

August 14th, 2020

Subject Management Discussion and Analysis on operating result for the second 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 second quarter of year 2020 compared with the same period of year 2019 as follows:

Apr - Jun 2020 3-months	Thailand					Malaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	6,160	46,778	71,678	77,553	23,825	-	225,994
Cost of sales and services	(6,306)	(34,242)	(45,481)	(65,566)	(16,401)	-	(167,996)
Gross profit (loss)	(146)	12,536	26,197	11,987	7,424	-	57,998
Gain (loss) on exchange rate	(3)	138	59	-	-	-	194
Other income	1,728	51	40	198	120	-	2,137
Selling expenses	(313)	(2,114)	(1,989)	(261)	(2,982)	-	(7,659)
Administrative expense	(1,910)	(6,649)	(10,665)	(9,012)	(6,057)	-	(34,293)
Finance cost	540	(537)	(1,722)	(5,273)	(410)	-	(7,402)
Profit sharing from associate	(1,616)	-	-	-	-	-	(1,616)
Profit (loss) before income tax	(1,720)	3,425	11,920	(2,361)	(1,905)	-	9,359
Income tax	(1)	(1,092)	(2,654)	125	102	-	(3,520)
Net profit (loss)	(1,721)	2,333	9,266	(2,236)	(1,803)	-	5,839
Profit (loss) attributable to Equity holders of the Company							2,465
Non-controlling interests							3,374
							5,839
Apr - Jun 2019 3-months	Thailand					Malaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	13,708	61,499	75,397	163,821	39,244	227,277	580,946
Cost of sales and services	(9,707)	(41,618)	(45,843)	(130,807)	(24,309)	(209,327)	(461,611)
Gross profit (loss)	4,001	19,881	29,554	33,014	14,935	17,950	119,335
Gain (loss) on exchange rate	16	231	103	-	-	-	350
Gain on sale of investment	(44,693)	-	-	-	-	-	(44,693)
Other income	(633)	573	49	60	124	2,498	2,671
Selling expenses	(2,889)	(1,968)	(1,467)	(237)	(4,744)	(1,584)	(12,889)
Administrative expense	(6,984)	(8,919)	(15,607)	(2,044)	(15,403)	(12,063)	(61,020)
Finance cost	366	(697)	(2,129)	(6)	(1,288)	(2,575)	(6,329)
Profit sharing from associate	211	-	-	-	-	-	211
Profit (loss) before income tax	(50,605)	9,101	10,503	30,787	(6,376)	4,226	(2,364)
Income tax	423	(1,153)	(2,487)	-	-	(1,604)	(4,821)
Net profit (loss)	(50,182)	7,948	8,016	30,787	(6,376)	2,622	(7,185)
Profit (loss) attributable to Equity holders of the Company							(13,537)
Non-controlling interests							6,352
							(7,185)

Jan - Jun 2020 6-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	9,952	107,814	155,764	229,958	53,116	-	556,604
Cost of sales and services	(9,454)	(75,224)	(91,110)	(197,930)	(33,686)	-	(407,404)
Gross profit (loss)	498	32,590	64,654	32,028	19,430	-	149,200
Gain (loss) on exchange rate	(27)	55	(233)	-	-	-	(205)
Other income	7,353	60	116	612	206	-	8,347
Selling expenses	(736)	(4,597)	(4,362)	(1,030)	(6,272)	-	(16,997)
Administrative expense	(4,372)	(17,043)	(25,794)	(16,694)	(11,419)	-	(75,322)
Finance cost	1,019	(941)	(3,725)	(5,989)	(1,324)	-	(10,960)
Profit sharing from associate	(4,650)	-	-	-	-	-	(4,650)
Profit (loss) before income tax	(915)	10,124	30,656	8,927	621	-	49,413
Income tax	(249)	(2,289)	(6,664)	(596)	(59)	-	(9,857)
Net profit (loss)	(1,164)	7,835	23,992	8,331	562	-	39,556
Profit (loss) attributable to Equity holders of the Company							30,225
Non-controlling interests							9,331
							39,556
Jan - Jun 2019 6-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

For the 3-month period

The consolidated net profit/(loss) (portion of the parent company) for the second quarter of year 2020 and 2019 were Baht 2.47 million and Baht (13.54) million, respectively with the following details.

- For the government project which is the project of internet service to remote area - Zone Northeast, this quarter incurred loss of Baht 2 million due to the followings
 - As at 30 June 2020, the Company recognized cost of project for the phase 1 for 97% of the total budgeted project cost and there is only the remaining of the third installment is yet to be delivered and inspected. In this quarter, the Company recognized the project cost of phase 1 for only 8% or Baht 47 million while, last year, the Company recognized for 22% or Baht 131 million. The latest budgeted project cost of Phase 1 was Baht 594 million.
 - The Company recognized revenue and profit of phase 2 (for the Internet service which was officially started) for the installment 1 of phase 1 has been started officially since March 1, 2020 and the installment 2 of phase 1 has been started since May 1, 2020. The remaining was the installment 3 of phase 1 is pending for

delivery and not started service yet. The monthly revenue for the internet service of phase 2 can be categorized as below.

Job delivered	Details	Monthly Revenue (Million Baht)	Proportion	Service Start Date
Phase 1, Installment 1	Job Type 1 for 1,135 service points	5.12	23%	1 March 2020
Phase 1, Installment 2	Job Type 1 for 962 service points Job Type 4 for 380 service points Job Type 5 for 2 service points	7.88	34%	1 May 2020
Phase 1, Installment 3	Job Type 2 for 16 service points Job Type 3 for 169 service points	9.60	43%	In process of delivery and inspection*
	Total	22.60	100%	

Remark * : The Company has delivered the work of the Installment 3 of Phase 1 already in August 2020. It is now currently being in process of inspection. Once the inspection has been successfully, the service shall be officially started.

In Quarter 1 and Quarter 2 of year 2020, the Company has recognized service revenue for Baht 5.12 million and Baht 31.13 million, respectively.

If the Company can start the service of phase 2 completely 100%, the Company will recognize the service revenue for Baht 22.60 million a month or Baht 271 million a year along with the contract term. The gross profit margin of the service of phase 2 is higher than the installation & construction of phase 1.

- The loss incurred in Quarter 2 mainly come from the effect of delay for the delivery of the work of installment 3 of Phase 1 which led to the increase of project cost for 3 portions:
 1. The cost of construction of the work of the installment 3 of Phase 1 which is over from the budgeted project cost for Baht 7.94 million which need to be recognized in this period.
 2. The interest expenses which were allocated to the service in this quarter was Baht 4.75 million which increased from Quarter 1 significantly due to the Company still has not received the second installment payment for the work completed for installment 2 of phase 1 about Baht 274 million. During the pending for such cash receipt, the loan principal was not reduced and there was the increase in loan to accommodate the working capital of the service of phase 2 and this led to the increase of interest expense of the project. However, when cash receipt was done, the interest expense will reduce as well.
 3. During the period of waiting for the delivery and inspection of work of installment 3 of Phase 1, the Company still was not able to recognize the service revenue of this portion while the Company still need to maintain the fixed cost in order to support the service activities for the job installment 1 and 2 which were delivered and started to service already and included the

installment 3 as well. The fixed costs included payroll cost for the maintenance staff, electricity cost, internet cost and other relevant cost.

However, the effect of the increase in cost as mentioned above will be temporarily existed. When the delivery and inspection of the installment 3 of phase 1 has been completed, the Company shall recognize the service revenue for 100% of phase 2 then the operating result will improve as well as previously planned.

- The delay of the delivery and inspection of installment 3 of phase 1 arises from the force majeure which came from the tropical storm named “Podul” and “Kajiki” attacked in the north-east area during end of August till year-end of 2019 and the effect from the preventive measures of COVID-19 by the emergency decree during the beginning of year 2020 which the Company reported to SET since May 15, 2020.
- For the period of year 2020, the operating result of Silkscreen and Label Printing business was decreased due to the decrease in revenue for 5% and 24%, respectively. Normally, Quarter 2 is generally low-season however, this year, there was also the effect from COVID 19 which caused the significant decrease in purchase orders from the customer in electric appliance group in Europe. However, the purchase orders was recovered since June 2020 and the situation will be improved since Quarter 3.
- IT business had net loss from operation for the second quarter for the year 2019 and 2018 for Baht 1.72 million and Baht 50.10 million. The operating performance improved from last year due to, last year, there was an extraordinary expense item (non-cash item) which is loss from impairment on goodwill of investment in subsidiary in Malaysia amounting to Baht 44.69 million from sale of all shares holding in this subsidiary.
- Broadband business had net loss from operation for the second quarter for the year 2019 and 2018 for Baht 1.80 million and Baht 6.38 million, respectively. The net loss improved from prior year due to the downsize of the business and the transfer of some staffs to do installation of Government Project.

For the 6-month period

The consolidated net profit/(loss) (portion of the parent company) for the 6-month period of year 2020 and 2019 were Baht 30.23 million and Baht (7.43) million, respectively. In year 2019, there is extraordinary expense item (non-cash item) which is loss from impairment on goodwill of investment in subsidiary in Malaysia amounting to Baht 44.69 million from sale of all shares holding in this subsidiary.

- IT business, which exclude the effect from sale of investment in subsidiary in Malaysia, has improved in operating performance although there was a little bit loss due to the transfer of IT business to the associate company which the Company has joint investment with the Malaysian company.
- Broadband business has improved its operating performance from the downsizing of its business and the transfer of staffs to government project.
- Silkscreen and Label Printing business has decline in operating performance which came the decrease in sale from the effect of COVID 19.
- Government project has decline in operating performance due to the delay of delivery and inspection of work of the installment 3 of Phase 1 which caused the Company still has not recognized the service revenue of this portion while the Company still need to maintain the fixed cost to support the service and maintenance and the installation and construction cost which increased over the budgeted project cost from the effect of COVID 19 and the interest expenses allocated to service phase increased from the delay of cash receipt for the installment

2 of phase 1. However, the effect of the increase in cost as mentioned above will be temporarily existed. When the delivery and inspection of the installment 3 of phase 1 has been completed, the Company shall recognize the service revenue for 100% of phase 2 then the operating result will improve as well as previously planned.

Please be informed accordingly,

Faithfully yours,

(Mr. Thammanoon Korkiatwanich)

Director/Company Secretary