

1. Highlights

		Unit: million Baht	Q2-16	Q2-15
Group	Group Revenues		5,212	7,158
	Group EBITDA		635	(249)
	Group Net Profit (Loss)		(14)	(913)
HRC	HRC Sales (k tons)		294	409
	HRC Production Volume (k tons)		340	356
	HRC Average Selling Price (Bht./Ton)		17,753	17,492
	HRC Cash Margin (Bht./Ton)		4,357	1,163
		Unit: million Baht	Q2-16	YE15
Group	Total Assets		33,618	33,436
	Total Liabilities		21,657	21,519
	Total Equity		11,961	11,917

From the increase in average selling price of hot-rolled coil in the 2nd quarter of 2016 around 15% comparing with the previous quarter as well as the well manage production of the Company during the price of raw materials stock not yet increase comparing with selling price, the Company can increase cash margin to Baht 4,357 per ton in the 2nd quarter of 2016.

2. Business Outlook on Q3/2016

- The Company expect to achieve the sales volume in the same level of Q1/2016 though we have suffered from the down trend of HRC pricing and less demand in June and July. Domestic price of HRC had decreased sharply during June and July due to the importing of HRC from the countries that are not subjected to Anti-Dumping and Safe Guard

measures. As such, the lower price of imported HRC affected to domestic demand in term of psychology during the down trend pricing resulting lower demand.

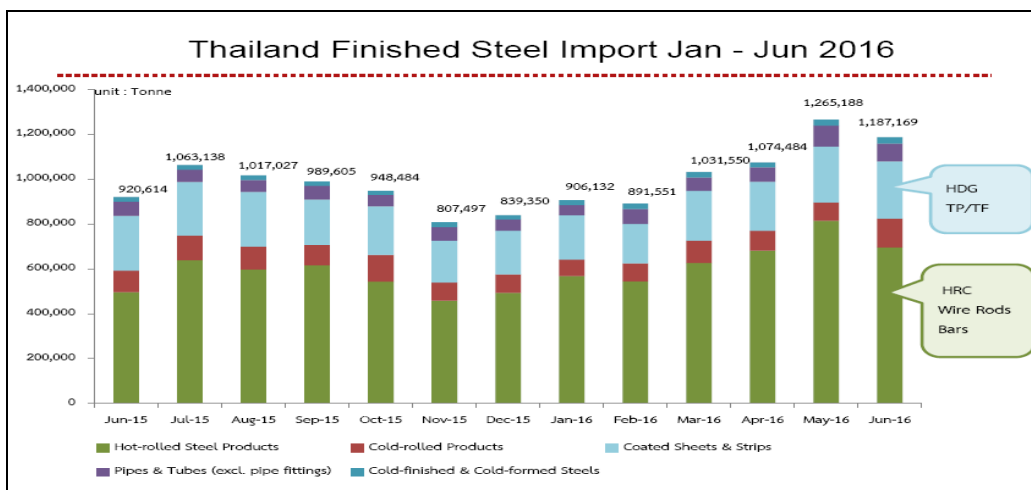
- However, we have seen the stability of domestic pricing since early of August and improving in the second week. We therefore expect that the average HRC price in Q3/2016 and demand will recover to the same level as Q1/2016.

3. Group CEO's Message

Executive summary

For the operating performance of the Company in 2Q16, the average selling price of hot-rolled coil (HRC) increased sharply from 15,416 baht/ton from 1Q16 to 17,753 baht/ton in 2Q16, an increase of 13.1 percent which the highest price hit in May 2016. The increase in steel prices was in-line with the world market price uptrend. Moreover, the higher of accumulated stocks of HRC from local dealers to capture uptrend in steel price as well as price increase affected by higher of raw materials cost. However, the steel price has plunged since June 2016 as small mills in China have increased utilization rate which caused steel global prices started falling. Further, the surge of imported steel products into Thailand by local traders in 2Q16 resulted and put more pressure to domestic steel prices.

Import of finished steel products to Thailand



Per the Company's consolidated financial statement for 2Q16, it reported a minor net loss at Baht 14 million and for 1H16 there was net profit at 44 million. This was resulted from accounting

expenses incurred from high financial costs from legacy debts and reversal of loss on devaluation of inventories.

4. Industry Overview and Outlook

Overview of World Steel Industry

The ISIT has reported the crude steel production of the world in the first quarter of 2016 (Jan-June 2016) at 765.92 million metric tons decreasing of 2.10% compared to the same period of previous year while the world crude steel production in the second quarter of 2016 slightly decreased of 0.59% compared to the same period of previous year at 394.46 million metric tons. The Middle East region had produced the crude steel at the lowest in the second quarter of 2016, decreasing 26.53% at 1.18 million metric tons. The Africa Continent had produced the crude steel at the second lowest, decreasing of 14.61% at 9.62 million metric tons.

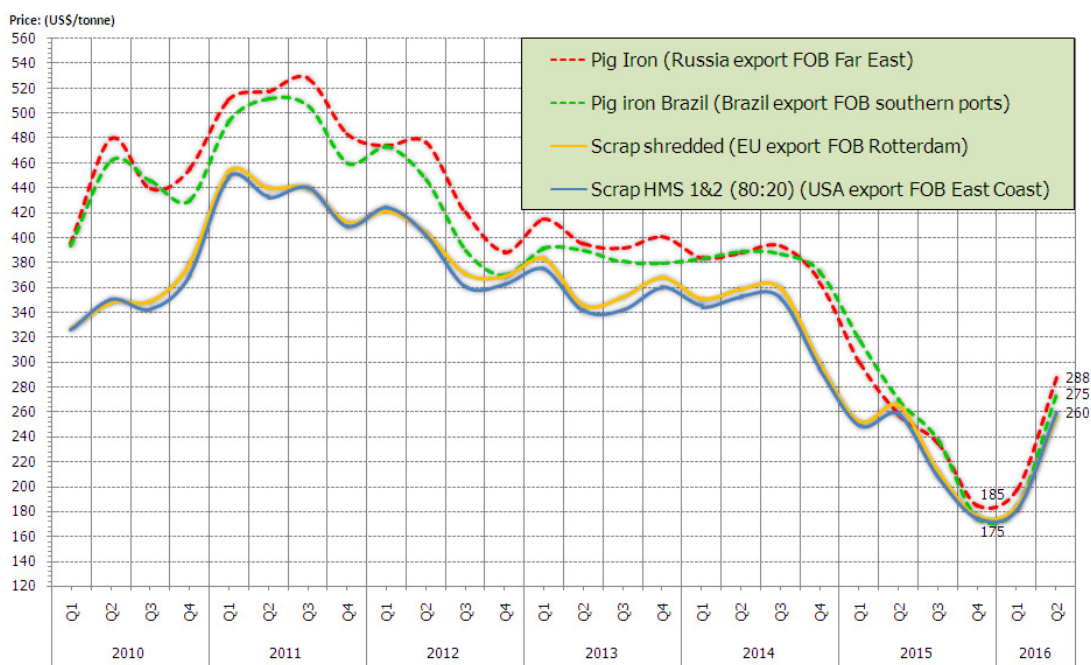
Unit : Thousand tons

Region	Q2 2016	Q2 2015	% change y-o-y
Other Europe	8,962.89	8,714.10	2.86
Asia	276,067.50	273,920.30	0.78
Africa	2,769.34	3,107.00	-10.87
Middle East	1,185.00	1,613.00	-26.53
North America	28,077.00	28,035.00	0.15
European Union	40,468.26	42,719.84	-5.27
Oceania	1,434.17	1,500.60	-4.43
South America	9,624.88	11,272.13	-14.61
C.I.S.	25,879.31	25,929.62	-0.19
Total	394,468.35	396,811.59	-0.59

Source : Iron and Steel Institute of Thailand, By Steel Business Intelligence

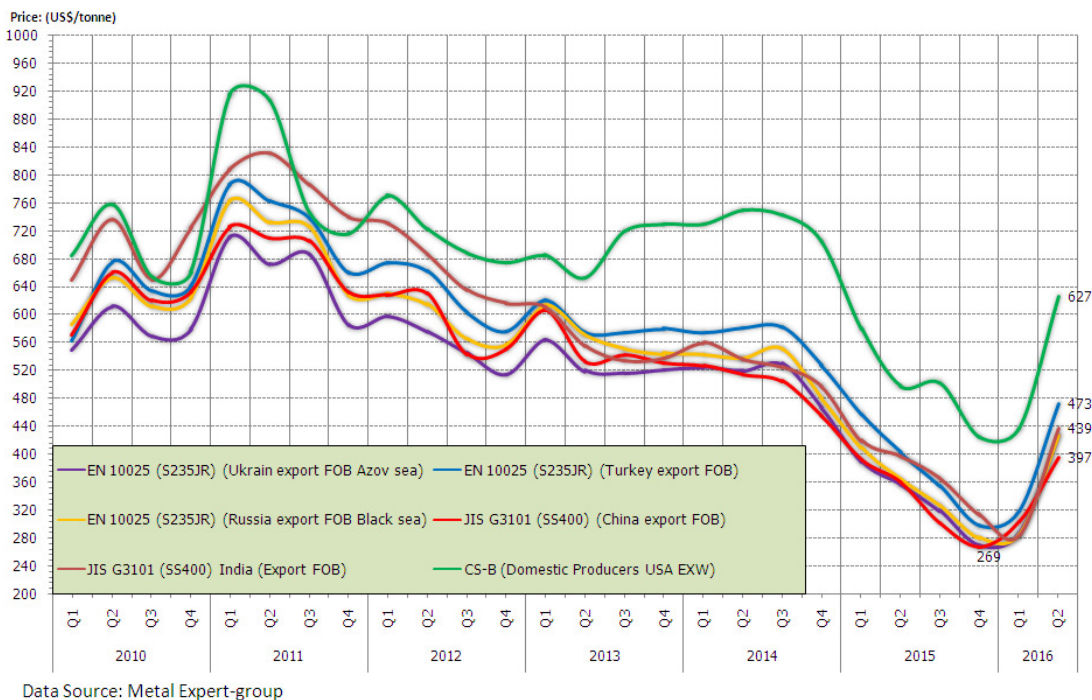
Pig iron, shredded scrap The Scrap price had fluctuated and the price had decreased since Q1/2011, the average highest – lowest price of pig iron was between USD512-185 metric ton and between USD 454-177/MT for shredded scrap.

At present the HRC producer has to face with the scrap price fluctuations, the Russian FOB export price in Q2/2016 was at USD 288/MT, increasing of 45.6% compared to Q1/2016 while the EU FOB export price was at USD257/MT, increasing of 39.1% compared to Q1/2016.



Data Source: Metal Expert-group

Hot rolled The price of Hot Rolled Steel had the highest – lowest average between USD 823 -269/MT. During the year 2011-2013, the price continuously decreased due to the world’s economy recession at the price level of USD 600-630/MT. In the year 2014, the economy of China showed the downtrend economy situation and also the world’s economy had not yet recovered so the price decreased to USD560 - 500/MT. In Q4/2015, the average lowest Hot Rolled Steel price from China who in the biggest producer in the world was at USD269/MT while in Q2/2016, the price of Hot Rolled Steel had passed the bottom price and the price started to increase of which the Indian FOB export price increased 54% at USD 439/MT. The Russian FOB export price increased 49.7% at USD 428/MT while the Chinese export price increased 30.3% at USD 397/MT compared to Q1/2016. The American (Domestic Producers USA EXW) was at USD 627/MT, increasing of 42.8% compared to the previous quarter.



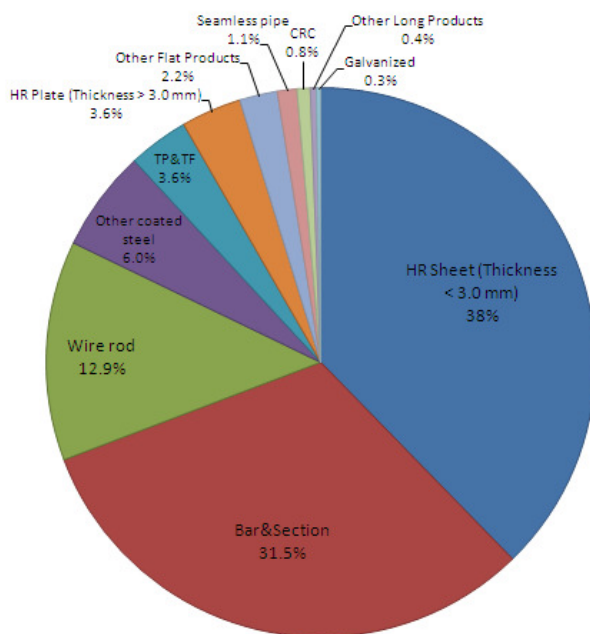
Overview of Thai Steel Industry

ISIT had reported the domestic steel-production Q2/2016 was at 2.36 million metric tons, increasing 42.61% compared to the same period of previous year consisting of the long finished steel production of 1.79 MT, increasing 86.4% and the flat finished steel production of 0.57 million metric tons, decreasing 17.9% compared to the same period of previous year. The consumption of finished steel products in Thailand in Q2/2016 was at 5.5 million metric tons, increasing 36.46% compared to the same period of previous year consisting of the long finished steel consumption at 2.44 million metric tons, increasing 68.1% resulting from the more consumption of structural steel and wire rods and the flat finished steel consumption at 3.14 million metric tons, increasing 19% resulting from the demand of Hot Rolled Steel which increasing 19.03% compared to the same period of previous year.

Total Apparent Finished Steel (Unit :Tons)	Quarter 2/2015	Quarter 2/2016	% Chg.
Production	1,658,830	2,365,694	42.61%
Import	2,730,386	3,526,841	29.17%
Export	294,966	305,532	3.58%
Consumption	4,094,249	5,587,003	36.46%

Source : Iron and Steel Institute of Thailand, By Steel Business Intelligence

Steel Consumption Ratio (Jan-Jun 2016)



The imported of finished steel in Thailand in Q2/2016 was at 3.52 million metric tons, increasing 29.17% compared to the same period of previous year. The highest import quantity was Hot Rolled Steel at 2.66 million metric tons, increasing 31.1% compared to the same period on previous year. The second highest import quantity was structural steel at 0.23 million metric tons, mainly from China, Japan, Korea, and Taiwan.

The export of finished steel in Thailand in Q2/2016 was at 0.305 million metric tons, increasing 3.58% compared to the same period of previous year. The highest export quantity was structural steel at 0.14 million metric tons, mainly to Malaysia, Singapore and Hong Kong. The

export of deformed bars for construction in Q2/2016 was at 0.0012 million metric tons, mainly to Laos, Myanmar and Cambodia.

Overview of Hot Rolled Steel in Thailand

The Hot Rolled Steel production in Q2/2016 was at 0.57 million metric tons, decreasing 17.85% compared to the same period of previous year. The domestic demand of Hot Rolled Steel in Q2/2016 was at 3.14 million metric tons, increasing 19.03% compared to the same period of previous year.

The import of Hot Rolled Steel in Q2/2016 had increased of 31.15% at 2.66 million metric tons consisting of thin gauge at 1.22 million metric tons, increasing of 53.32% and at 0.16 million metric tons, increasing 49.95% for the thick gauge compared to the same period of previous year. Although Thailand has imported the Anti - Dumping (AD) and safeguard measures in order to support domestic producer for competing with imports and be able to adapt themselves for competing with imports but the imports figures still showing in the increase direction mainly importing from China, Japan, Korea and Taiwan.

The export of Hot Rolled Steel in Thailand in Q2/2016 was at 0.096 million metric tons, increasing 7.46% compared to the same period of previous year.

The Hot Rolled Steel production and the domestic demand in Q2/2015 and Year 2016

Total Hot Rolled (Unit : Tons)	Quarter 2/2015	Quarter 2/2016	% Chg.
Production	696,510	572,179	-17.85%
Import	2,032,196	2,665,265	31.15%
Export	90,170	96,894	7.46%
Consumption	2,638,535	3,140,550	19.03%

Total Hot Rolled Plate (Excluding Stainless steel, Thickness > 3.0 mm.)	Quarter 2/2015	Quarter 2/2016	% Chg.
Production	52,447	28,158	-46.31%
Import	106,704	160,002	49.95%
Export	950	437	-54.00%
Consumption	158,201	187,723	18.66%

Total Hot Rolled Sheet (Excluding Stainless steel, Thickness < 3.0 mm.)	Quarter 2/2015	Quarter 2/2016	% Chg.
Production	644,062	544,021	-15.53%
Import	801,896	1,229,467	53.32%
Export	2,484	3,383	36.19%
Consumption	1,443,474	1,770,105	22.63%

Source : Iron and Steel Institute of Thailand, By Steel Business Intelligence

5. Performance of the Company and its Subsidiaries

Performance

With reference to the aforementioned financial statements, the Company reports a consolidated net loss of THB 14 million and net loss of THB 913 million for the 2nd quarter of 2016 and 2015, respectively. The Company (separate) reports a net loss of THB 186 million and THB 731 million for the 2nd quarter of 2016 and 2015, respectively. To this extent, the Company would like to provide the following explanations.

Revenue from sales and cost of goods sold

The Company recorded a sales volume of 293,572 tons for the 2nd quarter of 2016, decreased by 115,631 tons from the 2nd quarter of 2015 or decreased by 28% (Separated Financial Statement: 105,922 tons and 211,913 tons, for the 2nd quarter of 2016 and 2015 respectively)

Consolidated revenue from sales for the 2nd quarter of 2016 and 2015 amounting to THB 5,212 million and THB 7,158 million, respectively, (Separate: THB 1,934 million and THB 3,705 million for the 2nd quarter of 2016 and 2015, respectively), and consolidated gross profit amounting to THB 806 million and gross loss amounting to THB 10 million for the 2nd quarter of 2016 and 2015, respectively, (Separate: gross profit THB 330 million and gross loss THB 39 million for the 2nd quarter of 2016 and 2015, respectively). Although revenue from sales decreased comparing with the same period last year, however, the Company has efficient management in term of raw material cost as well as conversion cost which result in the lower production cost compare to the same period last year. This leads to the positive gross profit in this quarter.

Consolidated financial statement, the Company recorded net loss of THB 14 million and net loss of THB 913 million for the 2nd quarter of 2016 and 2015 (Separate: THB 186 million net loss for the 2nd quarter of 2016 and THB 731 million net loss for the 2nd quarter of 2015). The Company would like to provide the following explanations.

Net foreign exchange gain

The Company recorded consolidated net gain on foreign exchange for the 2nd quarter of 2016 amounting to THB 28 million (Separate: THB 8 million). The gain is attributed to the appreciation of the Thai Baht versus the US dollar.

Selling expenses

Consolidated selling expenses for the 2nd quarter of 2016 and 2015 amounting to THB 97 million and THB 158 million, respectively, (Separate: THB 55 million and THB 114 million, respectively). Major factor come from the decrease of transportation expense.

Administrative expenses

Consolidated administrative expenses for the 2nd quarter of 2016 and 2015 amounting to THB 319 million and THB 405 million, respectively, (Separate: THB 189 million and THB 214 million, respectively). The decrease of THB 86 million (Consolidated) and THB 25 million (Separate) is primarily attributed to the decreased of penalty of tax related expenses.

Financial costs

Consolidated financial costs for the 2nd quarter of 2016 and 2015 amounting to THB170 million and THB 174 million, respectively, decreased by THB 4 million. (Separate: THB 149 million and 130 million, respectively). The increase of THB 19 million (Separate) comes from the default with one major trade creditor which result to the increase in interest expense. However, this major trade creditor is one of the major trade creditors that are under the restructuring negotiation process with the Company.

6. Consolidated Financial Status

- **Total assets**

As of 30 June 2016, the Company and subsidiary has total asset amounted to THB 33,618 million, increased 1% from year 2015. Total assets separate into current assets amounted to THB 3,276 million, increased 40% from year 2015 and non current assets amounted to THB 30,342 million, decreased 2% from year 2015. Current assets mainly increased from the increase of inventory due to more hot-rolled coil stock, from THB 1,688 million as of December 2015 to THB 2,241 million as of 30 June 2016.

- **Total Liabilities**

As of 30 June 2016, the Company and subsidiary has total liabilities amounted to THB 21,657 million, increased THB 138 million or 1% from year 2015. The results come from current liabilities increased THB 1,295 million which come from the increase of accrued interest and non current liabilities decreased THB 1,157 million due to the reclassification from non current to current liabilities.

- **Total equity**

As of 30 June 2016, the Company and subsidiary has total equity amounted to THB 11,961 million, increased THB 44 million or 0.37% from year 2015 due to the increase in net profit of the Company.

7. Recent Development

Recent Development

Marketing development — During the 2nd quarter of 2016 the Company had successfully developed its marketing activities with sale offers of new fine-tuned or modified specifications of hot-rolled coil products to the existing customers. The Company already produced, commercially sold and made partial deliveries of the said fine-tuned products, and also expected to retain marketing and sales activities for the fined-tuned product group throughout the year 2016. In addition, the Company has set up an after-sale follow-up plan on the customers' usages of the Company's products to conduct analysis along with open channels for the customers' suggestions, as efforts to continuously improve product quality in the future. The sales of fine-

tuned products have been promoted in order to increase the Company's competitiveness in the market.

The Company has prepared a marketing plan for the next period (next year onwards) for approaching new value-added customer group and to expand its customer base, by aiming at new users for hot-rolled coil, with the product specifications that the Company is capable to produce, to capture more market share and to enhance revenue in a long run, in accordance with real business and industry environment.

Production process development — The Company succeeded in implementing the productivity project of using aluminium dross (Al dross), a kind of hazardous waste, in steel-making process with electric arc furnaces to replace costly disposal as in the past. The project thus resulted in double benefits, i.e. making use of the waste while no need to dispose. The Company will soon apply the successful result from using Al dross in another process of metallurgical heating furnace to further enhance productivity level. And importantly, the said Company's project has been selected by Ministry of Industry to be a model project for dissemination to public.

Appendix

Table 1 : Average Prices of Slab, HRC, and Other Raw Materials

Unit: USD/ton	Q 2/2015 Actual	Q 3/2015 Actual	Q 4/2015 Actual	Q 1/2016 Actual	Q 2/2016 Actual	Q 3/2016 Estimate
Scrap Shredded	320	266	227	235	257	260
Pig Iron	357	323	256	265	288	295

Table 2 : Production of Hot Rolled Steel in Thailand

Unit: Ton	2016 Q 2	2016 Q 1	+/- QoQ	2015 Q2	+/- YoY	2016	2015	+/- YoY
tons	572,179	672,594	-14.9%	696,510	-17.85%	1,232,030	2,470,045	-50.1%

Table 3: Estimation Apparent Steel Supply in Thailand

Unit: Ton	2015 Actual	Q 1/2016 Actual	Q 2/2016 Estimate	Q3/2016 Estimate	Q 4/2016 Estimate	2016 Estimate	(%) YoY
tons	6,495,235	1,789,029	2,365,693	2,389,349	2,413,243	8,957,315	37.9 %

Table 4: Summary of Consolidated Financial Results**Consolidated****Unit : Million Baht**

	Quarter 2/2016	Quarter 2/2015	+/-
<i>Income</i>			
Revenue from sale of goods	5,212	7,158	-27%
Reversal of bad and doubtful debts expense	1	-	
Reversal of loss on devaluation of inventories	-	227	-100%
Reversal of provision for loss on purchase orders			
for undelivered raw material	-	39	-100%
Reversal of loss on impairment in subsidiaries	-	-	
Net foreign exchange gain	28	-	
Gain from debt restructuring	59	-	
Other incomes	33	37	-10%
Total income	5,332	7,460	-29%
<i>Expenses</i>			
Cost of sale of goods	4,405	7,168	-39%
Selling expenses	97	158	-39%
Administrative expenses	319	405	-21%
Loss on devaluation of inventories	67	-	
Loss on confirmed purchase orders	-	-	
for undelivered raw materials	214	-	
Bad and doubtful debts expense - net	-	55	-100%
Other expenses	67	410	-84%
Finance costs	170	174	-2%
Total expenses	5,340	8,370	-36%

Profit (loss) before income tax expense	(8)	(909)	-99%
Income tax expense	6	4	60%
Profit (loss) for the period	(14)	(913)	-98%
Loss per share			
Basic loss per share (Baht)	(0.02)	(0.10)	-78%

Table 5: Condensed Consolidated Statement of Financial Position

Unit : Million Baht	30 June 2016	31 December 2015	+/-
Assets			
<i>Current assets</i>			
Cash and cash equivalents	580	159	264%
Trade accounts receivable	193	242	-20%
Amounts receivable from related parties	-	-	
Inventories	2,241	1,688	33%
Receivables from scrap sales	-	-	
Other current assets	262	254	3%
Total current assets	3,277	2,343	40%
<i>Non-current assets</i>			
Investments in subsidiaries	-	-	
Advance payment for purchases of property, plant and equipment	210	210	0%
Property, plant and equipment	29,584	30,446	-3%
Intangible assets	16	17	-10%
Other non-current assets	532	419	27%
Total non-current assets	30,342	31,093	-2%
Total assets	33,618	33,436	1%
<i>Current liabilities</i>			
Short-term loans from financial institution	-	365	-100%
Trade accounts payable	7,669	8,043	-5%
Amount due to related parties	-	-	
Current portion of liabilities under rehabilitation plan	470	486	-3%
Current portion of long-term loan from financial institution	305	-	
Current portion of long-term loan from related party	78	106	-26%
Current portion of bonds	548	562	-3%

Short-term loan from related parties	30	30	0%
Short-term loan from other parties	145	120	21%
Loan from shareholder	4	4	0%
Advances received from customers	187	204	-8%
Other payables and accrued expenses	3,374	3,177	6%
Accrued interest expenses	3,576	2,337	53%
Provisions	3,051	2,702	13%
Other current liabilities	343	349	-2%
Total current liabilities	19,780	18,485	7%

Non-current liabilities

Liabilities under rehabilitation plan - net of

current portion	245	250	-2%
Trade accounts payable	3	518	-99%
Long-term loan from financial institution - net of			
current portion	48	-	
Long-term loan from related party	296	264	12%
Other payables and accrued expenses	1,061	1,238	-14%
Accrued interest expenses	44	19	131%
Provision	78	648	-88%
Employee benefit obligations	102	96	6%
Total non-current liabilities	1,877	3,034	-38%

Total liabilities	21,657	21,519	1%
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Equity

Equity attributable to owners of the Company	3,007	3,192	-6%
Non-controlling interests	8,954	8,725	3%
Total equity	11,961	11,917	0%

Total liabilities and equity	33,618	33,436	1%
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Table 6 : Condensed Statement of Cash Flow**Unit : Million Baht**

Jan - Jun 2016

Cash flows from operating activities

Profit (loss) for the period 44

Adjustments for

Depreciation and amortisation 950

Interest income (1)

Finance costs 324

Unrealized loss (gain) on exchange rate (17)

(Reversal of) bad and doubtful debts expense (3)

(Reversal of) Provision for a guarantee of subsidiary -

(Reversal of) loss on devaluation of inventories 1

Gain from debt restructuring (59)

(Reversal of) loss on confirmed purchase orders of
undelivered raw material 188

(Reversal of) loss on impairment in subsidiaries -

Loss from disposal of assets 0

Provision for court case claim 128

Employee benefit obligations 6

Tax expense 13

1,575*Changes in operating assets and liabilities*

Trade accounts receivable 48

Amount due from related parties -

Inventories (554)

Other current assets (22)

Cash guarantee for utility -

Other non-current assets (194)

Trade accounts payable (321)

Advance received from customers	(16)	
Other payables and accrued expenses		17
Other current liabilities	(13)	
Cash received (paid) for Income tax		<u>10</u>
Net cash used in operating activities		<u>528</u>
 <i>Cash flows from investing activities</i>		
Interest received		1
Purchase of property, plant and equipment		(4)
Purchase of intangible assets		(0)
Payment for long-term loans to related parties		-
Proceeds from disposal of investment in subsidiary		<u>-</u>
Net cash from (used in) investing activities		<u>(3)</u>
 <i>Cash flows from financing activities</i>		
Finance costs reversal (paid)	(97)	
Repayment of liabilities under rehabilitation plan	(23)	
Proceeds (Repayment) from loans from financial institution	(13)	
Proceeds (Repayment) from short-term loans from other parties		25
Proceeds (Repayment) from short-term loans from related party		-
Proceeds (Repayment) of loan from shareholder		-
Proceeds (Repayment) from long-term loans from related parties		<u>4</u>
Net cash from (used in) financing activities		<u>(104)</u>
 Net increase (decrease) in cash and cash equivalents		 421
Cash and cash equivalents at 1 January		159
Effect of exchange rate changes on balances		-
held in foreign currencies		<u>0</u>
Cash and cash equivalents at 30 June		<u><u>580</u></u>