

SITHAI-0801/60

August 11, 2017

Subject : Clarifications Regarding the Financial Information for the Q2/2017 Period.

Dear President,

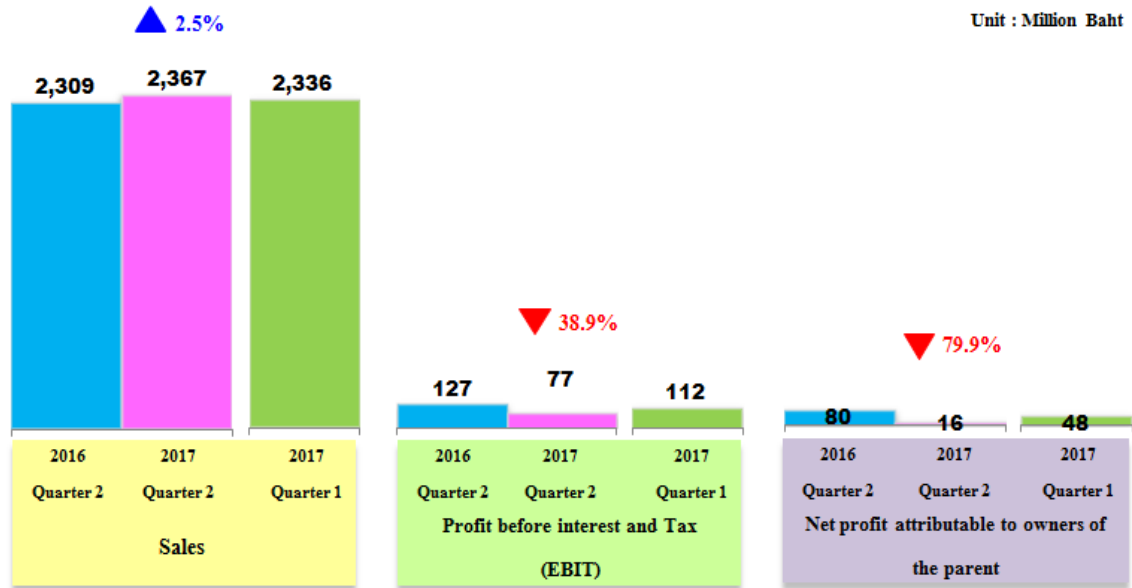
The Stock Exchange of Thailand (SET)

Reference is made to the financial information for the Quarter 2/2017 period, 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 August 11, 2017. The Company wishes to report further clarifications in summary as follows:

1. Summary of Operating Performance Results of the Group

For the Q2/2017 period, consolidated sales of the Group increased by 2.5% Year-On-Year (YoY). Gross Margin was lower to 15.1% (from 17.8%) of total sales. As such, consolidated profit of Q2/2017 is Baht 27 million with Profit Attributable to the Owners of the Parent being Baht 16 million, a decrease of Baht 64 million (or 79.9%) YoY. This represents an Earnings Per Share (EPS) of Baht 0.01 – a decrease from Baht 0.03 YoY.

Picture 1 Overview of Consolidated Profit Information

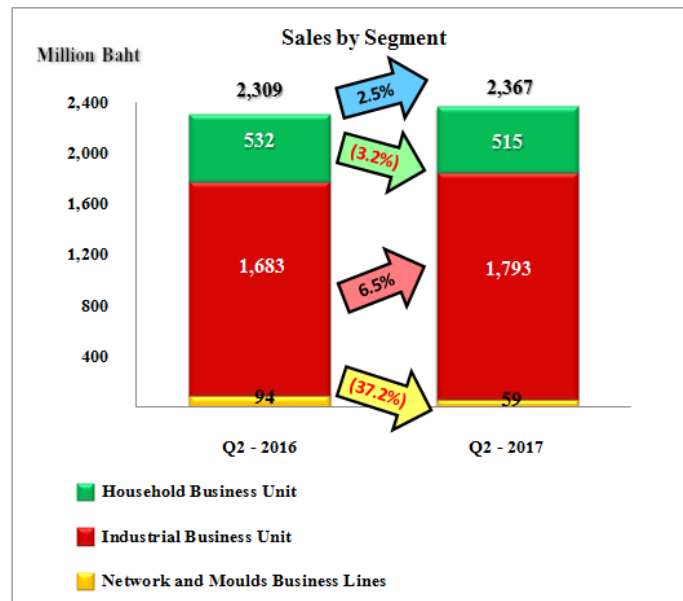


	Unit	Quarter 2, 2016	Quarter 2, 2017	Quarter 1, 2017
Gross profit	%	17.8%	15.1%	17.1%
Net profit attributable to owners of the parent	Million Baht	80	16	48
Net profit on sales	%	3.5%	0.7%	2.0%
Earnings per share	Baht	0.03	0.01	0.02

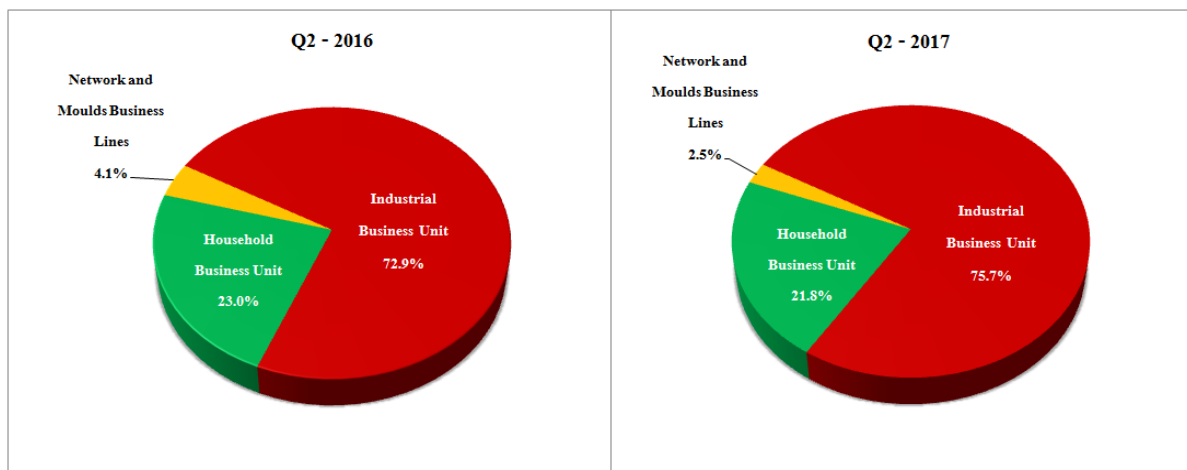
2. Analysis of the Operating Results for Q2/2017

2.1 Sales - by Segment

Picture 2 Sales - by Segment



Sales Proportion by Business Line



The change of proportion sales by segment in Q2/2017 compared to Q2/2016 is as follows:

- The share of sales for Plastics Business Line increased from 95.9% to 97.5% - comprising Industrial Business Unit that achieved an increase in its share of total sales to 75.7% (from 72.9%), while Household Business Unit that saw a decrease in its share of total sales to 21.8% (from 23.0%).
- The share of sales for the Network and Moulds Business Lines decreased from 4.1% to 2.5%.

1) Household Business Unit

Comparison between Q2/2017 and Q2/2016

Total Q2/2017 sales of Household Business Unit decreased by Baht 17 million (or 3.2%) compared to the same Q2 period last year, which can be separated according to the following operating business bases:

- Domestic operations

Total exports by the Group decreased as a result of a group of customers in the US reduced their sales order through changing to use porcelain plates instead, the impact from the economic slowdown in the Middle East markets, the ongoing political conflicts and terrorism, and the new restrictions on imports to customers in Egypt to maintain control over the US dollar currency.

However, sales for the direct sales business boosted up compared with the previous year, due to the change in structure of sales management, the introduction of new product designs that are more appealing and attractive to this market, the new generation of members interested in joining and participating the direct sales business trends increasingly, and the ability to make use of new selling tools that helped improve working efficiency and add more value to the business.

- Overseas operations

Total sales decreased YoY, due to a special sales order received during the previous year for melamine products used as premium products for beverage products sales in Vietnam, but sales of HORECA market increased due to more demand from customers.

Nevertheless, total sales of the subsidiary in India increased, due to the expanded customer base of this new subsidiary.

Comparison between Q2/2017 and Q1/2017

Sales of Household Products increased in Q2/2017 compared to Q1/2017, due to the increased export sales to the HORECA group of customers in the US market, as our products continued to gain popularity, together with the mid-year grand sale event being held.

2) Industrial Business Unit

Comparison between Q2/2017 and Q2/2016

Total Q2/2017 sales of Industrial Business Unit increased by Baht 110 million (or 6.5%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Total sales increased as a result of:

- Automotive components products sold by a subsidiary due to the start of the mass production of new automobile models since the end of the Quarter 1 this year.
- Sales for plastic pallets increased, due to a sales order received from a large project.
- Sales of battery cases increased, due to the launch of a new battery product together with recent production process improvements that enabled higher product outputs and delivery volume. Further, a large sales order of battery cases was received, prior to the battery manufacturers increasing their sales price.
- Sales of plastic packaging products for paint pails also increased, due to the expanding house paints market, which uses the IML production technology that has a better price and product quality than the silk screen production process.
- Beverage packaging products decreased due to a slowdown in overall beverage sales whereas the production molds were being repaired.

- Overseas operations

Sales increased deriving from plastic component parts for electrical appliances, due to a higher sales order received from a major customer in electrical appliances for model changes. There was an expansion of new customers base for household paints pails, a special order of major soft drink producer for crates, as well as an increase in sales for beverage packaging products. A larger sales order was received from a beverage product manufacturer in Vietnam, subsequent to a safety

inspection on all food and beverage products manufacturers by the Ministry of Health in Vietnam last year.

Comparison between Q2/2017 and Q1/2017

Sales of Industrial Products in Q2/2017 increased compared with Q1/2017, as a result of the overseas subsidiaries having received increased orders for beverage packaging products, plastic crates and battery cases from the major customers.

3) Network and Moulds Business Lines

Comparison between Q2/2017 and Q2/2016

Q2/2017, sales of the Network and Moulds Business Lines decreased by Baht 35 million, or 37.2%, YoY, resulting from:

- Total sales of the Network Business line decreased because the overall economy had not yet fully recovered and consumers still lack motivation to spend. Further, the continuing flow of members joining and leaving the Network Business resulted in a lack of any continuity or momentum for increased sales. Intense competition remained in the Network Business market itself as well as in online and retail businesses - especially the online business which can access their targeted consumers speedily and directly.
- Total sales of the Moulds Business line decreased, due to the decrease in production of the moulds delivered to customers in Quarter 2 this year.

Comparison between Q2/2017 and Q1/2017

Sales for the Network and Moulds Business Lines decreased in Q2/2017 compared to Q1/2017, resulting from completed orders for new molds already delivered in the Q1/2017 period.

2.2 Profit (Loss) from Sales by Segment

Picture 3 Sales and Profit (Loss) from Sales by Segment



Profits from sales by segment in Q2/2017 decreased by Baht 34 million, or 39.1%, YoY with the following details:

1) Household Business Unit

Profit from the sales of Household Business Unit decreased from the same quarter last year, with Sales Margin decreasing from 8.3% to 6.7%. This was due to the decrease in overall production output because of lower exports sales orders and rising cost of raw materials; while selling and administrative expenses increased resulting from increasing domestic sales for direct sales channel together with higher logistics costs of a subsidiary in India.

However, profits for Household Products in Q2/2017 increased when compared to Q1/2017 due to the relative higher sales as well as ability to more effectively control and manage expenses comparable with that of Q1/2017.

2) Industrial Business Unit

Profits from sales of Industrial Business Unit decreased by 48.6%YoY, and Sales Margin decreased from 4.3% to 2.1% due to lower gross profits for beverage packaging products because of rising raw material costs, actual production output not being at full capacity, as well as sales orders received from new projects achieving low gross profits.

Profits from sales of Industrial Products for Q2/2017 decreased compared with Q1/2017, due to the drop in gross margin from the increased cost of raw materials, while selling and administrative expenses increased in line with higher sales.

3) Network and Moulds Business Lines

The Network and Moulds Business Line together made a loss of Baht 20 million, representing 33.5% of total sales. This loss increased compared with the same period last year as a result of the decreased sales of those products with high gross profits, while selling and administrative expenses decreased at a lower rate.

Additionally, overall losses for the Network and Moulds Business lines during Q2/217 increased compared with Q1/2017 as a result of lower sales for moulds while fixed costs remained.

2.3 Selling and Administrative Expenses

Table 1 Selling and Administrative Expenses

Unit : Million Baht

Description	Quarter 2, 2017		Quarter 2, 2016		Change from Quarter 2, 2016	
	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Selling and administrative expenses	308	13.0%	326	14.1%	(18)	(5.5%)

Selling & Administrative Expenses decreased in Q2/2017 from the same period last year by Baht 18 million (or 5.5%) due to the decrease in commission and sales promotions expenses of Network Business in line with sales.

3. Analysis of Consolidated Financial Position

Table 2 Consolidated Financial Position (partial)

Unit : Million Baht

Description	As at Jun 30, 2017	As at Dec 31, 2016	Changes from Dec 31, 2016	
	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade accounts receivable, net	2,126	2,007	119	5.9%
Inventories, net	1,824	1,802	22	1.2%
Property, plant and equipment, net	5,915	6,065	(150)	(2.5%)
Total assets *	11,142	11,304	(162)	(1.4%)
Short-term loans	2,208	1,671	537	32.1%
Trade accounts payable	826	851	(25)	(2.9%)
Long-term loans	2,723	3,119	(396)	(12.7%)
Employee benefit obligations	387	377	10	2.7%
Total liabilities *	6,476	6,371	105	1.6%
Unappropriated retained earnings	1,548	1,755	(207)	(11.8%)
Non-controlling interests	250	239	11	4.6%
Total shareholders' equity *	4,666	4,933	(267)	(5.4%)

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

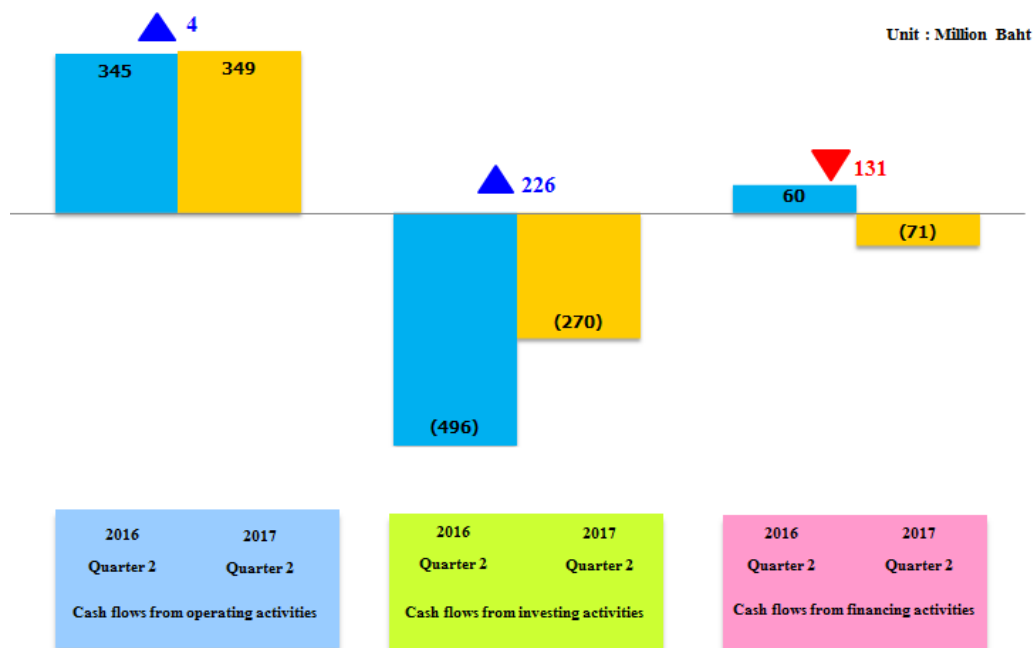
As at June 30, 2017, significant changes in the consolidated financial position compared with December 31, 2016 are as follows:

- Trade Receivables increased since some major customers of automotive components parts had extended their payment terms in accordance with the new financial policies, together with the increased sales by the new subsidiaries in Vietnam and India.
- Inventories increased from finished goods of the Household Products as a result of the selling of stocks from the ‘midyear grand sales’ event that achieved lower sales than the ‘yearend grand sales’ event, high production output in anticipation of expected high sales orders from various festivities during the second half year in India together with stocking of beverage packaging products to support sales orders in Q3/2017.
- Decrease in the net book value of Property, Plant and Equipment as a result of depreciation expenses and disposal, netted with additional acquisition of assets during the period.

- Short term loans increased due to the drawdown on available facilities used for the business operations and used as working capital.
- Trade payables decreased, especially trade payables for beverage packaging products and Network Business in line with sales.
- Decline in Long-Term Loans from scheduled repayments.
- Rise in Employee Benefit Obligations resulting from the recognition of committed staff welfare and other benefits obligations during the period.
- Lower Unappropriated Retained Earnings totaling Baht 207 million, due to the increase in Profit Attributable to Owners of the Parent for the six-month period ended June 30, 2017, netted with the dividend payment in respect of operating result of 2016 in Q2/2017 amounting to Baht 271 million.
- Increase in Non-controlling Interests from increased net profits of subsidiaries for the six-month period ended June 30, 2017.

4. Analysis of Liquidity

Picture 4 Consolidated Cash Flows (partial)



Unit : Million Baht

	Jun 30, 2016	Jun 30, 2017
Net increase (decrease) in cash and cash equivalent	(91)	8
Cash and cash equivalents, opening balance	621	272
Effect from currency translation	(10)	(59)
Cash and cash equivalents, closing balance	520	221

For the 6-month period of 2017, the Group had significant cash flow transactions compared with the same period of 2016 as follows:

- 1) Increase in Cash Flow from Operating Activities compared with the same period last year due to lower corporate income tax payments in line with lower Net Profit, a tax return claim made by a subsidiary and increased depreciation/amortization costs.
- 2) Decrease in Cash Flow for Investing Activities due to the decrease in acquisition of assets, apart from dividend received from investment in associated companies.
- 3) Lower Cash Flow from Financing Activities due to the lower drawdowns than repayments of long term loans during the period.

As at June 30, 2017, the Group still has available unused credit facilities totaling more than Baht 5 billion comprising overdraft facilities, long term loans, and revolving credit lines – all of which have associated interest costs that are appropriate. 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 2017	Quarter 2 2017	Quarter 2 2016	12 months 2016
Working Capital Ratios						
1.	Collection Period	Days	79.8	80.8	75.0	77.8
2.	Inventory Turnover Period	Days	88.3	81.7	81.0	84.2
3.	Payment Period	Days	43.3	37.0	38.7	39.7
4.	Cash Cycle	Days	124.8	125.5	117.3	122.3
Profitability Ratios						
5.	Return on Equity	%	1.2	0.6	1.7	5.4
6.	Return on Operating Assets	%	1.0	0.4	1.3	4.4
Financial Policy Ratios						
7.	Debt to Equity	Times	1.3	1.4	1.3	1.3

5.1 Working Capital Ratios

The Cash Cycle of the Group, as at June 30, 2017 was equal to 125.5 days, longer than that of Q2/2016 and for the year ended December 31, 2016 being 117.3 days and 122.3 days, respectively, due to:

1) Average collections of Trade Receivables, as at June 30, 2017, was equal to 80.8 days, longer than that of Q2/2016 and the 12-month period ended December 31, 2016 being 75.0 days and 77.8 days, respectively. Although overall sales of the Group increased particularly from Industrial Products which had short credit term, sales – especially cash sales - for Household Products and Network Business line decreased. The increase of sales of new overseas subsidiaries in Vietnam and India as well as grand sale – normally cash sales - in Q2/2017 were still below the amount of grand sale of Q4/2016. This is due to most of household spending focusing on education as for new semester in Q2/2017.

2) Average inventory days, as at June 30, 2017, was 81.7 days, similar to 81.0 days of Q2/2016, however, decreased compared with the 12-month period ended December 31, 2016 being 84.2 days. It owed to increased stocks of raw materials and finished goods to support orders of Industrial Products, soaring sales of Beverage Packaging Products of a subsidiary in Vietnam having quick

inventory turnover, operations of new overseas subsidiaries in Vietnam and India, while sales of Household Products and Network Business line decreased.

3) Average Trade Payables days, as at June 30, 2017, was 37.0 days, decreased from that of Q2/2016 and the 12-month period ended December 31, 2016 being 38.7 days and 39.7 days, respectively, resulting from purchasing raw materials for sales plans of the Group and decrease of a purchase of Purchase Goods as a result of decrease in sales orders.

5.2 Profitability Ratios

1) Return on Equity, as at June 30, 2017 was 0.6%, a decrease compared with 1.7% as at June 30, 2016, corresponding to the decrease in net profit.

2) Return on Operating Assets, as at June 30, 2017 was 0.4%, a decrease compared to 1.3% as at June 30, 2016, corresponding to the decrease in Net Profit and gross margin. Furthermore, the Group continually invested to expand the business and capacity in 2017.

5.3 Financial Policy Ratio

- The Group has a Debt to Equity (D/E) Ratio, as at June 30, 2017, of 1.4 times, higher than that as at June 30, 2016 and the 12-month period ended December 31, 2016 being 1.3 times and 1.3 times, respectively, resulting from the increase in short term loans and the decrease in equity as a result of 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 this raw material 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 both 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 equipments 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 the customer who has a problem in paying its outstanding debts owed, the Group has a policy to make provisions 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 investments activities every year so as to expand its businesses. Capital funds is, therefore, an important factor – which is consisted 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 Q2/2017

In Q2/2017, 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 Dividend Payment of Subsidiary

- **Korat Thai Tech Company Limited (“KTT”)**

Approved by	Total Dividend (Million Baht)	Dividend per share (Baht)	Percentage of shareholding	Dividend to be received (Million Baht)
1st Extraordinary General Meeting of Shareholders on June 23, 2017	42	14.0	100.0	42

- **Srithai Miyagawa Company Limited (“SMW”)**

Approved by	Total Dividend (Million Baht)	Dividend per share (Baht)	Percentage of shareholding	Dividend to be received (Million Baht)
Annual General Meeting of Shareholders on April 25, 2017	24	20.0	51.0	12

- **Srithai (Vietnam) Company Limited (“SVN”)**

Approved by	Total Dividend (Million VND)	Dividend per share	Percentage of shareholding	Dividend received (Million VND)
Board of Directors' Meeting on April 28, 2017	8,200 (equivalent to Baht 12 million)	-	100.0	8,200 (equivalent to Baht 12 million)

7.2 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. The court already examined evidence from both the Company and the agent.

On May 25, 2017, the court has ordered the Company to pay Baht 4.77 million with 7.5% annual interest. However, the Company will file for an appeal to the Court of Appeal in August 2017 since there are additional evidence and information to support the appeal. The Company confides that the evidence and information will be in the Company's favour. Therefore, the Company did not provide provisions for this claim in the financial information.

7.3 Change of Directors

- 1) The Company appointed Mr. Chaiwat Kulphattaravanich as Finance Director, effective on May 1, 2017.
- 2) Mr. Settamong Haemintakun, Chief Operating Officer – Network Marketing, resigned from the Company effective on July 1, 2017. Currently, the Company has not appointed any individuals to take such position.
- 3) Mr. Anupoch Pasawat, Factory Director – Beverage Packaging, retired by expired contract effective on July 1, 2017 and Mr. Piyamong Sirivajjanangkul was appointed as Factory Manager – Beverage Packaging.

8. Outlook of the Overall Businesses in Q3/2017

8.1 Household Business Unit

Domestic operations

- The sales of Direct Sales will increase, due to the effectiveness of ongoing project to improve its operations based on a new Digital Platform that was initiated since last year, enhancement of the leadership capabilities and individual sales members, the development and implementation of new applications via mobile phone. This will make business transactions both easier and more accessible to buyers and sellers; such as: viewing the range of products on offer and sale promotions campaigns available on the e-catalogue, receiving products and promotions news via the applications, ordering and purchasing products via an e-commerce application, and paying for them online, together with supporting Partnership Management for those who are Area Managers and Business Units leaders.

- Overall export sales trend is stabilizing; but melamine products will increase in the HORECA market sector in the US market; thus overall expected sales will be higher in the second half of this year.

Overseas operations

- The subsidiary in India expects that its overall sales will not increase much due to the Indian Government having announced a new Goods and Services Tax (GST) structure, that has resulted in distributors and retailers selling out their existing inventory within 6 months so as to benefit from the current GST. Nevertheless, the launch of products with new designed shapes and new decorative design motifs have satisfied customer needs, which will help increase overall sales in the second half year since there are many festivities in India.
- The subsidiary in Vietnam expects total Q3/2017 sales to be the same as this Quarter, as a result of having revised its marketing strategy and increased its distribution channels together with the expanding HORECA market sector where customers are interested in our melamine products.

8.2 Industrial Business Unit

Domestic operations

- The Food and Beverage Packaging Products Group: In Q3/2017, it is expected that total sales of Beverage Packaging Products will be more or less the same as this Quarter, resulting from the shrinking beverage market; while total sales for the Food Packaging Products will also be similar to this Quarter, with the Company continuing to focus on increasing sales to the cineplex operators sector in overseas markets - especially in the ASEAN Region.
- Other Products within the Industrial Products Group: It is expected that sales in Q3/2017 will be the same as this Quarter since the Company still continues to receive sales orders for battery cases, plastic pallets and industrial crates.

Overseas operations

- Total sales of the subsidiaries in Vietnam continue to increase.

- Total sales of beverage packaging products are expected to be higher than Quarter 2, based on the higher sales orders received to date from major soft drink producers combined with the ongoing expansion of its customer base with new customers.
- Total sales of Other Products in the Industrial Products are expected to increase, due to sales orders received for electrical appliances components because of new model design changes and sales orders received for paint pails from new customers.

8.3 Network and Moulds Business Lines

Network Business Line

The results of undertaking various marketing activities to drive up overall consumer purchasing power and demand in the following Quarter are as follows:

- The launch of new premium cosmetics products from a business partner.
- Improvements made to the S-Tech Digital Platform Technology to facilitate easier usage and enable achievement of increased sales from the online sales channel.
- Further, various marketing promotions activities have been undertaken to motivate members.

It is expected that total sales for the Srithai Network Business in Q3/2017 will start to recover.

Moulds Business Line

- It is expected that total sales of new molds in Q3/2017 will increase as a result of completed orders for new molds are due for delivery during this period.

Please be informed accordingly.

Yours faithfully,

Prin Bholnivas

Director and Company Secretary