

Ref: AC.025/2022

14 November 2022

Subject: Management discussion and analysis of financial position and operating results

To: President and Manager  
The Stock Exchange of Thailand

### Overall operating performance of the Group

Unit: Million Baht

	Q3' 2022	Q3' 2021	Increase (decrease)	Variance (%)
Total revenues	2,759	2,077	682	33%
Net profit	235	151	84	56%

The Group had total revenues for the third quarter of 2022 of Baht 2,759 million, an increase of Baht 682 million or a 33% increase compared to the total revenues for the third quarter of 2021, which was Baht 2,077 million. This was mainly due to the increase of revenue from EMS business and Smart service business.

The Group had net profit for the third quarter of 2022 of Baht 235 million, an increase of Baht 84 million or a 56% increase compared to the net profit for the third quarter of 2021, which was Baht 151 million. This was mainly due to the increase of gross profit from EMS business.

### Analysis of revenues

	Q3' 2022		Q3' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues from main business</b>						
EMS business	1,203	44%	722	35%	481	67%
Enterprise solutions business	540	19%	597	29%	(57)	(10%)
Smart service business	908	33%	678	32%	230	34%
<b>Total revenues from main business</b>	<b>2,651</b>	<b>96%</b>	<b>1,997</b>	<b>96%</b>	<b>654</b>	<b>33%</b>
Other income	108	4%	80	4%	28	35%
<b>Total revenues</b>	<b>2,759</b>	<b>100%</b>	<b>2,077</b>	<b>100%</b>	<b>682</b>	<b>33%</b>

### **EMS business**

The Company had revenue from EMS business for the third quarter of 2022 of Baht 1,203 million, an increase of Baht 481 million or a 67% increase compared to the same period of the previous year which amounted to Baht 722 million. This was due to an increase in orders from one of the major customers of electronic circuit board manufacturing and assembly work.

### Enterprise solutions business

The Company had revenue from enterprise solutions business for the third quarter of 2022 of Baht 540 million, a decrease of Baht 57 million or a 10% decrease compared to the same period of the previous year which amounted to Baht 597 million. This was due to a decrease in project revenues such as sales and installation of Digital Trunked Radio system, contract work for Smart Metro Grid systems, etc. In addition, there were no new projects with high value during the current quarter.

### Smart service business

The Company had revenue from smart service business for the third quarter of 2022 of Baht 908 million, an increase of Baht 230 million or a 34% increase compared to the same period of the previous year which amounted to Baht 678 million. This was mainly due to an increase in revenue from TAOBIN vending machine business.

### Gross Profit and Gross Profit Margin

	Q3' 2022		Q3' 2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	396	33%	149	21%	247	166%
Enterprise solutions business	148	27%	147	25%	1	1%
Smart service business	123	14%	141	21%	(18)	(13%)
<b>Gross Profit</b>	<b>667</b>	<b>25%</b>	<b>437</b>	<b>22%</b>	<b>230</b>	<b>53%</b>

### EMS business

Gross profit for the third quarter of 2022 amounted to Baht 396 million, an increase of Baht 247 million or a 166% increase from the same period of the previous year, which had a gross profit of Baht 149 million. This was in line with the increase in revenues of EMS business. In addition, the rules for allocating factory expenses into production costs have been changed in order to make the calculation of production costs more appropriate. This results in lower production costs, increased gross profit, and increased administrative expenses.

Gross profit margin for the third quarter of 2022 increased from 21% to 33% for reasons described above.

### Enterprise solutions business

Gross profit for the third quarter of 2022 amounted to Baht 148 million, an increase of Baht 1 million or a 1% increase from the same period of the previous year, which had a gross profit of Baht 164 million. There was no significant change compared to the same period of the previous year.

Gross profit margin for the third quarter 2022 increased from 25% to 27%. There was no significant change compared to the same period of the previous year.

### Smart service business

Gross profit for the third quarter of 2022 amounted to Baht 123 million, a decrease of Baht 18 million or a 13% decrease from the same period of the previous year, which had a gross profit of Baht 186 million. This was in line with the decline in revenue of the Boonterm kiosk business. It was also caused by an increase in costs related to various promotional programs of the TAOBIN vending machine business.

The gross profit margin for the third quarter of 2022 decreased from 21% to 14%. This was due to the above-mentioned accounting adjustments and the effect of eliminated transaction, the intercompany profit on the sales of the TAOBIN vending machines was higher than the profit on depreciation of TAOBIN vending machines that was gradually recognised over a useful life of 8 years.

### Expenses and expenses to revenues from main business

	Q3' 2022	Q3' 2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	40	25	15	60%
Administrative expenses	326	258	68	26%
Finance cost	26	18	8	44%
Income tax expenses	74	36	38	106%

#### Selling expenses

Selling expenses for the third quarter of 2022 amounted to Bath 40 million, an increase of Baht 15 million or 60% increase when compared to the same period of the previous year, which amounted to Baht 25 million. This was due to commission fees for electronic circuit boards manufacturing and assembly work and commission and seminar fees for representatives of the TAOBIN vending machine business.

#### Administrative expenses

Administrative expenses for the third quarter of 2022 amounted to Baht 326 million, an increase of Baht 68 million or 26% increase when compared to the same period of the previous year, which amounted to Baht 258 million. This was due to the change in the allocation of factory expenses to production cost in order to make the calculation of production costs more appropriate, resulting in lower production costs while increasing administrative expenses. It was also caused by an increase in the doubtful debts of the loans receivable.

#### Finance costs

Finance costs for the third quarter of 2022 amounted to Baht 26 million, an increase of Baht 8 million or 44% increase when compared to the same period of the previous year, which amounted to Baht 18 million. This was due to the increase in short-term loans and the increase in interest rates.

### Income tax expenses

Income tax expenses for the third quarter of 2022 amounted to Baht 74 million, an increase of Baht 38 million or a 106% increase when compared to the same period of the previous year, which amounted to Baht 36 million. It was in line with the increased profit.

### Financial position

#### Assets

Unit: Million Baht

	30 September 2022	31 December 2021	Increase (decrease)	% Variance
Current assets	6,808	5,808	1,000	17%
Non-current assets	3,733	3,010	723	24%
<b>Total assets</b>	<b>10,541</b>	<b>8,818</b>	<b>1,723</b>	<b>20%</b>

Total assets as at 30 September 2022 amounted to Baht 10,541 million, an increase of Baht 1,723 million or a 20% increase compared to the total assets as at 31 December 2021, which amounted to Baht 8,818 million. This was due to the increase in account receivables of EMS business and enterprise solutions business, inventories of EMS business and investment in the production of TAOBIN vending machines.

#### The quality of assets

#### Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 September 2022	31 December 2021
Trade account receivables - unrelated parties	2,028	1,512
Less: Allowance for expected credit losses	(102)	(94)
Trade account receivables - net	1,926	1,418

As at 30 September 2022 and 31 December 2021, the Group recorded an allowance for expected credit losses amounting to Baht 102 million and Baht 94 million, respectively. The Group recognises an allowance for expected credit losses on its trade receivables, and it is no longer necessary for a credit-impaired event to have occurred. The Group applies the simplified approach to consider impairment of trade receivables.

#### Inventories

Unit: Million Baht

	Consolidated financial statements	
	30 September 2022	31 December 2021
Inventories	2,562	1,927
Reduce cost to net realisable value	(508)	(480)
Inventories - net	2,054	1,447

As at 30 September 2022 and 31 December 2021, the Group had the reduction of cost to net realisable value amounting to Baht 508 million and Baht 480 million, respectively. The Group estimates net realisable value of inventories taking into the account fluctuations of price or cost directly related to events occurring after the end of the period, movements of inventories and the prevailing economic condition. Management believed that the reduce cost to net realisable value is adequate in the current circumstances.

### Source of fund

Unit: Million Baht

	30 September 2022	31 December 2021	Increase (decrease)	% Variance
Current liabilities	7,059	5,708	1,351	24%
Non-current liabilities	444	491	(47)	(10%)
<b>Total liabilities</b>	<b>7,503</b>	<b>6,199</b>	<b>1,304</b>	<b>21%</b>
<b>Total shareholders' equity</b>	<b>3,038</b>	<b>2,619</b>	<b>419</b>	<b>16%</b>

### Liabilities

Total liabilities as at 30 September 2022 amounted to Baht 7,503 million, an increase of Baht 1,304 million or a 21% increase compared to the total liabilities as at 31 December 2021, which amounted to Baht 6,199 million. This was mainly due to an increase in trade and other payables and short-term loans from banks. However, long-term loans from banks decreased due to repayment of loans by installments.

### Shareholders' equity

Shareholders' equity as at 30 September 2022 amounted to Baht 3,038 million, an increase of Baht 419 million or a 16% increase compared to the shareholders' equity as at 31 December 2021, which amounted to Baht 2,619 million. This was due to an increase in capital surplus from share-based payment, net profit, and capital increase of non-controlling shareholders of the subsidiary and the reduction from dividend payment to the shareholders of the Company and non-controlling shareholders of the subsidiary.

### The appropriate of capital structure

Debt to equity ratio as at 30 September 2022 was 2.47: 1, decreased when compared with the debt to equity ratio as at 31 December 2021, which was 2.37: 1. This was due to an increase in current liabilities, especially short-term loans and trade and other payables.

### Liquidity

#### Cash flows

Unit: Million Baht

	Q3' 2022	Q3' 2021
Cash flows from (used in) operating activities	442	767
Cash flows from (used in) investing activities	(863)	(217)
Cash flows from (used in) financing activities	335	(551)

Cash flows from operating activities for the third quarter of 2022 amounted to Baht 442 million, a decrease of Baht 325 million compared to the same period of the previous year, which amounted to Baht 767 million. This was due to an increase in working capital and cash paid for income tax.

Cash flows used in investing activities for the third quarter of 2022 amounted to Baht 863 million, an increase of Baht 646 million compared to the same period of the previous year, which amounted to Baht 217 million. This was mainly due to the increase in the purchase of TAOBIN vending machines.

Cash flows from financing activities for the third quarter of 2022 amounted to Baht 335 million. This was due to an increase in short-term loans from banks for working capital.

**Liquidity ratio**

Current ratio as at 30 September 2022 was 0.96:1 which was closed to the current ratio as at 31 December 2021, which was 1.02:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller