



President  
Stock Exchange of Thailand

27 February 2020

Dear Sir,

**Explanation and Analysis of Financial Statements for the Year Ended 31 December 2019**

We enclose herewith two sets of the consolidated and separate financial statements of Thai Rung Union Car Public Company Limited (“the Company”) for the year ended 31 December 2019, duly reviewed by the Company’s auditors and approved by the Company’s Board of Directors, for onward distribution to investors.

Management has the following comments on the Company’s results for the year ended 31 December 2019 compared with those of the previous year, and on the balance sheet as at 31 December 2019 compared with that of 31 December 2018. These comments are intended to be read in conjunction with the financial statements.

**Consolidated Income Statement for the year ended 31 December 2019**

	Unit: millions of baht				
	Item	Year 2019	Year 2018	Change	
1.1	Operating revenue	2,386.47	2,529.64	(143.18)	(6%)
	Other income	246.81	45.04	201.77	448%
	<b>Total revenue</b>	<b>2,633.28</b>	<b>2,574.68</b>	<b>58.59</b>	<b>2%</b>
1.2	Cost of sales and service	2,056.30	2,066.45	(10.15)	(0%)
1.3	Sales & administrative expenses	293.21	308.43	(15.22)	(5%)
1.4	Net finance cost	0.51	0.01	0.49	3,530%
	Share of profits/(losses) of associates (joint ventures)	8.11	2.11	6.01	285%
	<b>Profit before income tax</b>	<b>291.37</b>	<b>201.89</b>	<b>89.48</b>	<b>44%</b>
	Income tax income (expense)	(7.40)	(13.36)	5.96	45%
1.5	<b>Net profit/(loss)</b>	<b>283.97</b>	<b>188.53</b>	<b>95.44</b>	<b>51%</b>
1.6	Other comprehensive income (expense)	(14.65)	0.00	(14.65)	0%
1.7	<b>Total comprehensive income</b>	<b>269.31</b>	<b>188.53</b>	<b>80.79</b>	<b>43%</b>

Distribution of consolidated profit/(loss)					
	Attributable to owners of the parent company	281.13	181.47	99.67	55%
	Attributable to non-controlling interests	2.84	7.06	(4.23)	(60%)

Distribution of comprehensive income					
	Attributable to owners of the parent company	266.48	181.47	85.01	47%
	Attributable to non-controlling interests	2.84	7.06	(4.23)	(60%)

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## 1. Overview of Results for the Year

The Company's business is production and distribution in the automotive industry. Its consolidated results for 2019, compared with those for 2018, were as follows:

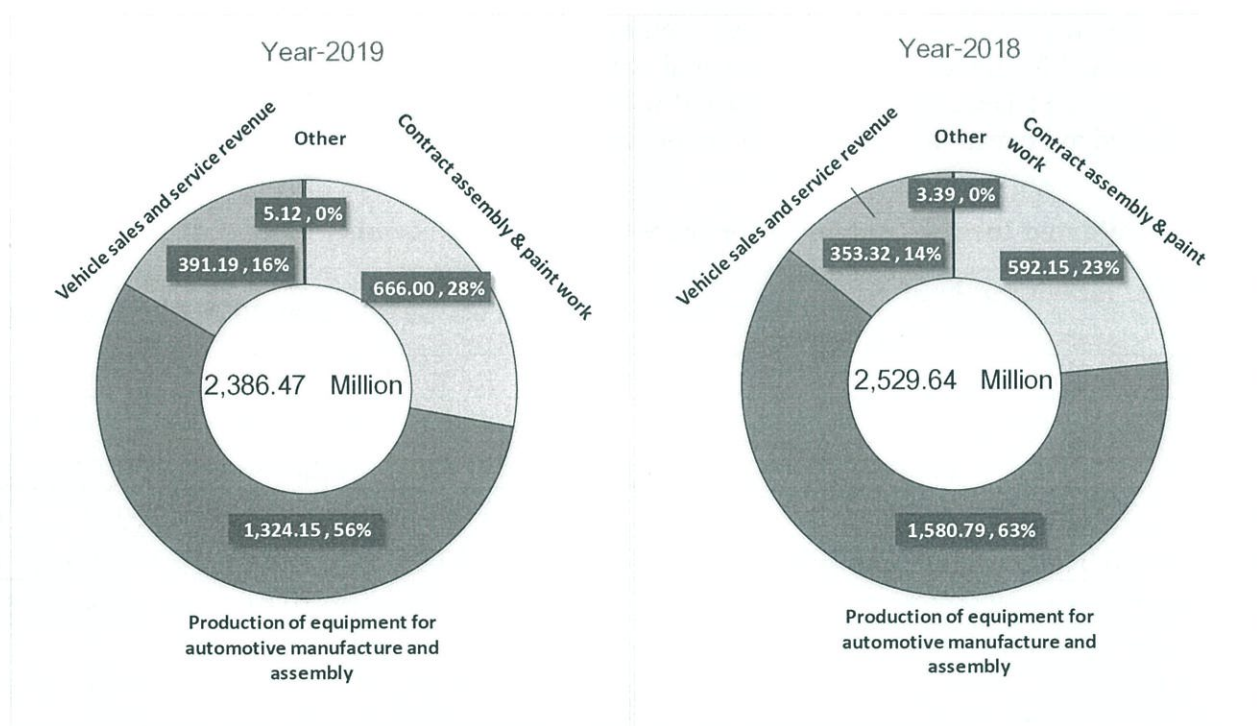
### 1.1 Consolidated Revenues

Total consolidated revenues for 2019, not including share in profit/(loss) of associates, amounted to Bt.2,633.28 million, representing an increase of Bt.58.59 million or 2% on the previous year and composed as follows:

1.1.1 **Operating revenues** amounted to Bt.2,386.47 million, down by Bt.143.18 million or 6% on the previous year due to lower customer orders. The breakdown of revenues by type of business was as follows

Operating revenues by type of business

2019/2018 = (143.18) (6%)



**Note:** Operating revenue (not including Other Income or share of profit/(loss) of associates (joint ventures).)

- Revenue from the production of vehicle manufacturing equipment (die and jig making, plus the production and sale of parts, both OEM and spare) amounted to Bt.1,324.15 million, representing 56% of total sales and service revenue, showing a decrease of Bt.256.63 million or 16% on the previous year, due to lower orders for auto parts.
- Revenue from vehicle assembly and other vehicle-related contract work was Bt.666 million, representing 28% of total sales and service revenue. This was Bt.73.85 million or 12% more than in the previous year, mainly thanks to increased orders from customers in the agricultural machinery industry.
- Revenue from sales of vehicles and from service centres was Bt.391.19 million, representing 16% of total sales and service revenue and Bt.37.87 million or 11% up on the previous year



thanks to sales of special project vehicles to government departments.

- Other sales and service income, at Bt.5.12 million, was up by Bt.1.73 million or 51% on the previous year.

1.1.2 **Other Income** Other Income amounted to Bt.246.81 million, up by Bt.201.77 million on the previous year due to:

- Bt.202.34 million gain on the purchase of a business. The Company subscribed to a capital increase in a joint venture company and bought the shares of the previous joint venture partner, recognising the difference between the purchase price and the value of the consideration received in accordance with financial reporting standards as a gain of Bt. 393.56 million by way of negative goodwill, the effect of re-evaluating assets with a profit of Bt.12.93 million, and a loss of Bt.204.15 million from the change in fair value of the original investment
- Other income was down by Bt.0.57 million or 1%.

## **1.2 Cost of sales and service**

Consolidated cost of sales and service for 2019 was Bt.2,056.30 million. As a proportion of sales and service revenue for the year it was 86.17 %, 4.48 percentage points higher than the 81.69% of 2018, due to the adjustment in employee benefits for those entitled to severance pay, from 300 to 400 days, at a cost of Bt.9.2 million and also to changes in the product mix, with different products having different margins, partly offset by the Company's ongoing efforts to increase efficiency and control production costs.

## **1.3 Selling and administrative expenses**

Consolidated selling and administrative expenses for 2019 amounted to Bt.293.21 million, Bt.15.22 million or 5% down on the previous year. Selling and administrative expenses amounted to 12% of revenues in 2019 which is equal to 2018 , being due to , Salaries and wages social benefits and bonuses were down by Bt.6.02 million ,sales promotion expenses down by Bt.3 million , and other administrative charges were down by Bt. 4 million.

## **1.4 Share of profit/(loss) from investments in associates**

Share of profit from investments in joint venture companies in 2019 was Bt.8.11 million, compared with Bt.2.1 million in 2018, an increase of Bt.6.01 million or 285%.

## **1.5 Net income**

The Company posted net income of Bt.283.97 million for 2019, of which Bt.281.13 million attributable to owners of the parent company, an increase of Bt.99.67 million on the previous year when profit attributable to owners of the parent company was Bt.181.47 million, the increase being due to Other Income which has been commented on earlier in this report.

## **1.6 Other Comprehensive Income**

In 2019 there was Bt.14.65 million of Other Comprehensive Income (negative) due to a change in value resulting from remeasurement based on actuarial estimates, the effect of changes in demographic and financial assumptions and experience adjustments, Bt.18.32 million, and Bt.3.67 million of deferred taxation.

## **1.7 Net income/(loss) including other comprehensive income**

Total consolidated comprehensive income for 2019 was Bt.269.31 million of which Bt.266.48 million attributable to owners of the parent company, Bt. 85.01 more than the Bt.181.47 million of the previous year.

**2. Analysis of Consolidated Balance Sheet at 31 December 2019 compared with 31 December 2018 (Bt. Millions)**

**THB millions**

Assets	Consolidated Balance Sheet			
	31-Dec-2019	31-Dec-2018	Change	%
Current assets	1,133.82	1,552.52	(418.70)	(27%)
Investments in associates	482.57	524.83	(42.27)	(8%)
Investment property, net	161.98	162.00	(0.02)	(0%)
Property, plant & equipment, net	2,071.65	1,596.54	475.11	30%
Other non-current assets, net	129.61	90.85	38.77	43%
<b>Total Assets</b>	<b>3,979.63</b>	<b>3,926.73</b>	<b>52.90</b>	<b>1%</b>
<b>Liabilities</b>				
Current liabilities	427.35	523.33	(95.98)	(18%)
Non-current liabilities	102.34	60.84	41.50	68%
<b>Total Liabilities</b>	<b>529.69</b>	<b>584.17</b>	<b>(54.48)</b>	<b>(9%)</b>
<b>Equity</b>				
Attributable to owners of the parent company	3,387.20	3,268.25	118.95	4%
Non-controlling interests	62.74	74.31	(11.57)	(16%)
<b>Total Equity</b>	<b>3,449.94</b>	<b>3,342.56</b>	<b>107.38</b>	<b>3%</b>
<b>Total Liabilities and Equity</b>	<b>3,979.63</b>	<b>3,926.73</b>	<b>52.90</b>	<b>1%</b>

Total consolidated assets at 31 December 2019 and 31 December 2018 stood at Bt.3,979.63 million and Bt.3,926.73 million respectively, representing an increase of Bt.52.90 million, the main items being as follows:

**2.1 Assets**

**2.1.1 Current assets** at 31 December 2019 stood at Bt.1,133.82 million, down by Bt.418.71 million or 27% as a result of:

- Cash and cash equivalents at 31 December 2019 stood at Bt.220.19 million, Bt.170.94 million less than at year-end 2018 as a result of the purchase of shares in a former joint venture and participation in a capital increase of that same company.
- Short-term investments at 31 December 2019 was down by Bt.280.45 million as a result of withdrawal to make the payments referred to above in respect of the former joint venture.

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- Net trade and other receivables and other current assets at 31 December 2019 stood at Bt.460.11 million, Bt.6.28 million more than the 2018 year-end figure, partly due to an increase in sales for which payment was not yet due (due in February 2020).
  - Contract assets at 31 December 2019 stood at Bt.65.25 million, Bt.8.67 million more than at year-end 2018, reflecting the success of the Company's die and jig making business.
  - Short-term loans to related parties at 31 December 2019 stood at Bt. 60 million, Bt.30 million less than at year-end 2018. reflecting accepting payment for loans.
  - Inventories at 31 December 2019 stood at Bt.318.26 million, representing an increase of Bt.47.74 million on year-end 2018, due to production and preparation of raw materials for production in the following quarter in line with customer orders.
- 2.1.2 Investments in associates** (joint ventures) at 31 December 2019 stood at Bt.482.57 million, representing a decrease of Bt.42.27 million, Bt. 32.84 of which is due to the Company's acquiring the business of a former joint venture, whereby the investment changes from being in an associate to being in a subsidiary, Bt.17.54 in dividends received from two joint venture companies and from a Bt.8.11 million share in profits of a joint venture company.
- 2.1.3 Property, plant & equipment** at 31 December 2019 stood at Bt.2,071.65 million, Bt.475.11 million up due to the Bt.513.17 million of fixed assets acquired by buying out the joint venture partner in the company referred to above, Bt.84.54 million of other capital expenditure for operating purposes, scheduled depreciation of Bt.115.19 million and disposals of Bt.7.41 million.
- 2.1.4 Other non-current assets** at 31 December 2019 stood at Bt.129.61 million, Bt.38.77 million up on year-end 2018. The bulk of this, Bt.18.59 million, relates to new projects where the investment is made by the customer and amounts are gradually taken from the account; Bt.10.09 million of assets used in product development, Bt.5.38 of excise tax refunds due and Bt.4.95 million in intangible assets.

## **2.2 Liabilities**

Total consolidated liabilities at 31 December 2019 and 31 December 2018 stood at Bt.529.69 million and Bt.584.17 million respectively, a decrease of Bt.54.48 million or 9% as a result of:

- Trade payables fell by Bt.57.49 million as items fell due and were paid and due to lower orders for raw materials reflecting lower customer orders
- Cost of sales pending payment fell by Bt.54.08 million as contractual payments for outsourced die making on a percentage completed basis fell due and were paid
- Corporate income tax due decreased by Bt.8.03 million
- Finance lease liabilities of the former joint venture acquired by the Company, Bt.35.13 million
- Remeasurement of liabilities based on actuarial estimates, the effect of changes in demographic and financial assumptions and experience adjustments Bt.18.32 million
- Change in present value of future liabilities in respect of severance payments which have gone from 300 to 400 days equivalent pay, Bt.14.26 million

### 2.3 Equity

Consolidated equity at 31 December 2019 and 31 December 2018 stood at Bt.3,449.94 million and Bt.3,342.56 million respectively, representing a net increase of Bt.107.38 million as a result

- Profit from acquisition of joint venture 202 million and Operating profit 79 million.
- Non-controlling interests reduced by 11.57 million.
- Payment of a dividend of Bt.147.71 million.
- Actuarial gain (losses) on defined employee benefit plans-net income tax 14.65 million.

### 3 Liquidity

The Company's consolidated cash situation for the year ended 31 December 2019 showed a net increase of Bt. 170.94 million, with a net period-end cash position of Bt.220.19 million. Details per business activity are shown in the following table.

#### Thai Rung Union Car Plc

#### Consolidated statement of cash flows for the year ended 31 December 2019

	Million
<b>Cash &amp; cash equivalents at start of period</b>	<b>391.13</b>
<b>Net cash from operating activities (mainly from increased activities)</b>	<b>66.76</b>
<b>Net cash from investing activities</b>	<b>(65.68)</b>
<u>mainly from</u>	
o Reduction in short-term investments	280.45
o Repayment of short-term loan to related party	68.27
o Disposal of property, plant & equipment	30.00
o Cash acquired in business purchased	17.55
o Dividends received from associates (JVs)	13.99
o Interest received	9.12
o Cap.Incr. & purchase of shares in former J/V	(396.83)
o Acquisition of plant & equipment	(88.23)
<b>Net cash used in financing activities</b>	<b>(172.02)</b>
o Payment of dividend	(162.12)
o Payment of liabilities under finance leases	(9.90)
<b>Cash &amp; cash equivalents at end of period</b>	<b>220.19</b>



#### 4 Outlook for the Thai automotive industry

The Federation of Thai Industries revealed the forecast of car production for the year 2020 is 2 million vehicles compare with 2,013,710 vehicles of last year, decreased by 13,710 vehicles or 0.68% which is consist of

- Domestic sale in Thailand 1 million cars, closed to the previous year at 1,007,552 vehicles, due to the normal level production of new eco-car, but still have concerns about the drought, the domestic politics and the foreign tourist index.
- Export sale of 1 million vehicles compare with the previous year at 1,054,103 vehicles, decreased by 5%, Due to the uncertain situation of trade war, the Thai baht appreciation including the conflicts in some regions.

However, the Company continues to concentrate on income from OEM parts making and contract assembly work, while developing its business in the field of parts for industrial and agricultural machinery as well as expanding the market for its vehicles both at home and abroad and searching for business partners so as to be able to seize the new business opportunities which are strengthen the Group and its results in the near future.

Trusting this meets your requirements we remain,

Yours faithfully,



Sakchai Komgris  
Company Secretary

