(1.01)	842
Total Net Profit (Loss)	107.39	4.80	102.59	2,137
% to Revenue	11.11	0.89		

Please be informed accordingly.

Sincerely Yours,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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