



International Research  
Corporation Public Co., Ltd.

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EM-IRCP 25-64

November 15, 2021

Subject: Management Discussion and Analysis (MD&A) for the three-month and nine-month periods  
ended September 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 nine-month periods ended September 30, 2021 as follows:

Operating results for the three-month period ended September 30, 2021 (Q3/2021) represented a net profit of Baht 42.33 million, an increase of Baht 24.64 million or 139.34% from the same quarter of last year of Baht 17.69 million. The net profit attributable to owner of the parent company was Baht 42.18 million (earnings per share of Baht 0.13 per share), an increase of Baht 23.80 million or 129.54% from the same quarter of last year of Baht 18.38 million (earnings per share of Baht 0.08 per share).

- Total revenue for Q3/2021 was Baht 177.52 million, a decrease from the same quarter of last year by Baht 69.82 million or 28.23%. The details are as follows:
  - ❖ Revenue from system development services in Q3/2021 reduced by 40.28% from the same quarter of last year due to the impact of the Covid-19 outbreak that affecting some projects. This causes the operation and delivery of project to be delayed than planned. As a result, the delivery period has to be extended and it affected the recognition of revenue for some projects.
  - ❖ Sales revenue derived from the performance of the subsidiary in the distribution of IT products for the organization. Sales revenue in Q3/2021 of Baht 141.43 million, decreased by Baht 10.53 million or 6.93% from the same quarter of last year which was the result of the severe Covid-19 outbreak during the period of July to August 2021. Salesman cannot visit customers for any selling. In addition, the market was very competitive in terms of products, prices and distribution patterns.

- Total expenses for Q3/2021 of Baht 129.18 million, decreased by Baht 90.01 million or 41.06% from the same quarter of last year. The details are as follow
  - ❖ Cost of system development services, which are the cost of projects in Q3/2021, amounted to Baht 30.37 million, a decrease of Baht 12.23 million or 28.71% from the same quarter of last year. This was in line with the reduction of revenue from system development service. Furthermore, the Company reversed a project cost estimate of Baht 47.39 million due to change in details of development of the aforementioned project in Q3/2021. In this regard, the Company has completed the delivery of the said project.
  - ❖ Cost of sales which is the cost of goods for non-project work of the subsidiary amounted to Baht 118.90 million, a decrease of Baht 12.02 million or 9.18% from the same quarter of last year. Cost of distribution for Q3/2021 of Baht 10.54 million, decreased by Baht 1.46 million or 12.16% from the same quarter of last year. This was in line with the decrease in sales revenue of the subsidiary.
  - ❖ Administrative expenses in Q3/2021 amounted to Baht 17.32 million, a decrease of Baht 16.34 million or 48.55% from the same quarter of last year. If the reversal of the expected credit loss incurred in accordance with Thai Financial Reporting Standard 9 (TFRS 9) of Baht 6.47 million was not included, administrative expenses in Q3/2021 will be Baht 23.79 million, a decrease of Baht 2.93 million baht or 10.96% from the same quarter of last year.
  - ❖ As mentioned above, The Company's gross profit margin for Q3/2021 of 40.66% rose from the same quarter of last year of 14.37%, resulting in an increase in operating activity profit in Q3/2021 of Baht 20.18 million or 71.66% from the same quarter of last year.
  - ❖ Financial cost in Q3/2021 decreased by Baht 2.46 million or 31.73% from the same quarter of last year, in line with the reduction of total liabilities.
  - ❖ In the third quarter of last year, the subsidiary had a share of loss on investments in associate of Baht 1.69 million. However, such investment was sold in Q1/2021.
  - ❖ Profit before income tax for Q3/2021 of Baht 43.05 million compared to the same quarter last year of Baht 18.71 million, an increase of Baht 24.34 million or 130.08%. Income tax expense for Q3/2021 of Baht 0.72 million reduced by Baht 0.31 million or 29.79%. Such income tax expenses came from the taxable profit of the subsidiary.
  - ❖ Net profit for Q3/2021 of Baht 42.33 million increased by Baht 24.64 million or 139.34% from the same quarter of last year of Baht 17.69 million.

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Operating results for the nine-month period ended September 30, 2021 represented a net profit of Baht 26.43 million as compare with the same period last year with a net loss of Baht 15.49 million, an increase of Baht 41.92 million or 270.70%. Profit attributable to owner of the parent for the nine-month period of 2021 amounted to Baht 26.28 million (Earning per share of Baht 0.09) as compare with the same period last year of loss in the amount of Baht 13.25 million (Loss per share of Baht 0.05), an increase of Baht 39.53 million or 298.30%.

- Total revenues for the nine-month period of 2021 amounted to Baht 601.02 million, a decrease of Baht 84.93 million or 12.38%. The details are as follows:
  - ❖ Revenue from system development service for the nine-month period of this year decreased by 32.16% from the same period of last year. Revenue from sales for the nine-month period of 2021 amounted to Baht 399.29 million, an increase of Baht 23.24 million or 6.18% 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 nine-month period of this year amounted to Baht 20.64 million, a decrease of Baht 24.05 million or 53.82% from the same period of last year. Other income for the nine-month period of this year consists of gain on disposal of investment in associate of Baht 4.26 million, gain on reduction of liabilities of Baht 12.48 million and other income of Baht 3.90 million.
- Total expenses for the nine-month period of 2021 amounted to Baht 564.37 million, a decrease of Baht 107.21 million or 15.96% 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 nine-month period of 2021 amounted to Baht 131.74 million, a decrease of Baht 88.11 million or 40.08% 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. The backlog and revenue of this year are lower than last year. In addition, for the nine-month of 2021 there was a reversal of the project estimate cost of Baht 48.92 million due to the change in details of such project operations. In this regard, the Company has completed the delivery of the said project.
  - ❖ Most of cost of sales and distribution costs are cost of non-project of subsidiaries, an increase of Baht 1.27 million or 0.36% from the same period of last year which are in line with the increase of the subsidiary's sales revenue.

- ❖ The Company recorded an expected credit loss in accordance with Thai Financial Reporting Standard 9 (TFRS 9) of Baht 40.98 million in the nine-month period of 2021. If such expected credit loss was not included, the administrative expenses for the nine-month period of 2021 will be Baht 82.26 million, a decrease of Baht 1.51 million or 1.80% from the same period of last year.
  - ❖ Gross profit margin for the nine-month period of 2021 was 28.97%, up from the same period of last year with a gross profit margin of 14.03%.
  - ❖ Financial cost for the nine-month period of 2021 decreased by Baht 6.70 million, or 27.80% from the same period of last year, in line with the total liabilities decreased by Baht 253.46 million or 32.32%.
  - ❖ For the nine-month 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 2.88 million in the same period of last year. Such investment was sold 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 nine-month period ended September 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)
Increase in share capital	181,250	159,002	90,625	79,501	47,700	-
Attributable expenses of increase in share capital	-	-	-	-	(1,086)	-
Balance at September 30, 2021	<u>435,550</u>	<u>413,302</u>	<u>217,775</u>	<u>206,651</u>	<u>46,614</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 217.78 million by issuing 181.25 million 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.

As at September 30, 2021 debt to equity ratio of 1.66 times which was the result of Company's capital increase.

Please be informed accordingly.

Yours faithfully,

(Mr. Dan Hetrakul)

Chief Executive Officer