

August 27, 2014

Attn : The President
The Stock Exchange of Thailand

Subject : Management's Discussion and Analysis for the Year Ended 30 June, 2014

As shown in the financial statements of the Year Ended 30 June, 2014 for Siam Steel International Public Company Limited, it indicated the changed performance over 20% compared with the last year.

We would like to report on Management's Discussion and Analysis for the Year Ended 30 June, 2014 as follows :

1. Operating Results

Statements of Comprehensive Income for the Year Ended 30 June, 2014 and 2013

Consolidated F/S	For the Year Ended 30 June, 2014		For the Year Ended 30 June, 2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Domestic sales and services - net	1,961	92%	2,341	66%	(380)	(16%)
Export sales and services - net	181	8%	1,218	34%	(1,037)	(85%)
Total Revenues	2,142	100%	3,559	100%	(1,417)	(40%)
Domestic costs of sales and services	1,638		1,852		(214)	(12%)
Export costs of sales and services	194		1,097		(903)	(82%)
Total Costs of Sales and Services	1,832	86%	2,949	83%	(1,117)	(38%)
Domestic gross income	323		489		(166)	(34%)
Export gross income	(13)		121		(134)	(111%)
Total Gross Income	310	14%	610	17%	(300)	(49%)
Other income	91	4%	52	1%	39	75%
Selling and administrative expenses	(549)	(26%)	(714)	(20%)	165	(23%)
Compensation for defect products	(189)	(9%)	-	-	(189)	-
Income (Loss) from Operations	(337)	(16%)	(52)	(1%)	(285)	548%
Equity in net income of associated companies	90	4%	92	3%	(2)	(2%)
Financial costs	(4)	0%	(3)	0%	(1)	33%
Income (Loss) before Income Tax	(251)	(12%)	37	1%	(288)	(778%)
Income tax	42	2%	6	0%	36	600%
Non - controlling interests in subsidiaries	(19)	(1%)	(34)	(1%)	15	(44%)
Net Profit (Loss) of The Company's shareholders	(228)	(11%)	9	0.3%	(237)	(2,633%)
Net Profit(Loss) of The Company's per share (Baht)	(0.38)		0.02		(0.40)	(2,633%)

1.1 Analysis of Operating Results

For the Year Ended 2013/2014, the consolidated financial statements of the Company's total revenues amounted to Baht 2,142 million, decreased by Baht 1,417 million or 40 percent from the previous year. This was mainly resulted from the export sales and services of "Lucky" Hi-tech Building System were decreased. However, the Company has action plans of human resources development in marketing and production, as well as design and development of new products to response to customer's needs and to increase sales volume with a focus on development and enhancement of furniture products, thus, revenues should be increased.

Total Revenues

The consolidated financial statements of the Company's total revenues in 2013/2014 was Baht 2,142 million, decreased by Baht 1,417 million or 40 percent from the previous year. This was mainly resulted from the decrease of export sales and services of special project of "Lucky" Hi-tech Building System while the total revenues in this year are as the following ;

- Domestic sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 1,961 million, decreased by Baht 380 million or 16 percent from last year. This was mainly due to the decrease of sales of furniture from the sales agents of the company, and the decrease of sales of furniture from one subsidiary of the company. There is none of domestic revenues from construction services this year, while last year's revenue from construction services was Baht 66 million from one construction service.

- Export sales and services of furniture and "Lucky" Hi-tech Building System amounted to Baht 181 million, decreased by Baht 1,037 million or 85 percent. This was due to the decrease of export sales and services of special project of "Lucky" Hi-tech Building System.

Other Income

The consolidated financial statements of the Company's other income in 2013/2014 was Baht 91 million, increased by Baht 39 million or 75 percent from the previous year. Most of them were increased in profit of the foreign exchange rate.

Cost of Sales and Expenses

The consolidated financial statements of the Company's total cost of sales in 2013/2014 was Baht 1,832 million, decreased by Baht 1,117 million or 38 percent from the previous year. This was mainly decreased in total revenues, resulted to total cost of sales decrease. For total cost of sales rate of total revenues in 2013/2014 and 2012/2013 were 86 percent and 83 percent respectively. This was mainly increased in total cost of sales rate due to the higher wage rate, the transportation expenses, the product development and quality inspection expenses, and the increase in fixed cost rate resulted from the burden fixed cost amount while the total revenues decreased.

- The consolidated financial statements of the Company's selling and administrative expenses in 2013/2014 was Baht 549 million, decreased by Baht 165 million or 23 percent from the previous year. This was resulted from a decrease in sales. The selling and administrative expenses rate of total revenues in the year 2013/2014 and 2012/2013 were 26 percent and 20 percent respectively. The ratio of selling and administrative expenses rate increased, resulted from the first quarter of this year, the Company has transferred Bangna factory overhead expenses partially from the cost of sales to be administrative expenses, resulted from there was no production, bad debt and doubtful accounts from account receivable of customer in Australia for prefabricated buildings from 3 customers of special projects. As well as the higher administrative expenses from fixed administrative cost, while total revenue decreased.

- The consolidated financial statements of the Company's compensation in product defects was Baht 189 million, resulting from the shipments of prefabricated buildings exported to our 3 Australian customers. Later the customers have notified to the company about the product defects and claim for the compensation. After the negotiation with the customers, finally the Company agreed to pay the compensation to the customers amounted Baht 189 million being 5.13% of the revenues from such customers.

- The consolidated financial statements of the Company's corporate income tax in 2013/2014 were included current tax expenses under the Revenue Code amounted to Baht 11 million and deferred tax incomes amounted to Baht 53 million, net deferred tax was recognized in incomes amounted to Baht 42 million. For the Year Ended 2012/2013 corporate income tax included current tax expenses under the Revenue Code amounted to Baht 21 million and deferred tax incomes amounted to Baht 27 million, net deferred income tax was recognized in incomes amounted to Baht 6 million,

Gross Profit

The consolidated financial statements of the Company's gross profit in 2013/2014 was Baht 310 million, decreased by Baht 300 million or 49% from the previous year. The gross profit ratio in 2013/2014 and 2012/2013 represented 14 and 17 respectively, as the decrease of gross profit from revenues decreased but increased in total cost of sales rate from the increase of the wage rate, the transportation expenses, the product development and quality control expenses, and the increase in fixed cost rate resulted from the burden fixed cost amount while the total revenues decreased, resulted to higher fixed cost rate.

Net Profit (Loss)

The consolidated financial statements of the Company's net loss in 2013/2014 was Baht 228 million, net profit in 2012/2013 was Baht 9 million, decreased by Baht 237 million or 2,633 percent from the previous year resulting from the decrease in revenues, and in 2013/2014 the Company's compensation in product defects was Baht 189 million, resulting from the defects of prefabricated buildings exported to our 3 international customers in Australia, which the Company has completely shipped to our international customers with recognized in net deferred revenues since the accounting period 2009/2010 to 2012/2013. Afterward, in the second quarter 2013/2014 those 3 customers have claimed to the company about the product defects and asking for the compensation. After the negotiation with the customers, finally the Company is required to pay the compensation to those customers amounted Baht 189 million being 5.13% of the revenues from such customers with recognized in net deferred revenues since the accounting period 2009/2010 to 2012/2013. Those international customers are not related to the Company. However, the Company is aware and emphasizes such problem on the quality control in every process of the manufacturing in order to avoid such problem. And the increase in loss from the previous year, partly resulted from the Company has made depletion of bad debt and made provision for doubtful debts of account receivable, Australia, 3 customers from special project of prefabricated building for the amount of Baht 58 million. For the net profit (loss) 2013/2014 and 2012/2013 were net loss 11 and net profit 0.3 respectively.

2. Financial positions

Statements of Financial positions as at 30 June, 2014 and 2013

Consolidated F/S	30 June 2014		30 June 2013		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Assets						
Cash and cash equivalents	333	12%	451	13%	(118)	(26%)
Trade accounts receivable - net	450	15%	698	20%	(248)	(36%)
Inventories - net	390	13%	503	15%	(113)	(22%)
Other current assets	22	1%	22	1%	0	0%
Total Current Assets	1,195	41%	1,674	49%	(479)	(29%)
Investments	725	25%	622	18%	103	17%
Property, plant and equipment - net	750	26%	767	23%	(17)	(2%)
Other non - current assets	241	8%	342	10%	(101)	(30%)
Total Non - Current Asset	1,716	59%	1,731	51%	(15)	(1%)
Total Assets	2,911	100%	3,405	100%	(494)	(15%)
Liabilities and Shareholders' Equity						
Short - term loans from financial institution	53	2%	1	0%	52	5,200%
Trade accounts payable	184	6%	420	12%	(236)	(56%)
Other current liabilities	120	4%	191	6%	(71)	(37%)
Total Current Liabilities	357	12%	612	18%	(255)	(42%)
Employee benefits obligation	22	1%	50	1%	(28)	(56%)
Other non - current liabilities	2	0%	7	0%	(5)	(71%)
Total Non - Current Liabilities	24	1%	57	2%	(33)	(58%)
Total Liabilities	381	13%	669	20%	(288)	(43%)
Shareholders' equity to the Company's	2,337	80%	2,556	75%	(219)	(9%)
Shareholders' equity non-controlling interests' equity	193	7%	180	5%	13	7%
Total Shareholders' equity	2,530	87%	2,736	80%	(206)	(8%)
Total Liabilities and Shareholders' Equity	2,911	100%	3,405	100%	(494)	(15%)

2.1 Analysis of the Financial Position of the Company, subsidiaries and its joint ventures as at 30 June, 2014 and 2013

Total Assets

As at June 30, 2014, the consolidated financial statements of the Company had total assets of Baht 2,911 million, decreased by Baht 494 million or 15 percent from June 30, 2013. This was mainly due to the decrease in cash, trade accounts receivable, inventory and retention receivables

As at June 30, 2014 and June 30, 2013 the total assets of the consolidated financial statement of the Company were comprised of the following items;

- Cash and cash equivalents were 12 percent and 13 percent respectively.
- Trade accounts receivable were 15 percent and 20 percent respectively.
- Inventories were 13 percent and 15 percent respectively.
- Other current assets were 1 percent and 1 percent respectively.
- Investment in the associated companies and other companies were 25 percent and 18 percent respectively.
- Property, plant and equipment were 26 percent and 23 percent respectively.
- Other non-current assets were 8 percent and 10 percent respectively.

- Cash and cash equivalents as at June 30, 2014 was Baht 333 million which decreased by Baht 118 million from June 30, 2013. This was mainly due to net cash provided for operating activities resulted from loss.

- Trade accounts receivable as at June 30, 2014 was Baht 450 million, decreased by Baht 248 million were foreign trade receivable of prefabricated buildings from special projects decreased. Trade accounts receivable less than 3 months at 55 percent, and trade accounts receivable over 3 months at 28 percent. However, trade accounts receivable by the Company, subsidiaries and its joint ventures have been followed closely the collectors. Some debtors that have been in the process of debt collection would be considered allowance for doubtful accounts. Thus, as at June 30, 2014 the allowance for doubtful accounts was Baht 48 million, who is one of the account receivable from Australia for prefabricated buildings from special projects for Baht 43 million and other for Baht 5 million, subsidiaries and its joint ventures considered that it was sufficient. For the receivable turnover times were 3.73 as at June 30, 2014 and 5.13 as at June 30, 2013 and account receivable days were 98 days as at June 30, 2014, and 71 days as at June 30, 2013. The account receivable days was decreased, trade accounts receivable was increased due to as at June 30, 2014, the export sales of "LUCKY" Hitech Building from special project was decreased, and also there was a number of outstanding trade receivables.

- Inventories as at June 30, 2014 were Baht 390 million, decreased by Baht 113 million or 22 percent. This was mainly due to the decrease in special project of the export sales and services. The inventory turnover was 4.10 as at June 30, 2014 and 5.55 as at June 30, 2013. This was decreased from the previous year, resulted to total cost of sale decrease from a decrease in sales.

- Investments as at June 30, 2014 were Baht 725 million, increased by Baht 103 million or 17 percent. This was mainly due to the increase in equity in net income of one associated company, as the result and the decrease of provision in value investments in shares of one related companies, resulted value investments increased. The company has invested in shares of one associated company for the amount of 1.12 million shares equivalent to Baht 60.2 million because the company has dividend such as the shares held in this associated company existing during the past years, moreover the performance and potential of business of the company was considered that the investment will benefit to the company in future to increase the income from dividend increased.

- Property, plant and equipment - net as at June 30, 2014 was Baht 750 million, decreased by Baht 17 million or 2 percent from June 30, 2013. This was mainly due to the depreciation of plant and equipment for the period.

- Other non-current assets as at June 30, 2014 was Baht 241 million, decreased by Baht 101 million or 30 percent from June 30, 2013. This was mainly due to the decrease in retentions receivable from the export customers of special project of "Lucky" Hi-tech Building System.

Total liabilities

As at June 30, 2014, the consolidated financial statements of the Company had total liabilities of Baht 381 million, decreased by Baht 288 million or 43 percent from June 30, 2013. This was mainly due to an decrease in trade accounts payable as at June 30, 2014, which total of Baht 184 million, decreased by Baht 236 million, due to the decrease in sales and services, thus, the purchase was decreased accordingly.

For the short-term loans from financial institution were increased Baht 52 million as at June 30, 2014, the Trust Receipts amounted Baht 4 million used for purchase raw material and Promissory Notes amounted Baht 50 million for current operation.

Shareholders' equity

As at June 30, 2014, the consolidated financial statements of the Company had the shareholders' equity of Baht 2,530 million while as at June 30, 2013 was Baht 2,736 million, decreased by Baht 206 million or 8 percent. This was resulted from this year the consolidated financial statements of the Company had net loss amounted Baht 228 million, profit with non-controlling interests in subsidiaries Baht 19 million, actuarial gains Baht 13 million and dividend payment of subsidiary company Baht 10 million.

Book value as at June 30, 2014 was Baht 4.27 per share, while as at June 30, 2013 was Baht 4.61 per share, decreased by baht 0.35 per share or 8 percent from the previous year.

2.2 Liquidity and key financial ratios

Statements of Cash flows for the Year Ended 30 June, 2014

Consolidated F/S	Unit : Million Baht
Net cash from operating activities	(119)
Net cash used in investing activities	(42)
Net cash used in financing activities	43
Decrease in cash and cash equivalents - net	(118)
Cash and cash equivalents at beginning of period	451
Cash and cash equivalents at end of period	333

Liquidity of the consolidated financial statement of the Company as at June 30, 2014 had balance cash and cash equivalents at the end of period was Baht 333 million while as at June 30, 2013 was Baht 451 million, cash flow decreased by Baht 118 million, this was mainly due to :-

- Cash flows from operating activities decreased by Baht 119 million, due to the operation loss increased and trade accounts payable.

- Cash flows from investing activities decreased by Baht 42 million, most used in the investment of the ordinary shares in subsidiary company by Baht 60.2 million.

- Cash flows from financing activities increased by Baht 43 million, increased in short-term loans from financial institutions by Baht 52 million and decreased from dividend paid to non-controlling interest by subsidiary by Baht 10 million.

For the current ratio as at June 30, 2013 and June 30, 2014 were 2.74 and 3.35 respectively, the quick ratio as at June 30, 2013 and June 30, 2014 were 1.88 and 2.19 respectively. It was showing that the Company subsidiaries and its joint ventures had good liquidity assets.

The Company, subsidiaries and its joint ventures had good capacity to pay liabilities. The debt ratios as at June 30, 2013 and June 30, 2014 were 0.24 and 0.15 respectively.

3. Main factors which may affect future operations and finance positions

The stability of local political

If local political is instable, it may lessen the government's spending to stimulate the economy. As a result, the industrial growth will be fallen and the order is also reduced.

Foreign market

If the world economy has not been recovered, foreign market will have contraction. As a result, the industrial growth will be fallen and the order is also reduced.

Raw Material Pricing

Steel is the main raw material for production. If prices of steel are fluctuated, this may affect the orders and production costs.

Foreign Exchange Rate

If the Baht is appreciating against the USD dollar continuously, this may affect the Company's sales getting less. Also, the Company may lose their competitiveness compared to its competitors and may get loss from the exchange rate.

Please be informed accordingly.

Yours sincerely,

(Mr. Surasak Kunanantakul)

Vice President

Siam Steel International Public Company Limited