

February 25, 2021

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

Change in operation results was over 20 percent

Attn : The President

The Stock Exchange of Thailand

Siam Steel International Public Company Limited has submitted the consolidated financial statements of the year ending December 31, 2020. It is noted that the change in net profit (loss) was over than 20 percent compared with the previous year. The Company would explain in the Management's Discussion and Analysis for the year ending December 31, 2020 as follows:

### 1. Operating Results

Consolidated Statements of Comprehensive Income for the year ended December 31, 2020 and 2019

Consolidated Financial Statements	For Year Ended December 31, 2020		For Year Ended December 31, 2019		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Sales and services	1,577	91%	1,989	96%	(412)	(21%)
Construction services	164	9%	87	4%	77	89%
<b>Total Revenues</b>	<b>1,741</b>	<b>100%</b>	<b>2,076</b>	<b>100%</b>	<b>(335)</b>	<b>(16%)</b>
Costs of sales and services	1,280		1,583		(303)	(19%)
Costs of Construction services	114		68		46	68%
<b>Total Costs of Sales and Services</b>	<b>1,394</b>	<b>80%</b>	<b>1,651</b>	<b>80%</b>	<b>(257)</b>	<b>(16%)</b>
Sales and services gross income	297		406		(109)	(27%)
Construction services gross income	50		19		31	163%
<b>Total Gross Income</b>	<b>347</b>	<b>20%</b>	<b>425</b>	<b>20%</b>	<b>(78)</b>	<b>(18%)</b>
Other income	329	19%	112	5%	217	194%
Selling and administrative expenses	(524)	(30%)	(543)	(26%)	19	3%
Loss from the fire	(12)	(1%)	0	0%	(12)	(100%)
<b>Profit (Loss) from Operations</b>	<b>140</b>	<b>8%</b>	<b>(6)</b>	<b>(0%)</b>	<b>146</b>	<b>2,433%</b>
Profit in associated companies on equity method	14	1%	25	1%	(11)	(44%)
Finance costs	(19)	(1%)	(20)	(1%)	1	5%
<b>Profit (Loss) before Income Tax</b>	<b>135</b>	<b>8%</b>	<b>(1)</b>	<b>(0%)</b>	<b>136</b>	<b>13,600%</b>
Income tax	(6)	(0%)	0	0%	(6)	(100%)
Profit (loss) from discontinued operation	29	2%	53	3%	(24)	(45%)
Equity in non-controlling interests in subsidiaries	(4)	(0%)	(39)	(2%)	35	90%
<b>Net Profit (Loss) attributable to the Company</b>	<b>154</b>	<b>8.85%</b>	<b>13</b>	<b>0.63%</b>	<b>141</b>	<b>1,060%</b>
<b>Net Profit (Loss) per share attributable to the Company (Baht)</b>	<b>0.260</b>		<b>0.022</b>		<b>0.238</b>	<b>1,060%</b>

## **1.1 Analysis of overall Operating Results**

For the fiscal year ended December 31, 2020, the consolidated financial statements of the Company presented total revenues amounting to Baht 1,741 million, decreased by Baht 335 million or decreased 16 percent from previous year. Such change resulted from the decrease in domestic sales of furniture, “Lucky” hi-tech buildings System and renewable energy business. However, this year the Company still has the action plan of human resources development in marketing and production, as well as increasing new products to response the customer’s requirements to enable sales volume increase, including to expand investment in renewable energy business in order to generate stable income in the future. Even with the effect of the COVID-19 spreading situation in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter but the Company believe that the revenues trend will be increasing.

### **Total Revenues**

For the fiscal year ended December 31, 2020, the consolidated financial statements of the Company’s presented total revenues amounting to Baht 1,741 million, decreased by Baht 335 million or decreased 16 percent from previous year. This was mainly resulted from the decrease in domestic sales of furniture, “Lucky” hi-tech buildings and renewable energy business. Total revenues in this year consisted of following income:

- Revenues from domestic sales of furniture, “LUCKY” Hi-tech Building System and flood protection wall totaling Baht 1,526 million, decreased by Baht 370 million or decreased 20 percent from previous year.
- Revenues from renewable energy groups totaling Baht 51 million, decreased by Baht 42 million or decreased 45 percent from previous year.
- Revenues from domestic construction services of this year, the Company has three jobs amounting to Bath 164 million, increased by Baht 77 million or increased 89 percent from previous year.

### **Other Income**

The consolidated financial statements of the Company for the 1 year period ending at December 31, 2020 presented other income amounting to Baht 329 million, increasing from previous year by Baht 217 million, or increased 194 percent. Other income in this year were mainly from sale of investment of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company, profit from fair value adjustment of the investment and service charges.

### **Cost of Sales and Expenses**

- The consolidated financial statements of the Company presented total cost of sales for the 1 year period ending at December 31, 2020 amounting to Baht 1,394 million, decreased by Baht 257 million or decreased 16 percent from previous year. The ratio of total cost of sales to total revenue for this year and previous year was 80 percent, equally.

- The consolidated financial statements of the Company presented selling and administrative expenses for the 1 year period ending at December 31, 2020 amounting to Baht 524 million, decreased by Baht 19 million or decreased 3 percent from the previous year. The ratio of selling and administrative expenses to total revenues for the year 2020 and the year 2019 was 30 percent and 26 percent, respectively. This was mostly resulted from the decreasing of revenue.

- The loss from the fire of an indirect subsidiary of the Company amounting to Baht 56 million in August, the insurer already approved the claims amounting to Baht 44 million and the net loss is Baht 12 million.

- The consolidated financial statements of the Company presented finance cost for the 1 year period ending at December 31, 2020 amounting to Baht 19 million. This was mostly resulted from domestic financial institution for investment in renewable energy business.

### **Gross Profit**

- The consolidated financial statements of the Company for the 1 year period ending at December 31, 2020 presented gross profit amounting to Baht 347 million, decreased by Baht 78 million or decreased 18 percent from previous year, The gross profit ratio for the 1 year period ending at December 31, 2020 and year 2019 was 20 percent, equally.

### **Profit (loss) from discontinued operation**

- For the year 2020, the Company presented profit from discontinued operation amounting to Baht 29 million, and year 2019 was Baht 53 million. This was resulted from the net operation, sale of investment of solar cell farm in Japan in 2020 which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

### **Net Profit (Loss)**

- The consolidated financial statements of the Company presented net profit amounting to Baht 154 million for the 1 year period ending at December 31, 2020 but net profit amounting to Baht 13 million for the year 2019. Net profit of this year increased from previous year by Baht 141 million or increased by 1,060 percent. This resulted from the increasing of other income. Net profit ratio for the 1 year period ending at December 31, 2020 was 8.85 percent, net profit for the year 2019 was 0.63 percent.

## 2. Financial positions

Statements of Financial positions as at December 31, 2020 and December 31, 2019

Consolidated financial statement	December 31, 2020		December 31, 2019		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	461	13%	826	16%	(365)	(44%)
Trade accounts receivable - net	224	6%	272	5%	(48)	(18%)
Inventories – net	242	7%	220	4%	22	10%
Other current assets	216	6%	215	4%	1	0%
<b>Total Current Assets</b>	<b>1,143</b>	<b>32%</b>	<b>1,533</b>	<b>29%</b>	<b>(390)</b>	<b>(25%)</b>
Investments	893	24%	833	16%	60	7%
Property, plant and equipment - net	1,546	42%	2,787	53%	(1,241)	(45%)
Other non - current assets	85	2%	87	2%	(2)	(2%)
Total Non - Current Assets	2,524	68%	3,707	71%	(1,183)	(32%)
<b>Total Assets</b>	<b>3,667</b>	<b>100%</b>	<b>5,240</b>	<b>100%</b>	<b>(1,573)</b>	<b>(30%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from financial institutions	40	1%	0	0%	40	100%
Short-term loans from related company	65	2%	53	1%	12	23%
Long-term loans from financial institutions; due within 1 year	16	0%	261	5%	(245)	(94%)
Trade accounts payable	206	6%	203	4%	3	1%
Other current liabilities	251	7%	427	8%	(176)	(41%)
<b>Total Current Liabilities</b>	<b>578</b>	<b>16%</b>	<b>944</b>	<b>18%</b>	<b>(366)</b>	<b>(39%)</b>
Long-term loans from financial institutions	70	2%	1,396	26%	(1,326)	(95%)
Employee benefits obligation	52	1%	39	1%	13	33%
Other non - current liabilities	99	3%	37	1%	62	168%
Total Non - Current Liabilities	221	6%	1,472	28%	(1,251)	(85%)
Total Liabilities	799	22%	2,416	46%	(1,617)	(67%)
Shareholders' equity to the Company's	2,649	72%	2,481	47%	168	7%
Shareholders' equity non-controlling interests' equity	219	6%	343	7%	(124)	(36%)
Total Shareholders' equity	2,868	78%	2,824	54%	44	2%
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,667</b>	<b>100%</b>	<b>5,240</b>	<b>100%</b>	<b>(1,573)</b>	<b>(30%)</b>

## **2.1 Analysis of the financial position of the Company and its subsidiaries as at December 31, 2020 and December 31, 2019**

### **Total Assets**

As at December 31, 2020 the consolidated financial statements of the Company presented total assets amounting to Baht 3,667 million, decreased by Baht 1,573 million or decreased 30 percent from the end of December 31, 2019. This was mainly from the decrease in cash, cash equivalents, property, plant, equipment and the excluding of the solar cell farm in Japan, invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company which already sold the investment in 2020.

Total assets presented in the consolidated financial statements of the Company as at the end of this year consisted of cash and cash equivalents 13 percent, net trade accounts receivable 6 percent, net inventories 7 percent and other current assets 6 percent, investment in associated companies and other companies 24 percent, property, plant and equipment 42 percent and other non-current assets 2 percent. Whereby total assets at the end of previous year consisted of cash and cash equivalents 16 percent, trade accounts receivable 5 percent, net inventories 4 percent, other current assets 4 percent, investment in associated companies and other companies 16 percent, property, plant and equipment 53 percent and other non-current assets 2 percent.

- Cash and cash equivalents at the end of the year 2020 was Baht 461 million, decreased from the end of previous year by Baht 365 million, as follow:

Cash from operating activities was Baht 128 million. This mostly from the operating, decreasing of inventories and increasing of other current liabilities.

Cash used for investing activities was Baht 229 million. This mostly used for construction and machinery at Uthai Thani and Surat Thani for expand investment in renewable energy and the sales of some investments in subsidiary company's ordinary shares, which caused subsidiary company transformed into associated company and cash flow decreased form the consolidated financial statement.

Cash used for financing activities was Baht 318 million. This mostly used for long term loan from financial institution and the dividend payment.

Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries was Baht 58 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company and get loss from exchange rate in foreign currency deposit with Baht 4 million.

- Trade accounts receivable at the end of the year 2020 was Baht 224 million, decreased from the end of previous year of Baht 48 million. The balance of trade accounts receivable at the end of the year 2020 of which 91 percent of such receivable was not yet due, 7 percent was overdue less than 3 months and 2 percent was overdue more than 3 months. However, the Company and its subsidiaries have monitored closely for the debts collection. The company will consider the possibility of receiving the payment of debt. In addition, in the case of some debtors being in the process of collection, the Company will provide the appropriate proceed to record the allowance for doubtful accounts. At the end of this year, balance of allowance for doubtful account was Baht 3 million. Receivable turnover rate at the end of the year 2020 was 7.02, 8.39 at the end of previous year. Average debt collection at the end of the year 2020 was 52 days, at the end of previous year was 44 days. Receivable turnover was decreased and average debt collection period was increased because the amount of sales at the end of this year was decreased.

- Inventories balance at the end of the year 2020 was Baht 242 million, increased by Baht 22 million or increased 10 percent from the end of previous year. Mostly increased from products of furniture of the subsidiary of the Company. The inventory turnover rate at the end of the year 2020 was 6.03, and was 7.12 at the end of previous year. The decreasing from previous year caused by the decreasing of the amount of sales and costs of sales.

- Investments at the end of the year 2020 were Baht 893 million, increased by Baht 60 million or increased 7 percent from the end of previous year. This was resulted from recognition of increasing in profit on equity method from subsidiary of the Company and associated company including the fair value adjustment of the investment in other company.

- Property, plant and equipment - net as at the end of the year 2020 was Baht 1,546 million, decreased by Baht 1,241 million or decreased 45 percent from the end of previous year. Mostly resulted from the sale of investment of solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company which caused the consolidated financial statements of the Company as at the end of this year excluding the property, plant and equipment of this solar cell farm.

### **Total liabilities**

As at the end of this year the consolidated financial statements of the Company presented total liabilities of Baht 799 million, decreased by Baht 1,617 million or decreased 67 percent. Mostly decreased from short-term loans from financial institutions including the other current liabilities.

- As at the ended of this year, short term loan from financial institutions was Baht 40 million for the promissory note of the subsidiary company for the operation.

- As at the ended of this year, short term loan from related companies was Baht 65 million, increased by Baht 12 million or increased 23 percent from previous year. Most are loans of companies in the renewable energy group. Which is an indirect subsidiary of the company, loans from related companies to spend in the business.

- As at the ended of this year, long term loan from financial institution due within one year was Baht 16 million, decreased by Baht 245 million or decreased 94 percent from the debt payment for the loan borrowed from financial institution in domestic for investment in solar cell farm project in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company.

- As at the ended of this year, other current liabilities was Baht 251 million, decreased by Baht 176 million from previous year. Caused by liabilities arising from the advance payment of bathroom pods group and the debts of companies in the renewable energy group.

- As at the ended of this year, long term loan from financial institution in Japan for solar cell farm in Japan which invested by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company was Baht 70 million, decreased by Baht 1,326 million from the sale of investment which caused the consolidated financial statements of the Company as at the end of this year excluding the long term loan of this solar cell farm.

- As at the ended of this year, other non-current liabilities was Baht 99 million, increased by Baht 62 million or increased 168 percent from previous year. This was mainly resulted from the recognition of the liabilities according to the lease agreement, IFRS 16 Leases, which effected from the year 2020.

### **Shareholders' equity**

At the ended of this year, the consolidated financial statements of the Company presented the shareholders' equity of Baht 2,868 million, as at the ended of previous year was Baht 2,824 million, increased by Baht 44 million. This resulted from this year, the consolidated financial statements of the company have a net profit.

Book value as at the ended of this year was Baht 4.84 per share, at the end of previous year Baht 4.76 per share, increased by Baht 0.07 per share.

## 2.2 Liquidity and significant financial ratios

Statements of Cash flows for the year ended December 31, 2020

<b>Consolidated financial statements</b>	<b>Unit : Million Baht</b>
Net cash from (used for) operating activities	128
Net cash from (used for) investing activities	(229)
Net cash from (used for) in financing activities	(318)
Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries and foreign currency deposit	54
<b>Increase (Decrease) in cash and cash equivalents - net</b>	<b>(365)</b>
Cash and cash equivalents at beginning of period	<b>826</b>
<b>Cash and cash equivalents at end of period</b>	<b>461</b>

Liquidity of the consolidated financial statement of the Company as at the end of this year, the Company held cash amounting to Baht 461 million, Baht 826 million at the end of previous year. Cash flow decreased by Baht 365 million, this was related to:

- Cash from operating activities was Baht 128 million. This mostly resulted from the operating amounting to Baht 232 million, decreasing of inventories amounting to Baht 63 million and increasing of other current liabilities amounting to Baht 36 million.

- Cash used for investing activities was Baht 229 million. This mostly used for construction and machinery at Uthai Thani and Surat Thani for expand investment in renewable energy amounting to Baht 152 million and the sales of some investments in subsidiary company's ordinary shares, which caused subsidiary company transformed into associated company and cash flow decreased form the consolidated financial statement amounting to Baht 192 million.

- Cash used for financing activities was Baht 318 million. This mostly used for long term loan from financial institution amounting to Baht 270 million and the dividend payment amounting to Baht 68 million.

- Cash from differences of conversion foreign exchange currency of financial statement of indirect subsidiaries was Baht 58 million, from the investment in solar cell farm in Japan by Bangphra Green Energy Company Limited, an indirect subsidiary of the Company and get loss from exchange rate in foreign currency deposit with Baht 4 million.

The current ratio was increased from 1.62 times as at the end of previous year to 1.98 times as at the end of this year. The quick ratio was increased from 1.16 times as at the end of previous year to 1.19 times as at the end of this year. However, both ratios represented positive favorable liquidity of the Company and its subsidiaries.



In consideration of the ability for the debt repayment as at the end of this year and the end of previous year, the Company and its subsidiaries still maintained good ability for debt payment. Considering from the debt to equity ratio, Showing 0.86 times at the end of previous year to 0.28 times at the end of this year. The debt to equity ratio as at the end of this year was decreased from the end of previous year, This was effect from the amount of total liabilities decreased from the end of the previous year.

### **3. Significant factors that may affect the future of finance position or future operation**

#### **The spread of COVID-19**

The spread of COVID-19 has impacted the business operations of the Company and its subsidiaries especially for the domestic sales of furniture and “Lucky” hi-tech building System, thus the sales trend in 2<sup>nd</sup> and 3<sup>rd</sup> quarter also with the revenue to be decreasing around 30 percent. Thus, the Company has plan by reducing production costs and operating expenses in accordance with the expecting of the decreased revenue. Currently, the spread of Covid-19 has intended to decrease, which caused the business of the Company can operate as usual.

For the funding sources, the financial institutions still support the operations of the Company as usual as the Company has collateral pledged with the financial institutions to cover the credit limit which caused no obstruction for the liquidity of funding sources and liquidity of operation.

The Company is believed that the value of assets in the financial statements of the Company will not be affected by the consideration of impairment of assets, the Company will not record the provision for impairment and the financial statements already reflect the true value for the benefit of the all relevant parties.

#### **The stability of local political**

If local political is not stable, it will result in the government’s spending. Government spending to stimulate the economy will be reduced. As a result, the industrial growth will be shrunken, the order will also be reduced.

#### **Foreign market**

There was shrunken in foreign market because the Covid-19 is not ease up, the purchase order may be reduced.

#### **Raw material pricing**

Steel is core raw material for production. If steel price are fluctuated, it may affect the orders and production costs.

### **Foreign Exchange Rate**

If the Baht is strengthens against foreign currency continuously, this may affect the Company's sales in Baht value. In addition, the Company may lose ability in its competitiveness compared to competitors and may get loss from exchange rates.

Please be informed,

Yours sincerely,

( Mr. Surapol Kunanantakul )  
President  
Siam Steel International Public Company Limited