

24 February 2022

Subject Management Discussion and Analysis for the year ended 31 December 2021

To The Director and the Manager of the Stock Exchange of Thailand

Turnkey Communication Services Public Company Limited (“the Company”) would like to submit the financial statement for the year ended on 31 December 2021, which has been audited by the Auditor as well as the explanation and analysis from the Management to provide the information of interest to the investors and the public. The operational performance of the Company for the year ended on 31 December 2021, in comparison to 2020, is as follows:

Turnkey Communication Services Public Company Limited provides consulting services, designs, and installs (1) Telecommunication systems (2) Data communication systems (3) Public Safety systems. In addition, the Company is a distributor and installer of the world's leading communication systems such as information security systems, Cyberthreat monitoring systems.

Analysis of Operating Results

Revenues

For the year ended 31 December 2021, the Company has total revenues amount of 2,197.68 million baht which they decreased from the previous year by the amount of million Baht 684.24 or 23.74% compared to the same period last year with total revenues amount of 2,881.92 million baht as presented in the table below.

Revenues	31 December 2021		31 December 2020		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from Sale and Services	2,193.67	99.82	2,877.01	99.83	(683.34)	(23.75)
Other income	4.01	0.18	4.91	0.17	(0.90)	(18.33)
Total Revenues	2,197.68	100.00	2,881.92	100.00	(684.24)	(23.74)

1.1 Revenues from Sale and Service

Revenues	31 December 2021		31 December 2020		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	Revenues from Turnkey Project	1,300.80	59.30	1,680.50	58.41	(379.70)
Revenues from Services and Maintenance	881.78	40.20	762.85	26.52	118.93	15.59
Revenues from Sales	11.09	0.50	433.66	15.07	(422.57)	(97.44)
Total Revenues from Sales and Services	2,193.67	100.00	2,877.01	100.00	(683.34)	(23.75)

Revenues from sales and services consist of 3 categories as follows.

1.1.1 Revenues from Turnkey Project

Revenues from Turnkey Project are providing design, sourcing, and installation of Data communication systems, telecommunication systems, and public safety systems.

For the year ended 31 December 2021, the company had revenues from Turnkey Project amount of 1,300.80 million baht or 59.30% of total revenues from sales and services, a decreasing amount of 379.70 million baht or 22.59% compared to the previous year with the amount of 1,680.50 million baht because, in 2020, large projects have already delivered work and recognized revenue, resulting in 2021 being able to deliver and recognize only part of the large project revenue.

1.1.2 Revenues from Engineering Services and Maintenance

Revenues from engineering services and maintenance are providing installation, testing services for data communication systems, telecommunication systems, and providing internet signal services

For the year ended 31 December 2021, the Company had revenues from services and maintenance amount of 881.78 million baht or 40.20% of total revenues from sales and services, an increasing amount of 118.93 million baht or 15.59% compared to the previous year the amount of 762.85 million baht which the main revenues from Government Data Center and Cloud Service Project.

1.1.3 Revenues from Sales

Revenues from the sales are the distribution of information technology equipment and telecommunication systems.

For the year ended 31 December 2021, the Company had revenues from sales amount of 11.09 million baht or 0.50% of total revenues from sales and services, decrease the amount of million Baht 422.57 or 97.44% compared to the previous year with an amount of 433.66 million baht. The decrease from the Company focuses on the Turnkey project and Engineering Service project.

2. Other income

For the year ended 31 December 2021, the Company had other income amounts of million Baht 4.01 decrease amount of million Baht 0.90 or 18.33% compared to the previous year, which was a decrease from interest income from bank deposits.

3. Cost of Sales and Services

Costs	31 December 2021		31 December 2020		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Cost of Turnkey Project	1,030.29	57.92	1,398.19	57.43	(367.90)	(26.31)
Cost of Engineering Services and Maintenance	739.94	41.59	622.14	25.55	117.80	18.93
Cost of Sales	8.69	0.49	414.27	17.02	(405.58)	(97.90)
Total Cost of Sales and Services	1,778.92	100.00	2,434.60	100.00	(655.68)	(26.93)
Gross profit	414.75		442.41		(27.66)	(6.25)
Gross profit (%)	18.91%		15.38%			

For the year ended 31 December 2021, the Company had a total cost of sales and services amount of 1,778.92 million baht, a decrease amount of 655.68 million baht or 26.93% compared to the previous year, The mainly decrease from the cost of the Turnkey project and Cost of sales relevant decrease revenues from Turnkey project and revenues from sales. However, the Company had a gross profit amount of 414.75 million baht or 18.91%, an increase from 3.53% of 2021, the Company can be management and control costs effectively.

4. Expenses

Expenses	31 December 2021		31 December 2020		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Selling expenses	14.47	8.81	11.95	8.52	2.52	21.09
Administrative expenses	124.10	75.60	109.87	78.30	14.23	12.95
Finance Cost	25.59	15.59	18.49	13.18	7.10	38.40
Total Expenses	164.16	100.00	140.31	100.00	23.85	17.00
% to Revenues	7.47%		4.88%			

Selling Expenses

For the year ended 31 December 2021, the Company had selling expenses of 14.47 million baht an increase of 2.52 million baht or 21.09% compared to the previous year with the total amount of 11.95 million baht the most increase from increased salary.

Administrative Expenses

For the year ended 31 December 2021, the Company had administrative expenses amount of 124.10 million Baht, an increase to 14.23 million Baht or equivalent 6.90% compared from the previous year. The major expense are such as employee expenses and the expenses of relevant IPO.

Finance Cost

For the year ended 31 December 2021, the Company had a finance cost amount of 25.59 million baht increase amount of 7.10 million baht or 38.40% compared to the previous year, increase from financial components from customer contracts because increase cash advance received from the customer.

Statement of Financial Position

1. Assets

As at 31 December 2021, the Company had total assets amount of 1,453.17 million Baht, a decrease compared to total assets as at 31 December 2020 amount of 875.26 million Baht or equivalent to 37.59%. The major assets are such as trade and other receivables, Contract assets, Bank deposits pledged as collateral, Investment in equity securities measured at fair value through other comprehensive income, Property, Building, and equipment. The significant change was such as:

- Trade and other receivables decreasing of 69.84 million Baht, from the cash received from the project
- Contract assets decreasing of 590.7 million Baht, The Company received from the customer that is due can billing.
- Bank deposits pledged as collateral decreasing of 167.70 million Baht, The Company from completed work and foreclosure on the pledged collateral.
- Investment in equity securities measured at fair value through other comprehensive income increases of 85.50 million Baht, the Company acquired listed securities traded on the Market for Alternative Investment (MAI) Stock Exchange in the technology sector.
- Property, Building, and equipment increasing of 39.66 million Baht entered for the construction of a new office building were expand future growth

2. Liabilities

As at 31 December 2021, the Company had liabilities amount of 1,085.90 million Baht for increasing compared to Baht 1,685.75 million at the end of 2019 or equivalent to 35.39%. The major liabilities are such as Bank overdrafts and short-term borrowing from financial institutions, the current portion of long-term borrowings from financial institutions, trade, and other payables, Contract liabilities as at 31 December 2021, the significant change was such as

- Bank overdrafts and short-term borrowing from financial institutions increase amount 112.57 million Baht from issued promissory notes and increase of trust receipts for operating business.
- Current portion of long-term borrowings from financial institutions increase of 76.22 million baht, an increase from made a long-term borrowing agreement for increase liquidity in business and support to building construction.
- Trade and other payables decrease of 749.96 million Baht from paid debt according to from the due date.
- Contract liabilities decrease from the Company has already performed by the contracts received from the customers.

3. Equity

the Company had equities of 367.27 million Baht, decreased by 43.29 % compared to the end of 2019. Or equivalent to 2.60%. The Company had a net profit for the year ended 31 December 2021 amount of 200.88 million Baht and other comprehensive income for the year amount of million Baht 53.51 and increase from the issue of the ordinary shared amount of 22.00 million Baht. During the year 2021, the Company distributed dividends to the shareholder amount of 557.22 million Baht.

4. Capital Structure

The Company had a debt to equity ratio of 2.96 times as at 31 December 2021 which is increased from 2.60 times in the year 2020. The increase from short-term borrowing and the current portion of long-term borrowings from financial institutions.

In addition, the subsidiary Company had a condition of Debt Service Coverage Ratio (DSCR) must be not less than 1.20 times as at 31 December 2021, the subsidiary was unable to maintain the financial ratio as required by a debt covenant under a long-term borrowing contract with a commercial bank. By terms of the contract, the bank has the right to call for repayment of the total borrowing amount in case of a breach of debt covenant. However, a commercial bank not yet called repayment of loan. The subsidiary Company shall be repaid to the bank according to the original payment schedule.

Please be informed accordingly,

Sincerely yours,

(Mr. Sayam Tiewtranon)

Director

Corporate Secretary

Telephone 02 402 8888