

SITHAI-0802/56

August 13, 2013

Subject : Explanation on Financial Statements of the 2nd quarter of 2013

Dear : Mr. President
The Stock Exchange of Thailand.

We refer to our reviewed financial statements of the 2nd quarter of the year 2013 comparing with the financial statements of the same period last year already submitted to you.

The explanations of our performance are as follows:-

1. Overall review of operation and predictions for the future

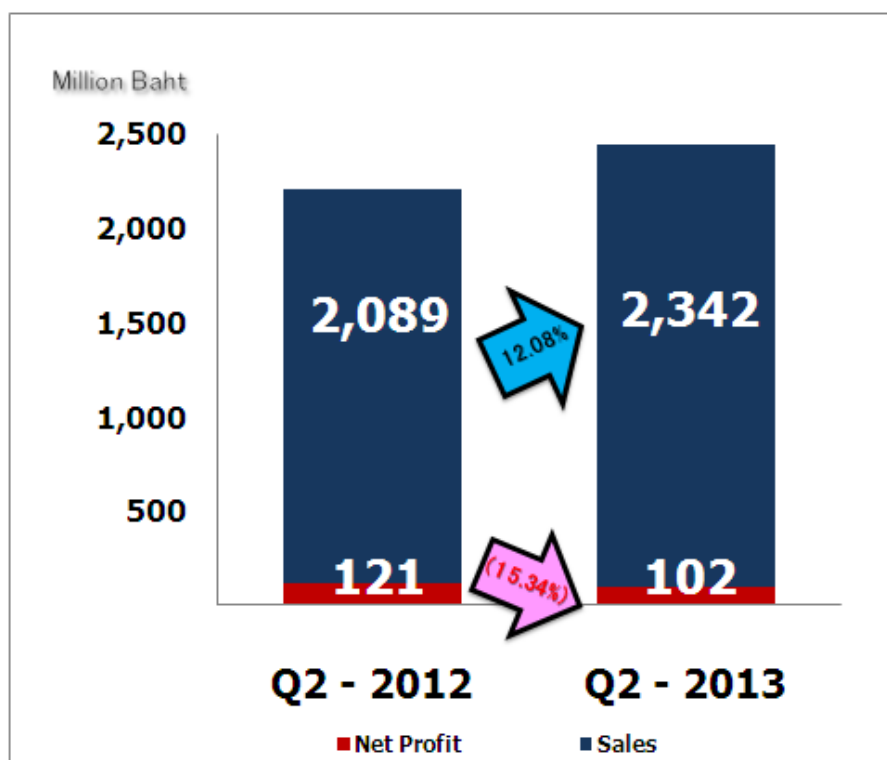
In the 2nd quarter of 2013, sales of the Group hit the target and grew by 12.08% from the previous year, however, its operational results were lower than the previous year. The Group had net profit attributable to owners of the parent of Baht 102.33 million, decreased by Baht 18.55 million or 15.34% from the previous year. Significant non-recurring items affecting the financial statements of the 2nd quarter of 2013 were an impairment of investment in an overseas associate amounting to Baht 12.04 million and loss on foreign exchange rate of Baht 5.30 million against the gain of Baht 5.87 million in the previous year due to the appreciation of the Thai Baht against the US Dollars in the 2nd quarter of 2013.

Table 1 Operating results at a glance

Consolidated financial information (partial)

Unit : Million Baht

Description	Quarter 1 2013	Quarter 2 2013	Quarter 2 2012	Change from Quarter 2, 2012	
				Amount Inc (Dec)	% +(-)
Sales	2,312.34	2,341.55	2,089.19	252.36	12.08%
Gross profit (%)	19.31%	18.33%	20.91%	(2.58%)	(12.36%)
Net profit attributable to owners of the parent	120.59	102.33	120.88	(18.55)	(15.34%)
EBIT (Profit before interest and tax)	179.88	162.81	182.50	(19.69)	(10.79%)
% Net profit on sales	5.22%	4.37%	5.79%	(1.42%)	(24.47%)
Earnings per share (Baht)	0.44	0.38	0.45	(0.07)	(15.56%)
Total assets	9,491.43	9,923.53	9,325.30	598.23	6.42%
Total liabilities	4,910.52	5,562.60	4,867.39	695.21	14.28%
Total shareholders' equity	4,580.91	4,360.93	4,457.91	(96.98)	(2.18%)
Return on Operating Assets	2.51%	2.11%	2.61%		
Return on Equity	2.63%	2.35%	2.93%		
Debt to Equity	1.07 times	1.28 times	1.18 time		



- 1) Based on information in the table above, the Group's sales increased in the 2nd quarter of 2013 as compared to previous year. This was particularly from the sales of food and beverage packaging products. The sales grew significantly both from the Company and its subsidiary, Srithai (Vietnam) Company Limited, which started its production line of beverage packaging products in the 3rd quarter of 2012. Moreover, sales of bottle crate products increased because our major customer duly changed its whole production line during the 2nd quarter of 2013, netted with significant decrease in sales of automotive parts and electrical appliance products. That was due to our policy to gradually terminate order of OEM works in order to utilize existing resources for other products with higher margin (see Sales by segment in Table 2 for reference). Nonetheless, the gross profit ratio dropped. The key reasons for this were the higher labour costs as a result of the government's policy to increase the minimum wage to Baht 300 per day, the higher fixed costs absorption due to idle production capacity, and selling price could not be adjusted as a result of the strong market competition. Meanwhile, the sales of Household Products, particularly the direct sales channel which normally generates high gross profits, dropped against those of the same period last year (see Profit from sales by segment in Table 3 for reference).

The Trading Business line, particularly the SNatur Network Marketing, was also affected by the sour domestic economic climate in the similar manner that happened to the sales of Household Products.

- 2) The Group was able to manage selling and administrative expenses well (excluding loss from an impairment of investment in an associate amounting to Baht 12.04 million as described in No.3 "Significant events in the 2nd quarter of 2013"). Several associated companies showed better performances. At the same

time, corporate income tax rate decreased from 23% to 20%. The Group also utilized privileges according to the Board of Investment by which corporate income tax is exempted for net profit of promoted activities. However, the Group's net profit decreased by 1.42% compared to the previous year due to declining in gross profit.

- 3) For the 3rd and 4th quarter of 2013, it has been predicted that the sales of food and beverage packaging products under Industrial Products will increase. This is because there are several new beverage producers in the industry causing greater competitiveness and greater marketing campaigns amongst beverage producers in the domestic market. Therefore, the demand for beverage packaging has gradually increased. The sales of beverage packaging is also expected to increase in the overseas markets, particularly following the buoyed economy in the Southeast Asian region as well as customers are satisfied with the quality of our products. As our subsidiary in Vietnam, Srithai (Vietnam) Company Limited, has entered into an agreement with a world-renowned beverage producer in the 3rd quarter of 2013, sales of beverage packaging will definitely rise sharply in the 4th quarter of 2013 onwards.

Sales of Household Products in the 3rd quarter are expected to be better against the 2nd quarter due to adjustment of direct sales strategy by approaching Gen Y or Metro Living target group as well as creating New Target Customer Touch Point in order to broaden customer base. However, export sales are expected to slow down in the 3rd quarter due to Ramadan for the Middle East customers, summer season for European customers. Furthermore, they may be affected by the fluctuations in foreign currency exchange rates.

- 4) However, the Group has an effective cost management plan by managing different risk factors as follow:
- 4.1) The fluctuation of prices of raw material: The Group has set up a Purchasing Committee who has the expertise in this area. The committee will closely monitor prices of raw material, and plan the purchases of raw material in advance by considering the appropriate volume and prices. Negotiation with customers will also be undertaken for a contract or an agreement concerning selling price changes every 1-3 months.
- 4.2) Increase in minimum wage to Baht 300 per day: The Group has rescheduled the working hours of workers in order to save overtime payment, whereas increase productivity of workers.
- 4.3) Fluctuation of the exchange rate: The Group has set out key strategies such as quoting the price in currencies other than US Dollars in order to distribute risks and alleviate the impact of over-dependency on a particular currency. The Group looks to sell its products to some customers in Thai Baht. At the same time, the plan also includes negotiation with customers for condition to adjust selling prices when the exchange rate fluctuates significantly. Moreover, it considers the natural hedge strategy alongside making forward contracts in advance to avoid the risks.

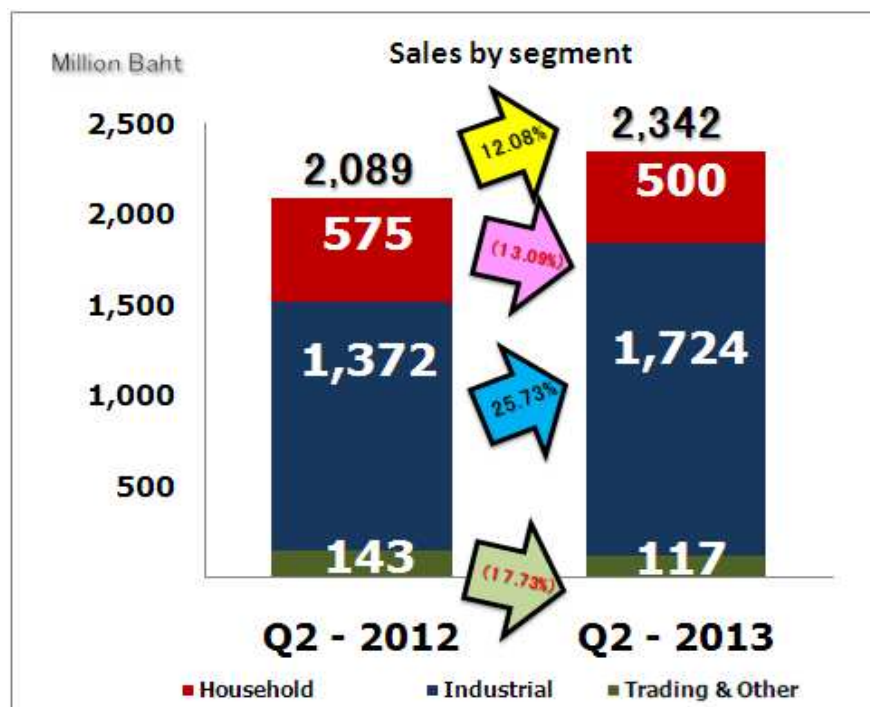
2. Review of the financial operation in the 2nd quarter of 2013

2.1 Sales by segment

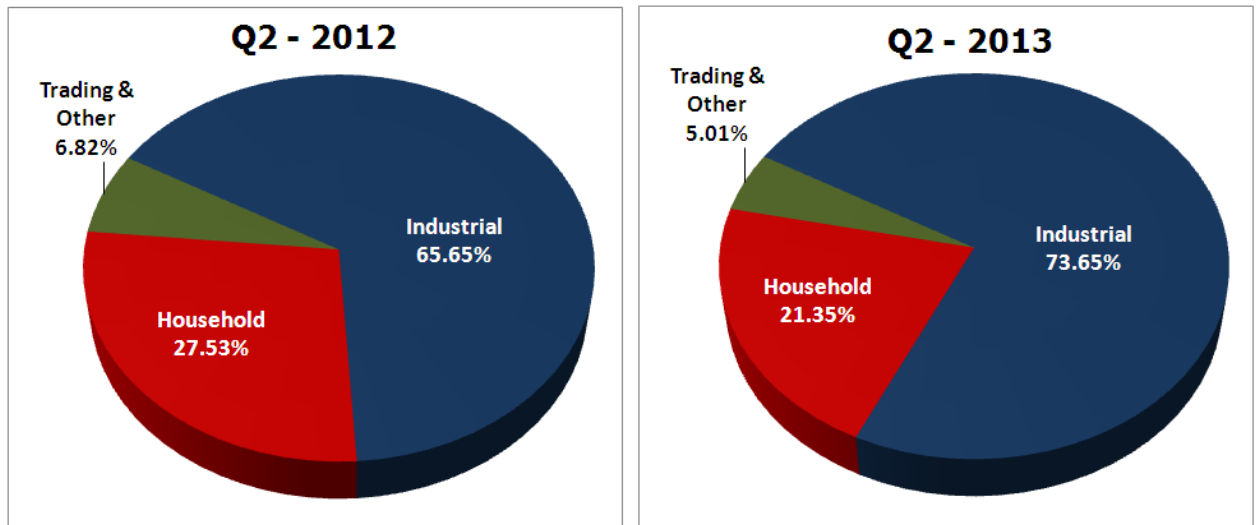
Table 2 Sales by segment (Consolidated)

Unit : Million Baht

Description	Quarter 1, 2013		Quarter 2, 2013		Quarter 2, 2012		Change from Q2, 2012	
	Amount	% on sales	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Plastics Business Line	2,185.25	94.50%	2,224.31	94.99%	1,946.69	93.18%	277.62	14.26%
Household Products	468.88	20.28%	499.83	21.35%	575.11	27.53%	(75.28)	(13.09%)
Domestic production	454.88	19.67%	487.66	20.83%	564.64	27.03%	(76.97)	(13.63%)
Overseas production	14.00	0.61%	12.17	0.52%	10.47	0.50%	1.69	16.17%
Industrial Products	1,716.37	74.23%	1,724.48	73.65%	1,371.58	65.65%	352.90	25.73%
Domestic production	1,470.03	63.57%	1,407.55	60.11%	1,322.78	63.32%	84.78	6.41%
Overseas production	246.34	10.65%	316.92	13.53%	48.80	2.34%	268.12	549.41%
Trading and Moulds Business Line	127.09	5.50%	117.24	5.01%	142.50	6.82%	(25.26)	(17.73%)
Total	2,312.34	100.00%	2,341.55	100.00%	2,089.19	100.00%	252.36	12.08%



Sales proportion by segment



In the 2nd quarter of 2013, proportion of Industrial Products sales increased from 65.65% to 73.65% compared to previous year whilst that of Household Products decreased from 27.53% to 21.35% as compared to previous year.

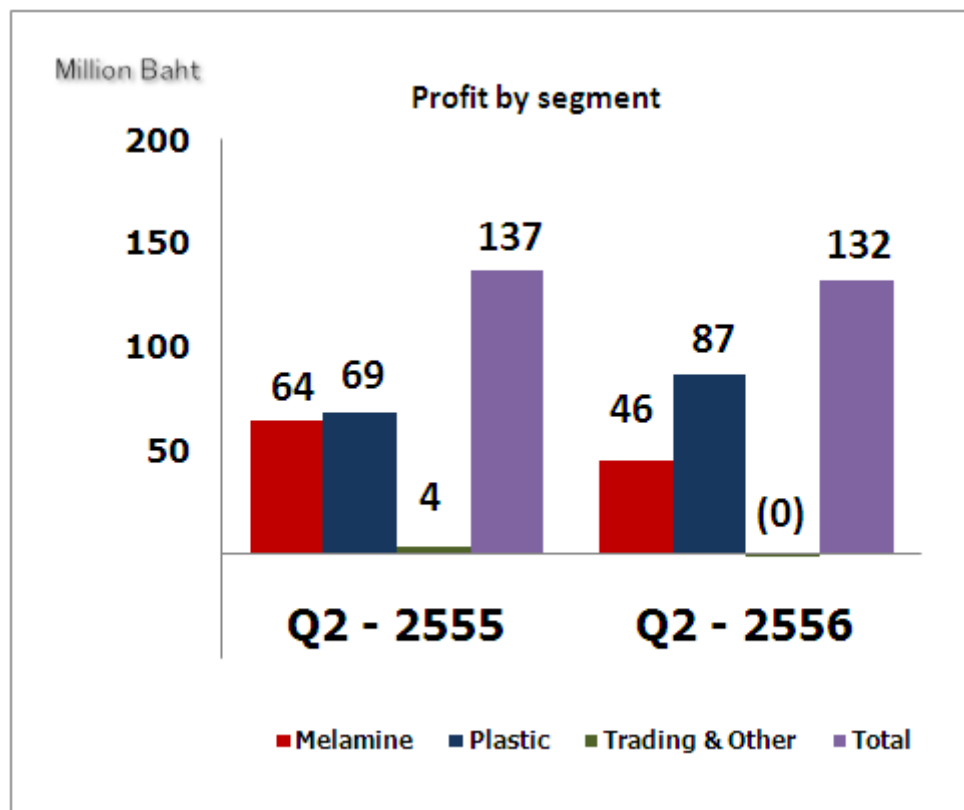
- 1) Sales of Household Products for the 2nd quarter of 2013 decreased by Baht 75.28 million, or 13.09% against previous year due to the impact to domestic economy as a result of the increase in minimum wage. This has caused the cost of living to rise. Consumers had to save some portion of their income for spending during the holidays in April as well as preparation for their children when school started. This also caused unemployment as small businesses closed down. The demand and purchasing power of customers dropped, particularly through the direct sales channel and distributors channel. Moreover, export sales of Household Products declined due to the sour economic climate in Europe, as well as the appreciation of the Thai Baht currency against US Dollars
- 2) Nevertheless, sales of Industrial Products increased by Baht 352.90 million, or 25.73% due to increase in beverage packaging sales of both the Company and the overseas subsidiary and from food packaging due to bigger orders from a core customer and new customers. Moreover, sales of bottle crate increased because our major customer duly changed its whole production line during the 2nd quarter of 2013. Higher sales were also attributed by furniture and paint pail.

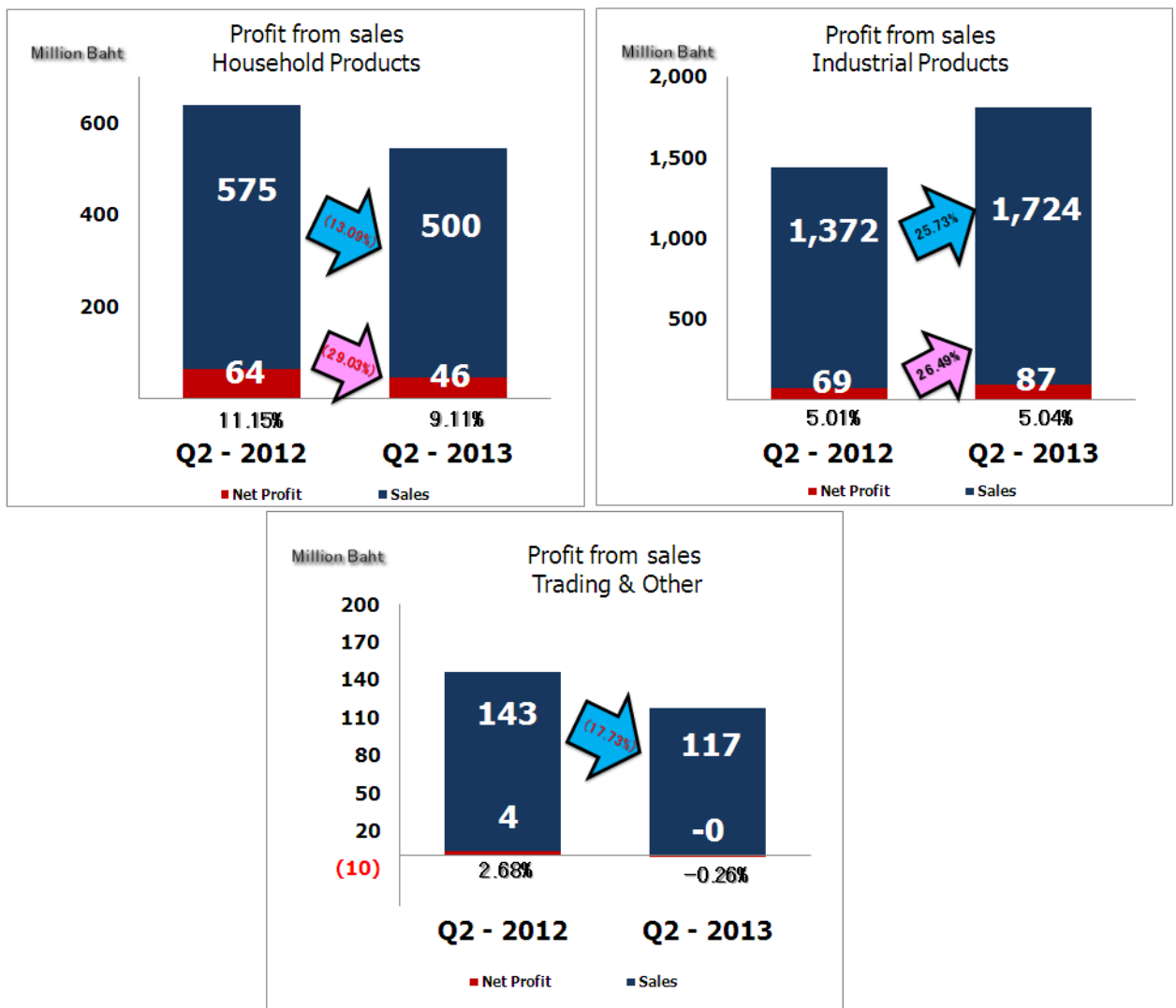
2.2 Profit from sales by segment

Table 3 Profit from sales by segment

Unit : Million Baht

Description	Quarter 1, 2013		Quarter 2, 2013		Quarter 2, 2012		Change from Q2, 2012	
	Amount	% on sales	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Profit from sales by segment								
Plastic line	155.62	7.12%	132.38	5.95%	132.80	6.82%	(0.43)	(0.32%)
Household products	51.32	10.94%	45.52	9.11%	64.13	11.15%	(18.62)	(29.03%)
Industrial products	104.30	6.08%	86.86	5.04%	68.67	5.01%	18.19	26.49%
Trading and moulds business line	3.71	2.92%	(0.31)	(0.26%)	3.82	2.68%	(4.13)	(108.00%)
Total	159.33	6.89%	132.07	5.64%	136.62	6.54%	(4.56)	(3.33%)





- 1) Profits from sales of Household Products dropped by 29.03% in comparison to the previous year, whereby profit to sales ratio was lowered from 11.15% to 9.11%. Key reasons as such were the increase in minimum wage to Baht 300 per day, which has been in effect since January 1, 2013, and annual salary increment in April 2013. The sluggish economy has adversely affected sales through the direct sales channel, which generates highest profits for the Company, to be lower against previous year. Moreover, production capacity dropped due to long public holidays and drop in sales, resulting in higher rate of production costs from fixed costs. The Company was unable to adjust selling price since latest adjustment in previous year.
- 2) Profits from sales of Industrial Products increased by 26.49% as compared to previous year. The profit to sales ratio was higher from 5.01% in the previous year to 5.04%. Key reasons for the increase in the profit ratio were the rapid growth in food and beverage packaging products both from the Company and its subsidiary, Srithai (Vietnam) Company Limited, which received bigger orders from a core customer as well as higher sales of bottle crate, furniture and paint pail having good margin.

- 3) Trading and Moulds Business Line came up with loss of Baht 0.31 million against the profit of Baht 3.82 million in the previous year, and the profit to sales ratio decreased from lower profit of Moulds Business line. Key reasons are because of less order from customers against last year of when Automotive Industry recovered after flood crisis and the government introduced the first car policy. As such, idle production capacity affected higher production cost rate due to fixed cost absorption.

2.3 Consolidated financial position

Table 4 Consolidated statement of financial position (partial)

Unit : Million Baht

Description	Mar 31, 2013	Jun 30, 2013	Dec 31, 2012	Change from Dec 31, 2012	
	Amount	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade accounts receivable, net	1,807.02	1,866.48	1,685.62	180.86	10.73%
Inventories, net	1,521.77	1,632.49	1,351.49	281.00	20.79%
Property, plant and equipment, net	4,803.33	4,851.96	4,842.89	9.07	0.19%
Other non-current assets	30.92	82.84	65.92	16.93	25.68%
Total assets	9,491.43	9,923.53	9,325.30	598.23	6.42%
Bank overdrafts and short-term loans	924.39	1,653.00	840.96	812.04	96.56%
Trade accounts payable	936.08	991.82	922.23	69.59	7.55%
Long-term loans	2,314.05	2,190.20	2,385.01	(194.81)	(8.17%)
Total liabilities	4,910.52	5,562.60	4,867.39	695.21	14.28%
Unappropriated retained earnings	1,497.59	1,301.84	1,377.00	(75.16)	(5.46%)
Non-controlling interests	235.28	212.43	228.98	(16.55)	(7.23%)
Total shareholders' equity	4,580.91	4,360.93	4,457.91	(96.98)	(2.18%)

As of June 30, 2013, the financial position has been changed in comparison to December 31, 2012 as follows:

- Increase in trade accounts receivable due to soaring sales of the Group.
- Increase in inventories to meet the increasing sale volume of the Group both domestically and overseas, as well as a result of decrease in the sales of Household Products.
- Increase in property, plant and equipment due to additional acquisition of assets netted with depreciation for the period.

- Increase in other non-current assets due to acquisition of land leasehold right for newly established subsidiary in India.
- Increase in bank overdrafts and short-term loans following the increasing demand of cash flow by the Group to support the expansion of business, as well as the delay in long-term loans withdrawal by the Group in order to save interest expenses.
- Increase in trade accounts payable due to raw material and factory supply purchases to serve business expansion.
- Decrease in long-term loans due to payments made during the period higher than additional withdrawal for investment.
- Decrease in unappropriated retained earnings by Baht 75.16 million from the dividend payment in respect of operating result for 2012 amounting to 298.08 million, higher than net profit attributable to the owners of the parent company for the six-month period ended June 30, 2013 amounting to Baht 222.92 million.
- Decrease in non-controlling interests due to dividend payment and acquisition of shares of Srithai Nanoplast Company Limited from former shareholders, netted with net profit for the six-month period ended June 30, 2013.

2.4 Key financial ratio analysis

Table 5 Key financial Ratio

Description	Unit	Quarter 1 2013	Quarter 2 2013	Quarter 2 2012	12 months 2012
Working Capital Ratios					
1. Collection Period	Days	70.33	71.74	73.59	69.29
2. Inventory Turnover	Days	73.40	76.83	70.42	71.11
3. Payment Period	Days	45.15	46.68	48.50	48.52
4. Cash Cycle	Days	98.58	101.89	95.52	91.88
Financial Policy Ratios					
5. Debt to Equity	Times	1.07	1.28	1.18	1.09

2.4.1 Working capital ratios

Cash cycle for the 2nd quarter of 2013 was 101.89 days, longer than that for the 2nd quarter of 2012 and for the year ended December 31, 2012 being 95.52 days and 91.88 days, respectively, was due to:

- 1) Collection period of accounts receivable for the 2nd quarter of 2013 being 71.74 days was shorter than that for the 2nd quarter of 2012 being 73.59 days due to soaring sales of beverage packaging products of which credit term was shorter than other industrial products. However, it was longer than that for the year ended December 31, 2012 being 69.29 days as a decrease in sales of Household Products through cash sales channel.
- 2) Inventory turnover for the 2nd quarter of 2013 being 76.83 days was longer than that for the 2nd quarter of 2012 and for the year ended December 31, 2012 being 70.42 days and 71.11 days, respectively. That was due to raw material and finished goods being stocked up to serve soaring of sales, and adverse effect from decrease in sales of Household Products.
- 3) Payment period of accounts payable for the 2nd quarter of 2013 being 46.68 days was shorter than that for the 2nd quarter of 2012 and for the year ended December 31, 2012 being 48.50 days and 48.52 days, respectively. The reason was because the Group made purchase and kept raw material at the level being sufficient for production plan, as well as negotiated with suppliers for shorter term of payment in order to get better raw material price.

2.4.2 Financial policy ratios

Debt to equity ratio for the 2nd quarter of 2013 being 1.28 times was increased from that of the 2nd quarter of 2012 and for the year ended December 31, 2012 being 1.18 times and 1.09 times, respectively. This was due to the short-term loans withdrawal in order to serve business expansion, the delay in long-term loans withdrawal for saving interest expenses, and higher dividend payment in respect of operating result of 2012.

2.5 Cash flow

Table 6 Consolidated statements of cash flow (partial)

Unit : Million Baht

Description	6 months Jun 30, 2013	6 months Jun 30, 2012	Change from Prior period
Cash flows from operating activities	135.12	307.31	(172.19)
Cash flows from investing activities	(334.55)	(692.71)	358.16
Cash flows from financing activities	297.30	506.31	(209.01)
Net increase (decrease) in cash and cash equivalent	97.87	120.91	(23.04)
Decrease in bank overdrafts	(1.79)	-	(1.79)
Cash and cash equivalents, opening balance	441.29	221.94	219.35
Cash and cash equivalents, closing balance	537.36	342.85	194.51

The Group's significant cash inflow/outflow for the six-month period of 2013 were as follow:

- 1) Net cash receipts from operating activities decreased from previous year due to decrease in profit before income tax and changes in trade accounts receivable, inventories and trade accounts payable including higher cash payment for increasing interest expenses.
- 2) Net cash payments for investing and net cash receipts from financing activities decreased by 80.01% from previous year as the Group acquired assets and withdrew loans less than previous year and plan, as well as long-term loans repayment and dividend payments were increased.
- 3) The Group is confident that it can maintain sufficient cash flows together with proper liquidity level to be able to support business. Moreover, as at June 30, 2013, the Group has unutilized credit facility consisting of bank overdrafts, long-term loan and working capital more than Baht 4 billion which is more than enough for supporting operations.

3. Significant events of the 2nd quarter of 2013 and subsequent events after the reporting date

The new accounting policy – Foreign currency translation, did not have significant impact on the financial statements. Nevertheless, the significant events regarding additional investments and change in investments in the 2nd quarter of 2013 are as follows:

3.1 Investments in subsidiary

1) Newly established subsidiary in India

Srithai Superware Manufacturing Private Limited

The Company had registered a new subsidiary, Srithai Superware Manufacturing Private Limited, in India with an initial registered share capital of Rupee 0.10 million. The subsidiary is engaged in the manufacture and distribution of melamine products. The Company holds 100% shareholding in the subsidiary and paid for the share capital equivalent to Baht 0.06 million. On May 4, 2013, the Board of Directors of the subsidiary passed a resolution to increase its share capital from Rupee 0.10 million to Rupee 250.00 million. In the 2nd quarter of 2013, the Company paid part of the increased share capital amounting to Rupee 110.00 million, or equivalent to Baht 62.70 million.

2) Additional investment in subsidiary

Srithai Nanoplast Company Limited

In May 2013, the Company acquired additional investment in Srithai Nanoplast Company Limited, which engaged in plastic injection using rotational moulding technology such as large water tanks, ice tanks, and garbage bins according to a resolution of the Board of Directors of the Company on May 14, 2013. The acquisition was undertaken through the purchase of shares from the former shareholders at the price of Baht 10.63 per share, totalling Baht 12.76 million. After the acquisition, the Company increased its holding from 70% to 100%. The change in shareholder was registered with the Ministry of Commerce on May 29, 2013.

3.2 Reversal of loss on impairment of investment in subsidiary

Srithai (Vietnam) Company Limited

In the 2nd quarter of 2013, The Company's management had determined and considered to reverse provision for impairment of investment in subsidiary, Srithai (Vietnam) Company Limited, amounting to Baht 48.20 million in the company financial statements. That was due to better performance from changing in the business direction together with taking the assessment of projected future cash flows into consideration. The reversal of loss on impairment has no impact on the consolidated financial statements.

3.3 Impairment of investment in associate

Beijing Huatai Replica of Porcelain Products Company Limited

The Company had previously recorded provision for impairment amounting to Baht 10.00 million in 2012. In the 2nd quarter of 2013, the Company's management had determined and considered to set up an additional provision in full for impairment of investment in an associate, Beijing Huatai Replica of Porcelain Products Company Limited, amounting to Baht 12.04 million in the consolidated financial statements. The provision was made in full because the associate's performance has been deteriorating and incurred accumulated deficits. The associate is currently under progress of liquidation.

3.4 Change in name of a subsidiary

SuperIdea Company Limited (Formerly named "PET Siam Company Limited)

On June 7, 2013, the Extraordinary Shareholders' meeting of PET Siam Company Limited approved the change of company's name to SuperIdea Company Limited. The change was registered with the Ministry of Commerce on June 19, 2013. The subsidiary engaged in manufacturing and selling of modern style furniture designed by Italian partners, which production and sales are expected to start in 2014.

3.5 Dividend payment

The Annual General Meetings of Shareholders of the Company and of 3 subsidiaries, Srithai Moulds Company Limited, Korat Thai Tech Company Limited, and Srithai Miyagawa Company Limited, approved and paid dividend in respect of companies' net profit of the year 2012 as follow:

Company	percentage of shareholding	Dividend per share	Dividend payment
Srithai Superware PCL.	-	1.10 Baht	298.08 million Baht (payment on May 23, 2013)
<u>Subsidiaries</u>			
- Srithai Moulds Co., Ltd.	71	10.00 Baht	10 million Baht
- Korat Thai Tech Co., Ltd.	100	10.00 Baht	30 million Baht
- Srithai Miyagawa Co., Ltd.	51	25.00 Baht	30 million Baht

4. Subsequent events after the reporting date

No significant subsequent event after the reporting date for the Group.

Please be informed accordingly.

Yours faithfully,

Prin Bholnivas
Director