

1. Operation Overview

Thailand's economy in 2019 recorded growth of approximately 2.6 percent, the lowest in the last 5 years. Exports posted negative growth of about 1.32 percent and there was sharp decline in the whole system of tourism. Investors remained concerned over the protracted trade war between the United States and China, of which no direction towards a resolution is in sight, as well as the global economic overview that growth remained stagnated. In addition, domestic consumption is likely to decrease from the previous year. The Bank of Thailand's adjustment of measures for granting housing loans also resulted in declining growth of the real estate sector. Spending rates for low-income people have decreased despite the government's ("Try, Shop, Use") stimulus measures which actually had no positive impact on the growth of the economy as a whole. These factors, combined with the high level of household debt resulted in a downward tendency of household purchasing power, with businesses that rely heavily on domestic consumers facing serious challenges from such significant reduction in purchasing power.

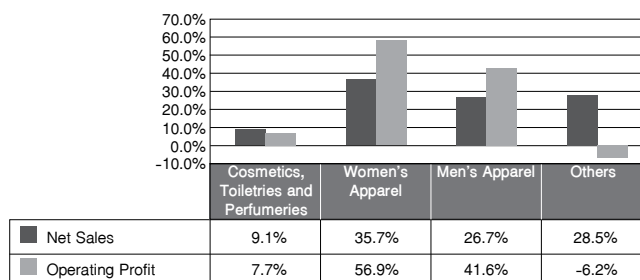
In the year 2019, the Company and its subsidiaries had sales revenue amounting to THB 11,309.21 million, a decrease of THB 1,040.41 million representing 8.42 percent from the year 2018, net profit of THB 719.04 million, a decrease of THB 214.98 million or 23.02 percent. Cost of sales was THB 7,568.02 million, a decrease of THB 270.85 million from the year 2018, representing 3.46 percent. Sales and administrative expenses amounted to THB 3,959.72 million, a decrease of THB 570.02 million from the previous year, representing 12.59 percent. The Company's net profit declined due to stagnant economic growth and decreased purchasing power of both domestic consumers and foreign tourists, along with changing tourists' spending behavior which shifted more towards food, drink and travel, resulting in diminishing sales. Moreover, the Company had higher costs due to product price adjustments to ensure good product quality and standards while also having to organize sales promotion activities to boost sales.

In the year 2019, the Company invested in 4 subsidiaries as follows:

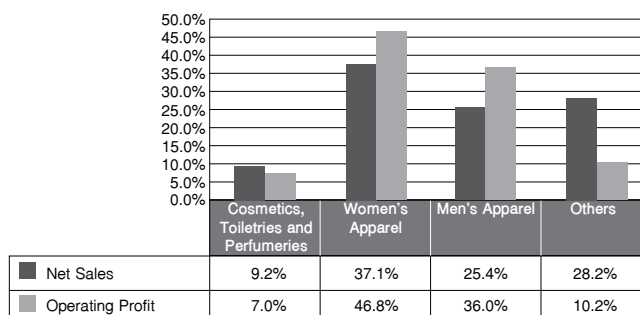
1. WBRE Company Limited which engages in real estate business by developing a housing project in Sriracha near the Saha Group Industrial Park in order to expand new business channels for the Company.
2. Amis Du Monde SARL in France, which opened a shop on the Champs-Elysees avenue, the center of France's leading shopping area, to bring the Brand BSC to the international market as an international brand under the name of BSC International with operations starting in the apparel product group. However, the Board of Directors Meeting No. 6/2016 held on October 14, 2016, considered and approved the dissolution of the business due to continuous operating losses. The Company held 119,304 shares in Amis Du Monde Company Limited, representing 81.92% of the registered capital at the price of EUR 10.00 per share, totaling EUR 1,193,040.00, equivalent to approximately THB 48.92 million. The Company has already set aside a provision for impairment of investment amounting to THB 48.92 million and is in the process of dissolution and liquidation according to the legal process of France, expected to be completed by 2020.
3. Thai Itokin Company Limited is a manufacturer and distributor of ready-made garments and is an important supply chain for the Company for the production of apparel products for distribution under the name of ICC International Public Company Limited. Thai Itokin Company Limited is the licensee of the brands sold by the Company, including producing uniforms and goods for domestic sales and export. It produces quality products and, as such, the Company is determined to enable Thai Itokin Company Limited to continue its business operations and achieve good operating results in order for the Company to receive returns in the form of dividends.
4. Canchana International Co., Ltd. is a distributor of ICC International Public Company Limited's products in the Kingdom of Cambodia in order to expand the market to the CLMV region. The business has consistently performed well.

2. Performance and Profitability

Proportion of revenue from sale of goods and operating profit by segment 2019



Proportion of revenue from sale of goods and operating profit by segment 2018



Sales revenue

In the year 2019, the Company and its subsidiaries had sales revenue of THB 11,309.21 million, a decrease of THB 1,040.41 million or 8.42 percent from 2018 when sales revenue amounted to THB 12,349.63 million.

The income of the Company and its subsidiaries comprise 3 main product lines, namely cosmetics and fragrances, ladies' wear and menswear. Comparison of the details of income and profit for each product line between 2019 and 2018 is as follows:

(Unit : Million Baht)

| Product Lines | Net Sales | | % | Operating Profit | | % |
|---------------------------|------------------|------------------|---------------|------------------|-----------------|----------------|
| | 2019 | 2018 | | 2019 | 2018 | |
| Cosmetics and Perfumeries | 1,027.27 | 1,142.32 | (10.07) | 50.18 | 70.62 | (28.95) |
| Women's Apparel | 4,039.57 | 4,587.85 | (11.95) | 370.52 | 469.45 | (21.07) |
| Men's Apparel | 3,021.02 | 3,131.27 | (3.52) | 271.19 | 361.91 | (25.07) |
| Others | 3,221.36 | 3,488.20 | (7.65) | (40.61) | 101.93 | (139.84) |
| Total | 11,309.21 | 12,349.63 | (8.42) | 651.29 | 1,003.92 | (35.13) |

Cosmetics and fragrances

In 2019, the Company had income from cosmetics and fragrances amounting to THB 1,027.27 million, a decrease of THB 115.05 million or equivalent to 10.07 percent from 2018, with operating profit in the year 2019 at THB 50.18 million, a decrease from 2018 by THB 21.44 million or 28.95 percent due to the following:

- Many new smaller entrepreneurs are emerging who can find sources of production easily using a small investment with the credit limit provided by credit cards from the bank.
- Changing consumer behavior, more daring in buying goods online, not afraid of risks from using products which are not up to standard.
- Sale of products via online channels are increasing every year, especially cosmetic products, with low marketing costs using social media.
- More fierce price competition from new operators that use cheap prices to meet customer's demand this past year.
- Continued competition from imported leading brand-name products.
- The Company still has to expend its marketing budget continuously in order to remain competitive.

Ladies' Wear

In the year 2019, the Company and its subsidiaries had revenue in the ladies' wear product group of THB 4,039.57 million, a decrease of THB 548.28 million or 11.95 percent from the year 2018, with operating profits of THB 370.52 million, a decrease of THB 98.93 million or 21.07 percent from the year 2018, mainly due to

- The decline in tourists, especially tourists from China, with changed spending habits from buying goods to eating and traveling.
- The sharp drop in the number of customers who shop at stores, as well as the continuous decline of purchasing power.
- Fashion products are being more severely impacted by the growing number of smaller operators, especially through online sales via social media which is quick and does not require high investment.
- Fierce competition in the market by using a relatively high price reduction to compete for customers.

Menswear

In the year 2019, the company had revenue in the menswear product group of THB 3,021.02 million, a decrease of THB 110.25 million or 3.52 percent from 2018, with operating profits amounting to THB 271.19 million, a decrease of THB 90.72 million or 25.07 percent year on year, mainly from

- Declining revenue from sales in CLMV markets, such as in Myanmar due to the economic conditions in Myanmar where the currency is very much weakened, resulting in the price of goods becoming more expensive, which directly affects sales in the apparel sector which is a superfluous category, continuing from 2018.
- There is lower trend in terms of business attire, due to changing popularity or consumer behaviour, with more preference towards casual business.
- Growth in the newly-released product lines, aimed at appealing to the younger generation, was not as expected due to fierce competition in the market.

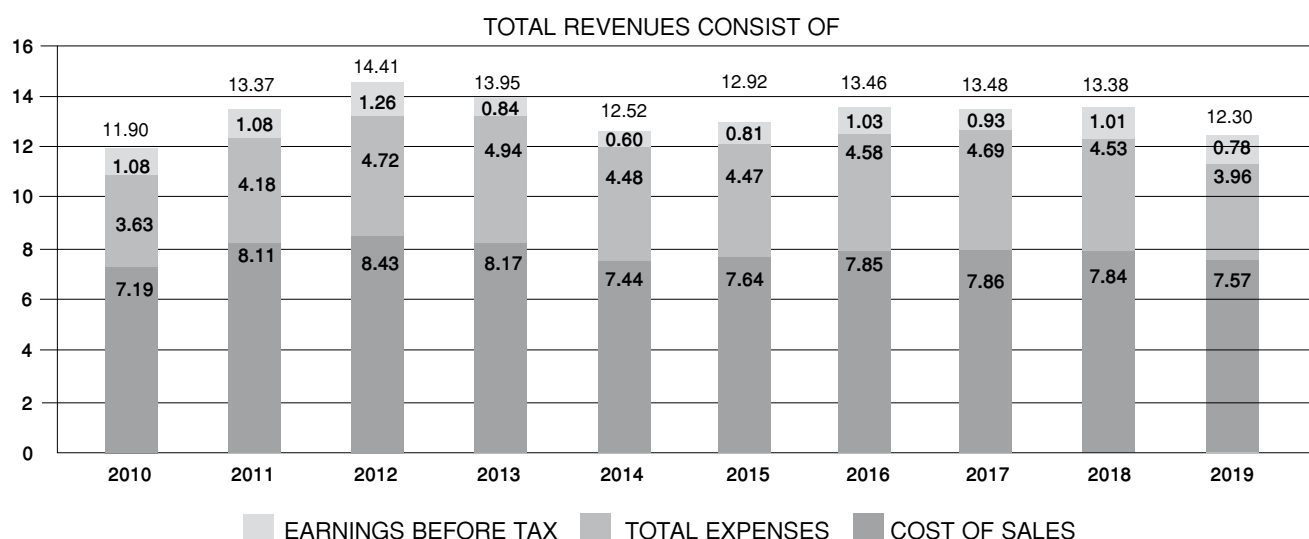
Others

The main income of other products groups is from children's wear, workout apparel, sportswear, leather goods and household items such as laundry detergent and fabric care products. In 2018, the Company had income in other product groups of THB 3,221.36 million, a decrease of THB 266.84 million or 7.65 percent, with operating loss of THB 40.61 million, an increase of THB 142.54 million or 139.84 percent from 2018 due to

- Sale of sporting products in some categories had been canceled because the brand owners entered the market themselves.
- Household products sales were down from the previous year due to reduced purchasing power in sales channels through Modern Trade.
- Increasing beverage products, still in the public campaign phase for product recognition, required marketing budget spending for the purpose of communication and advertising, as well as sales promotion spending to compete and boost sales in the market.

Other Income

In 2019, the Company and its subsidiaries had other incomes totaling THB 968.81 million, a decrease of THB 9.82 million or 1.00 percent from the year 2018, with more revenue in 2019 being derived from sale of assets which increased by THB 123.62 million, and loan repayment following litigation and follow-up in the amount of THB 69.42 million. However, income from the sale of investment decreased by THB 169.20 million. In addition, sales promotion expenses from manufacturers decreased by THB 17.00 million, rental income decreased by THB 6.58 million, insurance claims decreased by THB 5.91 million.



Division of revenue (Billion Baht)

Cost of sales

In 2019, the Company and its subsidiaries had the cost of sales of THB 7,568.02 million, a decrease of 270.85 million or 3.46 percent from 2018. In the year 2019 and 2018, the ratio of cost of sales to sales was 66.92 percent and 63.47 percent respectively, representing an increase of 3.44 percent due to higher product costs from price adjustments to procure products with high quality and standard and the Company had to organize more sales promotion activities to stimulate sales and to release slow-selling products.

Selling and administrative expenses

In the year 2019, the Company and its subsidiaries had total selling and administrative expenses of THB 3,957.41 million, down from 2018 by THB 570.02 million or 12.59 percent, equivalent to expenses to sales ratio of 34.99 percent compared to 36.66 percent in 2018, a decrease by 1.67 percent, of which following are the details.

The Company and its subsidiaries had selling expenses in 2019 in the amount of THB 2,488.43 million compared to THB 2,890.38 million in 2018, decreasing by THB 401.96 million or 13.91 percent due to the Company's continuous adjustment of the marketing budget in advertising increasingly more toward social media which has a much lower cost than other types of advertising media. In addition, manufacturers have also advertised and publicized to promote their brand image resulting in less use of the Company's marketing budget. In addition, personnel expenses also declined due to the decreasing number of personnel which the Company deploys more efficiently.

Administrative expenses for the Company and its subsidiaries in 2019 amounted to THB 1,445.80 million, while in 2018 administrative expenses totaled THB 1,543.11 million, decreasing by THB 97.31 million or 6.31 percent year on year mainly due to the decrease in personnel expenses from the reduced number of personnel and the decrease in reserve for impairment of investment.

Income tax expense

The Company's income tax in 2019 amounted to THB 56.28 million compared to THB 74.85 million in 2018, decreasing by THB 18.57 million, because the Company has reduced taxable profit from the previous year.

Net profit

In the year 2019, the Company and its subsidiaries recorded a net profit of THB 719.04 million, a decrease of THB 214.98 million or 23.02 percent from the year 2018 due to stagnant economic growth and the declining purchasing power of both domestic consumers and tourists resulting in reduced sales.

3. Analysis of Financial Status

Assets

As of 31 December 2019, the Company and its subsidiaries had total assets of THB 23,644.83 million, an increase of THB 95.32 million from 31 December 2018, representing 0.40 percent, of which details of the significant changes are as follows:

Current assets as of 31 December 2019 amounted to THB 7,647.29 million or 32.34 percent of total assets, decreasing by THB 25.76 million or 0.34 percent from 2018, with the following significant changes:

- Cash and cash equivalents declined by THB 290.67 million due to reduced sales revenue.
- Temporary investments increased by THB 394.08 million due to dividends received and increased sales of investment properties.
- Short-term loans decreased by THB 32.50 million due to repayment of loans from related parties.
- Trade account receivables decreased by THB 366.64 million due to continuously efficient debt collection and decreased sales revenue.
- Net inventories increased by THB 301.22 million due to increased product costs from price increases in order to get good quality products that meet desired standards and declining sales revenue during the 4th quarter.

Non-current assets as of 31 December 2019 amounted to THB 15,997.54 million or 67.66 percent of total assets, an increase of THB 69.55 million or 0.44 percent from the year 2018, with the following significant changes

- Other non-current assets increased by THB 59.65 million due to increased intangible assets from investment in new accounting software system, Enterprise Resource Planning (ERP), which is undergoing system testing and receivables for corporate income tax from the Revenue Department.
- Other long-term investments increased by THB 61.07 million due to further investment from the capital increase in original investments and additional investment in new businesses.
- Net investment property decreased by THB 77.33 million due to land and building sales.

Liabilities

As of 31 December 2019, the Company and its subsidiaries had total liabilities of THB 3,175.14 million, a decrease of THB 129.14 million from the year 2018, representing 3.91 percent. Details of the significant changes are as follows:

Total current liabilities were THB 1,903.81 million or 59.96 percent of total liabilities, a decrease by THB 76.72 million from the year 2018 due to declining accounts payable for selling expenses by THB 146.02 million, an increase in trade accounts payable by THB 54.64 million and increased loans from financial institutions by THB 17.66 million.

Total non-current liabilities totaled THB 1,271.33 million, accounting for 40.77 percent of total liabilities, reduced from 2018 by THB 52.41 million or 3.96 percent, mainly due to reduced employee benefits by THB 26.70 million and deferred tax liabilities which declined by THB 20.20 million.

Shareholders' Equity

As of 31 December 2019, the Company and its subsidiaries had total shareholders' equity of THB 20,469.69 million, an increase of THB 224.45 million from the year 2018 or 1.11 percent, while net profit increased by THB 719.04 million. Other components of shareholders' equity decreased by THB 173.56 million mainly due to changes in fair value of available-for-sale investments and dividends payment of THB 351.67 million.

4. Asset Quality and Asset Management Capabilities

The Company considers the quality of receivables by analyzing each debtor in offering credit terms. The Company also consistently collects outstanding debt and considers setting allowance for doubtful accounts for long outstanding receivables. In 2019, the Company has allowance for doubtful accounts equal to 1.08 percent of the total trade receivables (in 2018, this equaled 0.78 percent).

Credit policies for trade receivables are as follows:

1. Store's ability to pay for goods.
2. Attention given by store executives.
3. The store's growth potential.
4. Having a good accounting system that is transparent and verifiable.
5. Having good warehouse management and delivery management systems.
6. There is a good internal control system including strict control of the entrance and exit of employees and products.
7. Having strong, comprehensive and sufficient collateral.

Most of land, buildings and equipment are assets that the Company and its subsidiaries have procured for use throughout the past 55 years. The value of property as of 31 December 2019 is THB 2,870.70 million.

Investment property is an asset that the Company and its subsidiaries have held for exploitation by receiving rental and sales revenue, which as of 31 December 2019 totaled THB 927.69 million.

As for investment, as of 31 December 2019, the Company has unrealized gains from the fair price adjustment of securities of THB 6,648.24 million, shown in shareholders' equity and receiving return on investment in the form of dividends in 2019 at the rate of 10.45 percent per year (in 2018 this was at the rate of 10.60 percent per year). The Company manages various investments by appointing persons in the joint-venture companies or in companies that do business related to the invested business as a central focal point to monitor financial statements and information of the invested company's situation and report immediately when abnormal events or a crisis occur in order to collectively help find a solution.

5. Liquidity and sufficiency of funds

| Year | Current Ratio | Liquidities Ratio | Cash Flow from Operating Activities (Million Baht) |
|------|---------------|-------------------|--|
| 2019 | 4.02 | 0.11 | 220.34 |
| 2018 | 3.87 | 0.35 | 705.01 |
| 2017 | 3.43 | 0.08 | 156.00 |
| 2016 | 3.58 | 0.53 | 1,064 |

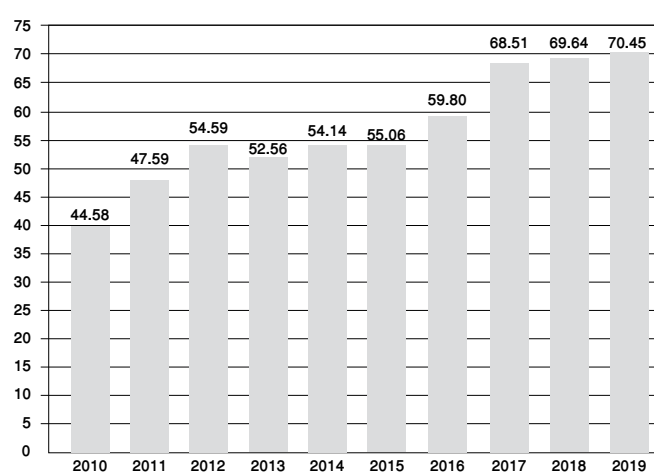
From the current ratio, the Company and its subsidiaries have good liquidity, having more current assets than current liabilities. In 2019, liquidity ratio stood at 4.02 times, compared to 3.87 times in 2018, representing increased liquidity from the previous year. Cash flow ratio in 2019 equaled 0.11 times compared to 0.35 times in 2018, a decrease of 0.24 times due to a decrease in cash flows from operating activities in 2019 of THB 484.68 million from 2018.

The Company has 2 main sources of funding: 1. Funds received from operating activities and 2. Funds received from investment activities in the form of real estate and investments in shares. The Company receives income from rentals and sale of investment properties as well as dividends at a high rate received from shares. The Company is able to manage the liquidity of the business well and use the funds in the business as working capital without relying on funds from external sources, including being able to pay dividends to its shareowners on a regular basis.

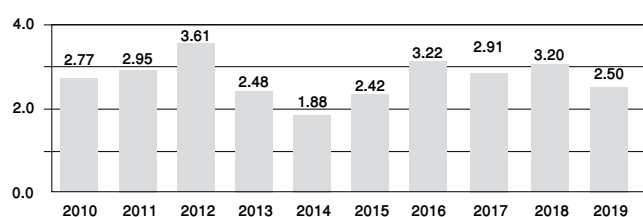
6. Profitability

| Year | Profit/ Net Income (%) | Profit from Operating (%) | Profit/ Shareholders' Equity (%) | Profit/Share (%) | Market Price/ Earnings (times) |
|------|------------------------------|---------------------------------|---|---------------------|--------------------------------------|
| 2019 | 5.91 | 6.86 | 3.56 | 2.50 | 15.80 |
| 2018 | 6.99 | 8.17 | 4.64 | 3.20 | 12.97 |
| 2017 | 6.29 | 7.50 | 4.54 | 2.91 | 13.49 |
| 2016 | 6.98 | 8.17 | 5.61 | 3.22 | 11.34 |

In 2019, the Company has lower profitability than in 2018 with operating profit margin of 6.86 percent, a decrease of 1.31 percent compared to 2018 with a profit of THB 2.50 per share. The decrease is due to the fact that in 2019, the Company had a decrease in sales revenue by THB 1,040.41 million due to stagnated economic growth and the decreasing purchasing power of both domestic consumers and tourists resulting in reduced sales.



Book Value per Share(Baht)



Earnings per Share(Baht)

7. Cash cycle

| Year | Average Product sales period | Average collection period | Average repayment period | Cash Cycle |
|------|------------------------------|---------------------------|--------------------------|------------|
| 2019 | 166.85 | 51.41 | 61.88 | 156.38 |
| 2018 | 155.77 | 54.43 | 59.36 | 150.84 |
| 2017 | 162.90 | 49.74 | 60.44 | 152.20 |
| 2016 | 172.14 | 45.08 | 57.71 | 159.51 |

In 2019, the Company has operating cash cycle of 156.38 days, increasing from 2018 by 6 days due to:

1. The average product selling period increased from 155.77 days in 2018 to 166.85 days in 2019, increasing by 11 days due to the Company's increasing inventory and declining sales. As a result, the inventory increased from the year 2018 in the amount of THB 301.22 million or equivalent to 8.97 percent

2. The debt collection period in 2019 was 51.41 days, compared to 54.43 days in 2018, reduced by 3 days, due to faster debt collection management in 2019.

3. Payment period to creditors in the year 2019 was 61.88 days, compared to 59.36 days in 2018, an increase of 3 days due to a revision of the Company's billing date and payment schedule in alignment with the economic conditions. The Company has always made payment in compliance with the creditors agreement.

8. Commitments that may have a significant impact on the financial position / operating results

Commitments with unrelated parties of which the details are in item 26 of the note to the financial statements page 196-197 in the annual report.

The Company has guaranteed obligations to 11 joint venture companies in the amount of THB 334.97 million, which are guarantees according to the joint venture agreement in proportion to their shareholding.

9. Factors that may affect future operations

The Company may still be affected by factors affecting future operations as follows:

1. Outbreak of COVID-19

The outbreak of COVID-19 from the end of December 2019 to the beginning of 2020, for which a cure cannot yet be found and the epidemic continues on almost every continent around the world. The impact is especially pronounced by the measures from the Chinese government not allowing people to travel outside the country, including the export of various products, resulting in diminishing trade in each country involved, including Thailand, especially in the tourism sector with the number of tourists having decreased so much in Thailand that some businesses have had to close down. For the Company this has had a significant impact on sales revenue.

2. External market competition

Nowadays, various operators have adjusted their sales methods to directly sell to customers, communicate with customers individually, adopt one-to-one marketing by using modern technology as a direct communication tool rendering good experiences for customers to create customer satisfaction and ultimately brand loyalty. Whoever can achieve this first and faster will have the opportunity to occupy more market share. Furthermore, there are also famous brands from abroad that comes at a price that is easily accessible to customers. These are products with modern styles and the quality is well accepted.