

PART 3

FINANCIAL STATUS AND OPERATIONAL RESULTS

13 FINANCIAL STATEMENT HIGHLIGHTS

Financial Statement

		Consolidated Financial Statement			Separate Financial Statement		
		2020	2019	2018	2020	2019	2018
Financial Status							
Current Assets	(Million Baht)	1,612.2	1,964.5	1,643.2	1,143.0	1,318.5	982.1
Total Assets	(Million Baht)	4,158.4	4,887.9	5,655.0	2,762.8	3,128.2	3,763.2
Current Liabilities	(Million Baht)	1,404.3	1,985.9	2,346.5	625.1	830.6	1,102.1
Total Liabilities	(Million Baht)	1,682.2	2,317.1	2,815.1	770.9	1,038.9	1,379.6
Shareholder's Equity	(Million Baht)	2,476.2	2,570.8	2,839.9	1,991.9	2,089.3	2,383.6
Operation Report							
Sales and Services	(Million Baht)	1,903.6	2,996.3	3,874.2	1,072.6	1,845.7	2,644.0
Total Revenues	(Million Baht)	1,948.8	3,051.3	3,938.0	1,092.5	1,870.3	2,728.6
Gross Profit (Loss)	(Million Baht)	13.9	122.7	104.3	(27.3)	52.1	25.1
Net Profit (Loss)	(Million Baht)	(94.6)	(255.5)	(109.6)	(97.3)	(278.1)	(80.6)
Financial Ratio							
Net Profit (Loss) Per Share	(Baht)	(1.89)	(5.11)	(2.19)	(1.95)	(5.56)	(1.61)
Current Ratio		1.15	0.99	0.70	1.83	1.59	0.89
Net Profit (Loss) / Equity	(%)	(3.97)	(9.96)	(4.65)	(4.77)	(12.43)	(3.78)
Return on Assets	(%)	(2.09)	(4.85)	(2.10)	(3.30)	(8.07)	(2.37)
Debt to Equity Ratio		0.68	0.90	0.99	0.39	0.50	0.58
Dividend per Share	(Baht)	0.00	0.00	0.00	0.00	0.00	0.50
Book Value per Share	(Baht)	46.68	48.57	54.01	39.84	41.79	47.67

14 MANAGING DIRECTORS ANALYSIS

Managing Directors Analysis and Explanation

14.1 Overview

Many people have hoped 2020 would be a better year than previous years, however, 2020 turned out to be a historical year that everyone in the world will remember for the CORONAVIRUS or COVID-19 pandemic, a deadly enemy that cannot be seen, spreading all over the world. Pictures of empty roads in major cities around the world, deserted tourist destinations, commercial airports without people are sights not expected to be seen in this day and age, however, it became real during the pandemic. Governments closed schools, commercial areas, prohibited events with mass gathering of people, and everyone was advised to stay home.

The CORONAVIRUS or COVID-19 pandemic that started in early 2020 is a virus that affects the respiratory system which doctors have not known, and did not have an understanding of the virus to give proper treatment. Even though the death statistics may not be high compared to other pandemics, the virus can spread easily, have a long incubation period, and before long hospitals were overflowing with infected patients. With shortages in protective medical supplies and hospital beds to handle the ever increasing amount of infected people, governments around the world issued lockdown policies in cities, and in some cases, locked down the country to minimize and prevent people from moving around and spreading the virus. Social distancing, wearing protective masks, and hand washing with soap or alcohol gel were measures taken to control the spread of the virus to prevent public health centers from being unable to handle the cases. The policies the government announced and implemented greatly disrupted the economy and daily human lives like never before, so much so, many people questioned the government and their leaders on the ability to handle the pandemic.

The effect of every country's policies to handle the COVID-19 pandemic caused the Company to face its biggest crisis since the establishment of the Company 50 years ago. Orders disappeared overnight, orders in production being cancelled, some orders ready for shipment were postponed, and account receivables were postponed. Machines and workers had no work, forcing the Board of Directors and the management team to reduce the size of the Company and quickly change the products to meet the demands of the market, while carefully balancing the situation to have the least amount of effect on the employees.

Even though the Company has trouble with business account receivables, the Company still paid all debts to all institutions on time. By selling assets to adjust the Company's financial position, the Company is able to maintain its good trustworthiness and reliability with the business partners and financial institutions. The effects of the CORONAVIRUS or COVID-19 affected the global supply chain and reliability of businesses. The lessons learned will make businesses be more careful and it is the duty of the Company's management team to adapt and adjust the business to provide the most benefit to all at stake.

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	2020		2019		2018	
	Income	%	Income	Income	%	Income
Company						
Garment						
Local Sale	17.08	0.88	38.40	1.26	32.75	0.83
Export Sale	34.09	1.75	96.19	3.15	159.36	4.05
Fabric						
Local Sale	345.08	17.71	432.73	14.18	724.16	18.39
Export Sale	387.44	19.88	841.24	27.57	729.75	18.53
Raw Cotton and Yarns						
Local Sale	107.52	5.52	148.42	4.86	646.52	16.42
Export Sale	157.70	8.09	239.56	7.85	273.56	6.95
Other Sale						
Local Sale	9.89	0.51	-	-	-	-
Local Services Income	13.77	0.71	28.65	0.94	63.02	1.60
Local Other Income	19.71	1.01	21.00	0.69	31.66	0.80
Total	1,092.28	56.05	1,846.19	60.51	2,660.78	67.57
Subsidiary						
Raw Cotton and Yarns	816.06	41.88	1,145.29	37.54	1,213.78	30.82
Local Services Income	14.95	0.77	25.79	0.85	31.33	0.80
Other Income	25.53	1.31	33.98	1.11	32.07	0.81
Total	856.54	43.95	1,205.06	39.49	1,277.18	32.43
Grand Total	1,948.82	100.00	3,051.25	100.00	3,937.96	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 1.76 million yards per month and for garments The Company can cut and sew approximately 33,912 pieces per month. The Subsidiary can spin approximately 1.92 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				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Financial Status										
Current Assets (Million Baht)	1,612.2	1,964.5	1,643.2	1,653.7	1,679.2	1,143.0	1,318.5	982.1	959.8	1,084.2
Total Assets (Million Baht)	4,158.4	4,887.9	5,655.0	4,772.8	3,915.5	2,762.8	3,128.2	3,763.2	3,042.3	2,625.9
Current Liabilities (Million Baht)	1,404.3	1,985.9	2,346.5	2,278.0	2,167.7	625.1	830.6	1,102.1	1,033.7	1,094.1
Total Liabilities (Million Baht)	1,682.2	2,317.1	2,815.1	2,646.5	2,299.5	770.9	1,038.9	1,379.6	1,166.7	1,170.7
Shareholder's Equity (Million Baht)	2,476.2	2,570.8	2,839.9	2,126.4	1,616.0	1,991.9	2,089.3	2,383.6	1,875.6	1,455.2
Operation Report										
Sales and Services (Million Baht)	1,903.6	2,996.3	3,874.2	3,502.2	3,773.4	1,072.6	1,845.7	2,644.0	2,355.2	2,579.6
Total Revenues (Million Baht)	1,948.8	3,051.3	3,938.0	4,308.8	3,824.8	1,092.5	1,870.3	2,728.6	3,063.6	2,598.0
Gross Profit (Loss) (Million Baht)	13.9	122.7	104.3	183.5	253.5	(27.3)	52.1	25.1	73.7	151.4
Net Profit (Loss) (Million Baht)	(94.6)	(255.5)	(109.6)	524.8	(24.1)	(97.3)	(278.1)	(80.6)	445.4	(58.2)
Financial Ratio										
Net Profit (Loss) Per Share (Baht)	(1.89)	(5.11)	(2.19)	10.50	(0.48)	(1.95)	(5.56)	(1.61)	8.91	(1.16)
Current Ratio	1.15	0.99	0.70	0.73	0.77	1.83	1.59	0.89	0.93	0.99
Net Profit (Loss) / Equity (%)	(3.97)	(9.96)	(4.65)	30.08	(1.57)	(4.77)	(12.43)	(3.78)	27.72	(3.89)
Return on Assets (%)	(2.09)	(4.85)	(2.10)	11.72	(0.59)	(3.30)	(8.07)	(2.37)	16.21	(2.16)
Debt to Equity Ratio	0.68	0.90	0.99	1.24	1.42	0.39	0.50	0.58	0.62	0.80
Dividend per Share (Baht)	0.00	0.00	0.00	0.50	0.50	0.00	0.00	0.50	0.50	0.50
Book Value per Share (Baht)	46.68	48.57	54.01	40.26	30.26	39.84	41.79	47.67	37.51	29.10

Total Revenues

In the year 2020 and 2019, the Group had total revenues amounted to Baht 1,949 million and Baht 3,051 million, respectively, decreased by Baht 1,102 million or 36%. Sales and services income amounted to Baht 1,904 million, decreasing from the same period of the last year by Baht 1,092 million or 36%. The main reason for that decrease was the economic slowdown due to the Coronavirus (COVID-19) pandemic.

Cost of Sales and Services

In the year 2020 and 2019, the Group had cost of sales and services amounted to Baht 1,890 million and Baht 2,874 million, respectively, decreased by Baht 984 million or 34%. 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 decreased by Baht 295 million or 69%. The main reason for that decrease was from Loss on change in fair value of investment properties in 2019.

Finance costs

Due to the decrease in loans, finance costs decreased by Baht 39 million or 44%.

Net Profit (Loss)

In the year 2020, the group had Bath 95 million loss for the year, compared to Bath 253 million loss in the year 2019. Loss attributable to the parent is Bath 95 million in 2020, compared to Baht 256 million in loss in 2019. The main reasons were clarified above.

Financial Position (in comparison with as of 31 December 2019)

Overall financial position of the Group as of 31 December 2020, compared to the consolidated statement of financial position as of 31 December 2019, are as follows; (Unit : Baht million)

	2020	2019	%Change
Total Assets	4,158	4,888	-15
Total Liabilities	1,682	2,317	-27
Total shareholders' equity	2,476	2,571	-4

Total Assets

As of 31 December 2020, the Group had total assets amounting to Baht 4,158 million, decreased by Baht 730 million, having Baht 353 million decreased in current assets and Baht 377 million decreased in non-current assets. Main decreases were from trade receivables, inventory, and property, plant and equipment.

Total Liabilities

As of 31 December 2020, total liabilities decreased by Bath 635 million, having Baht 582 million decreased in current liabilities and Bath 53 million decreased in non-current liabilities.

Total shareholders' equity

As of 31 December 2020, the Group's shareholders' equity decreased by Bath 95 million.

14.4 Asset Management

(1) Account Receivable and allowance for doubtful accounts as 31 December 2020 and 2019 are as follows.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Trade accounts receivable – related companies				
Within credit terms	4,040,500	19,216,793	748,519	612,301
Overdue : Less than 3 months	902,769	732,166	902,769	732,166
Total trade accounts receivable – related companies	4,943,269	19,948,959	1,651,288	1,344,467

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2020	2019	2020	2019
Trade accounts receivable – other companies				
Within credit terms	109,321,200	171,937,544	60,217,649	106,901,878
Overdue:				
Less than 3 months	31,698,697	58,243,447	21,282,168	32,732,990
3 – 6 months	3,411,744	6,396,120	513,416	2,617,824
6 – 12 months	8,078,392	4,368,914	135,399	4,368,914
Over 12 months	32,104,777	27,917,220	31,926,865	27,739,308
Total trade accounts receivable	184,614,810	268,863,245	114,075,497	174,360,914
<u>Less</u> allowance for doubtful accounts	(32,493,002)	(27,533,203)	(32,315,090)	(27,355,291)
Trade accounts receivable – others – net	152,121,808	241,330,042	81,760,407	147,005,623

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	
	2020	2019	2020	2019	2020	2019
Finished goods	351,788,799	327,812,104	(45,681,570)	(36,901,200)	306,107,229	290,910,904
Work in process	131,174,956	141,836,390	–	–	131,174,956	141,836,390
Raw materials	339,208,670	459,764,147	(24,075,579)	(6,317,242)	315,133,091	453,446,905
Material and supplies	32,138,693	45,081,186	–	–	32,138,693	45,081,186
Total	854,311,118	974,493,827	(69,757,149)	(43,218,442)	784,553,969	931,275,385

During the current year, the Group recorded allowance for obsolescence of inventories by Baht 26.5 million (2019: Baht 0.9 million) to reflect the net realisable value. This was included in cost of sales.

	In Baht					
	Separate financial statements					
	Allowance for obsolescence of					
	Cost		inventories		Inventories – net	
	2020	2019	2020	2019	2020	2019
Finished goods	257,451,968	204,722,749	(44,883,362)	(36,550,035)	212,568,606	168,172,714
Work in process	117,339,996	126,454,450	–	–	117,339,996	126,454,450
Raw materials	158,235,670	191,569,812	(24,075,579)	(6,317,242)	134,160,091	185,252,570
Material and supplies	10,660,588	24,230,017	–	–	10,660,588	24,230,017
Total	543,688,222	546,977,028	(68,958,941)	(42,867,277)	474,729,281	504,109,751

During the current year, the Company recorded allowance for obsolescence of inventories by Baht 26.1 million (2019: Baht 1.8 million) to reflect the net realisable value. This was included in cost of sales.

14.5 Contingent Liabilities and Off Budget Management

(1) There are 3 contingent liabilities

A. The Group entered into the operating lease agreement in respect of the lease of land and building. The term of agreements were 1 and 8 years.

As at 31 December 2020 and 2019, the Group had future minimum lease payments under the operating lease agreements, as follows:

	In Million Baht	
	Consolidated and Separate financial statements	
	2020	2019
Repayment		
Within 1 year	0.6	1.3
Over 1 to 5 years	–	2.4
Over 5 years	–	1.8

B. As at 31 December 2020, the Group had commitments according to sales of Investment properties – land, machinery and equipment with counterparties in amounting to approximately Baht 363.5 million. (2019 : Baht 474.7 million). The Group expects to satisfy these performance obligation within 1 years.

C. As at 31 December 2020, the Group has unused letter of credit amounting to approximately U.S. Dollars 1.8 million equivalent to approximately Baht 54.0 million. (2019 : U.S. Dollars 2.0 million equivalent to approximately Baht 61.8 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.

	In Million Baht					
	2020			2019		
	Company	Subsidiary	Total	Company	Subsidiary	Total
Letter of Guarantee	9.77	25.00	34.77	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.