

1 July 2020

Re: Management Discussion and Analysis
Operating results for the three-month period ended 31 March 2020

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 interim consolidated financial statements for the three-month period ended 31 March 2020 as follows:

Overview of the operating result for the three-month period ended 31 March 2020

The Company’s total revenue¹ for the 1st quarter of 2020 was THB 3,759.17 mm, increased by THB 769.92 mm or 25.8% from the 1st quarter of 2019. The Company’s net profit for the 1st quarter of 2020 was THB 421.89 mm, increased by THB 273.33 mm or 184.0% from the 1st quarter of 2019, representing the increase in net profit margin from 5.0% in the 1st quarter of 2019 to 11.2% in the 1st quarter of 2020. Such increase in net profit was mainly due to a higher gross profit from an increase in sales volume of latex gloves which lead the Company to benefit from an economy of scale. Furthermore, the new production lines from the expansion of Hat Yai plant and Trang plant were both equipped with high technology, resulting in a more efficient production which helped the Company to reduce the cost of sales. In addition, there was a decrease in the Company’s weighted average purchase price of synthetic rubber in the 1st quarter of 2020, together with a reduction in finance cost from lower interest rates and a reduction of corporate income tax from its corporate income tax exemption privileges under the promotion certificate from the Board of Investment (BOI) from the expansion of Hat Yai plant and the expansion of Trang plant, netting off an increase in selling expenses and an increase in administrative expenses.

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 three-month period ended 31 March 2019 and 2020

Statement of Comprehensive Income	Interim Consolidated Financial Statements for the three-month period ended 31 March				Increase (Decrease)	
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
Revenue from sales	2,991.36	100.0	3,760.56	100.0	769.20	25.7
• Revenue from sales of natural rubber – powdered latex gloves	1,059.61	35.4	1,370.39	36.4	310.78	29.3
• Revenue from sales of natural rubber – powder-free latex gloves	838.70	28.0	1,065.01	28.3	226.31	27.0
• Revenue from sales of nitrile latex gloves	1,093.05	36.5	1,325.16	35.2	232.11	21.2
Cost of sales	(2,598.04)	(86.9)	(3,053.93)	(81.2)	455.89	17.5
Gross profit	393.32	13.1	706.63	18.8	313.31	79.7
Other incomes ⁽¹⁾	13.68	0.5	18.49	0.5	4.81	35.2
Selling expenses	(77.27)	(2.6)	(124.21)	(3.3)	46.94	60.8
Administrative expenses	(78.84)	(2.6)	(87.61)	(2.3)	8.77	11.1
Gain (loss) on exchange rates – net ⁽²⁾	(16.34)	(0.5)	(20.04)	(0.5)	3.71	22.7
Other losses ⁽²⁾	(13.93)	(0.5)	(2.29)	(0.1)	(11.64)	(83.6)
Profit from operating activities	220.63	7.4	490.97	13.1	270.35	122.5
Finance income	0.55	0.0	0.17	0.0	(0.38)	(69.4)
Finance cost	(51.10)	(1.7)	(38.97)	(1.0)	(12.14)	(23.7)
Profit before income tax	170.08	5.7	452.18	12.0	282.10	165.9
Income tax	(21.51)	(0.7)	(30.28)	(0.8)	8.77	40.8
Profit (loss) for the year	148.56	5.0	421.89	11.2	273.33	184.0
Operating information						
EBITDA	412.59	-	716.18	-	303.59	73.6

Remark: ⁽¹⁾ Other incomes mainly includes finance 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 subsidy scheme of the Rubber Authority of Thailand (RAOT)

⁽²⁾ Such items have been restated by including unrealized gain (loss) from financial derivatives, which the Company recorded such item as other losses in the three-month period ended 31 March 2020, in gain (loss) on exchange rates as a part of total revenue to be consistent with the accounting standard applied in 2017 – 2019; such restatement was resulted from the fact that the Company has adopted Financial Reporting Standards No. 9 (IFRS 9) Re: Financial Instruments since the year 2020

Summary of the operating result for the three-month period ended 31 March 2020

The Company's net profit for the 1st quarter of 2020 was 421.89 mm, increased by THB 273.33 mm or 184.0% from the 1st quarter of 2019, representing the increase in net profit margin from 5.0% in the 1st quarter of 2019 to 11.2% in the 1st quarter of 2020. Such increase in net profit was mainly due to the followings:

- 1. Revenue from sales of latex gloves** was THB 3,760.56 mm in the 1st quarter of 2020, increased by THB 769.20 mm or 25.7% from the 1st quarter of 2019, which was mainly due to an increase in sales of latex gloves as a result of the expansion of Hat Yai plant and Trang plant which had both fully commenced all production lines in the 1st quarter of 2020, as well as the rising demand for latex gloves in the world market due to the outbreak of coronavirus (COVID-19), netting off a decrease in gain on exchange rates and a decrease in finance income from the deposit interest rate which has decreased since the 1st quarter of 2019.
- 2. Gross profit** was THB 706.63 mm in the 1st quarter of 2020, increased by THB 313.31 mm or 79.7% from the 1st quarter of 2019, which was mainly due to an increase in sales volume of latex gloves which lead the Company to benefit from an economy of scale. Furthermore, the new production lines from the expansion of Hat Yai plant and Trang plant were both equipped with high technology, resulting in a more efficient production reduction of the cost of sales. In addition, there was a decrease in the Company's weighted average purchase price of synthetic rubber in the 1st quarter of 2020.
- 3. Other incomes** was THB 18.49 mm in the 1st quarter of 2020, increased by THB 4.81 mm or 35.2% from the 1st quarter of 2019, which was mainly due to an increase in incomes from sales of steam, electricity, metal scrap, plastic scrap, and other scrap such as fuel, chemical and miscellaneous equipment.
- 4. Selling expenses** was THB 124.21 mm in the 1st quarter of 2020, increased by THB 46.94 mm or 60.8% from the 1st quarter of 2019, which was mainly due to the transfer of employees related to the marketing department from the group of Sri Trang Agro-Industry Public Company Limited that occurred after the 1st quarter of 2019, as well as an increase in sales volume of latex gloves.
- 5. Administrative expenses** was THB 87.61 mm in the 1st quarter of 2020, increased by THB 8.77 mm or 11.1% from the 1st quarter of 2019, which was mainly due to an increase in Shanghai Medical Equipment Co., Ltd. ("SDME")'s office rental expense, a service expense for the SAP system, director remuneration and the recognition of allowance for expected credit losses/doubtful debts of the Company and SDME as a result of the fact that, in 2020, the Company has adopted the Financial Reporting Standard No. 9 (TFRS 9) Re: Financial Instruments where the Company applied a simplified approach to determine the expected credit losses.
- 6. Finance cost** was THB 38.97 mm in the 1st quarter of 2020, decreased by THB 12.14 mm or 23.7% from the 1st quarter of 2019, which was mainly due to a decrease in interest rates of the Company's borrowings, together with

the repayments of short-term and long-term borrowings from the financial institutions of THB 188.01 mm and THB 231.00 mm in the 1st quarter of 2020 respectively.

7. **Net profit** was THB 421.89 mm in the 1st quarter of 2020, increased by THB 273.33 mm or 184.0% from the 1st quarter of 2019, which was mainly due to an increase in gross profit, a reduction of finance cost and a reduction of corporate income tax from its corporate income tax exemption privileges under the promotion certificate from the Board of Investment (BOI) from the expansion of Hat Yai plant and the expansion of Trang plant, netting off an increase in selling expenses and an increase in administrative expenses.

Summary of Financial Position

1. **Total assets** was THB 13,788.56 mm as of 31 March 2020 and THB 13,216.10 mm as of 31 December 2019, increased by THB 572.46 mm or 4.3% in the 1st quarter of 2020, which was mainly due to (1) an increase in trade and other receivables as a result of an increase in sales value, (2) an increase in inventories due to an increase in production volumes, (3) an increase in property, plant and equipment mainly due to the completion of the installation of all the production lines from the expansion of Hat Yai plant and Trang plant in the first quarter of 2020 and (4) a recognition of right-of-use assets as a result of the adoption of the Financial Reporting Standard No. 16 (TFRS 16) to supersede Accounting Standard No. 17 (TAS 17) Re: Leases.
2. **Total liabilities** was THB 8,960.48 mm as of 31 March 2020 and THB 8,814 mm as of 31 December 2019, increased by THB 146.41 mm or 1.7% in the 1st quarter of 2020, which was mainly due to an increase in (1) trade and other payables from the advance receipt for goods and others, and corporate tax payable (2) financial derivative liabilities arising from the difference between the contract value and the market price (Mark to Market) in which the value of interest rate swaps decreased due to a decrease of floating loan interest rates while the value of foreign exchange options and forward foreign exchange contracts decreased due to the depreciation of the THB currency against the US Dollar and (3) lease liabilities as a result of the adoption of the Financial Reporting Standard No. 16 (TFRS 16) to in replacement of Accounting Standard No. 17 (TAS 17) Re: Leases, netting off a decrease in short-term borrowings from financial institutions and long-term borrowings from financial institutions where the Company made the repayments of short-term and long-term borrowings from the financial institutions of THB 188.01 mm and THB 231.00 mm in the 1st quarter of 2020 respectively.
3. **Total shareholders' equity** was THB 4,828.08 mm as of 31 March 2020 and THB 4,402.03 mm as of 31 December 2019, increased by THB 426.05 mm or 9.7% in the 1st quarter of 2020, which was mainly due to an increase in retained earnings from operating performance for the three-month period ended 31 March 2020 while the Company did not pay dividends to its shareholders.



Yours Sincerely

-Ms. Thanawan Sa-Ngiamsak-

(Ms. Thanawan Sa-Ngiamsak)

Chief Financial Officer

Sri Trang Gloves (Thailand) Public Company Limited