

SITHAI-1101/61

November 9, 2018

Subject : Clarifications Regarding the Interim Financial Information for the Q3/2018 period

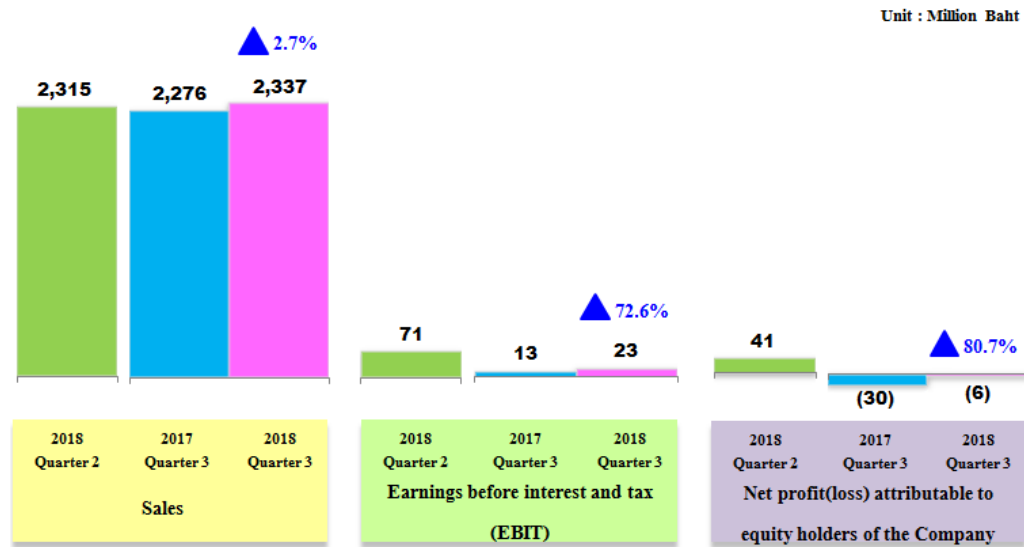
Dear President,
The Stock Exchange of Thailand (SET)

With respect to the interim financial information for the Q3/2018, as submitted by the Company, which has been reviewed by the external auditor, considered by the Audit Committee, and approved by the Company's Board of Directors on November 9, 2018, the Company wishes to report further clarifications in summary as follows:

1. Summary of Operating Results of the Group

For the Q3/2018, consolidated sales of the Group increased by 2.7% Year-On-Year (YoY). Gross Margin was lower to 12.4% (from 13.6%) of total sales. As such, consolidated loss of Q3/2018 and Loss Attributable to the equity holders of the Company is Baht 6 million, a decrease of Baht 24 million (or 80.7%) YoY. This represents a Loss Per Share of Baht 0.002 – a decrease from a Loss Per Share of Baht 0.011 YoY.

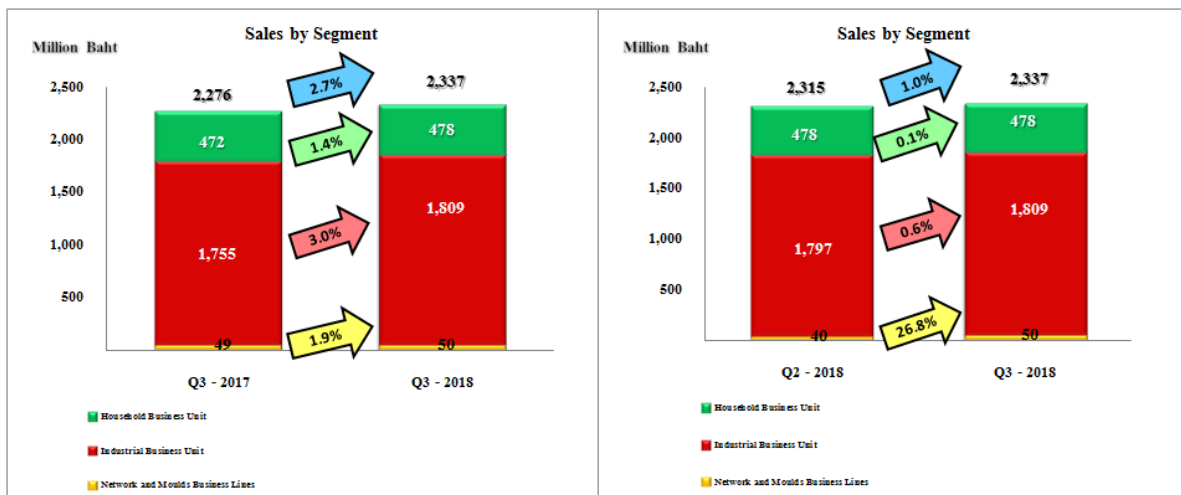
Picture 1 Overview of Consolidated Profit Information



	Unit	Quarter 2, 2018	Quarter 3, 2017	Quarter 3, 2018
Gross profit	%	13.3%	13.6%	12.4%
Net profit(loss) attributable to equity holders of the Company	Million Baht	41	(30)	(6)
Net profit(loss) on sales	%	1.8%	(1.3%)	(0.2%)
Earnings(loss) per share	Baht	0.015	(0.010)	(0.002)

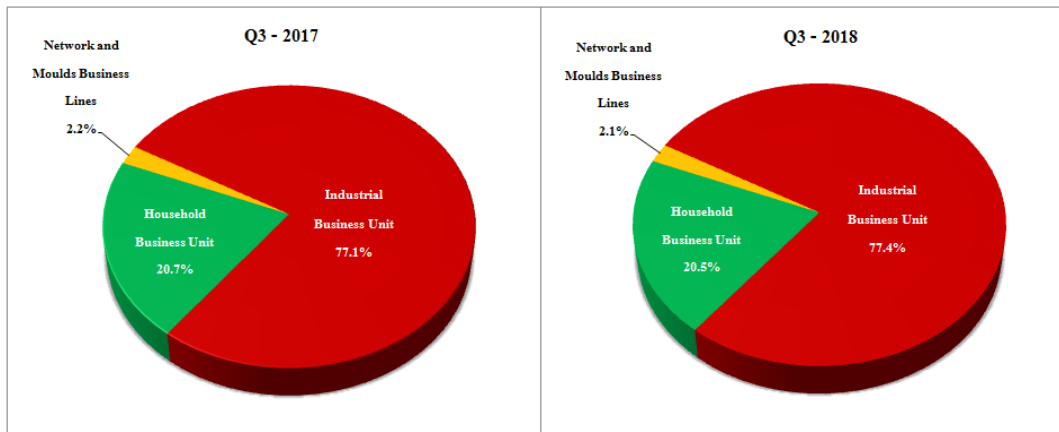
2. Analysis of the Operating Results for Q3/2018

2.1 Sales - by Segment



Picture 2 Sales - by Segment

Sales Proportion by Business Line



The change of sales proportion by segment in Q3/2018 compared to Q3/2017 is as follows:

- The share of sales for Plastics Business Line slightly increased from 97.8% to 97.9% - comprising Household Business Unit that saw a decrease in its share of total sales to 20.5% (from 20.7%), while Industrial Business Unit that achieved an increase in its share of total sales to 77.4% (from 77.1%).
- The share of sales for the Network and Moulds Business Line decreased from 2.2% to 2.1%.

1) Plastic Business Line

1.1) Household Business Unit

Comparison between Q3/2018 and Q3/2017

Total Q3/2018 sales of Household Business Unit increased by Baht 6 million (or 1.4%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Sales were approximately the same with prior year. Although, domestic sales decreased due to the shrink of buying power and the increase in cheaper import products from China by competitors, export sales increased from special orders by customers in Japan.

- Overseas operations

Sales increased as a result of marketing activities of new products for the HORECA customers group, together with reaching new modern trade customers by the subsidiaries in both India and Vietnam.

Comparison between Q3/2018 and Q2/2018

Sales of Household Products were approximately the same with Q2/2018. Although, sales of domestic operations in Q3/2018 decreased compared with Q2/2018 having mid-year grand sales, sales of overseas operations increased from market expansion of subsidiaries in India and Vietnam.

1.2) Industrial Business Unit

Comparison between Q3/2018 and Q3/2017

Total Q3/2018 sales of Industrial Business Unit increased by Baht 54 million (or 3.0%) YoY, which can be separated according to the following operating business bases:

- Domestic operations

Total sales decreased as a result of:

- Beverage Packaging Products Group: the drop in soft drinks customers due to customer behaviors towards health-consciousness,
- Food Packaging Products Group: a decline in popularity of frozen food menu using injection trays,
- Other Industrial Products Group: the drop in pallet sales due to a shift towards steel pallets by certain customers and the decrease in subsidiary's sales of automotive parts.

- Overseas operations

Sales from beverage packaging products increased due to an increase in sales orders from a large customer which expanded its production base in Central Vietnam, price adjustment as well as enlarged sales from paint pail customers.

Comparison between Q3/2018 and Q2/2018

Sales of Industrial Business Unit increased by 0.6% in Q3/2018 compared with Q2/2018, as a result of orders for paint pail of overseas subsidiary. While, sales of domestic operation decreased from orders of pallet products.

2) Network and Moulds Business Line

Comparison between Q3/2018 and Q3/2017

Total Q3/2018 sales of the Network and Moulds Business Line slightly increased by Baht 1 million (or 1.9%) YoY, resulting from:

- Sales of the Moulds Business increased due to the increase in production of the moulds delivered to customers in Q3/2018.

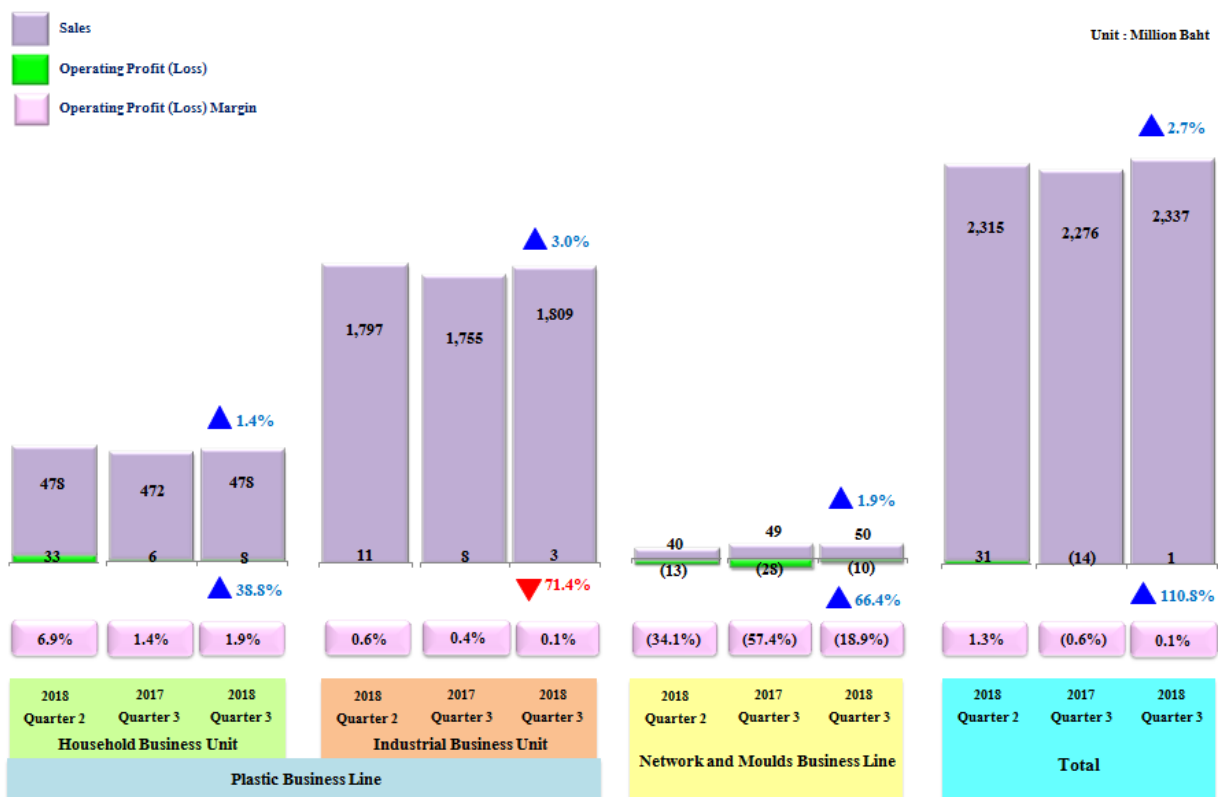
- Sales of the Network Business decreased due to the business competition and reduction of overall size of the business.

Comparison between Q3/2018 and Q2/2018

Sales for the Network and Moulds Business Line increased by 26.8% in Q3/2018 compared to Q2/2018, resulting from completed orders for new moulds delivered in the Q3/2018 period.

2.2 Operating Profit (Loss) by Segment

Picture 3 Sales and Operating Profit (Loss) by Segment



Operating profit by segment in Q3/2018 was Baht 1 million, compared to operating loss 14 million baht in Q3/2017, with the following details:

1) Plastic Business Line

1.1) Household Business Unit

Operating profit of Household Business Unit increased from the same period last year, and operating profit margin increased from 1.4% to 1.9%. This was due to higher gross margin from increase in capacity utilization in line with sales of overseas operation, while sales promotion expenses also increased.

However, operating profit margin for Household Products in Q3/2018 decreased compared with Q2/2018 due to the relative lower gross margin for export sales with higher sales promotion expenses.

1.2) Industrial Business Unit

Operating profit of Industrial Business Unit decreased from the same period last year, and operating profit margin decreased from 0.4% to 0.1% due to lower gross margin for beverage packaging products because of rising raw material costs, low capacity utilization, while selling and administrative expenses were approximately the same with prior year.

Operating profit margin of Industrial Products for Q3/2018 decreased from Q2/2018, due to the drop in gross margin of beverage packaging products from the increased cost of raw materials, low capacity utilization, while selling and administrative expenses slightly decreased.

2) Network and Moulds Business Line

The Network and Moulds Business Line made an operating loss of Baht 10 million, the loss was lower than the same period last year being loss of Baht 28 million. Operating loss margin decreased to 18.9% as a result of higher sales for moulds and decrease in sales promotion expenses from downsizing of Network Business.

Operating losses for the Network and Moulds Business line during Q3/2018 decreased from Q2/2018 as a result of higher sales for moulds.

2.3 Selling and Administrative Expenses

Table 1 Selling and Administrative Expenses

Unit : Million Baht

Description	Quarter 3, 2017		Quarter 3, 2018		Change from Quarter 3, 2017	
	Amount	% on sales	Amount	% on sales	Amount Inc (Dec)	% +(-)
Selling and administrative expenses	300	13.2%	301	12.9%	1	0.3%

Selling & Administrative Expenses increased in Q3/2018 from the same period last year by Baht 1 million (or 0.3%), while total sales increased by 2.7% due to the decrease in personnel expenses of Network Business.

3. Analysis of Consolidated Financial Position

Table 2 Consolidated Financial Position (partial)

Unit : Million Baht

Description	As at Dec 31, 2017	As at Sep 30, 2018	Changes from Dec 31, 2017	
	Amount	Amount	Amount Inc (Dec)	% +(-)
Trade receivables, net	2,205	1,988	(217)	(9.8%)
Inventories, net	1,673	1,878	205	12.3%
Property, plant and equipment, net	5,489	5,014	(475)	(8.7%)
Total assets *	10,726	10,251	(475)	(4.4%)
Short-term loans	1,952	2,046	94	4.8%
Trade payables	1,010	1,000	(10)	(1.0%)
Long-term loans	2,542	1,978	(564)	(22.2%)
Provision for long-term employee benefits	384	407	23	6.0%
Total liabilities *	6,178	5,872	(306)	(5.0%)
Unappropriated retained earnings	1,515	1,423	(92)	(6.1%)
Non-controlling interests	258	250	(8)	(3.1%)
Total shareholders' equity *	4,548	4,379	(169)	(3.7%)

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

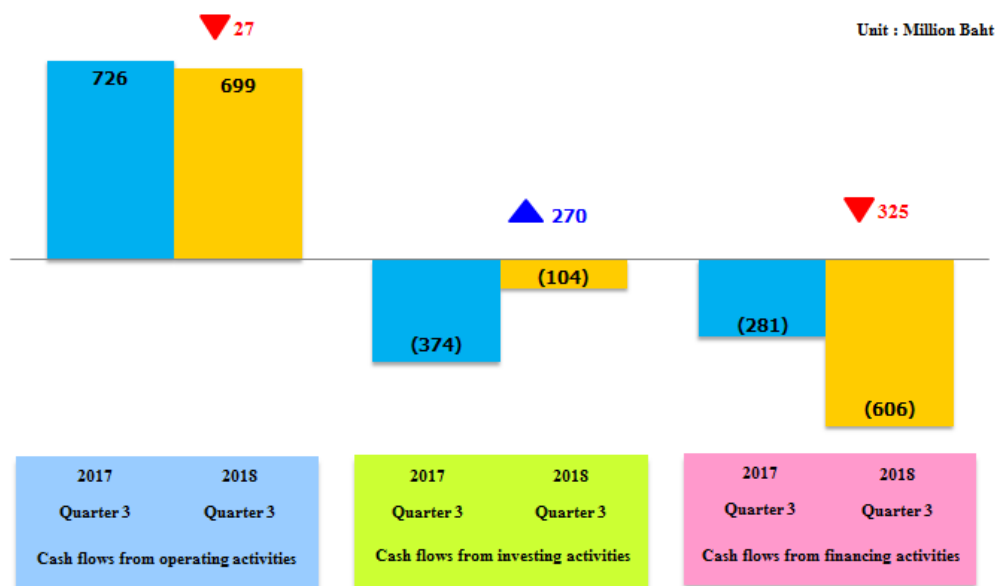
As at September 30, 2018, significant changes in the consolidated financial position compared with December 31, 2017 are as follows:

- Trade receivables decreased, due to lower sales in Q3/2018 compared with the last quarter of the previous year, and active debt collection activities.
- Inventories increased as a result of stocking up raw materials for the beverage packaging products by the subsidiaries in Vietnam, in order to reduce the impact from increased raw materials prices and increase in work in process of moulds for local subsidiaries.
- Property, Plant and Equipment decreased as a result of depreciation and amortization netted with additional acquisition of assets during the period.
- Short-term loans increased due to the drawdown on available facilities used for the business operations and used as working capital.
- Trade payables decreased in line with sales of domestic operations and payment during period.
- Long-term loans decreased from scheduled repayments and no new loans.
- Provision for long-term employee benefits increased as a result of the recognition of committed staff welfare and other benefits obligations, netted with actual payment during the period.

- Lower unappropriated retained earnings totaling Baht 92 million, due to the profit attributable to equity holders of the Company for the nine-month period ended September 30, 2018, netted with the dividend payment in respect of operating result of 2017 in Q2/2018 amounting to Baht 135 million.
- Non-controlling interests decreased due to dividend payment in respect of operating result of 2017 netted with net profits of subsidiaries for the nine-month period ended September 30, 2018.

4. Analysis of Liquidity

Picture 4 Consolidated Cash Flows (partial)



Unit : Million Baht

	30 September 2017	30 September 2018
Net increase (decrease) in cash and cash equivalent	71	(11)
Cash and cash equivalents, opening balance	272	290
Effect from exchange rate and currency translation adjustment	(58)	(16)
Cash and cash equivalents, closing balance	285	263

For the 9-month period of 2018, the Group had significant cash flow transactions compared with the same period of 2017 as follows:

- 1) Decrease in Cash Flow from Operating Activities compared with the same period last year due to the decrease in operating results and increase in inventories.
- 2) Decrease in Cash Flow used in Investing Activities due to the Group's decrease in acquisition of assets.

3) Lower Cash Flow from Financing Activities due to the scheduled repayments of long term loans and no drawdown during the period.

As at September 30, 2018, the Group still has available unused credit facilities totaling more than Baht 4 billion comprising overdraft facilities, long term loans, and revolving credit lines – all of which have appropriate interest costs. As such, the Group is confident that it has adequate cash flow for its operations.

5. Analysis of Key Financial Ratios

Table 3 Key Financial Ratios

Description		Unit	Quarter 3 2018	Quarter 3 2017	12 months 2017
Working Capital Ratios					
1.	Collection Period	Days	76.6	82.3	82.9
2.	Inventory Turnover Period	Days	82.6	79.7	73.8
3.	Payment Period	Days	44.0	37.1	44.5
4.	Cash Cycle	Days	115.2	124.9	112.1
Profitability Ratios					
5.	Return on Equity	%	(0.1)	(0.4)	1.6
6.	Return on Operating Assets	%	(0.1)	(0.4)	1.3
Financial Policy Ratios					
7.	Debt to Equity	Times	1.3	1.4	1.4

5.1 Working Capital Ratios

The Cash Cycle of the Group, as at September 30, 2018 was equal to 115.2 days, shorter than that as at September 30, 2017 being 124.9 days but longer compared to the 12-month period ended December 31, 2017 being 112.1 days, respectively, due to:

- 1) As at September 30, 2018, the average number of days for Trade Receivables equaled to 76.6 days, a decrease compared with September 30, 2017 and the 12-month period ended December 31, 2017 being 82.3 days and 82.9 days, respectively. This change is in line with slightly increased sales compared with the same period last year but lower sales compared with the last quarter of 2017, together with more active debt collection activities.
- 2) As at September 30, 2018, the average number of days for Inventories equaled to 82.6 days, an increase compared with September 30, 2017 and the 12-month period ended December 31, 2017 being 79.7 days and 73.8 days, respectively. This is due to the management of raw materials and finished products in stock relative to sales and production plan, stocking up raw materials and goods awaiting delivery by the subsidiaries.

3) As at September 30, 2018, the average number of days for Trade Payables equaled to 44.0 days, an increase compared to September 30, 2017 being 37.1 days, but approximated to the 12-month period ended December 31, 2017 being 44.5 days. This is due to procurement of raw material as a reserve for production of overseas subsidiaries from end of last year to present, together with the negotiation relating to credit term adjustment for the procurement of raw material and some items of the Group without any effect on purchased price.

5.2 Profitability Ratios

- 1) Return on Equity, as at September 30, 2018 was loss 0.1%, a decrease compared to loss 0.4% as at September 30, 2017, corresponding to the net loss performance. Meanwhile, shareholders' equity decreased due to the dividend payment and the impact of exchange rate.
- 2) Return on Operating Assets, as at September 30, 2018 was loss 0.1%, a decrease compared to loss 0.4% as at September 30, 2017, due to the net loss performance. Meanwhile, operating assets decreased due to depreciation netted with acquisition during the year which was lower than the previous year as a result of slowdown of the Group's investment.

5.3 Financial Policy Ratio

As at September 30, 2018, the Group had a Debt to Equity Ratio of 1.3 times, a decrease compared to September 30, 2017 and the 12-month period ended December 31, 2017 being 1.4 times and 1.4 times, respectively. This is due to an overall decrease in debts resulted from decrease in outstanding balance of loans as well as total shareholders' equity decreased from annual dividend payment.

6. Risk Management

The Group has the following measures to manage various risks:

1) Movements of raw material costs

Given that the costs of key raw materials, plastic pellets account for over 60% of total product costs and are a commodity product, of which the prices change corresponding to the movements in crude oil prices. The Group then places great importance on the purchase of these raw materials in order to achieve the most proper costs. As such, the purchase of these raw materials is managed by a special procurement group that closely follows ongoing fluctuations in the prices of the raw materials based on various sources of information, as well as carefully plans the required raw materials purchases – in terms of quantity and price. The appropriate timing of purchases together with the occasional adjustments to selling prices are also taken into consideration.

2) Labor cost

Labor cost is another important component of our production process. The Group has adjusted the workers' working hours to reduce overall labor costs as well as to achieve improved production efficiency without

reducing any productivity. The Group has also expanded intensive-labor manufacturing activities into those countries where labors are more readily available and costs of labor are comparatively lower.

3) Exchange rate fluctuations

The Group's export sales account for more than 20% of total revenues while key raw materials, machinery and equipment are imported from overseas. Hence, the Group focuses on the following risk management activities in order to mitigate relevant risks as well as to reduce potential impacts from being too reliant on any particular foreign currency:

- Focus on selling products or purchasing materials or goods in various currencies.
- Sell products in Thai Baht for customers in certain countries with certain customers.
- Negotiate with key customers relating to price adjustments in the event that significant fluctuations in foreign exchange rates occur.
- Execute foreign currency forward contracts, to reduce the potential impacts as appropriate and when the opportunity arises.
- Manage cash inflows and outflows of foreign currencies to achieve an effective balance of foreign currencies (Natural Hedge).

4) Management of customers and credit lines

The Group has a limited number of customers for some products lines. It then plans to expand the customer bases – both in the domestic and overseas markets – in order to diversify risks as well as to reduce the potential impact of being too reliant on any specific group of customers.

As for the management of customers' credit lines, the Group analyzes customers and assesses the ability to pay on a regular basis. Their credit lines and payment terms may be adjusted, in a systematic manner, according to the customers' actual payment history. There are measures in place to closely follow-up on and speed up any overdue receivables.

Nevertheless, with regard to any customer who has a problem in paying its outstanding debts owed, the Group has a policy to make provision for doubtful accounts that is reasonable and appropriate according to its past history and assessment of the customer's ability to pay in the future.

5) Overseas investments

The Group has risks management policies in place with regard to its overseas investments, by taking into consideration business opportunities relating to the target customers, the cost structure of the business, applicable legal and financial systems, as well as local political stability and environment.

6) Management of capital funds

The Group has ongoing investment activities every year so as to expand its businesses. Capital fund is, therefore, an important factor – which consists of cash flow from operations and commercial banks loans. The cost of funds is also taken into account. Despite relying on merely commercial banks as its source of funds, the Group has diversified the associated risks in the following manners:

- Source borrowing funds from several commercial banks, taking into consideration the most appropriate proposed loans’ terms and conditions every time the funds are required;
- Make use of applicable interest rates that are both fixed and floating;
- Make use of interest rates that are based on various financial/banking indicators or factors;
- Primarily borrow funds locally, in order to reduce potential impacts from any foreign currency fluctuations or volatility; and
- Set loan conditions without security, collateral or guarantee – except for special cases of getting lower interest rates if providing a security or guarantee.

7. Significant Events during Q3/2018

In Q3/2018, the Group did not have any new accounting policies in addition to those of last year. However, there were some key events as follows:

7.1 Dividend Payment of subsidiaries

Company Name	Total Dividend (Million Baht)	Dividend per share (Baht)	Percentage of shareholding	Dividend income attributable to the Company (Million Baht)
Korat Thai Tech ("KTT")	30	10.0	100.0	30

7.2 Additional investment in joint venture and change in the status of the investment from the investment in joint venture to the investment in subsidiary

On May 11, 2018, the Board of Directors of the Company approved an additional investment in Srithai-Otto (Thailand) Co.,Ltd. (“Otto”) whereby shares of that company amounting to Baht 7 million were transferred from an existing shareholder. The Company made payment for the shares by settling it against outstanding debts of that shareholder’s affiliate to the Company and registered shares and change of shareholders with the Ministry of Commerce on August 23, 2018. After the acquisition, the Company’s shareholding in Otto increases from 50% to 75%, resulting in a change in the status of the Company’s investment from a joint venture to a subsidiary.

7.3 Litigation

In 2016, a migrant labour recruitment agency that was incorporated in Cambodia filed a lawsuit against the Company claiming that the Company defaulted on payment of recruitment service fees and seeking compensation together with interest. In May 2017, the court ordered the Company to pay Baht 5 million with interest at a rate of 7.5% per annum. However, the Company filed an appeal with the Court of Appeal in August 2017.

As at September 30, 2018, the lawsuit is under consideration by the Court of Appeal, which is expected to give its judgment within 2019. The Company is confident that it has additional significant evidence and information that will be of benefit in defending the case. Therefore, the Company has not set aside any provision for this claim.

8. Outlook of the Overall Businesses in Q4/2018

8.1 Plastic Business Line

8.1.1 Household Business Unit

Domestic operations

- Sales for direct sales business is expected to expand constantly resulting from the effectiveness of using digital marketing.
- Export markets tend to perform, since trade war between the US and China would have an impact on the reduction of US imports from China. This would give opportunities for the Company to export to the US. In addition, new products are developed and introduced for retail and HORECA customers in Europe market.

Overseas operations

- Total sales for subsidiaries in India and Vietnam show a positive and upward trend, as a result of marketing of new products for the HORECA customers group together with adding more new modern trade customers in both markets, whereas the Christmas and New Year are approaching.

8.1.2 Industrial Business Unit

Domestic operations

- The Food and Beverage Packaging Products Group: In the last quarter, with the upcoming festival, it is expected that sales from the beverage packaging products would tend to rise, and the Company is expanding a new customer base in beverage packaging products.
- Other Products within the Industrial Products Group: In Q4/2018, sales would shrink, as the lower orders of customers from batteries, pallets, and crate export, and the end of marketing campaigns for premium products with a major convenient store operator.

Overseas operations

- Total sales of the subsidiaries in Vietnam continue to increase
 - Sales of the Beverage Packaging Products are expected to increase due to positive and growing economic conditions in Vietnam, and expanded customer base in beverage including the management and control of raw material costs and production process.
 - As for the other products in the Industrial Products, total sales are expected to continually increase due to the expansion of the respective customer base.

8.2 Network and Moulds Business Line

Network Business

- Sales in the last quarter tend to stabilize; however, the Company has the strategy to focus on selected products, especially for the business and gives the opportunities to generate income from this business in order to attract new members.

Moulds Business

- Sales in the last quarter are likely to increase, in line with increased orders for manufacturing injection moulds for automobile and motorcycles, which are expected to complete and deliver to customers by the end of the year.

Please be informed accordingly.

Yours faithfully,

Prin Bholnivas

Director and Company Secretary