

No. OCMSET-6403-002

March 1, 2021

Subject: Management Discussion and Analysis for the year 2020

To: Director and Manager  
The Stock Exchange of Thailand

Ocean Commerce Public Company Limited (OCEAN) would like to clarify operating results for the year 2020.

The main reasons are as follows:

**Overall operating performance of the Group**

	Consolidated financial statements 2020		Consolidated financial statements 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	<b>Continuing operations</b>					
Revenues	627.22	100.00	1,808.49	100.00	(1,181.27)	(65.32)
Costs	(435.43)	(69.42)	(1,737.41)	(96.07)	(1,301.98)	(74.94)
<b>Gross (loss) profit</b>	<b>191.79</b>	<b>30.58</b>	<b>71.08</b>	<b>3.93</b>	<b>120.71</b>	<b>169.82</b>
Distribution costs	(50.61)	(8.07)	(37.91)	(2.10)	12.70	33.50
Administrative expenses						
- Recurring administrative expenses	(43.61)	(6.95)	(33.77)	(1.87)	9.84	29.14
- Estimated loss from cost over income	(5.41)	(0.86)	(28.44)	(1.57)	(23.03)	(80.98)
- Reversal loss from impairment of assets	15.66	2.50	-	-	(15.66)	(100.00)
Finance costs	(1.80)	(0.29)	0.32	0.02	2.12	662.50
<b>Profit (loss) before income tax from continuing operations</b>	<b>106.02</b>	<b>16.91</b>	<b>(28.72)</b>	<b>(1.59)</b>	<b>134.74</b>	<b>469.15</b>
Income (expense) tax	(17.42)	(2.78)	2.99	0.17	20.41	682.61
<b>Profit (loss) for the year from continuing operations</b>	<b>88.60</b>	<b>14.13</b>	<b>(25.73)</b>	<b>(1.42)</b>	<b>114.33</b>	<b>444.35</b>
<b>Discontinued operation*</b>						
Profit (loss) for the year from discontinued operation	0.77	0.12	20.41	1.13	(19.64)	(96.23)
<b>Profit (loss) for the year</b>	<b>89.37</b>	<b>14.25</b>	<b>(5.32)</b>	<b>(0.29)</b>	<b>94.69</b>	<b>1,779.89</b>

\*Cessation of the faucets business since 1 November 2019

## Revenues

	Consolidated financial statements 2020		Consolidated financial statements 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	<b>Revenues from main business</b>					
Faucets business*	-	-	384.50	1750	(384.50)	(100.00)
Palm oil trading business	73.57	11.73	1,804.34	82.14	(1,730.77)	(95.92)
Consulting and property development business	539.52	86.02	2.10	0.10	537.42	25,591.43
<b>Total revenues from main business</b>	<b>613.09</b>	<b>97.75</b>	<b>2,190.94</b>	<b>99.74</b>	<b>(1,577.85)</b>	<b>(72.02)</b>
Other income	14.13	2.25	5.78	0.26	8.35	144.46
<b>Total revenues</b>	<b>627.22</b>	<b>100.00</b>	<b>2,196.72</b>	<b>100.00</b>	<b>(1,569.50)</b>	<b>(71.45)</b>

\*Cessation of the faucets business since 1 November 2019

The Group has total revenues for the year 2020 amounted Baht 627.22 million, a decrease of Baht 1,569.50 million or 71.45% compared to the revenues of Baht 2,196.72 million for the year 2019. The details are as follows:

### Faucets business

Revenue from faucets business for the year 2020 has decrease in Baht 384.50 million compared to revenues for the year 2019. It is due to the faucets business operating result were declining, as a result of a more intense competition, particularly a more variety of imported products with relatively lower manufacturing costs than the Company's manufacturing costs. The Company would be required to bear such fixed costs as depreciation costs, salaries for production support staff, etc., against the tentatively declining revenues from the faucets business to the extent that the Company's manufacturing business would be at a loss. Net loss from faucets business amounted Baht 114.99 million, Therefore, it was deemed appropriate for the Company to discontinue the faucets business since November 1, 2020

### Palm oil trading business

Revenue from palm oil trading business for the year 2020 amounted Baht 73.57 million, decrease of Baht 1,730.77 million or 95.92% compared to the revenues for the year 2019. It is due to the economic slowdown and the Covid-19 pandemic situation is still the main factor which effects to all over the world, resulting in an economic slowdown. Moreover, the price of palm oil is highly fluctuated. Therefore, the Company manages the crude palm oil using the back-to-back method. The Company has slowed down trading of palm oil to reduce expenses and risks. That may arise from the palm oil trading business.

### Consulting and property development business

Revenue from Consulting and property development business for the year 2020 amounted Baht 539.52 million, an increase of Baht 537.42 million compared to the revenues for the year 2019. It is due to the Group has invested in real estate development business in V Sukhumvit 81 Co., Ltd. in August 2019. IKON77 is the first real estate development project and the construction started from March 2019, the progress in accordance with the construction plan completed and transferred in the fourth of year 2020.

**Gross profit and gross profit margin**

	Consolidated financial statements 2020		Consolidated financial statements 2019		Increase (decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
	<b>Faucets business*</b>					
Revenue	-	-	384.50	100.00	(384.50)	(100.00)
Cost	-	-	(279.72)	(72.75)	(279.72)	(100.00)
<b>Gross Profit</b>	<b>-</b>	<b>-</b>	<b>104.78</b>	<b>27.25</b>	<b>(104.78)</b>	<b>(100.00)</b>
<b>Palm oil trading business</b>						
Revenue	73.57	100.00	1,804.34	100.00	(1,730.77)	(95.92)
Cost	(73.21)	(99.51)	(1,735.08)	(96.16)	1,661.87	(95.78)
<b>Gross Profit</b>	<b>0.36</b>	<b>0.49</b>	<b>69.26</b>	<b>3.84</b>	<b>(68.90)</b>	<b>(99.48)</b>
<b>Consulting and property development business</b>						
Revenue	539.52	100.00	2.10	100.00	537.42	25,591.43
Cost	(362.22)	(67.14)	(2.33)	(110.95)	359.89	15,445.92
<b>Gross Profit</b>	<b>177.30</b>	<b>32.86</b>	<b>(0.23)</b>	<b>(10.95)</b>	<b>177.53</b>	<b>(77,186.96)</b>
<b>Total Gross Profit</b>	<b>177.66</b>	<b>28.98</b>	<b>173.81</b>	<b>7.93</b>	<b>3.85</b>	<b>2.22</b>

\*Cessation of the faucets business since 1 November 2019

The Group has gross profit for the year 2020 amounted Baht 177.66 million, an increase of Baht 3.85 million or 2.22% compared to the gross profit of Baht 173.81 million for the year 2019. The details are as follows:

Faucets business

Gross profit from faucets business for the year 2020 has decrease of Baht 104.78 million. It is due to the cessation of the faucets business since 1 November 2019

Palm oil trading business

Gross profit from palm oil trading business for the year 2020 amounted Baht 0.36 million or 0.49%, a decrease of Baht 68.90 million or 99.48% compared to gross profit of Baht 69.26 million or 3.84% for the year 2019. It is due to the year 2020 the Company has decreased in sales of palm oil. Therefore, the related expenses such as distribution costs has been included as cost of sales because the price of palm oil which the Company purchases from distributors is include of all related expenses in the cost of sales.

Consulting and property development business

Gross profit from Consulting and property development business for the year 2020 amounted Baht 177.30 million or 32.86%, an increase of Baht 177.53 million compared to loss of Baht 0.23 million for the year 2019. It is due to the Group has invested in real estate development business in V Sukhumvit 81 Co., Ltd. in August 2019. IKON77 is the first real estate development project and the construction started from March 2019, the progress in accordance with the construction plan completed and transferred in October 2020.

**Distribution costs**

The Group has the distribution costs for the year 2020 amounted Baht 50.61 million, an increase of Baht 12.70 million or 33.50% compared to the distribution costs of Baht 37.91 million for the year 2019. Most of the distribution costs for the year 2020 is distribution costs of V Sukhumvit 81 Co., Ltd. approximately Baht 50.40 million, a real estate development company. IKON77 is the first real estate development project and completed and transferred in October 2020.

**Administrative expenses**

The Group has the administrative expenses for the year 2020 amounted Baht 33.36 million, a decrease of Baht 28.85 million or 46.38% compared to the recurring administrative expenses of Baht 62.21 million for the year 2019. The recurring administrative expenses increase of Baht 9.84 million due to the expansion of property development business. The non-recurring administrative expenses decrease of Baht 13.69 million due to the reversal loss from impairment of assets amounted Baht 15.66 million from receiving refund for advance payment for purchase crude palm oil and estimated loss from cost over income amounted Baht 5.41 million in 2020 due to the increasing in selling price of CPOA from 2019.

Please be informed accordingly

Sincerely yours,

(Mr. Yossat Nitisarun)

Director (Acting)