

SITHAI-0802/58

August 14, 2015

Subject : Explanation on Financial Information of the 2<sup>nd</sup> Quarter of 2015

Dear : President

The Stock Exchange of Thailand

We refer to our financial information of Q2/2015 already submitted to you which have been reviewed by the auditor, considered by the Audit Committee, and approved by the Board of Directors on August 14, 2015.

The explanations of our performance are as follows:-

**1. OVERVIEW : Operating Results for the Company and Subsidiaries**

In Q2/2015, sales of the Company and subsidiaries decreased by 1.53% and gross profit ratio decreased from 19.50% to 18.83% of sales against last year. The Group had net profit for the period amounting to Baht 149.37 million, Attributable to Owners of the Parent of Baht 138.19 million, an increase by Baht 5.72 million or 4.32% from the previous year. Earnings per Share was Baht 0.05, no difference from Q2/2014. There was no significant non-recurring item affecting the financial statements of this quarter.

**Table 1** Operating results at a glance

Consolidated financial information (partial)

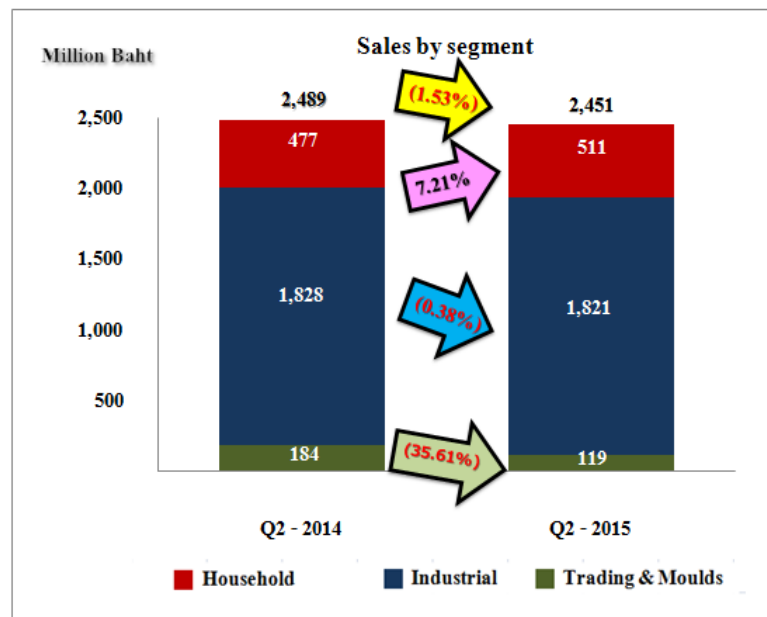
Unit : Million Baht

Description	Quarter 1, 2015	Quarter 2, 2015	Quarter 2, 2014	Change from Quarter 2, 2014	
				Amount Inc (Dec)	% +(-)
Sales	2,260.25	2,450.89	2,489.09	(38.20)	(1.53%)
Gross profit (%)	20.84%	18.83%	19.50%	(0.67%)	(3.44%)
EBIT (Profit before interest and tax)	176.85	213.58	186.51	27.07	14.51%
Net profit attributable to owners of the parent	112.61	138.19	132.47	5.72	4.32%
% Net profit on sales	4.98%	5.64%	5.32%		
Earnings per share (Baht)	0.04	0.05	0.05		

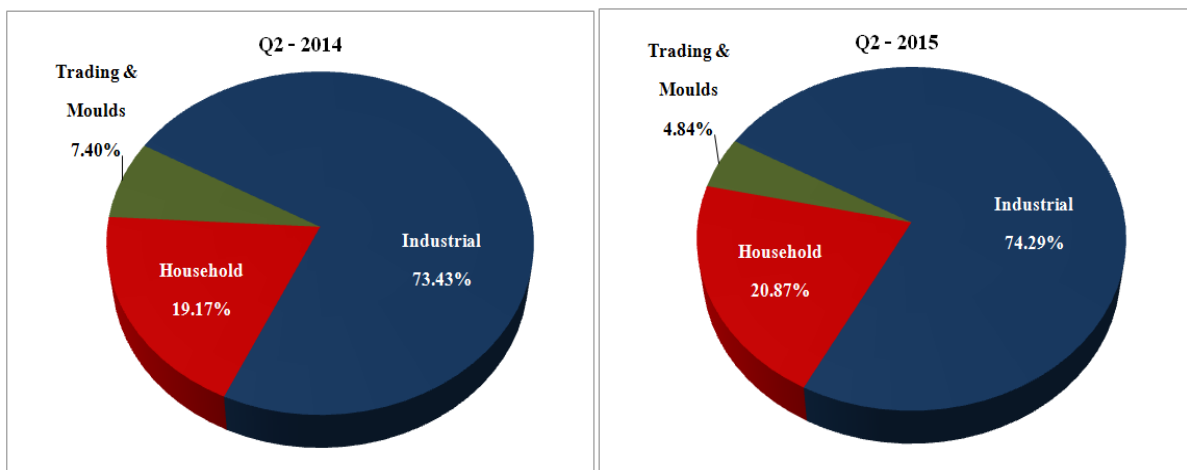
**2. ANALYSIS: Operating Results in Q2/2015****2.1 Sales by segment****Table 2** Sales by segment (Consolidated)

Unit : Million Baht

Description	Quarter 1, 2015		Quarter 2, 2015		Quarter 2, 2014		Change from Quarter 2, 2014	
	Amount	% on sales	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Plastics Business Line	2,138.68	94.62%	2,332.27	95.16%	2,304.87	92.60%	27.40	1.19%
Household Products	424.96	18.80%	511.48	20.87%	477.08	19.17%	34.40	7.21%
Domestic production	393.37	17.40%	483.53	19.73%	458.05	18.40%	25.48	5.56%
Overseas production	31.59	1.40%	27.95	1.14%	19.03	0.76%	8.92	46.87%
Industrial Products	1,713.72	75.82%	1,820.79	74.29%	1,827.79	73.43%	(7.00)	(0.38%)
Domestic production	1,382.04	61.15%	1,465.07	59.78%	1,475.27	59.27%	(10.20)	(0.69%)
Overseas production	331.68	14.67%	355.72	14.51%	352.52	14.16%	3.20	0.91%
Trading and Moulds Business Line	121.57	5.38%	118.62	4.84%	184.22	7.40%	(65.60)	(35.61%)
Total	2,260.25	100.00%	2,450.89	100.00%	2,489.09	100.00%	(38.20)	(1.53%)



#### Sales proportion by segment



When compared to Q2/2014, sales proportion derived from the Plastics Business Line for Q2/2015 increased to 95.16% from 92.60% for the same period last year, comprising of: Household Products, for which corresponding proportion increased to 20.87% (from 19.17% in Q2/2014) of total sales, and Industrial Products for which increased to 74.29% (from 73.43% in Q2/2014). Sales proportion for the Trading and Moulds Business Line decreased to 4.84% (from 7.40% in Q2/2014).

## 1) Household Products

### Q2/2015 compared to Q2/2014 (Year-on-Year or YoY)

Total sales for Household Products increased in Q2/2015 by Baht 34.40 million, or 7.21%, YoY compared to the same period last year. This resulted from increased export sales to the Middle East markets, that has a high demand for melamine products during the Ramadan Festival with higher sales orders than last year. Furthermore, products from Thailand are very popular for their high quality since they have been given quality certification before being exported as required by the regulations in these Middle East markets, which is the same reason why export sales to European customers have also increased.

Wholesale to domestic market distributors have also increased YoY, due to these distributors having purchased more products from the Company for sales to various retail outlets and many educational organizations during the start of the new school year.

However, total sales through the Direct Sales channel decreased compared to the same period last year. The reason was due to the high average household debt and the overall decreased revenues in the agricultural sector with its continued declining agricultural products prices and being impacted by the extensive drought in the rural areas. This situation has resulted in declining household consumer spending, since most of the population are being more careful with their purchases and have lower demand for the Company's products. As such, the majority of achieved total sales have from sales to new customer groups interested in this business or in new products. Also sales from the annual 'Grand Sale' event have decreased compared to last year, since this year, the 'Grand Sale' event was held in Bangkok only while last year the said event was also held in Korat.

The overseas subsidiary company - Srithai (Vietnam) Company Limited - achieved YoY increased total sales as a result of adopting new marketing strategies in targeting more new local customers and focusing on selling directly to its customers instead of through distributors or sales representatives. Additionally, sales from participating in major exhibitions or outside sales events also increased corresponding to Vietnam's current positive economic growth that has resulted in

higher overall consumer spending. As well, it is in line with the fact that there is an overall high potential and high purchasing power in many AEC markets.

Q2/2015 compared to Q1/2015 (Quarter-on-Quarter or QoQ)

Total Q2/2015 sales of Household Products increased QoQ compared to the previous Quarter, as a result of increased demand for melamine products from our distributors in the Middle East markets during the Ramadan Festival in Quarter 2, and also because of the Company's mid-year 'Grand Sale' event.

2) Industrial Products

Q2/2015 compared to Q2/2014 (Year-on-Year or YoY)

While the sales proportion derived from sales of Industrial Products increased, overall sales decreased by Baht 7.0 million or 0.38% YoY compared to the same period last year, with details of the various products lines as follows:

- Sales of Beverage Packaging products decreased YoY, because last year there was the Football World Cup event for which the 2 major soft drink producers competed intensely in undertaking World Cup-related sales promotions campaigns. Also, this year sales of 'preform' plastic bottles have decreased due to lower sales orders being received from some overseas clients, since they are now able to produce the 'preform' plastic bottles themselves.
- As for other groups of Industrial Products, total sales increased YoY compared to the same period last year, because sales of automotive component parts by a subsidiary company increased as a result of minor design changes for new automobile models with sales orders for the new products having received since late last year. Also, total sales of both the In Mould Labeling (IML) plastic containers and crates increased YoY, resulting from an expanded customers base and increased sales orders from a major retail outlet customer. At the same time, total sales of battery cases, bottle crates

and pallets decreased YoY, due to declining sales orders received and a major customer placing some orders with other manufacturers to diversify its supply-side risks.

Total sales of Srithai (Vietnam) Company Limited, an overseas subsidiary, were higher YoY, due to increased sales orders from major soft drink producers together with a larger customers base. Also, the positive economic growth in Vietnam resulted in an overall increase in its consumers purchasing power. Additionally, the cineplex business in Vietnam has grown resulting in a corresponding growth in associated businesses that has stimulated an increased demand for the IML food packaging boxes/containers.

Q2/2015 compared to Q1/2015 (Quarter-on-Quarter or QoQ)

Total sales of Industrial Products also increased QoQ compared to the previous Quarter, because of the high season for beverage packaging products and higher sales of the subsidiary companies.

3) Trading and Moulds Business Line

Q2/2015 compared to Q2/2014 (Year-on-Year or YoY)

Total sales for the Trading and Moulds Business Line in Q2/2015 decreased by Baht 65.60 million or 35.61% YoY compared to the same period last year. This was due to a decrease in total Trading Business sales – especially for agricultural products, attributable to the impact of the drought and the lack of rain which resulted in delay of the annual rice crop seasonal growing throughout the country from the normal cycle as announced by the Royal Irrigation Department. Additionally, other prevailing issues - like the negative economic situation for consumer products sales, the high average household debts, the low agricultural commodity prices, and overall declining revenues for the agricultural sector - resulted in the decline in overall consumer spending power. At the same time, there were new network marketing competitors entering the market and adopting new sales strategies in order to be more attractive to customers, which distracted some business members to spare time to compare marketing schemes of other operators resulting in lower members to join our Network Marketing Business.

However, total sales for the Moulds Business increased YoY, because of increased sales orders of a subsidiary for moulds used in producing automotive component parts for the newly designed car models.

Q2/215 compared to Q1/2015 (Quarter-on-Quarter or QoQ)

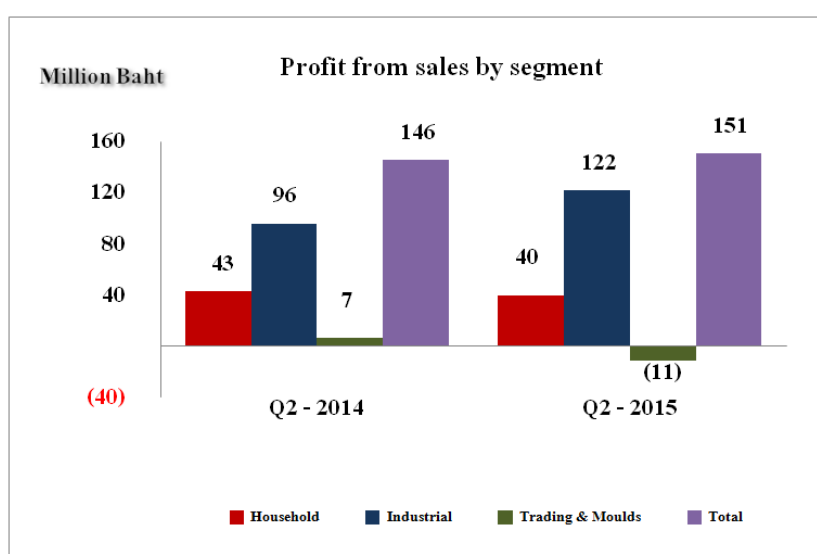
Total Q2/2015 sales for the Trading and Moulds Business Line decreased QoQ compared to previous Quarter, because of the overall decrease in the Trading Business.

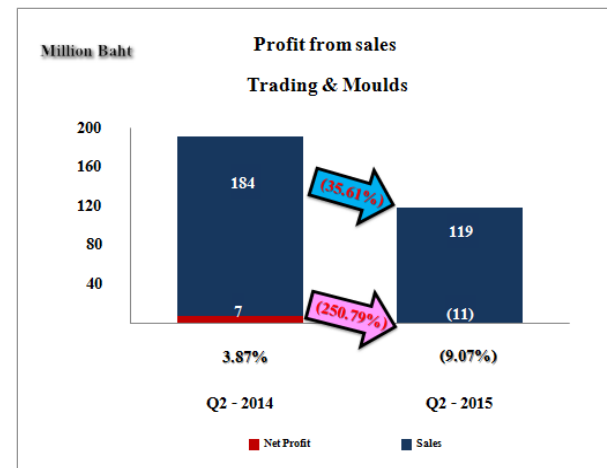
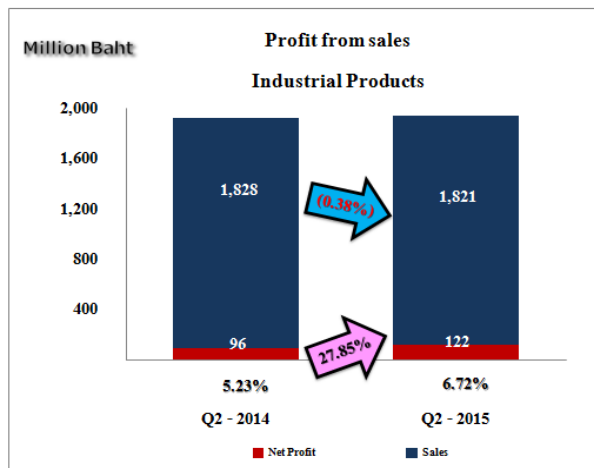
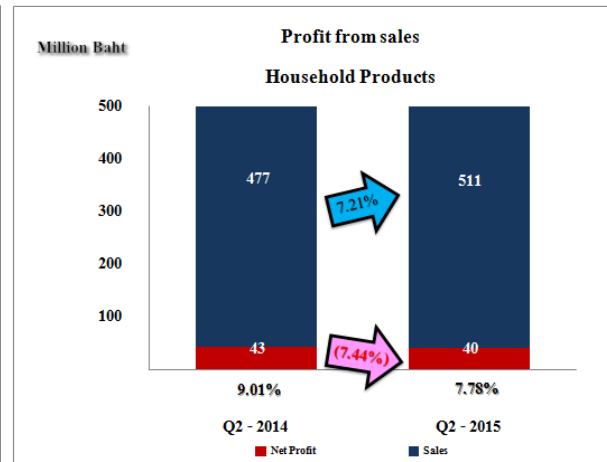
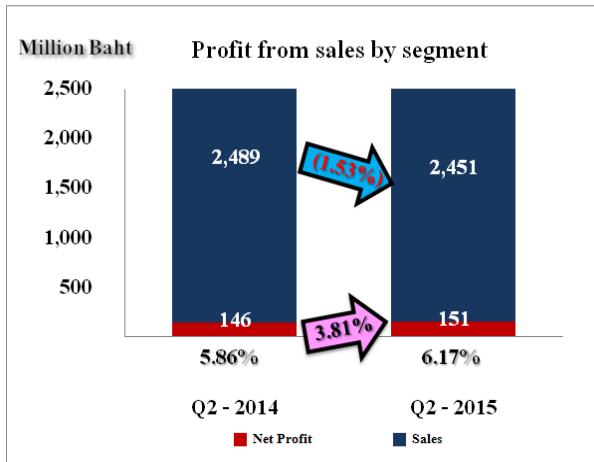
## 2.2 Profit from sales by segment

**Table 3 Profit from sales by segment**

Unit : Million Baht

Description	Quarter 1, 2015		Quarter 2, 2015		Quarter 2, 2014		Change from Quarter 2, 2014	
	Amount	% on sales	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
<b>Profit from sales by segment</b>								
<b>Plastics Business Line</b>	162.32	7.59%	162.09	6.95%	138.65	6.02%	23.44	16.91%
Household products	21.37	5.03%	39.79	7.78%	42.99	9.01%	(3.20)	(7.44%)
Industrial products	140.95	8.22%	122.30	6.72%	95.66	5.23%	26.64	27.85%
<b>Trading and Moulds Business Line</b>	(11.13)	(9.16%)	(10.76)	(9.07%)	7.13	3.87%	(17.89)	(250.91%)
<b>Total</b>	<b>151.19</b>	<b>6.69%</b>	<b>151.33</b>	<b>6.17%</b>	<b>145.78</b>	<b>5.86%</b>	<b>5.55</b>	<b>3.81%</b>





Total Gross Profit in Q2/2015 from total sales increased by Baht 5.55 million or 3.81% YoY compared to the same period last year, with details as follows:

#### 1) Household Products

In Q2/2015, total Net Profit from Sales amount derived from Household Products decreased by 7.44% YoY, while the corresponding Net Profit from Sales ratio decreased to 7.78% from 9.01% in Q2/2014. Even though the overall sales and gross profit increased from price adjustments and weakening Baht against US dollar, the result was outweighed by the negative impact of the increases in logistics costs, sales commissions, sales promotions and marketing campaign expenses for participating exhibitions and sales events in order to drive sales during Q2/2015.



However, total Q2/2015 Net Profit from Sales of Household Products increased QoQ compared to the previous Quarter, due to increased sales as well as to the ability in controlling overall expenses to remain at nearly the same level as incurred in Q1/2015.

## 2) Industrial Products

In Q2/2015, the Net Profit from Sales derived from Industrial Products increased by 27.85% YoY compared to the same period last year. The Net Profit from Sales ratio increased to 6.72% from 5.23% in Q2/2014, as a result of the overall increase in the amount of gross profit whereas the selling prices were lower in line with the raw material costs, while overall expenses remained close to those in Q1 of the previous year.

However, in Q2/2015 Net Profit from Sales of Industrial Products decreased QoQ compared to the previous Quarter, resulting from a decrease in gross profit due to the prices of raw materials starting to increase.

## 3) Trading and Moulds Business Line

Q2/2015 Net Profit from Sales for the Trading and Moulds Business Line decreased 250.91%YoY compared to the same period last year. Net Profit from Sales ratio decreased YoY to a loss of 9.07% from a profit of 3.87% in Q2/2014, as a result of decrease in sales and gross profit for the Trading Business despite the decrease in associated expenses during the Q2 period.

However, the overall Q2/2015 losses for the Trading and Moulds Business Line decreased QoQ from the previously incurred losses in Q1/2015, as result of an increased profit from higher sales of the Moulds Business in Q2/2015.

## 2.3 Selling and administrative expenses

**Table 4** Selling and administrative expenses

unit : Million Baht

Description	Quarter 1, 2015		Quarter 2, 2015		Quarter 2, 2014		Change from Quarter 2, 2014	
	Amount	% on sales	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
selling and administrative expenses	327.29	14.48%	302.75	12.35%	342.14	13.75%	(39.39)	(11.51%)

Selling and administrative expenses of Q2/2015 decreased by Baht 39.39 million, or 11.51% as compared to previous year due to decrease in commission and sales promotion expenses of Direct Sales Business and Trading Business in line with sales.

## 3. ANALYSIS: Consolidated Financial Position

**Table 5** Consolidated statements of financial position (partial)

Unit : Million Baht

Description	As at Jun 30, 2015	As at Dec 31, 2014	Changes from Dec 31, 2014	
	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade accounts receivable, net	1,892.48	1,992.36	(99.88)	(5.01%)
Inventories, net	1,707.54	1,599.49	108.05	6.76%
Property, plant and equipment, net	5,450.25	5,373.05	77.20	1.44%
<b>Total assets *</b>	<b>10,773.17</b>	<b>10,516.04</b>	<b>257.13</b>	<b>2.45%</b>
Bank overdrafts and short-term loans	1,388.32	1,452.30	(63.98)	(4.41%)
Trade accounts payable	885.73	968.42	(82.69)	(8.54%)
Long-term loans	2,996.70	2,575.10	421.60	16.37%
Employee benefit obligations	310.90	296.57	14.33	4.83%
<b>Total liabilities *</b>	<b>6,062.67</b>	<b>5,783.93</b>	<b>278.74</b>	<b>4.82%</b>
Unappropriated retained earnings	1,654.61	1,674.79	(20.18)	(1.20%)
Non-controlling interests	233.77	225.67	8.10	3.59%
<b>Total shareholders' equity *</b>	<b>4,710.50</b>	<b>4,732.11</b>	<b>(21.61)</b>	<b>(0.46%)</b>

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

As of June 30, 2015, the consolidated financial position has been changed from December 31, 2014 as follows:

- Decrease in trade accounts receivable due to sales of Q2/2015 lower than sales of Q4/2014 as a result of high consumer spending during the festival in the last quarter, together with follow-up of debt collection.
- Increase in inventories from finished goods of food packaging products in order to serve orders of new product this year. The finished goods of other industrial products also increased such as battery cases to serve new models of cars launching and container pail for paint to serve the growth of real estate industry.
- Increase in property, plant and equipment from investment in new factories in India and Vietnam, and additional acquisition of machinery of the Group netted with depreciation expenses and disposal during the period.
- Decrease in bank overdrafts and short-term loans from repayments during the period.
- Decrease in trade accounts payable due to reduction of raw material stock according to production plan for low season in the third quarter. The Group made purchase and kept raw materials at the level being sufficient for production plan, and negotiated with suppliers for appropriate payment term in order to get better raw material price. Besides, the prices of major raw material were lower than last year.
- Increase in long-term loans thanks to withdrawal of long-term loan from bank for investment in operating assets during the period with amount higher than loan repayments.
- Increase in employee benefit obligations for recognition of post-employment benefits and other long-term employment benefits during the period.
- Decrease in unappropriated retained earnings by Baht 20.18 million from Net Profit Attributable to the Owners of the Parent Company for six-month period ended June 30, 2015, netted with the dividend payment in respect of operating result of 2014 in Q2/2015 amounting to Baht 270.99 million.

- Increase in non-controlling interests from relevant portion of net profit of subsidiaries for six-month period ended June 30, 2015.

#### 4. Liquidity Analysis

**Table 6 Consolidated statements of cash flow (partial)**

Unit : Million Baht

Description	6 months Jun 30, 2015	6 months Jun 30, 2014	Change from Prior period
Cash flows from operating activities	352.51	420.40	(67.89)
Cash flows from investing activities	(449.29)	(311.51)	(137.78)
Cash flows from financing activities	77.65	(124.98)	202.63
<b>Net increase (decrease) in cash and cash equivalent</b>	<b>(19.13)</b>	<b>(16.09)</b>	<b>(3.04)</b>
Cash and cash equivalents, opening balance	472.96	437.12	35.84
<b>Cash and cash equivalents, closing balance</b>	<b>453.83</b>	<b>421.03</b>	<b>32.80</b>

The Group's significant cash inflow/outflow transactions for six-month period of 2015 as compared to the same period last year were as follow:

- 1) Net cash receipts from operating activities were lower thanks mainly to decrease in accounts payable.
- 2) Net cash payments for investing activities were higher from additional assets acquisition and land leasehold right of subsidiaries in India and Vietnam.
- 3) Net cash receipts from financing activities were higher from new long-term loan withdrawal with higher amount than repayments.

The Group is confident that it can maintain sufficient cash flows together with proper liquidity level to be able to support business. As at June 30, 2015, the Group has unutilized credit facility consisting of bank overdrafts, long-term loan and working capital worth about Baht 5 billion which is enough for liquidity. As well, the Company is under the process of additional fund raising to support the Group's business.

## 5. Key Financial Ratio Analysis

**Table 7 Key Financial Ratios**

Description	Unit	Quarter 1 2015	Quarter 2 2015	Quarter 2 2014	12 months 2014
<b>Working Capital Ratios</b>					
1. Collection Period	Days	79.71	69.49	71.12	73.56
2. Inventory Turnover	Days	84.99	77.25	75.33	73.07
3. Payment Period	Days	53.05	40.07	48.62	44.24
4. Cash Cycle	Days	111.64	106.67	97.83	102.38
<b>Profitability Ratios</b>					
5. Return on Equity	%	2.30	2.93	2.91	9.93
6. Return on Operating Assets	%	2.08	2.54	2.47	8.75
<b>Financial Policy Ratios</b>					
7. Debt to Equity	Times	1.20	1.29	1.30	1.22

### 5.1 Working capital ratios

Cash cycle for Q2/2015 was 106.67 days, longer than that for Q2/2014 and for the year ended December 31, 2014 being 97.83 days and 102.38 days, respectively, due to:

- 1) Collection period of accounts receivable was 69.49 days, shorter than that for Q2/2014 and for the year ended December 31, 2014 being 71.12 days and 73.56 days, respectively, following the decrease in sales and follow-up of debt collection.
- 2) Inventory turnover was 77.25 days, longer than that for Q2/2014 and for the year ended December 31, 2014 being 75.33 days and 73.07 days, respectively, as raw materials and finished goods being stocked up to serve soaring sales of automotive and real estate industry as well as household finished products for export in Q3/2015.
- 3) Payment period of accounts payable was 40.07 days, shorter than that for Q2/2014 and for the year ended December 31, 2014 being 48.62 days and 44.24 days, respectively, as the Group made purchase and kept raw materials at the level being sufficient for production plan, as well as decrease in price of main raw material from previous year.

## **5.2 Profitability ratios**

- Return on Equity (ROE) was 2.93%, higher than that for Q2/2014 being 2.91%, due to increase in operating results.
- Return on Operating Assets was 2.54%, higher than that for Q2/2014 being 2.47%, from the increase in operating results and higher rate of assets utilisation.

## **5.3 Financial policy ratios**

Debt to equity ratio was 1.29 times, a decrease from that of Q2/2014 being 1.30 times, thanks to decrease in accounts payable, and increase in retained earnings from operating results, in spite of increase in bank loans withdrawal for investment in assets and working capital. However, it was increased from that of the year ended December 31, 2014 being 1.22 times as a result of long-term loan withdrawal and dividend payment.

## **6. Risk Management**

The Group has in place plans to manage various risks as follow:

### **1) Fluctuations in raw materials prices**

Given that the raw materials – especially plastic resin – use for production account for as much as 60% of our production costs, as it is a commodity product with prices moving and fluctuating according to the price of crude oil, the Company recognizes the importance of sourcing raw materials at prices that are considered appropriate. This is undertaken through the purchasing process being managed by a special Management Group responsible for closely monitoring the price of raw materials from various sources of information as well as planning raw materials purchases based on both quantity and prices, together with adjusting selling prices on a regular basis.

### **2) Labor cost**

Labor cost is another important factor in our production process. The Group has adjusted the working hours of its staff in order to reduce expenses burdens as well as to improve work efficiency without reducing overall production outputs.

### 3) Fluctuations of foreign currency exchange rates

Since the Group has export sales for more than 20% of total Group revenues whilst imports of raw materials, machinery and equipment from overseas, the current risk management activities undertaken by the Group in regards to diversifying risks and mitigating the potential impact of being too dependent on any one specific foreign currency are as follows:

- Focus on selling products and buying goods using foreign currencies other than in US dollars
- Sell products in Thai Baht for selected countries and some selected customers
- Negotiate with key customers to adjust the selling price, in the event of any significant fluctuations in the foreign currency exchange rates
- Execute forward purchase/sale of foreign currencies in order to reduce the possible impact, as appropriate and may be required
- Manage the Group's overall inflow and outflow of foreign currency, in order to achieve an effective internal balance or 'natural hedge'

### 4) Managing the customers base and credit

The Group has only a few customers for some product groups, so it planned to expand the overall customers base – both domestically and overseas – in order to spread out risks and to reduce possible impact from being overly dependent on any one specific group(s) of customers.

For credit management, the Group has also analysed and monitored payment abilities of customers regularly. Credit limits and terms may be systematically adjusted based on payment behavior of customers. Policy to monitor and accelerate payment for overdue customers are also established.

### 5) Overseas Investments

The Group has policies to manage risks in this regard, through not concentrating its overseas investments in any one specific country or in any one specific type of product. Careful assessment would be conducted through mainly considering business opportunities relating to its targeted customer groups, cost structure of the potential business, legal matters as well as financial and banking systems, and the associated political stability.

## 6) Management of capital funds

The Group continuously expands its businesses every year. As such, investment capital/ funds are critical factors – both in terms of the sources of funds (from operating cash flows and commercial bank loans) and the cost of funds. In spite of the Group relying on loans from commercial banks, it also has diversified its risks as follows:

- Source loans from several commercial banks, based on the best proposed financial conditions applicable to each particular instance in seeking investment capital/funds;
- Make use of loan interests that are fixed and floating;
- Source loans with floating interest rates being based on a variety of floating basis;
- Primarily borrow funds domestically, so as to reduce the possible impact of foreign exchange fluctuations; and
- Borrow loans that are unsecured and without need for any collateral and any guarantees; or with security only if the overall cost of borrowing are made lower.

## 7. Forecasts for the Overall Business in Q3/2015

### 7.1 Household Products

Domestic market

- Total sales are expected to increase in Q3/2015, since the Company has received sales orders for its Melamine products with patented cartoon designs from an operator of major convenience store chain as a ‘premium’ product to be sold under loyalty program.
- Expansion of the customer base into new consumer groups – such as, young generation of customers, food services business/shops operators, and foreign customers – will be made through offering more new and interesting products lines that include new melamine products with much more attractive designs, as well as offering a complete range and variety of products that meet consumer demands that are all available in one outlet. This sales activity is undertaken with close cooperation of a business partner, to enable customers to easily choose the products that they like. Overseas members also have an opportunity to expand their sales activities in their own



respective countries. The benefits will start to be realized during Q3/2015 and will achieve full positive impact in Q4/2015.

- The first factory outlet – or Srithai Super Outlet located in Chonburi – that has available for sale all products from the Company's factories and from other leading manufacturers, is starting to be more widely-known by many consumers. This Outlet, which started operating in Q1/2015 and had its official grand opening in June 2015, will add another sales channel, and will further reinforce the overall strength of the Company's own brands.

#### Export Markets

- It is expected that exports sales of Melamine products may have a downward trend in Q3/2015, since, as with every year, this is a 'low sales season' because most of the European markets are on their annual summer holidays break. The Company will, therefore, focus more on the Asia market, as well as on developing, together with our key customers, new product offerings in preparation for the 'high purchasing season' just before the Christmas Festivities and the New Year holidays.
- The Company will expand its markets and customers base into Europe, China and ASEAN; as well as will improve its distribution channels in order to expand its business activities in the USA.
- The newly established subsidiary company in India is in the process of fully completing the construction of its facilities and testing its production machineries; and is expected that actual production run and sales of its products will begin in Q3/2015. This will enable the expansion of our market coverage in India through both Direct Sales and Wholesale activities; and it will also enable the Company to be more price competitive because currently all products are imported and incur a high import tax. The Group will focus on reinforcing the Superware and Ektra brands, so that they become more well-known and well-accepted in regards to their high quality standards, durability, and beautiful designs.

## 7.2 Industrial Products

### Beverage Packaging Products

- For Q3/2015, it is expected that sales of Beverage Packaging Products will decrease, since it is the monsoon rain season and a low sales period for these products. However, the higher level of sales will return in the Q4/2015, which is the period for yearend festivities that will help drive up overall consumer demand.
- The newly established subsidiary company - Srithai (Hanoi) Co., Ltd. – located in Hanoi, Vietnam to produce Beverage Packaging Products is also in the process of completing the construction of its production facilities. It is expected that actual production and sales revenues will start in Q4/2015. This will help expand the overall production capacity in Vietnam, in order to meet the increasing demand from the local soft drinks/beverage businesses and the overall positive economic growth of the country, as well as to support the market expansion into the Northern Region of Vietnam. It will also enable achievement of savings in cost and time for the transportation of goods from the South to the Northern Region of the country, since the Company currently has to deliver goods from its production facility located in the Southern part of the country.

### Food Packaging Products

- Total sales of Food Packaging Products will decrease in Q3/2015, as a result of the illegal fishing situation and the current ban on import of seafood products by the EU countries. However the Company has developed and launched a new ‘food box’ product, that is used specifically for ready-to-eat-food for the domestic market and for use during the traditional ‘vegetarian food’ festival. As for the IML (In Mould Labeling) Food Packaging Products, it is expected that there will be increased demands for these products in Vietnam, the Philippines, Indonesia, South Korea, and China, as a result of the upcoming launch of these bloc-buster mega movies - such as, Terminator, Minions, Star Wars, etc.

#### Other Industrial Products

- Sales of these products are expected to increase in Q3/2015, resulting from sales orders for products to be sold as ‘premium’ products by an operator of convenience store chain under loyalty program, orders for containers from large retailers, and orders for plastic pallets. This is in addition to new sales orders for newly developed products for specific use in packing seafood products as well as due to the Company’s expansion into new industry/business sectors.

### 7.3 Trading and Moulds Business Line

#### Trading Business Line

- It is expected that total Trading Business sales will increase in Q3/2015, as a result of the Srithai Network Business having various new projects and selecting new sales channels in order to continuously drive sales; namely:
  1. Initiating a project to join and collaborate with a company that is a representative in sourcing agricultural materials, equipments and related services to be used in the production of agricultural products by various Agricultural Cooperatives throughout the country. As such, the Company’s food-for-plant products will initially be supplied and sold through local Agricultural Cooperatives located in the northern provinces, in order to enhance outputs in the agricultural sector. In the future, this collaborative project will be expanded into all local Agricultural Cooperatives throughout the country.
  2. Collaborating with a private company to introduce the use of aviation technology, through being the only business in Thailand to make use of helicopters in spraying food-for-plant products in growing agricultural commodities, which will enable farmers to save time, labor, and overall production costs. It will also promote the use of its food-for-plant products through introducing, promoting and supporting the increased use of specific technological applications or methods.
  3. Launch of additional ‘Food Matrix Express’ networks program for any interested Business Partners wishing to join in becoming sales representatives for the distribution of

its products in more than 8,000 local ‘tambon’ or sub-districts throughout the country. All that is needed is an established ‘shop front’ and that the sales representative must meet the set criteria determined by the Company for joining this ‘Food Matrix Express’ network.

4. Development of a smart-phone based ‘application’ called the Srithai Network, using both the IOS and Android operating platforms, which is designed to enable network members to more easily and conveniently access business-related information.

#### Moulds Business Line

- Sales in Q3/2015 are expected to be more or less the same as for Q2/2015, as a result of the existing accumulated back orders carried forward by a subsidiary company.

## 8. Significant Events of Q2/2015

There is no new accounting policy in Q2/2015. Nevertheless, significant events regarding additional investments, changes in investments, and future investment plan were as follows:

### 8.1 Investment in subsidiaries

- Srithai (Vietnam) Company Limited

The Company partially paid for additional investment in share capital of a subsidiary amounting to US dollars 3.00 million or equivalent to Baht 101.29 million, and as at June 30, 2015 amounting to US dollars 6.00 million or equivalent to Baht 199.24 million.

- Srithai (Hanoi) Company Limited

In Q2/2015, Srithai (Vietnam) Company Limited partially paid for share capital of Srithai (Hanoi) Company Limited, a subsidiary, amounting to Vietnamese Dongs 49,000.00 million or equivalent to Baht 73.50 million, and as at June 30, 2015 amounting to Vietnamese Dongs 91,000.00 million or equivalent to Baht 136.50 million.

- **Srithai Superware Manufacturing Private Limited**

In Q2/2015, Srithai Superware Manufacturing Private Limited, a subsidiary, has registered to increase its capital from Indian Rupees 500.00 million to Indian Rupees 900.00 million according to the resolution of the Board of Directors of the subsidiary. The Company paid for the additional share capital in Q2/2015 amounting to Indian Rupees 125.00 million or equivalent to Baht 66.13 million according to its 100.00% shareholding, and as at June 30, 2015 amounting to Indian Rupees 624.98 million or equivalent to Baht 335.18 million.

## **8.2 Dividend payments of subsidiaries**

- **Korat Thai Tech Company Limited**

At the Extraordinary General Shareholders' Meeting of Korat Thai Tech Company Limited on June 29, 2015, the meeting has approved an interim dividend for the year 2015 at Baht 20.00 per share, totalling Baht 60.00 million. The Company will receive a dividend of Baht 60.00 million according to its 100.00% shareholding. For six-month period of 2015, the Company has received dividend income from this subsidiary amounting to Baht 120.00 million.

- **Srithai Miyagawa Company Limited**

At the Annual General Shareholders' Meeting of Srithai Miyagawa Company Limited on April 25, 2015, the meeting has approved a dividend in respect of the subsidiary's net profit for the year 2014 at Baht 17.00 per share, totalling Baht 20.40 million. The Company will receive the dividend of Baht 10.40 million according to its 51.00% shareholding.

## **9. Post statement of financial position events**

### **9.1 Reclassifying the Industry Group/Sector listing designation applicable for the Company**

The Stock Exchange of Thailand considered it appropriate to reclassify the Industry Group/Sector listing designation applicable for the Company from the "Consumer Products" industry group – "Home & Office Products" sector to be under the "Industrials" industry group –

“Packaging” sector. This is in order to be more clearly identifiable for investors and also to reflect the current business operations of the Company, since both the main business structure and overall revenues mix of the Company presently involves industrial products used for the packaging products industries. As such, this reclassification is effective from July 2, 2015 onwards.

## **9.2 Investment in a subsidiary**

- **Srithai (Vietnam) Company Limited**

On July 24, 2015, the Company partially paid for additional investment share capital in Srithai (Vietnam) Company Limited, a subsidiary, amounting to US Dollars 4.00 million or equivalent to Baht 139.52 million according to its 100.00% shareholding. As at August 14, 2015, the Company paid for additional investment in this subsidiary amounting to US dollars 10.00 million or equivalent to Baht 338.76 million.

- **Srithai (Hanoi) Company Limited – indirect subsidiary**

On July 27 and 30, and August 11, 2015, Srithai (Vietnam) Company Limited, a parent, partially paid for share capital of Srithai (Hanoi) Company Limited, a subsidiary, amounting to Vietnamese Dongs 20,000.00 million or equivalent to Baht 30.00 million according to its 100.00% shareholding, and as at August 14, 2015 amounting to Vietnamese Dongs 111,000.00 million or equivalent to Baht 166.50 million.

Please be informed accordingly.

Yours faithfully,

Prin Bholnivas

Director