

Management Discussion & Analysis: MD&A Q1 -2017

Kingsmen CMTI Public Company Limited and Subsidiary

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Attn: Directors and Manager of Stock Exchange Market of Thailand

Sub: Management Discussion & Analysis and Financial Statement for 3 Months, Ends at 31 Mar 2017

Overview Performance

1. Profitability Analysis (Table 1)

Service Revenue

For the 3 months period, the Company had the service revenue in Q1 - 17 for 263.3 million baht, decreasing from the previous year at 62.9 million baht or 19.3% YoY. The main reason was the Company had the decreasing sales volume in interior design business, together with the merging 2 interior teams into one team in order to increase the efficient administration and operating in long term. However, the different management among them results in the different opinions. Some staffs have resigned, most of them are still with our company as one teams. So, the company have necessary to set a new team who look after on the projects that is still on process and complete within the due date. In addition, most projects have been awarded at the end of Q1-17 which affects to the revenue recognize that must be postpone into Q2-17. Therefore, the revenue recognized in Q1-17 was not able to cover the overhead cost.

Company has estimated the effects of this situation that will be in a short-terms period only (around Q1-Q2 2017) , after that there will be a tendency to recover and gain more competitive advantage in terms of the cost and operating management in long-run period.

For the market demand, there are an opportunity from domestic & oversea demanding especially, in the group of CLM for at least 3- 5 years. So, company remains this target group.

For trade fair and exhibition and alternative marketing, particularly the service revenue from trade fair and exhibition as it was the seasonal period in Q4 until the end of Q1 of 2017.

Cost of Service

For the 3 months period, the Company had cost of service in Q1-2017 for 258 million baht, decreasing from 2016 at 24.1 million baht or 8.6 % YoY. Comparing with the sales volume decreasing, the decreasing cost volume was a slight less than that because of the business unit combination where one management team of interior unit being resigned from company but most of them are still at the company.

For the changing of investing plan, we revised and combined all factories, including the head office which are originally located in different location into one location that would save the cost regarding the transportation, communication and make our internal production easier and faster than before. In long run, company will estimate to employ the capacity of machine to closer higher production rate and result in the Economy of scale from that production.

Gross Profit (GP) and Gross Profit Margin (GPM)

For the 3 months period, the Company earned GP in Q1- 2017 at 5.3 million baht, decreasing 38.7 million baht or 87.9% YoY. This was because of the restructuring the organization especially, interior business unit. However, company will estimate that for short-terms period because the expense, happened according to business unit merging, was occurred as one time and are going to be back to the normal

Sales and Administrative Expenses

For the 3 months period, the Company had sales and administrative expenses in Q1-2017 at 26.9 million baht, increasing 0.9 million baht or 3.3% from 2015. The main increasing expenses were human resource and supportive team in administration section of trade fair and exhibition and interior business unit.

Net Profit (NP) and Net Profit Margin (NPM)

For the 3 months period, the Company had reported the net loss in Q1 - 2017 at 20.4 million baht, decreasing 34.5 million baht or 245.5% comparing to 2016 due to the main reason as mention above.

Business Outlook in 2017

The company outlook in 2017 is likely to be recover gradually. The main sectors are possibly the investment of government and tourism. The Company business is likely to grow in the same direction with the expansion of tourism, retails and department store. However, in Q2-2017 it will slightly grow as consequence of the internal restructuring of interior business unit and get into the low seasonal period of exhibition and event. Nonetheless, this will affect the company around Q1-Q2 of 2017 and after that company will be back to normal operation and remain the same as the company's target forecasting when ended in 2017

2. Financial Statement Analysis at 31 December 2016

Assets

Total asset of the Company and the subsidiary at the end Q1 of 2017 was 665.3 million baht, decreasing from 2016 at 65.3 million baht or 8.9% YoY. This was the result of the decreasing current asset that decreased 70.3 million baht. In terms of cash and short-terms investing, The Company spend to expanded the business to service the bigger scale job and prolonged the payment period of the major debtor

Liabilities

Total liabilities of the Company and subsidiary at the end Q1 of 2017 was 241.3 million baht, decreasing from 2016 for 45.1 million baht or 15.7%. This was the result of the decreasing of current liabilities in account payable and other creditors by debt payment from Q4 of 2016

Shareholders' equity

Shareholders' equity of the Company and Subsidiary at the end Q1 of 2017 decreased from 2016 for 20.2 million baht or 4.6%. This was because the Company had loss from the operation in Q1 of 2017

3. Statement of Cash Flow on 31 December 2016

3.1. Cash Flow from Operation

The Company had employed cash on the operation in 2017 for 102.6 million baht. Those spending are mainly in the work expansion to service the bigger scale and repayment trade creditor. Nevertheless, the Company still had the ample cash flow and was able to support number of large scale works value. In addition, the each customer had strong financial position. The risk of default payment of those companies which might affect the Company's cash flow had no significance.

3.2. Cash Flow from Investment

The Company had reported the positive cash flow for of investing activities in 2017 for 48.4 million baht that come from the short-term investing in fixed deposit terms which was maturity. The fund is prepared for our company's working capital

3.3 Cash Flow from Financing

The Company had net cash flow for using of financing activity in 2017 for 0.42 million baht by repayment the liabilities under finance lease agreement.

Appendix

Table 1 : It shows the profit & loss comparing with 31 Mar 2016 and 31 Mar 2017

	Consol. Profit&Loss for 3 Month Ended 31 Dec 16 and 31 Mar 17						Consol. Profit & Loss for 3 Months Ended 31 Mar 16 และ 17					
	Q4-2016	%	Q1-2017	%	# QoQ + /(-)	% QoQ + /(-)	Q1-2016	%	Q1-2017	%	# YoY + /(-)	% YoY + /(-)
Service Income	329.5	100.0%	263.3	100.0%	(66.1)	(20.1%)	326.2	100.0%	263.3	100.0%	(62.9)	(19.3%)
Cost of Service	269.9	81.9%	258.0	98.0%	(11.9)	(4.4%)	282.2	86.5%	258.0	98.0%	(24.1)	(8.6%)
Gross Profit	59.6	18.1%	5.3	2.0%	(54.3)	(91.0%)	44.0	13.5%	5.3	2.0%	(38.7)	(87.9%)
Other Income	0.7	0.2%	1.1	0.4%	0.3	43.8%	0.5	0.2%	1.1	0.4%	0.5	105.6%
SG&A												
Selling Expense	4.7	1.4%	3.2	1.2%	(1.5)	(32.4%)	5.1	1.6%	3.1	1.2%	(2.0)	(38.7%)
Admin. Expense	22.2	6.7%	23.7	9.0%	1.5	6.8%	21.0	6.4%	23.7	9.0%	2.7	13.0%
Total SG&A	26.9	8.2%	26.9	10.2%	(0.0)	(0.1%)	26.1	8.0%	26.9	10.2%	0.9	3.3%
EBIT	33.4	10.1%	(20.5)	-7.8%	(53.9)	(161.5%)	18.5	5.7%	(20.5)	-7.8%	(39.0)	(211.0%)
Financial Cost	0.04	0.0%	0.0	0.0%	(0.0)	(11.4%)	0.03	0.0%	0.0	0.0%	(0.0)	(2.7%)
EBT	33.4	10.1%	(20.6)	-7.8%	(53.9)	(161.6%)	18.46	5.7%	(20.6)	-7.8%	(39.0)	(211.3%)
Tax Income (Expense)	7.0	2.1%	(0.1)	0.0%	(7.1)	(101.5%)	4.4	1.4%	(0.1)	0.0%	(4.5)	(102.4%)
Profit(loss) for the period	26.4	8.0%	(20.4)	-7.8%	(46.8)	(177.6%)	14.1	4.3%	(20.4)	-7.8%	(34.5)	(245.5%)
OCI	(1.1)	-0.3%	0.1	0.1%	1.3	(112.0%)	0.09	0.0%	0.1	0.1%	0.1	61.0%
OCI for period	25.2	7.7%	(20.3)	-7.7%	(45.5)	(180.6%)	14.1	4.3%	(20.3)	-7.7%	(34.5)	(243.6%)

Table 2 : It shows balance sheet as of 31 Mar 2016 ,31 Dec 2016 and 31 Mar 2017

	Consolidated Financial Statement							
	31 Mar 16 Q1-59	%	31 Dec 16 Q4-59	%	31 Mar 17 Q1-60	%	# QoQ + /(-)	% QoQ + /(-)
Cash	79.1	11.7%	172.6	23.6%	115.4	17.3%	(57.2)	(33.1%)
Current Asset	483.8	71.5%	561.6	76.9%	491.3	73.9%	(70.3)	(12.5%)
Non-Current Asset	192.4	28.5%	169.0	23.1%	173.9	26.1%	4.9	2.9%
Total Asset	676.2	100.0%	730.6	100.0%	665.3	100.0%	(65.3)	(8.9%)
L/T Loan	0.0	0.0%	-	0.0%	-	0.0%	-	
Current Liability	250.4	37.0%	272.8	37.3%	227.6	34.2%	(45.3)	(17%)
Non-Current Liability	10.6	1.6%	13.6	1.9%	13.8	2.1%	0.2	1%
Liability	261.0	38.6%	286.4	39.2%	241.3	36.3%	(45.1)	(15.7%)
Equity	415.2	61.4%	444.2	60.8%	424.0	63.7%	(20.2)	(4.6%)

Table 3 : It shows cash flow statement as of 31 Mar 2016 ,31 Dec 2016 and 31 Mar 2017

	Consol.Cash Flow		
	31 Mar 16 Q1-16	31 Dec 16 Q4-16	31 Mar 17 Q1-17
Net Cash Recv (Use) in Operating Activities	(58.4)	120.6	(102.6)
Net Cash Recv (Use) in Investing Activities	(32.5)	15.3	45.8
Net Cash Recv (Use) in Financing Activities	(0.8)	(1.4)	(0.4)
Net Inc (Dec) in Cash	(91.7)	134.5	(57.2)
Cash as beginning	170.9	38.1	172.6
Cash as Ending	79.14	172.6	115.4