



WORLD FLEX PUBLIC COMPANY LIMITED

บริษัท เวิลด์ฟлекс จำกัด (มหาชน)

OFFICE : 1/7 BANGNA THANI BLDG. 3rd FL, ROOM 3B SOI BANGNA-TRAD 34, BANGNA TAI, BANGNA, BANGKOK 10260, THAILAND.

สำนักงาน : 1/7 อาคารบางนาธานี ชั้นที่ 3 ห้องเลขที่ 3B ซอยบางนา-ตราด 34 แขวงบางนาใต้ เขตบางนา กรุงเทพมหานคร 10260

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FACTORY : 59/1 MOO 5, MANAM KOO, PLUAKDAENG, RAYONG 21140 THAILAND.

โรงงาน : 59/1 หมู่ที่ 5 ตำบลแม่แก้ว อำเภอลำลูกเกด จังหวัดระยอง 21140 TEL : (038) 637-559 FAX : (038) 637-560



ISO 9001 : 2015

December 22, 2021

Subject: Management Discussion and Analysis for the year ended December 31, 2020

To: President
The Stock Exchange of Thailand

World Flex Public Company Limited ("the Company") would like to submit the Management Discussion and Analysis for the year ended December 31, 2020 as follows:

Statement of Income

Item	For the Fiscal Year Ended:					
	2019		2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Revenue from sales of goods	2,036.92	99.60	2,396.92	99.51	360.01	17.67
Cost of sales of goods	1,940.05	94.86	2,218.95	92.12	278.90	14.38
Gross profit	96.86	4.74	177.97	7.39	81.11	83.74
Other income	8.19	0.40	11.74	0.49	3.54	43.28
Distribution costs	23.78	1.16	29.01	1.20	5.24	22.02
Administrative expenses	40.06	1.96	79.09	3.28	39.03	97.43
Finance costs	23.61	1.15	21.38	0.89	(2.23)	(9.43)
Tax expense	9.89	0.48	2.41	0.10	(7.48)	(75.62)
Profit for the period	7.72	0.38	57.81	2.40	50.09	648.40
Other Comprehensive Income	2,036.92	99.60	2,396.92	99.51	360.01	17.67
Gains on revaluation of assets	-	-	239.44	9.94	239.44	100.00
Gains (losses) on remeasurements of defined benefit plans	-	-	(0.55)	(0.02)	(0.55)	(100.00)
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(47.78)	(1.98)	(47.78)	(100.00)
Other Comprehensive Income for the period – Net of tax	-	-	191.11	7.93	191.11	100.00
Total comprehensive income for the period	7.72	0.38	248.92	10.33	241.20	3,122.41



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Item	2019	2020	Change Increase / (Decrease)
Gross profit margin (%)	0.05	0.07	0.03
Net profit margin (%)	0.38	2.40	2.02
Basic EPS (Baht per share)	0.03	0.19	0.16

Revenue from sales of goods

In 2020, the Company's revenue from sales of goods amounted to 2,396.92 million Baht or 99.51% of total income. Analysis of the revenue classified by product characteristics are as follows:

1. Revenue from sales of rubber thread

In 2020, the Company's revenue from the sale of rubber thread amounted to 2,394.15 million Baht, increased by 360.34 million Baht or 17.72% from the previous year because the Company sold 31,977 tons of rubber thread which increased from the previous year amounted to 4,525 tons, or increased by 16.48%. Although the Company had the same level of installed capacity, the Company was able to produce more rubber thread with a higher utilization rate from 88.23% to 89.41% which allowed the Company to be able to produce more variety of sizes. As a result, the Company sold products in increased quantities to the customers mainly in Asia such as China, Bangladesh, Indonesia, Pakistan, etc., as well as an increase in sales volumes to customers in South America and Europe due to the strategy to expand new customer base to various countries worldwide since 2019, including the proportion of revenue from selling products to end-user customers that increased from 14.80% to 23.88% compared to the previous year, which the Company can sell products to end-user at a higher price than selling to distributor.

2. Revenue from sales of rubber scraps

Revenue from rubber scraps is the sales of rubber scraps obtained from the production of rubber threads or rubber threads whose quality does not meet the specified standards. The rubber scrap will be sold to domestic customers for further usage such as shoe soles and low-quality rubber wheels etc.

In 2020, the Company had revenue from the sales of rubber scraps amounted to 0.83 million Baht, or 0.03% of total income. In accounting, rubber scrap is a product obtained from a manufacturing process in which its production costs are recorded in cost of goods sold as well as rubber thread production. Therefore, revenue from rubber scrap is recorded in revenue from sales of goods in order to reflect the actual operating results of the Company.

3. Revenue from sales of Chemicals

Revenue from chemicals is the sales of chemicals used in the production to related companies since the Company has ordered chemicals from manufacturers and distributors in large quantities, resulting in the Company's bargaining power whereby the Company's selling price of chemicals is based on the average cost of chemicals plus an appropriate level of profit margin.



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In 2020, the Company had revenue from the sales of chemicals amounted to 1.94 million Baht, or 0.08% of total income. In accounting, chemicals are ingredient used in the manufacture of rubber thread which are recorded in cost of goods sold. Therefore, revenue from chemicals is recorded in revenue from sales of goods in order to reflects the actual operating results of the Company.

Cost of sales of goods and Gross profit

In 2020, the Company had cost of sales of 2,218.95 million Baht, increased by 278.90 million Baht or 14.38% from the previous year. This corresponds to the increase in revenue from the sales of rubber thread, which mainly was the cost of concentrated latex and chemicals amounting to 1,742.00 million Baht, accounting for 78.51% of the total cost of sales of goods. The production cost of 166.79 million Baht increased in accordance with the increase in the production of rubber thread, including the labor cost of 128.66 million Baht, increased from the previous year because the Company has increased the number of employees in the rubber thread factory to prepare for the production capacity expansion which began operating in 2021 and depreciation of 65.23 million Baht. Moreover, the Company realized Share Based Payment in the cost of sales of 2.87 million Baht regarding the shares issuance and offering to employees in the factory at a price lower than the fair value, resulting in a gross profit of 177.97 million Baht, representing a gross margin of 7.42% which is a significant increase in gross profit margin, mainly due to the expansion of new customer base to various countries worldwide since 2019, including the proportion of revenue from selling products to end-user customers increased from 14.80% to 23.88% compared to the previous year whereby the Company was able to sell products to end-user customers at a higher profit margin than distributor customers, thus the Company's profit margin increased. In addition, the Company produced and sold the rubber thread more than 4,500 tons from the previous year, which has contributed to lower production costs per unit and the production of more products resulting in Economy of Scale.

Other income

In 2020, the Company had other income of 11.74 million Baht, increased by 3.54 million Baht or 43.28% from the previous year. This was mainly due to the gains on the foreign exchange of 5.03 million Baht which increased by 1.74 million Baht, tax coupon income of 3.10 million Baht which increased of 0.46 million Baht which was in line with revenue from selling products abroad. In addition, the Company had gains on revaluation of investment property of 0.39 million Baht, which is a valuation of the Company's vacant land in Watthana Nakhon District, Sa Kaeo Province in accordance with the accounting policy for asset valuation using the fair value method whereby the Company will conduct asset valuation to reevaluate the investment properties every year.

Distribution costs

In 2020, the Company had distribution costs of 29.01 million Baht, increased by 5.24 million Baht or 22.02% from the previous year. This was mainly due to the transportation expenses of 18.00 million Baht, increased



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by 5.69 million Baht and freight cost of 5.86 million Baht, increased by 0.38 million Baht from the previous year, in line with an increase in revenue from sales of goods. In addition, the Company realized Share Based Payment of 0.98 million Baht, which the Company issued and offered shares to employees in marketing and sales department at a price lower than fair value.

Administrative expenses

In 2020, the Company had administrative expenses of 79.09 million Baht, increased by 39.03 million Baht or 97.43% from the previous year. This was mainly due to employee expenses of 49.95 million Baht, increased by 17.01 million Baht from the previous year because of the increase in employees' salaries to enhance the morale and build potential of the Company's work and the professional fees in the amount of 2.47 million Baht, increased by 1.67 million Baht from the previous year, which was professional fees for preparing for listing on the Stock Exchange of Thailand. In addition, the Company realized Share Based Payment of 13.55 million Baht, which the Company issued and offered shares to directors, management and employees at a price lower than fair value.

Net Profit

In 2020, the Company had net profit of 57.81 million Baht and net profit margin of 2.40%, which is a significant increase from the previous year due to the expansion of new customer base to various countries worldwide since 2019, as well as the increased proportion of revenue from selling products to end-user customers which the Company can sell products to end-user customers at higher margin than selling distributor. In addition, the Company produced and sold rubber thread more than 4,500 tons from the previous year, contributing to lower production costs per unit of the Company and resulting in an economy of scale, thereby significantly increasing gross profit and gross profit margin. Furthermore, the Company has also benefited from the introduction of BOI privileges, which reduced the Company's income tax expenses. As a result, gross profit and gross margin increased significantly making net profit and net profit margin to increase significantly from the previous year as well.

Statement of Financial Position

Statement of Financial Position	For the Fiscal Year Ended					
	2019		2020		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Total Assets	1,687.93	100.00	2,071.51	100.00	383.58	22.73
Total Liabilities	860.07	50.95	1,095.68	52.89	235.62	27.40
Total Shareholders' Equity	827.86	49.05	975.83	47.11	147.97	17.87



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As of December 31 2020, the Company had total assets of 1,687.93 million Baht, increased from the previous year mainly due to an increase in property plant and equipment due to an increase in assets under construction and an increase in capital surplus from new asset valuation.

As of December 31 2020, the Company had liabilities of 860.07 million Baht, increased from the previous year due to the increase in deferred income tax. This was a result of income tax on gains on fair valuation of land, plant and machinery assets.

As of December 31 2020, the Company had shareholders' equity of 827.86 million Baht, increased from the previous year. This was mainly due to an increase in retained earnings, surplus from new asset valuation and surplus from share-based payment which arose from the offering of shares to directors, executives and employees of the Company and private placement.



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Please be informed accordingly.

Yours Sincerely,

(Mr. Chawalit Tiyadechchai)

Chief Executive Director

World Flex Public Company Limited



บริษัท เวิลด์เฟล็กซ์ จำกัด (มหาชน)
WORLD FLEX PUBLIC COMPANY LIMITED

Yours Sincerely,

(Mr. Nat Vongsasuttikul)

Managing Director

World Flex Public Company Limited