

11 August 2022

Subject Management Discussion and Analysis for the three-month period ended 30 June 2022.

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 three-month ended 30 June 2022, which has been reviewed by the Auditor as well as the explanation and analysis from the Management to provide interesting information to the investors and the public. The operational performance of the Company for the three-month period ended 30 June 2022 is as follows:

Operation Overview

Turnkey Communication Services Public Company Limited provides consulting services, designs, and installs (1) Telecommunication systems (2) Data communication systems (3) Public Safety systems with strategies to become the best of the digital solution businesses covering telecommunications and ICT, to develop future mega-trend businesses such as Smart Solutions focusing on: Smart Hospital, Smart Airport, Smart Farming, Smart Logistics, Cyber Security, Smart Learning, and Smart Platform.

Analysis of Operating Results

1. Revenues

For the three-month period ended 30 June 2022, the Company has a total revenue amount of 612.33 million Baht which increased by 22.01 million Baht, equivalent to 3.73% when compared to the same period in 2021, as presented in the table below.

Total Revenues	30 June 2022		30 June 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenues from Sales and Services	611.55	99.87	589.64	99.88	21.91	3.72
Other incomes	0.78	0.13	0.68	0.12	0.10	14.71
Total Revenues	612.33	100.00	590.32	100.00	22.02	3.73

1.1 Revenues from Sale and Service

Revenues	30 June 2022		30 June 2021		Increase (Decrease)	
	Million	%	Million	%	Million	%
	Baht		Baht		Baht	
Revenues from Turnkey Project	314.97	51.50	409.05	69.37	(94.08)	23.00
Revenues from Services and Maintenance	227.60	37.22	180.10	30.55	47.50	26.37
Revenues from Sales	68.98	11.28	0.49	0.08	68.49	13,977.55
Total Revenues from Sales and Services	611.55	100.00	589.64	100.00	21.91	3.72

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

1.1.1 Revenues from Turnkey Project

Revenues from Turnkey Project are from providing design, sourcing, and installation of Data Communication Systems, Telecommunication Systems, and Public Safety Systems.

For the three-month period ended 30 June 2022, the company had revenues from the Turnkey Project in amount of 314.97 million Baht, decreased in amount of 94.08 million Baht, equivalent to 23% when compared to the same period in 2021, since there is a recognizing revenue from the large project in the second period of 2021.

1.1.2 Revenues from Engineering Services and Maintenance

Revenues from engineering services and maintenance are from providing installation, and testing services for Data Communication Systems, Telecommunication Systems, and providing internet signal link services.

For the three-month period ended 30 June 2022, the Company had revenues from services and maintenance in amount of 227.60 million Baht, increased in amount of 47.50 million Baht, equivalent to 26.37% when compared to the same period in 2021, because revenue from services increased from the maintenance services.

1.1.3 Revenues from Sales

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

For the three-month period ended 30 June 2022, the Company had revenues from sales amount of 68.98 million Baht, increasing amount of 68.49 million Baht equivalent to 13,977.55% compared to the same period in 2021, The most revenues increase from distribution to telecommunication and data communication equipment.

1.2 Other incomes

For the three-month period ended 30 June 2022, the Company had other incomes amount of 0.78 million Baht, an increased amount of 0.10 million Baht or equivalent to 16.42% compared to the same period in 2021.

2. Cost of Sales and Services

Costs	30 June 2022		30 June 2021		Increase (Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Cost of Turnkey Project	210.57	44.21	295.85	64.83	(85.28)	(28.83)
Cost of Engineering Services and Maintenance	200.17	42.03	160.27	35.12	39.90	24.90
Cost of Sales	65.55	13.76	0.23	0.05	65.32	28,400.00
Total Cost of Sales and Services	476.29	100.00	456.35	100.00	19.94	4.37
Gross profit	135.26		133.29		1.97	1.48
Gross profit (%)	22.12		22.61			

For the three-month period ended 30 June 2022, the Company had a total cost of sales and services amount of 476.29 million Baht, an increased amount of 19.94 million Baht or equivalent to 4.37% compared to the same period in 2021, The increased cost varies with the increase in revenue.

3. Expenses

Expenses	30 June 2022		30 June 2021		Increase (Decrease)	
	Million	%	Million	%	Million	%
	Baht		Baht		Baht	
Selling expenses	7.43	16.68	2.62	7.63	4.81	183.59
Administrative expenses	33.23	74.59	24.85	72.39	8.38	33.72
Finance Cost	3.89	8.73	6.86	19.98	(2.97)	(43.29)
Total Expenses	44.55	100.00	34.33	100.00	10.22	29.77
% to Revenues	7.28		5.82			

Selling Expenses

For the three-month period ended 30 June 2022, the Company had selling expenses in the amount of 7.43 million Baht, an increase of 4.81 million Baht or equivalent to 183.59% compared to the same period in 2021, due to COVID-19 is less striction of many countries then make it possible to organize activities Liaise with customers and more publicity.

Administrative Expenses

For the three-month period ended 30 June 2022, the Company had administrative expenses amount of 33.23 million Baht, an increase to 8.38 million Baht or equivalent to 33.72% compared to the same period in 2021. Most of the increase was due to the cost of training seminars on employee potential development. Prepare to support new businesses in the future.

Finance Cost

For the three-month period ended 30 June 2022, the Company had a finance cost amount of 3.89 million Baht, a decrease to 2.97 million Baht or equivalent to 43.29% compared to the same period in 2021. In the second quarter of 2022, the Company had fewer loans from financial institutions.

Statement of Financial Position

1. Assets

As at 30 June 2022, the Company had total assets amount of 2,591.24 million Baht, increased in amount of 1,138.07 million Baht, equivalent to 78.32% when compared to total assets as at 31 December 2021.

The major assets the significant change was such as:

- Cash and cash equivalents increased by amount 696.77 million Baht, during the period of 2022, the company proceeded from the Initial Public Offering (IPO).
- Trade and other receivables increased by amount 104.82 million Baht, because during the period of 2022, the company has billed to customers but has not received.
- Contract assets are increased by amount 187.52 million Baht, during the period of 2022, large projects have already delivered work and recognized revenue, which is yet not due billing, resulting in an increase of more assets arising from the contract.
- Deposits pledged as collateral increased by 145.71 million Baht because during the period of 2022, the company has changed the collateral from the shareholders' securities to the company's deposits.

2. Liabilities

As at 30 June 2022, the Company had liabilities amount of 811.88 million Baht, decreased amount of 274.02 million Baht or equivalent to 25.23% compared to total liabilities as at 31 December 2021. The significant liabilities change was such as:

- Bank overdrafts and short-term borrowing from financial institutions decrease the amount of 92.58 million Baht due to the repayment of the short-term loans and trust receipts that were matured due date.
- Current portion of long-term borrowings from financial institutions decrease the amount to 53.64 million Baht, a decrease from payment of borrowing agreement on maturity due date.
- Trade and other payables decrease the amount of 11.91 million Baht from repayment to account payable according to the due date.
- Contract liabilities of short-term and long-term the amount of 59.66 million Baht and 34.10 million Baht respectively, from the Company has recognized contract liabilities where the Group received the customer paid consideration or issued billing before being recorded revenue for the fulfillment of contractual performance obligation, its result to a decrease of contract liabilities.

3. Equity

As at 30 June 2022, the Company had equities of 1,779.36 million Baht, increased of 1,412.90 million Baht equivalent to 384.48 % compared to December 31, 2021. The Company had a net profit for the six-month period ended 30 June 2022 amount of 118.52 million Baht and increase from the issue of ordinary shares relevant amount of 78.00 million Baht, by there is shares premium on paid-up capital amount of 1,290.90 million Baht, In addition, the company had gain from disposal of investment in equity securities, amount to 25.70 million Baht and the annual dividend payment amount of 90.00 million Baht, it result of an increase in equity.

4. Capital Structure

As at 30 June 2022, The Company had a debt to equity ratio of 0.46 times, decreased from the year ended 31 December 2021, that is 2.96 times. The major decrease from issued and fully paid-up share capital to initial Public Offering (IPO) and share premium on paid-up capital amount of 1,290.90 million Baht, its result to decrease of debt-to-equity ratio.

In addition, the subsidiary Company had a condition of Debt Service Coverage Ratio (DSCR) must be not less than 1.20 times as at 30 June 2022, 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 will not ask for the settlement of the borrowings before timing. The subsidiary Company shall be repaid to the bank pursuant to the original payment schedule.

Please be informed accordingly,

Sincerely yours,

(Mr. Sayam Tiewtranon)

Director

Corporate Secretary

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