



Management Discussion and Analysis

Ended March 31, 2023

The results for the third quarter of the fiscal year 2022/2023, ending on March 31, 2023 show a net loss of 22.89 million Baht, or 0.50 Baht per share, while the corresponding results of the previous year showed a net profit of 7.10 million Baht, or 0.16 Baht per share, a decrease of 29.99 million Baht due to the following reasons:

1. Net sales decrease from 254.45 million Baht last year to 205.29 million Baht this year, a decrease of 49.16 million Baht or 19.32%, while gross profit declines from 16.93 million Baht, a gross margin of 6.65%, to a gross loss of 14.79 million Baht, a gross margin of -7.20%, reflecting a decline of 31.72 million Baht due to the drop in demand following the slowdown in the world economy. Meanwhile, producers in China ramped up production following the country's opening after Covid-19 abated, prompting intense competition and drastic price cut in the international market amid delayed purchases.
2. During this quarter, the company was successful in reducing inventory, which brought down the depreciation allowance from 32.45 million Baht at the end of last quarter to 14.65 million Baht this quarter, a reduction of 17.80 million Baht. This allowance is classified as part of the Cost of Goods Sold in the income statement.
3. Selling and administration expenses decrease from 14.57 million Baht last year to 9.68 million Baht this year, a decrease of 4.89 million Baht or 34.56% due to the reduction of export-related expense, including freight and sales commission.
4. Other income shows a decrease from 5.95 million Baht last year to 5.72 million Baht this year, a decrease of 0.23 million Baht due to a foreign exchange loss of 0.82 million Baht versus a gain of 1.63 million last year, a decline of 2.45 million Baht. Nevertheless, income from factory building rental increases from 2.18 million Baht last year to 3.67 million Baht this year, a 1.49 million Baht increase.
5. The company realizes a 0.17 million Baht gain from equity investment in Cryothai Co., Ltd., an associated company.

Furthermore, as at March 31, 2023, the company has 124.32 million Baht of long standing debt (more than 6 months) from Thai Far East Co, Ltd. and TFE Trading Co., Ltd. These debtors pledge their land and building which were assessed by independent assessor on May14, 2021, to have a market value of 110.99 million Baht, and a forced-sale value of 66.59 million Baht. Following the principle of conservatism, a 74.67 million Baht reserve for bad debt was already established, reflecting the previously assessed forced sale value of 54.80 million Baht. The company believes that such reserve is sufficient for the difference between the actual recovery and the outstanding debt of the debtors. The company maintains the direction that the debt be settled by selling of the pledged assets at an appropriate time.

(Mr.Chen Namchaisiri)

Director