



MANAGEMENT DISCUSSION AND ANALYSIS

ENDING December 31, 2022

The results for the second quarter of the fiscal year 2022/2023 ending on December 31, 2022 show a net loss of 42.76 million Baht, or 0.94 Baht per share, while the corresponding results of the previous year showed a net profit of 4.87 million Baht or 0.94 Baht per share, a difference of 47.63 million Baht, due to the following reasons.

1. Net sales decrease from 283.36 million Baht last year to 172.88 million Baht this year, a decrease of 110.48 million Baht or 38.99%, while the gross result decreases from a gross profit of 21.28 million Baht, a gross margin of 7.51%, to a gross loss of 43.99 million Baht, or a gross margin of -25.45%, a difference of 65.27 million Baht. Export, in particular, decreases from 234.69 million in the same quarter last year to 106.87 million Baht in this quarter, a drop of 127.82 million Baht, or 54.46% due to the combination of rapid decrease of the price of raw material, resulting in the corresponding drop of product price and export volume as customers delay their purchases for fear of stock loss, and the rapid appreciation of the Baht which results in much less revenue in Baht when converted from the export revenue in U.S. dollars. Nevertheless, domestic sales increase from 44.06 million Baht in the same quarter last year to 48.94 million Baht this year, an increase of 4.88 million Baht or 11.07%. Service revenue from nylon chip tolling also increases from 4.61 million Baht last year to 17.07 million Baht this year, an increase of 12.46 million Baht.
2. The rapid decrease in price of raw material and products and the significant Baht appreciation also brought about a reserve for depreciation of inventory of 24.64 million Baht to reflect fair market value. This reserve was already booked as part of the cost of goods sold in the profit and loss statement of this quarter.
3. Selling and administrative expenses decrease from 18.89 million Baht last year to 11.12 million Baht this year, a decrease of 7.78 million Baht, or 41.17%, due to a big drop of sea freight cost, and other export related expenses corresponding to the decrease in export volume.
4. Other income increases from 3.72 million Baht last year to 5.65 million Baht this year, an increase of 1.93 million Baht due to a 3.50 million Baht revenue from factory rental, and the increase in sales of factory surpluses and miscellaneous items.



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5. There is a shared net profit of 2.14 million Baht from Cryothai Co., Ltd., an associate company.

Furthermore, as at December 31, 2022, there are long standing debtors (more than 6 months), Thai Fareast Co., Ltd, and TFE Trading Co., Ltd. with combined outstanding balance of 124.32 million Baht. The debt was secured by land and building mortgage, valued by independent assessor, on May 14, 2021, at a market price of 110.99 million Baht and a forced-sale price of 66.59 million Baht. For conservative purpose, a reserve for bad debt was set at 74.67 million Baht, unchanged, to cover for the lower, previously assessed forced-sale price of 54.80 million Baht. The management believes that the reserve is sufficient to cover possible loss due to the difference between the realized value of the collateral and the outstanding balance. The management maintains the direction for the debtors to sell the collateral to repay the debt within an appropriate time frame to reduce the damage.

(Mr.Chen Namchaisiri)

President