

May 14, 2018

Subject: Management Discussion and Analysis
Operating results

Dear The President
The Stock Exchange of Thailand

AIRA Factoring Public Company Limited ("the Company") would like to submit the Interim Financial Statements ending Q1/2018 as at March 31, 2018 which was reviewed by auditor and Management Discussion and Analysis Review to be compared operating results between Q1/2018 and Q1/2017 together with the Company's financial status compared between ending Q1/18 as at March 31, 2018 and ending year as at December 31, 2017 as follows:

Financial Performance Explanation and Analysis

- **Operating outlook**

The outlook of factoring business in Q1/2018 was satisfied on both business volume and revenues. The core revenue increased by 8.32 million Baht compared to the same period of the previous year. In Q1/2018, the total core revenue (Interest income from factoring and Income from fees and services) was 57.32 million Baht compared to same period of the previous year stood at 49.0 million Baht. The increasing revenues resulted from the improvement of Thai economy. In Q1/2018, the Company had profit of 24.81 million Baht.

- **Thai economy and operating effect**

Overall economic activity in the first quarter of 2018 continued to expand from the previous quarter, driven mainly by the solid growth momentum of merchandise exports and tourism sector. Private consumption continued to improve from spending in all categories, consistent with the expansion of manufacturing production in both domestic and export-related. Public spending expanded mainly from current spending. However, private investment slightly soften from construction activities while import of capital goods and commercial cars registered for investment purpose continued to expand. On the stability front, headline inflation increased albeit at a decelerated pace from fresh food prices, particularly, meat, vegetables, and fruits, which contracted due to improved supply of agricultural products, coupled with the decelerated growth of retail petroleum and liquefied petroleum gas (LPG) prices. Core inflation remained unchanged from the previous quarter.

● Performance Analysis for Quarter 1/2018 and Quarter 1/2017

Performance and Profitability

For Quarter 1/2018 and Quarter 1/2017, interest income from factoring were 45.71 million Baht and 39.27 million Baht or equivalent to 78.3% and 79.5% of total revenues respectively, increased by 16.4% compared to the previous year owing to the increasing of factoring business volume. Fees and services income were 11.61 million Baht and 9.74 million Baht or 19.9% and 19.7% respectively. Other income amounted to 1.09 million Baht and 0.37 million Baht. Total revenues were 58.41 million Baht and 49.37 million Baht respectively. Finance costs were 13.89 million Baht and 10.97 million Baht or 23.8% and 22.2% respectively or expanded by 26.6%. The Company's gross profits were 43.43 million Baht and 38.03 million Baht respectively, expanded by 14.2% due to increased on core revenue from interest, fees and services.

(Unit : thousand Baht)

Statement of compressive income	31Mar18	%	31Dec17	%	Changed	
					Value	%
<u>Revenues</u>						
Interest income from factoring	45,712	78.3%	39,265	79.5%	6,447	16.4%
Fees and services income	11,607	19.9%	9,735	19.7%	1,872	19.2%
Finance cost	(13,887)	-23.8%	(10,969)	-22.2%	(2,918)	26.6%
Gross Profit	43,432	75.8%	38,031	77.6%	5,401	14.2%
Other Income	1,091	1.9%	369	0.7%	722	195.7%
Total revenues	58,410	100%	49,369	100.0%	9,041	18.3%

* 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

For Quarter 1/2018 and Quarter 1/2017, the Company's administrative expenses were 21.2 million Baht and 24.96 million Baht or 36.3% and 50.6% of total revenues, decreased by 15.1%. Provision for bad debt expenses were 0.39 million Baht and 3.66 million Baht respectively or 0.7% and 7.4% of total revenues. In Quarter 1/2018, the period profit was 24.81 million Baht or 42.5% of total revenues compare to the profit in Quarter 1/2017 was 7.36 million Baht. EPS was stood at 0.016 Baht/share and 0.005 Baht/share in Q1/2018 and Q1/2017 respectively.

(Unit : thousand Baht)

Statement of compressive income	31Mar18	%	31Dec17	%	Changed	
					Value	%
Expenses						
Administrative expenses	(21,196)	-36.3%	(24,957)	-50.6%	3,761	-15.1%
Provision of bad debt	(389)	-0.7%	(3,659)	-7.4%	3,270	-89.4%
Profit before income tax expenses	22,938	39.3%	9,784	19.8%	13,154	134.4%
Income tax expenses	1,876	3.2%	(2,422)	-4.9%	4,298	-177.5%
Profit (loss) for the period	24,814	42.5%	7,362	14.9%	17,452	237.1%
Other comprehensive income:						
Other comprehensive income for the year	0	0.0%	0	0.0%	0	0.0%
Total comprehensive income for the period	24,814	42.5%	7,362	14.9%	17,452	237.1%

Basic earnings per share

0.016

0.005

Baht/share

Financial Status

The Company's total assets, the ending Quarter 1/2018 and the ending year 2017, were 2,457.22 million Baht and 2,779.88 million Baht respectively, decreased by 322.66 million Baht or 11.6% because the debts were collected at the ending period.

Current assets the ending Quarter 1/2018 and the ending year 2017, were 2,405.80 million Baht and 2,729.94 million Baht or 97.9% and 98.2% respectively. Current assets comprised of the following;

1. Cash and cash equivalents the ending Quarter 1/2018 and the ending year 2017, were 32.35 million Baht and 61.07 million Baht, equivalent to 1.3% and 2.2% of total assets respectively.

2. Factoring Receivables, the ending Quarter 1/2018 and the ending year 2017, were 2,351.52 million Baht and 2,648.43 million Baht or equivalent to 95.7% and 95.3% of total assets respectively, decreased by 296.91 million Baht or 11.2%.

3. Net of current portion of loans receivable, the ending Quarter 1/2018 and the ending year 2017, were 16.07 million Baht and 15.69 million Baht or equivalent to 0.7% and 0.6% of total assets respectively.

Non-current assets, the ending Quarter 1/2018 and the ending year 2017, were 51.42 million Baht and 49.93 million Baht or equivalent to 2.1% and 1.8% of total assets respectively, increased by 1.48 million Baht or 3.0%.

(Unit : thousand Baht)

Statement of financial position	31Mar18	%	31Dec17	%	Changed	
					Value	%
Current Assets						
Cash and cash equivalents	32,349	1.3%	61,065	2.2%	(28,716)	-47.0%
Factoring receivable	2,351,521	95.7%	2,648,428	95.3%	(296,907)	-11.2%
Current portion of loans receivable	16,070	0.7%	15,690	0.6%	380	2.4%
Other receivable	112	0.005%	46	0.002%	66	143.5%
Corporate tax for the period	4,286	0.2%	4,286	0.2%	0	0.0%
Other current assets	1,465	0.1%	429	0.015%	1,036	241.5%
Total current assets	2,729,945	97.9%	2,729,944	98.2%	(324,141)	-11.9%
Non-current assets						
Loan receivable	18,955	0.8%	22,763	0.8%	(3,808)	-16.7%
Equipment	6,688	0.3%	7,947	0.3%	(1,259)	-15.8%
Intangible assets	6,009	0.2%	6,100	0.2%	(91)	-1.5%
Deposits and guarantees	1,729	0.1%	1,729	0.1%	0	0.0%
Deferred tax assets	10,960	0.4%	4,318	0.2%	6,642	153.8%
Assets held for sale	7,077	0.3%	7,077	0.3%	0	0.0%
Total non-current assets	51,418	2.1%	49,934	1.8%	1,484	3.0%
Total assets	2,457,221	100.0%	2,779,878	100.0%	(322,657)	-11.6%

Total liabilities the ending Quarter 1/2018 and the ending year 2017, were 1,887.11 million Baht and 2,234.58 million Baht or equivalent to 76.8% and 80.4% of total liabilities and shareholder's equity respectively, decreased by 347.47 million Baht or 15.5%. Because current liabilities, bank overdrafts and short-term loans from financial institutions as the ending Quarter 1/2018 decreased by 355 million Baht or 16.8% which increased on the same direction of the factoring receivable.

(Unit : thousand Baht)

Statement of financial position	31Mar18	%	31Dec17	%	Changed	
					Value	%
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	1,752,000	71.3%	2,107,000	75.8%	(355,000)	-16.8%
Retention from factoring	41,951	1.7%	37,252	1.3%	4,699	12.6%
Dividend payables		0.0%	35,200	1.3%	(35,200)	-100.0%
Excess receipt awaiting to repay	71,351	2.9%	37,100	1.3%	34,251	92.3%
Other payables	4,401	0.2%	6,007	0.2%	(1,606)	-26.7%
Income tax payable	4,621	0.2%	0	0.0%	4,621	100.0%
Other current liabilities	2,629	0.1%	2,275	0.1%	354	15.6%
Total current liabilities	1,876,953	76.4%	2,224,834	80.0%	(347,881)	-15.6%
Non-current liabilities						
Provision for long-term employee benefits	9,425	0.4%	9,018	0.3%	407	4.5%
Other non-current liabilities	732	0.0%	729	0.0%	3	0.4%
Total non-current liabilities	10,157	0.4%	9,747	0.4%	410	4.2%
Total liabilities	1,887,110	76.8%	2,234,581	80.4%	(347,471)	-15.5%

Liquidity and Capital Adequacy

For the ending Quarter 1/2018 and the ending year 2017, shareholders' equity was 570.11 million Baht and 545.3 million Baht or equivalent to 23.2% and 19.6% of total liabilities and shareholder's equity respectively, increased by 24.81 million Baht or 4.6%.

(Unit : thousand Baht)

Statement of financial position	31Mar18	%	31Dec17	%	Changed	
					Value	%
Shareholders' equity						
Issued and fully paid-up	400,000	14.4%	400,000	17.8%	0	0.0%
Share premium	75,845	2.7%	75,845	3.4%	0	0.0%
Capital contribution from parent company	406	0.0%	406	0.0%	0	0.0%
Retained earnings: Appropriated	25,410	1.0%	25,710	0.9%	(300)	-1.2%
Unappropriated	68,450	2.8%	43,336	1.6%	25,114	58.0%
Total shareholders' equity	570,111	23.2%	545,297	19.6%	24,814	4.6%
Total liabilities and shareholders' equity	2,457,221	100.0%	2,779,878	100.0%	(322,657)	-11.6%

Financial Ratios

Financial Ratios	31 Mar 18	
<u>Liquidity Ratio</u>		
Current Ratio	1.28	Times
<u>Profitability Ratio</u>		
Gross Profit Margin	75.77%	%
Net Profit Margin	42.48%	%
Return On Equity or ROE	4.45%	%
<u>Efficiency Ratio</u>		
Return on Asset or ROA	0.95%	%
<u>Financial Ratio</u>		
Debt to Asset Ratio	0.77	Times
Debt to Equity	3.31	Times

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

As at the ending Quarter 1/2018, the Company had available credit facilities which had not yet been drawn down amounted to 1,038 million Baht. Indicating the Company has capital and adequacy funding sources, low financial risk and liquidity for carry on business operations.

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 9 years. 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 and follows up customers with overdue accounts in accordance with credit control practices. These have been handled by two divisions for mitigation credit risk, Credit Evaluation and Debt Recovery Divisions

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. Kanokkit Navasiri)

Managing Director