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15 May 2024

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

	Q1' 2024	Q1' 2023	Increase (decrease)	Variance (%)
Total revenues	2,098	2,613	(515)	(20%)
Net profit	84	225	(141)	(63%)

The Group had total revenues for the first quarter of 2024 of Baht 2,098 million, a decrease of Baht 515 million or a decrease of 20 percent when compared to the total revenues for the first quarter of 2023, which was Baht 2,613 million. This was mainly due to a decrease in revenue from the EMS business.

The Group had net profit for the first quarter of 2024 of Baht 84 million, a decrease of Baht 141 million or a decrease of 63 percent when compared to the net profit for the first quarter of 2023, which was Baht 225 million. This was due to a decline in gross profit and an increase in administrative and financial expenses.

Analysis of revenues

	Q1' 2024		Q1' 2023		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	612	29%	1,180	45%	(568)	(48%)
Enterprise solutions business	476	23%	382	15%	94	25%
Smart service business	924	44%	945	36%	(21)	(2%)
Total revenues from main business	2,012	96%	2,507	96%	(495)	(20%)
Other income	86	4%	106	4%	(20)	(19%)
Total revenues	2,098	100%	2,613	100%	(515)	(20%)

EMS business

The Company had revenue from the EMS business for the first quarter of 2024 of Baht 612 million, a decrease of Baht 568 million or a decrease of 48 percent when compared to the same period of the prior year, which amounted to Baht 1,180 million. This was caused by a decrease in orders from a large customer for contract manufacturing and assembly of electronic circuit boards and orders from customers for the distribution of electronic components.

Enterprise solutions business

The Company had revenue from the enterprise solutions business for the first quarter of 2024 of Baht 476 million, an increase of Baht 94 million or an increase of 25 percent when compared to the same period of the previous year, which amounted to Baht 382 million. This was caused by an increase in project work of government agencies, such as contracting, designing, procuring, and installing IP access network equipment in the northern and southern regions, including selling TAOBIN vending machines to foreign joint venture companies.

Smart service business

The Company had revenue from the smart service business for the first quarter of 2024 of Baht 924 million, a decrease of Baht 21 million or a decrease of 2 percent when compared to the same period of the last year, which amounted to Baht 945 million. This was mainly due to a decrease in revenue from TAOBIN vending machine business.

Gross Profit and Gross Profit Margin

	Q1' 2024		Q1' 2023		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	55	9%	230	19%	(175)	(76%)
Enterprise solutions business	162	34%	78	20%	84	108%
Smart service business	250	27%	273	29%	(23)	(8%)
Gross Profit	467	23%	581	23%	(114)	(20%)

EMS business

Gross profit for the first quarter of 2024 was Baht 55 million, a decrease of Baht 175 million or a decrease of 76 percent when compared to the same period of the last year, which amounted to Baht 230 million. This was in line with a decrease in revenue of the EMS business. This was also due to an increase in the allowance for diminution in the value of inventories.

Gross profit margin for the first quarter of 2024 decreased from 19 percent to 9 percent because the rate of decrease in sales was higher than the rate of decrease in cost of sales, especially for contract manufacturing and assembly of electronic circuit boards. Part of the cost of sales of such contract manufacturing is a fixed production expense and is not variable according to sales. This was also due to the increase in the allowance for diminution in the value of inventories.

Enterprise solutions business

Gross profit for the first quarter of 2024 was Baht 162 million, an increase of Baht 84 million or an increase of 108 percent when compared to the same period of the last year, which amounted to Baht 78 million. This was in line with the increase in revenue of the enterprise solutions business.

Gross profit margin for the first quarter of 2024 increased from 20 percent to 34 percent because the gross profit margin of project work in 2024 was higher than the gross profit margin of project work in 2023. In addition, the gross profit margin of TAOBIN vending machines increased from improving production costs.

Smart service business

Gross profit for the first quarter of 2024 was Baht 250 million, a decrease of Baht 23 million or a decrease of 8 percent when compared to the same period of the last year, which amounted to Baht 273 million. This was in line with the decrease in revenue of the smart service business. In addition, the depreciation of top-up machines decreased due to the number of top-up machines that had been completely depreciated but were still in use increased. However, the depreciation of TAOBIN vending machines increased as the number of machines increased.

Gross margin for the first quarter of 2024 decreased from 29 percent to 27 percent, which had not changed significantly.

Expenses

	Q1' 2024	Q1' 2023	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	24	41	(17)	(41%)
Administrative expenses	303	269	34	13%
Finance cost	51	38	13	34%
Income tax expenses	31	60	(29)	(48%)

Selling expenses

Selling expenses for the first quarter of 2024 amounted to Baht 24 million, a decrease of Baht 17 million or a decrease of 41 percent when compared to the same period of the last year, which amounted to Baht 41 million. This was due to the decrease in advertising and promotional expenses of TAOBIN vending machine business.

Administrative expenses

Administrative expenses for the first quarter of 2024 amounted to Baht 303 million, an increase of Baht 34 million or an increase of 13 percent when compared to the same period of the last year, which amounted to Baht 269 million. This was due to an increase in personnel expenses and depreciation of factory buildings.

Finance costs

Financial costs for the first quarter of 2024 amounted to Baht 51 million, an increase of Baht 13 million or an increase of 34 percent when compared to the same period of the prior year, which amounted to Baht 38 million. This was due to an increase in interest expenses of long-term loans.

Income tax expenses

Income tax expenses for the first quarter of 2024 amounted to Baht 31 million, a decrease of Baht 29 million or a decrease of 48 percent when compared to the same period of the previous year, which amounted to Baht 60 million. It was in line with the decrease in profit.

Financial position

Assets

Unit: Million Baht

	31 March 2024	31 December 2023	Increase (decrease)	% Variance
Current assets	5,695	5,475	220	4%
Non-current assets	5,632	5,648	(16)	0%
Total assets	11,327	11,123	204	2%

Total assets as at 31 March 2024 amounted to Baht 11,327 million, an increase of Baht 204 million or an increase of 2 percent when compared to total assets as at 31 December 2023, which amounted to Baht 11,123 million. There were no significant changes.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 March 2024	31 December 2023
Trade account receivables - unrelated parties	933	845
Less: Allowance for expected credit losses	(91)	(95)
Trade account receivables - net	842	750

As at 31 March 2024 and 31 December 2023, the Group recorded an allowance for expected credit losses of Baht 91 million and Baht 95 million, respectively. The Group recognised an allowance for expected credit losses on its trade receivables, and it was no longer necessary for a credit-impaired event to have occurred. The Group applied the simplified approach to considering the impairment of trade receivables.

Inventories

Unit: Million Baht

	Consolidated financial statements	
	31 March 2024	31 December 2023
Inventories	2,539	2,366
Reduce cost to net realisable value	(576)	(534)
Inventories - net	1,963	1,832

As at 31 March 2024 and 31 December 2023, the Group had the reduction of cost to net realisable value amounting to Baht 576 million and Baht 534 million, respectively. The Group estimated 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 was adequate in the current circumstances.

Source of fund

Unit: Million Baht

	31 March 2024	31 December 2023	Increase (decrease)	% Variance
Current liabilities	6,392	6,280	112	2%
Non-current liabilities	1,522	1,561	(39)	(2%)
Total liabilities	7,914	7,841	73	1%
Total shareholders' equity	3,413	3,282	131	4%

Liabilities

Total liabilities as at 31 March 2024 amounted to Baht 7,914 million, an increase of Baht 73 million or an increase of 1 percent when compared to total debt as at 31 December 2023, which amounted to Baht 7,841 million. There were no significant changes.

Shareholders' equity

Shareholders' equity as at 31 March 2024 amounted to Baht 3,413 million, an increase of Baht 131 million or an increase of 4 percent when compared to the shareholders' equity as at 31 December 2023, which amounted to Baht 3,282 million. There were no significant changes.

The appropriate of capital structure

Debt to equity ratio as at 31 March 2024 was 2.31 : 1, decreased when compared to the debt to equity ratio as at 31 December 2023, which was 2.39 : 1. There were no significant changes.

Liquidity

Cash flows

Unit: Million Baht

	Q1' 2024	Q1' 2023
Cash flows from (used in) operating activities	211	418
Cash flows from (used in) investing activities	(134)	(303)
Cash flows from (used in) financing activities	110	233

Cash flows from operating activities for the first quarter of 2024 amounted to Baht 211 million, a decrease of Baht 207 million when compared to the same period of the last year, which amounted to Baht 418 million. This was due to a decline in net profit and an increase in working capital.

Cash flows used in investing activities for the first quarter of 2024 amounted to Baht 134 million, a decrease of Baht 169 million when compared to the same period of the previous year, which amounted to Baht 303 million. This was due to a decrease in cash paid for the purchase of TAOBIN vending machines and the construction of factory buildings. However, in 2023, there was cash received from the sale of automatic bottle beverage vending machines to an unrelated company.

Cash flows used in financing activities for the first quarter of 2024 amounted to Baht 110 million, a decrease of Baht 123 million because in 2023 there was cash received from long-term loans and liabilities under the sale and leaseback agreement.

Liquidity ratio

Current ratio as at 31 March 2024 was 0.89:1, which was closed to the current ratio as at 31 December 2023, which was 0.87:1.

Please be informed accordingly.

Yours sincerely,

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VP of Finance and Accounting