

August 15, 2016

Attn : The President  
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the 2nd quarter ending 30 June 2016,  
the changed performance was over 20 percent

As shown in the financial statements of the 2nd quarter for the three-month period ended 30 June 30, 2016 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the same quarter of last year.

We would like to report on Management's Discussion and Analysis for the 2nd quarter period ending 30 June, 2016 as follows :

### 1. Operating Results

Statements of Comprehensive Income for the three-month period ended 30 June 2016 and 2015

Consolidated F/S	The second quarter		The second quarter		Change	
	2016		2015			
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	425	97%	361	95%	64	18%
Export sales and services - net	14	3%	18	5%	(4)	(22%)
<b>Total Revenues</b>	<b>439</b>	<b>100%</b>	<b>379</b>	<b>100%</b>	<b>60</b>	<b>16%</b>
Domestic costs of sales and services	341		320		21	7%
Export costs of sales and services	12		18		(6)	(33%)
<b>Total Costs of sales and services</b>	<b>353</b>	<b>80%</b>	<b>338</b>	<b>89%</b>	<b>15</b>	<b>4%</b>
Domestic gross income	84		41		43	105%
Export gross income	2		0		2	100%
<b>Total Gross income</b>	<b>86</b>	<b>20%</b>	<b>41</b>	<b>11%</b>	<b>45</b>	<b>110%</b>
Other income	8	2%	19	5%	(11)	(58%)
Selling and administrative expenses	(171)	(39%)	(103)	(27%)	68	66%
<b>profit (loss) from operations</b>	<b>(77)</b>	<b>(18%)</b>	<b>(43)</b>	<b>(11%)</b>	<b>(34)</b>	<b>(79%)</b>
Equity in net income of associated companies	19	4%	6	2%	13	217%
Financial costs	(7)	(2%)	(0.0)	(0.0%)	7	100%
<b>Profit (loss) before income tax</b>	<b>(65)</b>	<b>(15%)</b>	<b>(37)</b>	<b>(10%)</b>	<b>(28)</b>	<b>(76%)</b>
Income tax	(1)	(0.1%)	3	1%	(4)	(121%)
Non - controlling interests in subsidiaries	2	0.5%	6	2%	(4)	(67%)
<b>Net profit (loss) of the Company's shareholders</b>	<b>(64)</b>	<b>(14%)</b>	<b>(28)</b>	<b>(7%)</b>	<b>(36)</b>	<b>(130%)</b>
<b>Net profit (loss) of the Company's per share (Baht)</b>	<b>(0.109)</b>		<b>(0.047)</b>		<b>(0.063)</b>	<b>(130%)</b>

## **1.1 Analysis of Operating Results**

For the 2nd quarter 2016, the consolidated financial statements of the Company's total revenues amounted to Baht 439 million, increased by Baht 60 million or 16 percent from the same quarter of last year, resulted to the increase of sales of domestic sales of furniture, and construction services. However, the Company still has the action plan of human resources development in marketing and production, as well as increasing new products to response to customer's needs and to increase sales volume, including to expand the investment to the renewable energy business in order to get stable income in the future, thus the revenues should be increased.

### **Total Revenues**

The consolidated financial statements of the Company's total revenues in the 2nd quarter of this year amounted to Baht 439 million, increased by Baht 60 million or 16 percent from the 2nd quarter of last year. This was mainly resulted from the increase of domestic sales of furniture and construction services, total revenue of the 2nd quarter of this year were as the followings;

- Revenues from domestic sales and services of furniture, "Lucky" Hi-tech Building System, and flood protection wall amounted to Baht 388 million, increased by Baht 41 million or 12 percent from last year. This was resulted from the increase of domestic sales of furniture from one subsidiary of the Company.

- Revenues from export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 14 million, decreased by Baht 4 million or 22 percent from last year, resulted from the decrease of export sales of furniture.

- Revenues from domestic sales and services of construction. There were 2 construction services amounted by Baht 37 million, increased by Baht 23 million from the second quarter of last year.

### **Other Income**

The consolidated financial statements of the Company's other income of the 2nd quarter of this year was decreased by Baht 11 million, or 58 percent, mostly decreased from profit of foreign currency exchange rate by Baht 6 million. While there was getting loss of foreign currency exchange rate by Baht 5 million in this year. Nevertheless, the profit and loss from foreign currency exchange rate was mostly resulted from the adjustable of Australian account receivable in accordance with the foreign currency exchange rate of Bank of Thailand, as at 30 June 2016, the foreign currency exchange rate was Baht 25.7913 per 1 Australian Dollars.

### **Cost of Sales and Expenses**

- The consolidated financial statements of the Company's total cost of sales in the 2nd quarter of this year was Baht 353 million, increased by Baht 15 million or 4 percent. For the ratio of total cost of sales to total revenue of the 2nd quarter of year 2016 and the 2nd quarter of year 2015 were 80 percent and 89 percent respectively. The total cost of sales was increased and the ratio of total cost of sales per total revenue was decreased in accordance with the total revenue increased.

- The consolidated financial statements of the Company's selling and administrative expenses in the 2nd quarter of 2016 amounted to Baht 171 million, increased by Baht 68 million or 66 percent from last year, resulted from the 2nd quarter of this year, subsidiary company of the renewable energy was recognized as the expenses incurred. Also, the Company had the administrative cost increased, they were legal advisor expenses amounted by Baht 31 million, regarding with account receivable of Australia has been unpaid for a long time and has been setting up provision expenses with interest amounted to Baht 19 million from the case of 1 subcontractor has accused to the Company. For the ratio of selling and administrative expenses per total revenue in the 2nd quarter of year 2016 and the 2nd quarter of year 2015 were 39 percent and 27 percent respectively.

- The consolidated financial statements of the Company's financial cost in the 2nd quarter of this year amounted to Baht 7 million, increased by Baht 7 million from last year, resulted from the interest of short term loan that the Company has getting loan in order to expand the investment in renewable energy business and for the installation of solar cell panel at the Company, and long term loan interest that the company used for the expansion of investment in renewable energy business.

- The consolidated financial statements of the Company's corporate income tax of the 2nd quarter 2016 were included deferred income tax recognized as expenses amounted to Baht 1 million and deferred tax expenses under the Revenue Code by Baht 1 million and corporate income tax of the 2nd quarter 2015 were included deferred income tax recognized as income amounted to Baht 4 million and deferred tax expenses under the Revenue code by Baht 1 million, net income tax recognized as income amounted to Baht 3 million.

### **Gross Profit**

The consolidated financial statements of the Company's gross profit in the 2nd quarter of 2016 amounted to Baht 86 million, increased by Baht 45 million or 110 percent from the 2nd quarter of 2016, and the 2nd quarter of 2015 were 20 percent and 11 percent respectively. The gross profit ratio was increased, resulted from the 2nd quarter of this year, there were domestic sales of furniture and revenue from construction services increased. The domestic sales of some items have got rarely low cost of sales, resulted to gross profit increased

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

The consolidated financial statements of the Company's net loss in the 2nd quarter 2016 amounted by Baht 64 million, and the 2nd quarter of year 2015, there was net loss by Baht 28 million. This year there was net loss increased from last year by Baht 36 million or net loss increased to 130 percent, resulting to the 2nd quarter of this year, the administrative expenses increased, due to subsidiary of the Company in renewable energy has been recognized the expenses occurred, and the Company has got legal advisor expenses amounted to Baht 31 million regarding to Australia trade receivable has been overdue for a long time, and was provision expenses with interest by Baht 19 million from the case of one sub-contractor has accused to the Company. Thus, the equity of profit of joint company in accordance with equity method increased by Baht 13 million. For the ratio of net loss of the 2nd quarter of year 2016 and 2015, there were net loss ratio 14 percent and 7 percent respectively.

## 2. Financial Positions

Statements of Financial Positions as at 30 June 2016 and 31 December 2015

Consolidated F/S	As at		As at 31		Change	
	30 June 2016		December 2015			
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Assets</b>						
Cash and cash equivalents	285	8%	379	12%	(94)	(25%)
Trade accounts receivable - net	435	13%	492	16%	(57)	(12%)
Inventories - net	373	11%	324	10%	49	15%
Other current assets	50	1%	40	1%	10	25%
<b>Total Current Assets</b>	<b>1,143</b>	<b>33%</b>	<b>1,235</b>	<b>40%</b>	<b>(92)</b>	<b>(7%)</b>
Investments	1,322	38%	766	25%	556	73%
Property, plant and equipment - net	757	22%	748	24%	9	1%
Other non - current assets	225	7%	339	11%	(114)	(34%)
Total Non - Current Asset	2,304	67%	1,853	60%	451	24%
<b>Total Assets</b>	<b>3,447</b>	<b>100%</b>	<b>3,088</b>	<b>100%</b>	<b>359</b>	<b>12%</b>
<b>Liabilities and Shareholders' Equity</b>						
Short-term loans from financial institution						
Short-term loans from related company	264	8%	24	1%	240	1000%
Trade accounts payable	103	3%	-	-	103	100%
Other current liabilities	171	5%	161	5%	10	6%
	215	6%	154	5%	61	40%
<b>Total Current Liabilities</b>	<b>753</b>	<b>22%</b>	<b>339</b>	<b>11%</b>	<b>414</b>	<b>122%</b>
Long term loan from financial institution	200	6%	200	6%	0	0%
Liabilities of employee benefit	25	1%	24	1%	1	4%
Other non - current liabilities	3	0%	2	0%	1	50%
Total Non - Current Liabilities	228	7%	226	7%	2	1%
Total Liabilities	981	28%	565	18%	416	74%
Shareholders' equity to the Company's	2,272	66%	2,335	76%	(63)	(2.7%)
Shareholders' equity non-controlling interests' equity	194	6%	188	6%	6	3%
Total Shareholders' equity	2,466	72%	2,523	82%	(57)	(2.3%)
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,447</b>	<b>100%</b>	<b>3,088</b>	<b>100%</b>	<b>359</b>	<b>12%</b>

## **2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 June, 2016 compared with 31 December, 2015**

### **Total Assets**

As at June 30, 2016, the consolidated financial statements of the Company's total assets amounted to Baht 3,447 million, increased by Baht 359 million or 12 percent from last year. This was mainly due to the increase in the investment of solar energy plant project in Japan, amounted to Baht 542 million of Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company.

As at June 30, 2016 and December 31, 2016 total assets of the consolidated financial statement of the Company were comprised as the followings ;

- Cash and cash equivalents were 8 percent and 12 percent respectively.
- Trade accounts receivable were 13 percent and 16 percent respectively.
- Inventories were 11 percent and 10 percent respectively.
- Other current assets were 1 percent and 1 percent respectively.
- Investment in the associated companies, other companies, and the investment of Solar Power Energy project in Japan of Bang Phra Green Energy Co., Ltd., which was indirect subsidiary company was 38 percent, and investment in the associated companies was 25 percent respectively.
- Property, plant and equipment were 22 percent and 24 percent respectively.
- Other non-current assets were 7 percent and 11 percent respectively.

- Cash and cash equivalents as at June 30, 2016 amounted to Baht 285 million, decreased by Baht 94 million, mostly resulted from Bang Phra Green Energy Co., Ltd. which was indirect subsidiary of the company has taken cash used for the investment activity in solar power energy project in Japan amounted to Baht 450 million, and cash getting from financing activity of short term loan and long term loan from financial institutes and related persons increased by Baht 343 million, for Bang Phra Green Energy which was indirect subsidiary of the company used for the project of solar power energy factory in Japan.

- Trade accounts receivable as at June 30, 2016 amounted to Baht 435 million which were current trade accounts receivable 46 percent, overdue trade accounts receivable less than or equivalent to 3 months at 25 percent, and trade accounts receivable over 3 months was 29 percent. However, those trade accounts receivable of the Company, subsidiaries and its joint ventures have been followed up closely for the collections. Some debtors have been in the process of debt collection, would be considered as the allowance for doubtful accounts by Baht 45 million who was trade account receivable from one Australian customer, for prefabricated building from special project amounted by Baht 44 million and others amounted by Baht 1 million, as the Company and subsidiary company has acknowledged that was sufficient.

For the turnover of receivable as at June 30, 2016 were 4.01 time and 3.81 time from last year, and account receivable days as at the end of 2nd quarter of this year was 91 days, while 96 days at the end of last year. The account receivable days were 91 days, while 96 day in last year. The account receivable days as at the end of 2nd quarter of this year was increased, trade accounts receivable was decreased due to the balance of trade accounts receivable decreased in December 31, 2015.

- Inventories as at the end of June 30, 2016 amounted to Baht 373 million, increased by Baht 41 million or 13 percent, due to one subsidiary has got inventory of finished goods increased and some was increased from raw material and product in the process balance of furniture and prefabricated building of the Company. For the inventory turnover rate as at the end of 2nd quarter of this year was 4.10 times and at the end of last year was 3.97 times, increased from last year, resulted from at the end of 2nd quarter of this year, there was revenue increased.

- Investments as at the end of 2nd quarter of this year amounted to Baht 1,322 million, increased by Baht 556 million or 73 percent. This was due to the increase of investment in the project of solar energy in Japan amounted to Baht 542 million of Bang Phra Green Energy, Ltd., which was indirect subsidiary of the Company, and equity in the profit under the equity method of one associated company increased.

- Property, plant and equipment - net as at the end of 2nd quarter 2016 amounted to Baht 757 million, increased by Baht 9 million or net 1 percent. Most of them were increased from the equipment of installation of solar cell panels which was device for changing solar energy to be electrical energy for use in the Company, and some portion were decreased from depreciation of building and equipment for the accounting period.

#### **Total liabilities**

As at the end of 2nd quarter 2016, the consolidated financial statements of the Company had total liabilities amounted to Baht 981 million, increased by Baht 416 million or 74 percent, mostly increased from short-term loan of financial institutes and from related persons.

- Short term loan from financial institute as at the end of 2nd quarter of this year, amounted to Baht 264 million, increased by Baht 240 million by the Company has got loan amounted to Baht 40 million in order to use for the installation of solar cell panels on roof of the company, and getting loan amounted to Baht 200 million for Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar energy in Japan.

- Short term loan from related persons as at the end of 2nd quarter of this year amounted to Baht 103 million, increased from loan of Bang Phra Green Energy Ltd., which was indirect subsidiary of the Company to use for the project of solar power energy in Japan.

### Shareholders' equity

As at the end of 2nd quarter 2016, the consolidated financial statements of the Company's shareholders' equity amounted to Baht 2,466 million, while as at the end of last year amounted to Baht 2,523 million, decreased by Baht 57 million or 2.3 percent. This was resulted from the 1st quarter and the 2nd quarter of this year, has got net loss by Baht 57 million.

Book value as at the end of 2nd quarter 2016 was Baht 4.16 per share, while as at December 31, 2015 was Baht 4.25 per share, decreased by Baht 0.10 per share or 2.3 percent

### 2.2 Liquidity and key financial ratios

Statements of cash flows for the three-month period ended 30 June 2016

Consolidated F/S	Unit : Million Baht
Net cash from (used for) operating activities	7
Net cash from (used for) investment activities	(437)
Net cash from (used for) financing activities	335
<b>Cash and cash equivalent increased (decreased )</b>	<b>(95)</b>
Cash and cash equivalents at the beginning of period	380
<b>Cash and cash equivalents at the end of period</b>	<b>285</b>

Liquidity of the consolidated financial statement of the Company as at the end of 2nd quarter of this year, the balance cash amounted to Baht 285 million, while there was Baht 380 million from the end of last year, cash flow decreased from the previous year amounted to Baht 95 million, resulting from :

- Cash flow from operating activities amounted to Baht 7 million, mostly from advance received, and deposit of the goods from customer.

- Cash flows used for the investment activities amounted to Baht 437 million, mostly resulted from Bang Prah Green Energy Ltd., the indirect subsidiary of the Company, used cash for the investment of solar energy project in Japan amounted to Baht 450 million, and cash used for the investment of assets amounted to Baht 30 million for the purchase of additional equipment for solar cell installation at the company, and dividend received from associated company and subsidiary company amounted to Baht 29 million.

- Cash flows from financing activities amounted to Baht 335 million for Bang Phra Green Energy, Ltd. which was indirect subsidiary of the Company to use for solar power energy project in Japan.

The current ratio was decreased from 3.64 times as at June 30, 2015 was 1.52 times as at the end of 2nd quarter of this year. The ratio of working capital was decreased from 2.57 times as at the end of the 2nd quarter of last year was 0.96 times as at the end of 2nd quarter of this year. Both ratios were highly decreased, due to the consolidated financial statement of the company has the current liability increased. However, both ratios have been shown to the good liquidity of the company and subsidiary of the company.

Taking consideration of the ability for the debt repayment as at the end of last year, and at the end of 2nd quarter of this year, the company and subsidiary company still have good ability for debt payment, considered from the ratio of liability to the ratio of shareholders' equity, the debt ratios as shown the numbers rarely low at 0.22 and 0.40 times respectively. Nevertheless, the ratio of shareholders' equity as at the end of 2nd quarter of this year was increased from last year, resulted to this year have got loan increased used for the support of investment expansion in renewable energy.

### **3. Main factors that may affect to future operations and finance positions**

#### **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 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 to the orders and production costs.

#### **Foreign Exchange Rate**

If the Baht is appreciating against the USD dollar continuously, this may affect to 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