

Ref: AC.008/2020

25 February 2020

Subject: Management discussion and analysis of financial position and operating results

To: President and Manager

The Stock Exchange of Thailand

**Overall operating performance of the Group**

Unit: Million Baht

|                | 2019  | 2018  | Increase (decrease) | Variance (%) |
|----------------|-------|-------|---------------------|--------------|
| Total revenues | 6,797 | 8,080 | (1,283)             | (16%)        |
| Net profit     | 331   | 526   | (195)               | (37%)        |

The Group's total revenues for 2019 amounted Baht 6,797 million, which was decreased by Baht 1,283 million or a decrease of 16% compared to the total revenues for 2018 amounting to Baht 8,080 million. The decrease was mainly due to the lower revenue from enterprise solution business.

The Group's profit for 2019 amounted to Baht 331 million, which was decreased by Baht 195 million or a decrease of 37% compared to the profit for 2018 amounting to Baht 526 million. The decrease was mainly due to the lower gross profit from EMS business and enterprise solutions business.

**Analysis of revenues**

|                                   | 2019         |      | 2018         |      | Increase (decrease) |       |
|-----------------------------------|--------------|------|--------------|------|---------------------|-------|
|                                   | Million Baht | %    | Million Baht | %    | Million Baht        | %     |
| Revenues from main business       |              |      |              |      |                     |       |
| EMS business                      | 1,457        | 21%  | 1,658        | 21%  | (201)               | (12%) |
| Enterprise solution business      | 1,701        | 25%  | 2,676        | 33%  | (975)               | (36%) |
| Smart service business            | 3,361        | 50%  | 3,481        | 43%  | (120)               | (3%)  |
| Total revenues from main business | 6,519        | 96%  | 7,815        | 97%  | (1,296)             | (17%) |
| Other income                      | 278          | 4%   | 265          | 3%   | 13                  | 5%    |
| Total revenues                    | 6,797        | 100% | 8,080        | 100% | (1,283)             | (16%) |

### EMS business

The Company had revenue from EMS business for 2019 amounting to Baht 1,457 million, a decrease of Baht 201 million or a decrease of 12% compared to that of the previous year amounting to Baht 1,658 million. It resulted from a decrease in orders from one of the major customers of the manufacture and assembly of electronic circuit boards business unit.

### Enterprise solution business

The Company had revenue from Enterprise solution business for 2019 amounting to Baht 1,701 million, a decrease of Baht 975 million or a decrease of 36% compared to that of the previous year amounting to Baht 2,676 million. This is because the projects that occurred in 2018 were 2 large projects which had been completed and delivered in 2018. While many projects in 2019 were small to medium-sized projects.

### Smart service business

The Company had revenue from Smart service business for 2019 amounting to Baht 3,361 million, a decrease of Bath 120 million or a decrease 3% compared to that previous period amounting to Bath 3,481 million. There was no significant change compared to the same period of the previous year.

### Gross Profit and Gross Profit Margin

|                              | 2019         |            | 2018         |            | Increase (decrease) |              |
|------------------------------|--------------|------------|--------------|------------|---------------------|--------------|
|                              | Million Baht | %          | Million Baht | %          | Million Baht        | %            |
| EMS business                 | 264          | 18%        | 362          | 22%        | (98)                | (27%)        |
| Enterprise solution business | 472          | 28%        | 557          | 21%        | (85)                | (15%)        |
| Smart service business       | 801          | 24%        | 850          | 24%        | (49)                | (6%)         |
| <b>Gross Profit</b>          | <b>1,537</b> | <b>24%</b> | <b>1,769</b> | <b>23%</b> | <b>(232)</b>        | <b>(13%)</b> |

### EMS business

The Company had gross profit from EMS business for 2019 amounting to Baht 264 million, which was decreased by Baht 98 million or a decrease of 27% compared to the gross profit for 2018 amounting to Baht 362 million and gross profit margin for 2019 was decreased from 22% to 18%. This is due to an increase in reduction of cost of inventories to the net realisable value which is shown as a part of cost of sales by increasing the cost of sales.

### Enterprise solution business

The Company had gross profit for 2019 amounting to Baht 472 million, which was decreased by Baht 85 million or a decrease of 15% compared to the gross profit for 2018 amounting to Baht 557 million and gross profit margin for 2019 was increased from 21% to 28%. This is due to a decrease in reduction of cost of inventories to the net realisable value which is shown as a part of cost of sales by decreasing the cost of sales.

### Smart service business

The Company had gross profit for 2019 amounting to Baht 801 million, which was decreased by Baht 49 million or a decrease of 6% compared to the gross profit for 2018 amounting to Baht 850 million. Gross profit margin for 2019 was at the rate of 24%. There was no significant change compared to those of the previous year.

### Expenses and expenses to revenues from main business

|                         | 2019         |     | 2018         |     | Increase (decrease) |       |
|-------------------------|--------------|-----|--------------|-----|---------------------|-------|
|                         | Million Baht | %   | Million Baht | %   | Million Baht        | %     |
| Selling expenses        | 104          | 2%  | 108          | 1%  | (4)                 | (4%)  |
| Administrative expenses | 914          | 14% | 853          | 11% | 61                  | 7%    |
| Finance cost            | 102          | 2%  | 128          | 2%  | (26)                | (20%) |
| Income tax expenses     | 95           | 1%  | 134          | 2%  | (39)                | (29%) |

### Selling expenses

Selling expenses for 2019 and the selling expenses to revenue from main business were not significant change compared to those of the previous year.

### Administrative expenses

Administrative expenses for 2019 amounted to Baht 914 million, an increase of Baht 61 million or an increase of 7% from that of the previous year. This is due to the increase in administrative expenses which are doubtful accounts and long-term employee benefits.

### Finance cost

The financial cost for 2019 amounted to Baht 102 million, a decrease of Baht 26 million or a decrease of 20% from that of the previous year. It was in line with the lower short-term loans and long-term loans.

### Income tax expenses

Income tax expenses for 2019 amounted to Baht 95 million, a decrease of Baht 39 million or a decrease of 29% from that of the previous year. This is consistent with the decreased profit.

## Financial position

### Assets

Unit: Million Baht

|                     | 31 December 2019 | 31 December 2018 | Increase<br>(decrease) | % Variance   |
|---------------------|------------------|------------------|------------------------|--------------|
| Current assets      | 4,115            | 5,248            | (1,133)                | (22%)        |
| Non-current assets  | 3,502            | 3,622            | (120)                  | (3%)         |
| <b>Total assets</b> | <b>7,617</b>     | <b>8,870</b>     | <b>(1,253)</b>         | <b>(14%)</b> |

Total assets as at 31 December 2019 amounted to Baht 7,617 million, a decrease of Baht 1,253 million or a decrease of 14% compared to the total assets as at 31 December 2018, amounting to Baht 8,870 million. The decrease was mainly from trade accounts receivable and unbilled receivables.

### The quality of assets

#### Trade account receivables

Unit: Million Baht

|   | Consolidated financial statements |                  |
|---|-----------------------------------|------------------|
|   | 31 December 2019                  | 31 December 2018 |
| Trade account receivables - unrelated parties | 1,377                             | 2,452            |
| Less: Allowance for doubtful accounts         | (81)                              | (52)             |
| <b>Trade account receivables - net</b>        | <b>1,296</b>                      | <b>2,400</b>     |

As at 31 December 2019 and 31 December 2018, the Group had the allowance for doubtful accounts, amounting to Baht 81 million and Baht 52 million, respectively. The Group's policy on allowance for doubtful accounts is based on past collection history, aging profile of outstanding debts and the prevailing economic condition. Management believed that allowance for doubtful accounts is adequate in the current circumstances.

### Inventories

Unit: Million Baht

|                                     | Consolidated financial statements |                  |
|-------------------------------------|-----------------------------------|------------------|
|                                     | 31 December 2019                  | 31 December 2018 |
| Inventories                         | 1,372                             | 1,335            |
| Reduce cost to net realisable value | (393)                             | (367)            |
| <b>Inventories - net</b>            | <b>979</b>                        | <b>968</b>       |

As at 31 December 2019 and 31 December 2018, the Group had the reduction of cost of inventories to net realisable value amounting to Baht 393 million and Baht 367 million, respectively. The Group estimates net realisable value of inventories taking into the account fluctuations of price or cost directly related to events occurring after the end of the period, movements of inventories and the prevailing economic condition. Management believed that the reduction of cost of inventories to net realisable value is adequate in the current circumstances.

#### Source of fund

Unit: Million Baht

|                                   | 31 December 2019 | 31 December 2018 | Increase<br>(decrease) | % Variance   |
|-----------------------------------|------------------|------------------|------------------------|--------------|
| Current liabilities               | 4,920            | 5,903            | (983)                  | (17%)        |
| Non-current liabilities           | 251              | 461              | (210)                  | (46%)        |
| <b>Total liabilities</b>          | <b>5,171</b>     | <b>6,364</b>     | <b>(1,193)</b>         | <b>(19%)</b> |
| <b>Total shareholders' equity</b> | <b>2,446</b>     | <b>2,506</b>     | <b>(60)</b>            | <b>(2%)</b>  |

#### Liabilities

Total liabilities as at 31 December 2019 were Baht 5,171 million, a decrease of Baht 1,193 million or a decrease of 19% compared to the total liabilities as at 31 December 2018, which was Baht 6,364 million. The decrease was mainly due to the decrease of short-term loans from banks, long-term loans and trade account payables.

#### Shareholders' equity

Total shareholders' equity as at 31 December 2019 were Baht 2,446 million, a decrease of Baht 60 million, or a decrease of 2% compared to the total shareholders' equity as at 31 December 2018, which was Baht 2,506 million. The change was due to the net profit, the dividend payment to the shareholders of the Company and the subsidiaries, capital increase of the subsidiaries, and the share repurchase of the Company.

#### The appropriate of capital structure

The debt to equity ratio as at 31 December 2019 was 2.1:1, decreased from the debt-to-equity ratio as at 31 December 2018, which was 2.5: 1. The decrease was due to the decrease of current liabilities.

Liquidity

Cash flows

Unit: Million Baht

|  | 2019    | 2018  |
|--|---------|-------|
| Cash flows from (used in) operating activities | 1,935   | 608   |
| Cash flows from (used in) investing activities | (538)   | (529) |
| Cash flows from (used in) financing activities | (1,411) | (381) |

Cash flows from operating activities for 2019 were Baht 1,935 million, increased by Baht 1,327 million compared to that of the previous year amounting to Baht 608 million. It resulted from the increase of working capital i.e. trade receivables, unbilled receivables, trade payables etc.

Cash flows used in investing activities for 2019 were Baht 538 million, increased by Baht 9 million. There was no significant change compared to that of the previous year.

Cash flows used in financing activities for 2019 were Baht 1,411 million, increase by Baht 1,030 million compared to that of the previous year amounting to Baht 381 million. The increase was due to repayment of short-term loans from banks.

Liquidity ratio

Current ratio as at 31 December 2019 was 0.84:1, which was not significant change when compared with the current ratio as at 31 December 2018, which was 0.89:1.

Please be informed accordingly.

Yours sincerely,

(Mr. Arin Jamnaree)

Financial Controller