

March 1st, 2021

Subject Management Discussion and Analysis on operating result for the 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 year 2020 compared with year 2019 as follows:

Jan - Dec 2020 12-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	11,665	226,497	357,130	331,539	93,263	-	1,020,094
Cost of sales and services	(11,794)	(154,132)	(201,459)	(279,636)	(66,131)	-	(713,152)
Gross profit (loss)	(129)	72,365	155,671	51,903	27,132	-	306,942
Gain (loss) on exchange rate	(24)	75	160	-	-	-	211
Other income	10,200	257	1,875	3,535	557	-	16,424
Selling expenses	(1,193)	(8,987)	(9,125)	(3,309)	(12,043)	-	(34,657)
Administrative expense	(7,623)	(32,819)	(59,968)	(40,392)	(28,487)	-	(169,289)
Finance cost	(117)	(3,755)	(7,369)	(22,968)	(2,261)	-	(36,470)
Profit sharing from associate	(4,777)	-	-	-	-	-	(4,777)
Profit (loss) before income tax	(3,663)	27,136	81,244	(11,231)	(15,102)	-	78,384
Income tax	(548)	(6,725)	(17,656)	7,581	5,104	-	(12,244)
Net profit (loss)	(4,211)	20,411	63,588	(3,650)	(9,998)	-	66,140
Profit (loss) attributable to Equity holders of the Company							40,777
Non-controlling interests							25,363
							66,140

Jan - Dec 2019 12-months	Thailand					MaLaysia	Total
	IT Solution	Label Printing	Silkscreen Printing	Government Project	Internet Broadband	Wholesale of computer	
Revenues	75,572	248,997	332,124	492,189	153,617	706,041	2,008,540
Cost of sales and services	(60,502)	(166,814)	(196,664)	(400,629)	(90,412)	(637,613)	(1,552,634)
Gross profit (loss)	15,070	82,183	135,460	91,560	63,205	68,428	455,906
Gain (loss) on exchange rate	166	563	175	-	-	-	904
Loss on sale of investment	-	-	-	-	-	(67,976)	(67,976)
Other income	316	239	596	188	511	19,739	21,589
Selling expenses	(11,269)	(8,491)	(7,105)	(834)	(17,894)	(6,162)	(51,755)
Administrative expense	(29,486)	(37,585)	(54,560)	(8,228)	(48,985)	(46,105)	(224,949)
Finance cost	(2,279)	(2,513)	(5,692)	(6)	(3,943)	(11,682)	(26,115)
Profit sharing from associate	820	-	-	-	-	-	820
Profit (loss) before income tax	(26,662)	34,396	68,874	82,680	(7,106)	(43,758)	108,424
Income tax	8,657	(3,619)	(14,628)	8,793	64	(6,628)	(7,361)
Net profit (loss)	(18,005)	30,777	54,246	91,473	(7,042)	(50,386)	101,063
Profit (loss) attributable to Equity holders of the Company							69,027
Non-controlling interests							32,036
							101,063

Summary

The consolidated net profit/(loss) of the Company (portion of the parent company) for the year 2020 and 2019 were Baht 40.78 million and Baht 69.03 million, respectively. The profit decreased from prior year due to the Government Project generated loss this year while there was a large amount of profit in prior year as the result of the delay of delivery of the implementation of Phase 1 and the actual cost of Phase 1 increased from the budgeted cost of prior year although the Silkscreen and Label Printing business had better performance from last year as sales increased. These caused the decline of operating result with the following details.

1. IT business had loss from operation for the year 2020 and 2019 for Baht 4.21 million and Baht 18.01 million, respectively. The operating performance improved from last year due to the business restructuring by transfer of this business to the associate company which joint investment with the Malaysian company.
2. Label business had profit from operation for the year 2020 and 2019 for Baht 20.41 million and Baht 30.78 million, respectively. The performance declined from the effect of COVID by sale decreased of 9% and profit decreased 34%. There was the significant decrease in portion of sale of products in smartphone segment which had high margin and tax exemption from BOI as the smartphone manufacturer purchased more from competitors in China with cheaper cost.
3. Silkscreen Printing business had profit from operation for the year 2020 and 2019 for Baht 63.59 million and Baht 54.25 million, respectively. The operating result improved a lot although there was the effect of COVID. However, the Company could retain their growth rate with sales increase for electric appliance manufacturers about 7.5% from prior year. Sale increased as our cost is cheaper and better quality than the competitor from China and Japan. The gross profit ratio improved as well as sale of new high margin product increased from last year.
4. Government project had profit (loss) from operation for the year 2020 and 2019 for Baht (3.65) million and Baht 91.47 million, respectively. The significant decrease in operating performance caused by the delay of delivery and inspection of work of the installment 2 and 3 of Phase 1. The delay 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. While there was the delay of service revenue recognition of this portion, 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 about Baht 29 million or 5% increase from budgeted cost. Moreover, 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 as the Company has completely finished the implementation of Phase 1 already and the Company shall recognize the service revenue for almost 100% of phase 2 since December 1st, 2020. Then the operating result will significantly improve in 2021 as there will be repetitive revenue under the 5 year contract term.

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 1 service point Job Type 3 for 169 service points	8.66	39%	1 December 2020
Phase 1, Installment 4	Job Type 2 for 15 service points	0.94	4%	Inspection complete in Feb 2021
	Total	22.60	100%	

5. Broadband business had net loss from operation for the year 2020 and 2019 for Baht 9.99 million and Baht 7.04 million, respectively. The net loss increased from prior year due to the decrease of revenue about 40% as the number of subscribers declined. During the recent 1-2 years, the Company transferred of staffs to do the installation of Government Project and allocated resources to the project. After completion of Phase 1, since Quarter 2 of year 2021, the Company will pay attention to sale and marketing of the existing network including Chiangmai, Nakornratchasima and Khonkaen and the Company shall provide internet service to the people in 7 provinces in the project. In the near future, the Company will have internet service coverage area from the existing 3 provinces to 10 provinces which will help increasing revenue and profit.

Please be informed accordingly,

Faithfully yours,

(Mr. Thammanoon Korkiatwanich)

Director/Company Secretary