



9 August 2017

Subject : Management Discussions & Analysis for 2nd Quarter 2017 financial statement

To : Managing Director
Market for Alternative Investment

Salee Industry Public Company Limited would like to clarify the Company's and subsidiaries's results for 2nd quarter year 2017 ended 30 June 2017. The company and subsidiaries generated net profit Baht 16.29 million for 2nd quarter 2017, compared to net profit of Baht 5.47 million for the same period last year, or about an 198% increase.

The reason of increased profit is occurred as follows :-

1. Operating result and Profitability

Revenue

In 2nd Quarter 2017, the Company and subsidiaries had a total revenue at Baht 345 million which increased Baht 112 million from last year or equal to 48% increase as the reconization of the revenue from plastic business of Petchsiam (Thailand) Co., Ltd. which didn't start to operate at the same period last year.

Cost of sales and expenses

In 2nd Quarter 2017, the Company and subsidiaries had gross profit of Baht 95 million which extremely increased Baht 42 million from the same period last year. The reasons are the great increase in sales. In 2nd Quarter 2017, gross margin was at 72% which decreased when compared to the same period last year at 77% as the increase in sales of a business which has better margin.

In 2nd Quarter 2016, Selling and administrative expenses amounting to Baht 75 million heavily increasing from Baht 42 million at the same period last year as the increase in sales especially selling and administrative expenses of Petchsiam (Thailand) Co., Ltd. for selling through many modern trade centers. The percentage of selling and administrative expenses to sales revenue was at 22% which was higher compared with the same period

last year at 19%. However, the Company had a meeting every week to follow up and control all the expenses.

Cost of fund

The Company and subsidiaries had an interest expenses in 2nd Quarter 2017 amounting to Baht 2.77 million which increased Baht 0.87 million comparing to the same period last year amounting to Baht 1.90 million as the increase in long-term loans from Banks to invest in Petchsiam (Thailand) Co., Ltd.. Therefore, the interest rate for long-term loans of the Company and subsidiaries was about 4-5% per year.

Corporate income taxes

In 2nd Quarter 2017, the Company and subsidiaries had no responsibility to pay corporate income taxes, at while paid corporate income taxes amounting to Baht 5.44 million at the same period last year as in 2nd Quarter this year a subsidiary used retained losses for taxes refund.

Net income

In 2nd Quarter 2017, the Company and subsidiaries had a profit of Baht 16.29 million which increased from the profit of Baht 5.47 million in the same period last year or equal to 198% increase as the increase in sales was higher than the increase in cost and expenses.

2. Assets Management

Assets

Total assets of the Company and subsidiaries was at Baht 2,113 million as of 30 June 2017 approximately to Baht 2,122 million as of 31 December 2016 as the inventory increased and Land Building and Equipments decreased.

Short-term investment

The Company and subsidiaries had a short-term investment amounting to Baht 473 million as of 30 June 2017 or 3% increased comparing to Baht 458 million as of 31 December 2016.

Account receivables

The Company and subsidiaries had an account receivables amounting to Baht 337 million and Baht 324 million as of 31 March 2017 and 31 December 2016 respectively which the ratio of account receivables to total assets were equal to 15.94% and 15.25 respectively.

Inventory

The Company and subsidiaries had an inventory amounting to Baht 171 million as of 30 June 2017 which increased Baht 44 million compared to Baht 127 million as of 31 December 2016 which the ratio of inventory to total assets were equal to 8.09% and 5.99% respectively.

Land building and equipments and intangible assets

The Company and subsidiaries had Land building and equipments and intangible assets amounting to Baht 931 million and Baht 961 million as of 30 June 2017 and 31 December 2016 respectively which the ratio of Land building and equipments and intangible assets to total assets were equal to 44.07% and 45.29% respectively.

Total debts

As of 30 June 2017, the Company and subsidiaries had total debts amounting to Baht 457 million and could be divided to current liabilities of Baht 284 million and non-current liabilities of Baht 173 million which was equal to 4% increase compared to total debts of Baht 440 million as of 31 December 2016 as account payables were higher from increased sales.

The ratio of Debts to Equities (D/E ratio) was at 0.28 times as of 30 June 2017 increasing from 0.26 times as of 31 December 2016 as current liabilities were higher from increased sales.

Total equities

As of 30 June 2017, the Company and subsidiaries had total equities amounting to Baht 1,656 million decreasing from Baht 1,683 million as of 31 December 2016 as the decrease in retained earnings from the annum dividend payment.

Therefore, as of 30 June 2017, the Company's capital structure comprised of total debts amounting to Baht 457 million and total equities amounting to Baht 1,656 million which the ratio of total debts to total equities was 0.28 times.

3. Liquidity and the capital sufficiency

Liquidity

As of 30 June 2017, the Company and subsidiaries had the ratio of current assets to current liabilities at 3.87 times which was lower than 4.53 times as of 31 December 2016 because current liabilities were higher from increased sales.

As of 30 June 2017, the Company and subsidiaries had a liquidity from cash flow amounting to Baht 97 million which decreased about Baht 47 million from the same period last year which occurred from the increase of cash flow from operations amounting to Baht 79 million as profit before taxes and depreciation. At a while, the Company and subsidiaries spent the money for investment activities amounting to Baht 44 million which the amount of Baht 38 million for the investment in new machines to expand the production capabilities and Baht 15 million for short-term investment. Besides, the Company and subsidiaries used the proceed from the financing activities at amounting to Baht 82 million which most of them was used for the annum dividend payment amounting to Baht 68 million.

From the Company and subsidiaries' cash flow, it shown that the Company and subsidiaries had adequate cash flow to pay the debts and to comply with the conditions of the loans which in the past, the Company and subsidiaries had no any problems concerning the liquidity to pay the debts.

Source of fund

From 2nd Quarter 2017 financial statement, source of fund shown that cash flow come from profit from operations and some expenses which had no been paid in cash ex. depreciations etc. This made us having adequate fund to reserve for the increase of needed working capital of business.

Please kindly be informed accordingly,

Yours Sincerely,

(Mr.Sathit Tatawatorn)

Chairman of Executive Board

Salee Industry Public Company Limited