

SITHAI-0503/61

May 11, 2018

Subject : Clarifications Regarding the Interim Financial Information for the Q1/2018 period

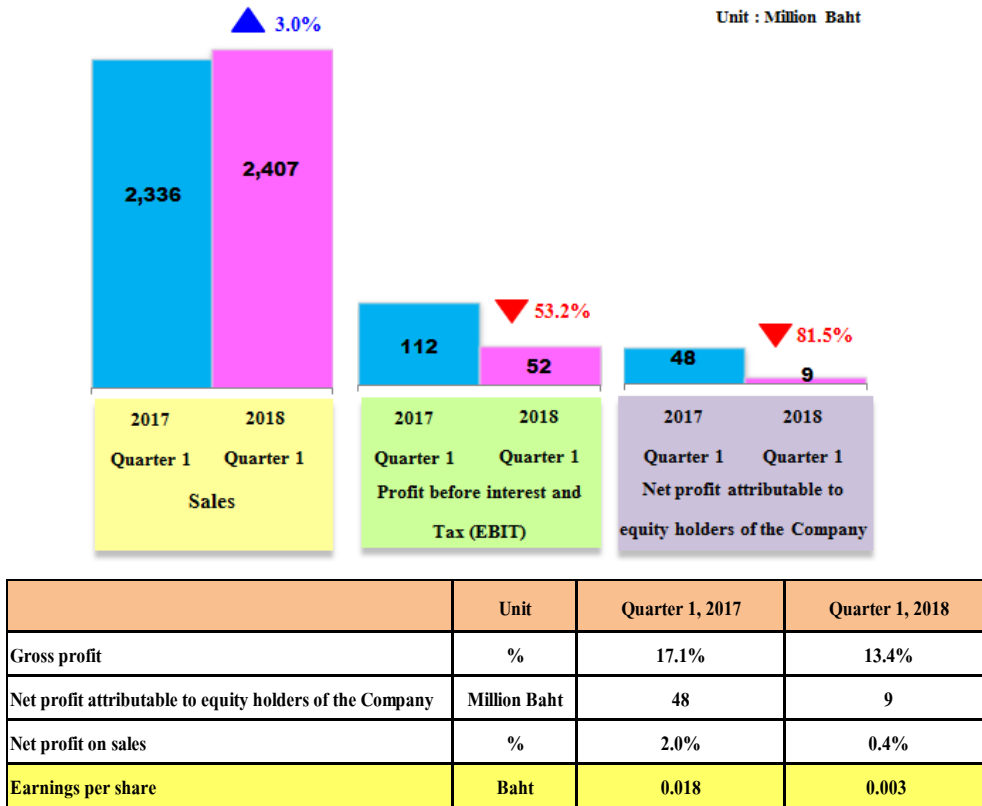
Dear President,
The Stock Exchange of Thailand (SET)

With respect to the interim financial information for the Q1/2018, as submitted by the Company, which has been reviewed by the external auditor, considered by the Audit Committee, and approved by the Company's Board of Directors on May 11, 2018, the Company wishes to report further clarifications in summary as follows:

1. Summary of Operating Results of the Group

For the Q1/2018, consolidated sales of the Group increased by 3.0% Year-On-Year (YoY). Gross Margin was lower to 13.4% (from 17.1%) of total sales. As such, consolidated profit of Q1/2018 is Baht 15 million with Profit Attributable to the equity holders of the Company being Baht 9 million, a decrease of Baht 39 million (or 81.5%) YoY. This represents an Earning Per Share of Baht 0.003 – a decrease from an Earning per share of Baht 0.018 YoY.

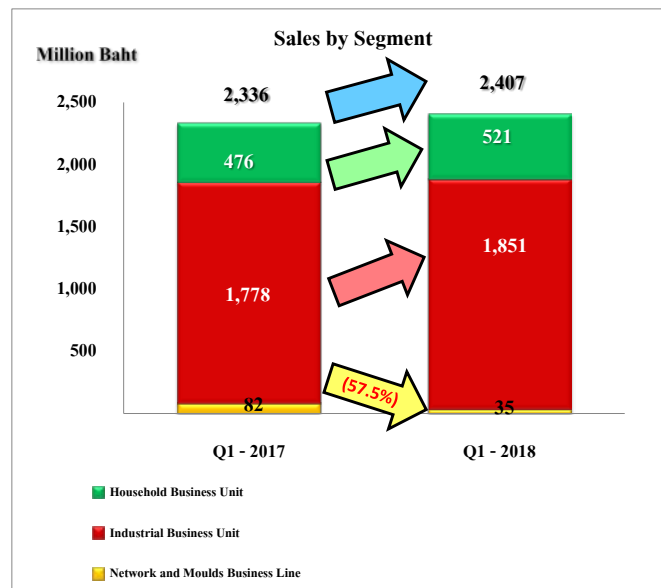
Picture 1 Overview of Consolidated Profit Information



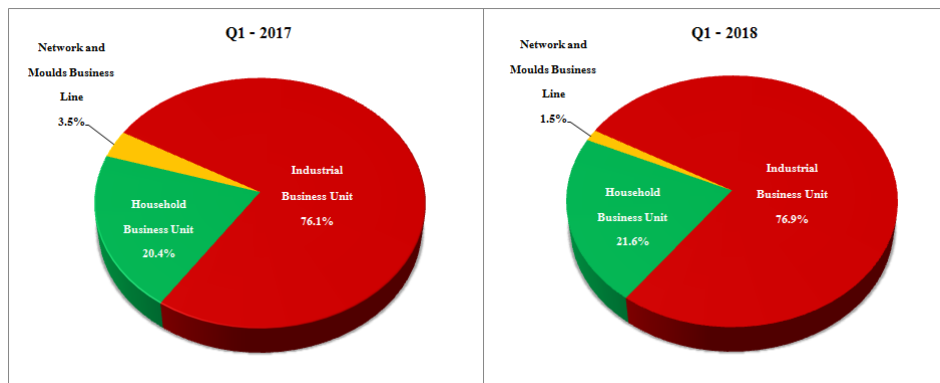
2. Analysis of the Operating Results for Q1/2018

2.1 Sales - by Segment

Picture 2 Sales - by Segment



Sales Proportion by Business Line



The change of sales proportion by segment in Q1/2018 compared to Q1/2017 is as follows:

- The share of sales for Plastics Business Line increased from 96.5% to 98.5% - comprising Household Business Unit that achieved an increase in its share of total sales to 21.6% (from 20.4%), and Industrial Business Unit also achieved an increase in its share of total sales to 76.9% (from 76.1%).
- The share of sales for the Network and Moulds Business Line decreased from 3.5% to 1.5%.

1) Plastic Business Line

1.1) Household Business Unit

Total Q1/2018 sales of Household Business Unit increased by Baht 45 million (or 9.7%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Total sales through the direct sales channel increased when compared to the same quarter last year, as a result of changes in the marketing strategy to make use of a digital platform together with digital marketing activities. The increased sales also resulted from sales and marketing promotion activities in an O2O (Online to Offline) mode, that enabled the sales team leaders and managers to move into and access the provincial areas in a wider and speedier manner.

Total exports by the Group increased as a result of

- Sales orders for premium products were received from customers in Japan, to give out melamine premium products in promoting their beverage sales,
- More sales channels via the modern trade customers were added in the export markets.

- Overseas operations

Total sales increased as a result of marketing activities of new products for the HORECA customers group, together with adding more new modern trade customers by the subsidiaries in both India and Vietnam.

1.2) Industrial Business Unit

Total Q1/2018 sales of Industrial Business Unit increased by Baht 73 million (or 4.1%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Total sales increased as a result of:

- A large quantity of sales order for ‘premium’ products by a major convenience store operator in Q1/2018,
- Sales for plastic battery cases from the innovative changes in the new cases for battery products,
- Sales for plastic pallets increased, due to sales orders received from a number of large projects.

- Overseas operations

Total sales for the beverage packaging products increased as a result of higher sales orders received from major customers together with increased total sales for plastic battery cases.

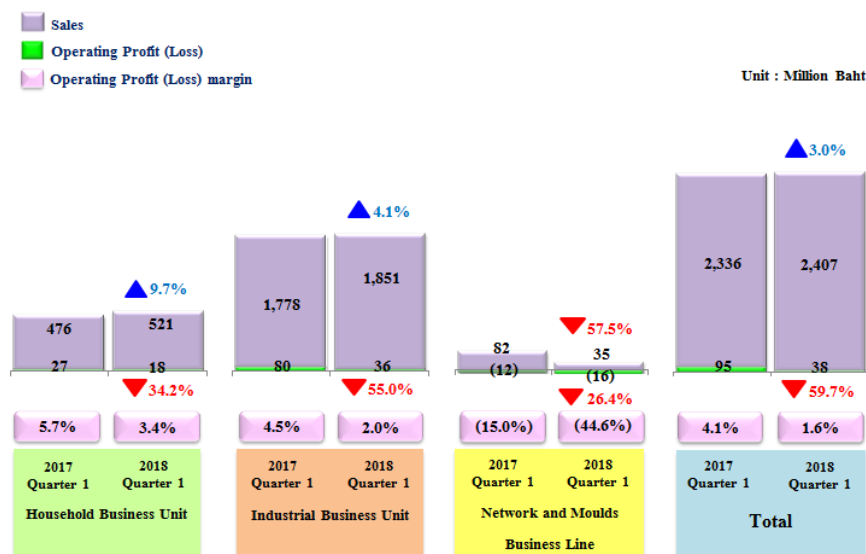
2) Network and Moulds Business Line

Total Q1/2018 sales of the Network and Moulds Business Line decreased by Baht 47 million, or 57.5%, YoY, resulting from:

- Total sales of the Moulds Business decreased, due to the decrease in production of the moulds delivered to customers in Q1/2018.
- Total sales of the Network Business decreased due to the reorganization of both the structure and overall size of the business.

2.2 Operating Profit (Loss) by Segment

Picture 3 Sales and Operating Profit (Loss) by Segment



Operating profits by segment in Q1/2018 decreased by Baht 57 million, or 59.7%, YoY, with the following details:

1) Plastic Business Line

1.1) Household Business Unit

Operating profit of Household Business Unit decreased from the same period last year, with operating profit margin decreasing from 5.7% to 3.4%. This was due to the Baht appreciation against the US dollar, and a large order from domestic sales with low margin; while overall selling and administrative expenses increased due to the higher domestic sales made through the direct sales channel.

1.2) Industrial Business Unit

Operating profits of Industrial Business Unit decreased from the same period last year, and operating profit margin decreased from 4.5% to 2.0% due to lower gross profits for beverage packaging products because of rising raw material costs and price competition, despite decreased selling and administrative expenses.

2) Network and Moulds Business Line

The Network and Moulds Business Line made an operating loss of Baht 16 million, representing 44.6% of total sales. This loss increased compared with the same period last year as a result of the decreased sales of Moulds Business despite high fixed cost, as well as the decreased sales of Network Business with high gross profits due to internal business restructuring, while selling and administrative expenses decreased.

2.3 Selling and Administrative Expenses

Table 1 Selling and Administrative Expenses

Unit : Million Baht

Description	Quarter 1, 2017		Quarter 1, 2018		Change from Quarter 1, 2017	
	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Selling and administrative expenses	311	13.3%	296	12.3%	(15)	(4.8%)

Selling & Administrative Expenses decreased in Q1/2018 from the same period last year by Baht 15 million (or 4.8%) due to the decrease in sales promotion and personnel expenses of Network Business and decrease in export expenses.

3. Analysis of Consolidated Financial Position

Table 2 Consolidated Financial Position (partial)

Unit : Million Baht

Description	As at Dec 31, 2017	As at Mar 31, 2018	Changes from Dec 31, 2017	
	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade receivables	2,205	2,172	(33)	(1.5%)
Inventories	1,673	1,697	24	1.4%
Property, plant and equipment	5,489	5,336	(153)	(2.8%)
Total assets *	10,726	10,500	(226)	(2.1%)
Short-term loans	1,952	1,901	(51)	(2.6%)
Trade payables	1,010	1,002	(8)	(0.8%)
Long-term loans	2,542	2,352	(190)	(7.5%)
Provision for long-term employee benefits	384	392	8	2.1%
Total liabilities *	6,178	5,947	(231)	(3.7%)
Unappropriated retained earnings	1,515	1,524	9	0.6%
Non-controlling interests	258	264	6	2.3%
Total shareholders' equity *	4,548	4,553	5	0.1%

Note : * Total lines extracted from Consolidated Statements of Financial Position.

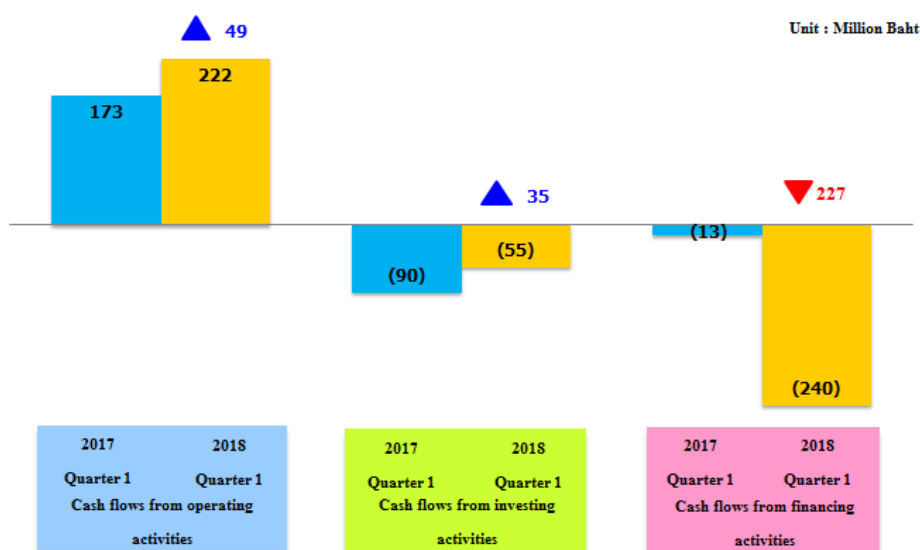
As at March 31, 2018, significant changes in the consolidated financial position compared with December 31, 2017 are as follows:

- Trade Receivables decreased, due to lower sales in Q1/2018 compared with the last quarter of the previous year, and active debt collection activities.
- Inventories increased as a result of stocking up raw materials for the beverage packaging products as well as for industrial products by the subsidiary in Vietnam, in order to reduce the impact from increased raw materials prices.
- Property, Plant and Equipment decreased as a result of depreciation expenses and disposal netted with additional acquisition of assets during the period.
- Short-term loans decreased due to the scheduled repayments.
- Trade Payables decreased due to decreased trade payables for the Network Business in line with sales.
- Long-term Loans decreased from scheduled repayments.
- Increase in Provision for long-term employee benefits resulting from the recognition of committed staff welfare and other benefits obligations, netted with actual payment during the period.

- Higher Unappropriated Retained Earnings totaling Baht 9 million resulted from the increase in Profit Attributable to equity holders of the Company for the Q1/2018.
- Non-controlling Interests increased due to increased net profits of subsidiaries for the Q1/2018.

4. Analysis of Liquidity

Picture 4 Consolidated Cash Flows (partial)



Unit : Million Baht

	31 March 2017	31 March 2018
Net increase (decrease) in cash and cash equivalent	70	(73)
Cash and cash equivalents, opening balance	272	290
Effect from exchange rate and currency translation adjustment	(53)	2
Cash and cash equivalents, closing balance	289	219

For the 3-month period of 2018, the Group had significant cash flow transactions compared with the same period of 2017 as follows:

- 1) Increase in Cash Flow from Operating Activities compared with the same period last year due to the decrease in trade receivables, increase in inventories less than last year, and lower interest payments.
- 2) Decrease in Cash Flow used in Investing Activities due to the Group's decrease in acquisition of assets.
- 3) Lower Cash Flow from Financing Activities due to the repayments of long term loans and no drawdown during the period.

As at March 31, 2018, the Group still has available unused credit facilities totaling more than Baht 4 billion comprising overdraft facilities, long term loans, and revolving credit lines – all of which have appropriate interest costs. As such, the Group is confident that it has adequate cash flow for its operations and investments.

5. Analysis of Key Financial Ratios

Table 3 Key Financial Ratios

Description		Unit	Quarter 1 2018	Quarter 1 2017	12 months 2017
Working Capital Ratios					
1.	Collection Period	Days	81.2	79.8	82.9
2.	Inventory Turnover Period	Days	73.2	88.3	73.8
3.	Payment Period	Days	43.2	43.3	44.5
4.	Cash Cycle	Days	111.2	124.8	112.1
Profitability Ratios					
5.	Return on Equity	%	0.3	1.2	1.6
6.	Return on Operating Assets	%	0.3	1.0	1.3
Financial Policy Ratios					
7.	Debt to Equity	Times	1.3	1.3	1.4

5.1 Working Capital Ratios

The Cash Cycle of the Group, as at March 31, 2018 was equal to 111.2 days, shorter than that of Q1/2017 and for the year ended December 31, 2017 being 124.8 days and 112.1 days, respectively, due to:

- 1) As at March 31, 2018, the average number of days for Trade Receivables equaled to 81.2 days, an increase compared to Q1/2017 being 79.8 days, but a decrease compared to the 12-month period ended December 31, 2017 being 82.9 days. This change is in line with higher sales compared with the same period last year but lower sales compared with the last quarter of 2017, together with more active debt collection activities.
- 2) As at March 31, 2018, the average number of days for Inventories equaled to 73.2 days, a decrease compared with Q1/2017 and the 12-month period ended December 31, 2017 being 88.3 days and 73.8 days, respectively. This is due to the management of raw materials and finished products in stock relative to sales and production plan as well as the movement of raw material prices.
- 3) As at March 31, 2018, the average number of days for Trade Payables equaled to 43.2 days, a slight decrease compared with Q1/2017 and the 12-month period ended December 31, 2017 being 43.3 days and 44.5 days, respectively. This is due to decreased purchase orders from the Network Business in line with decreased sales.

5.2 Profitability Ratios

- 1) Return on Equity, as at March 31, 2018 was 0.3%, a drop compared to 1.2% as at March 31, 2017, corresponding to the decrease in net profit.
- 2) Return on Operating Assets, as at March 31, 2018 was 0.3%, a decrease compared to 1.0% as at March 31, 2017, due to the lower Net Profit in line with lower gross profit.

5.3 Financial Policy Ratio

As at March 31, 2018, the Group had a Debt to Equity Ratio of 1.3 times, approximately the same as that for Q1/2017 being 1.3 times, and slightly decreased compared to 1.4 times as at December 31, 2017. This is due to an overall decrease in debts resulted from decrease in outstanding balance of loans, in addition, total shareholders equity decreased from annual dividend payment.

6. Risk Management

The Group has the following measures to manage various risks:

1) Movements of raw material costs

Given that the costs of key raw materials, plastic pellets account for over 60% of total product costs and are a commodity product, of which the prices change corresponding to the movements in crude oil prices. The Group then places great importance on the purchase of these raw materials in order to achieve the most proper costs. As such, the purchase of these raw materials is managed by a special procurement group that closely follows ongoing fluctuations in the prices of the raw materials based on various sources of information, as well as carefully plans the required raw materials purchases – in terms of quantity and price. The appropriate timing of purchases together with the occasional adjustments to selling prices are also taken into consideration.

2) Labor cost

Labor cost is another important component of our production process. The Group has adjusted the workers' working hours to reduce overall labor costs as well as to achieve improved production efficiency without reducing any productivity. The Group has also expanded intensive-labor manufacturing activities into those countries where labors are more readily available and costs of labor are comparatively lower.

3) Exchange rate fluctuations

The Group's export sales account for more than 20% of total revenues while key raw materials, machinery and equipment are imported from overseas. Hence, the Group focuses on the following risk management activities in order to mitigate relevant risks as well as to reduce potential impacts from being too reliant on any particular foreign currency:

- Focus on selling products or purchasing materials or goods in various currencies.

- Sell products in Thai Baht for customers in certain countries with certain customers.
- Negotiate with key customers relating to price adjustments in the event that significant fluctuations in foreign exchange rates occur.
- Execute foreign currency forward contracts, to reduce the potential impacts as appropriate and when the opportunity arises.
- Manage cash inflows and outflows of foreign currencies to achieve an effective balance of foreign currencies (Natural Hedge).

4) Management of customers and credit lines

The Group has a limited number of customers for some products lines. It then plans to expand the customer bases – both in the domestic and overseas markets – in order to diversify risks as well as to reduce the potential impact of being too reliant on any specific group of customers.

As for the management of customers' credit lines, the Group analyzes customers and assesses the ability to pay on a regular basis. Their credit lines and payment terms may be adjusted, in a systematic manner, according to the customers' actual payment history. There are measures in place to closely follow-up on and speed up any overdue receivables.

Nevertheless, with regard to any customer who has a problem in paying its outstanding debts owed, the Group has a policy to make provision for doubtful accounts that is reasonable and appropriate according to its past history and assessment of the customer's ability to pay in the future.

5) Overseas investments

The Group has risks management policies in place with regard to its overseas investments, by taking into consideration business opportunities relating to the target customers, the cost structure of the business, applicable legal and financial systems, as well as local political stability and environment.

6) Management of capital funds

The Group has ongoing investment activities every year so as to expand its businesses. Capital fund is, therefore, an important factor – which consists of cash flow from operations and commercial banks loans. The cost of funds is also taken into account. Despite relying on merely commercial banks as its source of funds, the Group has diversified the associated risks in the following manners:

- Source borrowing funds from several commercial banks, taking into consideration the most appropriate proposed loans' terms and conditions every time the funds are required;
- Make use of applicable interest rates that are both fixed and floating;
- Make use of interest rates that are based on various financial/banking indicators or factors;

- Primarily borrow funds locally, in order to reduce potential impacts from any foreign currency fluctuations or volatility; and
- Set loan conditions without security, collateral or guarantee – except for special cases of getting lower interest rates if providing a security or guarantee.

7. Significant Events during Q1/2018

In Q1/2018, the Group did not have any new accounting policies in addition to those of last year. However, there were some key events as follows:

7.1 Liquidation of a subsidiary and an associate

- **P.E.T. Blow Company Limited (“PETB”)**

PETB, the Company’s 100% shareholding, was registered its dissolution with the Ministry of Commerce on December 2, 2016. The subsidiary then completed its liquidation on March 8, 2018. The Company had the investment amounting to Baht 20 million with full provision of impairment. The Company received cash return from the subsidiary’s liquidation amounting to Baht 1 million.

- **S.K.I. Ceramics Company Limited (“SKI”)**

SKI, the Company’s 42% shareholding, was registered its dissolution with the Ministry of Commerce on February 16, 2010. During its liquidation, it was found that the associate’s assets did not cover its liabilities. The court had ordered the associate a bankruptcy and dismissed the case on February 21, 2018. The Company, therefore, disposed the investment in this associate which already had full provision of impairment.

7.2 Dividend Payment of a subsidiary

Company Name	Total Dividend (Million Baht)	Dividend per share (Baht)	Percentage of shareholding	Dividend income attributable to the Company (Million Baht)
Korat Thai Tech (“KTT”)	30	10.0	100.0	30

7.3 Commitments and Contingent Liabilities

On May 15, 2011, the Company made an agreement with a recruitment agent registered in Cambodia for recruiting Cambodian migrant workers to work legally in Thailand. Once the work permits were obtained for the recruited workers and the workers had completed their work duties for the contract period, the Company paid the agreed service fee to the agent in full according to the agreement terms and agent invoices.

On June 13, 2016, the agent filed a lawsuit against the Company claiming it failed to pay. The agent filed for the service fee plus 7.5% annual interest from the date of filing the lawsuit until the settlement. Subsequently, the Company appointed an attorney and a representative to contest the lawsuit as it had not breached the agreement. The Company also filed a countersuit for breach of agreement.

On May 25, 2017, the court ordered the Company to pay Baht 5 million with 7.5% annual interest. However, the Company filed for an appeal to the Court of Appeal in August 2017 since there were additional evidence and information to support the appeal. The Company confided that the evidence and information would be in the Company's favor. Therefore, the Company did not provide provisions for this claim in the consolidated and separate financial statements.

8. Events after the reporting period

8.1 Dividend payments

- The Company

At the Company's Annual General Shareholders' Meeting on April 27, 2018, the meeting approved a dividend at Baht 0.05 per share, totaling Baht 135 million. This dividend will be paid in May 2018.

- Subsidiary – Srithai Miyagawa Company Limited (“SMW”)

At the Annual General Shareholders' Meeting of SMW on April 25, 2018, the meeting approved a dividend at Baht 30 per share, totaling Baht 36 million. The Company will receive a dividend of Baht 18 million according to its 51% shareholding.

8.2 Additional investment in joint venture

- Srithai-Otto (Thailand) Co.,Ltd. (“Otto”)

On May 11, 2018, the Board of Directors of the Company approved the additional investment in Otto by acquiring shares from another shareholder approximately Baht 7 million. The share acquisition will be done by settlement against outstanding debts which the said shareholder's affiliate owing to the Company. After acquiring the shares, the percentage of shareholding will be increased from 50% to 75%, resulting in the status of investment in Otto be changed from a joint venture to a subsidiary.

9. Outlook of the Overall Businesses in Q2/2018

9.1 Plastic Business Line

9.1.1 Household Business Unit

Domestic operations

- Increased sales for the direct sales channel are expected to continue as a result of the changed marketing strategy to make use of a digital platform.
- Export markets are showing positive trends for the H1/2018, due to the receipt of special sales orders from customers in Japan and Europe as well as because of an overall growth in the customer base.

Overseas operations

- Total sales for both subsidiaries in India and Vietnam show more positive and increasing trends, as a result of the marketing of new products for the HORECA customers group together with adding more new modern trade customers in both markets.

9.1.2 Industrial Business Unit

Domestic operations

- The Food and Beverage Packaging Products Group: Total sales of beverage packaging products are expected to increase in Q2/2018 due to upcoming summer season in Thailand that will result in increased soft drinks consumption, together with the increased sales and marketing promotion activities being undertaken by the major soft drinks companies. While total sales of food packaging products are also expected to increase during upcoming travel and touring festivities.
- Other Products within the Industrial Products Group: Total Q2/2018 sales will increase resulting from sales orders of projects, as well as customer base expansion.

Overseas operations

- Total sales of the subsidiaries in Vietnam continue to increase
 - Sales of the Beverage Packaging Products are expected to increase due to the positive and growing economic conditions in Vietnam, as well as due to the summer season.
 - As for the other products in the Industrial Products, total sales are expected to continually increase due to the expansion of the respective customer base.

9.2 Network and Moulds Business Line

Network Business

- Total sales for Q2/2018 will decrease due to the restructuring of the business in line with the situation and control of expenses.

Moulds Business

- Total sales in Q2/2018 show positive and increasing trends, as a result of rising sales orders for moulds from our customers group in automotive and electrical appliances component parts since the end of Q1/2018. The production and delivery of those component parts are expected to be completed in Q2/2018.

Please be informed accordingly.

Yours faithfully,

Prin Bholnivas

Director and Company Secretary