

1 July 2020

Re: Management Discussion and Analysis
Operating results for the year ended 31 December 2019

To: President
The Stock Exchange of Thailand

Sri Trang Gloves (Thailand) Public Company Limited (the “Company”) would like to provide Management Discussion and Analysis for the Company’s operating results from the consolidated financial statements for the year ended 31 December 2019 as follows:

Overview of the operating result for the year ended 31 December 2019

The Company’s total revenue¹ for the year 2019 was THB 12,224.02 mm, increased by THB 1,144.40 mm or 10.3% from the year 2018. The Company’s net profit for the year 2019 was THB 613.91 mm, decreased by THB 367.67 mm or 37.5% from the year 2018, representing the decrease in net profit margin from 8.9% in 2018 to 5.0% in 2019. Such decrease was mainly due to a decrease in average selling price of latex gloves as a result of an appreciation of the THB currency against the US Dollar while the Malaysian Ringgit had depreciated against the US Dollar during the same period. As a result, the Company had to decrease the selling price of the latex gloves to be able to compete with its competitors in Malaysia. In addition, there was an increase in selling expenses, administrative expenses and finance cost as a result of (1) the transfer of employees related to the marketing department from the group of Sri Trang Agro-Industry Public Company Limited (“STA”), (2) the consolidation of financial position and operating performance of Thaikong Public Company Limited (“TK”) as a result of the amalgamation which consolidated full year selling expenses and administrative expenses of TK / Trang plant in 2019, (3) an increase in transportation costs and personnel expenses of Shi Dong Shanghai Medical Equipment Co., Ltd. (“SDME”) and Sri Trang USA, Inc. (“STU”) as a result of an increase in sales volume and (4) an increase in finance cost from the Company’s additional long-term borrowings from the financial institutions to finance its capacity expansion.

¹ Total revenue includes (1) revenue from sales (2) other income (3) gain (loss) on exchange rates – net and (4) finance income

Summary of the Statement of Comprehensive Income for the year ended 31 December 2018 and 2019

Statement of Comprehensive Income	Consolidated Financial Statements for the year ended 31 December				Increase (Decrease)	
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sales	10,988.60	100.0	11,994.15	100.0	1,005.55	9.2
1. Revenue from sales of latex gloves						
• Revenue from sales of natural rubber – powdered latex gloves	3,384.91	30.8	4,270.27	35.6	885.36	26.2
• Revenue from sales of natural rubber – powder-free latex gloves	3,012.07	27.4	3,204.76	26.7	192.69	6.4
• Revenue from sales of nitrile latex gloves	4,404.13	40.1	4,519.11	37.7	114.98	2.6
Total revenue from sales of latex gloves	10,801.11	98.3	11,994.15	100.0	1,193.03	11.0
2. Revenue from sales of natural rubber products ⁽¹⁾	187.49	1.7	-	-	(187.49)	(100.0)
Cost of sales	(9,179.70)	(83.5)	(10,555.48)	(88.0)	1,375.79	15.0
Gross profit	1,808.90	16.5	1,438.66	12.0	(370.24)	(20.5)
Other incomes ⁽²⁾	97.65	0.9	140.25	1.2	42.60	43.6
Selling expenses	(257.16)	(2.3)	(410.96)	(3.4)	153.80	59.8
Administrative expenses	(292.45)	(2.7)	(314.44)	(2.6)	21.99	7.5
Gain (loss) on exchange rates – net	(8.56)	(0.1)	84.34	0.7	N/A	N/A
Other losses	(1.23)	(0.0)	(31.02)	(0.3)	29.79	2,424.9
Profit from operating activities	1,347.16	12.3	906.83	7.6	(440.33)	(32.7)
Finance income	1.93	0.0	5.29	0.0	3.36	174.4
Finance cost	(161.66)	(1.5)	(194.27)	(1.6)	32.60	20.2
Profit before income tax	1,187.43	10.8	717.86	6.0	(469.57)	(39.5)
Income tax	(205.85)	(1.9)	(103.95)	(0.9)	(101.90)	(49.5)
Profit (loss) for the year	981.58	8.9	613.91	5.1	(367.67)	(37.5)
Operating information						
EBITDA	1,981.89	-	1,707.66	-	(274.23)	(13.8)

Remark: ⁽¹⁾ STU's sales revenue from natural rubber products business. In 2018, STA had policy to directly sell natural rubber products to clients in the USA. Since the third quarter of 2018, STU has changed its business model by focusing only on the distribution of latex gloves

⁽²⁾ Other Income mainly includes financial income, gain from disposals of investments in associates, income from sales of leftover materials, tax income refund, income from insurance claim and income from the interest rate subsidy scheme of the Rubber Authority of Thailand (RAOT)

Summary of the operating result for the year ended 31 December 2019

The Company's net profit for the year 2019 was THB 613.91 mm, decreased by THB 367.67 mm or 37.5% from the year 2018, representing the decrease in net profit margin from 8.9% in 2018 to 5.0% in 2019. Such decrease in net profit was mainly due to the followings:

- 1. Revenue from sales of latex gloves** was THB 11,994.15 mm in 2019, increased by THB 1,193.03 mm or 11.0% from 2018, which was mainly due to an increase in sales volume of latex gloves from the consolidation of financial position and operating performance of TK as a result of the amalgamation, as well as the capacity expansion at Hat Yai plant of 6 production lines which fully commenced all production lines for the full year in 2019.
- 2. Gross profit from manufacturing and distribution of latex gloves business** was THB 1,438.66 mm in 2019, decreased by THB 380.61 mm or 20.9% from 2018, which was mainly due to a decrease in average selling price of latex gloves in greater proportion than a decrease in raw material prices as a result of an appreciation of the THB currency against the US Dollar while the Malaysian Ringgit had depreciated against the US Dollar during the same period. As a result, the Company had to decrease the selling price of the latex gloves to be able to compete with its competitors in Malaysia.
- 3. Other incomes** was THB 140.25 mm in 2019, increased by THB 42.60 mm or 43.6% from 2018, which was mainly due to an increase in income from insurance claim and income from the interest subsidy scheme of the Rubber Authority of Thailand (RAOT) of THB 46.39 mm, which was the subsidy of finance cost of the long-term borrowings being drawn-down between April 2018 to April 2019, netting off a decrease in income from sales of scrap.
- 4. Selling expenses** was THB 410.96 mm in 2019, increased by THB 153.80 mm or 59.8% from 2018, which was mainly due to (1) the transfer of employees related to the marketing department from STA Group, (2) the consolidation of financial position and operating performance of TK as a result of the amalgamation which consolidated full year selling expenses and administrative expenses of TK / Trang plant in 2019, (3) an increase in transportation costs and personnel expenses of SDME and STU as a result of an increase in sales volume.
- 5. Administrative expenses** was THB 314.44 mm in 2019, increased by THB 21.99 mm or 7.5% from 2018, which was mainly due to the consolidation of financial position and operating performance of TK as a result of the amalgamation which consolidated full year administrative expenses of TK / Trang plant in 2019.
- 6. Finance cost** was THB 194.27 mm in 2019, increased by THB 32.60 mm or 20.2% from 2018, which was mainly due to the recognition of full year finance cost from the Company's long-term borrowings from financial institutions, as well as the recognition of additional finance cost from additional long-term borrowings from financial institutions of THB 3,068.00 mm in 2019 to finance capacity expansion at Hat Yai plant and Trang plant,

netting off a repayment of the long-term and short-term borrowings from financial institutions of THB 1,020.00 mm and THB 206.50 mm respectively.

7. **Net profit** was THB 613.91 mm in 2019, decreased by 367.67 mm or 37.5% from 2018, which was mainly due to a decrease in gross profit, and an increase in selling expenses, administrative expenses and finance cost.

Summary of Financial Position

1. **Total assets** was THB 13,216.10 mm as of 31 December 2019 and THB 10,651.80 mm as of 31 December 2018, increased by THB 2,564.29 mm or 24.1% in 2019, which was mainly due to (1) an increase in property, plant and equipment due to the expansion of Hat Yai plant and Trang plant and (2) an increase in other current assets which mainly consisted of the Revenue Department receivable which was the refund of accrued value-added tax (VAT) after the amalgamation.
2. **Total liabilities** was THB 8,814.07 mm as of 31 December 2019 and THB 6,862.43 mm as of 31 December 2018, increased by THB 1,951.64 mm or 28.4% in 2019, which was mainly due to an increase in borrowings from financial institutions of THB 3,068.00 mm to finance the capacity expansion at Hat Yai plant and Trang plant, netting off a repayment of the long-term and short-term borrowings from financial institutions of THB 1,020.00 mm and THB 206.50 mm respectively.
3. **Total shareholders' equity** was THB 4,402.03 mm as of 31 December 2019 and THB 3,789.37 mm as of 31 December 2018, increased by THB 612.66 mm or 16.2% in 2019, which was mainly due to an increase in retained earnings from operating performance during 2019 and the recognition of surplus from the amalgamation of THB 483.69 mm, which was calculated from the fair value of the net assets acquired under the purchase method as at 1 April 2019, netting off the recognition of the deficit from the business combination under common control in the amount of THB 143.21 mm.

Yours Sincerely

-Ms. Thanawan Sa-Ngiamsak-

(Ms. Thanawan Sa-Ngiamsak)

Chief Financial Officer

Sri Trang Gloves (Thailand) Public Company Limited