



# **SKY ICT PUBLIC COMPANY LIMITED**

Management Discussion and Analysis

for the second quarter ended 30<sup>th</sup> June 2022

A decorative graphic consisting of several overlapping circles and dots in shades of blue, red, and grey, positioned in the lower right quadrant of the page.

**Intelligence**  
action



No. SKY-65-08-027

15<sup>th</sup> August 2022

Subject Management Discussion and Analysis for the second quarter ended 30<sup>th</sup> June 2022  
To The Director and the Manager of the Stock Exchange of Thailand  
Enclosed A copy of the financial statement for the second quarter ended 30<sup>th</sup> June 2022 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the period ended on 30<sup>th</sup> June 2022, which has been reviewed by the Auditor as well as the explanation and analysis from the management to provide the information to the investors and the public. The operational performance of the Company are as follows:

### Executive Summary

There are significant transactions of the Company for the second quarter ended 30<sup>th</sup> June 2022 as follows:

#### 1. Group Business Plan

In the second quarter of 2022, the Group has a business plan that focuses mainly on Digital Platform continuing since the fourth quarter 2021, which is the business extension from the expertise of the Group in the field of CCTV management and Smart Security. The Company has launched a new Smart Security Platform under the name “Tossakan”. This new business will expand to private sector and will eventually create a sustainable income in the future. In addition, The Company has also rebranded the "AOT Airports Application" and change name to "SAWASDEE by AOT" under the concept of a single application for travelers which will facilitate passengers at all 6 airports of the airport - AOT, including Suvarnabhumi Airport, Don Mueang Airport, Chiang Mai Airport, Mae Fah Luang Airport (Chiang Rai), Phuket Airport and Hat Yai Airport with new innovations on digital platforms aiming to become “Digital Airports, Living Airports”, responding to tourists' services including payment of goods and services via Application.

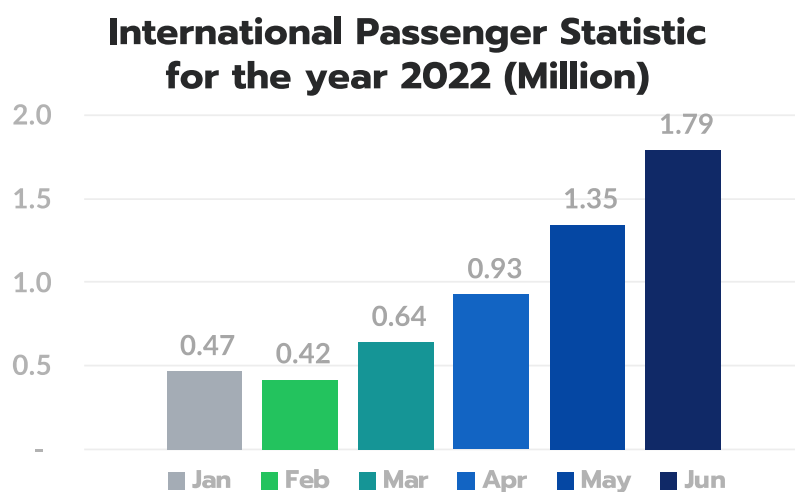
In addition, the company has also collaborated with Appman Co., Ltd., the leader of OCR technology company, to develop an e-KYC platform, which is an infrastructure to support new user authentication online, for businesses that focus on advanced security and want to expand their business opportunities in the digital world. By bringing face recognition technology (Face Recognition) from a global AI software developer partner, outstanding in the technology group related to Interactive Face Liveness Detection, it can prevent the falsification of biometric data such as analytics and compare faces to the database or a picture of the front of the ID card. It can also prevent impersonation by superimposing other people's faces, which has been tested for efficiency by NIST USA, where the company has adapted the usage pattern to fit the context and physical characteristics of Thai people to improve the efficiency of remembering and comparing user identities accurately and quickly.

## 2. Investment

On April 29, 2022, the Annual General Meeting of Shareholders of the Company passed a resolution to approve the increase of the registered capital of the Company in the amount of 8,000,000 shares with a par value of 0.50 baht per share to be offered to non-controlling interests as compensation for additional investment 60.00% of the total shares in Gfin (Thailand) Co., Ltd. The Company received the payment of the newly issued ordinary shares on May 31, 2022, resulting in the Company's interest in Gfin (Thailand) Co., Ltd. increased from 40.00% to 99.99%, which is expected to result in the following benefits to the Company:

- 1) The opportunity to grow up in software development business, including various platforms, which will generate income and continue growth. The investment in GFIN will enable the company to expand its business further.
- 2) In 2021, GFIN earns 65% of the Group's revenue, which shows its correlation in terms of working efficiency with the Company, even though GFIN is a subsidiary in which the Company holds 40% of the total shares. Therefore, the additional investment in GFIN will enable the company to take full advantage of GFIN's resources. This will enable the company to expand the business of providing services to customers more comprehensively.
- 3) GFIN owns the licensing of several self-developed software programs, such as the security management program and CCTV named "TOSSAKAN", which is one of the Group's future businesses, that has the opportunity of GFIN to grow up in private sector, including the visitor management application named "VIMARNN" that develops intelligent security systems to be more comprehensive and work more efficiently by focusing on offering services to the real estate business. As a result, the Group has a more stable financial position from the performance of GFIN and able to provide more comprehensive services to customers which will benefit the Company.

## 3. The impact of COVID-19 situation



*Reference: Air transport statistics from Airports of Thailand Public Company Limited*



Due to the outbreak of corona virus 2019 (Covid-19) from the beginning of 2020 onwards and many new waves of outbreaks until the present. The Company has been affected by the COVID-19 situation, especially the operating results from the service business related to the aviation business from the air travel control policy. As a result, the number of passengers both domestically and internationally decreased significantly which effect to the revenue from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) Project that the Company has recognized revenue based on actual number of passengers (inbound, outbound, change flight and transit). The declining of such passengers is cause of loss from APPS project amounting to 123.97 million baht in 2022 which affects the Company's working cash flow. Therefore the Company have to acquire more credit lines from financial institutions. As a result, the burden of financial costs increased. However, in the second quarter of 2022, the company's loss from the APPS project was reduced to 50.06 million baht, compared to the first quarter of 2022, which had a loss of 73.91 million baht, due to the continued recovery of the aviation business and tourism sector in Thailand. However, if comparing the number of international passengers since the company started the project in December 2020, it is found that the number of international passengers has continued to improve. Especially from the relaxation of the government's Thailand Pass measure in 2022, the loss from the APPS and PNR projects has continued to decline. Management expects the project to become profitable soon.

#### 4. Signed projects in 2022

During the second quarter of 2022, the Company had signed the contract for the service and maintenance of the passenger boarding service system (CUPPS) project at Don Mueang Airport. Phuket Airport Chiang Mai Airport Hat Yai Airport and Mae Fah Luang Chiang Rai Airport Service period 8.5 years, charged according to the number of outbound domestic and international passengers.

Overview of operating results for the second quarter ended 30<sup>th</sup> June 2022

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	Q2/2022	Q2/2021	Million Baht	%
Core business revenue	804.40	810.12	(5.72)	(0.71)
Other revenue	0.91	1.97	(1.06)	(53.81)
Gain on disposals of investments	13.12	-	13.12	100.00
<b>Total Income</b>	<b>818.43</b>	<b>812.09</b>	<b>6.34</b>	<b>0.78</b>
<b>Net Profit</b>	<b>(20.18)</b>	<b>19.49</b>	<b>(39.67)</b>	<b>(203.54)</b>
<b>Basic earnings per share )Baht per shares(</b>	<b>(0.03)</b>	<b>0.02</b>		



### Net profit

The Company and its subsidiaries had net loss for the second quarter ended 30<sup>th</sup> June 2022 amounted to 20.18 million baht, a decreasing of 39.67 million baht or 203.54 percent compared to the same period last year with a total net profit of 19.49 million baht due to the following:

- Losses arising from costs of depreciation and amortization of assets for the service and maintenance of the Common Use Passenger Processing System (CUPPS) project at Don Mueang Airport, Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport which gradually proceeds to install according to the terms of the contract. when the company completely installs the service systems in late of 2022, it will turn the losses to profitable.

- The delivery of large projects under installation in Q2 is due and delivery in Q3 2022.
- Loss on exchange rate 29.88 million baht.

### Core business revenue

The Company and its subsidiaries had total revenue for the second quarter ended 30<sup>th</sup> June 2022 amounted to 804.40 million baht, a decreasing of 5.72 million baht or 0.71% compared to the same period of the previous year with total revenue of 810.12. million baht can be summarized as follows:

Revenue	Amount (Million Baht)		Increase/(Decrease)	
	Q2/2022	Q2/2021	Million Baht	%
Revenue from System Integration Services	369.56	518.90	(149.34)	(28.78)
Revenue from Sales	21.06	13.91	7.15	51.40
Revenue from Services	413.78	277.31	136.47	49.21
<b>Total Revenue</b>	<b>804.40</b>	<b>810.12</b>	<b>(5.72)</b>	<b>(0.71)</b>

1. Revenue from sales and installation of integrated systems, the amount of 369.56 million baht, accounting for 45.94% of total revenue, a decreasing of 149.34 million baht or 28.78% compared to the previous year. Because in the second quarter of 2021, the large projects that have been delivered are as follows:

- A project for procurement and installation of closed-circuit television cameras to increase security in areas at risk of crime to Bangkok Metropolitan Administration.
- A project for procurement and installation of License Plate Recognition system for the Narcotics Suppression Bureau.
- A project for procurement and installation of monitoring system and monitoring the vehicle position and route with satellite Equipment system, computer network, connected with equipment and a mobile automatic License Plate Recognition system for the Narcotics Suppression Bureau.

However, in the second quarter of 2022, the Company delivered some projects that were due to be delivered according to the contract as follows:



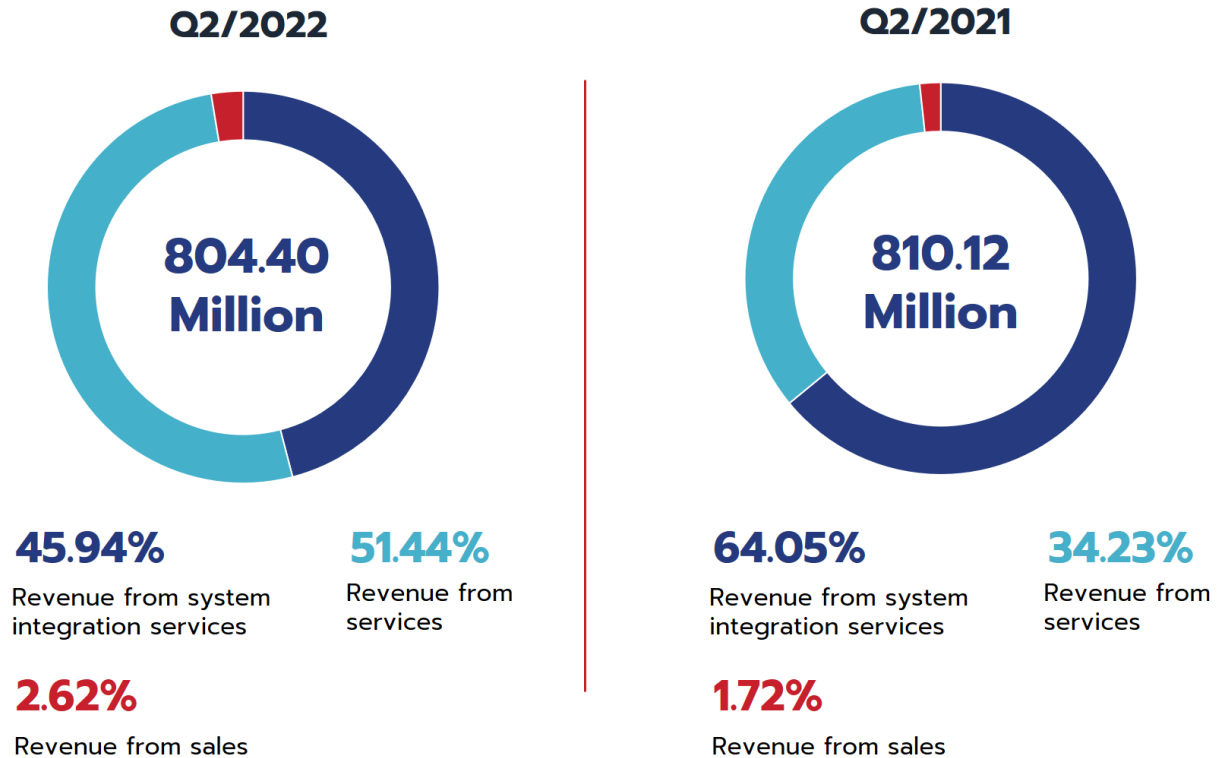
- A project for procurement and installation of CCTV for Immigration Bureau.
- A project for the Digital Operations Management System Development Project for the AOT airports.
- A project to develop information technology systems for the management and collection of car park building fees for Airports of Thailand Public Company Limited
- A project for procurement of computer equipment and decoration of the Artificial Intelligence Center to Thammasat University
- A project for the Drugs Information Analysis development for the Office of the Narcotics Control Board

2. **Revenue from Sales**, the amount of 21.06-million-baht, accounting for 2.62% of the main income, an increasing of 7.15 million baht or 51.40% compared to the previous year. Because in the second quarter of 2022, the subsidiary was delivered computer equipment to private companies.

3. **Revenue from Services**, the amount of 413.78-million-baht, accounting for 51.45% of total revenue, an increasing of 136.47 million baht or 49.21% compared to the previous year. Most of the services revenue in 2022 comes from the projects as follows:

- The project of the luggage trolley service at Suvarnabhumi Airport, which has service period for 7 years.
- The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport which has a service period of 10 years
- The project of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) which has a service period of 6.5 years
- The project of Passenger Baggage Reconciliation System (PBRS) at Suvarnabhumi Airport which has a service period of 1 years
- The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at at Don Mueang Airport, Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport, which the end of service period of as same as CUPPS at Suvarnabhumi Airport

## Proportion of Revenue from business operation



### Gain on disposals of investments

The group had gain on disposals of investments for the second quarter ended 30<sup>th</sup> June 2022, in the amount of 13.12 million baht because the Company dispose 755,600 ordinary shares of Turnkey Communication Services Public Company Limited (“TKC”) costing of 8.29 baht per share.

### Exchange loss

The Company and its subsidiaries had other losses from exchange rates for the three-month period ended 30<sup>th</sup> June 2022, amounting to 29.88 million baht, mainly due to the depreciation of Thai baht compared to the previous quarter effected to unrealized exchange losses of equipment and computer system on hire purchase contracts for projects with the Company denominated in foreign currencies. The management had managed the risk of fluctuations in foreign currency exchange rates. Therefore, most of the foreign exchange risk has been hedged. As a result, the Company had other comprehensive income of Baht 166.84 million. However, the transaction was recognized directly to equity. without going through the income statement

### Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	Q2/2022	Q2/2021	Million Baht	%
Cost of System Integration Services	279.27	330.48	(51.21)	(15.50)
Cost of Sales	20.92	6.07	14.85	244.65
Cost of Services	401.44	308.51	92.93	30.12
<b>Total Costs</b>	<b>701.63</b>	<b>645.06</b>	<b>56.57</b>	<b>8.77</b>
<b>Gross Profit</b>	<b>102.77</b>	<b>165.06</b>	<b>(62.29)</b>	<b>(37.74)</b>
<b>Gross Profit (%)</b>	<b>12.78</b>	<b>20.37</b>		

Total costs the second quarter ended 30<sup>th</sup> June 2022 amounted to 701.63 million baht, an increasing of 56.57 million baht or 8.77% compared to the same period last year with a total cost of 645.06 million baht, which can be summarized as follows:

- The gross profit margin of System Integration Services and sales segment decreased due to the different of cost structures by projects.
- The Increasing in gross profit margin of service segment due to the recovery of aviation and tourism sectors resulted in a reduction on losses from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project that mainly from depreciation and amortization of assets. The company has invested a large amount of assets for the project to make the service system efficient. However, the accounting standard stipulates that The Company has to recognize the depreciation and amortization of costs on a straight-line basis over the project's operation period (6.5 years), regardless of the revenue recognized in accordance with the actual number of passengers. The company, therefore recognized the cost of depreciation and amortization of assets and other cost related with the project were higher than the revenue. . This resulted in a loss from this project in the amount of 50.06 million baht in Q2.

### Expenses

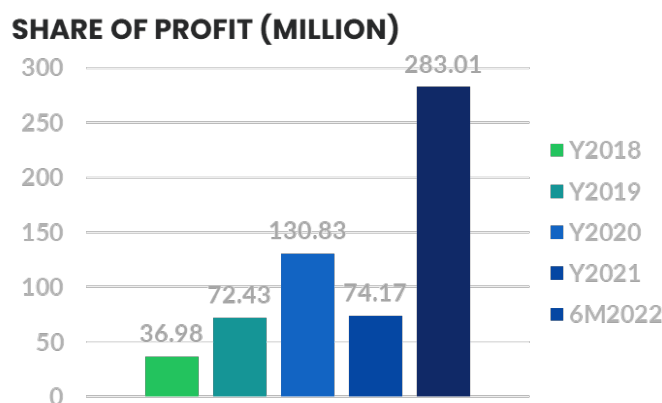
Expenses	Amount (Million Baht)		Increase/(Decrease)	
	Q2/2022	Q2/2021	Million Baht	%
Selling Expenses	25.71	23.97	1.74	7.26
Administrative Expenses	60.13	80.99	(20.86)	(25.76)
Finance Cost	47.17	45.54	1.63	3.58
<b>Total Expenses</b>	<b>133.01</b>	<b>150.50</b>	<b>(17.49)</b>	<b>(11.62)</b>
<b>% to Revenues</b>	<b>16.54</b>	<b>18.58</b>		



The overall expenses of the Company for the second quarter ended 30<sup>th</sup> June 2022, amounted to 133.01 million baht, a decrease of 17.49 million baht or 11.62% from the previous year, mainly due to the following reasons:

- Selling and administrative expenses, the total amount of the selling and admin expenses in this quarter was 85.84 million baht, decrease from the last year by 19.12 million baht or 18.22. This was because in the second quarter of 2021 there were special items from recognition of loss from impairment of loans and accrued interest receivable to other companies. which are not related parties in the amount of 15.00 million baht and 1.38 million baht respectively while in the current period there was no such transaction.
- Financial costs of the Company and its subsidiaries amounted to 47.17 million baht, an increase of 1.63 million baht or 3.58% from the year 2021 due to the credit limit used to invest in large projects such as the project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at at Don Mueang Airport. Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport and the service of Advance Passenger Processing System (APPS) and Passenger Name Recording (PNR) project. The amount increased by 5.42 million baht due to the company gradually withdrawn long-term loans from financial institutions to invest in the service and maintenance of the passenger boarding service system (CUPPS) project at Mae Fah Luang Chiang Rai Airport. Chiang Mai Airport and Hat Yai Airport which began to provide services since the second quarter of 2022, while the financial cost attributable to short-term borrowings decreased amounting to 3.25 million baht, due to a decrease in the principal of short-term borrowings for projects which the Company and its subsidiaries has gradually repaid to financial institutions when receiving payment from customers.

#### Share of profit from associated companies



#### **SHARE OF PROFIT BY COMPANY (MILLION)**

Company	Q2/2022	Q2/2021
TURNKEY COMMUNICATION SERVICES PUBLIC COMPANY LIMITED ("TKC")	16.95	26.97
ASTRO SOLUTIONS COMPANY LIMITED ("ASTRO")	(0.41)	(0.65)
SAL GROUP (THAILAND) COMPANY LIMITED ("SAL")	1.62	(9.95)
<b>TOTAL</b>	<b>18.16</b>	<b>16.37</b>

For second quarter ended 30<sup>th</sup> June 2022, the Company has recognized its share of profit from investments in associates and joint operation totaling 18.16 million baht, an increasing of 1.79 million baht from the previous year (Q2/2021 share profit from investment in associates was 16.37 million baht), comprised of:



- (1) Profit Sharing from Turnkey Communication Services Public Company Limited (“TKC”) amounting to 16.95 million baht (decrease by 10.02 million baht compare to Q2/2021). Mainly from TKC was successfully listed on the Stock Exchange of Thailand by issuing 78,000,000 newly issued ordinary shares to public. The increasing in ordinary shares of TKC resulted in a decrease in investment proportion in TKC from 34.00% in Q2 2021 to 23.40% in Q2 2022 while the total profit of TKC is as same as last year.
- (2) Share of loss from Astro Solutions Company Limited (“Astro”) amounting to Baht 0.41 million (shared of loss decrease by 0.24 million baht compare to 2021) as the Company's main business was affected by the situation of the COVID-19 epidemic since 2020. However, trend of loss from Astro seems to be decreasing due to revering of tourism sector.
- (3) Profit Sharing from SAL Group (Thailand) limited amounting to 1.62 million baht favorable changed from prior period which loss shared by 9.95 million baht. Because SAL invested in AOT ground aviation service Company Limited, “AOTGA”, which is operate in the aviation business, Thus AOTGA has also suffered losses due to the impact of the COVID 19 situation. However, since the 4th quarter of 2021, AOTGA has started to show profitable results. Due to the effect of accepting foreign tourists and the expansion of AOTGA's business into the airport warehouse management business. Management forecasted that AOTGA's performance will be continuously positive since releasing of government travelling control policy , number of flight both domestic and international are going to growth respectively.

Please be informed accordingly.

Sincerely yours,

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(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary  
Tel. 02 029 7888 Ext 812