

## **Part 3**

### **Financial Status and the Company's Performance**

<b>13. Important Financial Highlights</b>
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#### **Responsibility Statement from the Board of Directors on the Disclosure of the Financial Report**

The Board of Directors recognizes its role and responsibilities to ensure that the Company operates the business effectively and in compliance with objectives, strategies and policies, as well as the importance of conformity with all applicable rules and regulations in preparing financial statements for each financial year.

The financial statements of Vinythai Public Company Limited and its subsidiaries have been prepared with careful consideration, in compliance with the generally accepted accounting principles in Thailand, under Accounting Act B.E. 2543, the financial reporting requirement of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535, and other appropriate accounting policies. The Company has disclosed all important information in the Notes under the Financial Statements, in a proper and fully transparent manner.

The Board of Directors provides and maintains appropriate and efficient internal control systems, ensuring that all accounting records are accurate, complete and sufficient to prevent fraud or mismanagement and to protect the Company's assets.

In this regard, the Board of Directors has appointed the Audit Committee to review the financial reporting and internal control. The Audit Committee has monitored, evaluated, commented on, and reported to the Board of Directors the findings of the external auditor, KPMG Phoomchai Audit Limited, and the Internal Audit Department, including the key audit matters presented in the Independent Auditor's Report to the shareholders of Vinythai Public Company Limited, so as to ensure the development of a thorough risk management program as well as comply with major shareholders policy. The Committee also ensures that internal control systems are adequate, appropriate and in compliance with all relevant laws and regulations. The Audit Committee's Report is presented accordingly in this Annual Report.

The Board of Directors agrees that the overall internal control systems of the Company are satisfactory. It further concurs that the financial statement of Vinythai Public Company Limited and its subsidiaries for the year ending 31 December 2019 has been prepared in accordance with the generally accepted accounting principles in Thailand and that it complies with all relevant rules and regulations.

## **Independent Auditor's Report**

### **To the Shareholders of Vinythai Public Company Limited**

#### *Opinion*

I have audited the consolidated and separate financial statements of Vinythai Public Company Limited and its subsidiaries (the "Group") and of Vinythai Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of investment in and loans to subsidiary in the separate financial statements and valuation of property, plant and equipment and intangible assets of subsidiary in the consolidated financial statements	
Refer to Notes 3(k), 4, 9, 10, and 11 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices and Glycerine prices, resulting in an operating loss of a wholly-owned subsidiary for many consecutive years which are indicators of impairment. However, the subsidiary could take advantage from reducing in excess capacity in China, and started to have an operating profit since 2018, the Group has continuously considered the valuation of assets and, during 2019, recorded a reversal of allowance for impairment loss on investment in subsidiary.</p> <p>The Group determines the recoverable amounts of assets using the asset's value in use. This involves significant judgments and estimates by management and since the balances of the assets are significant, so this is a focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <p>Obtaining an understanding of management's procedures for identifying an indication of impairment, impairment testing process as well as assessing the appropriateness of the identification of cash-generating units based on my knowledge of the client.</p> <p>To challenge the recoverable amounts of assets using the value in use, I:</p> <ul style="list-style-type: none"> <li>- checked the calculation of the estimated future cash flows, evaluated the appropriateness of the key assumptions applied by management, and compared these inputs with externally derived data and the business plan;</li> <li>- assessed the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year;</li> <li>- challenged sensitivity analysis prepared by management around the key drivers of market situation, growth rates and discount rate used in the cash flow forecasts.</li> <li>- evaluated the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul>

Recognition of deferred tax assets	
Refer to Notes 3(t) and 18 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The Group has been granted privileges by the Board of Investment resulting the Group has recognised a deferred tax assets of Baht 445.6 million in the consolidated financial statement and Baht 245.6 million in the separate financial statement in respect of a portion of unused tax losses. The recoverability of recognized deferred assets is in part dependent on the Group's ability to generate future taxable profits sufficient to utilize tax losses (before tax losses expire).</p> <p>Future taxable profits involves significant judgments and estimates by management and since the balance of the assets is significant, so this is a focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- reconciling tax losses and expiry dates to tax report as well as inspecting promotional privileges granted with the promotional certificates.</li> <li>- checking the calculation of forecast future taxable profits, assessing the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year, and comparing the key assumptions applied by management in forecast future taxable profits and business plan.</li> <li>- evaluating the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul>

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control

as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and

separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Sirinuch Vimolsathit)  
Certified Public Accountant  
Registration No. 8413

KPMG Phoomchai Audit Ltd.  
Bangkok  
21 February 2020

# 1. Summary of Financial Status and Performance for the Past 3 Years

## (1) Summary of Financial Status and Performance for the Past 3 Years

### (a) Summary of the Auditor's Reports in the Past 3 Years

The independent auditor of KPMG Phoomchai Audit Ltd. conducted the audit in accordance with generally accepted auditing standards and expressed unqualified opinion that the Company's Financial Statements for the past 3 years were in accordance with generally accepted auditing principles in Thailand.

### (b) Financial Statements in the Past 3 years \*

Balance Sheets as of 31 December						
	Consolidated financial statements					
	2019 Baht	%	2018 Baht	%	2017 Baht	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	10,509,720,011	44.6	7,540,181,775	34.9	5,212,891,690	26.22
Trade account	2,332,377,946	9.9	2,611,957,367	12.1	2,605,022,395	13.1
Other receivables	43,143,950	0.2	83,724,865	0.4	12,307,009	0.1
Inventories	1,128,126,182	4.8	1,374,155,532	6.4	1,113,490,467	5.6
Other current assets	147,615,049	0.6	185,170,597	0.9	265,000,039	1.3
<b>Total current assets</b>	<b>14,160,983,138</b>	<b>60.1</b>	<b>11,795,190,136</b>	<b>54.6</b>	<b>9,208,711,600</b>	<b>46.3</b>
<b>Non-current assets</b>						
Investment in associate	357,031,317	1.5	355,139,527	1.6	386,440,432	1.9
Property, plant and equipment	8,203,310,512	34.8	9,104,832,005	42.2	9,728,013,624	48.9
Intangible assets	302,102,234	1.3	222,789,669	1.0	234,162,856	1.2
Assets not used in operation	-	-	-	-	5,888	0.0
Deferred arrangement fee for long-term loan	-	-	1,379,762	0.0	2,759,523	0.0
Deferred tax assets	510,621,831	2.2	101,669,610	0.5	305,966,223	1.5
Other non-current assets	24,191,323	0.1	15,232,841	0.1	12,904,604	0.1
<b>Total non-current assets</b>	<b>9,397,257,217</b>	<b>39.9</b>	<b>9,801,043,414</b>	<b>45.4</b>	<b>10,670,253,150</b>	<b>53.7</b>
<b>Total assets</b>	<b>23,558,240,355</b>	<b>100.0</b>	<b>21,596,233,550</b>	<b>100.0</b>	<b>19,878,964,750</b>	<b>100.0</b>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Trade account and other payables	998,659,676	4.2	1,343,506,575	6.2	1,540,887,831	7.8
Other payables	241,684,911	1.0	200,869,663	0.9	171,734,690	0.9
Other current liabilities	128,387,502	0.5	104,746,232	0.5	128,350,499	0.6
<b>Total current liabilities</b>	<b>1,368,732,089</b>	<b>5.8</b>	<b>1,649,122,470</b>	<b>7.6</b>	<b>1,840,973,020</b>	<b>9.3</b>
<b>Non-current liabilities</b>						
Other non-current payables	54,453,724	0.2	-	-	-	-
Employee benefit obligations	295,051,703	1.3	178,737,591	0.8	169,766,099	0.9
<b>Total non-current liabilities</b>	<b>349,505,427</b>	<b>1.5</b>	<b>178,737,591</b>	<b>0.8</b>	<b>169,766,099</b>	<b>0.9</b>
<b>Total liabilities</b>	<b>1,718,237,516</b>	<b>7.3</b>	<b>1,827,860,061</b>	<b>8.5</b>	<b>2,010,739,119</b>	<b>10.1</b>
<b>Equity</b>						
Share capital:						
Authorised share capital	7,111,160,664	30.2	7,111,160,664	32.9	7,111,160,664	35.8
Issued and paid-up share capital	7,111,160,664	30.2	7,111,160,664	32.9	7,111,160,664	35.8
Additional paid-in capital:						
Premium on ordinary shares	1,303,712,790	5.5	1,303,712,790	6.0	1,303,712,790	6.6
Retained earnings:						
Appropriated						
Legal reserve	711,116,066	3.0	711,116,066	3.3	711,116,066	3.6
Unappropriated	12,740,255,623	54.1	10,676,453,052	49.4	8,667,083,234	43.6
Other components of equity	(26,242,304)	(0.1)	(34,069,083)	(0.2)	75,152,877	0.4
<b>Total equity</b>	<b>21,840,002,839</b>	<b>92.7</b>	<b>19,768,373,489</b>	<b>91.5</b>	<b>17,868,225,631</b>	<b>89.9</b>
<b>Total liabilities and equity</b>	<b>23,558,240,355</b>	<b>100.0</b>	<b>21,596,233,550</b>	<b>100.0</b>	<b>19,878,964,750</b>	<b>100.0</b>

<i>Incomes Statements as of 31 December</i>						
Consolidated financial statements						
	<u>2019</u> <u>Baht</u>	<u>%</u>	<u>2018</u> <u>Baht</u>	<u>%</u>	<u>2017</u> <u>Baht</u>	<u>%</u>
<b>Income</b>						
Revenue from sale of goods	18,605,092,962	98.8	19,946,304,217	98.9	19,281,791,834	99.4
Other income	-		-		-	
Interest income	131,367,856	0.7	75,342,214	0.4	43,978,271	0.2
Foreign currency differences on dissolution of indirect subsidiary	-		89,451,902		-	
Other income, net	94,184,564	0.5	59,573,495	0.3	77,602,168	0.4
<b>Total income</b>	<b>18,830,645,382</b>	<b>100.0</b>	<b>20,170,671,828</b>	<b>100.0</b>	<b>19,403,372,273</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales of goods	14,186,768,137	75.3	15,649,075,350	77.6	15,440,403,255	79.6
Selling expenses	875,575,512	4.6	830,707,046	4.1	874,775,195	4.5
Administrative expenses	514,494,514	2.7	422,578,225	2.1	620,483,279	3.2
Loss on foreign currency differences on dissolution of subsidiary	13,043,036	0.1	-	-	-	-
Doubtful debt expense	137,154	0.0	(45,511)	(0.0)	100,166,172	0.5
Finance cost	8,261,494	0.0	7,721,141	0.0	23,568,997	0.1
<b>Total expenses</b>	<b>15,598,279,847</b>	<b>82.8</b>	<b>16,910,036,251</b>	<b>83.8</b>	<b>17,059,396,898</b>	<b>87.9</b>
<b>Profit before share of profit from investment in associated company and finance cost and tax income (expenses)</b>	<b>3,232,365,535</b>	<b>17.2</b>	<b>3,260,635,577</b>	<b>16.2</b>	<b>2,343,975,375</b>	<b>12.1</b>
<b>Share of profit (loss) of investment in associated</b>	<b>1,891,790</b>	<b>0.0</b>	<b>1,158,801</b>	<b>0.0</b>	<b>375,619</b>	<b>0.0</b>
<b>Profit (loss) before income tax expenses</b>	<b>3,234,257,325</b>	<b>17.2</b>	<b>3,261,794,378</b>	<b>16.2</b>	<b>2,344,350,994</b>	<b>12.1</b>
Income tax (expenses) benefits	401,170,902	2.1	(202,383,591)	(1.0)	(96,025,722)	(0.5)
<b>Profit (loss) for the year</b>	<b>3,635,428,227</b>	<b>19.3</b>	<b>3,059,410,787</b>	<b>15.2</b>	<b>2,248,325,272</b>	<b>11.6</b>
<b>Basic earnings per share</b>						
Net profit	3.07		2.58		1.90	
Weighted average number of ordinary shares (shares)	1,185,193,444		1,185,193,444		1,185,193,444	
	Shares		Shares		Shares	
<b>Retained earnings</b>						
Balance – beginning of year	10,676,453,052		8,667,083,234		6,954,815,427	
Dividend paid	(1,540,751,477)		(1,066,674,100)		(533,337,050)	
Profit	3,635,428,227		3,059,410,787		2,248,325,272	
Other comprehensive income (loss)	(30,874,179)		5,628,937		(2,720,415)	
Transfer to retained earnings	-		11,004,194		-	
<b>Balance – ending of year</b>	<b>12,740,255,623</b>		<b>10,676,453,052</b>		<b>8,667,083,234</b>	



<b>Cash Flows Statement as of 31 December</b>			
	Consolidated financial statements		
	<u>2019</u> Baht	<u>2018</u> Baht	<u>2017</u> Baht
<b>Cash flows from (used in) operating activities</b>			
Profit (loss) for the year	3,635,428,227	3,059,410,787	2,248,325,272
<i>Adjustments for</i>			
Income tax (expense) benefits	(401,170,902)	202,383,591	96,025,722
Depreciation and amortisation	1,281,909,942	1,241,270,583	1,277,984,902
Amortisation of arrangement fee for long-term loan	1,379,761	1,379,761	1,379,761
Unrealised (gain) loss on foreign exchange	(3,598,277)	1,968,280	361,016
Unrealised loss on derivatives	2,159,806	7,487,334	-
Share of profit of investment in associate	(1,891,790)	(1,158,801)	(375,619)
Loss on dilution on investment in associate	-	32,459,706	-
Reversal of losses on inventories devaluation	-	(30,367,756)	13,668,210
(Reversal of) impairment losses on assets not used in operation	-	-	(1,354,005,366)
Loss on write-off of plant and equipment	48,580,530	5,562	1,530,940,972
Loss on disposals of plant and equipment	73,764,580	14,004,673	98,438,425
Foreign currency differences on dissolution of indirect subsidiary	13,043,036	(89,451,902)	-
Interest income	(131,367,856)	(75,342,214)	(43,978,271)
(Reversal of) doubtful debt expenses	137,154	(45,511)	100,166,172
Provisions for employee benefits	79,295,056	16,659,539	14,384,044
	<u>4,597,669,267</u>	<u>4,380,663,632</u>	<u>3,983,315,240</u>
<i>Changes in operating assets and liabilities</i>			
Trade account receivables	277,561,159	(20,153,164)	(629,167,869)
Other receivables	47,016,565	(26,286,585)	123,149,228
Inventories	246,029,351	(230,297,309)	(164,731,962)
Other current assets	35,285,188	41,624,876	(103,617,224)
Other non-current assets	(8,958,482)	(2,328,237)	(1,370,951)
Trade account payables	(344,837,045)	(195,159,883)	193,081,845
Other payables	5,113,188	27,461,827	(25,268,392)
Other current liabilities	23,641,267	(22,080,252)	14,221,325
Employee benefit paid	(1,573,669)	(651,876)	(3,206,276)
Income tax paid	-	(729,019)	(705,465)
<b>Net cash from operating activities</b>	<b><u>4,876,946,789</u></b>	<b><u>3,952,064,010</u></b>	<b><u>3,385,699,499</u></b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of plant and equipment	2,852,106	1,034,583	51,793,700
Acquisition of plant and equipment	(452,578,584)	(604,244,097)	(350,583,689)
Acquisition of intangible assets	(36,837,060)	(15,793,274)	-
Proceeds from sale of assets not used in operation	124,932,205	68,171,751	39,451,356
Interest received	-	-	38,715,087
<b>Net cash used in investing activities</b>	<b><u>(361,631,333)</u></b>	<b><u>(550,831,037)</u></b>	<b><u>(220,623,546)</u></b>
<b>Cash flow from financing activities</b>			
Dividends to owners of the Company	-	-	(618,353,829)
Proceeds from long-term loans from financial institutions	(1,540,751,477)	(1,066,674,100)	(533,337,050)
Repayment of borrowings	-	-	(6,071,235)
<b>Net cash used in financing activities</b>	<b><u>(1,540,751,477)</u></b>	<b><u>(1,066,674,100)</u></b>	<b><u>(1,157,762,114)</u></b>
Currency translation differences	(5,168,477)	(7,514,577)	(1,913,184)
Net increase (decrease) in cash and cash equivalents before Effect of exchange rate	2,969,395,502	2,327,044,296	2,005,400,655
Effect of exchange rate changes on balances held in foreign currencies	142,734	245,789	265,110
<b>Net increase (decrease) in cash and cash equivalents</b>	<b><u>2,969,538,236</u></b>	<b><u>2,327,290,085</u></b>	<b><u>2,005,665,765</u></b>
Cash and cash equivalents at 1 January	7,540,181,775	5,212,891,690	3,207,225,925
<b>Cash and cash equivalents at 31 December</b>	<b><u>10,509,720,011</u></b>	<b><u>7,540,181,775</u></b>	<b><u>5,212,891,690</u></b>

*Non-cash transaction:*

Purchase of fixed assets for which no cash has been paid	50,810,869	36,184,292	34,456,712
Purchase of intangible assets for which no cash has been paid	75,532,585	-	-

## 2. Summary of Significant Financial Ratio

### (C) Summary of Significant Financial Ratio

		2019#	2018#	2017#
<b><u>Liquidity Ratios</u></b>				
Current Ratios	times	10.35	7.15	5.00
Acid Test Ratios	times	9.38	6.16	4.25
Cash Flow Liquidity Ratios	times	3.23	2.27	1.96
Account Receivable Turnover Ratios	times	7.53	7.65	8.43
Collection Period	days	48	48	43
Inventory Turnover Ratios	times	11.34	12.58	14.88
Inventory Days	days	32	29	25
Account Payable Turnover Ratios	times	12.11	10.85	10.69
Payment Period	days	30	34	34
Cash Cycle	days	51	43	34
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	23.75	21.54	19.92
Net Profit Margin	%	19.30	15.17	11.59
Return on Average Equity	%	17.47	16.26	13.21
<b><u>Efficiency Ratios</u></b>				
Return on Average Assets	%	14.36	15.77	12.31
Return on Average Fixed Assets	%	55.15	44.59	33.26
Total Assets Turnover	times	0.82	0.96	1.00
<b><u>Financial Policy Ratios</u></b>				
Debt to Equity Ratios	times	0.08	0.09	0.11
Interest Coverage Ratios	times	392.49	423.45	100.47
Cash Coverage Ratios	times	2.09	3.04	4.25
Cash Coverage Ratios (Cash Basis)	times	3.15	3.69	6.16
Dividend Payout	%	45.64	50.36	47.44
<b><u>Information per Share</u></b>				
Book Value per Share	Baht/Share	18.43	16.68	15.08
Net Earning per Share	Baht/Share	3.07	2.58	1.90
Dividend per Share	Baht/Share	1.40	1.30	0.90
<b><u>Growth Rate</u></b>				
Total Assets Growth	%	9.08	8.64	7.00
Total Liabilities Growth	%	-6.00	-9.10	-16.73
Sales Growth	%	-6.72	3.45	23.14
Expenditure Growth	%	10.91	-16.18	35.03
Net Profit Growth	%	18.83	36.07	100.12

## 14. Explanation and Analysis of Financial Status and Performance

### An Analysis of Performance \*

#### Analysis of Income

The Company and its subsidiary recorded the total revenue of 18,830 MTHB of which 18,605 MTHB earned from sales revenue. The sales revenue decreased by 1,341 MTHB or 6.7% comparing to the year 2018. Such decrement was due to the overall selling price decrease, especially for Caustic Soda due to the fall of its market price trend, plus impact from appreciation of Thai Baht against US Dollar. However, those negative impacts were partially offset by higher sales volume of all main products as a result of stable operation. The share of domestic and export sales has no significant change comparing with the previous year.

Sales Revenues	2019		2018	
	MTHB	%	MTHB	%
<b>Domestic Sales</b>				
1. PVC Resins	5,385	28.9	5,375	26.9
2. Caustic Soda	2,753	14.8	3,920	19.7
3. VCM	1,450	7.8	1,492	7.5
4. ECH	888	4.8	905	4.5
5. Others	126	0.7	102	0.5
<b>Total Domestic Sales</b>	<b>10,602</b>	<b>57.0</b>	<b>11,795</b>	<b>59.1</b>
<b>Export Sales</b>				
1. PVC Resins	3,662	19.7	3,606	18.1
2. Caustic Soda	-	-	102	0.5
3. VCM	-	-	-	-
4. ECH	4,342	23.3	4,444	22.3
<b>Total Export Sales</b>	<b>8,003</b>	<b>43.0</b>	<b>8,152</b>	<b>40.9</b>
<b>Domestic and Export Sales</b>				
1. PVC Resins	9,046	48.6	8,981	45.0
2. Caustic Soda	2,753	14.8	4,022	20.2
3. VCM	1,450	7.8	1,492	7.5
4. ECH	5,230	28.1	5,348	26.8
5. Others	126	0.7	102	0.5
<b>Total Domestic and Export Sales</b>	<b>18,605</b>	<b>100.0</b>	<b>19,946</b>	<b>100.0</b>

#### Analysis of Costs and Expenses

1. In 2019, Cost of sales was 14,187 MTHB, decreased by 1,462 MTHB comparing to 2018 or 9.3% due the drastic decline in Ethylene and Glycerin price from ample supply plus lower crude oil price.

2. In 2019, distribution costs, administrative expenses, and doubtful debt expenses was 1,390 MTHB, increased by 137 MTHB from 2018 due to higher distribution costs from higher export portion, plus loss from unused assets disposal.
3. In October 2019, the Company completed the dissolution of Vinythai Holding Pte. Limited (“VNTH”), its subsidiary in Singapore, and then realized loss on foreign currency differences on dissolution amounting to -13 MB from other comprehensive income to the loss for the year. Comparing to the previous year, the Company realized gain on foreign currency differences on dissolution of Solvay Biochemicals (Taixing) Limited amounting to 89 MB from other comprehensive income to the profit of the year 2018.

### **Summary of Performance**

For the year 2019, the Company and its subsidiary recorded gross profit of 4,418 MTHB, improved by 2.8% from the year 2018 due to lower prices of raw materials this year and improvement of production reliability. However, such improvement was diminished by the increment of distribution costs and administrative expenses, plus foreign currency differences on dissolution of its subsidiaries as mentioned above.

At the bottom line, the Company and its subsidiary recorded net profit of 3,635 MTHB, increased by 576 MTHB or 18.8% comparing to year 2018, which due to the recognition of deferred tax assets from loss carried forward of the Company and its subsidiary.

### **An Analysis of Financial Status \***

#### **Analysis of Assets**

As at 31 December 2019, the Company and its subsidiary had 23,558 MTHB of the total assets, which was increased 1,962 MTHB or 9% from previous year.

Details of the major changes were following:

1. As at 31 December 2019, the Company and its subsidiary had net cash and cash equivalents amounting to 10,510 MTHB, increasing 2,970 MTHB or 39% comparing to 7,540 MTHB at the end of 2018. (see further information in analysis of cash flow)
2. The balance of trade receivables at the end of 2019 was 2,332 MTHB, decreasing by 280 MTHB comparing to 2,612 MTHB at the end of 2018 due to decline of products' selling price with good collection performance. Most of the receivables were not yet due. For the corresponding bad debt, the Company and its subsidiary had already set sufficient provision.

3. The Company and its subsidiary had net inventories at the end of 2019 amounting to 1,128 MTHB, decreasing from 1,374 MTHB of the year 2018 which mainly due to decline of main raw materials' price.
4. At the end of 2019, the Company and its subsidiary had net property, plant and equipment, and intangible assets amounting to 8,505 MTHB or decreasing by 823 MTHB comparing to 9,328 MTHB at the end of 2018, mainly from normal depreciation offset with asset acquisitions during the year.
5. The balance of deferred tax assets at the end of 2019 was 511 MTHB, increasing by 409 MTHB comparing to 102 MTHB at the end of 2018 following the recognition of deferred tax assets from loss carried forward in 2019.

### **Analysis of Liabilities**

The Company and its subsidiary had total liabilities at the end of 2019 amounting to 1,718 MTHB which decreased by 110 MTHB or 6% comparing to 2018. The major change of the liabilities was from lower of trade accounts payable due to lower prices of raw materials, offset with higher provisions for employee benefits due to the change of severance payment policy following the amended Labor Protection Act.

### **Analysis of Shareholders' Equity**

As at 31 December 2019, the shareholders' equity was 21,840 MTHB which increased by 2,072 MTHB or 10.5% comparing to 19,768 MTHB at the end of 2018. The increment was mainly from the net profit of 2019 offset with dividend paid to its shareholders.

### **Analysis of Cash Flow**

As of 31 December 2019, the Company and its subsidiary's Statement of cash flows presented 10,510 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2019, the net cash flow from operating activities was 4,877 MTHB which increased by 837 MTHB or 21% comparing to 2018 from Company and its subsidiary's better operating results and working capital management.
2. In 2019, the net cash flow used in investing activities was 361 MTHB, decreased by 190 MTHB comparing to its amount of 551 MTHB in 2018 due to lower acquisition of machinery and equipment, plus more interest received

from short term investment on excess cash.

3. In 2019, the net cash flow used in financing activities amounting to 1,541 MTHB which was the dividends paid to shareholders.

Net cash flow from operating activities	4,877	MTHB
Net cash flow used in investing activities	(361)	MTHB
Net cash flows used in financing activities	(1,541)	MTHB
Translation adjustments of its subsidiary	<u>(5)</u>	MTHB
Net increase in cash and cash equivalents	<u>2,970</u>	MTHB

### Financial Ratios

	<u>2019</u>	<u>2018</u>
Gross profit margin	23.7%	21.5%
Net profit margin	19.3%	15.2%
Debt to Equity ratio	0.08	0.09
Earnings per share	3.07	2.58
ROA	14.4%	15.8%
ROE	17.5%	16.3%

Gross Profit margin = Gross Profit (Total Sales - Costs of Sales) to Sales

Net Profit margin = Net Profit to Total Revenues

Debt to Equity = Total Liabilities to Total Equity

Return on Assets (ROA) = Profit before financial costs and income tax to average Total

Assets Return on Equity (ROE) = Net Profit to average Total Equity