

<b>13. Important Financial Highlights</b>
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### **Independent Auditor's Report**

#### **To the Shareholders of Vinythai Public Company Limited**

I have audited the consolidated and separate financial statements of Vinythai Public Company Limited and its subsidiaries (the "Group") and of Vinythai Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2016, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

#### *Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of my report. I am independent of the Group and the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that is relevant to my audit of the consolidated and separate financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of investment in and loans to subsidiaries in the separate financial statements and valuation of property, plant and equipment, intangible assets and assets not used in operation of subsidiaries in the consolidated financial statements
Refer to Note 3(k), 10, 11 and 12 to the financial statements.

The key audit matter	How the matter was addressed in the audit
<p>One of the Group's business in Biochemical segment faced a number of challenges in the markets including the volatility of Epichlorohydrin prices as a consequence of low propylene prices and market oversupply. These factors, which the Group expects to persist in the foreseeable future, resulted in the construction project of Epichlorohydrin plant of an indirect subsidiary has been suspended for some certain period and the decision to re-start has been deferred as well as an operating loss of a wholly-owned subsidiary has been incurred which are indicators of impairment.</p> <p>The Group determines the recoverable amounts of assets using the asset's value in use and the fair value less cost of disposal. This involves significant judgments and estimates by management and since the balance of the assets is significant, so this is focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <p>Obtaining an understanding of management's procedures for identifying an indication of impairment, impairment testing process as well as assessing the appropriateness of the identification of cash-generating units based on my knowledge of the client.</p> <p>To challenge the recoverable amounts of assets using the value in use, I:</p> <ul style="list-style-type: none"> <li>- checked the calculation of the estimated future cash flows, evaluated the appropriateness of the key assumptions applied by management, and compared these inputs with externally derived data and the business plan;</li> <li>- assessed the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year;</li> <li>- challenged sensitivity analysis prepared by management around the key drivers of growth rates and discount rate used in the cash flow forecasts.</li> </ul> <p>To challenge the recoverable amounts of assets using the fair value less cost of disposal, I asked KPMG valuation specialist in China to assess the competency of the external appraiser engaged by the Group, to evaluate the assumptions and input used by the external appraiser in the evaluation and to give the conclusion on the appropriateness of the fair value less cost of disposal of the appraised assets.</p> <p>I also evaluated the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</p>

Recognition of deferred tax assets	
Refer to Note 3(s), 13 and 24 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The Company has been granted privileges by the Board of Investment resulting the Company has recognised a deferred tax assets of Baht 361 million in respect of a portion of unused tax losses. The recoverability of recognized deferred assets is in part dependent on the Company's ability to generate future taxable profits sufficient to utilize tax losses (before tax losses expire).</p> <p>Future taxable profits involves significant judgments and estimates by management and since the balance of the assets is significant, so this is focus area in my audit.</p>	<p>My audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>- reconciling tax losses and expiry dates to tax report as well as inspecting promotional privileges granted with the promotional certificates.</li> <li>- checking the calculation of forecast future taxable profits, assessing the appropriateness of the forecasts by evaluating historical forecasting with actual results for the year, and comparing the key assumptions applied by management in forecast future taxable profits and business plan.</li> <li>- evaluating the adequacy of the disclosures in accordance with Thai Financial Reporting Standards.</li> </ul>

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and separate financial statements and my auditor's report thereon.

My opinion on the consolidated and separate financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and separate financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report the fact. I have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements***

My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated

and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Waiyawat Kosamarnchaiyakij)  
Certified Public Accountant  
Registration No. 6333

KPMG Phoomchai Audit Ltd.  
Bangkok  
22 February 2017

# 1. Summary of Financial Status and Performance for the Past 3 Years

## (1) Summary of Financial Status and Performance for the Past 3 Years

### (a) Summary of the Auditor's Reports in the Past 3 Years

The independent auditor of KPMG Phoomchai Audit Ltd. conducted the audit in accordance with generally accepted auditing standards and expressed unqualified opinion that the Company's Financial Statements for the past 3 years were in accordance with generally accepted auditing principles in Thailand.

### (b) Financial Statements in the Past 3 years \*

Balance Sheets as of 31 December		Consolidated financial statements					
	<u>2016</u>		<u>2015</u>		<u>2014</u>		
Assets	Baht	%	Baht	%	Baht	%	
<b>Current assets</b>							
Cash and cash equivalents	3,207,225,925	17.3	2,504,740,286	13.1	2,149,100,554	10.93	
Trade account and other receivables	2,103,165,580	11.3	1,783,778,727	9.4	1,952,137,678	9.9	
Inventories	962,426,715	5.2	1,028,165,846	5.4	862,293,824	4.4	
Other current assets	264,411,860	1.4	341,955,467	1.8	254,743,602	1.3	
<b>Total current assets</b>	<b>6,537,230,080</b>	<b>35.2</b>	<b>5,658,640,326</b>	<b>29.7</b>	<b>5,218,275,658</b>	<b>26.5</b>	
<b>Non-current assets</b>							
Investment in associate	386,064,813	2.1	385,935,858	2.0	384,295,733	2.0	
Property, plant and equipment	10,953,280,947	59.0	12,224,102,446	64.2	13,305,732,724	67.7	
Intangible assets	287,248,659	1.5	316,799,227	1.7	337,951,733	1.7	
Deferred arrangement fee for long-term loan	4,139,285	0.0	5,519,046	0.0	6,898,808	0.0	
Deferred tax assets	399,503,467	2.2	398,886,480	2.1	396,126,397	2.0	
Other non-current assets	11,533,653	0.1	58,080,927	0.3	16,113,376	0.1	
<b>Total non-current assets</b>	<b>12,041,770,824</b>	<b>64.8</b>	<b>13,389,323,984</b>	<b>70.3</b>	<b>14,447,118,771</b>	<b>73.5</b>	
<b>Total assets</b>	<b>18,579,000,904</b>	<b>100.0</b>	<b>19,047,964,310</b>	<b>100.0</b>	<b>19,665,394,429</b>	<b>100.0</b>	
<b>Liabilities and equity</b>							
<b>Current liabilities</b>							
Trade account and other payables	1,528,163,590	8.2	1,518,906,552	8.0	1,416,663,525	7.2	
Current portion of long-term loans	618,353,828	3.3	112,460,000	0.6	-	-	
Other current liabilities	113,026,158	0.6	88,488,581	0.5	80,580,777	0.4	
<b>Total current liabilities</b>	<b>2,259,543,576</b>	<b>12.2</b>	<b>1,719,855,133</b>	<b>9.0</b>	<b>1,497,244,302</b>	<b>7.6</b>	
<b>Non-current liabilities</b>							
Long-term loans	-	-	1,714,129,231	9.0	3,000,389,631	15.3	
Employee benefit obligations	155,187,812	0.8	118,014,325	0.6	96,151,249	0.5	
<b>Total non-current liabilities</b>	<b>155,187,812</b>	<b>0.8</b>	<b>1,832,143,556</b>	<b>9.6</b>	<b>3,096,540,880</b>	<b>15.7</b>	
<b>Total liabilities</b>	<b>2,414,731,388</b>	<b>13.0</b>	<b>3,551,998,689</b>	<b>18.6</b>	<b>4,593,785,182</b>	<b>23.4</b>	
<b>Equity</b>							
Share capital:							
Authorised share capital	7,111,160,664	38.3	7,111,160,664	37.3	7,111,160,664	36.2	
Issued and paid-up share capital	7,111,160,664	38.3	7,111,160,664	37.3	7,111,160,664	36.2	
Additional paid-in capital:							
Premium on ordinary shares	1,303,712,790	7.0	1,303,712,790	6.8	1,303,712,790	6.6	
Retained earnings:							
Appropriated							
Legal reserve	711,116,066	3.8	711,116,066	3.7	711,116,066	3.6	
Unappropriated	6,954,815,427	37.4	6,303,486,588	33.1	5,870,309,466	29.9	
Other components of equity	83,464,569	0.4	66,489,513	0.3	75,310,261	0.4	
<b>Total equity</b>	<b>16,164,269,516</b>	<b>87.0</b>	<b>15,495,965,621</b>	<b>81.4</b>	<b>15,071,609,247</b>	<b>76.6</b>	
<b>Total liabilities and equity</b>	<b>18,579,000,904</b>	<b>100.0</b>	<b>19,047,964,310</b>	<b>100.0</b>	<b>19,665,394,429</b>	<b>100.0</b>	

**Incomes Statements as of 31 December**

## Consolidated financial statements

	<u>2016</u>		<u>2015</u>		<u>2014</u>	
	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>	<u>Baht</u>	<u>%</u>
<b>Income</b>						
Revenue from sale of goods	15,659,001,556	98.6	16,555,114,987	99.4	17,742,038,864	99.4
Other income						
Interest income	22,669,365	0.1	22,973,046	0.1	27,915,368	0.2
Other income, net	205,214,569	1.3	75,078,014	0.5	77,138,176	0.4
<b>Total income</b>	<b>15,886,885,490</b>	<b>100.0</b>	<b>16,653,166,047</b>	<b>100.0</b>	<b>17,847,092,408</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales of goods	13,538,511,740	85.2	14,741,791,837	88.5	16,376,559,432	91.8
Selling expenses	739,935,279	4.7	797,971,706	4.8	830,611,957	4.7
Administrative expenses	367,375,279	2.3	401,193,910	2.4	352,395,045	2.0
Impairment loss on plant and equipment and intangible assets	2,994,479	0.0	54,048,796	0.3	1,365,149,145	7.6
Net loss on derivatives	62,388,444	0.4	-	-	-	-
Finance cost	49,021,389	0.3	97,465,998	0.6	157,206,544	0.9
<b>Total expenses</b>	<b>14,760,226,610</b>	<b>92.9</b>	<b>16,092,472,247</b>	<b>96.6</b>	<b>19,081,922,123</b>	<b>106.9</b>
<b>Profit before share of profit from investment     in associated company and finance cost     and tax income (expenses)</b>	<b>1,126,658,880</b>	<b>7.1</b>	<b>560,693,800</b>	<b>3.4</b>	<b>(1,234,829,715)</b>	<b>(6.9)</b>
<b>Share of profit (loss) of invesment     in associated</b>	<b>128,955</b>	<b>0.0</b>	<b>1,640,125</b>	<b>0.0</b>	<b>743,356</b>	<b>0.0</b>
<b>Profit (loss) before income tax expenses</b>	<b>1,126,787,835</b>	<b>7.1</b>	<b>562,333,925</b>	<b>3.4</b>	<b>(1,234,086,359)</b>	<b>(6.9)</b>
Income tax (expenses) benefits	(3,084,373)	(0.0)	3,683,537	0.0	270,361,871	1.5
<b>Profit (loss) for the year</b>	<b>1,123,703,462</b>	<b>7.1</b>	<b>566,017,462</b>	<b>3.4</b>	<b>(963,724,488)</b>	<b>(5.4)</b>
<b>Basic earnings per share</b>						
Net profit	0.95		0.48		(0.81)	
Weighted average number of ordinary shares (shares)	1,185,193,444		1,185,193,444		1,185,193,444	
	Shares		Shares		Shares	
<b>Retained earnings</b>						
Balance – beginning of year	6,303,486,588		5,870,309,466		6,917,044,918	
Dividend paid	(474,077,378)		(118,519,344)		(75,852,380)	
Profit (loss)	1,123,703,462		566,017,462		(963,724,488)	
Other comprehensive income (loss)	1,702,755		(14,320,996)		(7,158,584)	
<b>Balance – ending of year</b>	<b>6,954,815,427</b>		<b>6,303,486,588</b>		<b>5,870,309,466</b>	

**Cash Flows Statement as of 31 December**

## Consolidated financial statements

	<u>2016</u> Baht	<u>2015</u> Baht	<u>2014</u> Baht
<b>Cash flows from (used in) operating activities</b>			
Profit (loss) for the year	1,123,703,462	566,017,462	(963,724,488)
<i>Adjustments for</i>			
Depreciation and amortisation	1,491,592,735	1,466,459,125	1,433,364,368
Amortisation of arrangement fee for long-term loan	1,379,761	1,379,762	1,379,761
Interest income	(22,669,365)	(22,973,046)	(27,915,368)
Finance costs	49,021,389	97,465,998	157,206,544
Unrealised (gain) loss on foreign exchange and derivatives	10,574,196	(5,822,405)	8,955,151
(Reversal of) allowance for doubtful accounts	-	(10,000,000)	-
(Reversal of) allowance for decline in value of inventories	(33,875,101)	4,152,979	29,275,354
Impairment losses on plant and equipment and intangible assets	2,994,479	54,048,796	1,365,149,146
Loss on write-off of plant and equipment	13,212,033	802,120	13,996,120
(Gain) loss on disposals of property, plant and equipment	(6,936,823)	802,120	13,996,120
Share of profit of investment in associate	(128,955)	(1,640,125)	(743,356)
Income tax (expense) benefits	3,084,373	(3,683,537)	(270,361,871)
Employee benefit obligations	35,191,855	10,722,941	10,242,834
	2,667,144,039	2,157,732,190	1,770,820,315
<i>Changes in operating assets and liabilities</i>			
Trade account and other receivables	(323,385,130)	177,955,413	707,532,187
Inventories	99,614,232	(170,025,001)	13,107,088
Other current assets	62,665,946	(79,898,137)	25,780,303
Other non-current assets	2,156,530	2,423,193	6,324,150
Trade account and other payables	12,677,082	104,151,547	(522,598,112)
Other current liabilities	24,116,579	7,907,804	(86,230,975)
Employee benefit paid	-	(2,651,034)	(8,504,871)
Income tax paid	(14,156)	-	(1,736,743)
<b>Net cash from operating activities</b>	<b>2,544,975,122</b>	<b>2,197,595,975</b>	<b>1,904,493,342</b>
<i>Cash flow from investing activities</i>			
Interest received	21,468,338	24,364,207	29,643,946
Purchase of plant and equipment and intangible asset	(270,184,715)	(404,993,091)	(615,222,046)
Sales of property, plant and equipment	42,714,915	144,711	1,134,058
<b>Net cash used in investing activities</b>	<b>(206,001,462)</b>	<b>(380,484,173)</b>	<b>(584,444,042)</b>
<i>Cash flow from financing activities</i>			
Finance costs paid	(49,327,074)	(98,917,274)	(155,539,784)
Dividends to owners of the Company	(474,077,378)	(118,519,344)	(75,852,380)
Proceeds from long-term loans from financial institutions	-	-	375,501,000
Repayment of long-term loans from financial institutions	(1,155,170,866)	(1,217,795,631)	(810,000,000)
<b>Net cash used in financing activities</b>	<b>(1,678,575,318)</b>	<b>(1,435,232,249)</b>	<b>(665,891,164)</b>
<b>Currency translation differences</b>	<b>42,529,130</b>	<b>(25,483,241)</b>	<b>6,276,093</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>702,927,472</b>	<b>356,396,312</b>	<b>660,434,229</b>
Cash and cash equivalents at 1 January	2,504,740,286	2,149,100,554	1,502,660,862
Effect of exchange rate changes on balances held in foreign currencies	(441,833)	45,540	1,583
<b>Cash and cash equivalents at 31 December</b>	<b>3,207,225,925</b>	<b>2,505,542,406</b>	<b>2,163,096,674</b>

*Non-cash transaction:*

Purchase of fixed assets for which no cash has been paid	10,194,748	12,150,258	13,979,510
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## 2. Summary of Significant Financial Ratio

### (C) Summary of Significant Financial Ratio

		2016 <sup>#</sup>	2015 <sup>#</sup>	2014 <sup>#</sup>
<b><u>Liquidity Ratios</u></b>				
Current Ratios	times	3.98	3.29	3.32
Acid Test Ratios	times	3.16	2.49	2.62
Cash Flow Liquidity Ratios	times	1.51	1.32	0.93
Account Receivable Turnover Ratios	times	8.36	8.64	7.52
Collection Period	days	44	42	49
Inventory Turnover Ratios	times	13.60	15.63	18.54
Inventory Days	days	27	23	20
Account Payable Turnover Ratios	times	10.06	10.70	9.75
Payment Period	days	36	34	37
Cash Cycle	days	34	32	31
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	13.54	10.79	7.70
Net Profit Margin	%	7.10	3.40	-5.40
Return on Average Equity	%	7.10	3.70	-6.17
<b><u>Efficiency Ratios</u></b>				
Return on Average Assets	%	6.25	3.40	-5.18
Return on Average Fixed Assets	%	21.99	15.52	3.23
Total Assets Turnover	times	0.83	0.85	0.85
<b><u>Financial Policy Ratios</u></b>				
Debt to Equity Ratios	times	0.15	0.23	0.31
Interest Coverage Ratios	times	23.90	6.77	-6.85
Cash Coverage Ratios	times	0.67	0.32	-0.33
Cash Coverage Ratios (Cash Basis)	times	1.47	1.12	0.63
Dividend Payout	%	47.47	83.76	-12.30
<b><u>Information per Share</u></b>				
Book Value per Share	Baht/Share	13.64	13.07	12.72
Net Earning per Share	Baht/Share	0.95	0.48	-0.81
Dividend per Share	Baht/Share	**0.45	0.40	0.10
<b><u>Growth Rate</u></b>				
Total Assets Growth	%	-2.46	-3.67	-9.23
Total Liabilities Growth	%	-32.02	-24.44	-16.62
Sales Growth	%	-5.41	-6.69	2.36
Expenditure Growth	%	-5.49	-0.96	-7.34
Net Profit Growth	%	98.50	158.73	-586.31

**Remark :**

# Information in 2014,2015 and 2016 extracted from consolidated financial statements.

\*\* The Board of Directors' Meeting resolved to propose the Annual Ordinary General Meeting of Shareholders to consider and approve in April 2017.

## 14. Explanation and Analysis of Financial Status and Performance

### An Analysis of Performance

#### Analysis of Income

The Company and its subsidiaries recorded the total revenue of 15,887 MTHB of which 15,659 MTHB earned from sales revenue. The sales revenue decreased by 896 MTHB or 5.4% comparing to year 2015. The main reason was the limited sales volume of Caustic Soda and VCM as a consequence of the electricity outage from one energy supplier in July 2016. Moreover, ECH selling price was declined under oversupply market situation throughout the year with slight recovery in the 4<sup>th</sup> quarter. The share of domestic and export sales have no significant change comparing to the previous year.

Sales Revenues	2016		2015	
	MTHB	%	MTHB	%
<b>Domestic Sales</b>				
1. PVC Resins	5,885	37.6	4,955	29.9
2. Caustic Soda	2,225	14.2	2,770	16.7
3. VCM	1,516	9.7	1,983	12.0
4. ECH	570	3.6	739	4.5
5. Others	61	0.4	55	0.3
<b>Total Domestic Sales</b>	<b>10,258</b>	<b>65.5</b>	<b>10,501</b>	<b>63.4</b>
<b>Export Sales</b>				
1. PVC Resins	3,484	22.2	3,544	21.4
2. Caustic Soda	-	-	79	0.5
3. VCM	-	-	-	-
4. ECH	1,917	12.2	2,430	14.7
<b>Total Export Sales</b>	<b>5,401</b>	<b>34.5</b>	<b>6,054</b>	<b>36.6</b>
<b>Domestic and Export Sales</b>				
1. PVC Resins	9,369	59.8	8,499	51.3
2. Caustic Soda	2,225	14.2	2,849	17.2
3. VCM	1,516	9.7	1,983	12.0
4. ECH	2,488	15.9	3,169	19.1
5. Others	61	0.4	55	0.3
<b>Total Domestic and Export Sales</b>	<b>15,659</b>	<b>100.0</b>	<b>16,555</b>	<b>100.0</b>

According to the electricity outage incident in July 2016, the Company is able to claim the Business Interruption insurance amounting 111 MTHB in December 2016.

### Analysis of Costs and Expenses

1. In 2016, Cost of sales amounting to 13,539 MTHB, decreased by 1,203 MTHB comparing to 2015 or 8.2% decrease. This decrement was mainly from the decrease of average Ethylene price in 2016 resulting from the reduction of crude oil price, and lower Glycerin price from the significant increase of its market supply due to greater mandated level of biodiesel blending enacted in many countries. Additionally, lower electricity costs in 2016 also contributed to the lower cost of sales of the year.

Throughout the year, specific Excellence programs have been implemented which could enable the Company to further improve production efficiency and reduce costs. As a result, the Company has been able to increase its Gross Profit margin by 2.6% comparing to 2015.

2. In 2016, Selling & Administrative Expenses was 1,107 MTHB, decreased by 92 MTHB or 8% from 2015. This decrement was mainly due to the reduction of transportation costs resulting from lower sales volume and the management actions to reduce controllable costs.

### An Analysis of Financial Status \*

#### Analysis of Assets

As at 31 December 2016, the Company and its subsidiaries had 18,579 MTHB of the total assets, which was decreased 469 MTHB or 2.5% from previous year.

Details of the major changes were following:

1. As at 31 December 2016, the Company and its subsidiaries had net cash and cash equivalents amounting to 3,207 MTHB, increasing 702 MTHB or 28% comparing to 2,505 MTHB at the end of 2015 (see further information in analysis of cash flow)
2. The balance of trade receivables at the end of 2016 was 1,972 MTHB, increasing by 199 MTHB comparing to 1,773 MTHB at the end of 2015. Most of the receivables were not yet due. For the corresponding bad debt, the Company had already set sufficient provision.
3. The balance of other receivables at the end of 2016 was 131 MTHB, increasing by 120 MTHB comparing to 11 MTHB at the end of 2015. The increment mostly came

from 111 MTHB insurance claims receivable from electricity blackout incidence in July 2016.

4. The Company and its subsidiaries had net inventories at the end of 2016 amounting to 962 MTHB, decreasing from 1,028 MTHB in year 2015.
5. At the end of 2016, the Company and its subsidiaries had net property, plant and equipment, Intangible assets, and Advance payment for construction in progress amounting to 11,241 MTHB or decreasing by 1,300 MTHB comparing to 12,541 MTHB at the end of 2015, mainly from normal depreciation.

### **Analysis of Liabilities**

The Company and its subsidiaries had total liabilities at the end of 2016 amounting to 2,415 MTHB which decreased by 1,137 MTHB or 32% comparing to 2015. The major change of the liabilities was the prepayment of long term loan for its subsidiaries' operation.

As at 31 December 2016, the status of loan agreements with commercial banks to finance the investment projects of the Company and its subsidiaries are presented as follow.

- 120 MRMB loan facilities to finance the project of its subsidiary, SBT. The loan is repayable in nine, equal, semi-annual installments commencing from 2016 with fixed interest rate. This loan has been drawn down since 2013. The outstanding balance as at 31 December 2016 is 618 MTHB. However, the Company entered into an amendment to facility agreement with a local financial institution to reschedule the repayment date for remaining amount to be repaid in February 2017 and August 2017.

### **Analysis of Shareholders' Equity**

As at 31 December 2016, the shareholders' equity was 16,164 MTHB which increased by 668 MTHB or 4% comparing to 15,496 MTHB at the end of 2015. The increment was mainly from the net profit of 2016 offset with dividend paid to its shareholders.

**Analysis of Cash Flow**

As of 31 December 2016 the Company and its subsidiaries' Cash Flow Statement presented 3,207 MTHB of cash and cash equivalents. The sources and uses of funds were following:

1. In 2016, the net cash flow from operating activities was 2,545 MTHB which increased by 348 MTHB or 16% comparing to 2015 from Company's better operating results.
2. In 2016, the net cash flow used in investing activities was 206 MTHB which decreased by 174 MTHB comparing to its amount of 380 MTHB in 2015. The reason was less purchase of machinery and equipment by the Company and its subsidiaries in 2016 comparing to last year.
3. In 2016, the net cash flow used in financing activities totaling of 1,679 MTHB mainly from the repayment of long term loan 1,155 MTHB and dividends paid to shareholders 474 MTHB.

Net cash flow from operating activities	2,545	MTHB
Net cash flow used in investing activities	(206)	MTHB
Net cash flows used in financing activities	(1,679)	MTHB
Increase in translation adjustments of its subsidiary (SBT)	<u>43</u>	MTHB
Net increase in cash and cash equivalents	<u>703</u>	MTHB

**Financial Ratios**

	<b><u>2016</u></b>	<b><u>2015</u></b>
Gross profit margin	13.5%	11.0%
Net profit margin	7.1%	3.4%
Debt to Equity ratio	0.15	0.23
Earnings per share	0.95	0.48
ROA	6.2%	3.4%
ROE	7.1%	3.7%

Gross Profit margin = Gross Profit (Total Sales - Costs of Sales) to Sales

Net Profit margin = Net Profit to Total Revenues

Debt to Equity = Total Liabilities to Total Equity

Return on Assets = Profit before financial costs and income tax to average  
(ROA) Total Assets

Return on Equity = Net Profit to average Total Equity  
(ROE)