

Ref. DBP. 111 / 2020

August 10, 2020

 Subject : Clarification on Operating Results for the 2<sup>nd</sup> quarter and 6-month period ending June 30, 2020

 To : President  
 The Stock Exchange of Thailand

Diamond Building Products Public Company Limited and its subsidiary company (together referred to as the "Corporate Group") would like to clarify on the operating results according to the consolidated financial statements for the 2<sup>nd</sup> quarter and 6-month period ending June 30, 2020 as follows.

Description	Year 2020	Year 2019	Increase / (Decrease)	
	Million Baht	Million Baht	Million Baht	%
<b>2<sup>nd</sup> Quarter (April – June)</b>				
Net Profit (Including Extraordinary Items)	182.59	132.05	50.54	38.27
Extraordinary Items are as follows;				
(1) <u>Less</u> Gain on sale of unused land	10.18	-	10.18	100.00
(2) <u>Plus</u> Provision for employee retirement benefits from 300 to 400 days	-	18.87	(18.87)	(100.00)
Net Profit (Excluding Extraordinary Items)	172.41	150.92	21.49	14.24
<b>6-Month Period (January – June)</b>				
Net Profit (Including Extraordinary Items)	350.79	343.98	6.81	1.98
Extraordinary Items are as follows;				
(1) <u>Less</u> Gain on sale of unused land	10.18	46.31	(36.13)	(78.02)
(2) <u>Plus</u> Provision for employee retirement benefits from 300 to 400 days	-	18.87	(18.87)	(100.00)
Net Profit (Excluding Extraordinary Items)	340.61	316.54	24.07	7.60

Details of the changes or impacts are described in the Management Discussion and Analysis (MD&A) as attached herewith.

Please be informed accordingly.

Yours faithfully,

For and on behalf of Diamond Building Products Public Company Limited

(Mr. Satid Sudbuntad)

Chief Executive Officer

Company Secretary Office

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**DIAMOND BUILDING PRODUCTS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**(For the Consolidated Financial Statements of the 2<sup>nd</sup> Quarter Ending June 30, 2020)**

**(1) Overall Operating Results**

The Company and its subsidiary company (together referred to as the “Corporate Group”) have overall operating results for the 2<sup>nd</sup> quarter and 6-month period ending June 30, 2020, which can be summarized as follows.

(1.1) For the 2<sup>nd</sup> quarter 2020, the revenue from sales and services of the Corporate Group totaled Baht 1,194.60 million, which decreased from the same period of previous year by 4.51 percent and the net profit was Baht 182.59 million, which increased from the same period of previous year by 38.27 percent. However, if the extraordinary items were not included (the profit from the sale of unused land and provision for employee retirement benefits from 300 to 400 days), the Corporate Group had a net profit of Baht 172.41 million or an increase of 14.24 percent from the same period of previous year.

(1.2) For the 6-month period of year 2020, the revenue from sales and services of the Corporate Group totaled Baht 2,428.11 million, which decreased from the same period of previous year by 5.89 percent and the net profit was Baht 350.79 million, which increased from the same period of previous year by 1.98 percent. However, if the extraordinary items were not included, the Corporate Group had a net profit of Baht 340.61 million or an increase of 7.60 percent from the same period of previous year.

Due to the outbreak of the coronavirus disease 2019 (COVID-19), the Government sector has issued several Emergency decrees such as closing of border checkpoints, closing of department stores and prohibiting traveling across provincial areas. As a result, the Corporate Group could not sell its products to the export market or through modern trade stores. In addition, the consumers have put off decision for purchasing new homes in housing projects and constructions of new housing projects have been delayed. Except for product sales through small to medium sales representatives, which are located throughout the country, that could still open for the sales of products. Therefore, the Corporate Group has established policy on market expansion and domestic channel development to achieve the most efficiency, as well as production cost management, reduction of expenses and deferring unnecessary investment projects. Accordingly, the Corporate Group has been able to maintain good gross profit margin and achieve higher net profit.

## (2) Analysis of Operating Results and Profitability

### (2.1) Revenues from Sales and Services

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
<b>2<sup>nd</sup> Quarter (April – June)</b>						
Revenues from Sales	1,116.61	92.16	1,147.55	91.42	(30.94)	(2.70)
Revenues from Services	77.99	6.44	103.43	8.24	(25.44)	(24.60)
<b>Total Revenue from Sales and Services</b>	<b>1,194.60</b>	<b>98.60</b>	<b>1,250.98</b>	<b>99.66</b>	<b>(56.38)</b>	<b>(4.51)</b>
Gain on Sales of Fixed Assets	16.02	1.32	0.01	-	16.01	160,100.00
Gain on Foreign Exchange Rate – Net	-	-	1.51	0.12	(1.51)	(100.00)
Other Revenue	0.97	0.08	2.79	0.22	(1.82)	(65.23)
<b>Total Other Revenue</b>	<b>16.99</b>	<b>1.40</b>	<b>4.31</b>	<b>0.34</b>	<b>12.68</b>	<b>294.20</b>
<b>Total Revenue</b>	<b>1,211.59</b>	<b>100.00</b>	<b>1,255.29</b>	<b>100.00</b>	<b>(43.70)</b>	<b>(3.48)</b>
<b>6-Month Period (January – June)</b>						
Revenues from Sales	2,259.77	92.28	2,361.09	89.10	(101.32)	(4.29)
Revenues from Services	168.34	6.87	219.07	8.27	(50.73)	(23.16)
<b>Total Revenue from Sales and Services</b>	<b>2,428.11</b>	<b>99.15</b>	<b>2,580.16</b>	<b>97.37</b>	<b>(152.05)</b>	<b>(5.89)</b>
Gain on Sales of Fixed Assets	18.50	0.76	62.94	2.38	(44.44)	(70.61)
Gain on Foreign Exchange Rate – Net	-	-	2.29	0.09	(2.29)	(100.00)
Other Revenue	2.20	0.09	4.63	0.16	(2.43)	(52.48)
<b>Total Other Revenue</b>	<b>20.70</b>	<b>0.85</b>	<b>69.86</b>	<b>2.63</b>	<b>(49.16)</b>	<b>(70.37)</b>
<b>Total Revenue</b>	<b>2,448.81</b>	<b>100.00</b>	<b>2,650.02</b>	<b>100.00</b>	<b>(201.21)</b>	<b>(7.59)</b>

The Corporate Group's total revenue in the 2<sup>nd</sup> Quarter 2020 decreased from the same period of previous year by 3.48 percent, consisting of:

 Revenues from sales were Baht 1,116.61 million, which decreased from the same period of previous year by Baht 30.94 million or 2.70 percent, due to the decrease in sales revenue from roofing tiles, board products, trusses and accessories.

 Revenues from services were Baht 77.99 million, which decreased from the same period of previous year by Baht 25.44 million or 24.60 percent, due to the decrease in revenue from services of Baht 19.55 million and the revenue from transportation decreased by Baht 5.89 million.

 Other revenue was Baht 16.99 million, which increased from the same period of previous year by Baht 12.68 million or 294.20 percent, due to revenue from the sale of unused land in Saraburi province for Baht 14.05 million.

The Corporate Group's total revenue in the 6-month period of year 2020 decreased from the same period of previous year by 7.59 percent, consisting of:

 Revenues from sales were Baht 2,259.77 million, which decreased from the same period of previous year by Baht 101.32 million or 4.29 percent, due to the decrease in sales revenue from roofing tiles, board products, trusses and accessories.

 Revenues from services were Baht 168.34 million, which decreased from the same period of previous year by Baht 50.73 million or 23.16 percent, due to the decrease in revenue from service of Baht 40.80 million and the revenue from transportation decreased by Baht 9.93 million.

 Other revenue was Baht 20.70 million, which decreased from the same period of previous year by Baht 49.16 million or 70.37 percent, due to revenue from the sale of unused land in Saraburi province for Baht 14.05 million. However, there was revenue from the sale of unused land in Chon Buri Province of Baht 63.30 million in the same period of previous year.

## (2.2) Cost of Sales and Services

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
<b>2<sup>nd</sup> Quarter (April – June)</b>						
Cost of Sales	749.11	62.71	823.96	65.87	(74.85)	(9.08)
Cost of Services	76.70	6.42	102.96	8.23	(26.26)	(25.51)
<b>Total Cost of Sales and Services</b>	<b>825.81</b>	<b>69.13</b>	<b>926.92</b>	<b>74.10</b>	<b>(101.11)</b>	<b>(10.91)</b>
<b>6-Month Period (January – June)</b>						
Cost of Sales	1,525.59	62.83	1,683.50	65.25	(157.91)	(9.38)
Cost of Services	167.37	6.89	216.88	8.41	(49.51)	(22.83)
<b>Total Cost of Sales and Services</b>	<b>1,692.96</b>	<b>69.72</b>	<b>1,900.38</b>	<b>73.65</b>	<b>(207.42)</b>	<b>(10.91)</b>

The Corporate Group's total cost of sales and services in the 2<sup>nd</sup> Quarter 2020 decreased from the same period of previous year by 10.91 percent, consisting of:

 Cost of sales was Baht 749.11 million, which decreased from the same period of previous year by Baht 74.85 million or 9.08 percent, due to the decrease in product sales volume of 4.58 percent and decrease in raw material cost, salary and benefits of the employees, repairs and maintenance expense and gas expense but there were increases in depreciation.

 Cost of services was Baht 76.70 million, which decreased from the same period of previous year by Baht 26.26 million or 25.51 percent, due to the decrease in cost of services of Baht 14.21 million and decrease in the transportation cost of Baht 12.05 million.

The Corporate Group's total cost of sales and services in the 6-month period of year 2020 decreased from the same period of previous year by 10.91 percent, consisting of:

 Cost of sales was Baht 1,525.59 million, which decreased from the same period of previous year by Baht 157.91 million or 9.38 percent, due to the decrease in product sales volume of 4.06 percent and decreases in raw material cost, salary and benefits of the employees, repair and maintenance expenses, gas expenses and pallet expenses but there was an increase in depreciation.

 Cost of services was Baht 167.37 million, which decreased from the same period of previous year by Baht 49.51 million or 22.83 percent, due to the decrease in cost of services of Baht 29.80 million and decrease in transportation cost of Baht 19.71 million.

### (2.3) Selling and Administrative Expenses

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
<b>2<sup>nd</sup> Quarter (April – June)</b>						
Selling Expenses	27.72	2.32	31.60	2.53	(3.88)	(12.28)
Administrative Expenses	114.53	9.59	119.81	9.58	(5.28)	(4.41)
Management's Remuneration*	14.71	1.23	11.97	0.96	2.74	22.89
<b>Total Selling and Administrative Expenses</b>	<b>156.96</b>	<b>13.14</b>	<b>163.38</b>	<b>13.06</b>	<b>(6.42)</b>	<b>(3.93)</b>
<b>6-Month Period (January – June)</b>						
Selling Expenses	63.07	2.60	60.95	2.36	2.12	3.48
Administrative Expenses	227.32	9.36	236.43	9.16	(9.11)	(3.85)
Management's Remuneration*	25.47	1.05	20.64	0.80	4.83	23.40
<b>Total Selling and Administrative Expenses</b>	<b>315.86</b>	<b>13.01</b>	<b>318.02</b>	<b>12.33</b>	<b>(2.16)</b>	<b>(0.68)</b>
<b>Remarks:</b> * Management means the director, chief executive officer or the next four executives succeeding the chief executive officer, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in accounting or finance departments.						

The Corporate Group's total selling and administrative expenses in the 2<sup>nd</sup> Quarter 2020 decreased from the same period of previous year by 3.93 percent, consisting of:

 Selling expenses were Baht 27.72 million, which decreased from the same period of previous year by Baht 3.88 million or 12.28 percent, due to the decrease in salary and benefits of the employees of Baht 1.94 million, decrease in fuel expenses of Baht 0.53 million, decrease in traveling expenses of Baht 0.79 million and decrease in entertainment expenses of Baht 0.37 million.

 Administrative expenses were Baht 114.53 million, which decreased from the same period of previous year by Baht 5.28 million or 4.41 percent, due to the decrease in salary and benefits of the employees of Baht 8.37 million, decrease in processing expenses for export products of Baht 1.82 million, decrease in rental expenses of Baht 1.72 million, decrease in product packaging expenses of Baht 1.18 million, decrease in expenses from product claims of Baht 0.94 million, decrease in the consulting fee of Baht 0.78 million and decrease in fuel expenses of Baht 0.64 million, but there were increase in the fee and commission from the sale of unused land of Baht 1.32 million, increase in depreciation and amortization of Baht 2.01 million, increase in allowance for impairment of fixed assets of Baht 1.06 million and increase in other expenses of Baht 5.86 million.

 Management's remunerations were Baht 14.71 million, which increased from the same period of previous year by Baht 2.74 million or 22.89 percent, due to the appointment of 2 additional executives in July 2019.

The Corporate Group's selling and administrative expenses in the 6-month period of year 2020 decreased from the same period of previous year by 0.68 percent, consisting of:

 Selling expenses were Baht 63.07 million, which increased from the same period of previous year by Baht 2.12 million or 3.48 percent, due to the increase in sales promotion expenses of Baht 5.34 million

but there was a decrease in salary and benefits of the employees of Baht 2.45 million and decrease in traveling expenses of Baht 0.67 million.



Administrative expenses were Baht 227.32 million, which decreased from the same period of previous year by Baht 9.11 million or 3.85 percent, due to the decrease in salary and benefits of the employees of Baht 7.17 million, decrease in processing expenses for export products of Baht 4.28 million, decrease in the fee and commission from the sale of unused land of Baht 4.12 million, decrease in the consulting fee of Baht 1.55 million and decrease in rental expenses of Baht 2.66 million but there were increase in depreciation and amortization of Baht 3.96 million, increase in allowance for impairment of fixed assets of Baht 1.06 million and increase in other expenses of Baht 6.17 million.



Management's remunerations were Baht 25.47 million, which increased from the same period of previous year by Baht 4.83 million or 23.40 percent, due to the appointment of 2 additional executives in July 2019.

#### (2.4) Profitability

Description	Year 2020		Year 2019		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
<b>2<sup>nd</sup> Quarter (April – June)</b>						
Revenues from Sales and Services	1,194.60	100.00	1,250.98	100.00	(56.38)	(4.51)
Costs of Sales and Services	825.81	69.13	926.92	74.10	(101.11)	(10.91)
GP	368.79	30.87	324.06	25.90	44.73	13.80
EBITDA	295.57	24.74	223.55	17.87	72.02	32.22
EBIT	228.83	19.16	164.99	13.19	63.84	38.69
NP	182.59	15.28	132.05	10.56	50.54	38.27
EPS (Baht per Share) *	0.20		0.14		0.06	42.86
Weighted Average Number of Ordinary Shares (Million Shares) *	911.20		947.96		(36.76)	(3.88)
<b>6-Month Period (January – June)</b>						
Revenues from Sales and Services	2,428.11	100.00	2,580.16	100.00	(152.05)	(5.89)
Costs of Sales and Services	1,692.96	69.72	1,900.38	73.65	(207.42)	(10.91)
GP	735.15	30.28	679.78	26.35	55.37	8.15
EBITDA	572.21	23.57	548.08	21.24	24.13	4.40
EBIT	439.99	18.12	431.63	16.73	8.36	1.94
NP	350.79	14.45	343.98	13.33	6.81	1.98
EPS (Baht per Share) *	0.38		0.36		0.02	5.56
Weighted Average Number of Ordinary Shares (Million Shares) *	929.58		947.96		(18.38)	(1.94)
Return on Equity (ROE) (%)	33.67%		26.37%		7.30%	
Return on Assets (ROA) (%)	20.72%		17.67%		3.05%	
<b>Remark:</b> * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury share GP = Gross Profit, EBITDA = Earnings before Interest, Tax, Depreciation & Amortization, EBIT = Earnings before Interest & Tax, NP = Net Profit after Tax, EPS = Net Earnings per Share						

## Gross Profit (GP)

 The Corporate Group's gross profit in the 2<sup>nd</sup> Quarter 2020 was Baht 368.79 million, an increase from the same period of previous year by Baht 44.73 million or 13.80 percent, due to the decrease in revenues from sales and services of 4.51 percent but there was a decrease in cost of sales and services of 10.91 percent.

 The Corporate Group's gross profit in the 6-month period of year 2020 was Baht 735.15 million, an increase from the same period of previous year by Baht 55.37 million or 8.15 percent, due to the decrease in revenues from sales and services of 5.89 percent but there was a decrease in costs of sales and services of 10.91 percent.

## Net Profit (NP)

The Corporate Group's net profit and net earnings per share in the 2<sup>nd</sup> Quarter 2020 as follows:

 The Corporate Group's net profit was Baht 182.59 million, an increase from the same period of previous year by Baht 50.54 million or 38.27 percent, due to the increase in gross profit margin of 13.80 percent, including the decrease in selling and administrative expenses of 3.93 percent.

 The Corporate Group's net earnings per share was Baht 0.20 per share, an increase from the same period of previous year of Baht 0.06 per share or 42.86 percent, due to the increase in net profit of 38.27 percent.

The Corporate Group's net profit and net earnings per share in the 6-month period of year 2020 as follows:

 The Corporate Group's net profit was Baht 350.79 million, an increase from the same period of previous year by Baht 6.81 million or 1.98 percent, due to an increase in gross profit margin of 8.15 percent, including the decrease in selling and administrative expenses of 0.68 percent.

 The Corporate Group's net earnings per share was Baht 0.38 per share, an increase from the same period of previous year of Baht 0.02 per share or 5.56 percent, due to the increase in net profit of 1.98 percent.

## EBITDA

 The Corporate Group's EBITDA in the 2<sup>nd</sup> Quarter 2020 was Baht 295.57 million, an increase from the same period of previous year by Baht 72.02 million or 32.22 percent, due to the increase in gross profit margin of 13.80 percent, including the decrease in selling and administrative expenses excluding depreciation of 5.43 percent.

 The Corporate Group's EBITDA in the 6-month period of year 2020 was Baht 572.21 million, an increase from the same period of previous year by Baht 24.13 million or 4.40 percent, due to the increase in gross profit margin of 8.15 percent, including the decrease in selling and administrative expenses excluding depreciation of 2.01 percent.

## Earnings Efficiency

 **Return on Equity (ROE):** The Corporate Group's ROE increased from 26.37 percent as at end of 2019 to 33.67 percent as at June 30, 2020 or an increase of 7.30 percent, due to an increase in annualized

projected annual net profit of 22.75 percent and there was a decrease in the shareholders' equity of 3.87 percent from the previous year.



**Return on Assets (ROA):** The Corporate Group's ROA increased from 17.67 percent as at end of 2019 to 20.72 percent as at June 30, 2020 or an increase of 3.05 percent, due to an increase in annualized projected annual net profit of 22.75 percent but there was an increase in total assets of 4.67 percent from the previous year.

## (2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at June 30, 2020	As at December 31, 2019		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,440.06	3,331.97	108.09	3.24
Total Liabilities	1,531.64	1,072.79	458.85	42.77
Total Shareholders' Equity	1,908.42	2,259.18	(350.76)	(15.53)
Weighted Average Number of Ordinary Shares (Million Shares)*	929.58	947.96	(18.38)	(1.94)
Book Value (Baht per Share)*	2.05	2.38	(0.33)	(13.87)

**Remark:** \* Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury stock



The Corporate Group's total assets as at June 30, 2020 increased from the end of year 2019 by Baht 108.09 million or 3.24 percent, due to increase in fixed assets of Baht 103.08 million, net increase in trade accounts receivable and other accounts receivable of Baht 69.65 million, increase in right of use assets of Baht 44.41 million, increase in other current assets and other non-current assets of Baht 2.65 million and increase in deferred income tax of Baht 1.99 million but there were a net decrease in inventory of Baht 82.54 million, decrease in cash advance payment for purchase of assets of Baht 24.38 million, decrease in investment properties ( unused land) of Baht 5.25 million, decrease in intangible assets of Baht 1.45 million and decrease in cash and cash in bank of Baht 0.07 million.



The Corporate Group's total liabilities as at June 30, 2020 increased from the end of year 2019 by Baht 458.85 million or 42.77 percent, due to the increase in short-term loan of Baht 358 million, increase in current income tax payable of Baht 37.92 million, increase in financial lease liabilities of Baht 31.23 million, increase in trade accounts payable and other accounts payable of Baht 30.97 million and increase in provision for post-employment benefits obligation of Baht 3.35 million but there were decrease in other current liabilities of Baht 2.62 million.



The Corporate Group's total shareholders' equity as at June 30, 2020 decreased from the end of year 2019 by Baht 350.76 million or 15.53 percent, due to the increase in net profit of Baht 350.79 million but there was a dividend payment of Baht 189.59 million and payment for treasury shares of Baht 511.96 million, resulting in a decrease in share book value from Baht 2.38 per share as at end of year 2019 to Baht 2.05 per share as at June 30, 2020.

## (2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2020	Year 2019
Cash Flows from Operating Activities	537.37	404.66
Cash Flows used in Investing Activities	(183.04)	(72.35)
Cash Flows used in Financing Activities	(354.91)	(320.62)
Unrealized exchange gain (loss) of cash and cash equivalents	0.51	0.00
Cash Increase (Decrease) – Net	(0.07)	11.69
Cash at the Beginning of the Period	31.32	20.31
Cash at the Ending of the Period	31.25	32.00
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	50.92%	36.85%



The Corporate Group's net cash from operating activities in the 2<sup>nd</sup> Quarter 2020 was Baht 537.37 million, which was higher than the net profit before tax by Baht 100.63 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 132.22 million, net decrease in inventory of Baht 82.54 million, increase in trade accounts payable and other accounts payable of Baht 22.92 million, increase in other non-current liabilities of Baht 3.35 million and increase in other current liabilities of Baht 0.64 million but there were net increase in trade accounts receivable and other accounts receivable of Baht 69.65 million, increase in other non-current assets of Baht 4.52 million, increase in other current assets of Baht 2.82 million, increase in income from the sale of unused land of Baht 14.05 million and payment of accrued corporate income tax for year 2019 of Baht 50 million.



The Corporate Group's net cash used in investing activities in the 2<sup>nd</sup> Quarter 2020 was Baht 183.04 million, due to cash payment for the purchase of fiber cement machinery (NT-11) of Baht 120.47 million, cash payment for tools and equipment replacement after their useful life of Baht 78.87 million, cash advance payment for purchase of assets of Baht 6.85 million and cash payment for intangible assets of Baht 0.65 million but there were cash received from the sale of unused land of Baht 19.29 million, cash received from sale of damaged and unusable assets of Baht 4.49 million and cash received from interest of Baht 0.02 million.



The Corporate Group's net cash used in financing activities in the 2<sup>nd</sup> Quarter 2020 was Baht 354.91 million, due to the increase in short-term loan of Baht 358 million but there were dividend payment of Baht 189.59 million, repayment of financial lease of Baht 9.02 million, interest payment of Baht 2.34 million and payment for treasury shares of Baht 511.96 million.

## (2.7) Financial Ratios

Financial Ratios	As at June 30, 2020	As at December 31, 2019
Current Ratio (Times)	1.08	1.64
Quick Ratio (Times)	0.49	0.65
Cash flow Liquidity Ratio (Times)	0.99	0.74
Account Receivable Turnover Ratio (Times)	9.62	9.77
Average Collection Period (Days)	37	37
Inventory Turnover Period (Days)	19	19
Average Payable Period (Days)	16	16
Cash Cycle (Days)	40	40
Total Debt to Equity Ratio (Times)	0.80	0.47
Interest Coverage Ratio (Times)	189.00	126.53
Debt Service Coverage Ratio (Times)	92.06	75.36

## (3) Asset Management Capability

### (3.1) Debtor Quality, Accounts Receivable Aging, Provision and Sufficiency of Allowance for Doubtful Debts

The Corporate Group's trade accounts receivable and other accounts receivable as at June 30, 2020 account for 17.07 percent of the total assets with 83.23 percent not yet due for payment. The Corporate Group has established policy for setting provision or allowance for doubtful debts which is based on the analysis of accounts receivable aging and assessment of past debt collection experience. Accordingly, the Corporate Group has experienced very little bad debts and has not found any irregularity in 2020 and there was no bad debt in the past year 2019.

### (3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at June 30, 2020 accounts for 22.47 percent of the total assets, of which 20.64 percent are finished products, 18.57 percent are work in progress and 49.64 percent are raw materials. The Corporate Group conducts inventory inspection every month and has employed accounting policy for setting provision for deteriorated inventory based on product life which is based on the generally accepted accounting standards.

## (4) Liquidity and Capital Sufficiency

The Corporate Group has appropriate capital management, having prepared operating cash flows statements every day to acknowledge the daily cash-in and cash-out, in order to learn about liquidity, debt service coverage and sources of fund for the best interest, which can be summarized as follows.



The Corporate Group's total debt to equity ratio as at June 30, 2020 was at 0.80 times, an increase from end of year 2019, due to the increase in total liabilities from the end of 2019 of 42.77 percent and the shareholders' equity decreased from the end of year 2019 by 15.53 percent and the interest coverage ratio was at 189 times, an increase from end of 2019, due to an increase in annualized cash flow from operating activities from the previous year of 56.26 percent and increase in annualized interest on loan from the previous year of 4.44 percent.



The Corporate Group's current ratio as at June 30, 2020 was 1.08 times, a decrease from the end of year 2019, due to a decrease in current assets of 0.74 percent and increase in current liability of 50.72 percent and the quick ratio of 0.49 times, which decreased from the end of year 2019, due to a decrease in inventory of 9.65 percent and increase in current liability of 50.72 percent and the cash flow liquidity ratio was 0.99 times, an increase from end of year 2019, due to the increase in annualized cash flow from operating activities from the previous year of 56.26 percent.



The Corporate Group's cash cycle as at June 30, 2020 was 40 days, which was the same as the end of year 2019, due to the average collection period was 37 days and the inventory turnover period was 19 days but the average payable period was 16 days, which was the same as the end of year 2019.



The Corporate Group's debt service coverage ratio increased from 75.36 times as at end of year 2019 to 92.06 times as at June 30, 2020 due to an increase in annualized EBITDA from end of year 2019 of 20.12 percent and the financial lease liabilities due within one year decreased by 7.65 percent but there was an increase in annualized interest on loan payment of 4.44 percent.

#### **(5) Debt Obligation**

The Corporate Group has policy to mitigate risk from interest fluctuation by taking long-term loan with fixed interest rate. Accordingly, as at June 30, 2020, the Corporate Group had no long-term debt obligation to comply with the terms and conditions of the loan agreement with the commercial bank.

#### **(6) Factors Having Impact on Future Operating Results**

Due to the outbreak of the coronavirus disease 2019 (COVID-19), bringing about changing circumstances in business operations, by which the Corporate Group has assessed the factors affecting future operations, recovery period and proportion of affected businesses, having reviewed the targets and business plan to be in line with such situation, as well as specifying and setting priorities on urgent matters that must be undertaken, which can be summarized as follows.

(6.1) Should there be no second wave of the COVID-19 outbreak, the Corporate Group has assessed the impact after the Government has relaxed its protection measures by partially reopening department stores and border checkpoints that initially the recovery should begin in the 4<sup>th</sup> quarter 2020 and slightly expand from the 1<sup>st</sup> quarter 2021 onwards.

(6.2) The Corporate Group has placed importance on urgent matters with the first priority being impact assessment and recovery planning in order to achieve normal business operations as soon as possible by reviewing its targets and carrying out the followings to be in line with the potential of various groups of marketing as follows.

- Export market has been impacted the most as some border checkpoints are still closed, resulting in higher costs of import and transportation to overseas countries, less competitiveness, as well as export customers slowing down import of products. Therefore, market expansion for this group

places importance on production of various electronics media to offer products for this group via Facebook and YouTube, etc.

- Housing project group has also been heavily affected as the consumers have put off decision for purchasing new homes as there are surplus of available and completed housing projects ready for sales. In addition, constructions of new housing projects have also been delayed. Therefore, market expansion for this group places importance on increased sales through small and medium projects in the provincial areas and home construction companies, etc.
- For the Modern Trade group, which are the large retail stores, despite the fact that the Government sector has relaxed its measures by allowing such stores to be open conforming to the Government sector's protection measures. However, there is still a risk for the second wave of COVID-19 outbreak, which may result in another closing down of stores and services; therefore, targets have been reviewed according to the potential of this market group, etc.
- Domestic sales agent group is less affected than other groups as the Company has construction material stores, which are the small to medium sales representatives located throughout the country. Revenue from product sales of this group has increased in the 2<sup>nd</sup> quarter 2020 and therefore, focus on expansion and development of this market group has been increased during year 2020 to 2021.
- Product sales channel through Telesales by selling products via telephone contact with new and small customers, accounts for less than one million baht a month, which is deemed to have the lowest risk. There are only 200 to 300 customers in this market group and therefore, market expansion for this group is among the options during this period.
- Online product sales channel via Facebook Live is considered a new way for the Corporate Group to offer its products during COVID-19 situation in order to minimize risk for the sales representatives in meeting with the customers. More interest on this option has been shown by the customers and consumers, by which it is considered as another option for market expansion during this period.

(6.3) The Corporate Group places importance on internal management as the next priority including production cost management, efficiency improvement on machinery and equipment in order to produce quality goods with competitive costs, by negotiating and bargaining on the prices of raw materials and service fees with the suppliers and service providers within the supply chain, as well as making improvements on product delivery system so that products reach the consumers quickly, promptly and efficiently, resulting in cost reduction, etc.

(6.4) The Corporate Group has analyzed the Industry's "New Normal" after the COVID-19 crisis has begun to improve, including delaying organization of activities that convene mass gatherings and turning to production of media concerning with Corporate Group's products and introducing them through online communication system such as Facebook Live and YouTube within the country and overseas, as well

as utilizing mediation platform to avoid arrangement of various meetings, such as using Microsoft Team application for online meetings, etc.

- (6.5) The Corporate Group has established long-term plan to cope with the “**New Normal**” to maintain its competitiveness by developing new products and services with better differentiation, development of strong sales channels within the country and overseas, establishing fair and competitive selling prices, as well as producing advertising media that are outstanding and competitive to support product sales of trading partners, etc.