

No.CHO 25/2016

November 10<sup>th</sup>, 2016

Subject: Management Discussion and Analysis Quarter 3 year 2016

To: The President  
The Stock Exchange of Thailand

CHO and its subsidiaries would like to clarify the operating result for at the third quarter of 2016 which details are as following.

**Business Overview:**

The three-month period, quarter 3 of 2016, CHO and its subsidiaries reported net loss of THB 32.5 million.

The three-month period, quarter 3 of 2016, CHO and its subsidiaries, reported net loss of THB 32.5 million increased by THB 64.81 million, YOY (In 2015, net profit equal to THB 32.31 million). The loss is because of high production cost for the production of the new prototype of Special Design Product, abnormal expenses occurred in this period, and the loss of Cho Thavee Thermotech Company Limited (subsidiary) and joint ventures.

The nine-month period, quarter 3 of 2016, CHO and its subsidiaries reported net loss of THB 41.25 million.

The operating result for the nine-month period, quarter 3 of 2016, CHO and its subsidiaries reported net loss THB 41.25 million (In 2015, net profit equal to THB 40.10 million). This is because of the late receiving orders as there is planning for the special project production, the high production cost for the production of the new prototype of Special Design Product, the abnormal expenses occurred in this period, the loss of Cho Thavee Thermotech Company Limited (subsidiary), and the loss of joint ventures which CHO invested in but have no revenues yet.

**Revenue :**

The three-month period, quarter 3 of 2016, CHO and its subsidiaries reported total revenues of THB 257.81 million, decreased by THB 118.56 million or 31.5%, YOY, due to the income as per contracts of THB 220.95 million, decreased by THB 125.59 million or 36.2%, YOY. As a result of the overseas sales decreased, and the logistics group customers postponed orders and deliveries. The revenue from sales and services equal to THB 31.45 million, increased by THB 4.42 million or increased 12.5 %, YOY. The sales and services revenue increasing as the increasing of truck repair service revenue.

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The nine-month period, quarter 3 of 2016, CHO and its subsidiaries reported total revenue of THB 668.68 million, decreased by 181.53 or 21.4%, YOY. This is because the revenues from contract work equal to THB 559.85 million, decreased by THB 192.57 million or 25.6%, YOY, due to the overseas sales decreased and domestic logistics group customers postponed orders and deliveries. The revenue of sales and services equal to THB 98.82 million, increased by THB 7.75 million or 8.5%, YOY. The increasing revenue was due to expansion of truck repair and maintenance service.

#### Total Cost :

The three-month period, quarter 3 of 2016, CHO and its subsidiaries reported total cost of THB 218.68 million, decreased by THB 63.26 million or 22.4%. The gross profit ratio was 13.1%, decreased by 63.20%, YOY. The decreasing is due to the production of the new prototype of Special Design Product which caused high production cost.

In the nine-month period of 2016, CHO and its subsidiaries reported total cost of THB 535.29 million, decreased by THB 114.75 million or 17.7%, YOY. The gross profit ratio was 18.5% decreased by 36.20%, due to the production of the new prototype of Special Design Product which caused high production cost.

#### Operating Expense:

The three-month period, quarter 3 of 2016, CHO and its subsidiaries reported operating cost of THB 66.42 million, increased by THB 23.23 million or 53.8%, YOY. The increasing is because of the increasing of wages, bank fees of funding for projects, research and development expenses, and litigation fees.

In the nine-month period of 2016, CHO and its subsidiaries reported operating cost of THB 152.48 million, increased by 22.95 million or 17.7%, YOY, due to the increasing of wages, bank fees of funding for projects, research and development expenses, and litigation fees.

#### Financial Cost

The three-month period, quarter 3 of 2016, the financial cost was THB 10.70 million, increased by 1.14 million or 11.9%, due to the increasing of working capital and the cost of research and development project.

In the nine-month period of 2016, financial cost equal to THB 28.865 million, increased by THB 10.63 million or 58.3%, due to the increasing of working capital and business investment.

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Financial Position of CHO and its subsidiaries as of September 30<sup>th</sup>, 2016, reported total assets of THB 1,797.37 million, increased by THB 177.99 million or 11%, YOY.

#### Financial Position

As of September 30<sup>th</sup>, 2016, CHO and its subsidiaries, have a stable financial structure with cash and cash equivalents of THB 13.95 million. The total assets were THB 1,797.37 million, increased by THB 177.99 million or increased by 11% from December 31<sup>st</sup>, 2015. The important transaction is contract work in progress in excess of progress billings (net) equal to THB 186.67 million. Inventory increased by THB 71.37 million. The trade account payable decreased by THB 141.06 million. The total liabilities were THB 1,134.41 million increased by THB 212.03 million, due to the important transaction of issuing debentures of THB 298.67 million. The short-term loan decreased by THB 89 million. CHO and its subsidiaries reported debt of shareholder ratio as of September 30<sup>th</sup>, 2016, or D/E Ratio equal to 1.71 times.

Please be informed accordingly,

Best Regards,

CHO Thavee Public Company Limited

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(Mr. Suradech Taweesaengsakulthai)

President and Chief Executive Officer

#### **บริษัท ชทวี จำกัด (มหาชน)**

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