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15 November 2021

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' 2021	Q3' 2020	Increase (decrease)	Variance (%)
Total revenues	2,076	1,837	239	13%
Net profit	151	130	21	16%

The Group's total revenues for the third quarter of 2021 amounted to Baht 2,076 million, which was increased by Baht 239 million or an increase of 13% compared to the total revenues for the third quarter of 2020 amounted to Baht 1,837 million. This was mainly due to the higher revenue from EMS business.

The Group's profit for the third quarter of 2021 amounted to Baht 151 million, which was increased by Baht 21 million or an increase of 16% compared to the profit for the third quarter of 2020 amounting to Baht 130 million. The increase was mainly due to the higher gross profit from EMS business and enterprise solution business.

Analysis of revenues

	Q3' 2021		Q3' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	722	35%	312	17%	410	131%
Enterprise solution business	597	29%	659	36%	(62)	(9%)
Smart service business	678	32%	790	43%	(112)	(14%)
Total revenues from main business	1,997	96%	1,761	96%	236	13%
Other income	79	4%	76	4%	3	4%
Total revenues	2,076	100%	1,837	100%	239	13%

EMS business

The Company had revenue from EMS business for the third quarter of 2021 amounted to Baht 722 million, which was increased by Baht 410 million or an increase of 131% compared to that of the previous year amounted to Baht 312 million. This was due to relocation of a customer's production of electronic circuit boards which had occurred since the fourth quarter of 2020.

Enterprise solution business

The Company had revenue from enterprise solution business for the third quarter of 2021 amounted to Baht 597 million, which was decreased by Baht 62 million or a decrease of 9% compared to that of the previous year amounted to Baht 659 million. Major projects that recognized revenue in this quarter included setting up Smart Metro Grid system, renting electronic monitoring devices, selling and installing Digital Trunked Radio, maintaining, repairing and modify the fiber optic cable network, selling and installing access switch equipment, etc.

Smart service business

The Company had revenue from smart service business for the third quarter of 2021 amounted to Baht 678 million, which was decreased by Bath 112 million or a decrease 14% compared to that previous period amounted to Baht 790 million. This was mainly due to the ongoing impact of COVID-19, drought and flooding, which had reduced the purchasing power of middle and lower-tier consumers.

Gross Profit and Gross Profit Margin

	Q3' 2021		Q3' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	149	21%	96	31%	53	55%
Enterprise solution business	147	25%	123	19%	24	20%
Smart service business	141	21%	172	22%	(31)	(18%)
Gross Profit	437	22%	391	22%	46	12%

EMS business

Gross profit for the third quarter 2021 amounted to Baht 149 million, an increase of Baht 53 million or a 55% increase compared to the same period of the previous year, which amounted to Baht 96 million. It was in line with the higher revenue. Gross profit margin for the third quarter of 2021 decreased from 31% to 21% because in Q3 2020, the Company recorded a reduction of the allowance for diminution in inventories together with the control of variable production expenses in line with the decrease in order volume.

Enterprise solution business

Gross profit for the third quarter 2021 amounted to Baht 147 million, an increase of Baht 24 million or a 20% increase compared to the same period of the previous year, which amounted to Baht 123 million, and gross profit margin for the third quarter of 2021 increased from 19% to 25%. This was caused by the gross profit margin of project works realized in the third quarter of 2021 had a higher gross margin than those of the previous year.

Smart service business

Gross profit for the third quarter 2021 amounted to Baht 141 million, a decrease of Baht 31 million or a 18% decrease compared to the same period of the previous year, which amounted to Baht 172 million. It was in line with the decreased revenue. Gross profit margin for the third quarter of 2021 was not significant changed when compared to the gross profit margin for the third quarter of 2020.

Expenses and expenses to revenues from main business

	Q3' 2021		Q3' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	25	1%	32	2%	(7)	(22%)
Administrative expenses	259	12%	207	11%	52	25%
Finance cost	18	1%	22	1%	(4)	(18%)
Income tax expenses	36	2%	27	1%	9	33%

Selling expenses

Selling expenses and the selling expenses to revenue from main business for the third quarter of 2021 were not significant changed when compared to the same period of last year.

Administrative expenses

Administrative expenses for the third quarter of 2021 amounted to Baht 258 million, an increase of Baht 52 million or a 25% increase compared to the same period of the previous year. It was due to the increase of doubtful accounts, maintenance expenses for computer system and network and accrued bonus.

Finance costs

Finance costs and the ratio of finance costs to revenue from main business for the third quarter of 2021 were not significantly changed when compared to the same period of the previous year.



Income tax expenses

Income tax expenses for the third quarter of 2021 amounted to Baht 36 million, an increase of Baht 9 million or a 33% increase compared to the same period of the previous year. This was consistent with the increased profit.

Financial position

Assets

Unit: Million Baht

	30 September 2021	31 December 2020	Increase (decrease)	% Variance
Current assets	4,951	4,309	642	15%
Non-current assets	3,249	3,513	(264)	(8%)
Total assets	8,200	7,822	378	5%

Total assets as at 30 September 2021 amounted to Baht 8,200 million, an increase of Baht 378 million or an increase of 5% compared to the total assets as at 31 December 2020, which amounted to Baht 7,822 million. The increase was mainly from trade accounts receivable, and inventories.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	30 September 2021	31 December 2020
Trade account receivables - unrelated	854	576
Less: Allowance for expected credit losses	(93)	(83)
Trade account receivables - net	761	493

As at 30 September 2021 and 31 December 2020, the Group recorded an allowance for expected credit losses amounting to Baht 93 million and Baht 83 million, respectively. The Group recognizes 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 2021	31 December 2020
Inventories	1,896	1,310
Reduce cost to net realisable value	(459)	(416)
Inventories - net	1,437	894



As at 30 September 2021 and 31 December 2020, the Group had the reduction of cost to net realisable value amounting to Baht 459 million and Baht 416 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 2021	31 December 2020	Increase (decrease)	% Variance
Current liabilities	5,446	5,136	310	6%
Non-current liabilities	363	458	(95)	(21%)
Total liabilities	5,809	5,594	215	4%
Total shareholders' equity	2,391	2,228	163	7%

Liabilities

Total liabilities as at 30 September 2021 amounted to Baht 5,809 million, an increase of Baht 215 million or an increase of 4% compared to the total liabilities as at 31 December 2020, which amounted to Baht 5,594 million. The increase was mainly due to the increase of trade account payables.

Shareholders' equity

Total shareholders' equity as at 30 September 2021 amounted to Baht 2,391 million, an increase of Baht 163 million, or an increase of 7% compared to the total shareholders' equity as at 31 December 2020, which amounted to Baht 2,228 million. The change was due to net profit for the period and dividend payment to the Company's shareholders and non-controlling shareholders of the subsidiary (FSMART).

The appropriate of capital structure

Debt to equity ratio as at 30 September 2021 was 2.43:1, decreased from the debt to equity ratio as at 31 December 2020, which was 2.51: 1. This was because the rate of increase in shareholders' equity was higher than the rate of increase in liabilities.

Liquidity

Cash flows

Unit: Million Baht

	Q3' 2021	Q3' 2020
Cash flows from (used in) operating activities	767	1,081
Cash flows from (used in) investing activities	(217)	(147)
Cash flows from (used in) financing activities	(551)	(1,005)



Cash flows from operating activities for the third quarter of 2021 amounted to Baht 767 million, a decrease of Baht 314 million compared to that of the previous year, which amounted to Baht 1,081 million. It resulted from the decrease of working capital i.e. trade and other receivables, unbilled receivables, inventories etc.

Cash flows used in investing activities for the third quarter of 2021 amounted to Baht 217 million, an increase of Baht 70 million compared to that of the prior year, which amounted to Baht 147 million. It was due to the acquisition of coffee vending machine (TAO BIN) of the subsidiary.

Cash flows used in financing activities for the third quarter of 2021 amounted to Baht 551 million, a decrease of Baht 454 million compared to that of the same period of last year, which amounted to Baht 1,005 million. The decrease was due to the reduction of long-term loans and the share repurchase of the Company and the subsidiary (FSMART).

Liquidity ratio

Current ratio as at 30 September 2021 was 0.91:1, which was closed to the current ratio as at 31 December 2020, which was 0.84:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller