

Management's Discussion and Analysis.

Overview

T. Krungthai is a manufacturer and a designer of plastic components, as well as manufacturer and service provider for molds which are used for manufacturing of plastic components. Major Customers are a leading automotive and electric appliances factories, including original equipment manufacturers (OEM) mainly based in Thailand. In 2016 the Company's income dropped by 258.65 million THB as a result of the cancellation of automotive components production as well as income recognition from electrical appliances that was not meet the target.

1. Operation Result

Income

In 2016 the Company's total income from sales and service was 1,097.75 million THB, with 19.07 percent declination (258.65 million THB), while the income index recorded 67.61 percent comparing to the base year (2014).

Decreased income from sales and services was related to the following elements:

1. Internal factors were such as: cancellation of some series of automotive production and decreased sale volume of electric appliances (what didn't meet projected target) - resulting in sale volume declination. However, in 2017 the Company will strive to boost the sale volume, and it is likely that 2017 year target will be achieved.
2. External factors were caused by the economic slowdown on domestic and global scale. Purchases from local and foreign manufacturers gradually dropped.

According to the financial statement, the income categorized by production line in 2016 and 2015 were 830.51 and 1,054.71 million THB respectively. Income from manufacturing of electric appliances were 142.96 and 146.40 million THB respectively. Income from mold production were 93.14 and 137.65 million THB respectively. Income from other industries were 31.14 and 17.64 million THB respectively.

Cost of sales and expenses

Cost of sales and services

In 2016 the Company's cost of sales and service recorded 1,026.88 million THB, a decrease by 139.60 million THB or 11.97 percent from the previous year. Cost of sale index recorded 72.41 percent comparing to the base year (2014), or reached 93.54 percent when comparing to the ratio of cost of sale to sale volume in year 2016, an increase of 7.54 percent. The cutback was a result of damages in spray painting department of our factory in Suwintawong, while some fixed expenses had not been adjusted to be consistent to the reduction in sale volume. However, the Company resolved most of the problems in Suwintawong factory. We are now proceeding the adjustment of fixed expenses as to conform to the reduction of sale volume.

Sale and administrative cost

The Company's sale and administrative cost in 2016 recorded 150.40 million THB, a decrease by 15.53 million THB or 9.35 percent from the previous year. Sale and administrative cost index was 89.14 percent comparing to the base year (2014). The ratio of sale and administrative expenses compared to the

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sale volume, represented a declination in comparison to the previous year due to the Company's policy related to minimizing expenses in response to the sale volume cut back. For example, reducing office expenses, or transportation costs. Such ratio of sale and administrative cost has declined comparing to the previous year.

Finance costs

The Company's finance costs in 2016 recorded 17.94 million THB, which was similar to 2015 year, where the finance cost was 17.93 million THB. Comparing to the income, the finance cost accounted 1.63 percent. The Company's interest coverage ratio in 2016 was -3.71, a 7.33 time decrease from the previous year due to the loss in operations.

Corporate income tax

The Company had no corporate income tax as a result of loss in operations. However, due to net loss of the current year, the Company had a deferred tax amounted to 16.10 million THB which may be used to reduce any corporate income tax expense in the future.

Net profit

In 2016, the Company had a net loss of 67.43 million THB, or -6.15 percent of the total sale volume. The net profit contracted by 7.06 percent, in comparison to 2015 due to the

1. Downturn of the sale volume, which was caused by the cancellation of some series of automotive products, the sale volume of electric appliance and molds which did not meet the target. In addition, the external factors such as economic situation both domestically and globally also affected the number in purchases from customers,
2. Increase in cost of production due to the problem in Suwintawong factory, and some fixed expenses which cannot be adjusted to support the sale volume downturn.

Nevertheless, most of the issues in production have been resolved. On the other hand, some fixed expenses which are not in line with the sale volume, are under the planning and managing process with aim to boost up the sale volume by year 2017.

2. Financial Status

Assets

As of 31 December 2016 and 2015, total assets of the Company amounted to 1,054.32 and 1,138.49 million THB respectively, a decrease of 84.17 million THB or 7.39 percent.

Trade and other receivables

Total trade receivable account and other receivables of the Company as of 31 December 2016 and 2015 amounted to 174.38 and 184.19 million THB. Net trade receivables as of 31 December 2016 and 2015 amounted to 168.51 and 182.78 million THB. The proportion between trade receivables and total assets were 15.97 and 16.05 percent respectively.

Average collection period in 2016 was 58 days, showing improvement comparing to previous year at 70 days. Most of the accounts were paid on time as Company credit terms between 60-90 days. In addition, Company follow-up closely all debts, therefore, the payables were reduced. The majority of our customers

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are leading automotive and electric appliance manufacturers, which are reliable in terms of payment. The Company has not experienced any issues in collecting debts. Company will maintain debt collection period to be in line with respective policy. Trade receivables of the Company in year 2014 - 2016 categorized by aging are as follows;

Unit : Million Baht

Receivable aging	2014	2015	2016
Within the due date	240.81	126.39	117.66
Within 90 days	95.11	54.59	49.79
Between 90 -180 days	0.0001	1.30	0.73
Between 180 - 365 days	0.18	0.48	0.19
Over 365 days	2.30	0.02	0.04
Total	338.40	182.78	168.41

Inventories

Inventory of the Company as of 31 December 2016 and 2015 amounted to 167.70 and 191.10 million THB respectively. The ratio between inventory and total asset were 15.91 and 16.79 percent respectively since the Company has adjusted the stock volume to support the purchase orders received.

The average sale period in 2016 was 64 days. The molds which were during the production process were among those. However, when excluding the said molds, the average sale period in 2016 was 38 days. The Company is well aware of the importance of control the inventory, and has no policy to produce and order raw materials in the excessive volume. The Company sets the plan on weekly basis, specifying the quantity of products for manufacturing and raw materials to be ordered. The manufacturing and delivery are being studied and improved in order to maintain the sale period in proper level.

Property, plant and equipment and intangible assets

As of 31 December 2016 and 2015, the property, plants, equipment and intangible assets (net) of the Company valued 668.56 and 727.27 million THB, while the ratio between the property, plant and equipment and intangible assets and total asset were 65.31 and 63.88 percent respectively.

Total liabilities

As of 31 December 2016, total liabilities of the Company amounted to 673.89 million THB (current liabilities amounted to 635.10 million THB and non-current liabilities amounted 38.79 million THB), an increase from the previous year by 3.80 million THB or -0.56 percent.

Shareholders' equity

Shareholders' equity as of 31 December 2016 was 380.44 million THB, an increase of 80.37 million THB, representing 17.44 percent. By resolution passed on the 2016 Annual General Meeting of shareholders held on 20 April 2016, the dividend payment from operation result of year 2015 is to be paid at 0.06 THB per share, from total 214 million shares, representing 12.84 million THB. The dividend payment was paid to the shareholders on 13 May 2016.

As of 31 December 2016, capital structure of the Company consisted of total liabilities 673.89 million THB, and shareholders' equity 380.43 million THB. Ratio of debt to shareholders' equity was approximately 1.77 times.

3. Analysis of cash flow

Liquidity

Liquidity of the cash flow as of 31 December 2016 decreased by 12.20 million THB, while the liquidity of cash flow in 2015 increased by 26.39 million THB. The shrinkage of cash flow liquidity was due to the reduction of sale volume to 258.65 million THB or 19.07 percent. As a result, in 2016, trade and other receivables dropped by 9.92 million THB and the net cash from operation amounted to only 10.16 million THB, a decrease by 108.84 million THB comparing to the same period last year. Investing activities amounted to 34.20 million THB, a decrease from the same period last year by 24.93 million THB due to the fact that the Company undertook cautious actions in investment and selected only the necessary business deals. The Company repaid the long-term loans on time, therefore, the loans were reduced from 87.26 million THB to 45.90 million THB in 2015. In 2016, with due consideration on granting credit, the cash flow from investing activities reached only 11.83 million THB.

Cash flow and cash equivalents from the beginning of the period being brought forward was 35.22 million THB. As a result cash flow and cash equivalents remained at 23.02 million THB at the year end of 2016.

Investment expenditure

In 2016 the net cash amount to 33.20 million THB was spent in investing activities. Most of the transactions were investment in machines and equipment in support of new order, machine maintenance, including the repayment of machine and equipment cost being due.

Source of the fund

Source of the fund of the Company in 2016 were from collection of receivables, trade receivables, loans from financial institutions. The Company managed the debt collection to ensure the payment will be made on time. In 2016 the average debt collection period was at 58 days, which was shorter when comparing to 2015 where the average debt collection period was at 70 days. Close inspection on receivables were proceeded to ensure customers will pay within specified time which was between 60-90 days, according to the credit policy of the Company. The debt repayment period was 52 days in 2016 and 50 days in 2015 in which both were considered as being in line with our credit term set forth and the period set forth in the previous years.

The debt ratio to shareholders' equity in 2014, 2015 and 2016 were 1.59, 1.47 and 1.77 respectively. Despite the increase in 2016, the ratio was still in the level where the Company was able to manage it.