

Part 3

Financial Position and Operating Results

13. Significant financial information

13.1 Summarized financial statement table

Summarized past operation results and financial position (please see details in consolidated financial statement)

Significant financial information	2017	2016	2015
Consolidated income statement (million Baht)			
Income from sale	932	1,013	1,152
Costs and expenses		859	936
Earnings before interest, taxes, depreciation and amortization (EBITDA) including dividend receivables from subsidiaries	201	255	292
Profit for the year*	222	138	176
Consolidated statement of financial position (million Baht)			
Assets	2,470	2,141	1,342
Liabilities	252	272	406
Shareholders' equity	2,218	1,869	936
Parent company shareholders' equity	2,218	1,869	936
Financial ratio			
Number of shares issued (million shares)**	4,752	4,285	2,140
Book value per share (Baht)	0.47	0.44	0.44
Profit per share (Baht)	0.05	0.03	0.08
Dividend payable per share (Baht)	***0.045	0.008	0.04
Liquidity ratio (times)	9.42	5.86	1.98
Gross profit rate (%)	35%	38%	38.5%
Net profit rate (%)	24%	14%	15.3%
Shareholders' return rate (%)	10.9%	9.8%	17.6%
Total rate of return from assets (%)	12.3%	10.1%	16.8%
Debt to equity ratio (times)	0.11	0.15	0.43

Statement of Financial Position	Consolidated financial statement as per audit report					
	2016		2016		2015	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets						
Cash and cash equivalents	103,530	4	83,136	4	101,532	8
Temporary investment	394,614	16	442,233		-	
Trade and other account receivables	141,946	6	172,378	8	135,236	10
Short-term loans	-		-		3,570	
Inventories	1,266,968	51	817,308	38	448,087	33
Total current assets	1,907,058	77	1,515,055	71	688,425	51
Non-current assets						
Land held for development	19,933	1	19,933	1	19,933	1
Real estate for investment	46,460	2	49,090	2	41,724	3
Property, plant and equipment	445,699	18	496,769	23	511,839	38
Intangible assets	1,126	0	1,382		2,038	
Deferred tax assets	9,538	0	8,376		4,378	
Non-operating assets	35,768	1	47,957	2	71,016	5
Other non-current assets	4,219	0	2,3338		3,014	
Total non-current assets	562,743	23	625,845	29	653,943	49
Total assets	2,469,801	100	2,140,900	100	1,342,368	100
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans from financial institutions	1,119	0	762	0	173,433	13
Trade and other account payables	185,897	8	242,018	11	109,904	8
Short-term loans	-		-		-	
Long-term liabilities due within one year	108	0	569	0	41,909	3
Accrued income tax	15,420	1	15,083	1	22,672	2
Total current liabilities	202,544	8	258,432	12	347,918	26

Non-current liabilities						
Long-term loans	-	-	-	-	46,250	3
Financial lease liabilities	-	-	139	0	416	
Deferred tax liabilities	5,200	0	4,972	0	3,900	
Employee benefit obligations	16,092	1	7,184	0	6,453	
Other non-current liabilities	28,275	1	1,555	0	1,425	
Total non-current liabilities	49,567	2	13,850	1	58,444	4
Total liabilities	252,111	10	272,282	13	406,362	30
Shareholders' equity						
Share capital						
Authorized share capital	557,000		546,316	26	546,316	41
Issued and paid-up capital	475,160		428,550	20	213,958	16
Premium on ordinary shares	1,187,566		1,067,908	50	319,825	24
Retained earnings						
Appropriated						
Legal reserve	55,700	2	54,632	3	32,413	2
Unappropriated	497,861	20	320,583	15	375,822	28
Other components of equity	(5,992)	(0)	(5,992)		(5,992)	
Non-controlling interests	7,395	0	2,937		(20)	
Total shareholders' equity	2,217,690	90	1,868,618	87	936,006	70
Total shareholders' equity	2,469,801	100	2,140,900	100	1,342,368	100

(Unit : thousand Baht)

Statement of comprehensive income	Consolidated financial statement as per audit report					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
Income from sales and services	932,113	100	1,012,981	100	1,152,203	100
Cost of sales and services	(604,327)	(65)	(629,125)	(62)	(708,614)	(62)
Gross profit	327,786	35	383,856	38	443,589	38
Other income						
Profit from sales of Land	132,594	14	-		-	
Profit from sales of real estate for investment	7,223	1	-		-	
Others	22,686	2	21,755	2	14,399	1
Selling expenses	(127,486)	(14)	(118,083)	(12)	(134,961)	(12)
Administrative expenses	(78,472)	(8)	(112,282)	(11)	(92,640)	(8)
Financial cost	(290)	(0)	(1,754)	(0)	(8,782)	(1)
Profit before income tax	284,041	30	173,492	17	221,605	19
Income tax expenses	(59,923)	(6)	(35,390)	(3)	(45,415)	(4)
Profit for the year	224,118	24	138,102	14	176,190	15
Other comprehensive income (expense)	(2,247)	(0)	-		-	
Total comprehensive income for the year	221,871	21	138,102	14	176,190	15
Other comprehensive income	(6,974)	(1)				
Total comprehensive loss for the year	214,897	23	138,102	14	176,190	15
Share of profit (loss)						
Part of the company	223,306	24	138,144	14	176,194	15
Equity of non-controlling interests	(1,435)	(0)	(42)	0	(4)	0
Total profit for the year	221,871	24	138,02	14	176,190	15
Total Share of profit (loss)						
Part of the company	216,332	23	138,144	14	176,194	15
Equity of non-controlling interests	(1,435)	(0)	(42)	0	(4)	0
Total profit for the year	214,897	23	138,102	14	176,190	15
Basic earnings per share	0.05		0.03		0.08	

(Unit : thousand Baht)

Statement of changes in shareholders' equity	Consolidated financial statement as per audit report		
	2017	2016	2015
Share capital			
Balance at the beginning of the year	428,550	213,958	205,434
Ordinary share purchase	-	213,958	296
Stock dividend	46,610	634	8,228
Balance at the end of the year	475,160	428,550	213,958
Share premium			
Balance at the beginning of the year	1,067,908	319,825	319,825
Increase during the year	119,658	748,083	-
Balance at the end of the year	1,187,566	1,067,908	319,825
Retained earnings			
Appropriated			
Balance at the beginning of the year	54,632	32,413	24,688
Legal reserve	1,068	22,219	7,725
Balance at the end of the year	55,700	54,632	32,413
Unappropriated			
Balance at the beginning of the year	320,583	375,822	524,124
Impact from adoption of new accounting policy on income tax		-	-
Legal reserve	(1,068)	(22,219)	(7,725)
Stock dividend		-	(8,228)
Dividend paid	(37,986)	(171,164)	(308,543)
Comprehensive profit for the year	216,332	138,144	176,194
Balance at the end of the year	497,861	320,583	375,822
Other components of shareholders' equity			
Difference from changes in investment proportion in subsidiaries			
Balance at the beginning of the year	(5,992)	(5,992)	(5,992)
Increase during the year	-	-	-
Balance at the end of the year	(5,992)	(5,992)	(5,992)
Total shareholders' equity	2,210,295	1,865,681	936,026

(Unit : thousand Baht)

Statement of cash flows	Consolidated financial statement as per audit report		
	2017	2016	2015
Cash flows from operating activities			
Profit before income tax	284,041	173,492	221,605
Adjustment	(2,247)		
Profit from changes in investment value	(1,948)	(2,830)	-
Doubtful accounts	76	7,706	-
Amortized withholding income tax	60,046	-	
Depreciation	-	64,105	60,171
Loss on obsolete goods	(929)	14,569	-
Gain from sales of real estate for investment	(7,223)	-	-
(Profit) loss from disposal of tangible assets	316	(4,980)	-
Gain from sales of equipment	(132,594)	-	(167)
Intangible asset amortization	685	656	656
Employee benefit provision	450	482	570
Dividend received	-	-	-
Interest payable expenses	289	1,754	8,782
Profit from operating activities before changes in assets and operating liabilities	200,962	254,954	291,617
(Increase) decrease in components of operating assets			
Trade and other account receivables	29,964	(41,278)	(284)
Inventories	(455,429)	(378,660)	(12,713)
Land held for development	-	-	-
Other non- assets	(520)		
Other non-current assets	(1,881)	676	(816)
(Increase) decrease in components of operating liabilities			
Trade and other account payables	(10,856)	87,123	(21,966)
Employee benefit obligations	-	-	(1,349)
Other non-current liabilities	26,720	130	345
Cash generated (paid) from operation	(211,040)	(77,055)	254,835
Cash paid, interest paid	(38)	1,506	(8,482)
Cash Benefits Employee	(510)		
Income tax paid	(58,777)	(45,905)	(73,718)

Net cash generated from (paid in) operating activities	(270,365)	(124,466)	172,634
Cash flows from investment activities			
Proceeds from sales of temporary investment	974	-	-
(Increase) decrease in short-term loan	12,000	-	-
Proceeds from sales of real estate for investment	(7,159)	(39,380)	-
Cash paid for purchase of tangible assets		5,888	(28,204)
Proceeds from sales of equipment		44,992	693
Net cash generated from (paid in) investment activities	152,221	(427,904)	(27,512)
Cash flows from financing activities			
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	357	(172,670)	171,860
Increase (decrease) in short-term loans	-	-	-
Increase (decrease) in long-term loans	-	(73,750)	(27,500)
Payments for financial lease liabilities	(600)	(14,117)	(24,236)
Proceeds from share capital increase	-	960,412	296
Proceeds from share capital increase Subsidiary	10,500	3,000	
Proceeds from Warrant	166,268	2,263	
Dividends paid	(37,987)	(171,165)	(308,544)
Net cash generated from (paid in) financial activities	138,538	533,973	(171,165)
Net increase (decrease) in cash and cash equivalents	20,394	(18,396)	(43,002)
Cash and cash equivalents as at 1 January	83,136	101,532	144,534
Cash and cash equivalents as at 31 December	103,530	83,136	101,532

Financial ratio	2017	2016	2015
Liquidity Ratio			
Liquidity ratio (time)	9.42	5.86	1.98
Liquidity quick ratio (time)	3.16	2.70	0.68
Trade account receivable turnover ratio (time)	8.02	8.90	8.53
Average debt collection time (day)	45.52	41.00	42.81
Inventory turnover ratio (time)	0.78	1.34	1.57
Average goods selling time (day)	465.60	271.53	232.75
Account payable turnover ratio (time)	3.82	4.83	5.87
Debt repayment time (day)	95.59	75.52	62.16
Cash Cycle (day)	415.53	237.01	213.40
Profitability Ratio			
Gross profit rate (%)	35.2%	37.9%	38.5%
Net profit rate (%)	24.0%	13.6%	15.3%
Shareholder return rate (%)	10.9%	9.8%	17.6%
Efficiency Ratio			
Rate of return on total assets (%)	12.3%	10.1%	16.8%
Tangible asset turnover ratio (time)	1.98	2.01	2.20
Total assets turnover ratio (time)	0.40	0.58	0.84
Financial Ratio			
Rate of debt to equity ratio (time)	0.11	0.15	0.43
Interest solvency ratio (time)	983.94	99.91	26.24

14. Management Discussion and Analysis (MD&A)

Management Discussion and Analysis for the 2017 operating results (consolidated financial statement)

DCON Products Public Company Limited and Subsidiaries

1. Operating result analysis for 2016 consolidated financial statement compared with the 2015

1.1 Income from sale and service provision

In the year 2017 and 2016, the Company had revenues from sales and services of Baht 932.11 million and Baht 1,012.98 million, respectively. The total revenue was down by Baht 80.87 million or 8.0%. The segment of construction materials business decreased by Baht 72.38 million or 7.80%. Real estate business decreased Baht 8.48 million or 10.70%. The decline in construction materials was due to a decrease in sales volume of 6% and an average selling price of 2%. The decrease in real estate sales was due to the economic downturn. The real estate sector has slowed.

In 2017, the Company had revenue from sales of unused land. Amounting to Baht 132.59 million

	Unit : Million Baht			
	2017	2016	Difference	
			Increase (decrease)	%
1.1.Income from sale and service provision				
1.1.1 Construction materials	861.00	933.38	(72.38)	(7.80)
1.1.2 Real estate business	71.11	79.60	(8.49)	(10.70)
1.1.3 Total income	932.11	1,012.98	(80.87)	(8.0)

Proportions of incomes between construction material business and real estate business

	Unit : Per cent	
	2017	2016
Income from construction material business	92	92
Income from real estate business	8	8
Total income	100	100

1.2 Costs of sale and service provision

Cost of sales and services in 2017 was Baht 604.33 million and Baht 629.13 million in 2019, a decrease of Baht 24.80 million or 3.90% due to lower revenue from sales and services. Meanwhile, raw material cost increased, especially for cement and PC wire. Cost of sales of construction materials business decreased by Baht 13.25 million or a decrease of Baht 2.30 and the cost of sales of the real estate segment decreased by Baht 11.55 million or 24.80%

Unit : Million Baht

	2017	2016	Difference	
			Increase (decrease)	%
1.2 Cost of sale and service provision				
1.2.1 Construction material business	569.26	582.51	(13.25)	(2.30)
1.2.2 Real estate business	35.07	46.61	(11.55)	(24.80)
1.2.3 Total cost of sale and service provision	604.33	629.12	(24.80)	(3.90)

1.3 Gross profit

The gross profit margin of the year 2017 was Baht 327.79 million, a decrease of Baht 56.07 million or equivalent to Baht 56.07 million or equivalent to Baht 383.86 million in 2016 due to the decrease in sales and service income. Increased cost of sales. The gross margin was Baht 291.74 million and the real estate business was Baht 36.05 million.

In 2016, the gross margin of the construction materials segment decreased from 33.90% in the previous year. In the year 2016, the gross margin was 37.60%, due to the high price of Cement. Up 12% and PC wire wire price increased by 30%. For real estate segment, the gross margin was 50.7% higher than last year. In 2016, the gross margin was at 41.40%.

Unit : Million Baht

	2017	2016	Difference	
			Increase (decrease)	%
1.3 Gross profit				
1.3.1 Construction material business	291.74	350.87	(59.13)	(16.90)
1.3.2 Real estate business	36.05	32.99	3.07	9.30
1.3.3 Total gross profit	327.79	383.86	(56.07)	(14.60)

Gross profit rate to total income from sale and service provision

Unit : Per cent

	2017	2016
Gross profit rate of construction material business	33.9	37.6
Gross profit rate of real estate business	50.7	41.4
Total gross profit	35.2	37.9

1.4 Selling expenses

Selling expenses were Baht 127.48 million and Baht 118.08 million for the year 2017 and 2016, respectively, increased by Baht 9.40 million or 8.0%. Because of new reporting categorization. The selling expenses of the construction materials business increased by Baht 9.05 million or 8.40% and the selling expenses of the real estate business increased by Baht 0.35 million or 3.5%.

Selling expenses were 13.6% and 11.6%, respectively, for sales of construction materials and services for the year 2016 and 2016, respectively, and for the real estate segment was 14.9% 2560 and 12.9 percent in 2016

Unit : Million Baht

	2017	2016	Difference	
			Increase (decrease)	%
1.4 Selling expenses				
1.4.1 Construction material business	116.90	107.85	9.05	8.40
1.4.2 Real estate business	10.58	10.23	0.35	3.50
1.4.3 Total selling expenses	127.48	118.08	9.40	8.00

Selling expense rate compared with income from sale and service provision

Unit : Per cent

	2017	2016
Selling expenses compared with income from sale		
Selling expenses of construction material business	13.6	11.6
Selling expenses of real estate business	14.9	12.9
Total selling expenses	13.7	11.7

1.5 Administrative Expenses

Administrative expenses were Baht 78.47 million and Baht 112.28 million for the year 2017 and 2016, respectively, decreased by Baht 33.81 million or 30.10%. 2559 had a provision for doubtful accounts amounting to Baht 7.50 million and a provision for loss on impairment of property, machinery and equipment amounting to Baht 14.57 million. As a result, the new reclassifications amounted to Baht 12.62 million.

1.6 Financial costs

The financial cost in 2017 was Baht 0.29 million and in the year 2016 was Baht 1.75 million, a decrease of Baht 1.47 million or 83.50% due to the loan from financial institutions lower than the year 2016.

1.7 profit for the year

For the year 2017 and 2016, the Company's net profit for the year was Baht 223.30 million and Baht 138.10 million, an increase of Baht 85.20 million, or an increase of 61.70%.

2. Analysis of financial position for the consolidated financial statements of 2016 and 2015

2.1 Assets

As at 31 December 2017 the Company and subsidiaries had total assets of 2,469.80 million Baht, increasing by 328.90 million Baht or 15.0 per cent from 2016. Significant changes to the assets were:

Unit : Million Baht

	2017	2016	Difference	
			Increase (decrease)	%
Cash and cash equivalents, temporary investment		525.37	(27.23)	(5.2)
Trade and other account receivables		172.38	(30.43)	(17.7)
Inventories		817.31	449.66	55.0
Real estate for investment		49.09	(2.63)	(5.4)
Property, plant and equipment		496.77	(51.07)	(10.3)

1. Cash and cash equivalents, short-term investments decreased by Baht 27.23 million due to cash flow from financing activities of Baht 138.54 million derived from investment activities of Baht 104.60 million and used in operating activities. THB 270.37 million

2. Inventories increased by Baht 449.66 million or 55%. An increase of Baht 2.77 million and an increase in inventories of Baht 446.89 million was due to the investment in the new condominium.

3. Investment property decreased by Baht 2.63 million due to depreciation of building, mini factory for rent

4. Property, plant and equipment decreased by Baht 51.07 million in 2017. The purchase of machinery and equipment totaled Baht 7.16 million and depreciation of Baht 60.05 million.

2.2 Liabilities

As at 31 December 2017 the Company and subsidiaries had total liabilities of 252.11 million Baht, decreasing by 20.17 million Baht or 7.40 per cent from 2016. Material transactions were as follows.

Unit : Million Baht

	2017	2016	Difference	
			Increase (decrease)	%
Short-term loans from financial institutions		0.76	0.36	46.9
Trade and other account payables		242.02	(56.12)	(23.2)
Accrued income tax		15.08	0.34	2.2

1. Short-term loans from financial institutions increased by 0.36 million Baht due to repayment of loan for use as the Company's revolving fund.

2. Trade and other payables decreased by Baht 56.12 million as a result of the payment for condominium construction of subsidiaries.

3. Income tax payable increased by Baht 0.34 million due to higher taxable income before 2016.

2.3 Shareholders' equity

As at the end of 2017, the Company and its subsidiaries had total shareholders' equity of Baht 2,210.30 million, an increase of Baht 344.61 million from the end of 2016 due to the increase in net profit of Baht 216.33 million, dividend payment of Baht 37.99 million. Due to the issuance of capital increase shares and the exercise of DCON-W2 amounting to Baht 46.61 million and the share premium from the share capital increase of Baht 119.66 million.

In 2017, the Company registered the change of par value from Baht 1 per share to Baht 0.10 per share. On April 27, 2016, the Annual General Meeting of Shareholders No. 1/2560 passed a resolution. Capital increase 142,450,000 shares Under the ESOP # 2 scheme Offering to directors and employees at the ratio of 1 existing share to 1 new ordinary share. The offering price is Baht 0.59 per share.

3. Liquidity, asset manageability and profitability

As at 31 December 2017 the Company and subsidiaries had current assets of 1,907.06 million Baht and current liabilities of 202.54 million Baht, hence a liquidity ratio of 9.42 times and a liquidity quick ratio of 3.16 times, average debt collection time of 41 days and average debt repayment time of 45 days.

The decrease of 223.31 million Baht in the income from sale and service provision in 2017 compared with that in 2016, and establishment of allowance for doubtful accounts and allowance for loss from property impairment in the total amount of 85.20 million Baht, coupled with the Company was in the process of investing in condominium construction, resulted in the Company having the return on total assets ratio of 10.1 per cent, decreasing from 16.8 per cent in 2015. The tangible asset turnover ratio was 2.01 times, decreasing from 2.20 times in 2016, and the total asset turnover ratio was 0.58 time, decreasing from 0.84 time in 2016.

At the end of 2017 the Company and subsidiaries had total debt to equity ratio of 0.11 time, increasing from at the end of 2016 which was 0.15 time.