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13 May 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

	Q2' 2021	Q2' 2020	Increase (decrease)	Variance (%)
Total revenues	2,063	1,585	478	30%
Net profit	202	47	155	330%

The Group had total revenues for the second quarter of 2021 of Baht 2,063 million, an increase of Baht 478 million or a 30% increase compared to the same period of the previous year which amounted to Baht 1,585 million. This was mainly due to the increase of revenue from EMS business.

The Group had net profit for the second quarter of 2021 of Baht 202 million, an increase of Baht 155 million or a 330% increase compared to the same period of the previous year which amounted to Baht 47 million. This was mainly due to the increase of gross profit from EMS business and enterprise solutions business.

**Analysis of revenues**

	Q2' 2021		Q2' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Revenues from main business</b>						
EMS business	682	33%	283	18%	399	141%
Enterprise solutions business	541	26%	522	33%	19	4%
Smart service business	766	37%	714	45%	52	7%
<b>Total revenues from main business</b>	<b>1,989</b>	<b>96%</b>	<b>1,519</b>	<b>96%</b>	<b>470</b>	<b>31%</b>
Other income	74	4%	66	4%	8	12%
<b>Total revenues</b>	<b>2,063</b>	<b>100%</b>	<b>1,585</b>	<b>100%</b>	<b>478</b>	<b>30%</b>

**EMS business**

The Company had revenue from EMS business for the second quarter of 2021 of Baht 682 million, an increase of Baht 399 million or a 141% increase compared to the same period of the previous year which amounted to Baht 283 million. This was due to the relocation of the production base of one customer of electronic circuit board manufacturing and the sale of certain electronic components, which are not currently available in the marketplace.

### Enterprise solutions business

The Company had revenue from enterprise solutions business for the second quarter of 2021 of Baht 541 million, an increase of Baht 19 million or a 4% increase compared to the same period of the previous year which amounted to Baht 522 million. Major projects that recognized revenue in this quarter include setting up Smart Metro Grid system, renting electronic monitoring devices, selling and installing Digital Trunked Radio, selling and installing fiber optic cables, maintaining, repairing and modify the fiber optic cable network, selling and installing communication network, etc.

### Smart service business

The Company had revenue from smart service business for the second quarter of 2021 of Baht 766 million, an increase of Baht 52 million or a 7% increase compared to the same period of the previous year which amounted to Baht 714 million. This was mainly due to an increase in revenue from financial services and E-Wallet top-up service.

### Gross Profit and Gross Profit Margin

	Q2' 2021		Q2' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	133	20%	56	20%	77	138%
Enterprise solutions business	164	30%	97	19%	67	69%
Smart service business	186	24%	157	22%	29	18%
<b>Gross Profit</b>	<b>483</b>	<b>24%</b>	<b>310</b>	<b>20%</b>	<b>173</b>	<b>56%</b>

### EMS business

Gross profit for the second quarter of 2021 amounted to Baht 133 million, an increase of Baht 77 million or a 138% increase compared to the same period of the previous year, which amounted to Baht 56 million. This was in line with the increase in revenue and a reduction of the allowance for diminution in value of inventories.

Gross profit margin for the second quarter 2021 was 20%, which had no significant change compared to the same period of the previous year.

### Enterprise solutions business

Gross profit for the second quarter of 2021 amounted to Baht 164 million, an increase of Baht 67 million or a 69% increase compared to the same period of the previous year, which amounted to Baht 97 million. The gross profit margin for the second quarter of 2021 increased from 19% to 30% because the gross profit margin of project works realized in the second quarter of 2021 had a higher gross margin than project works realized in the second quarter of 2020.

### Smart service business

Gross profit for the second quarter of 2021 amounted to Baht 186 million, an increase of Baht 29 million or a 18% increase compared to the same period of the previous year, which amounted to Baht 157 million. The gross profit margin for the second quarter of 2021 increased from 22% to 24% due to an increase in the proportion of revenue from financial services and E-Wallet top-up service, cost control, and continuous improvement of the top-up kiosk making the top-up machine able to support the increase of new services.

### Expenses and expenses to revenues from main business

	Q2' 2021		Q2' 2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	27	1%	31	2%	(4)	(13%)
Administrative expenses	231	11%	202	13%	29	14%
Finance cost	19	1%	23	1%	(4)	(17%)
Income tax expenses	46	2%	20	1%	26	130%

#### Selling expenses

Selling expenses for the second quarter of 2021 and the ratio of selling expenses to revenues from main business were not significantly changed when compared to the same period of previous year.

#### Administrative expenses

Administrative expenses for the second quarter of 2021 amounted to Baht 231 million, an increase of Baht 29 million or a 14% increase compared to the same period of the previous year, which amounted to Baht 202 million. It was due to an increase in personnel expenses.

#### Finance cost

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

#### Income tax expenses

Income tax expenses for the second quarter of 2021 amounted to Baht 46 million, an increase of Baht 26 million or a 130% increase compared to the same period of the previous year, which amounted to Baht 20 million. It was in line with the increased profit.

### Financial position

#### Assets

Unit: Million Baht

	30 June 2021	31 December 2020	Increase (decrease)	% Variance
Current assets	4,969	4,309	660	15%
Non-current assets	3,274	3,513	(239)	(7%)
<b>Total assets</b>	<b>8,243</b>	<b>7,822</b>	<b>421</b>	<b>5%</b>

Total assets as at 30 June 2021 amounted to Baht 8,243 million, an increase of Baht 421 million or a 5% increase compared to the total assets as at 31 December 2020, which amounted to Baht 7,822 million. This was due to the increase in inventories for project works and the production and assembly of electronic circuit boards. However, the prepaid telephone charges dropped due to the end of 2020, a subsidiary bought airtime from mobile operators to support mobile top-up services for customers during the New Year season.

### **The quality of assets**

#### **Trade account receivables**

Unit: Million Baht

	Consolidated financial statements	
	30 June 2021	31 December 2020
Trade account receivables - unrelated parties	773	576
Less: Allowance for expected credit losses	(87)	(83)
Trade account receivables - net	686	493

As at 30 June 2021 and 31 December 2020, the Group recorded an allowance for expected credit losses amounting to Baht 87 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 June 2021	31 December 2020
Inventories	1,865	1,310
Reduce cost to net realizable value	(441)	(416)
Inventories - net	1,424	894

As at 30 June 2021 and 31 December 2020, the Group had the reduction of cost to net realizable value amounting to Baht 441 million and Baht 416 million, respectively. The Group estimates net realizable 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 realizable value is adequate in the current circumstances.

### Source of fund

Unit: Million Baht

	30 June 2021	31 December 2020	Increase (decrease)	% Variance
Current liabilities	5,412	5,136	276	5%
Non-current liabilities	399	458	(59)	(13%)
<b>Total liabilities</b>	<b>5,811</b>	<b>5,594</b>	<b>217</b>	<b>4%</b>
<b>Total shareholders' equity</b>	<b>2,432</b>	<b>2,228</b>	<b>204</b>	<b>9%</b>

### Liabilities

Total liabilities as at 30 June 2021 amounted to Baht 5,811 million, an increase of Baht 217 million or a 4% increase compared to the total liabilities as at 31 December 2020, which amounted to Baht 5,594 million. This was mainly due to an increase in accounts payable for purchase of inventories for projects and the production and assembly of electronic circuit boards.

### Shareholders' equity

Shareholders' equity as at 30 June 2021 amounted to Baht 2,432 million, an increase of Baht 204 million or a 9% increase compared to the 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 June 2021 was 2.39: 1, decreased when compared with 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

	Q2' 2021	Q2' 2020
Cash flows from (used in) operating activities	535	560
Cash flows from (used in) investing activities	(114)	(94)
Cash flows from (used in) financing activities	(453)	(583)

Cash flows from operating activities for the second quarter of 2021 amounted to Baht 535 million, a decrease of Baht 25 million compared to the same period of the previous year, which amounted to Baht 560 million. There was no significant change.

Cash flows used in investing activities for the second quarter of 2021 amounted to Baht 114 million, an increase of Baht 20 million compared to the same period of the previous year, which amounted to Baht 94 million. There was no significant change.

Cash flows used in financing activities for the second quarter of 2021 amounted to Baht 453 million, a decrease of Baht 130 million compared to the same period of the previous year, which amounted to Baht 583 million. This was a result of the share repurchase scheme for financial management purpose of the Company and the subsidiary (FSMART) that occurred in the previous year.

**Liquidity ratio**

The current ratio as at 30 June 2021 was 0.92:1, higher than the current ratio as at 31 December 2020, which was 0.84:1. This was because the rate of increase in current assets was higher than the rate of increase in current liabilities.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller