

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

	2021	2020	Increase (decrease)	Variance (%)
Total revenues	8,813	7,082	1,731	24%
Net profit	722	439	283	64%

Total revenues for 2021 amounted to Baht 8,813 million, an increase of Baht 1,731 million or a 24% increase compared to the total revenues for 2020, which were Baht 7,082 million. This was mainly due to the increase in revenues from EMS business and enterprise solutions business.

Net profit for 2021 amounted to Baht 722 million, an increase of Baht 283 million or a 64% increase compared to the net profit for 2020, which was Baht 439 million. It was mainly due to the increase in gross profit from EMS business and enterprise solutions business.

Analysis of revenues

	2021		2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	2,644	30%	1,262	18%	1,382	110%
Enterprise solutions business	2,976	34%	2,451	35%	525	21%
Smart service business	2,893	33%	3,078	43%	(185)	(6%)
Total revenues from main business	8,513	97%	6,791	96%	1,722	25%
Other income	300	3%	291	4%	9	3%
Total revenues	8,813	100%	7,082	100%	1,731	24%

EMS business

Revenue from electronics manufacturing service (EMS) business for 2021 amounted to Baht 2,644 million, an increase of Baht 1,382 million or a 110% increase compared to the same period of the previous year, which was Baht 1,262 million. This was due to the relocation of a customer's production base of electronic circuit boards manufacturing service that occurred in the fourth quarter of 2020.

Enterprise solutions business

Revenue from enterprise solutions business for 2021 amounted to Baht 2,976 million, an increase of Baht 525 million or a 21% increase compared to the same period of the previous year, which was Baht 2,451 million. This was due to income from various projects such as Smart Metro Grid system, procurement and installation of IP Core Router and DWDM equipment, electronic monitoring rental, maintenance, repair and modification of fiber optic cable network, sale and installation of access switch equipment and sale of bogie locomotive cranes.

Smart service business

Revenue from smart service business for 2021 amounted to Baht 2,893 million, a decrease of Baht 185 million or an 6% decrease compared to the same period of the previous year, which was Baht 3,078 million. This was due to the impacts of COVID-19, natural disaster, as well as the economic slowdown by reducing the purchasing power of middle and lower consumers.

Gross Profit and Gross Profit Margin

	2021		2020		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	562	21%	348	28%	214	61%
Enterprise solutions business	685	23%	520	21%	165	32%
Smart service business	629	22%	663	22%	(34)	(5%)
Total Gross Profit	1,876	22%	1,531	23%	345	23%

EMS business

Gross profit for 2021 amounted to Baht 562 million, an increase of Baht 214 million or a 61% increase compared to the same period of the prior year, which was Baht 348 million. This was in line with the increased revenue. Gross profit margin for 2021 decreased from 28% to 21%. This was due to the increase in cost reduction of inventories to net realisable value.

Enterprise solutions business

Gross profit for 2021 amounted to Baht 685 million, an increase of Baht 165 million, or a 32% increase compared to the same period of the previous year, which was Baht 520 million. This was in line with the increased revenue. Gross profit margin for 2021 was 23%, which was not significant change when compared to the gross profit margin for 2020.

Smart service business

Gross profit for 2021 amounted to Baht 629 million, a decrease of Baht 34 million, or a 5% decrease compared to the same period of the previous year, which was Baht 663 million. This was no significant change. Gross profit margin for 2021 was 22%, which was the same as gross profit margin for 2020.

Expenses

	2021		2020		Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%	Million Baht	%
Selling expenses	95	117	(22)	(19%)		
Administrative expenses	956	861	95	11%		
Finance cost	77	87	(10)	(11%)		
Income tax expenses	192	99	93	94%		

Selling expenses

Selling expenses for 2021 amounted to Baht 95 million, a decrease of Baht 22 million or a 19% decrease compared to the same period of the previous year, which were Baht 117 million. This was due to the increase in selling expenses of the Company and Forth Smart Service Plc.

Administrative expenses

Administrative expenses for 2021 amounted to 956 million, an increase of Baht 95 million or a 11% increase compared to the same period of the previous year, which were Baht 861 million. This was due to the increase in employee expenses such as salary and bonuses, etc.

Finance cost

Financial cost for 2021 amounted to Baht 77 million, a decrease of Baht 10 million or a 11% decrease compared to the same period of the previous year, which was Baht 87 million. This was in line with the decreased long-term loans.

Income tax expenses

Income tax expenses for 2021 amounted to Baht 192 million, an increase of Baht 93 million or a 94% increase compared to the same period of the previous year, which were Baht 99 million. This was in line with the increased net profit.

Financial position

Assets

Unit: Million Baht

	31 December 2021	31 December 2020	Increase (decrease)	% Variance
Current assets	5,808	4,309	1,499	35%
Non-current assets	3,010	3,513	(503)	(14%)
Total assets	8,818	7,822	996	13%

Total assets as at 31 December 2021 were Baht 8,818 million, an increase of Baht 996 million or a 13% increase compared to the total assets as at 31 December 2020, which were Baht 7,822 million. It was mainly due to a trade receivable of Genius Traffic System Co., Ltd. for the project of selling bogie locomotive cranes and inventories of Forth EMS Co., Ltd. for electronic circuit boards manufacturing service of a major customer.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 December 2021	31 December 2020
Trade account receivables	1,559	607
Less: Allowance for expected credit losses	(93)	(84)
Trade account receivables - net	1,466	523

As at 31 December 2021 and 2020, the Group recorded an allowance for expected credit losses amounting to Baht 93 million and Baht 84 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	
	31 December 2021	31 December 2020
Inventories	1,927	1,310
Reduce cost to net realisable value	(480)	(416)
Inventories - net	1,447	894

As at 31 December 2021 and 2020, the Group recorded the reduction of cost to net realisable value amounting to Baht 480 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

	31 December 2021	31 December 2020	Increase (decrease)	% Variance
Current liabilities	5,708	5,136	572	11%
Non-current liabilities	491	458	33	7%
Total liabilities	6,199	5,594	605	11%
Total shareholders' equity	2,619	2,228	391	18%

Liabilities

Total liabilities as at 31 December 2021 amounted to Baht 6,199 million, an increase of Baht 605 million or a 11% increase compared to the total liabilities as at 31 December 2020, which were Baht 5,594 million. It was mainly due to the increase in trade payables, short-term loans and long-term loans.

Shareholders' equity

The shareholders' equity as at 31 December 2021 amounted to Baht 2,619 million, an increase of Baht 391 million or a 18% increase compared to the shareholders' equity as at 31 December 2020, which was Baht 2,228 million. The change was due to net profit, dividend payment to the shareholders and capital increase of non-controlling shareholders of the subsidiary.

The appropriate of capital structure

The debt-to-equity ratio as at 31 December 2021 was 2.4:1, which was not significant change when compared to the debt-to-equity ratio as at 31 December 2020, which was 2.5:1.

Liquidity

Cash flows

Unit: Million Baht

	2021	2020
Cash flows from (used in) operating activities	735	1,205
Cash flows from (used in) investing activities	(374)	(196)
Cash flows from (used in) financing activities	(248)	(949)

Cash flows from operating activities for 2021 amounted to Baht 735 million, a decrease of Baht 470 million compared to the same period of the previous year, which were Baht 1,205 million. This was due to the increase in working capital i.e. trade and other receivables, inventories, advance payment for goods, trade and other payables and advance received from customers etc.

Cash flows used in investing activities for 2021 amounted Baht 374 million, an increase of Baht 178 million compared to the same period of the prior year, which were Baht 196 million. This was due to the purchase of coffee vending machines (TAO BIN) of Forth Vending Co., Ltd. and the purchase of new machines of Forth EMS Co., Ltd.

Cash flows used in financing activities for 2021 amounted to Baht 248 million, a decrease of Baht 701 million compared to the same period of the previous year, which were Baht 949 million. It was due to the increased short-term loans, the decrease in long-term loan repayments and there is no treasury ordinary share transactions of the Company and the subsidiary.

Liquidity ratio

Current ratio as at 31 December 2021 was 1.02:1, an increase when compared to the current ratio as at 31 December 2020, which was 0.84:1. This was due to the rate of increase of current assets was higher than the rate of increase of current liabilities.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller