

No. SICT 012/2021

11 August 2021

Subject: Management Discussion and Analysis for Quarter 2/ 2021

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 Quarter 2/ 2021, as the details follows:

(Million Baht)

Statements of Comprehensive Income	Quarter2/2021	Quarter2/2020	Increase (Decrease)	
			Million Baht	%
Revenue from sales and services	110.4	75.0	35.4	47%
Costs of sales or services	50.8	44.1	6.7	15%
Gross profits	59.5	30.9	28.7	93%
Other income	1.5	0.3	1.2	396%
Distribution costs	7.3	5.6	1.7	30%
Administrative expenses	31.5	18.8	12.7	67%
Other gains (losses)	0.04	4.1	(4.1)	-99%
Profit (loss) from operating activities	22.2	10.8	11.4	105%
Finance income	0.2	0.03	0.1	414%
Finance costs	0.2	0.3	(0.1)	-38%
Profit (loss) before tax expense	22.2	10.6	11.6	110%
Tax income (expense)	0.1	0.2	(0.1)	-37%
Profit (loss) for the period	22.3	10.8	11.6	108%

Revenue from sales and services

For Quarter 2/2021, the Company's revenue from sales and services accounted for 110.4 million Baht, increasing 35.4 million Baht or 47% from the same period last year. Access control and reader group contributed most of an increased amount of Quarter 2/2021 revenue. The revenue from Access control and reader group in this quarter increased 56% compared to Quarter 2/2020, due mainly to an increased order from main customers.



Revenue Structure

For Quarter 2/2021, the company's revenues are derived from 4 product groups: Animal identification group accounted for 36.8 million Baht, representing 33% of total revenue, Access control and reader group accounted for 48.8 million Baht, representing 44% of total revenue, Immobilizer group accounted for 21.4 million Baht, representing 19% of total revenue, and NFC and others group accounted for 3.3 million Baht, representing 3% of total revenue.

For Quarter 2/2021, a rise in the Company's revenue was supported by an increase in revenue from all product groups due mainly to an increased order from main customers. Revenue from Animal identification group rose 36% compared to Quarter 2/2020, while Access control and reader group increased 56% from the same period last year. Revenue from Immobilizer group rose by 59% compared to Quarter 2/2021, while NFC and others group grew 3% from the same period last year.

Cost of Goods Sold and Gross Profit

Cost of goods sold (COGS) for Quarter 2/2021 accounted for 50.8 million Baht, increasing 6.7 million Baht or 15% from Quarter 2/2020. The increase in COGS was smaller than an increase in revenue, because of well-managed and controlled COGS. The increase in COGS in Quarter 2/2021 was due mainly to an increase in raw material prices for productions and outsourcing costs.

Gross Profit in Quarter 2/2021 was at 59.5 million Baht, growing 28.7 million Baht or 93% compared to Quarter 2/2020. Gross Profit Margin in Quarter 2/2021 stood at 54%, which improved from 41% in Quarter 2/2020

However, there are risk factors in terms of raw material costs and higher production costs that will see a clear impact from the third quarter of this year. In addition, there is an extension of the delivery time of raw materials and the extension of the delivery time of the products to the company. Moreover, there is the heavy spread of COVID-19 in the country where the company's partners are located, including Thailand. This affects the production capacity in the partner companies' factories and directly affects the ability to deliver products to the Company. However, the Company and the partners have implemented the Business Continuity Plan (BCP) to minimize the impact as much as possible.

Other Income

In Quarter 2/2021, the company had other income equal to 1.5 million Baht, increasing 1.2 million Baht or 396%, mainly from funding support from external agencies for research and development projects.



Selling and Administrative Expenses

Selling expenses in Quarter 2/2021 was at 7.3 million Baht, increasing 1.7 million Baht or 30% compared to the same period last year, mainly because of a resource increase in business development and product research to support business growth.

Administrative expenses in Quarter 2/2021 accounted for 31.5 million Baht, increasing 12.7 million Baht or 67% compared to Quarter 2/2020, due mainly to an impairment in intangible assets amounting around 11 million Baht. The impairment was caused by the period extension of the development projects, which is the result of the prolonged COVID-19 pandemic. However, if such impairment is not included, the administrative expenses are in line with the company's plan.

Other Gains (Losses)

This is the net unrealized gain (loss) from the exchange rate that do not enter the hedging accounting conditions. For Quarter 2/2021, the Company had an unrealized gain on exchange rate of 0.04 million Baht.

Net Profit

The Company had Quarter 2/2021 net profit of 22.3 million Baht, growing 11.6 million Baht or 108% compared to the same period last year, representing a net profit margin of 20%, improving from 14% in Quarter 2/2020.

However, the situation in the second half remains uncertain, especially the supply shortage in the market due to insufficient capacity of microchip manufacturing plants to meet the market demands. The Company has managed to find second source and negotiated capacity expansion with sub-production factories and monitored weekly progress with relevant parties. In addition, there are risk factors that likely to affect performance in the second half of the year, including higher raw material and production costs.

Statement of Financial Position

Total assets of the company at the end of Quarter 2/2021 were 470.7 million Baht, increasing 52.1 million Baht from 418.6 million Baht at the end of 2020. Current assets increased around 49 million Baht, mainly due to a rise in foreign trade receivables from higher sales which waiting to be charged based on those payment period, and an increase in inventory which in line with the Company plan. Non-current assets slightly increased around 3 million Baht.

The Company had total liabilities at the end of Quarter 2/2021 equal to 102.6 million Baht, increasing 33.0 million Baht from the end of 2020, which was 69.6 million Baht. The rise was from an increase in current liabilities around 33.0 million Baht, due mainly to increased domestic and foreign trade payables in accordance with the orders for production materials which in line with the Company's plan.



The Company's shareholders' equity at the end of Quarter 2/2021 was at 368.1 million Baht, rising from the end of 2020 which was 349.0 million Baht. The rise was due to an increase in the unappropriated retained earnings at the end of Quarter 2/2021 of around 25.2 million Baht, from the end of 2020, which was based on the quarter's results, together with other comprehensive losses amounting 6.1 million Baht arising from hedging accounting policy for derivatives items.

Please be informed accordingly.

Best regards

(Mr. Manop Dhamsirianunt)

Chief Executive Officer

Silicon Craft Technology Public Company Limited

