

### Supalai's clarification of capital increase and suspension of dividend payment

Dr. Prateep Tangmatitham, Chief Executive Officer of Supalai Public Company Limited (SPALI), provide the clarification of the company's capital increase which is misunderstood to be effect of 20% stock dilution is not true. In fact, this capital increase is not consider the effects of equity dilution because the rights of receiving free warrants at a rate of 4 ordinary shares per 1 warrant are granted to the existing shareholders only and those warrants can be converted to common stock within 1 year for 4 baht. Currently, the market price of the SPALI's stock was around 25 Baht, so this can be considered as another rewarding or a return for shareholders.

This capital increase is intended to enhance the company's sustainable growth. In the past several years Supalai has been making outstanding performance and the last 6 months sales figures of 2017 is higher than the same period of the last year for 29%. If we consider this capital increase to be the reduction of interest from loan, it will result in the company profits increase at least 100 million baht per year.

Besides, this capital increase will increase the shareholders' equity as well as the total assets and will affect the market capitalization increase. The increased number of shares will enhance trading liquidity and will be a good opportunity for SPALI stock to be permanently upgraded from SET100 to SET50 and also increase the opportunity for the company's financial status credit rating from A (Stable) to be upgraded to A+ in the future.

In case of suspension of dividend payment in the year of this capital increase is because of duplication with the capital increase. Since the company expects to raise capital about 3,434 million baht, the company decides to increase capital for only 1,717 million baht with 1 year suspension of dividend payment which is equivalent to a capital increase of 1,717 million baht. But if the company decide to release dividend payment of Baht 1,717 million in the year that the capital increase is called, the company will have to raise capital to Baht 5,151 million. When deducting dividends, the remaining funds will be equal to the same amount of 3,434 million baht.

The expert suggests that companies should not pay dividends in the year they are called for capital increase, because it will be deducted withholding tax at 171 million baht. The capital increase by issuing warrants to the existing shareholders is better because the shareholders can choose to sell warrants at no cost at all to compensate for dividends and the advantage is the warrant sales will not be taxed when receiving dividends will be taxed.

Therefore, the Company has carefully considered and has approved the capital increase and suspension of dividend payment for only 1 year in this year for the reasons mentioned above. But still the same dividend payment policy the following year. It is clear that this action is beneficial to the company and our shareholders in every aspect.