

10 May 2018

Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

**Business Performance Overview**

Performance of the Group Company over the past period, the Group had slightly increased of revenue from sales and services. However, due to the high competitive market and the rising of labor costs, as a result, the Group's gross profit declined. Still, the Group's gross profit margin remained above 30%, plus the revenues backlog as at the end of this period of Baht 454 million increased about 51% when compared with the end of prior year.

Furthermore, the Group still has a solid financial structure, has continued cash flow from operations, good liquidity ratio and low debt to equity ratio as well.

**Consolidated Financial Performance for the first quarter of 2018**

Operating Income			
(Thousand Baht)	1Q 2018	1Q 2017	%Chg.
Revenue from sales and services	104,034	102,509	1%
Other income	1,339	2,881	(54%)
<b>Total Operating Income</b>	<b>105,373</b>	<b>105,390</b>	<b>0%</b>

Revenues structure						
	1Q 2018		1Q 2017		Change	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
<b>Revenue from sales</b>						
Crane and Hoist	49,742	48%	47,373	45%	2,369	5%
Industrial door, Loading dock PVC strip curtain and Air curtain	23,473	22%	27,901	26%	(4,428)	(16%)
<b>Total revenue from sales</b>	<b>73,215</b>	<b>70%</b>	<b>75,274</b>	<b>71%</b>	<b>(2,059)</b>	<b>(3%)</b>
<b>Revenue from services</b>						
Crane and Hoist	26,229	25%	22,077	21%	4,152	19%
Industrial door and Loading dock	4,575	4%	5,063	5%	(488)	(10%)
Training center	15	0%	95	0%	(80)	(84%)
<b>Total revenue from services</b>	<b>30,819</b>	<b>29%</b>	<b>27,235</b>	<b>26%</b>	<b>3,584</b>	<b>13%</b>
<b>Other income</b>	<b>1,339</b>	<b>1%</b>	<b>2,881</b>	<b>3%</b>	<b>(1,542)</b>	<b>(54%)</b>
<b>Total Operating Income</b>	<b>105,373</b>	<b>100%</b>	<b>105,390</b>	<b>100%</b>	<b>(17)</b>	<b>0%</b>

Total operating income for the first quarter of 2018 of the Company and its subsidiary were Baht 105 million which was not different from the same period of prior year. Revenue from sales slightly decreased by Baht 2 million or 3%, while revenue from services increased by Baht 3 million or 13%. Other income decreased by Baht 1 million or 54% from loss on exchange rate.

As at the end of the first quarter of 2018, the Company and its subsidiary had revenues backlog of Baht 454 million, which increased by Baht 152 million or 51% compared to last December, such backlog will gradually be recognized as revenues from the second quarter of 2018 onward.

Operating Expenses			
(Thousand Baht)	1Q 2018	1Q 2017	%Chg.
Cost of sales and services	72,457	68,678	6%
Selling expenses	6,832	6,362	7%
Administrative expenses	24,110	22,911	5%
<b>Total Operating Expenses</b>	<b>103,339</b>	<b>97,951</b>	<b>6%</b>

Total operating expenses for the first quarter of 2018 of the Company and its subsidiary were Baht 103 million, increased from the same period of prior year of Baht 97 million or 6%. The mainly causes due to

- An increase of cost of sales and services mainly due to the rising of labor costs.
- Selling expenses and administrative expenses increased due to an increase of employees expenses as from annual salary adjustment.

Other Items			
(Thousand Baht)	1Q 2018	1Q 2017	%Chg.
Finance costs	115	295	(61%)
Income tax expenses	711	1,595	(55%)
<b>Total Other Items</b>	<b>826</b>	<b>1,890</b>	<b>(56%)</b>

- Finance cost decreased due to the repayment of financial lease liabilities and short-term loans from financial institutions.
- Income tax expenses decreased in line with the operating profit.

Profitability Analysis			
(Thousand Baht)	1Q 2018	1Q 2017	%Chg.
Gross profit	31,577	33,831	(7%)
Gross profit margin	30%	33%	
Net profit	1,148	5,549	(79%)
Net profit margin	1%	5%	
Basic earnings per share	0.002	0.01	(80%)

- Gross profit and gross profit margin decreased due to the high competitive market. However, the Group continued to strive for costing effective management.
- Net profit and net profit margin decreased due to the decrease of gross profit and the increase of administrative expenses.

#### Consolidated Financial Position for the first quarter of 2018

Financial Position			
(Thousand Baht)	March 2018	December 2017	%Chg.
Total Assets	967,384	953,026	2%
Total Liabilities	189,599	176,389	7%
Total Shareholders' Equity	777,785	776,637	0%

- Total assets increased of Baht 14 million or 2% mainly due to an increase of work in process and investment in assets under construction of the subsidiary's warehouse.
- Total liabilities increased of Baht 13 million or 7% mainly due to an increase of trade accounts payable and deposits received in advance, which were in line with the increase of work in process and revenues backlog.
- Total shareholders' equity increased of Baht 1 million from net profit of the period.

#### Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	1Q 2018	1Q 2017
Net cash from operating activities	21,164	72,258
Net cash used in investing activities	(115,844)	(182)
Net cash used in financing activities	(1,346)	(39,589)
Net increase (decrease) in cash and cash equivalents	(95,576)	32,487
Beginning cash and cash equivalents	270,472	178,130
Ending cash and cash equivalents	174,896	210,617

For the first quarter of 2018, the Company and its subsidiary had net decrease in cash and cash equivalent of Baht 95 million from the beginning balance of Baht 270 million. As a result, cash and cash equivalents at the end of the period was Baht 175 million. Details of cash flows by activities during the period were as follows:-

- Net cash from operating activities were Baht 21 million resulting mainly from profit of the period.
- Net cash used in investing activities were Baht 116 million as from an investment in fixed deposit of Baht 100 million and investment in fixed assets of Baht 16 million.
- Net cash used in financing activities were Baht 1 million due mainly to the repayment of financial lease liabilities.

Ratios Analysis		
	1Q 2018	1Q 2017
Return on Asset (%)	7.17%	7.70%
Return on Equity (%)	7.03%	8.72%
Current ratio (x)	4.86	4.72
Total debt to equity (x)	0.24	0.27

- Return on asset decreased by 0.53% and return on equity decreased by 1.69% due to the decrease of profit of the period.
- There was no significant changed of current ratio and total debt to equity ratio.