

AIT (VP-SEC) 005E/2022

21 February 2022

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 2021

	Annual Balance		Change	
	2021	2020	2021 VS 2020	
	Million baht (MB)		(MB)	%
Total Revenue	7,034.7	6,731.0	303.7	4.5
Total Operating Expenses	6,352.9	6,216.3	136.6	2.2
Profit	527.1	394.3	132.8	33.7

In 2021, the overall economy began to recover in Q3- 2021 due to the following factors: 1). COVID-19 outbreak control measures are being gradually relaxed and Vaccination is more progressive. 2). The effect of outstanding demand from the previous period and 3). Government measures that continue to bolster purchasing power. Government spending is also important in sustaining the economy, with government spending increasing compared to 2020 due to COVID-19 epidemic mitigation. Specifically, the third wave of severe outbreaks in Q2-2021, which impacted a wide range of economic activities, particularly the tourism and service sectors with more stringent disease-control measures. However, this control measure is still deemed less strict in comparison to the beginning of 2020, with more easing of disease control measures to be able to accept foreign tourists in the fourth quarter. Despite the company maintains good operating results, with satisfactory income and profits that are higher than expected and has increased revenue from the year 2020. In 2021, most of the company's revenue comes from large projects such as the Trading and Installation Project for the centralized management infrastructure of information and communication technology of the Provincial Electricity Authority, the Project of information and communication technology Installation of the New Parliament Phase 1 and Phase 2, the Purchasing and Installation Project of Cloud system to support the service of the central government cloud of CAT Telecom Public Company Limited (At the moment, it is the National Telecommunications Public Company Limited.), the project of selling computer network equipment for supporting Cloud for Critical Information Infrastructure services and the Project of selling computer servers and equipment to increase the efficiency of information systems of Social Security Office, the Project for the maintenance of systems and equipment of the communication network of CAT Telecom Public Company, the Project for maintenance and maintenance of the network system of Thai Airway International Public Company Limited and the D-ticket Project of State Railway of Thailand , etc.

The total operating expenses in 2021 increased from 2020 at a lower rate than the increased rate in revenue. Mostly because the project's gross margin in 2021 is slightly higher than in 2020. Furthermore, In 2021, the situation of the COVID-19 epidemic is more severe than in 2020, causing the work style to change and the company has a policy for employees to work from home, resulting in reduced operating costs for many items, such as employee training fees, which have been changed to online training, which has resulted in lower costs. In addition, the reduction in customer contact leads to a decrease in selling expenses such as expenses related to customers, etc. Furthermore, the cost of impairment loss on financial assets in 2021 decreased by 93.4 million baht, or 86.4%, while there was also a loss on equity instruments determined to be measured at fair value through profit or loss. 69.0 million baht.

The increase in operating expenses in 2021 is lower than the increase in revenue. As a result, net profit for the year 2021 increased by 33.5% from 2020. This is because the revenue in 2021 was higher than revenue in 2020. This increases the revenue's ability to cover a greater portion of fixed expenses.

	Annual Balance		Change	
	2021	2020	2021 VS 2020	
	(MB)		(MB)	%
Rental income from equipment for lease	179.4	131.2	48.2	36.7
Other Income	89.4	70.1	19.3	27.5
Impairment loss on financial assets	14.7	107.8	(93.1)	(86.4)
Fair value loss on FVTPL equity instrument	69.0	-	69.0	100.0
Finance Income	0.9	26.3	(25.4)	(96.6)

Considering the type of income, it was found that rental income from equipment for lease in 2021 increased by 36.7% from 2020 because the Company received new equipment rental projects during the year.

Other incomes increased by 27.5%. This is because in 2021, the Company has received more promotional money to meet the target of purchases from major suppliers from the year 2020.

Impairment loss on financial assets decreased by 86.4%. This is because in 2021, the allowance for expected credit losses from receivables has been reduced. Due in 2020, such loss has already been recorded quite high.

Fair value loss on FVTPL equity instrument increased by 100%. This is because Campana Group Pte. Ltd. (a joint venture of the Company's joint venture), which was in the beginning of the business, had a loss. In addition, the Campana's project was delayed longer than expected, resulting in 2021, the fair value loss on FVTPL equity instrument was recorded at 69.0 MB.

In 2021, the company's financial income is lower than that of 2020. This is because in 2020, the company has income from interest payments from a late payment from a large receivables amounting to 25.5 MB.

Summary of Operation for Q4-2021

	Outstanding by Quarter			Change			
	Q4 – 21	Q3 – 21	Q4 – 20	Q4 – 21 VS Q3 – 21		Q4 – 21 VS Q4 – 20	
	(MB)			(MB)	%	(MB)	%
Total Revenue	1,620.3	1,509.1	2,070.7	111.2	7.4	(450.4)	(21.8)
Total Operating Expenses	1,430.2	1,357.0	1,898.9	73.2	5.4	(469.2)	(24.7)
Profit (Loss)	151.7	117.2	146.9	34.5	29.4	4.8	3.3

Overview of the Q4–2021, total revenue decreased by 450.4 million baht or 21.8% from the Q4–2020. Mainly due in during the Q4–2021, a smaller project was delivered than in the Q4–2020. The large projects that recognized revenue in Q4–2021 are as follows: the centralized management infrastructure of information and communication technology of the Provincial Electricity Authority, the Project of information and communication technology Installation of the New Parliament Phase 2 and the project of selling computer network equipment for supporting Cloud for Critical Information Infrastructure services and the Project of selling computer servers and equipment to increase the efficiency of information systems of Social Security Office.

The total operating expenses of Q4–2021 decreased from Q4–2020 by 469.2 MB or 24.7%. Due to projects delivered in Q4–2021, it has a higher gross margin minus an increase in the impairment loss on financial assets and the fair value loss on FVTPL equity instrument that those recorded in Q4–2021.

The Profit in Q4–2021 was inconsistent with the change in revenue compared to Q3–2021. Mainly because the gross profit of sales and service projects recognized in Q4 2021 was higher than other quarters in comparison. In addition, there is a new rental income which has a relatively high gross margin.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q4–2021 can be shown in the following table:

	Outstanding by Quarter			Change			
	Q4 – 21	Q3 – 21	Q4 – 21	Q3 – 21		Q4 – 21	
	(MB)			(MB)	%	(MB)	%
Revenue from Sales and Services	1,542.7	1,417.3	2,025.3	125.4	8.8	(482.6)	(23.8)
Rental income from equipment for lease	60.2	58.1	34.0	2.1	3.6	26.2	77.1
Cost of Sale and Service	1,149.7	1,203.1	1,686.8	(53.4)	(4.4)	(537.1)	(31.8)
Selling expenses	72.3	52.5	78.7	19.8	37.7	(6.4)	(8.1)
Administrative Expenses	82.2	68.4	86.2	13.8	20.2	(4.0)	(4.6)
Impairment loss on financial assets	25.9	1.5	15.8	24.4	1,626.7	10.1	63.9
Fair value loss on FVTPL equity instrument	69.0	-	-	69.0	100.0	69.0	100.0
Finance Income	0.3	0.3	25.8	0.0	0.0	(25.5)	(98.8)



Revenues and Costs

The result of operations of the Company in Q4-2021 shows that revenues from sales and services decreased from Q4-2020, representing a decrease of 482.6 MB or 23.8%. This is because in Q4-2021, the delivered projects are smaller than those projects in Q4-2020. For example, in Q4-2021, two projects in excess of 100 MB were recognized with a total value of 311.6 MB, whereas in Q4-2020, five projects in excess of 100 MB were recognized with a total value of 627.2 MB, etc.

Rental income from equipment for lease in Q4-2021 increased from Q4-2020, representing an increase of 26.2 MB or 77.1% because the company has new equipment rental project during the year 2021.

Cost of Sale and Service in Q4-2021 decreased from Q4-2020, representing a decrease of 537.1 MB or 31.8%. This is because projects delivered during in Q4-2021 have a higher gross margin than those in Q4-2020.

Selling and Administrative Expenses

Selling expenses in Q4-2021 increased from Q4-2020, representing an increase of 19.8 MB or 37.7% mainly due to the commission based on increased revenue and the expenses related to customers who have to visit customers during the year-end festival.

Administrative Expenses in Q4-2021 increased from Q4-2020, representing an increase of 13.8 MB or 13.8% due to the staff expenses such as bonuses and activity expenses during the year-end festival, etc.

Other Expenses

In Q4-2021, the Company recorded impairment loss on financial assets by 25.9 MB from accounts receivable to be delayed in collection, which increased from the recorded in Q3-2021, which equals to 1.5 MB and also Q4-2020, which equals to 24.4 MB or representing an increase of 24.4 MB and 10.1 MB, respectively.

Furthermore, in Q4-2021, the Company recorded fair value loss on FVTPL equity instrument by 69.0 MB. This is because Campana's investments have a lower fair value form company performance whereas in Q3-2021 and Q4-2020 have never recorded such loss before.

Finance Income

Finance Income in Q4-2021 decreased from Q4-2020, representing a decrease of 25.5 MB or 98.8% because in Q4-2021, the Company received interest from a late payment from a large accounts receivable.

Financial Analysis of the company

As of December 30, 2021, the Company has financial position that changed from its financial status as of December 31, 2020. The changes are described as follows:

Assets Items which has significant changes	Outstanding by Quarter		Change	
	Q4 – 21	Q4 – 20	Q4 – 21 VS Q4 – 20	
	(MB)		(MB)	%
Cash and cash equivalents	378.5	204.5	174.0	85.1
Other current financial assets	720.0	-	720.0	100.0
Trade Account Receivables	2,070.8	2,633.9	(563.1)	(21.4)
Contract assets	913.5	1,303.9	(390.4)	(29.9)
Inventories	863.6	1,575.9	(712.3)	(45.2)
Assets held for sale	37.8	-	37.8	100.0
Other current assets	168.6	130.6	38.0	29.1
Other non-current financial assets	82.2	139.6	(57.4)	(41.1)
Investments in joint ventures	-	30.7	(30.7)	(100.0)
Equipment for Lease	197.5	88.7	108.8	122.7
Deferred tax assets	103.3	87.8	15.5	17.7
Other non-current assets	64.6	77.9	(13.3)	(17.1)
Total Assets	5,752.1	6,429.2	(677.1)	(10.5)

Assets

As of December 31, 2021, the Company's total assets decreased by 677.1 MB, representing an increase of 10.5% from 31 December 2020. The decrease in total Assets is from the following major changes:

Cash and cash equivalents increased by 174.0 MB, representing an increase of 85.1% and Other current financial assets (Investments in unit trust in fixed income funds) increased by 720.0 MB, representing an increase of 100.0%. Because at the end of the year 2021, the company was able to collect large amounts of money from its accounts receivable and some of it is used to buy unit trust in fixed income funds.

Trade Account Receivables decreased by 174.0 MB, representing a decrease of 21.4% because at the end of the year 2021, the company was able to collect large amounts of money from its large projects.

Contract assets decreased by 390.4 MB, representing a decrease of 29.9% because at the end of the year 2021, an invoice was issued for the completed project and delivered. As a result, the contract assets decreased.

Inventories decreased by 712.3 MB, representing a decrease of 45.2% because at the end of the year 2021, many large projects have been delivered whereas new large projects are still in the slowdown period resulting in inventories decrease. Assets held for sale

In 2021, Assets held for sale increased by 37.8 MB, representing an increase of 100.0% because at the end of the year 2021, the Company is in the process of selling all investments in Genesis Data Center Company Limited (the Company's joint venture), such investments are presented under Assets held for sale. As the result, this

investment previously shown in investments in joint ventures decreased by 30.7 MB from the year 2020 or decreased by 100.0%.

Other current assets sale increased by 38.0 MB, representing an increase of 29.1% due to the advance expenses and the prepaid maintenance cost for the part covered by the service period within one year, increasing with the increase in maintenance project.

Other non-current financial assets decreased by 57.4 MB, representing a decrease of 41.1%. This is because Campana Group Pte. Ltd., which was in the beginning of the business, had a loss. In addition, the Campana's project was delayed longer than expected, resulting in 2021, the fair value loss on FVTPL equity instrument was recorded at 69.0 MB.

Equipment for Lease increased by 108.8 MB, representing an increase of 122.7% due to during the year 2021, the Company has contracted the equipment rental project. It invested in equipment for rent, which was installed and delivered at the end of Q2-2021, thus increasing the equipment for lease.

Deferred tax assets increased by 15.5 MB, representing an increase of 17.7% mainly due to the recording of deferred tax assets from impairment loss on financial assets (Allowance for doubtful accounts) and fair value loss on FVTPL equity instrument.

Other non-current assets decreased by 13.3 MB, representing a decrease of 17.1% due to the lower prepaid maintenance cost for the part covered by the service period within one year, which is showed in other current assets.

Liabilities Items which has significant changes	Outstanding by Quarter		Change	
	Q4 – 21	Q4 – 20	Q4 – 21	
	(MB)	(MB)	(MB)	(MB)
Short-term loans from financial institutions	-	250.0	(250.0)	(100.0)
Trade and other payables	790.8	1,341.0	(550.2)	(41.0)
Current portion liabilities under financial arrangement agreements	96.2	143.2	(47.0)	(32.8)
Contract liabilities	405.9	351.1	54.8	15.6
Liabilities under financial arrangement agreements	118.0	171.9	(53.9)	(31.4)
Provision for long-term employee benefits	121.3	139.6	(18.3)	(13.1)
Total Liabilities	2,690.9	3,504.0	(813.1)	(23.2)

Liabilities

As of December 31, 2021, the Company's total liabilities increased by 813.1 MB or 23.2% from December 31, 2020, the reasons for major changes are as follows:



Short-term loans from financial institutions decreased by 250.0 MB, representing a decrease of 100.0% because of at the end of the year 2021, the company was able to collect money from many large account receivables, thus it was able to pay off loans from financial institutions.

Trade and other payables decreased by 550.2 MB, representing a decrease of 41.0% because of at the end of 2021, the Company does not have large project that requires a lot of investment compared to the end of 2020 which is a large project in progress. Therefore, the purchase of goods and services in that project which is not yet due for payment.

Liabilities under financial arrangement agreements (Both Current portion and Net of current portion) decreased by 100.9 MB because of in 2021, the company will have paid off the debt for which it signed an additional financial management contract in 2020.

Contract liabilities increased by 54.8 MB, representing an increase of 15.6% because of in 2021, customers paid in advance, thus increasing the income received in advance from customers.

Provision for long-term employee benefits decreased by 18.3 MB, representing a decrease of 13.1% due to during the year 2021, employees have resigned and retired according to the Company's regulations.

Shareholders' Equity

As of December 30, 2021, the Company had total equity equals to 3,061.2 MB slightly increase by 136.0 MB or 4.7% from as at December 31, 2020, which equals to 2,925.2 MB, such an increase came from operating profit for 2021, which decreased by the annual dividend payment in Q2-2021 and interim dividend payment in Q3-2021. In addition, the company has statutory reserved money as of December 31, 2021 which increases from 2020, representing an increase of 25.6 MB or 24.9%. Due to the transfer of unappropriated retained earnings to statutory reserve according to the provisions of the Public Limited Companies Act B.E. 2535 which must allocate the profit for the year as a reserve of not less than 5% of the net profit.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary