

February 11, 2021

Subject: Management's Discussion and Analysis of Operating Results for the year 2020 and Q4-2020

To: The President of the Stock Exchange of Thailand

Summary of operations and the factors that make a significant change

Summary of Operations for the Year 2020

Topic	Annual Balance		Change	
	2020	2019	2020 VS 2029	
	(MB)		(MB)	%
Total Revenue	6,731.0	7,073.7	(342.7)	(4.8)
Total Operating Expenses	6,216.3	6,532.6	(316.3)	(4.8)
Profit	394.3	392.1	2.2	0.6

Since the beginning of 2020, both business and society in Thailand and around the world have been widely affected by the COVID-19 outbreak. However, the Company's revenues generate from large projects that have continued its operation since 2019. Moreover, most of the customers are government agencies and state enterprise which have already approved their expenditures before the COVID-19 outbreak. Therefore, the projects that the Company participated in the auction did not decrease, but the implementation of the project may be delay. As a result, the Company's operating results for the year 2020 decreased approximately 4.8% from the year 2019 which was the Company has the highest total revenue since the Company has established. This is because in 2019, the Company has received mega project worth more than 1,000 million baht (MB). For the year 2020, the Company has received several large projects with project value between 100 – 500 MB. In this regard, the large projects in which the Company has recognized revenue in 2020 such as The New Parliament Project in Information and Communication Technology, The Purchasing and Installation of Cloud Project to support the service of the central government cloud of CAT Telecom Plc., The High-Speed Internet Service Project in Remote Area, The D-Ticket Project of State Railway of Thailand and The Communication network equipment purchase Project of the Government Savings bank.

In terms of total operating expenses in 2020, it decreased in line with the decreased in revenue. However, the profit of the year 2020 has changed in the opposite direction of the decreased in total revenue. It increased 0.6% from the year 2019. This is because the Company had an increased in finance income which was equal to 26.3 MB which it was the payment of interest from late payment of a large trade receivable.

Topic	Annual Balance		Change	
	2020	2019	2020 VS 2019	
	(MB)		(MB)	%
Sales and Services Income	6,529.7	6,903.4	(373.7)	(5.4)
Other Income	70.1	51.4	18.7	36.4
Cost of Sales and Service	5,414.9	5,882.8	(467.9)	(8.0)
Cost of equipment for lease	90.2	59.1	31.1	52.6
Selling Expenses	264.8	215.3	49.5	23.0
Administrative Expenses	446.4	375.4	71.0	18.9
Finance Income	26.3	3.0	23.3	776.7

Considering each type of income, the revenues from sales and services of the year 2020 decreased from 2019 by 54%. In 2020, although, there are many large projects, their project values were less than 1,000 MB unlike the received project in 2019, their project values were more than 1,000 MB. While the cost of sales and services decreased by 8.0% because the large projects that the company has acquired have higher gross margins than those of 2019.

Other income increased by 36.4%. This is because the Company received rebate promotion according to the target of purchase from major suppliers in 2020.

Cost of equipment for lease increased by 52.6%. This is because some projects of equipment for lease were renewed by a shorter contract term. Therefore, those must change the usage time of the equipment to be shorter causing also the depreciation for the period to be higher.

Selling and administrative expenses for the year 2020 increased by 23% and 18.9%, respectively. However those were in the opposite direction to the declining change in revenue due to the increase in employee-related expenses such as commission and salary. In addition, the Company has recorded an allowance for expected credit losses (Allowance for doubtful accounts) for receivables overdue in accordance with the Thai Financial Reporting Standards No. 9 "Financial Instruments" (TFRS9).

Summary of Operation for Q4-2020

Topic	Outstanding by Quarter			Change			
	Q4 – 20	Q3 – 20	Q4 – 19	Q4 – 20 VS Q3 – 20		Q4 – 20 VS Q4 – 19	
	(MB)			(MB)	%	(MB)	%
Total Revenue	2,070.7	2,241.1	2,280.3	(170.4)	(7.6)	(209.6)	(9.2)
Total Operating Expenses	1,899.4	2,056.1	2,103.6	(156.7)	(7.6)	(204.2)	(9.7)
Profit (Loss)	146.9	137.2	132.8	9.7	7.1	14.2	10.7

In Q4–2020, the Company’s total revenue decreased from Q3–2020 and Q4–2019 representing a decrease of 170.4 MB and 209.6 MB or decrease of 7.6% and 9.2%, respectively. This is because the Company gradually delivered project according to the contract, which had delivered project in the previous quarter. In addition, the large projects in 2020 were less than those of 2019 which the Company had delivered major projects which had been ongoing from previous quarter such as The New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and The Purchasing and Installation of Cloud Project of CAT Telecom Plc. Furthermore, there were some large projects which had just received and delivered in Q3–2020, such as the project for purchasing, installation, and centralized management of information and communication technology infrastructure of the Provincial Electricity Authority (PEA).

In terms of total operating expenses in Q4–2020 and Q3–2020 were in line with the Company’s revenue that those were the increasing rate of change in the same direction and the similar rate. This is because the overall gross profit margin of the project which delivered in each quarter was not significantly different in 2020. When compared to Q4–2019, it found that the total operating expenses in Q4–2020 more decrease than the decreased in revenue resulting from the gross profit margin of project in 2020 was higher than those of 2019

The profit of the Q4–2020 did not align with the change in revenue when compare with Q3–2020 and Q4–2019. Since in Q4–2020, the Company has a finance income of 25.5 MB, which has received interest from late payment from a large trade receivable. As a result, the profit of the Q4 – 2020 increased while the total revenue decreased.

Operating results and Profitability

Revenues, costs and expenses that have significant change in Q4-2020 can be shown in the table below:

Topic	Outstanding by Quarter			Change			
	Q4 – 20	Q3 – 20	Q4 – 19	Q4 – 20 VS Q3 – 20		Q4 – 20 VS Q4 – 19	
	(MB)			(MB)	%	(MB)	%
Revenue from Sales and Services	2,025.3	2,179.9	2,236.8	(154.6)	(7.1)	(211.5)	(9.5)
Cost of Sale and Service	1,686.8	1,820.0	1,902.1	(133.2)	(7.3)	(215.3)	(11.3)
Cost of equipment for lease	31.9	19.8	14.3	12.1	61.1	17.6	123.1
Administrative Expenses	102.0	139.1	111.6	(37.1)	(26.7)	9.6	8.6
Finance Income	25.8	0.1	0.4	25.7	25,700.0	25.4	6,350.0

Revenue and Cost

The performance of the Company in Q4–2020, with revenues from sales and services decreased from Q3–2020 representing of 154.6 MB or decrease of 7.1%, and decreased from Q4–2019 representing of 211.5 MB or increase of 9.5%. Due to during Q4–2020, the Company gradually delivered project according to the contract, which had delivered project in the previous quarter. In addition, the large projects in 2020 were less than those of 2019

In term of cost of Sales and Services of the Q4–2020 varied in line with the revenue. However, the decreased rate of the cost of Sales and Service was greater than the decreased rate of the revenue especially when compare with Q4 – 2019, or another that the gross profit margin of the Q4–2020 was higher than those of the Q4 – 2019 due to the large projects in Q4 – 2019, that have been delivered with relatively low gross margins because of the relatively high competition.

Cost of equipment for lease of the Q4–2020 greatly increased from Q3–2020 and Q4–2019. This is because some projects of equipment for lease were renewed by a shorter contract term. Therefore, those must change the usage time of the equipment to be shorter causing also the depreciation for the period to be higher.

Administrative Expenses

The Administrative Expenses in Q4–2020 decreased from Q3–2020 representing of 37.1 MB or decrease of 26.7% due to Q3–2020, the Company has recorded a relatively high provision for doubtful accounts for outstanding receivables in accordance with the Financial Reporting Standards No. 9 (Financial Instruments).

Finance Income

The Finance Income in Q4–2020 increased from Q3–2020 and Q4–2019 representing of 25.7 MB and 25.4 or increase of 25,700.0 % and 6,350.0%, respectively. This is because in Q4–2020, the Company has a finance income of 25.5 MB, which has received interest from late payment from a large trade receivable

Financial Analysis of the Company

As at December 31, 2020, the Company financial position change from that of December 31, 2019, is presented and explained the changes in the below table.

Assets Items which has significant changes	Outstanding by Quarter		Changes	
	Q4 – 20	Q4 – 19	Q4 – 20 VS Q4 – 19	
	(MB)		(MB)	%
Trade Account Receivables	2,633.9	2,268.6	365.3	16.1
Unbilled receivables	1,303.9	1,705.0	(401.1)	(23.5)
Inventories	1,575.9	745.9	830.0	111.3
Advances for goods and services	60.0	156.4	(96.4)	(61.3)
Other current assets	130.5	150.8	(20.3)	(13.5)
Other non-current financial assets	139.6	-	139.6	100.0
Investments in related party	-	85.0	(85.0)	(100.0)
Right of Use Assets	24.7	-	24.7	100.0
Equipment for Lease	88.7	120.6	(31.9)	(26.5)
Withholding tax deducted at sources	-	12.8	(12.8)	(100.0)
Deferred tax assets	87.8	67.9	19.9	29.3
Other non-current assets	77.9	49.3	28.6	58.0

Assets Items which has significant changes	Outstanding by Quarter		Changes	
	Q4 – 20	Q4 – 19	Q4 – 20 VS Q4 – 19	
	(MB)		(MB)	%
Total Assets	6,429.2	5,728.6	700.6	12.2

Assets

As of December 31, 2020, the Company's total assets increased by 700.6 MB, representing an increase of 12.2% from 31 December 2019. The increase in total Assets comes from the following major changes:

Trade and other receivables in Q4–2020 increased by 365.3 MB, representing an increase of 16.1% mainly because during Q4–2020, the invoice has been issued on the projects that were completed and delivered. Therefore, the trade receivables increased.

Contract assets (unbilled receivables) decreased by 401.1 MB, representing a decrease of 23.5%. This is because the invoice has been issued on the projects that were completed and delivered in Q4–2020. Therefore, the contract assets (unbilled receivables) decreased.

Inventories increased by 830.0 MB, representing an increase of 111.3% due to the investment in several large-scale projects during in the year 2020, such as the Purchasing and Installation of Cloud Project of CAT Telecom, Both phase1 and phase2 of the New Parliament Project in Information and Communication Technology, the project for purchasing, installation, and centralized management of information and communication technology infrastructure of the PEA, the D–ticket Project of State Railway of Thailand and The electrical system to underground cable improvement Project at Mae Sai District Chiang Rai Province, which those are still in process but have not yet completed according to the achievement stage.

Advance payment for products and services decreased by 96.4 MB, representing a decrease of 61.3% because in the year 2020, the Company received the product that has been paid in advance. As the result, the advance payment for products and services decreased.

Other current assets decreased by 20.3 MB, representing a decrease of 13.5%. Due to during the end of the year 2020, the Company has issued a sales tax invoice from the receipt of payment and delivery of the goods. Therefore, the Input tax and the Input tax not yet due decrease.

Other non-current financial assets increased by 139.6 MB or representing an increase of 100.0% because in during Q4–2020, the Company has additional invested in Campana Group Pte. Ltd. since the TFRS9 started to enforce in 2020, and it defines investments in related party as the financial assets. As a result, the investments in related party shown in the financial statements as of December 31,2019 decreased by 85.0 MB or representing a decrease of 100.0%.

Right of Use Assets increased by 24.7 MB or representing an increase of 100.0% due to the implementation of the Thai Financial Reporting Standards No.16 “Leasing” (TFRS16) in 2020. It requires the renter to recognize assets and liabilities for every lease with a lease period of more than 12 months, unless the underlying asset is low.

Equipment for Lease decreased by 31.9 MB or representing a decrease of 26.5% due to the calculation of depreciation of the equipment for Lease in the year 2020

Withholding tax deducted at sources decreased by 12.8 MB or representing a decrease of 100.0%. This is because in the year 2020, the company has received the tax refund of the year 2018 from the Revenue Department.

Deferred tax assets increased by 19.9 MB or representing an increase of 29.3%, mainly due to the recording of deferred tax assets from the provision of allowance for doubtful accounts.

Other non-current assets increased by 28.6 MB or representing an increase of 58.0% mainly due to the maintenance fee project, which is paid in advance and covered more than one year of insurance.

Liabilities Items which has significant changes	Outstanding by Quarter		Changes	
	Q4 – 20	Q4 – 19	Q4 – 20 VS Q4 – 19	
	(MB)		(MB)	%
Short-term loans from financial institutions	250.0	400.0	(150.0)	(37.5)
Trade and other payables	1,341.0	738.5	602.5	81.6
Unbilled payables	830.4	713.5	116.9	16.4
Current portion liabilities under financial arrangement agreements	143.2	42.6	100.6	236.2
Contract liabilities	351.1	544.5	(193.4)	(35.5)
Provision for penalty on projects delay	77.5	115.5	(38.0)	(32.9)
Other current liabilities	133.7	94.3	39.4	41.8
Liabilities under financial arrangement agreements	171.9	62.9	109.0	173.3
Lease liabilities - net of current portion	14.5	-	14.5	100.0
Provision for long-term employee benefits	139.6	97.8	41.8	42.7
Total Liabilities	3,504.0	2,842.7	661.3	23.3

Liabilities

As of December 31, 2020, the Company's total liabilities increased by 661.3 MB or 23.3% as of December 31, 2019. The increase in total liabilities was due to the significant changes as follows:

Short-term loans from financial institutions decreased by 150.0 MB, representing a decrease of 37.5% because in the end of the year 2020, the Company can collect money from many Trade Account Receivables and use it to pay for loans from financial institutions.

Trade and other Payables increased by 602.5 MB, representing an increase of 81.6% because in Q4-2020, the Company has purchased products and services of the large-scale project that has not yet been due for payment, resulting in the increase of its trade accounts payable.



Unbilled Payables increased by 116.9 MB, representing an increase of 16.4% due to the delivery of projects in Q4-2020, those were the large projects but has not received invoices from trade payables. Therefore, unbilled payables increased when it compared to the Q4-2019.

Liabilities under financial arrangement agreements (Both the Current portion and the Net of current portion) increased by 209.6 MB because during in 2020, the Company entered into an additional financial arrangement agreement in order to provide sufficient short-term loan to support large projects.

Contract liabilities decreased by 193.4 MB, representing a decrease of 35.5% because during the year 2020, the project has been gradually delivered that used to receive advance payments from customers. As the result, the Advances received from customers decreased.

Provision for penalty on projects delay decreased 38.0 MB, representing a decrease of 32.9% because during the year 2020, the Company has paid the penalty on projects delay that it had previously recorded. Thus the Provision for penalty on projects delay has been decreased.

Other current liabilities increased by 39.4 MB, representing an increase of 41.8% mainly due to an increase in 1). Unbilled sales tax on service income pending process payment, 2). Value added tax of December 2020 to be paid in January 2021 and 3). Withholding tax pending payment of December 2020 which was employee bonus is higher than the Withholding tax pending payment of December 2019.

Lease liabilities - net of current portion increased by 14.5 MB, due to the implementation of the Thai Financial Reporting Standards No.16 "Leasing" (TFRS16) in the year 2020.

Provision for long-term employee benefits increased by 41.8 MB, representing an increase of 42.7%, this is because the discount rate for calculating liabilities with long-term employee benefits which was based on the interest rate of the long-term bonds has extremely decreased. The Company has re-evaluated the provision for long-term employee benefits in year 2020. As a result, the Company has to set more provision on employee benefits.

Shareholders' Equity

As at December 31, 2020, the Company's Shareholders' equity equal to 2,925.2 MB, an increase of 39.3 MB from the date of December 31, 2019, which is equal to 2,885.9 MB, an increase of 1.4 percent by the increase came from operation of the year 2020 which decreased by the annual dividend payment in Q2-2020 and interim dividend payment in Q3-2020.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary