

August 13, 2019

Subject: Management Discussion and Analysis  
Operating results for the second quarter, ending June 30, 2019.

To: The President  
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited (“the Company”) would like to submit the Financial Statements ending June 30, 2019 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between the second quarter of 2019 and the second quarter of 2018 together with the Company’s financial status compared between ending second quarter as at June 30, 2019 and ending December 31, 2018 as follows:

**Financial Performance Explanation and Analysis**

● **Operating outlook**

The Company factoring business in the second quarter of 2019, total revenues were 57.63 million Baht which increased by 2.16 million Baht or 3.9%, net profit 16.73 million Baht compared to the same period of the previous year. The increasing of revenues resulted from fees and services income, profit from selling equipment and decrease of doubtful accounts.

● **Thai economy and operating effect**

Overall economic activity in the second quarter of 2019 continued to moderately expand from the same period last year. Merchandise exports continued to contract, consistent with the decline in manufacturing production, while tourism sector also expanded at a slower rate mainly from the smaller number of Chinese tourists. However, overall domestic demand continued to expand, albeit at a softer pace. Private consumption softened from almost all spending categories. Private investment contracted from both investment in machinery and equipment and investment in construction. Public spending declined in current expenditures, while capital expenditures continued to expand. On the stability front, headline inflation accelerated. The seasonally-adjusted unemployment rate remained unchanged from the previous quarter. The current account continued to post a smaller surplus, attributed to a lower surplus in trade balance, and the deficit in services, income, and transfers balance, as a result of the seasonal remittance of profits and dividends by foreign businesses. The capital and financial accounts registered a deficit from the assets side.

● **Performance Analysis for Quarter 2/2019 and Quarter 2/2018.**

**Performance and Profitability**

The second quarter of 2019 and 2018, total revenues were 57.63 million Baht which increased by 2.16 million Baht or 3.9% compared to the same period of the previous year. Interest income from factoring were 43.37 million Baht or 75.3% of total revenues. Fees and services income were 11.81 million Baht or 20.5%. Other income derived from interest received from loans amounted to 1.92 million Baht. Finance costs were 13.47 million Baht or 23.4%. The Company’s gross profits were 41.70 million Baht or 75.6%.

(Unit: Thousand Baht)

Statement of compressive income	The second quarter of 2019		The second quarter of 2018		Changed	
		%		%	Value	%
<b>Revenues</b>						
Interest income from factoring	43,368	75.3	44,621	80.4	(1,253)	-2.8
Fees and services income	11,813	20.5	10,320	18.6	1,493	14.5
Finance cost	13,478	23.4	13,456	24.3	(22)	-0.2
<b>Gross Profit*</b>	<b>41,703</b>	<b>75.6</b>	<b>41,485</b>	<b>75.5</b>	<b>218</b>	<b>0.5</b>
Other Income	2,445	4.2	528	1.0	1,917	363.1
<b>Total revenues</b>	<b>57,626</b>	<b>100.0</b>	<b>55,469</b>	<b>100.0</b>	<b>2,157</b>	<b>3.9</b>

\* Gross income percentage is calculated from the Gross income divided by the core revenue which the core revenue includes Interest income from factoring and Income from fees and services where it corresponds to the core business of the Company

The second quarter of 2019, the Company's administrative expenses were 25.61 million Baht or 44.4% of total revenues which increased by 2.06 million Baht. Provision for doubtful account was 16.68 million Baht. The Company set the provision for doubtful account by aging basis. All overdue debt amounts will be followed up by the Company's debts recovery department. Profit for the period of the second quarter of 2019 were 16.73 million Baht or 29.0% of total revenues which increased by 23.21 million Baht due to the said provision of doubtful account.

(Unit: Thousand Baht)

Statement of compressive income	The second quarter of 2019		The second quarter of 2018		Changed	
		%		%	Value	%
<b>Expenses</b>						
Administrative expenses	25,608	44.4	23,549	42.5	2,059	8.7
Doubtful accounts	4,729	8.2	21,411	38.6	(16,682)	-77.9
<b>Profit before income tax expenses</b>	<b>13,811</b>	<b>24.0</b>	<b>(2,947)</b>	<b>-5.3</b>	<b>16,758</b>	<b>568.7</b>
Income tax expense (Revenue)	(2,923)	-5.1	3,533	6.4	(6,456)	-182.7
<b>Profit for the period</b>	<b>16,734</b>	<b>29.0</b>	<b>(6,480)</b>	<b>-11.7</b>	<b>23,214</b>	<b>358.2</b>

Basic earnings per share

0.01

-0.004

Baht/share

**Financial Status as at 30 June 2019**

The Company's total assets as at 30 June 2019 were 2,373.66 million Baht which decreased by 0.13 million Baht or 5.2% compared to as at 31 December 2018.

Current assets as at 30 June 2019 were 2,313.33 million Baht which decreased by 0.12 million Baht comprised of Factoring Receivables as at 30 June 2018 were 2,225.57 million Baht or equivalent to 93.8% of total assets.

Non-current assets as at 30 June 2019 were 60.34 million Baht decreased by 4.36 million Baht or equivalent to 2.5% of total assets.

(Unit: thousand Baht)

Statement of financial position	As at		As at		Changed	
	30 Jun 19	%	31 Dec 18	%	Value	%
<b>Current Assets</b>						
Cash and cash equivalents	60,652	2.6	101,111	4.0	(40,459)	-40.0
Factoring receivable	2,225,573	93.8	2,292,068	91.6	(66,495)	-2.9
Current portion of loans receivable	25,019	1.1	41,786	1.7	(16,767)	-40.1
Other receivables	357	0.0	1,794	0.1	(1,437)	-80.1
Other current assets	1,724	0.1	1,159	0.1	565	48.8
<b>Total current assets</b>	<b>2,313,325</b>	<b>97.5</b>	<b>2,437,918</b>	<b>97.4</b>	<b>(124,593)</b>	<b>-5.1</b>
<b>Non-current assets</b>						
Loan receivable	18,619	0.8	27,281	1.1	(8,662)	-31.8
Equipment	4,683	0.2	5,685	0.2	(1,002)	-17.6
Intangible assets	7,920	0.3	8,914	0.4	(994)	-11.2
Deposits and guarantees	1,957	0.1	1,784	0.1	173	9.7
Deferred tax assets	21,677	0.9	15,554	0.6	6,123	39.4
Assets held for sale	5,482	0.2	5,482	0.2	0	0.0
<b>Total non-current assets</b>	<b>60,338</b>	<b>2.5</b>	<b>64,700</b>	<b>2.6</b>	<b>(4,362)</b>	<b>-6.7</b>
<b>Total assets</b>	<b>2,373,663</b>	<b>100.00</b>	<b>2,502,618</b>	<b>100.0</b>	<b>(128,955)</b>	<b>-5.2</b>

Total liabilities as at 30 June 2019 were 1,830.30 million Baht or equivalent to 77.1% of total liabilities,

(Unit: Thousand Baht)

Statement of financial position	As at		As at		Changed	
	30 Jun 19	%	31 Dec 18	%	Value	%
<b>Current liabilities</b>						
Short-term loans from financial institutions	1,652,000	69.6	1,817,000	72.6	(165,000)	-9.1
Retention from factoring	38,216	1.6	40,885	1.6	(2,669)	-6.5
Dividend payables	0	0.0	48,000	1.9	(48,000)	-100.0
Excess receipt awaiting to repay	115,820	4.9	47,824	1.9	67,996	142.2
Other payables	8,087	0.3	8,348	0.3	(261)	-3.1
Income tax payable	1,853	0.1	2,334	0.1	(481)	-20.6
Other current liabilities	3,114	0.1	1,578	0.1	1,536	97.3
<b>Total current liabilities</b>	<b>1,819,090</b>	<b>76.6</b>	<b>1,965,969</b>	<b>78.6</b>	<b>(146,879)</b>	<b>-7.5</b>
<b>Non-current liabilities</b>						
Provision for long-term employee benefits	10,504	0.4	9,689	0.4	815	8.4
Other non-current liabilities	702	0.0	740	0.0	(38)	-5.1
<b>Total non-current liabilities</b>	<b>11,206</b>	<b>0.5</b>	<b>10,429</b>	<b>0.4</b>	<b>777</b>	<b>7.5</b>
<b>Total liabilities</b>	<b>1,830,296</b>	<b>77.1</b>	<b>1,976,398</b>	<b>79.0</b>	<b>(146,102)</b>	<b>-7.4</b>

#### **Liquidity and Capital Adequacy**

As at 30 June 2019, shareholders' equity was 543.37 million Baht total liabilities which increased by 17.15 million Baht.

As at 30 June 2019, the Company had available credit facilities which had not yet been drawn down amounted to 1,188 million Baht. Indicating the Company has capital and adequacy funding sources, low financial risk and liquidity for carry on business operations.

(Unit: Thousand Baht)

Statement of financial position	As at		As at		Changed	
	30 Jun 19	%	31 Dec 18	%	Value	%
<b>Shareholders' equity</b>						
Issued and fully paid-up	400,000	16.9	400,000	16.0	0	0.0
Share premium	75,845	3.2	75,845	3.0	0	0.0
Capital contribution from parent company	406	0.0	406	0.0	0	0.0
Retained earnings: Appropriated	27,860	1.2	27,860	1.1	0	0.0
Unappropriated	39,256	1.7	22,109	0.9	17,147	77.6
<b>Total shareholders' equity</b>	<b>543,367</b>	<b>22.9</b>	<b>526,220</b>	<b>21.0</b>	<b>17,147</b>	<b>3.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,373,663</b>	<b>100.0</b>	<b>2,502,618</b>	<b>100.0</b>	<b>(128,955)</b>	<b>-5.2</b>

#### **Financial Ratios**

Financial Ratios	As at 30 Jun 19	
<b>Liquidity Ratio</b>		
Current Ratio	1.27	Times
<b>Profitability Ratio</b>		
Gross Profit Margin	75.6	%
Net Profit Margin	29.0	%
Return on Equity or ROE	3.1	%
<b>Efficiency Ratio</b>		
Return on Asset or ROA	0.7	%
<b>Financial Ratio</b>		
Debt to Asset Ratio	0.77	Times
Debt to Equity	3.37	Times

All financial ratios on the above table, profitability ratios and leverage ratios were on acceptable ratios.

#### **Commitments and Contingent Liabilities**

The Company has entered into lease agreements in respect of the lease of office building space and service agreements. The terms of the agreements are generally 33 months. Future minimum lease payments required under these non-cancellable operating leases.

### **Factors which may adversely impact to the performance**

- **Credit Risk**

The Company is exposed to credit risk primarily with respect to factoring receivables, loans receivable and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures whereby the Company analyses credit details of clients and customers to evaluate all angles of credit risk. Moreover, all client and customer accounts have been imposed to review at least once a year and monitoring of all overdue accounts regularly by 2 divisions, 1. Credit Evaluation and 2. Debt Recovery for reduction of credit risk purpose.

- **Interest Rate Risk**

The Company's exposure to interest rate risk relates primarily to its cash at banks, factoring receivables, loans receivable, other receivables, bank overdrafts and short-term loans from financial institutions. The Company mitigates this risk by matching the sources of borrowings with factoring receivables to ensure that the Company maintains an accumulated average spread of interest under the Company's policy. Moreover, the Company analyses the term of interest rate movement of factoring receivables, borrowings and the Company adjusts the interest rate charge to receivables when the interest rate changes. Thus, the Company is flexible in its response to interest rate fluctuations. In addition, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

- **Liquidity Risk**

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the Company incurring a financial loss. The Company has established a liquidity management policy, to ensure that the Company has sufficient liquidity to meet debt and other obligations when due in normal circumstances, and has the liquidity contingency plans in place to handle crisis situations, as well as to ensure that management of liquidity strikes an appropriate balance between costs and benefits.

Please be informed accordingly.

Yours faithfully



(Mr. Akrawit Sooksai)

Director and Chief Executive Officer