

August 6, 2019

Reference no. RWI /RY/011/2562

Subject : Management's Discussion and Analysis of Business Operations of the Second Quarter of 2019

Dear The Director and Manager of the Stock Exchange of Thailand,

Rayong Wire Industries Plc. as (COMPANY) would like to describe and analyze the financial position and business operation of the 2nd quarter of 2019 that has been audited from the external auditor, in order to disclose the information to investors and public.

The Overview of Business Performance

In the second quarter of 2019, the company had net loss of 59.45 million baht, decreased by 67.49 million baht or 839.66% comparing to the net profit of 8.04 million baht in the 2nd quarter of previous year. The details are as follows:

Financial Analysis

Revenues

The company had the total revenue as 198.96 million baht which is decreased as 62.62 million baht or 23.94% compared to the total income of previous year amounted of 261.58 million baht. In the second quarter of 2019, sales quantity and selling was declined because of the fluctuation of raw material cost and keen competition of domestic market. In case of export, the sales volume has risen up continuously but the export income was directly affected to be reduced from Thai Baht appreciation rapidly and tremendously. However, the company has protected the risk of loss from foreign exchange by hedging to every payment from overseas, only recognized the income into the account.

Cost of Goods Sold

The company had the cost of goods sold as 193.84 million baht, decreased as 33.00 million baht, comparing to the cost of goods sold in the 2nd quarter of 2018 which is 226.84 million baht or decreased by 14.55%. It was conformed to the decrement of sales quantity.

Although the company faced the problem of the fluctuation of raw material cost but it slightly impacted on the cost of goods sold. Since the company has strictly controlled and managed the inventories very well.

Expense

Sales and Administration Cost

In the 2nd quarter of 2019, the company had the selling cost as 8.90 million baht, decreased by 1.05 million baht or 10.55 % compared to the 2nd quarter of 2018 which is 9.95 million baht because the company sold less quantity that resulted to the reduction of transportation cost.

In the 2nd quarter of 2019, the company had administration cost as 17.36 million baht, increased by 6.63 million baht or 61.77 %. In 2019, the company had accounting record of the increment of compensation according to new labor law. Regarding to the new Act of Labor Protection, the employee who has worked over 20 years, that employee has right to receive the compensation not less than the latest wage at 400 days or 13.3 months. It is different from the previous Act of Labor Protection that the employee could receive only 300 days or 10 months. Therefore, the administration cost was increased from the allowance of doubtful debt according to the awareness concept from company policy.

In addition, the company had the future loss from trading securities as amount of 44.76 million baht caused from the change of market price of stock from the investment at June 30, 2019. The stock price is lower than the market price at March 31, 2019. The company has recognized the future loss from the investment in trade securities. Nevertheless, if the stock price is higher than the market price at June 30, 2019, the company would recognize the future profit. Eventually it will be actual profit or loss when the company sells the stock out.

Financial Position

Total Asset

As of June 30, 2019, the company has the total asset of 1,278.17 million baht, comparing to the total asset of 1,485.09 million baht on December 31, 2018, reduced by 206.92 million baht or 13.93%. The reason was the decrement of inventories. The company has properly managed and implemented strategic controlling of inventories, as a result, the raw material stock was reduced. Moreover, there was less of investment for sale from selling the investment for sale in order to repay the debt and short-term loan to financial institution including payment to trade payables.

Liabilities

As of June 30, 2019, the company had total liabilities of 259.85 million baht, decreased to 159.64 million baht or 38.06%, comparing to the total liabilities of 419.49 million baht on December 31, 2018. It was caused from the reduction of short-term loan from financial institution. The company paid the debt of short-term loan to buy raw material.

Shareholders' Equity

As of June 30, 2019, the company had the shareholders' equity of 1,018.32 million baht, reduced by 47.28 million baht or 4.44%, comparing to the shareholders' equity of 1,065.60 million baht on December 31, 2018. The company had total comprehensive loss of second quarter of 2019 as 47.28 million baht that affected to the decrement of shareholders' equity.

Please be informed for acknowledgment.

Yours sincerely

(Miss.Nongnuch Kumchaithep)

Director