



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

KWM 001/2561

September 28th, 2018

Subject : Management Discussion and Analysis for the quarter ended June 30, 2018

To : President

The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the "Company") would like to submit management discussion and analysis for the 6-month period ended June 30, 2018 with details as follow;

unit: million baht

Items	6-month period ended 2017		6-month period ended 2018		changes	
	Amount	%	Amount	%	Amount	%
Revenue from sales of goods	139.49	100.00	186.41	100.00	46.92	33.64
Cost of sales of goods	107.80	77.28	147.11	78.92	39.31	36.47
Gross profit	31.69	22.72	39.29	21.08	7.61	24.01
Other income	1.71	1.23	2.53	1.36	0.82	47.80
Profit before expenses, finance cost and taxes	33.40	23.95	41.83	22.44	8.43	25.23
Distribution costs	1.48	1.06	2.52	1.35	1.04	70.32
Administrative expenses	15.98	11.46	18.61	9.98	2.63	16.45
Profit before finance cost and taxes	15.94	11.43	20.70	11.11	4.76	29.86
Finance Cost	2.07	1.49	3.01	1.62	0.94	45.24
Profit before income tax expenses	13.87	9.94	17.69	9.49	3.82	27.56
Tax expenses	(0.07)	(0.05)	(0.99)	(0.54)	(0.93)	1,353.01
Net profit	13.80	9.89	16.69	8.95	2.89	20.96



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1. Revenue

For the six-month period ended 30 June, 2018 and 2017 the Company and its subsidiary's total revenue increased in the amount of 47.74 million baht or 33.81% of 6-month period of 2017's total revenue which mainly resulted from an increase in sales from the product Disc. There were a few supporting factors that affected revenue from sales, both weather condition and water level. We found that water level in most of important reservoirs were in adequate supply for farming and the weather condition in most part of the country was also favorable for agricultural products to be produced. These factors affected the trend in agricultural economics to be in a good direction and it influenced customers to increase their orders.

2. Cost of sales of goods and Expenses

- 2.1. Cost of sales of goods for the 6-month period ended June 30, 2018 was in the amount of 147.11 million baht, increased by 39.31 million baht or 36.47% when compared to same period of 2017. The reason was mainly came from more used in raw materials and factory supplies which was in accordance to an increase in sales revenue in this period. Moreover, cost of Disc material that was increasing from the changed in global steel market price since the last quarter of 2017, starting to be used in production during the first six months of this year which resulted to cost of sales of goods to be increased in this period.
- 2.2. Distribution costs for the 6-month period ended June 30, 2018 was 2.52 million baht, increased from the same period of previous year by 1.04 million baht or 70.32%.
- 2.3. Administrative expense for the first six month of 2018 was in the amount of 18.61 million baht, increased by 2.63 million baht or 16.45% from the same period of 2017. The increased mainly came from depreciation expenses from machines that installed in 2nd Factory which was fully recognized in this 6-month period since the Company acquired such machines in April, May and August 2017. This resulted depreciation expense to be increased by 0.84 million baht when compared to last period. Bank fee and other fees also increased by 0.08 million baht, consisted of fee for registering for transformation from Company Limited to Public Company Limited on March 22nd, 2018 and Legal service fee for notary public of suppliers in other countries. Director's remunerations also increased by 0.19 million baht due to the fact that in 2017, the Company increased meeting allowance during the year for subcommittee (only for independent directors) which was approved in Extraordinary Shareholder's meeting on August 28, 2017, resulted to an increased in expenses in this period.



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3. Finance costs

Finance cost for the first six month of 2017 and 2018 were 2.07 million baht and 3.01 million baht or 1.49% and 1.62% of total revenue which was increased by 0.94 million baht or considered increased by 45.24% from the same period of 2017. This mainly came from an increased in short-term loan from financial institution that was occurred in first quarter of 2018. Moreover, the Company also paid more in interest expenses from trust receipts contracts for importing raw materials for production that were done since late of 2017.

4. Net Profit

For the first six month of 2018, The Company financial statement represents net profit in the amount of 16.69 million baht or considered as net profit margin of 8.95%, increased from the same period of last year by 2.89 million baht or 20.96% of net profit from same period of 2017. The main reason was from an increase in revenue from sales that was changed accordingly in the same direction of the expansion of agricultural economics.

5. Statement of financial positions

Items	31 Dec 2017	30 Jun 2018	Changes	
	Million baht	Million baht	Million baht	%
Total Assets	342.99	359.89	16.90	4.93
Trade and other account receivables	34.55	67.20	32.65	94.51
Inventories	119.41	99.32	(20.09)	(16.82)
Property, plant and equipment	171.52	164.66	(6.86)	(4.00)
Total Liabilities	131.95	177.16	45.21	34.25
Bank overdraft and short-term borrowings from financial institutions	74.18	108.77	34.59	46.63
Trade and other account payables	21.90	32.08	10.18	46.48
Current portion of long-term borrowings	9.49	9.49	-	-
Long-term borrowings	18.86	13.11	(5.74)	(30.49)
Total shareholders' equity	211.04	182.73	(28.31)	(13.41)

As of June 30, 2018 the Company and its subsidiary had assets in total of 359.89 million baht, increased from December 31, 2017 in the amount of 16.90 million baht or considered increasing in 4.93%. The rose up in total assets of the Company and its subsidiary were in details as follow;



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As of June 30, 2018 the Company and its subsidiary had a significant surge in trade and other receivables when compared to last year which was mainly from an increase in trade account receivables of 25.96 million baht or 85.91%. This resulted from the increased in revenue from sales in this period when compared to sales during last quarter of 2017. Due to the fact that this period the weather condition in most part of the country was quite favorable for farming and normally, the period of soil preparation for farming is in the beginning of the year, these added up to an increased in revenue from sales and trade account receivables as of the end of this period to be higher than the end of 2017.

As of June 30, 2018 the Company and its subsidiary had a declined in inventories in the amount of 20.09 million baht or 16.82% of inventories as of December 31, 2017. Due to the fact that customers need was increasing during the first six months of this year. Mostly came from the supporting factors of weather condition and water level that suitable for farming. Moreover, the market price of rice was starting to increase which influenced farmers to expand farming area into the abandon area. These resulted to an increasing in customers's orders that they intended to stock more for upcoming production.

As of June 30, 2018 the Company and its subsidiary had a decreased in Property, Plant and Equipment-net in the amount of 6.86 million baht or 4.00% from the Property, Plant and Equipment-net of December 31, 2017. Mainly came from an increased in depreciations expense in the amount of 10.59 million baht. However, an increasing in Property, Plant and Equipment in this period was in the amount of 3.73 million baht consisted of CNC Milling machine, Roller Heating Furnace, Powder Booth system machine, machine power meter and vehicle that use in normal business operation.

As of June 30, 2018 the Company and its subsidiary had an increased in bank overdraft and short-term borrowings from financial institutions in the amount of 45.21 million baht from prior period. Due to an increased in short-term loan from financial institution in the amount of 50.00 million baht with an objective to pay dividend to shareholders in order to claim the tax exemption benefit from BOI within the exemption period.

As of June 30, 2018 the Company and its subsidiary had trade and other account payables in the amount of 32.08 million baht, increasing by 10.18 million baht or 46.48% from trade and other account payables from previous year which was in accordance to the fact that the Company purchased more of raw materials for production that resulted to trade account payables to be increased.



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As of June 30, 2018 the Company and its subsidiary had the proportion of current portion of long-term loan to total equity of 2.64%.

As of June 30, 2018 the Company and its subsidiary had a decreased in long-term loan in the amount of 5.74 million baht or considered 30.49% from the long term loan as of the end of 2017. The decreased in long-term loan of the Company and its subsidiary was resulted from the continuous growth of the Company's performance and the sufficient liquidity that led to the repayment of long-term loan from financial institution.

Total shareholder's equity of the Company and its subsidiary as of June 30, 2018 was in the amount of 182.73 million baht, the changed mainly came from the net profit from the Company's performance and also from an increased in the Company's registered capital for the preparation of company listing and the paid out in dividend during the period.

Please be informed accordingly

Yours sincerely

Miss Tiyaphon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited