

PART 3

FINANCIAL STATUS AND OPERATIONAL RESULTS

13 FINANCIAL STATEMENT HIGHLIGHTS

Financial Statement

In Million Baht	Consolidated Financial Statement			Separate Financial Statement		
	2019	2018	2017	2019	2018	2017
Financial Status						
Current Assets (Million Baht)	1,964.5	1,643.2	1,653.7	1,318.5	982.1	959.8
Total Assets (Million Baht)	4,887.9	5,655.0	4,772.8	3,128.2	3,763.2	3,042.3
Current Liabilities (Million Baht)	1,985.9	2,346.5	2,278.0	830.6	1,102.1	1,033.7
Total Liabilities (Million Baht)	2,317.1	2,815.1	2,646.5	1,038.9	1,379.6	1,166.7
Shareholder's Equity (Million Baht)	2,570.8	2,839.9	2,126.4	2,089.3	2,383.6	1,875.6
Operation Report						
Sales and Services (Million Baht)	2,996.3	3,874.2	3,502.2	1,845.7	2,644.0	2,355.2
Total Revenues (Million Baht)	3,051.3	3,938.0	4,308.8	1,870.3	2,728.6	3,063.6
Gross Profit (Loss) (Million Baht)	122.7	104.3	183.5	52.1	25.1	73.7
Net Profit (Loss) (Million Baht)	(255.5)	(109.6)	524.8	(278.1)	(80.6)	445.4
Financial Ratio						
Net Profit (Loss) Per Share (Baht)	(5.11)	(2.19)	10.50	(5.56)	(1.61)	8.91
Current Ratio	0.99	0.70	0.73	1.59	0.89	0.93
Net Profit (Loss) / Equity (%)	(9.96)	(4.65)	30.08	(12.43)	(3.78)	27.72
Return on Assets (%)	(4.85)	(2.10)	11.72	(8.07)	(2.37)	16.21
Debt to Equity Ratio	0.90	0.99	1.24	0.50	0.58	0.62
Dividend per Share (Baht)	0.00	0.00	0.50	0.00	0.50	0.50
Book Value per Share (Baht)	48.57	54.01	40.26	41.79	47.67	37.51

14 MANAGING DIRECTORS ANALYSIS

Managing Directors Analysis and Explanation

14.1 Overview

In 2019, the major events concerning the world economy such as the trade war between United States of American and China which continued from 2018, the uncertainty of United Kingdom's exit from the European Union, and the uprising in Hong Kong concerning the extradition law of Hong Kong citizens to China are all a negative factor to the world textile economy, resulting in upstream price fluctuation and downstream supply demands.

Combined with the unusually strong Thai Baht exchange rate, the pressure to compete with foreign competitors was greater than ever. This prompted the Company to adjust the company operations with employee downsizing, and selling of some assets to reduce the operation expenses and debt. The decision taken by the Company had taken the advantages and disadvantages into consideration and is confident that the reorganization will help the Company be ready to compete with the ever challenging economy for the benefit of everyone involved with the Company.

14.2 Segment Information

Major revenue for The Company are from fabrics yarn and garment, which were sold locally and exported while the revenue for The Subsidiary are from raw cotton fibers and yarns, The details are as below chart.

(Units: Million Baht)

Product / service	2019		2018		2017	
	Income	%	Income	Income	%	Income
Company						
Garment						
Local Sale	38.40	1.26	32.75	0.83	71.99	1.67
Export Sale	96.19	3.15	159.36	4.05	134.69	3.13
Fabric						
Local Sale	432.73	14.18	724.16	18.39	612.08	14.21
Export Sale	841.24	27.57	729.75	18.53	618.66	14.36
Raw Cotton and Yarns						
Local Sale	148.42	4.86	646.52	16.42	571.56	13.27
Export Sale	239.56	7.85	273.56	6.95	218.04	5.06
Local Services Income	28.65	0.94	63.02	1.60	120.52	2.80
Local Other Income	21.00	0.69	31.66	0.80	679.89	15.78
Total	1,846.19	60.51	2,660.78	67.57	3,027.43	70.26
Subsidiary						
Raw Cotton and Yarns	1,145.29	37.54	1,213.78	30.82	1,110.17	25.77
Local Services Income	25.79	0.85	31.33	0.80	44.45	1.03
Other Income	33.98	1.11	32.07	0.81	126.78	2.94
Total	1,205.06	39.49	1,277.18	32.43	1,281.40	29.74
Grand Total	3,051.25	100.00	3,937.96	100.00	4,308.83	100.00

Compared to Estimate or Previously Disclosed.

The Company policy is to run every machine at it's full capacity, causing the quantity produced each month to be similar; for example, for weaving The Company can weave approximately 2.05 million yards per month, for yarn spinning The Company can spin approximately 549,146 pounds per month, and for garments The Company can cut and sew approximately 52,188 pieces per month. The Subsidiary can spin approximately 2.29 million pounds per month.

Cause and Action in case the Auditor expressed opinion with conditions, no opinion, and or important notice.

No conditions.

14.3 Performance and Profitability

In the past 5 years, the Company's Performance and Profitability is as per chart below

	Consolidated Financial Statement					Separate Financial Statement				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Financial Status										
Current Assets (Million Baht)	1,964.5	1,643.2	1,653.7	1,679.2	1,919.1	1,318.5	982.1	959.8	1,084.2	1,187.4
Total Assets (Million Baht)	4,887.9	5,655.0	4,772.8	3,915.5	4,218.5	3,128.2	3,763.2	3,042.3	2,625.9	2,755.6
Current Liabilities (Million Baht)	1,985.9	2,346.5	2,278.0	2,167.7	2,352.9	830.6	1,102.1	1,033.7	1,094.1	1,140.6
Total Liabilities (Million Baht)	2,317.1	2,815.1	2,646.5	2,299.5	2,558.6	1,038.9	1,379.6	1,166.7	1,170.7	1,217.2
Shareholder's Equity (Million Baht)	2,570.8	2,839.9	2,126.4	1,616.0	1,659.9	2,089.3	2,383.6	1,875.6	1,455.2	1,538.4
Operation Report										
Sales and Services (Million Baht)	2,996.3	3,874.2	3,502.2	3,773.4	3,946.0	1,845.7	2,644.0	2,355.2	2,579.6	2,800.5
Total Revenues (Million Baht)	3,051.3	3,938.0	4,308.8	3,824.8	3,992.0	1,870.3	2,728.6	3,063.6	2,598.0	2,830.3
Gross Profit (Loss) (Million Baht)	122.7	104.3	183.5	253.5	334.8	52.1	25.1	73.7	151.4	258.8
Net Profit (Loss) (Million Baht)	(255.5)	(109.6)	524.8	(24.1)	6.7	(278.1)	(80.6)	445.4	(58.2)	6.9
Financial Ratio										
Net Profit (Loss) Per Share (Baht)	(5.11)	(2.19)	10.50	(0.48)	0.13	(5.56)	(1.61)	8.91	(1.16)	0.14
Current Ratio	0.99	0.70	0.73	0.77	0.82	1.59	0.89	0.93	0.99	1.04
Net Profit (Loss) / Equity (%)	(9.96)	(4.65)	30.08	(1.57)	0.42	(12.43)	(3.78)	27.72	(3.89)	0.44
Return on Assets (%)	(4.85)	(2.10)	11.72	(0.59)	0.16	(8.07)	(2.37)	16.21	(2.16)	0.25
Debt to Equity Ratio	0.90	0.99	1.24	1.42	1.54	0.50	0.58	0.62	0.80	0.79
Dividend per Share (Baht)	0.00	0.00	0.50	0.50	1.00	0.00	0.50	0.50	0.50	1.00
Book Value per Share (Baht)	48.57	54.01	40.26	30.26	31.25	41.79	47.67	37.51	29.10	30.77

Total Revenues

In the year 2019 and 2018, the Group had total revenues amounted to Baht 3,051 million and Baht 3,938 million, respectively, decreased by Baht 887 million or 23%. Sales and services income amounted to Baht 2,996 million, decreasing from the same period of the last year by Baht 878 million or 23%. The main reason for that decrease was the reduction in production capacity of the related company, whose product was sold to the Group.

Cost of Sales and Services

In the year 2019 and 2018, the Group had cost of sales and services amounted to Baht 2,874 million and Baht 3,770 million, respectively, decreased by Baht 896 million or 24%. The main reason for that decrease was the decreasing in sales and services income as clarified above.

Selling and Administrative Expenses

Selling and administrative expenses increased by Baht 201 million or 89%, due to Loss on change in fair value of investment properties.

Finance costs

Finance costs decreased by Baht 2 million or 2%. The main reason for the decrease was from the decreasing in interest rate.

Net Profit (Loss)

In the year 2019, the group had Baht 253 million loss for the year, compared to Baht 106 million loss in the year 2018. Loss attributable to the parent is Baht 256 million in 2019, compared to Baht 110 million in loss in 2018. The main reasons were clarified above.

Financial Position (in comparison with as of 31 December 2018)

Overall financial position of the Group as of 31 December 2019, compared to the consolidated statement of financial position as of 31 December 2018, are as follows; (Unit : Baht million)

	2019	2018	%Change
Total Assets	4,888	5,655	-14
Total Liabilities	2,317	2,815	-18
Total shareholders' equity	2,571	2,840	-9

Total Assets

As of 31 December 2019, the Group had total assets amounting to Baht 4,888million, decreased by Baht 767 million, having Baht 321 million increased in current assets and Baht 1,088 million decreased in non-current assets. Main decreases were from inventory, loss on change in fair value of investment properties and property, plant and equipment.

Total Liabilities

As of 31 December 2019, total liabilities decreased by Baht 498 million, having Baht 361 million decreased in current liabilities and Baht 137 million decreased in non-current liabilities.

Total shareholders' equity

As of 31 December 2019, the Group's shareholders' equity decreased by Baht 269 million.

14.4 Asset Management

(1) Account Receivable and allowance for doubtful accounts as 31 December 2019 and 2018 are as follows.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Trade accounts receivable – related companies				
Within credit terms	19,216,793	37,631,669	612,301	4,960,919
Overdue:Less than 3 months	732,166	2,396,513	732,166	2,396,513
Total trade accounts receivable – related companies	19,948,959	40,028,182	1,344,467	7,357,432

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2019	2018	2019	2018
Trade accounts receivable – other companies				
Within credit terms	171,937,544	220,993,310	106,901,878	122,637,867
Overdue:				
Less than 3 months	58,243,447	62,018,623	32,732,990	33,918,239
3 – 6 months	6,396,120	3,540,304	2,617,824	1,188,890
6 – 12 months	4,368,914	1,935,091	4,368,914	1,935,091
Over 12 months	27,917,220	26,614,275	27,739,308	26,436,363
Total trade accounts receivable	268,863,245	315,101,603	174,360,914	186,116,450
<u>Less</u> allowance for doubtful accounts	(27,533,203)	(27,533,203)	(27,533,203)	(27,355,291)
Trade accounts receivable – others – net	241,330,042	287,568,400	147,005,623	158,761,159

For account receivable over 12 months, the full amount was reserves as allowance for doubtful accounts. For account receivable over 6 months, but not yet 12 months, parts of the amount were reserves. For account receivable that have not been reserved, The Company believe it is possible to reach settlement for all those receivable.

(2) Inventories and Allowance for obsolescence of inventories

	In Baht					
	Consolidated financial statements					
	Allowance for obsolescence of					
	Cost		inventories		Inventories – net	
	2019	2018	2019	2018	2019	2018
Finished goods	327,812,104	334,191,701	(36,901,200)	(35,025,246)	290,910,904	299,166,455
Work in process	141,836,390	192,400,446	–	–	141,836,390	192,400,446
Raw materials	459,764,147	574,323,384	(6,317,242)	(7,277,202)	453,446,905	567,046,182
Material and supplies	45,081,186	51,968,468	–	–	45,081,186	51,968,468
Total	974,493,827	1,152,883,999	(43,218,442)	(42,302,448)	931,275,385	1,110,581,551

During the current year, the Group recorded allowance for obsolescence of inventories by Baht 0.9 million to reflect the net realisable value. This was included in cost of sales. (2018: the Group reversed the write-down of cost of inventories by Baht 3.9 million reduced the amount of inventories recognised as expenses during the year).

	In Baht					
	Separate financial statements					
	Allowance for obsolescence of					
	Cost		inventories		Inventories – net	
	2019	2018	2019	2018	2019	2018
Finished goods	204,722,749	252,350,505	(36,550,035)	(33,754,419)	168,172,714	218,596,086
Work in process	126,454,450	175,101,095	–	–	126,454,450	175,101,095
Raw materials	191,569,812	306,625,310	(6,317,242)	(7,277,202)	185,252,570	299,348,108
Material and supplies	24,230,017	32,788,443	–	–	24,230,017	32,788,443
Total	546,977,028	766,865,353	(42,867,277)	(41,031,621)	504,109,751	725,833,732

During the current year, the Company recorded allowance for obsolescence of inventories by Baht 1.8 million to reflect the net realisable value. This was included in cost of sales. (2018: the Company reversed the write-down of cost of inventories by Baht 2.5 million reduced the amount of inventories recognised as expenses during the year)

14.5 Contingent Liabilities and Off Budget Management

(1) There are 3 contingent liabilities

A. The Company entered into the operating lease agreement in respect of the lease of land and building. The term of agreements were 1 and 15 years.

As at 31 December 2019, the Company had future minimum lease payments under the operating lease agreements, as follows:

	In Million Baht
	Consolidated and Separate financial Statements
Repayments	
Within 1 year	1.2
Over 1 to 5 years	2.4
Over 5 years	1.8

B. The Group has unused letter of credit amounting to approximately U.S. Dollars 2.0 million equivalent to approximately Baht 61.8 million.

C. The Company has commitments for software license and system consulting agreement amounting of Baht 1.5 million.

(2) Letter of Guarantee for Electricity Payment

Metropolitan Electricity Authority (MEA) required a guarantee in from of cash or a letter of guarantee from the bank for the appropriate amount of electricity used by each company, The Company and The Subsidiary chose to have the bank issue a letter of guarantee instead of using a cash guarantee.

	Company	Subsidiary	Total
Letter of Guarantee Total Debt Amount (Million Baht)	11.27	28.00	39.27

Overall, the Commitments and Contingent Liabilities, which consisted of rent agreements, sale agreements, all are within the normal scope of business operation, which does not need any special financial instruments to manage. Only the liabilities to the letter of credit (L/C) that requires risk management from foreign currency risk. The Company and The Subsidiary manages off statement of financial statement items the same way as the normal items.

14.6 Future Business Impacts

As The Company business is complete upstream to downstream, from yarn spinning, yarn dyeing, fabric weaving, and garment making, which the major raw material is raw cotton fiber, and have to be imported from abroad, to exporting finished fabrics and garments; therefore, business impact could be direct and indirect, local and foreign as follow:

- (1) Volatility of cotton and synthetic fibers from abroad.
- (2) Price of fabric, yarn, and garment which are dependent on foreign markets.
- (3) Obsolescence of inventories.
- (4) Impairment in investment in the Subsidiary and related companies.
- (5) Employee benefits after retirement.