



International Research
Corporation Public Co., Ltd.

0107546000024

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EM-IRCP 24-64

August 16, 2021

Subject: Management Discussion and Analysis (MD&A) for the three-month and six-month periods
ended June 30, 2021

To: The President
The Stock Exchange of Thailand

International Research Corporation Public Company Limited would like to clarify the operating results of consolidated financial statements for the three-month and six-month periods ended June 30, 2021 as follows:

Operating results for the three-month period ended June 30, 2021 (Q2/2021) represented a net profit of Baht 31.63 million, an increase of Baht 29.03 million or 1,115.14 % from the same quarter of last year of Baht 2.60 million. The net profit attributable to owner of the parent company was Baht 31.09 million (earnings per share of Baht 0.12 per share), an increase of Baht 28.11 million or 944.06% from the same quarter of last year of Baht 2.98 million (earnings per share of Baht 0.01 per share).

- Total revenue for Q2/2021 was Baht 219.67 million, a decrease from the same quarter of last year by Baht 67.91 million or 23.62 percent. The details are as follows:
 - ❖ Revenue from system development services in Q2/2021 decreased by 48.03% from the same quarter of last year due to the impact of the Covid-19 outbreak that affecting some projects that require travel to work in provincial areas, unable to work as plan. As a result, the operation and delivery of project was delayed than planned. The delivery period has to be extended and it affected the recognition of revenue for some projects.
 - ❖ Sales revenue in Q2/2021 of Baht 130.57 million, an increase of Baht 2.70 million or 2.11% from the same quarter of last year, derived from the performance of the subsidiary in the distribution of IT products for the organization.
- Total expenses for Q2/2021 of Baht 180.82 million, decreased by Baht 93.74 million or 34.14% from the same quarter of last year. The details are as follows:



- ❖ Cost of system development services, which are the cost of projects in Q2/2021, amounted to Baht 36.76 million, a decrease of Baht 92.15 million or 71.49 % from the same quarter of last year. This is in line with the reduction of revenue from system development service in Q2/2021, which the reduction rate of cost was greater than the reduction rate of revenue due to the Company's improvement of cost control.
- ❖ Cost of sales which is the cost of goods for non-project work of the subsidiary amounted to Baht 102.16 million, a decrease of Baht 5.75 million or 5.33% from the same quarter of last year. Meanwhile, the cost of distribution for Q2/2021 of Baht 12.04 million, increased by Baht 0.30 million or 2.58% from the same quarter of last year. This was in line with the increased sales revenue of the subsidiary.
- ❖ Administrative expenses in Q2/2021 amounted to Baht 29.86 million, an increase of Baht 3.86 million or 14.86% from the same quarter of last year. If the expected credit loss incurred in accordance with Thai Financial Reporting Standard 9 (TFRS 9) of Baht 2.95 million was not included, administrative expenses in Q2/2021 will be Baht 26.91 million, an increase of Baht 1.97 million baht or 7.91% from the same quarter of last year.
- ❖ As mentioned above, The Company's gross profit margin for Q2/2021 of 33.76% rose from the same quarter of last year of 15.46%, resulting in an increase in operating activity profit in Q2/2021 of Baht 25.82 million or 198.17% from the same quarter of last year.
- ❖ Financial cost of bank loan for projects in Q2/2021 decreased by Baht 1.94 million, or 24.54% from the same quarter of last year, in line with the total liabilities decreased by Baht 44.85 million or 5.72%.
- ❖ In the second quarter of last year, the subsidiary had a share of loss on investments in associate of Baht 0.59 million. However, this year the subsidiary sold such investment in Q1/2021.
- ❖ Profit before income tax for Q2/2021 of Baht 32.89 million compared to the same quarter last year of Baht 4.55 million, an increase of Baht 28.35 million or 623.56%. Income tax expense for Q2/2021 of Baht 1.26 million reduced by Baht 0.68 million or 35%. Such income tax expenses came from the taxable profit of the subsidiary.
- ❖ Net profit for Q2/2021 of Baht 31.63 million increased by Baht 29.03 million or 1,115.14% from the same quarter of last year of Baht 2.60 million.

Operating results for the six-month period ended June 30, 2021 represented a net loss of Baht 15.89 million as compare with the same period last year with a net loss of Baht 33.17 million, a decrease of Baht 17.28

million or 52.08%. Loss attributable to owner of the parent for the first six-month period of 2021 amounted to Baht 15.90 million (Loss per share of Baht 0.06) as compare with the same period last year of Baht 31.63 million (Loss per share of Baht 0.12), a decrease of loss by Baht 15.73 million or 49.74%.

- Total revenues for the first six-month period of 2021 amounted to Baht 422.77 million, a decrease of Baht 15.83 million or 3.61%. The details are as follows:
 - ❖ Revenue from system development service for the first six-month period of this year decreased by 30.15% from the same period of last year. Revenue from sales for the first six-month period of 2021 amounted to Baht 257.86 million, an increase of Baht 33.77 million or 15.07% from the same period of last year. The revenue from sales came from the subsidiary's performance in the distribution of IT products for enterprises, which increased significantly during the COVID-19 outbreak. Organizations have increasingly adapted to "work from home" pattern.
 - ❖ Other income for the first six-month period of this year amounted to Baht 16.52 million an increase of Baht 13.46 million or 438.59% from the same period of last year. This was due to the subsidiary recorded gain on disposal of investment of Baht 4.26 million and the Company had revenue from the reduction in the provision of other liabilities of Baht 9.67 million.
- Total expenses for the first six-month period of 2021 amounted to Baht 434.47 million, a decrease of Baht 17.93 million or 3.96% from the same period of last year. The details are as follows:
 - ❖ Cost of system development services, which are the cost of projects for the first six-month period of 2021 amounted to Baht 99.84 million, a decrease of Baht 77.40 million or 43.67% from the same period of last year which was in line with the reduction of revenue. The reduction rate of cost was greater than the reduction rate of revenue due to the company's improvement of cost control. In addition, the backlog and revenue of this year are lower than last year.
 - ❖ Most of cost of sales and distribution costs are cost of non-project of subsidiaries, an increase of Baht 14.75 million or 6.87% from the same period of last year which are in line with the increase of the subsidiary's revenue from sales.
 - ❖ The Company recorded an expected credit loss in accordance with Thai Financial Reporting Standard 9 (TFRS 9) of Baht 47.44 million in the first six-month period of 2021. If such expected credit loss was not included, the administrative expenses for the first six-month period of 2021 will be Baht 57.75 million, an increase of Baht 0.69 million or 1.21% from the same period of last year.

- ❖ Gross profit margin for the first six-month period of 2021 was 23.96%, up from the same period of last year with a gross profit margin of 13.87%.
 - ❖ Financial cost of bank loan for projects in the first six-month period of 2021 decreased by Baht 4.24 million, or 25.93% from the same period of last year, in line with the total liabilities decreased by Baht 44.85 million.
 - ❖ In the first six months of 2021, the subsidiary recorded the profit sharing on investment in associate of Baht 10.52 million. Meanwhile, there was the loss sharing of investment in associate of Baht 1.19 million in the same period of last year. The subsidiary sold such investment in Q1/2021.
- Share capital, Premium on ordinary shares and Legal reserve

Movement of the share capital, premium on ordinary shares and legal reserve for the six-month period ended June 30, 2021 were summarized as follows:

	Thousand shares		Thousand Baht			
	Authorized share capital	Issued and paid-up share capital	Authorized share capital	Issued and paid-up share capital	Premium on ordinary shares	Legal reserve
Balance at December 31, 2020	320,536	254,300	320,536	254,300	117,150	25,430
Decrease of the registered capital by deducting unsubscribed shares	(66,236)	-	(66,236)	-	-	-
Decrease of the registered capital by reduction of the par value to offsetting deficit	-	-	(127,150)	(127,150)	-	-
Transfer of legal reserve and premium on ordinary shares to compensate for the deficit	-	-	-	-	(117,150)	(25,430)
Balance at June 30, 2021	<u>254,300</u>	<u>254,300</u>	<u>127,150</u>	<u>127,150</u>	<u>-</u>	<u>-</u>

According to the Annual General Shareholders' Meeting 2021 held on April 9, 2021, it had the resolution consideration to approve on significant matters as follows:

- (1) The decrease of the registered capital of the Company by Baht 66.24 million from the existing registered capital of Baht 320.54 million to the registered capital of Baht 254.30 million by deducting 66,236,520 unsubscribed shares with par value Baht 1.00 per share.
- (2) The transfer of appropriated legal reserve of Baht 25.43 million and premium on ordinary shares of Baht 117.15 million to compensate for the deficit of the Company.
- (3) The decrease of the registered capital of the Company by Baht 127.15 million from the existing registered capital of Baht 254.30 million to the registered capital of Baht 127.15 million by reduction of the par value of shares from Baht 1.00 per share to Baht 0.50 per share to offsetting deficit.
- (4) The increase of registered capital of the Company by Baht 90.63 million from the existing registered capital of Baht 127.15 million to the registered capital of Baht 217.77 million by issuing 181,250,000



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newly issued ordinary shares with par value of Baht 0.50 per shares. Such new ordinary shares shall be offered to existing shareholder proportionate to their shareholding (Right Offering) at an offering ratio of 1.4030331 existing shares to 1 new ordinary share (a fraction of share shall be disregarded) at the offering price of Baht 0.80 per share.

The Company has completed the action mentioned in (1) - (4) and registered the capital decrease and increase with the Ministry of Commerce on June 30, 2021 and July 1, 2021, respectively.

Please be informed accordingly.

Yours faithfully,

(Mr. Dan Hetrakul)

Chief Executive Officer