

No. SICT 001/2020

29 July 2020

Subject: Management discussion and analysis for the first quarter of 2020

Attn: Governors and President Market for Alternative Investment (mai)

Silicon Craft Technology Public Company Limited ("the Company") would like to submit the management discussion and analysis of the operating results for the first quarter of 2020 ended March 31, 2020, as follows:

**Sales income**

For the quarterly of the period ending on 31 March 2019 and 31 March 2020, the Company had Sales Revenue at 72.85 million baht and 95.21 million baht respectively. Accordingly, there was a 30.70% growth in Sales Revenue year on year. The growth was mainly contributed by a rise in Revenue from microchips for Spare Car Immobilizer business which was reflected in the revenue proportion that is similar to that of the year 2018. The improvement was a result of an ease in business outlook after being affected by US-China trade war as well as some customers requested shipments destined for the second quarter to be shipped earlier. These actions are part of the customers efforts to keep stock as a preemptive measure to possible disruption in air freight due to COVID-19 crisis.

**Cost of goods sold and gross profit**

Cost of Goods Sold (COGS) for the quarterly period ending on 31 March 2019 and 31 March 2020 were at 43.59 million baht and 48.97 million baht respectively. Compared to Sales Revenues, COGS were at 59.83% and 51.43% respectively. Even though COGS increased in an accordance with the increase in Sales Revenue, but the percentage dropped since the rise in Sales Revenue came from Spare Car Immobilizer microchip business in which its COGS are generally smaller compared to other product groups. Additionally, there was a reduction of the allowance for devaluation of goods. As a result of these, at the end of the two quarterly periods the Company had Gross Profit at 29.26 and 46.24 million baht respectively or 40.17% and 48.57% in terms of Gross Profit Margin.

**Selling and administrative expenses**

For the quarterly periods ending on 31 March 2019 and 31 March 2020, the Company had Selling Expenses at 6.04 and 6.44 million baht or 8.29% and 6.76% in terms of Gross Sales Revenues respectively. Selling Expenses increased as a result of a rise in number of personnel in sales department as well as larger incentives.

On the other hand, administration expenses were at 21.25 and 24.25 million baht or 29.16% and 25.47% in terms of Sales Revenues respectively. Notably, administration expenses rose during the first three months of 2020 due to a recognition in Unrealized Loss on Exchange Rate valued at 5.95 million baht as well as the annual adjustment in Compensations and office space expansion. Both of which contributed to the increases in administrative expenses.



**Net profit**

Nonetheless, compared to the growth in Gross Sales Revenue, the increase in sales and administration expenses were smaller. Hence, during the first three months of 2019 and 2020, the Company had an increase in Net Profit at 2.28 and 15.58 million baht or at 3.12% and 16.33% in terms of Net Profit Margin respectively.

**Statement of Financial Position**

Total assets of the Company as of ending of 2019 and as of March 31, 2020 were 257.51 million Baht and 302.06 million Baht, respectively. At the end of the first quarter of 2020, the total assets of the company increased to 302.06 million baht, mainly due to the recording of the usage rights of the assets equal to 16.46 million baht according to the Accounting Standard TFRS 16, lease agreements. Moreover, there is an increase in account receivables due to an increase in credit limits for some customers in order to prepare sufficient stock for distribution in the event that air transportation is disrupted due to the epidemic of the Covid-19 virus.

The Company's total liabilities as of ending of 2019 and as of March 31, 2020 equaled to 55.46 million Baht and 83.99 million Baht, respectively. The Company has short-term loan with one financial institute. As at ending of 2019 and during the three month period ended March 31, 2020, the Company has trust receipt to be used as working capital for buying raw materials amounted to 4.17 million Baht and 13.84 million Baht, respectively. The Company's trade account payables were 10.76 million Baht, and 14.17 million Baht in 2019 and Q1/2020, respectively. Trade accounts payable are caused by raw materials that the company has purchased for normal production plans.

The Company's shareholders' equity as at ending of 2019 and as of March 2020 were 202.05 million Baht, and 218.06 million Baht, respectively. Its main component was registered and paid-up share capital amounted to 150.00 million Baht. Retained earnings as at ending of 2019 and as of March 31, 2020 were 39.88 million Baht and 55.89 million Baht, respectively. The change in retained earnings was due to an increase of performance in each year.

Please be informed accordingly.

Best regards

(Mr. Manop Dhamsirianunt)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

