

EXPLANATION AND ANALYSIS FINANCIAL STATUS AND PERFORMANCE

Thailand Carpet Manufacturing Public Company Limited (“the company”) would like to inform the operating results and financial position of the Company and its subsidiaries for the year ended 31 December 2016, comparing to the year ended 31 December 2015, as follows

Overall the operating results

On September 1, 2016 the company’s Board of Directors’ Meeting no. 4/2016 passed a resolution to establish Manor(2016) Holding Limited(“Manor”), which was registered in England and Wales, as a subsidiary of the company by hold the subsidiary’s share capital at 100% of total number of issued shares, and established DM Midlands Holding Limited(“DMMH”), which was registered in England and Wales, by Manor hold the share capital at 100% of total number of issued shared. After the transaction in DM Midlands Limited(“DMM”), Manor, a subsidiary of the company, and the Group of Existing Shareholders, the sellers, hold shares in DMMH as the the proportion of 75:25 and DMMH hold 100% of shares in DMM. On October 25, 2016, the Extraordinary Meeting of Shareholders of the company no.1/2016 approved for DM Midlands Holdings Limited, which is the subsidiary company and was registered in England and Wales, to invest in DM Midlands Limited for the proportion of 100 per cent of the total shares of DM Midlands Limited. The objective of entering into the transactions, which are it is the investment in the business with good potential and possibility to receive good returns from the investment in the future, the company will benefit from the business cooperation. On November 1, 2016 (purchasing date), DMMH had paid for such ordinary shares in full. The company had consolidated the financial statements in the preparation of consolidated financial statements of the group of the subsidiaries from November 1, 2016, onwards.

For the year ended 31 December 2016, the company had the operating loss 13.44 million baht, comparing to the year ended December 2015, there was the operating profit 73.21 million baht. The consolidated financial statements for the year ended 31 December 2016, there was the operating profit 175.41 million baht, comparing to the year ended 31 December 2015, there was the operating profit 112.21 million baht(Restated) that changed over 20%, with the reasons as follows:-

1. Revenue

In the year ended 31 December 2016, the company had sales and services amount 531.11 million baht was lower than the year ended 31 December 2015 amount 22.49 million baht was at 4.06%. The consolidated financial statements in the year ended 31 December 2016 had sales and services amount 3,872.07 million baht, which there were sales of the company(“TCMC”) amount 531.11 million baht, Royal Thai International Co., Ltd(“RTI”) amount 305.60 million baht, United Carpet Manufacturing Co., Ltd(“UCM”) amount 52.91 million baht, T.C.H. Suminoe Co.,Ltd(“TCH”) amount 1,201.94 million baht, TCMC Furniture Limited(“TCMF”) amount 1,365.05 million baht, and Manor(2016) Holding Limited(“Manor”) amount 721.06 million baht. Therefore, the sales of the year ended 31 December 2016 were higher than the year ended 31 December 2015 that there were sales and services amount 2,366.05 million baht was at 63.65%, due to the investment in DM Midlands Limited..

2. Sales and Services Cost

In 2016, the company had sales and services cost amount 419.19 million baht was at 78.92% of revenues, comparing to the year 2015, the company had sales and services cost amount 427.83 million baht was at 77.28% of revenues. The consolidated financial statements in year 2016 had sales and services cost amount 2,860.83 million baht was at 73.88% of revenues, comparing to the year 2015 which there were 1,726.62 million baht was at 72.97% of revenues.

3. Other Incomes

In 2016, the company received dividend from TCH in the amount of 51.50 million baht, and in the year 2015, the company received dividend from TCH in the amount of 37.01 million baht, increased amount 14.49 million baht. The Company had recognized gain from cancelled of financial lease from Couristan's machinery in the amount of 15.23 million baht, due to the lower quantity specified in the agreement continuously. In 2016, the company had other incomes amount 21.78 million baht, comparing to the year 2015 which there was 26.16 million baht, decreased amount 4.38 million baht.

4. Selling & Administrative Expenses and Other Expenses

In 2016, the company had selling expenses and administrative expenses amount 124.19 million baht, comparing to the year 2015 was at 120.14 million baht, increased amount 4.05 million baht was at 3.37%. The consolidated financial statements in year 2016 had selling expenses and administrative expenses amount 695.90 million baht, comparing to the year 2015 amount 432.88 million baht, increased amount 263.02 million baht was at 60.76%, due to the investment in DM Midlands Limited in 2016, and the investment in Alstons Group in 2015.

In 2016, the company had loss on exchange rate amount 83.31 million baht, due to the loan that the company borrowed for TCMF was in UK to the investment in ALSTONS GROUP in the amount of 82.51 million baht, which came from the pound weakened by Brexit event, while in year 2015, there was gain on exchange rate amount 32.93 million baht. The consolidated financial statements in year 2016 had gain on exchange rate amount 1.24 million baht, while in year 2015, there was gain on exchange rate amount 7.01 million baht.

5. Financial Cost

In 2016, the company had financial cost 20.37 million baht, comparing to the year 2015 amount 17.13 million baht increased 3.24 million baht. The consolidated financial statements in year 2016 had financial cost 50.69 million baht, comparing to the year 2015 amount 37.70 million baht increased amount 12.99 million baht.

Financial Position

Total Assets

As at 31 December 2016, the company had total assets 1,874.62 million baht, increased from the statements of financial position as at 31 December 2015 was at 1,692.27 million baht. The consolidated financial statements as at 31 December 2016 had total assets 4,817.79 million baht, comparing to at 31 December 2015 was at 3,368.10 million baht, increased amount 1,449.69 million baht, due to the investment in DM Midlands Limited.

Total Liabilities

As at 31 December 2016, the company had total liabilities 652.86 million baht, decreased from at 31 December 2015 was at 659.93 million baht. The consolidated financial statements as at 31 December 2016 had total liabilities 3,096.04 million baht, comparing to at 31 December 2015 was at 1,944.58 million baht, increased amount 1,151.46 million baht, due to the investment in DM Midlands Limited.

Shareholders' Equity

As at 31 December 2016, the company had shareholders' equity amount 1,221.76 million baht, comparing to the year 2015 amount 1,032.34 million baht, increased amount 189.42 million baht, because the company had fully paid-up share capital which increased from the exercised warrant amount 122.75 million, equal to 245.50 million baht, and there was payment dividend in 2016 amount 46.32 million baht. The consolidated financial statements as at 31 December 2016 had shareholder's equity amount 1,721.76 million baht, increased from at 31 December 2015 was at 1,423.53 million baht.