

August 28, 2015

Attn : The President  
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the Year Ended 30 June, 2015

As shown in the financial statements of the Year Ended 30 June, 2015 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the last year.

We would like to report on Management's Discussion and Analysis for the Year Ended 30 June, 2015 as follows :

### 1. Operating Results

Statements of Comprehensive Income for the Year Ended 30 June, 2015 and 2014

Consolidated F/S	For the Year Ended 30 June, 2015		For the Year Ended 30 June, 2014		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
	Domestic sales and services - net	1,547	93%	1,961	92%	(414)
Export sales and services - net	111	7%	181	8%	(70)	(39%)
<b>Total Revenues</b>	<b>1,658</b>	<b>100%</b>	<b>2,142</b>	<b>100%</b>	<b>(484)</b>	<b>(23%)</b>
Domestic costs of sales and services	1,236		1,638		(402)	(25%)
Export costs of sales and services	107		194		(87)	(45%)
<b>Total Costs of Sales and Services</b>	<b>1,343</b>	<b>81%</b>	<b>1,832</b>	<b>86%</b>	<b>(489)</b>	<b>(27%)</b>
Domestic gross income	311		323		(12)	(4%)
Export gross income	4		(13)		17	131%
<b>Total Gross Income</b>	<b>315</b>	<b>19%</b>	<b>310</b>	<b>14%</b>	<b>5</b>	<b>2%</b>
Other income	19	1%	90	4%	(71)	(79%)
Selling and administrative expenses	(436)	(26%)	(549)	(26%)	113	21%
Compensation for defect products	-	-	(189)	(9%)	189	100%
<b>Income (Loss) from Operations</b>	<b>(102)</b>	<b>(6%)</b>	<b>(338)</b>	<b>(16%)</b>	<b>236</b>	<b>(70%)</b>
Equity in net income of associated companies	52	3%	90	4%	(38)	(2%)
Financial costs	(2)	(0%)	(4)	0%	2	50%
<b>Income (Loss) before Income Tax</b>	<b>(52)</b>	<b>(3%)</b>	<b>(252)</b>	<b>(12%)</b>	<b>200</b>	<b>79%</b>
Income tax	(3)	(0%)	42	2%	(45)	(107%)
Non - controlling interests in subsidiaries	(4)	(0%)	(18)	(1%)	14	78%
<b>Net Profit (Loss) of The Company's shareholders</b>	<b>(59)</b>	<b>(4%)</b>	<b>(228)</b>	<b>(11%)</b>	<b>169</b>	<b>74%</b>
<b>Net Profit(Loss) of The Company's per share (Baht)</b>	<b>(0.10)</b>		<b>0.38</b>		<b>0.28</b>	<b>74%</b>

## 1.1 Analysis of Operating Results

For the Year Ended 2014/2015, the consolidated financial statements of the Company's total revenues amounted to Baht 1,658 million, decreased by Baht 484 million or 23 percent from the previous year. This was mainly resulted from the domestic sales and services of furniture and one subsidiary were decreased. Also, this was resulted from the decrease of sales of "Lucky" Hi-tech Building from one subsidiary. However, the Company has action plans of human resources development in marketing and production, as well as design and development of new products to response to customer's needs and to increase sales volume with a focus on development and enhancement of furniture products, thus, revenues should be increased.

### Total Revenues

The consolidated financial statements of the Company's total revenues in 2014/2015 was Baht 1,658 million, decreased by Baht 484 million or 23 percent from previous year. This was mainly resulted from the decrease of domestic sales of furniture and services from sales agent of the company and sales from one subsidiary, and decreased of sales of special project of "Lucky" Hi-tech Building System while the total revenues in this year are as the following ;

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 1,525 million, decreased by Baht 436 million or 22 percent from last year. This was resulted from the decrease of sales of furniture from sales agents of the company, and the decrease of sales from one subsidiary of the company.

- Domestic sales and services of construction, there were 3 construction services, total amounted Baht 22 million, increased from previous year that there was none of revenue from construction service.

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 111 million, decreased by Baht 70 million or 39 percent from last year. This was resulted from the decrease of export sales of furniture and special project from "Lucky" Hi-tech Building System.

### Other Income

The consolidated financial statement of the Company's other income in 2014/2015 decreased by Baht 71 million or 79 percent from previous year. Most of them were decreased due to getting in loss of foreign exchange rate by Baht 25 million. Mostly resulted from the adjustment of account receivable of Australia in foreign exchange rate of Thai National Bank at the end of this year, while there was profit in foreign exchange rate amounted to Baht 22 million.

### Cost of Sales and Expenses

The consolidated financial statements of the Company's total cost of sales in 2014/2015 was Baht 1,343 million, decreased by Baht 489 million or 27 percent from previous year. This was resulted from the decrease in total revenues and there was fix cost from "Lucky" Hi-tech Building System from special project in small quantity which is not worth to the cost. While this year there was none of this cost, resulted to the decrease of total cost of sales. For the ratio of total cost of sales and total revenue in year 2014/2015 and 2013/2014 was 81 and 86 respectively.

- The consolidated financial statements of the Company's selling and administrative expenses in 2014/2015 was Baht 436 million, decreased by Baht 113 million or 21 percent from previous year. This was resulted from a decrease in total revenue. The ratio of selling and administrative expenses rate of total revenues in 2014/2015 and 2013/2014 were 26 percent and 26 percent respectively. The ratio of selling and administrative expenses rate were not decreased, resulted from a quantity of fixed cost, while total revenue decreased.

- The consolidated financial statements of the Company's compensation in product defects none of in this, while The consolidated financial statements of the Company's compensation in product defects in 2013/2014 was Baht 189 million, resulting from the shipments of prefabricated buildings which was completely exported to our 3 Australian customers and all was recognized as income since the consolidated financial statements of the Company from 2009/2010 to 2012/2013. Afterwards, in the second quarter of 2013/2014, these 3 customers have notified to the company for the compensation of product defect caused from the production. After the negotiation with customers, the Company agreed to pay the compensation to the customers amounted Baht 189 million or 5.13 of revenue from sales to those 3 customers who were not related to the Company.

- The consolidated financial statements of the Company's corporate income tax in 2014/2015 were included current tax expenses under the Revenue Code amounted to Baht 4 million and deferred tax income amounted to Baht 1 million, net deferred tax was recognized in expenses amounted to Baht 3 million. For the year ended 2013/2014 there was corporate income tax included current tax expenses under the Revenue Code amounted to Baht 11 million and deferred tax income amounted to Baht 53 million, net deferred income tax was recognized as income amounted to Baht 42 million.

### **Gross Profit**

The consolidated financial statements of the Company's net profit in 2014/2015 was Baht 315 million, increased by Baht 5 million or 2% from the previous year. The gross profit ratio in 2014/2015 and 2013/2014 represented 19 and 14 respectively, as the increase of gross profit due to there is none of production cost of "Lucky" Hi-tech Building System from special project. But last year, there was fix cost from "Lucky" Hi-tech Building System from special project in small quantity which was not worth to the cost.

### **Net Profit (Loss)**

The consolidated financial statements of the Company's net loss in 2014/2015 was Baht 59 million, net loss in 2013/2014 was Baht 228 million, decreased by Baht 169 million or 74 percent from the previous year. Mostly resulting from none of the Company's compensation in product defect in this year. In 2013/2014 there was the Company's compensation in product defects in 2013/2014 was Baht 189 million, resulting from the shipments of prefabricated buildings which was completely exported to our 3 Australian customers and all was recognized as income since the consolidated financial statements of the Company from 2009/2010 to 2012/2013. Afterwards, in the second quarter of 2013/2014, these 3 customers have notified to the company for the compensation of product defect caused from the production. After the negotiation with customers, the Company agreed to pay the compensation to the customers amounted Baht 189 million or 5.13 of revenue from sales to those 3 customers who were not related to the Company. For the ratio of net profit (loss) 2014/2015 and 2013/2014 were net (loss) 4 and net (loss) 11 respectively.

## 2. Financial positions

Statements of Financial positions as at 30 June, 2015 and 2014

Consolidated F/S	30 June 2015		30 June 2014		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	269	10%	333	11%	(64)	(19%)
Trade accounts receivable - net	415	15%	450	15%	(35)	(8%)
Inventories - net	365	13%	390	13%	(25)	(6%)
Other current assets	52	2%	22	2%	30	136%
<b>Total Current Assets</b>	<b>1,101</b>	<b>40%</b>	<b>1,195</b>	<b>41%</b>	<b>(94)</b>	<b>(8%)</b>
Investments	739	27%	725	25%	14	2%
Property, plant and equipment - net	710	26%	750	26%	(40)	(5%)
Other non - current assets	231	7%	241	8%	(10)	(4%)
Total Non - Current Asset	1,680	60%	1,716	59%	(36)	(2%)
<b>Total Assets</b>	<b>2,781</b>	<b>100%</b>	<b>2,911</b>	<b>100%</b>	<b>(130)</b>	<b>(4%)</b>
<b>Liabilities and Shareholders' Equity</b>						
Short - term loans from financial institution	-	-	53	2%	(53)	(100%)
Trade accounts payable	164	6%	184	6%	(20)	(11%)
Other current liabilities	127	5%	120	4%	7	6%
<b>Total Current Liabilities</b>	<b>291</b>	<b>10%</b>	<b>357</b>	<b>12%</b>	<b>(65)</b>	<b>(18%)</b>
Employee benefits obligation	23	1%	22	1%	1	5%
Other non - current liabilities	2	0%	2	0%	0	0%
Total Non - Current Liabilities	25	1%	24	1%	1	4%
Total Liabilities	316	11%	381	13%	(65)	(17%)
Shareholders' equity to the Company's	2,278	82%	2,337	80%	(59)	(3%)
Shareholders' equity non-controlling interests' equity	187	7%	193	7%	(6)	(3%)
Total Shareholders' equity	2,465	89%	2,530	87%	(65)	(3%)
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,781</b>	<b>100%</b>	<b>2,911</b>	<b>100%</b>	<b>(130)</b>	<b>(4%)</b>

## **2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 June, 2015 and 2014**

### **Total Assets**

As at June 30, 2015, the consolidated financial statements of the Company's total assets was Baht 2,781 million, decreased by Baht 130 million or 4 percent from the end of last year. This was mainly due to the decrease in cash and cash equivalents, trade accounts receivable and inventory.

As at June 30, 2015 and June 30, 2014 the total assets of consolidated financial statement of the Company were comprised as the following items;

- Cash and cash equivalents were 10 percent and 11 percent respectively.
- Trade accounts receivable were 15 percent and 15 percent respectively.
- Inventories were 13 percent and 13 percent respectively.
- Other current assets were 2 percent and 2 percent respectively.
- Investment in the associated companies and other companies were 27 percent and 25 percent respectively.
- Property, plant and equipment were 26 percent and 26 percent respectively.
- Other non-current assets were 7 percent and 8 percent respectively.

- Cash and cash equivalents as at June 30, 2015 was Baht 269 million, decreased by Baht 64 million from June 30, 2014. This was mainly due to net cash provided for operating activities, and cash provided for the payment of short-term loan to financial institutions.

- Trade accounts receivable as at June 30, 2015 was Baht 415 million, that was current trade accounts receivable 47 percent, overdue trade account receivable less than or equivalent to 3 months at 26 percent and over 3 months at 27 percent. However, the Company, subsidiaries and its joint ventures have been followed closely for the collection. Some debtors who have been in the process of debt collection, would be considered the allowance for doubtful accounts. Thus, as at June 30, 2015, the allowance for doubtful accounts was Baht 45 million from one of Australia's trade account receivables, "LUCKY" Hitech Building System from special project was Baht 44 million, and others Baht 1 million. The Company, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times as at the end of this year were 3.83 and 3.73 from last year, and account receivable days were 95, while 98 from last year. The account receivable day was increased due to the balance of trade account receivable decreased.

- Inventories as at the end of 2014/2015 were Baht 365 million, decreased by Baht 25 million from last year, resulted from this year the allowance of product decreased from dead stock over 1 year, resulted net inventory decreased. The inventory turnover rate of this year was 3.55, while 4.10 from last year, decreased from last year due from at the end of this year, cost of sales and inventory decreased.

- Investments as at June 30, 2015 were Baht 739 million, increased by Baht 14 million or 2 percent. This was due to the shares in profit from one associated company and the allowance of diminution in value of investment of the Company decreased, caused to the value of investment increased.

- Property, plant and equipment - net as at June 30, 2014 was Baht 710 million, decreased by Baht 40 million or 5 percent from June 30, 2014. This was mainly due to the depreciation of plant and equipment for the period.

#### **Total liabilities**

As at the end of year 2014/2015, the consolidated financial statements of the Company had total liabilities of Baht 315 million, decreased by Baht 66 million or 17 percent. This was mainly due the payment for short term loan of bill of exchange and trust receipt of Baht 53 million to account payable.

#### **Shareholders' equity**

As at June 30, 2015, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,465 million while as at June 30, 2014 was Baht 2,530 million, decreased by Baht 65 million or 3 percent. This was resulted from this year the consolidated financial statements of the Company had net loss amounted Baht 59 million and profit with non-controlling interests in subsidiaries decreased by Baht 6 million.

Book value as at June 30,2015 was Baht 4.16 per share, while as at June 30, 2014 was Baht 4.27 per share, decreased by baht 0.11 per share or 3 percent from the previous year.

## 2.2 Liquidity and key financial ratios

Statements of Cash flows for the Year Ended 30, June 2015

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(29)
Net cash used in investing activities	28
Net cash used in financing activities	(63)
<b>Decrease in cash and cash equivalents - net</b>	<b>(64)</b>
Cash and cash equivalents at beginning of period	333
<b>Cash and cash equivalents at end of period</b>	<b>269</b>

Liquidity of the consolidated financial statement of the Company as at June 30, 2015, there was balance cash and cash equivalents at the end of period was Baht 269 million while as at June 30, 2014 was Baht 333 million, cash flow decreased by Baht 64 million, this was due to :-

- Cash flows from operating activities decreased by Baht 29 million, due to trade accounts payable.
- Cash flows from investing activities increased by Baht 28 million, caused from none of cash use in the investment of ordinary shares in subsidiary company in this year, while used in the investment of the ordinary shares in subsidiary company by Baht 60.2 million in last year.
- Cash flows from financing activities decreased by Baht 63 million, decreased in short-term loans payment in trust receipt from financial institutions by Baht 53 million and decreased from dividend paid to non-controlling interest from subsidiary by Baht 10 million.

For the current ratio as at June 30, 2014 and June 30,2015 were 3.35 and 3.78 respectively, the quick ratio as at June 30, 2014 and June 30,2015 were 2.19 and 2.35 respectively. It was showing that the Company subsidiaries and its joint ventures had good liquidity assets.

The Company, subsidiaries and its joint ventures had good capacity to pay liabilities. The debt ratios as at June 30, 2014 and June 30, 2015 were 0.15 and 0.13 respectively.

### 3. Main factors that may affect the future of finance position or future operation

#### **The stability of local political**

If local political is instable, it may lessen the government's spending to stimulate the economy. As a result, the industrial growth will be fallen and the order is also reduced.

#### **Foreign market**

If the world economy has not been recovered, foreign market will have contraction. As a result, the industrial growth will be fallen and the order is also reduced.

#### **Raw material pricing**

Steel is the main raw material for production. If prices of steel are fluctuated, this may affect the orders and production costs.

**Foreign Exchange Rate**

If the Baht is appreciating against the USD dollar continuously, this may affect the Company's sales getting less. Also, the Company may lose their competitiveness compared to its competitors and may get loss from the exchange rate.

Please be informed accordingly.

Yours sincerely,

( Mr. Surasak Kunanantakul )  
Vice President  
Siam Steel International Public Company Limited