

July 24th, 2020

Subject Management Discussion and Analysis on operating result for the first quarter of year 2020

To: Managing Director of Stock Exchange of Thailand

Simat Technologies Public Company Limited would like to report the variance in operating result for the first quarter of year 2020 compared with the same period of year 2019 as follows:

Jan - Mar 2020 3-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	3,792	61,036	84,086	152,405	29,291	-	330,610
Cost of sales and services	(3,148)	(40,982)	(45,629)	(132,364)	(17,285)	-	(239,408)
Gross profit (loss)	644	20,054	38,457	20,041	12,006	-	91,202
Gain (loss) on exchange rate	(24)	(83)	(292)	-	-	-	(399)
Other income	5,625	9	76	414	86	-	6,210
Selling expenses	(423)	(2,483)	(2,373)	(769)	(3,290)	-	(9,338)
Administrative expense	(2,462)	(10,394)	(15,129)	(7,682)	(5,362)	-	(41,029)
Finance cost	479	(404)	(2,003)	(716)	(914)	-	(3,558)
Profit sharing from associate	(3,034)	-	-	-	-	-	(3,034)
Profit (loss) before income tax	805	6,699	18,736	11,288	2,526	-	40,054
Income tax	(248)	(1,197)	(4,010)	(721)	(161)	-	(6,337)
Net profit (loss)	557	5,502	14,726	10,567	2,365	-	33,717
Profit (loss) attributable to Equity holders of the Company							27,760
Non-controlling interests							5,957
							33,717
Jan - Mar 2019 3-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	15,347	58,596	90,560	15,459	45,774	172,441	398,177
Cost of sales and services	(14,627)	(41,728)	(45,547)	(12,725)	(27,674)	(162,395)	(304,696)
Gross profit (loss)	720	16,868	45,013	2,734	18,100	10,046	93,481
Gain (loss) on exchange rate	131	363	(94)	-	-	-	400
Gain on sale of investment	-	-	-	-	-	-	-
Other income	(532)	533	1,447	16	217	3,738	5,419
Selling expenses	(2,815)	(2,137)	(1,168)	(5)	(5,766)	(1,737)	(13,628)
Administrative expense	(5,788)	(10,689)	(13,640)	(1,237)	(15,093)	(11,634)	(58,081)
Finance cost	929	(680)	(2,030)	-	(2,392)	(3,789)	(7,962)
Profit sharing from associate	(154)	-	-	-	-	-	(154)
Profit (loss) before income tax	(7,509)	4,258	29,528	1,508	(4,934)	(3,376)	19,475
Income tax	20	(497)	(6,651)	22	64	945	(6,097)
Net profit (loss)	(7,489)	3,761	22,877	1,530	(4,870)	(2,431)	13,378
Profit (loss) attributable to Equity holders of the Company							6,112
Non-controlling interests							7,266
							13,378

Summary

The consolidated net profit (portion of the parent company) for the first quarter of year 2020 and 2019 were Baht 27.76 million and Baht 6.11 million, respectively. The operating profit improved from the prior year significantly due to all business segments had profit in this year while last year there were net loss from IT, Broadband and Wholesale of computer hardware in Malaysia. The change of the operating performance of each business is as below.

- Broadband business had net profit of Baht 2.37 million which improved from prior year due to the business restructure although revenue decreased but the control of fixed cost from the transfer of staffs to Government Project help cost reduction a lot. However, after delivery of Phase 1 of Government Project completed, the Company will have the broadband coverage area increasing from 3 provinces to 10 provinces and the Company will focus more on sale and marketing in the last quarter of this year.
- IT Solution Business had net profit of Baht 0.56 million. The revenue increase so much due to the transfer of IT business to the associate company. In this quarter, there was the extra profit from the transfer of the stock, equipment and customer base to the associate company about Baht 4 million. However, the associate company just started the operation and has not reached the break-even point with the effect of COVID 19 therefore the company recognized the loss sharing from the associate about Baht 3 million. The Company expect that the associate company will improve the operating performance in the last quarter of the year.
- Label Printing Business had net profit of Baht 5.50 million which improved from prior year because sale increased about 4% and gross margin ratio improved from 29% to 33%.
- Silkscreen Printing business had net profit of Baht 14.73 million decreased from prior year a lot due to sale decreased about 7% which led to decrease in gross margin about Baht 3 million. In addition, there were increase in operating expenses including the consulting fee of financial advisor for IPO about Baht 1.4 million, provision of finished goods and raw materials about Baht 1.2 million and the increase in production cost about Baht 1.2 million.
- Government project, the project of internet service to remote area - Zone Northeast 2, had profit about Baht 10.57 million. The Company recognized revenue for this quarter about Baht 152 million divided into the revenue of Phase 1 about Baht 147 million and Phase 2 about Baht 5 million while, the quarter 1 of last year, the company had just started to recognize revenue of Phase 1 about Baht 15 million only.
- Wholesale of computer hardware in Malaysia had no more operation since the Company sold all the investment in this business since quarter 4 of last year.

Please be informed accordingly,

Faithfully yours,

(Mr. Thammanoon Korkiatwanich)

Director/Company Secretary