

NO. CHO 03/2017

February 27, 2017

Subject: Annual Management Discussion and Analysis Ending 31-Dec-2016

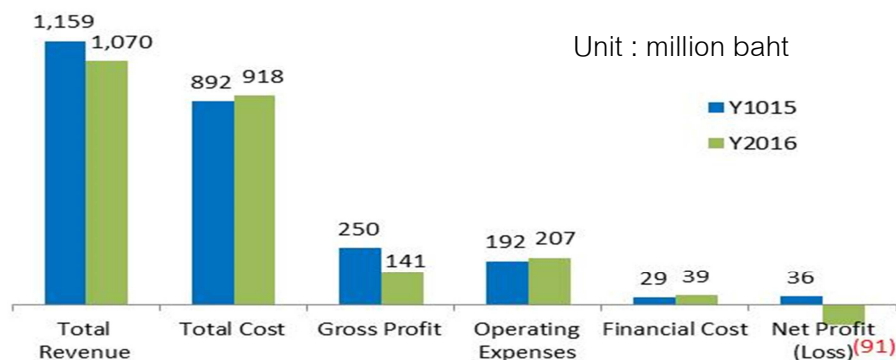
To: The President
The Stock Exchange of Thailand

CHO and its subsidiaries would like to clarify the operating results for Annual Management Discussion and Analysis Ending 31-Dec-2016 which details are as following.

Business overview:

In 2016, CHO and its subsidiaries reported total revenues of THB 1,070.34 million, decreased by THB 88.45 million or 7.6%, YOY with net loss of THB 91.29 million, decreased by THB 127.03 million or 355.4%, YOY

In 2016, CHO and its subsidiaries, reported net loss of THB 91.29 million, decreased by THB 127.03 million or 355.4%, YOY. The main reasons are the increase of sales cost for new products in 2016, and the increase of labor cost due to the SAP software (SAP by Design) installment for using in new management. When software installment completed, it can be proceed in January 2017. In addition, there is a cost of the NGV Buses auction of Government sector which was recorded as an expense of 2016. Except the law consultant fee, it will be recorded by the progress of the lawsuit. There is an increase of operation expense in 2016 due to the new managers and officers' employment, to support the opening of new truck service center in 2017. The results are showed as a chart below.



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Revenue:

In 2016 CHO and its subsidiaries, reported total revenues of THB 1,070.34 million, decreased by THB 88.45 million or 7.6%, YOY. The decrease revenue was mainly due to the following details.

- Revenues from Sales contract, THB 926.16 million. The revenue decreased by THB 46.57 million or 4.8%, YOY because of the late on receiving orders, and the decrease of contract sales volume on logistics group customers.
- Revenues from sales and services is THB 132.08 million, decreased by THB 37.83 million, because the revenue from the LED bulbs installment by a joint venture company reported THB 44.21 million in 2015.
- Other revenues are THB 12.10 million. The revenue decreased by THB 4.06 million or 25.1%. Because there was an investment on bond which caused revenue on interest.

Total Cost :

In 2016 CHO and its subsidiaries, reported the total cost of THB 917.50 million, increased by THB 25.07 million or 2.8%, YOY, due to the improvement on research and development of new products in 2016, the labor cost increased as the installment of new management system (SAP by Design), and the adjustment of salary rate to meet the suitable labor cost of each professional skills.

Selling Expenses:

In 2016 CHO and its subsidiaries, reported the selling, and expenses of THB 40.77 million, decreased by THB 17.11 million or 29.6%, YOY, due to the decreasing of sales volume.

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Administrative Expenses:

In 2016, CHO and its subsidiaries, reported the administrative expenses of THB 38.08 million, increased from the previous year as the joining in NGV buses action. The bank fees of 2016 were recorded completely. Except the law consultant fee, it will be recorded by the progress of the lawsuit which is on process. With the increase of salary payment of the new managers and officers to support the opening of new truck service center named Sib Lor 24 hours opened on February 2017. The company adjusted salary rate to meet the suitable labor cost of each professional skills.

Financing Cost :

In 2016, CHO and its subsidiaries, reported the financing cost of THB 9.84 million, or increased by 34.1%, YOY, due to the interest of the investment on the opening of truck service center named Sib Lor 24 including machines, tools and software for the new management system in 2016.

Personal Income Tax :

In 2016, CHO and its subsidiaries, reported a loss before tax deduction of THB 92.58 million, calculated by 20% rate with the adjustment of expenses that cannot be deducted taxes and increase of expenses which can be deducted taxes. This caused the revenue of THB 1.29 million.

Net Loss :

In 2016, CHO and its subsidiaries, reported the net profit of THB 91.29 million with the net loss margin ratio of 8.5% increasing by THB 127.03, or increasing THB 127.03 million, or 355.4%, YOY.

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CHO and its subsidiaries Financial Position as of 31 December 2016, Total assets were THB 1,710.36 million, increasing by THB 90.98 million or 5.6%, YOY

Financial Position :

As of 31 December 2016, CHO and its subsidiaries, reported a strong financial structure with cash and cash equivalents of THB 43.86 million. Total assets of CHO and its subsidiaries were THB 1,710.36 million, increasing by THB 90.98 million or 5.6%. The increasing because of assets of 24 hours truck service center which is on constructing, including tools, machines for production and new management system. Total debts of CHO and its subsidiaries are THB 1,029.36 million, increasing THB 106.98 million. Because of there are the budget for Law consultant, the issuing of long-term debentures for the opening of truck service center named Sib Lor 24 hours and using for working capital. As of 31 December 2016, Debt to Equity Ratio of CHO and its subsidiaries was 1.51 times, increasing 0.19 times, due to the company has a debt on investment and reported a net loss THB 91.29 million in 2016.

Cash Flow :

In 2016, CHO and its subsidiaries, reported a net cash flow of THB 207.88 million, increasing by THB 230.11 million. There are net cash flow paid for investment of THB 180.34 million, net cash flow from fund management of THB (32.98) million. CHO and its subsidiaries reported net cash of THB 43.86 million as of ending of the 2016 period.

Cash flow of CHO and its subsidiaries

Key Financial Ratios

Liquidity Ratio :

In 2016, CHO and its subsidiaries, reported Liquidity Ratio increase of 1.14 times, increasing 0.18 times, YOY. The average collection period is 84 days, being 29 days faster than the previous year. The average sales period is 124 days, being 4 days slower than the previous year. The Payable Conversion Period is better than before, being 76 days, increasing of 34 days.

Key Financial Ratios

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Profitability Ratio :

CHO and its subsidiaries, reported Gross Profit Margin of 13.3%, decreasing by 8.6%, YOY, due to the increase of cost of new products. The Operating Profit Margin is (5.1%), decreasing by 11.6%, YOY, due to the increase of the Law consultant fees and Salary payment for managers and officers of the opening truck service center. The net loss ratio is 8.5%, decreasing from 11.6%, YOY (Net loss ratio of the previous year: 3.1%)

Financial Ratio :

CHO and its subsidiaries, reported the Interest Coverage Ratio of 6.34 times, increasing by 5.78, YOY. The Debt-Service Coverage Ratio is 0.97 times, increasing by 0.51 times, YOY.

Please be informed accordingly.

Best Regards,

Cho Thavee Public Company Limited

(Mr. Suradech Taweesaengsakulthai)

President and Chief Executive Officer

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