

Management Discussion and Analysis

Analysis of Financial Position and Operating Results

Overview of Business Operation

In 2023, both the Thai and global economies experienced a degree of economic growth. However, the anticipated levels were not reached due to various factors, including geopolitical events, and unsatisfactory financial policies being set by major economies, causing international economic volatility. In turn, this resulted in Thai Baht exchange rate fluctuations, higher energy prices, and increased inflation.

Notwithstanding these events, S&J International Enterprises Public Company Limited, along with its subsidiaries continued to thrive by achieving an all-time high rate of growth in revenue from sales and net profit compared to the previous year. This success was the result of the group's strong performance and its ability to adapt quickly to changes, as well as continuously responding to the needs of customers, both locally and abroad. At the same time, S&J created continuous new innovations and effectively managed its operations to control production costs and increase competitiveness.

Financial performance and Financial position

Revenue from Sales



(Unit : Million Baht)

Consolidated	2023	2022	2021	Increase (Decrease)			
				2023/2022		2022/2021	
				Amount	%	Amount	%
Domestic	4,424	3,283	2,575	1,141	34.8	708	27.5
Export	2,380	2,677	2,331	(297)	(11.1)	346	14.8
Total	6,804	5,960	4,906	844	14.2	1,054	21.5

In 2023, the company and its subsidiaries had revenue from sales of 6,804 Million Baht, increased from prior year of 844 million baht or 14.2% by mainly increase in cosmetic and packaging of local sales of 1,141 Million Baht or 34.8% whist decreasing in export sales of 297 Million Baht or 11.1%.

Gross profit

(Unit : Million Baht)

Consolidated	2023		2022		2021		% Increase (Decrease)			
	Amount	%	Amount	%	Amount	%	2023/2022		2022/2021	
							Amount	%	Amount	%
Revenue from Sales	6,804	100.0	5,960	100.0	4,906	100.0	844	14.2	1,054	21.5
Cost of goods sold	4,802	70.6	4,204	70.5	3,453	70.4	598	14.2	751	21.7
Gross profit	2,002	29.4	1,756	29.5	1,453	29.6	246	14.0	303	20.9

In 2023, the company and its subsidiaries had gross profit of 29.4% of revenue from sales which was closed to prior year due to appropriate controlling theirs cost and expenses for continuing in theirs profitability whereas cost of raw material was higher than prior year.

Other income (included Dividend Income, Exchange Gains and Gain from fair value measurement on derivatives)

(Unit : Million Baht)

Consolidated	2023	2022	2021	Increase (Decrease)			
				2023/2022		2022/2021	
				Amount	%	Amount	%
Dividened income	20	19	20	1	5.3	(1)	(5.0)
Exchange Gains	23	6	24	17	283.3	(18)	(75.0)
Other income	118	98	107	20	20.4	(9)	(8.4)
Total	161	123	151	38	30.9	(28)	(18.5)

In 2023, the company and its subsidiaries had other income of 161 Million Baht decreased from prior year of 38 Million Baht due to decrease in exchange gains and other income.

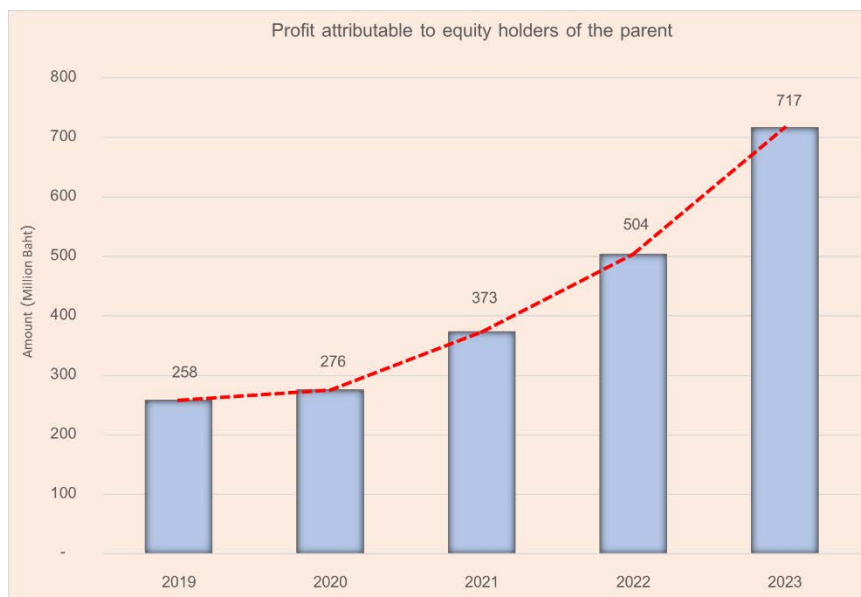
Selling and distribution expenses

(Unit : Million Baht)

Consolidated	2023		2022		2021		% Increase (Decrease)			
	Amount	%	Amount	%	Amount	%	2023/2022		2023/2022	
							Amount	%	Amount	%
Selling expenses	164	2.4	241	4.0	212	4.3	(77)	(32.0)	29.0	13.7
Administrative expenses	1,187	17.4	1,056	17.7	999	20.4	131	12.4	57.0	5.7
Total	1,351	19.9	1,297	21.8	1,211	24.7	54	4.2	86.0	7.1

In 2023, the company and its subsidiaries had selling and administrative expenses of 1.351 Million Baht, increased from prior year 54 Million Baht or 4.2% which were related to increase in personal expenses and research and development whereas decrease in export expenses related to export sales decreased.

Profit attributable to equity holders of the parent



(Unit : Million Baht)

Consolidated	2023	2022	2021	Increase (Decrease)			
				2023/2022		2023/2021	
				Amount	%	Amount	%
Profit attributable to equity holders of the parent	717	504	373	213	42.3	131	35.1

In the consolidated financial statements of year 2023, the company and its subsidiaries had net profit attributable to equity holders of the parent company of 717 Million Baht, increased from prior year of 213 million baht or 42.3% due to increase in sales and its profitability together with overall control in cost and expenses as above explained.

Return on Equity



In the consolidated financial statements of year 2023, the company and its subsidiaries had return on equity of 15.3%, increased from prior year 3.8% due to increase in profit for the year. The company has a policy to pay dividend to shareholders at 20-80 percent of profit for the year of the company's separate financial statement (under the cost method). However, this rate principally depends on economic conditions and operational results of the company.

In 2023, the company had profit for the year of 603 Million Baht. The company had the resolution of the Board of Directors' Meeting No. 1/2024 held on February 29, 2024 which shall be proposed to the shareholders' ordinary meeting for their approval on April 22, 2024 to pay dividend at the rate of 2.25 Baht per share, totally 337.3 Million Baht. The proposed dividend payment is equal to 55.9% of profit for the year of the separate financial statement and shall be paid on May 21, 2024.

Financial position

(Unit : Million Baht)

Consolidated	2023	2022	2021	Increase (Decrease)			
				2023/2022		2023/2022	
				Amount	%	Amount	%
Current asset	3,257	2,939	2,516	318	10.8	423	16.8
Non current asset	3,563	3,438	3,463	125	3.6	(25)	(0.7)
Total Assets	6,820	6,377	5,979	443	6.9	398	6.7

Total Assets : In 2023, the company and its subsidiaries had total assets amounting to 6,820 Million Baht, increased from prior year of 368 Million Baht or 6.9% due to material changes as follows:

1. Increase in Other current financial assets of 629 Million Baht from investment in Government bonds.
2. Decrease in Trade and other receivables of 181 Million Baht from collection of receivables
3. Increase in Right-of-use assets of 243 Million Baht mainly due to land lease payment for Bangkok office.
4. Decrease in Other non-current financial assets of 182 Million Baht due to decrease in listed equity instruments.

(Unit : Million Baht)

Consolidated	2023	2022	2021	Increase (Decrease)			
				2023/2022		2023/2022	
				Amount	%	Amount	%
Current liabilities	1,000	1,073	957	(73)	(6.8)	116	12.1
Non current liabilities	531	364	386	167	45.9	(22)	(5.7)
Total Liabilities	1,531	1,437	1,343	94	6.5	94	7.0
Shareholders' Equity	5,289	4,940	4,635	349	7.1	305	6.6

Total Liabilities : In 2023, the company and its subsidiaries had total liabilities amounting to 1,531 Million Baht, increased from prior year of 94 Million Baht or 6.5% due to material changes as follows:

1. Decrease in Bank overdraft and short-term borrowing from financial institutions of 131 Million Baht due to a subsidiary has repayment for borrowing from financial institution.
2. Increase in Trade and other payables of 46 Million Baht due to increase in purchase of raw material and packaging for manufacturing.
3. Increase in Lease liabilities, net of current portion of 198 Million Baht due to liabilities from land lease for Bangkok office.

Shareholders' Equity : In 2023, the company and its subsidiaries had shareholders' equity amounting to 5,289 Million Baht, increased from prior year of 349 Million Baht or 7.1% due to material changes as follows:

1. Total Comprehensive income for the year of 616 Million Baht.
2. Dividend payment of 267 Million Baht.

Liquidity

1. Cash flows in 2022, the company and its subsidiaries had net increase in cash and cash equivalent of 62 Million Baht by separated activities as follows:

(Unit : Million Baht)

	2023	2022	2021
Cash Flows provided from Operating Activities	998	676	552
Cash Flows provided from (used in) Investing Activities	(757)	(171)	(141)
Cash Flows used in Financing Activities	(431)	(210)	(61)
Increase (decrease) in transaction adjustments	0.3	(2)	5
Net Increase (Decrease) in Cash and Cash Equivalent	(190)	293	355

The material changes in cash flows are as follows:

- Increase in cash flows provided from operating activities of 322 Million Baht mainly due to net cash provided increased from financial operation of the company and its subsidiaries.
- Increase in cash flows used in investing activities of 586 Million Baht mainly due to investment in Government bonds.
- Increase in cash flows used in financing activities of 221 Million Baht mainly due to a subsidiary has repayment for short term borrowing from financial institutions and increase in dividend payment of the company.

4. Sufficiency of liquidity

(Unit : Million Baht)

	2023	2022	2021	
Current Ratio	3.26	2.74	2.63	Times
Quick Ratio	1.57	1.82	1.61	Times
Current Cash Flow Ratio	0.96	0.67	0.70	Times
Debt to Equity ratio	0.29	0.29	0.29	Times

- In 2023, the company and its subsidiaries had increase in Current Ratio compare to prior year, whereas Quick Ratio was slightly decreased from prior year due to increase in investment in Government bonds.

Sustainability Operations

The Company recognizes the importance of conducting business in conjunction with the sustainable development of the organization, where the impacts on the environmental aspects, social aspects, and corporate governance aspects are considered. In 2023, the Company carried out the following sustainability activities:

Environmental aspect The Company has set a goal to reduce greenhouse gas emissions from various activities by the amount of greenhouse gas emissions per each unit produced (Scope1+Scope2) was decreased at 5% with a long-term goal of Carbon Neutrality in 2040 and Carbon Net Zero in 2050 from the base year of 2019 to adapt and keep pace with the challenge of climate change. In 2023, the Company implemented the Carbon Footprint project at the corporate level and achieved certification, which led to setting long-term goals and plans to reduce greenhouse gas emissions. The environmental preservation, particularly the efficient use of natural resources, is a significant issue in driving the economy and social development toward sustainability. The Company has established policies and guidelines for conducting business throughout the supply chain, starting with the development and design of a formula, purchasing, procuring raw materials, producing, and delivering products that are environmentally friendly.

Social aspect The Company conducts its business under the philosophy of “good people,” which emphasizes the development based on basic human rights without discrimination. In 2023, The Company has key human resource Development Projects, such as The Successor Development Project (Succession Plan) to develop executives with a high potential for preparation and minimize the risk of personnel shortages in key positions or important jobs that may affect business continuity, The Up Skill and Re Skill Project to keep up with changing business needs. In 2023, there were expenses to development personnel for amounted to Baht 5 million, which accounted for 0.07% of total revenue.

Moreover, the Company encourages its employees to participate in the development of innovation within the organization to deliver products that are of high quality and environmentally friendly. In 2023, research and development expenses for technology and innovation amounted to Baht 147 million, which accounted for 2.16% of total revenue. The Company focuses on developing innovation to serve the needs of its customers, whether they are innovative products and services, production processes, and business models that can generate tangible business

benefits. For its research and development planning, the Company has a strategy and portfolio that are aligned with its current and future goals.

Continuous research and development of innovation is an important factor that enhances the competitiveness of the business. The Company has adjusted its innovation strategy to create added value in products and services and emphasized adaptation to meet customers' needs that change rapidly to generate higher profits. In 2023, the Company has used it as an ingredient in sunscreen products to increase the efficacy of care and be gentle on the skin, thus serving customers' needs and resulting in sales of up to Baht 885 million.

Corporate Governance aspect The company conducts its business under the principles of corporate governance and promotes a work environment that is transparent, fair, and no discrimination by implementing risk management principles and business continuity planning to ensure the business can continue its operations appropriately. In addition, the Company has prepared a tax policy to guide its tax operations in a transparent manner. The Company and its subsidiaries paid income tax expenses to the government as follows:

Consolidated	2023	2022	2021
Accounting profit before tax (Million Baht)	914.5	640.5	457.6
Applicable tax rate	0-20%	0-20%	0-20%
Income tax expenses (Million Baht)	151.3	100.6	58.8
Effective tax Rate (%) *	16.5%	15.7%	12.8%
Corporate income tax paid (Million Baht)	146.7	94.7	44.9

* Calculated from income tax expenses divided by profit before tax

In 2023, the Company and its subsidiaries had Income tax expense according to the consolidated financial statements was Baht 151.3 Million, representing an effective income tax rate of 16.5%. However, the effective tax rate was lower than the applicable tax rate, main reason is that some companies have losses. In 2023, the Company and its subsidiaries paid income tax in the amount of Baht 146.7 Million.

Factors or situations which may significantly impact Operating Results and Financial Status of the Company and its Subsidiaries in the Future

In the future, aside from increased cost from the price of raw materials and oil prices that may affect the operating expenses of the company and its subsidiaries, economic conditions, purchasing power, and changes in consumer behavior, as well as technological advances and the economic impact of COVID-19 are also important factors that will affect the company's operations and financial position in the future. Nevertheless, if the company and its subsidiaries is able to adjust and manage its associated costs appropriately, develop innovative products through understanding the needs of customers and changing consumer behavior, and then use that information to set a short-term and long-term strategic plan that covers various related matters, this will lead to the opportunity to sell products to existing customers and new customers in the future.