

Alla Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Financial Performance for the second quarter and six-month period of 2016

Operating Income						
(Thousand Baht)	2Q 2016	2Q 2015	%Chg.	6M 2016	6M 2015	%Chg.
Revenue from sales and relevant services	159,518	196,980	(19%)	292,026	413,408	(29%)
Gain (loss) on exchange rate	2,153	(5,693)	138%	1,912	(4,303)	144%
Other income	556	808	(31%)	2,551	935	173%
<b>Total Operating Income</b>	<b>162,227</b>	<b>192,095</b>	<b>(16%)</b>	<b>296,489</b>	<b>410,040</b>	<b>(28%)</b>

Total operating income for the second quarter and six-month period of 2016 of the Company and its subsidiary were Baht 162 million and Baht 296 million, respectively, decreased from the same period of prior year of Baht 30 million or 16% and Baht 114 million or 28%, respectively. The mainly cause due to a decrease of revenue from sales and relevant services, as a result of the economic slowdown that has continued since 2015.

Operating Expenses						
(Thousand Baht)	2Q 2016	2Q 2015	%Chg.	6M 2016	6M 2015	%Chg.
Cost of sales and relevant services	118,247	149,710	(21%)	201,490	294,834	(32%)
Selling expenses	6,425	7,052	(9%)	12,207	13,769	(11%)
Administrative expenses	21,131	19,829	7%	43,682	42,040	4%
<b>Total Operating Expenses</b>	<b>145,803</b>	<b>176,591</b>	<b>(17%)</b>	<b>257,379</b>	<b>350,643</b>	<b>(27%)</b>

Total operating expenses for the second quarter and six-month period of 2016 of the Company and its subsidiary were Baht 146 million and Baht 257 million, respectively, decreased from the same period of prior year of Baht 31 million or 17% and Baht 93 million or 27%, respectively. The mainly causes due to

- A decrease of cost of sales and relevant services which was in line with a decrease of revenue from sales and relevant services.
- Selling expenses decreased from sales commission and bonus expenses, which were in line with a decrease of revenue from sales and relevant services.
- Administrative expenses increased from annual salary increment and employees welfares.

Other Items						
(Thousand Baht)	2Q 2016	2Q 2015	%Chg.	6M 2016	6M 2015	%Chg.
Finance costs	1,161	748	55%	2,298	1,304	76%
Income tax	3,153	2,964	6%	7,923	11,641	(32%)
Total Other Items	4,314	3,712	16%	10,221	12,945	(21%)

- Finance costs increased from interest expenses of loans, which the Company obtained additional loan during 2016.
- Income tax varied in line with an operating profit which increased in the second quarter and decreased for the six-month period.

Profitability Analysis						
(Thousand Baht)	2Q 2016	2Q 2015	%Chg.	6M 2016	6M 2015	%Chg.
Gross profit	41,271	47,270	(13%)	90,536	118,574	(24%)
Gross profit margin	26%	24%		31%	29%	
Net profit	12,110	11,792	(3%)	28,889	46,452	(38%)
Net profit margin	8%	6%		10%	11%	
Basic earnings per share	0.03	0.03	-	0.06	0.10	(40%)

- A decrease of gross profit was in line with a decrease of revenue from sales and relevant services. However, gross profit margin increased because the Company delivered high value of cranes and electric hoists, which were required experience and expertise in design, manufacture and installation procedure therefore it could be priced higher compared to other jobs.
- Net profit for the six-month period decreased due to a decrease of revenue from sales and relevant services, as a result of the economic slowdown, while some costs are fixed cost.

#### Consolidated Financial Position for the six-month period of 2016

Financial Position			
(Thousand Baht)	June 2016	December 2015	%Chg.
Total Assets	585,213	645,367	(9%)
Total Liabilities	256,477	300,520	(15%)
Total Shareholders' Equity	328,736	344,847	(5%)

- Total assets decreased of Baht 60 million or 9%, due mainly to cash and cash equivalents, trade receivables and accrued income, and other receivables. These were because the Company paid dividend to shareholders and the Company and its subsidiary also received payments from trade and other receivables.
- Total liabilities decreased of Baht 44 million or 15%, due mainly to a decrease of deposits received in advance.
- Total shareholders' equity decreased of Baht 16 million or 5%, due to dividend payment during the period.

### Liquidity and Capital Management

Cash Flows		
(Thousand Baht)	6M 2016	6M 2015
Net cash from (used in) operating activities	30,827	(19,769)
Net cash used in investing activities	(27,938)	(7,855)
Net cash used in financing activities	(43,273)	(85,837)
Net decrease in cash and cash equivalents	(40,384)	(113,461)
Beginning cash and cash equivalents	101,521	177,709
Ending cash and cash equivalents	61,137	64,248

For the six-month period ended 30 June 2016, the Company and its subsidiary had net decrease in cash and cash equivalent of Baht 40 million from the beginning balance of Baht 101 million. As a result, cash and cash equivalents at the end of the period was Baht 61 million. Details of cash flows by activities during the period are as follows:-

- Net cash flows from operating activities were Baht 31 million, resulting mainly from profit during six months of 2016.
- Net cash used in investing activities were Baht 28 million since the Company had a restricted deposit with financial institution increased of Baht 25 million and also had an additional investment in fixed assets.
- Net cash used in financing activities were Baht 43 million comprising mainly from dividend payment, and repayment of long-term loans and liabilities under finance lease agreements during the period.

Ratios Analysis		
	6M 2016	6M 2015
Return on Asset (%)	9.39%	12.11%
Return on Equity (%)	17.16%	28.21%
Current ratio (x)	1.89	1.40
Total debt to equity (x)	0.78	1.39

- Return on asset decreased by 2.72% and return on equity decreased by 11.05% due to a decrease of net profit, as a result of the economic slowdown.
- Current ratio increased by 0.49x and total debt to equity decreased by 0.61x due to a decrease of total liabilities, which mainly were deposits received in advance and loans repayment.