

Ref: AC.006/2023

27 February 2023

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

	2022	2021	Increase (decrease)	Variance (%)
Total revenues	9,754	8,813	941	11%
Net profit	775	722	53	7%

The Group had total revenues for the year 2022 of Baht 9,754million, an increase of Baht 941 million or a 11% increase compared to the total revenues for the year 2021, which was Baht 8,813 million. This was mainly due to the increase of revenue from EMS business and smart service business.

The Group had net profit for the year 2022 of Baht 775 million, an increase of Baht 53 million or a 7% increase compared to the net profit for the year 2021, which was Baht 722 million. This was mainly due to the increase of gross profit.

Analysis of revenues

	2022		2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from main business						
EMS business	4,154	43%	2,643	30%	1,511	57%
Enterprise solutions business	1,860	19%	2,976	34%	(1,116)	(38%)
Smart service business	3,417	35%	2,894	33%	523	18%
Total revenues from main business	9,431	97%	8,513	97%	918	11%
Other income	323	3%	300	3%	23	8%
Total revenues	9,754	100%	8,813	100%	941	11%

EMS business

The Company had revenue from EMS business for the year 2022 of Baht 4,154 million, an increase of Baht 1,511 million or a 57% increase compared to the same period of the previous year which amounted to Baht 2,643 million. This was due to an increase in orders from one of the major customers of electronic circuit board manufacturing and assembly work and an increase in sales of some electronic components that are not currently available in the market.

Enterprise solutions business

The Company had revenue from enterprise solutions business for the year 2022 of Baht 1,860 million, a decrease of Baht 1,116 million or a 38% decrease compared to the same period of the previous year which amounted to Baht 2,976 million. This was due to the decline of income from large projects such as setting up Smart Metro Grid system, the sale and installation of digital trunked radio system, which has been operating and gradually delivered the work since last year. In addition, in 2021, there was a revenue from the sale of bogie locomotive cranes, amounting to Baht 786 million.

Smart service business

The Company had revenue from smart service business for the year 2022 of Baht 3,417 million, an increase of Baht 523 million or a 18% increase compared to the same period of the previous year which amounted to Baht 2,894 million. This was mainly due to an increase of revenue from TAOBIN vending machine business.

Gross Profit and Gross Profit Margin

	2022		2021		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
EMS business	712	17%	439	17%	273	62%
Enterprise solutions business	597	32%	716	24%	(119)	(17%)
Smart service business	981	29%	721	25%	260	36%
Gross Profit	2,290	24%	1,876	22%	414	22%

EMS business

Gross profit for the year 2022 amounted to Baht 712 million, an increase of Baht 273 million or a 62% increase from the same period of the previous year, which had a gross profit of Baht 439 million. This was in line with the increase in revenue of EMS business.

Gross profit margin for the year 2022 was equal to 17%, which had no significant change compared to the same period of the previous year.

Enterprise solutions business

Gross profit for the year 2022 amounted to Baht 597 million, a decrease of Baht 119 million or a 17% decrease from the same period of the previous year, which had a gross profit of Baht 716 million. This was in line with the increase in revenue of enterprise solutions business.

Gross profit margin for the year 2022 increased from 24% to 34% because the gross profit margin of project works realized in 2022 had a higher gross margin than project works realized in 2021.

Smart service business

Gross profit for the year 2022 amounted to Baht 981 million, an increase of Baht 260 million or a 36% increase from the same period of the previous year, which had a gross profit of Baht 721 million. This was in line with the increase of revenue from TAOBIN vending machine business.

Gross profit margin for the year 2022 increased from 25% to 29%. This was in line with the increase in the proportion of the revenue of TAOBIN vending machine business, which has a higher gross profit margin.

Expenses

	2022	2021	Increase (decrease)	
	Million Baht	Million Baht	Million Baht	%
Selling expenses	148	95	53	56%
Administrative expenses	1,123	956	167	17%
Finance cost	102	77	25	32%
Income tax expenses	231	192	39	20%

Selling expenses

Selling expenses for the year 2022 amounted to Baht 148 million, an increase of Baht 53 million or 56% increase when compared to the same period of the previous year, which amounted to Baht 95 million. This was due to the increase in the commission for the production and assembly of the electronic circuit and promotion expense of TAOBIN vending machine business.

Administrative expenses

Administrative expenses for the year 2022 amounted to Baht 1,123 million, an increase of Baht 167 million or 17% increase when compared to the same period of the previous year, which amounted to Baht 956 million. This was due to the change in the allocation of factory expenses to production cost to make the calculation of production costs more appropriate, resulting in lower production costs while increasing administrative expenses. In addition, it was caused by an increase in the doubtful debts of loans receivable, share-based payment expense and losses from the impairment of assets.

Finance cost

Finance costs for the year 2022 amounted to Baht 102 million, an increase of Baht 25 million or 32% increase when compared to the same period of the previous year, which amounted to Baht 77 million. This was due to the increase in short-term loans and the increase in interest rates.

Income tax expenses

Income tax expenses for the year 2022 amounted to Baht 231 million, an increase of Baht 39 million or a 20% increase when compared to the same period of the previous year, which amounted to Baht 192 million. It was in line with the increased profit.

Financial position

Assets

Unit: Million Baht

	31 December 2022	31 December 2021	Increase (decrease)	% Variance
Current assets	6,759	5,808	951	16%
Non-current assets	4,627	3,010	1,617	54%
Total assets	11,386	8,818	2,568	29%

Total assets as at 31 December 2022 amounted to Baht 11,386 million, an increase of Baht 2,568 million or a 29% increase compared to the total assets as at 31 December 2021, which amounted to Baht 8,818 million. This was due to the increase in account receivables of EMS business and enterprise solutions business, inventories of EMS business and the acquisition of TAOBIN vending machines.

The quality of assets

Trade account receivables

Unit: Million Baht

	Consolidated financial statements	
	31 December 2022	31 December 2021
Trade account receivables - unrelated parties	2,067	1,512
Less: Allowance for expected credit losses	(94)	(94)
Trade account receivables - net	1,973	1,418

As at 31 December 2022 and 31 December 2021, the Group recorded an allowance for expected credit losses amounting to Baht 94 million and Baht 94 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 2022	31 December 2021
Inventories	2,583	1,927
Reduce cost to net realisable value	(489)	(480)
Inventories - net	2,094	1,447

As at 31 December 2022 and 31 December 2021, the Group had the reduction of cost to net realisable value amounting to Baht 489 million and Baht 480 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 2022	31 December 2021	Increase (decrease)	% Variance
Current liabilities	7,394	5,708	1,686	30%
Non-current liabilities	733	491	242	49%
Total liabilities	8,127	6,199	1,928	31%
Total shareholders' equity	3,259	2,619	640	24%

Liabilities

Total liabilities as at 31 December 2022 amounted to Baht 8,127 million, an increase of Baht 1,928 million or a 31% increase compared to the total liabilities as at 31 December 2021, which amounted to Baht 6,199 million. This was mainly due to an increase in trade and other payables and short-term loans from banks.

Shareholders' equity

Shareholders' equity as at 31 December 2022 amounted to Baht 3,259 million, an increase of Baht 640 million or a 24% increase compared to the shareholders' equity as at 31 December 2021, which amounted to Baht 2,619 million. This was due to an increase in capital surplus from share-based payment, net profit, and capital increase of non-controlling shareholders of the subsidiary and the reduction from dividend payment to the shareholders of the Company and non-controlling shareholders of the subsidiary.

The appropriate of capital structure

Debt to equity ratio as at 31 December 2022 was 2.5: 1, which had no significant change compared to the debt to equity ratio as at 31 December 2021, which was 2.4: 1.

Liquidity

Cash flows

Unit: Million Baht

	2022	2021
Cash flows from (used in) operating activities	886	735
Cash flows from (used in) investing activities	(1,723)	(374)
Cash flows from (used in) financing activities	769	(249)

Cash flows from operating activities for the year 2022 amounted to Baht 886 million, an increase of Baht 151 million compared to the same period of the previous year, which amounted to Baht 735 million. This was due to the increased operating profit.

Cash flows used in investing activities for the year 2022 amounted to Baht 1,723 million, an increase of Baht 1,349 million compared to the same period of the previous year, which amounted to Baht 374 million. This was due to acquisition of TAOBIN vending machines, construction of factory building and buying land to support the business expansion of the Group in the future.

Cash flows used in financing activities for the year 2022 amounted to Baht 769 million. This was mainly due to short-term loans to use as working capital, long-term loans for the construction of the factory building and buying TAOBIN vending machines and increased capital from the non-controlling interests of the subsidiaries.

Liquidity ratio

Current ratio as at 31 December 2022 was 0.91:1 which was closed to the current ratio as at 31 December 2021, which was 1.02:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller