



23 February 2017

Subject : Management Discussions & Analysis for Year 2016 financial statement

To : Managing Director
Market for Alternative Investment

Salee Industry Public Company Limited would like to clarify the Company's and subsidiaries's results for year 2016 ended 31 December 2016. The company and subsidiaries generated net profit Baht 54.91 million for year 2016, compared to net profit of Baht 32.73 million for year 2015, or about an 68% increase.

The reason of decreased profit is occurred as follows :-

1. Operating result and Profitability

Revenue

In 2016, the Company and subsidiaries had a total revenue at Baht 1,165 million which increased Baht 157 million from last year or equal to 16% increase as the Company and subsidiaries reconized more revenues from new subsidiary, Petchsiam (Thailand) Co., Ltd., which produced and distributed plastic products for households through many modern trade centers.

Cost of sales and expenses

In 2016, the Company and subsidiaries had gross profit of Baht 319 million which decreased Baht 109 million from last year. The reasons are the 17% increase in sales and cost of sales decreased from 79% last year to 72% this year as more efficiency for the production cost control and some costs are fixed cost which was not varied to the increased sales volume ex. depreciation expenses etc.

In 2016, Selling and administrative expenses amounting to Baht 223 million decreasing from Baht 167 million last year and the percentage of selling and administrative expenses to sales revenue was at 19% which was higher from last year at 17% as the business of Petchsiam (Thailand) Co., Ltd. selling plastics products through modern trade centers has

more selling expenses than our existing businesses. However, the Company had a meeting every week to follow up and control all the expenses.

Cost of fund

The Company and subsidiaries had an interest expenses in 2016 amounting to Baht 8.81 million which increased Baht 0.17 million comparing to last year amounting to Baht 8.64 million as the Company made a long-term loans of Baht 226 million for 2nd quarter 2015 to establish Petchsiam (Thailand) Co., Ltd.. Therefore, the interest rate for short-term and long-term loans of the Company and subsidiaries was about 4-5% per year.

Corporate income taxes

In 2016, the Company and subsidiaries paid corporate income taxes amounting to Baht 26.80 million which increased from Baht 17.36 million last year as the increase in the operating profit .

Net income

In 2016, the Company and subsidiaries had a profit of Baht 54.91 million which increased from the profit of Baht 32.73 million last year or equal to 68% increase because of the increase of sales and the decrease of cost of sales as above.

2. Assets Management

Assets

Total assets of the Company and subsidiaries increased from Baht 1,816 million as of 31 December 2015 to Baht 2,122 million as of 31 December 2016 or equal to 17% increase as the increase of assets from new investment in machines and equipments of Petchsiam (Thailand) Co., Ltd. including the increase in Account Receivables and Inventories related to its business.

Short-term investment

The Company and subsidiaries had a short-term investment amounting to Baht 458 million as of 31 December 2016 which decreased Baht 52 million comparing to Baht 510 million as of 31 December 2015 as a subsidiaries used some proceed from Short-term investment to invest in new machines and equipments.

Account receivables

The Company and subsidiaries had an account receivables amounting to Baht 324 million and Baht 213 million as of 31 December 2016 and 31 December 2015

respectively which the ratio of account receivables to total assets were equal to 15.25% and 11.72 respectively.

Inventory

The Company and subsidiaries had an inventory amounting to Baht 127 million as of 31 December 2016 which increased Baht 38 million compared to Baht 89 million as of 31 December 2015 which the ratio of inventory to total assets were equal to 5.99% and 4.92% respectively.

Land building and equipments and intangible assets

The Company and subsidiaries had Land building and equipments and intangible assets amounting to Baht 961 million and Baht 825 million as of 31 December 2016 and 31 December 2015 respectively which the ratio of Land building and equipments and intangible assets to total assets were equal to 45.29% and 45.44% respectively.

Total debts

As of 31 December 2016, the Company and subsidiaries had total debts amounting to Baht 440 million and could be divided to current liabilities of Baht 235 million and non-current liabilities of Baht 204 million which was equal to 82% increase compared to total debts of Baht 242 million as of 31 December 2015 as the Company made more long-term loans for 2nd quarter 2015 to establish Petchsiam (Thailand) Co., Ltd..

The ratio of Debts to Equities (D/E ratio) of the Company and subsidiaries was at 0.26 times as of 31 December 2016 increasing from 0.15 times as of 31 December 2015 because of more long-term loans as aboved.

Total equities

As of 31 December 2016, the Company and subsidiaries had total equities amounting to Baht 1,683 million increasing from Baht 1,574 million as of 31 December 2015 as the increase of minority shareholders from the minority shareholders in Petchsiam (Thailand) Co., Ltd. and the increase of retained earnings as of the operating profit.

Therefore, as of 31 December 2016, the Company's capital structure comprised of total debts amounting to Baht 440 million and total equities amounting to Baht 1,683 million which the ratio of total debts to total equities was 0.26 times.

3. Liquidity and the capital sufficiency

Liquidity

As of 31 December 2016, the Company and subsidiaries had the ratio of current assets to current liabilities at 4.53 times which was lower than 5.26 times as of 31 December 2015 because the decrease of the short-term investment which was used to invest for new machines and equipments and the long-term loans due in one year increased as of the investment of the establishment of Petchsiam (Thailand) Co., Ltd.

As of 31 December 2016, the Company and subsidiaries had a liquidity from cash flow amounting to Baht 144 million which increased about Baht 78 million from the same period last year which mostly occurred from the increase of cash flow from operations amounting to Baht 104 million as profit before taxes, depreciation and the increase of Account Recivables. At a while, the Company and subsidiaries spent the money for investment activities amounting to Baht 132 million which the amount of Baht 286 million used for the investment in new machines to expand the production capabilities and produced plastic products selling through modern trade centers. At a while, received the cash proceed of Baht 52 million from the decrease in short-term investment. Besides, the Company and subsidiaries received money for the financing activities at amounting to Baht 104 million which most of them was received for the long-term loans from Banks amounting to Baht 226 million. By the time, the Company and subsidiaries paid back the long-term loans finance lease liabilities totally amounting to Baht 64 million and had a dividend payment of Baht 49 million.

From the Company and subsidiaries' cash flow, it shown that the Company and subsidiaries had adequate cash flow to pay the debts and to comply with the conditions of the loans which in the past, the Company and subsidiaries had no any problems concerning the liquidity to pay the debts.

Source of fund

From the 2016 financial statement, source of fund shown that cash flow come from profit from operations and some expenses which had no been paid in cash ex. depreciations etc. This made us having adequate fund to reserve for the increase of needed working capital of business. Besides, the Company and subsidiaries also received the good support from Banks for making long-term loans.

Please kindly be informed accordingly,

Yours Sincerely,

(Mr.Sathit Tatawatorn)

Chairman of Executive Board

Salee Industry Public Company Limited