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16 November 2020

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' 2020	Q3' 2019	Increase (decrease)	Variance (%)
Total revenues	1,837	1,701	136	8%
Net profit	130	112	18	16%

The Group's total revenues for Q3 2020 amounted to Baht 1,837 million, an increase of Baht 136 million or an 8% increase compared to total revenue for Q3 2019, which was Baht 1,701 million. This was caused by an increase in revenue from the enterprise solution business.

The Group's net profit for Q3 2020 amounted to Baht 130 million, an increase of Baht 18 million or a 16% increase compared to the net profit for Q3 2019, which was Baht 112 million due to an increase in gross profit of EMS business

**Analysis of revenues**

	Q3' 2020		Q3' 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	312	17%	346	20%	(34)	(10%)
Enterprise solution business	659	36%	448	27%	211	47%
Smart service business	790	43%	839	49%	(49)	(6%)
Total revenues from main business	1,761	96%	1,633	96%	128	8%
Other income	76	4%	68	4%	8	12%
Total revenues	1,837	100%	1,701	100%	136	8%

**EMS business**

The Company had revenue from EMS business for Q3 2020 amounting to Baht 312 million, a decrease of Baht 34 million or a 10% decrease compared to the same period of the previous year which was Baht 346 million. This was mainly due to the COVID-19 epidemic, causing the global economic slowdown and lowering the demand for electronic products in the world market.

### Enterprise solution business

The Company had revenue from enterprise solution business for Q3 2020 amounting to Baht 659 million, an increase of Baht 211 million or a 47% increase compared to the same period of the previous year which was Baht 448 million. This was because the Company still has outstanding project work from the previous year and the current year, which is in the process of operating according to the terms stipulated in the contract and at the end of Q3 2020, the Company has outstanding project work value of approximately Baht 2,500 million.

### Smart service business

The Company had revenue from smart service business for Q3 2020 amounting to Baht 790 million, a decrease of Baht 49 million or a 6% decrease compared to the same period of the previous year which was Baht 839 million. The total top-up value for Q3 2020 was Baht 9,987 million and was close to the same period of the previous year, which was Baht 9,943 million, with the top-up value returning to normal in this quarter. This was due to the improvement in Thailand's economic health factors from the easing of COVID-19 prevention measures, as well as the end of government assistance measures for the people, including free data internet, free phone calls and discounts for water and electricity bills. In this regard, Thailand will be able to control the epidemic situation very well. However, the Thai economy still slows down from the world economy. The government has released various measures to help and stimulate the country's economy. In addition, the impact of various storms has caused many provinces to suffer floods. These factors raise concerns for all sectors and serve as a sign of caution about consumer spending.

### Gross Profit and Gross Profit Margin

	Q3' 2020		Q3' 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	96	31%	61	18%	35	57%
Enterprise solution business	123	19%	126	28%	(3)	(2%)
Smart service business	172	22%	188	22%	(16)	(9%)
<b>Gross Profit</b>	<b>391</b>	<b>22%</b>	<b>375</b>	<b>23%</b>	<b>16</b>	<b>4%</b>

### EMS business

Gross profit for Q3 2020 amounted to Baht 96 million, an increase of Baht 35 million or 57% increase from the same period of the previous year, which had gross profit of Baht 61 million. Gross profit margin for Q3 2020 increased from 18% to 31%. This was because the Company tried to control production costs to be more efficient and in line with current economic conditions both domestic and abroad and the reduction in allowance for diminution in inventory value.

### Enterprise solution business

Gross profit for Q3 2020 amounted to Baht 123 million, a decreased of Baht 3 million or 2% decrease from the same period of the previous year, which had gross profit of Baht 126 million. Gross profit margin for Q3 2020 was decreased from 28% to 19%. This was because revenue-recognition projects in this quarter were high-value projects and had lower gross margins than revenue-recognized projects in the same quarter of the previous year.

### Smart service business

Gross profit for Q3 2020 amounted to Baht 172 million, a decrease of Baht 16 million or 9% decrease from the same period of the previous year, which had gross profit of Baht 188 million. The gross margin for Q3 2020 was unchanged from the same period of the previous year. This was due to the decrease in revenues and the Company continued to effectively control costs and the decrease in the depreciation of the kiosks.

### Expenses and expenses to revenues from main business

	Q3' 2020		Q3' 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	32	2%	26	2%	6	23%
Administrative expenses	206	12%	196	12%	10	5%
Finance cost	22	1%	25	2%	(3)	(12%)
Income tax expenses	27	2%	17	1%	10	59%

### Selling expenses

Selling expenses for Q3 2020 and the percentage of selling expenses to revenue from the main business were unchanged compared to the same period of the previous year.

### Administrative expenses

Administrative expenses for Q3 2020 and the percentage of administrative expenses to revenue from the main business were unchanged compared to the same period of the previous year.

### Financial expenses

Financial expenses for Q3 2020 and the percentage of financial expenses to revenue from the main business were unchanged compared to the same period of the previous year.

### Income tax expenses

Income tax expenses for Q3 2020 and the percentage of income tax expenses to revenue from the main business were unchanged compared to the same period of the previous year.

## Financial position

### Assets

Unit: Million Baht

	30 September 2020	31 December 2019	Increase (decrease)	% Variance
Current assets	4,203	4,115	88	2%
Non-current assets	3,473	3,502	(29)	(1%)
<b>Total assets</b>	<b>7,676</b>	<b>7,617</b>	<b>59</b>	<b>1%</b>

Total assets as at 30 September 2020 amounted to Baht 7,676 million, an increase of Baht 59 million or an increase of 1% compared to the total assets as at 31 December 2019, which amounted to Baht 7,617 million. This was due to an increase in inventories and advance payments for project work and a decrease in unbilled receivables for project work.

### The quality of assets

#### Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 September 2020	31 December 2019
Trade account receivables - unrelated parties	672	641
Less: Allowance for doubtful accounts	(89)	(81)
<b>Trade account receivables - net</b>	<b>583</b>	<b>560</b>

As at 30 September 2020 and 31 December 2019, the Group recorded the allowance for credit loss on trade receivables, amounting to Baht 89 million and Baht 81 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 2020	31 December 2019
Inventories	1,614	1,372
Reduce cost to net realisable value	(413)	(393)
<b>Inventories - net</b>	<b>1,201</b>	<b>979</b>

As at 30 September 2020 and 31 December 2019, the Group had the reduction of cost to net realisable value amounting to Baht 413 million and Baht 393 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 2020	31 December 2019	Increase (decrease)	% Variance
Current liabilities	5,221	4,922	299	6%
Non-current liabilities	480	249	231	93%
<b>Total liabilities</b>	<b>5,701</b>	<b>5,171</b>	<b>530</b>	<b>10%</b>
<b>Total shareholders' equity</b>	<b>1,975</b>	<b>2,446</b>	<b>(471)</b>	<b>(19%)</b>

#### Liabilities

Total liabilities as at 30 September 2020 amounted to Baht 5,701 million, an increase of Baht 530 million or an increase of 10% compared to the total liabilities as at 31 December 2019, which amounted to Baht 5,171 million. This was due to an increase in trade and other payables for purchases of goods and services related to project work and advance received from customers

#### Shareholders' equity

The shareholders' equity as at 30 September 2020 amounted to Baht 1,975 million, a decrease of Baht 471 million or 19%, compared to the shareholders' equity as at 31 December 2019, which was Baht 2,446 million. The change was due to net profit for the period, dividend payment to shareholders, and share repurchase of the Company and the subsidiary.

#### The appropriate of capital structure

The debt to equity ratio as at 30 September 2020 was 2.89:1, increased from the debt-to-equity ratio as at 31 December 2019, which was 2.11: 1. This was due to the decrease in equity resulting from the dividend payment to shareholders and the share repurchase of the Company and the subsidiary and an increase in total liabilities resulting from the increased liabilities related to project work.

## Liquidity

### Cash flows

Unit: Million Baht

	Q3' 2020	Q3' 2019
Cash flow from (used in) operating activities	1,081	1,599
Cash flow from (used in) investing activities	(147)	(405)
Cash flow from (used in) financing activities	(1,005)	(1,174)

Cash flow from operating activities for Q3 2020 amounted to Baht 1,081 million, a decreased of Baht 518 million compared to the same period of the previous year, which amounted to Baht 1,599 million. It resulted from the increase in working capital i.e. trade and other receivables, unbilled receivables, inventories and trade and other payables etc.

Cash flow used in investing activities for Q3 2020 amounted Baht 147 million, a decreased of Baht 258 million compared to the same period of the prior year, which amounted to Baht 405 million. It was due to the decrease in current investment, property, plant and equipment and investment in the subsidiary.

Cash flow used in financing activities for Q3 2020 amounted to Baht 1,005 million, a decrease of Baht 169 million compared to the same period of the previous year which amounted to Baht 1,174 million due to a decrease in long-term borrowings and share repurchase of the subsidiary.

### Liquidity ratio

Current ratio as at 30 September 2020 was 0.81:1 which was closed to the current ratio as at 31 December 2019, which was 0.84:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller