



February 27, 2017

Subject Management Discussion and Analysis for the year ended December 31, 2016

To Managing Director of Stock Exchange of Thailand

Table of Financial Ratio Summary

Financial Ratio		2016	2015	2014
<b>LIQUIDITY RATIO</b>				
Liquidity Ratio	Times	3.90	3.46	3.24
Quick Ratio	Times	3.50	3.09	2.73
Current Ratio	Times	1.33	1	1.02
Account Receivable Turnover	Times	7.48	7.52	6.52
Average Collection Period	(Day)	49	49	56
Inventory Turnover Ratio	(Times)	17.83	15.89	13.21
Average Days Sales of Inventory	(Day)	20	23	28
Account Payable Turnover	(Times)	6.09	6.25	5.54
Average Payment Period	(Day)	58	58	66
CASH CYCLE	(Day)	9	14	18
<b>PROFITABILITY RATIO</b>				
Gross Profit Margin	(%)	8.57	7.82	10.37
Net Profit Margin	(%)	4.61	3.56	5.94
Return on Equity	(%)	6.03	5.01	8.05
<b>EFFICIENCY RATIO</b>				
Return on Assets	(%)	4.78	3.95	6.33
Return on Fixed Assets	(%)	36.41	30.95	36.84
Asset Turnover	(Times)	1.04	1.11	1.07
<b>FINANCIAL POLICY RATIO</b>				
Debt to Equity Ratio	(Times)	0.26	0.27	0.27
Interest Coverage Ratio	(Times)	N/A	N/A	N/A
Cash Basis	(Times)	1.48	1.48	1.11
Dividend paid	(%)	* -	99.90	99.90
<b>Per-Share Data and Growth Rate of All Types of Business</b>		<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Per-share Data</b>				
Book Value per share	(Baht)	21.98	21.75	22.72
Earnings per share	(Baht)	1.34	1.11	1.87
Dividend per share	(Baht)	* -	1.11	1.87



Growth Rate				
Total Asset	(%)	0.44	(3.50)	(3.85)
Total Debt	(%)	(1.94)	(6.90)	(2.82)
Revenue from Sales or Services	(%)	(9.28)	0.64	(18.27)
Operating Expenses	(%)	(7.01)	(1.56)	(14.60)
Net Profit	(%)	21.00	(40.64)	(34.31)

**Management Discussion and Analysis**

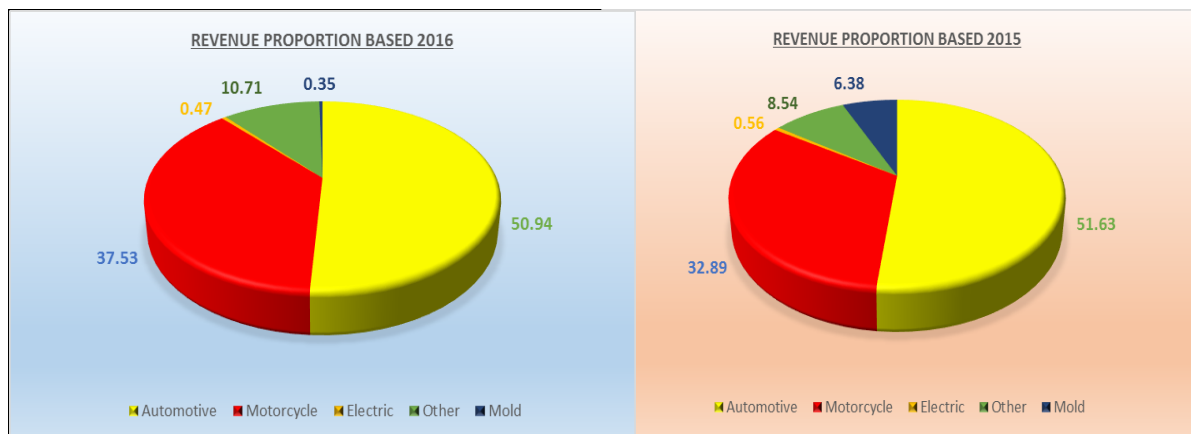
**Management Discussion and Analysis of Financial Position and Operating Results**

Analysis on Previous Operation

According to the economic situation in 2016, the capacity and sales of automobile and motorcycle manufacturing industry which is the main business unit of the Company, did not achieve the target since the impact of the economic recession of the global markets, such as USA, Europe, China. In the meantime, the domestic market was affected from poor export economic situations. Another factor of economic slowdown was the drought directly affecting agricultural products as well as their decreasing prices, causing the decrease of the domestic market’s main purchasing power and the slowdown of consumption. The sales of the Company in 2016 decreased by 70 million Baht compared to the previous year. It can be sorted based on product category as follows;

- |               |                      |        |
|---------------|----------------------|--------|
| 1. Automotive | Revenue decreased by | 10.14% |
| 2. Motorcycle | Revenue increased by | 3.93%  |
| 3. Electrical | Revenue decreased by | 24.10% |
| 4. Other      | Revenue decreased by | 10.51% |
| 5. Mold       | Revenue decreased by | 61.85% |

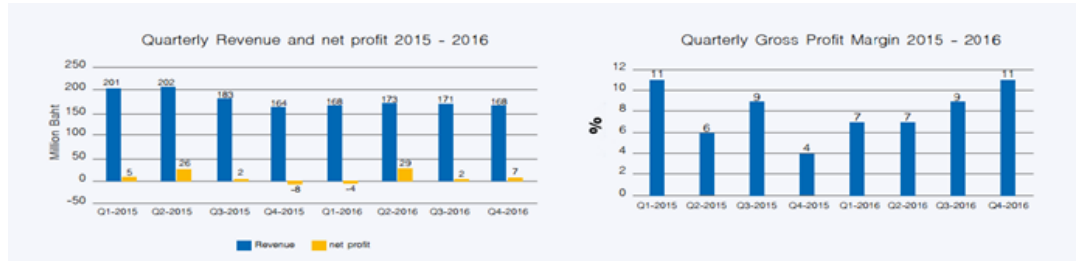
Revenue Proportion based on Product Category (%)





### Operating Results and Profitability

The profitability of the Company in 2016 increased from that of the year 2015 because the Company adopted measures on reducing expenses, such as electricity bill and expenses related to employees.



When considering the financial statements 2016 in which the equity method is applied compared to prior year. The gross profit was increased from 7.82% to 8.57%, the net profit margin was increased from 3.56% to 4.61%, the earnings per share was increased from 1.13 Baht to 1.34 Baht, the net profit was increased 18.39% and the comprehensive income was increased 45.31%.

For the separate financial statements 2016 compared to prior year. The gross profit was increased from 7.82% to 8.57%, the net profit margin was increased from 3.49% to 4.62%, the earnings per share was increased from 1.11 Baht to 1.34 Baht, the net profit was increased 21.00% and the comprehensive income was increased 49.20%.

1. Sales of plastic parts of the Company in 2016 decreased approximately 39 million Baht compared to the previous year due to the following reasons;
  - For the sector of vehicle parts, the sales decreased 34 million Baht compared to the previous year due to the following reasons;
    - The sales of parts for automobile decreased approximately 35 million Baht.
    - The sales of parts for motorcycle increased approximately 1 million Baht.
2. The sales of mold in the current year decreased approximately 29 million Baht compared to the previous year, resulting from the decrease of customers' purchase orders.
3. The Company obtained receiving dividend of 28 million Baht, slightly increasing from the previous year, which was the dividend from investment in Union Nifco Company Limited.
4. Gross profit margin slightly increased from the previous year because the Company adopted the measures on reducing expenses, such as electricity bill and expenses related to employees.



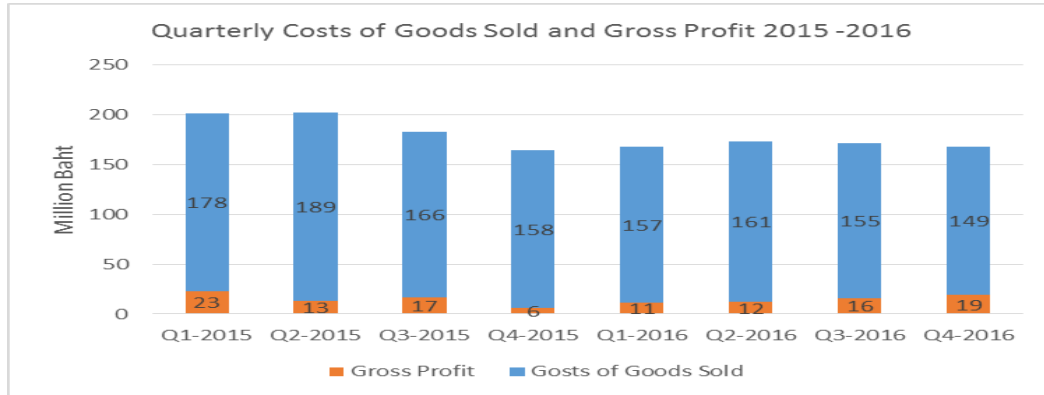
5. Other revenues in the current year decreased approximately 1 million Baht compared to the previous year because the Company required more spaces for operating business activities last year. This resulted to the decrease of revenue from land and building leasing.
6. Selling administrative expenses in the current year decreased 6 million Baht compared to the previous year. Main cause derived from the decrease of selling expenses based on the trend of sales.

The Company adopted measures to maintain existing customer base by focusing on improving quality of works and punctual delivery. In addition, the Company attempted to increase sales by engaging in the development of products with customers to create reliability for customers in dealing businesses with the Company.

Return on asset (ROA) increased from 3.95% to 4.78%. Return on equity (ROE) increased from 5.01% to 6.03%. In the meantime, asset turnover decreased from 1.11 times to 1.04 times and net return on fixed asset increased from 30.95% to 36.41%.

When considering the reasons causing the total asset turnover in 2016 to be 1.04 times, it was found that the efficiency of asset management of the activity was useful enough to respond customers' demands. Compared to the previous year, quick ratio increased from 3.46 to 3.90 times and inventory turnover increased from 15.89 to 17.83 times due to the increase of ending inventory in 2016. Average collection period in 2016 remained 49 days, similar to the previous year. Most receivables were those who was not yet due for payment and has no problems on debt collection because they are major receivables, which was famous automobile manufacturing companies in Thailand. As a result, the Company did not set the allowance for doubtful accounts. Average days sales of inventory were 20 days.

Cost and selling and administrative expenses in 2016 decreased by 74 million Baht compared to the previous year. The main reason was the decrease of cost on raw material and machinery maintenance, resulting to enhancement of production efficiency.



Risk Analysis: Regarding short-term risk analysis or liquidity analysis of the Company for short-term debt repayment, it was found that the Company's liquidity was in the good level and there were no significant changes. Its liquidity in 2016 slightly increased compared to the previous year, that was, the current ratio in 2016 and 2015 was 3.90 times and 3.46 times and the quick ratio in 2016 and 2015 was 3.50 times and 3.09 times, respectively.

Liquidity Ratio: When considering the overview, the Company had ability to debt repayment without any risk effect. Based on the cash flow from operations of the Company in 2016, it was 41 million Baht which represented that the Company had sufficient liquidity for debt repayment.

**Asset Management**

**Financial Position**

As of December 31, 2016, the financial position of the Company, which was analyzed by comparison and changes of assets, liabilities and shareholders' equity, was as follows;

Item	For Year Ended December 31 (Unit: Million Baht)			
	Year		Increase / (Decrease)	
	2016	2015	Amount	%
Total Assets	703.47	700.52	2.95	0.42
Total Liabilities	144.25	147.10	(2.85)	(1.94)
Total Shareholders' Equity	559.22	553.42	5.80	1.05



## Assets

As of December 31, 2016, the Company held a total asset of 703.47 million Baht. An increase of 2.95 million baht compared to the year 2015, accounting for 0.42%, was detailed as follows;

- Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and cash at banks, and all highly liquid investments with an original maturity of 3 months or less, and are not subject to withdrawal restrictions.

Cash Flow	For Year Ended December 31 (Unit: Million Baht)	
	2016	2015
Cash at beginning of the year	105	122
Cash flow from operating activities		
Income from operating activities before changes in operating assets and liabilities	58	54
Changes in operating assets and liabilities	(13)	20
Cash flows from operating activities	45	74
Interest received	-	2
Cash paid for Withholding income tax	(20)	(24)
Cash receipt from Withholding income tax	16	17
Net cash flows from operating activities	41	69
Net cash flows from (used in) investment activities	17	(40)
Net cash flows used in financing activities	(28)	(46)
Net increase (decrease) in cash and cash equivalents	30	(17)
Cash and Cash equivalents at end of year	135	105

- In 2016, the Company had the cash flow from operating activities in an amount of 41 million Baht, decreased by 28 million Baht from the previous year, due to the decrease of sales.
- The Company had the net cash flow used in investment activities in an amount of 17 million Baht. The Company invested in 3-month and 12 month fixed deposits, increased by 30 million Baht. Plus, the Company purchased equipment and made debt repayment in an amount of 14 million Baht. During the year, the Company obtained dividend from other long-term investments and investment in joint ventures in an amount of 29 million Baht.



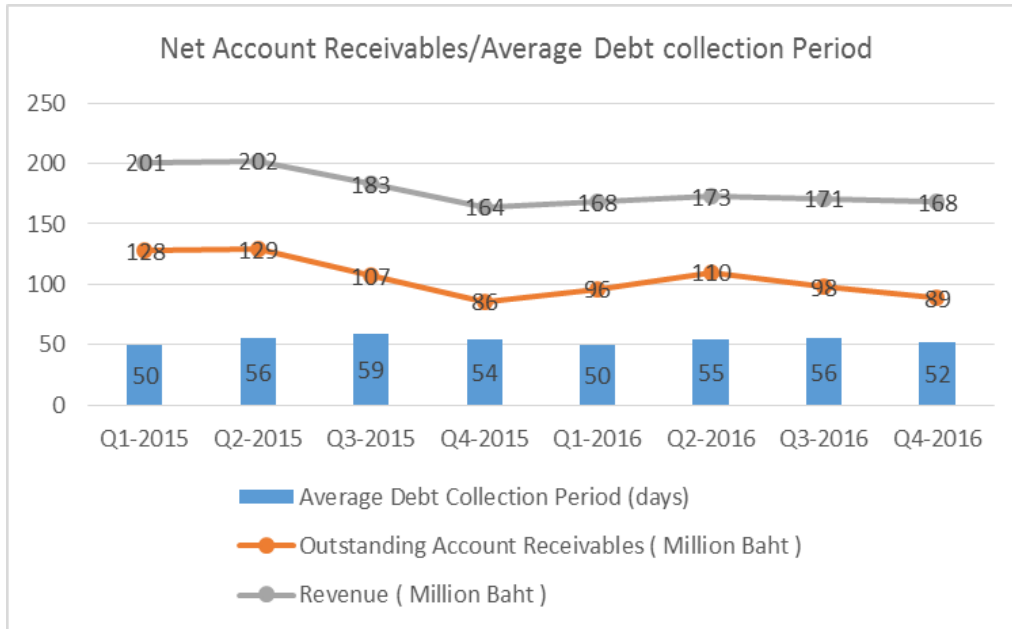
- Cash flow used in financing activities in an amount of 28 million Baht was the annual dividend payout of the Company.

- Current Investments

As at 31 December 2016, this represents fixed deposits with original maturities of 11 and 12 months amounting to Baht 100 million and Baht 30 million, respectively, carried interests between 1.55 and 1.65 percent per annum (2015: fixed deposits with original maturities of 7 and 12 months amounting to Baht 80 million and Baht 50 million, respectively, carried interests between 1.625 and 1.90 percent per annum).

- Trade and Other Receivables

As of December 31, 2016, trade accounts receivable and other receivables were stated at the net realizable value in an amount of 92 million Baht, increased by 1 million Baht from the year 2015. The increasing receivables derived from the increase of sales of motorcycle parts. It was found that most age of receivables was not reserve the allowance for doubtful accounts.



- Inventories

Regarding inventory days, slow moving inventory, and profitability from prospect products, it was found that the Company accounted for sufficient allowance for devaluation of inventories in current situations. However, the Company had the measure on managing deteriorated dead inventories. In case of slow-moving inventories, the Company would release such inventories according to the buy-back agreement with

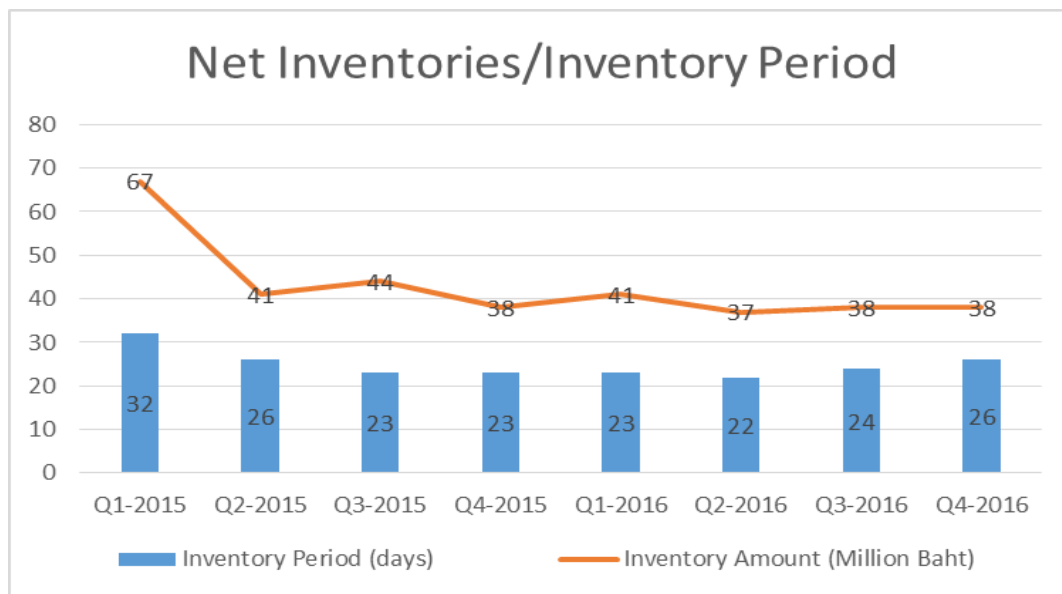


customers by considering life of inventories and economic situations at that time. During the current year, the Company accounted for lower of cost of inventories to net realizable value in an amount of 1.1 million Baht (2015: 1.8 million Baht) by stating as a part of cost of goods sold. Reversing of declining in inventory value was 1.4 million Baht (2015: 2.3 million Baht) by deducting inventory value from recognized as expenses during the year.

Inventories value as of December 31, 2016, and 2015 can be summarized as follows;

(Unit : 1,000 Baht)

	Cost		Reduce Cost to Net Realisable Value		Inventories - Net	
	2016	2015	2016	2015	2016	2015
Finished Goods	12,172	12,432	(889)	(938)	11,283	11,494
Work in process	14,060	10,799	(293)	(320)	13,767	10,479
Raw material	8,253	8,258	(931)	(1,019)	7,322	7,239
Spareparts and Plant materials	7,766	9,083	(262)	(387)	7,504	8,696
Total	42,251	40,572	(2,375)	(2,664)	39,876	37,908



- Investment Property

As of December 31, 2016, it was 3.7 million Baht, that was the land in Bang Chan, where the Company allowed the related company to lease for business operation. The fair value of such property was approximately 76.9 million Baht, which was appraised by an independent appraiser on February 10, 2016.





Initial cost of investment property was stated at cost, including transaction cost. Afterwards, investment property was stated at cost after deduction of reserve for loss from impairment (if any).

Difference between the net disposal proceeds and the book value of the asset was stated in profit or loss when the investment property was derecognized.

- Property, Plant, Equipment and Intangible Assets

They were 206.12 million Baht and 241.44 million Baht in 2016 and 2015, respectively, decreased by 34.68 million Baht, accounting for 14.36%. Most derived from the depreciation of assets based on rules.

However, an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognized. Intangible assets of the Company were computer software with the useful life of over 1 year. The Company reviewed the impairment of such assets at least at each financial year end. In 2016, the return on fixed asset of the Company increased from 30.95% to 36.41% compared to the previous year.

(Unit : Million Baht)

Item	For Year Ended December 31			
	Year		Increase / (Decrease)	
	2016	2015	Amount	%
Land	76,474	76,474	-	-
Buildings and building improvement	60,446	69,475	(9,029)	(12.97)
Machinery and equipment	66,897	90,677	(23,780)	(26.22)
Furniture, fixtures and office equipment	1,360	1,137	223	19.61
Intangible assets	1,093	646	447	69.20
Motor vehicles	481	937	(456)	(48.67)
Assets under installation and under construction	462	2,096	(1,634)	(77.96)
Total	207,213	241,442	(34,229)	(14.18)

Regarding machinery and equipment, it decreased 23.78 million Baht. Machinery and other assets decreased due to depreciation based on rules and transfer of completed assets during installation to machinery and equipment assets.



#### Liabilities

As of December 31, 2016, the Company held a total liability of 144.25 million Baht, decreased by 2.85 million Baht, accounting for 1.94%, from 147.01 million Baht at the end of the year 2015, as detailed below.

- Trade and other payables was 102.05 million Baht, decreased by 3.34 million Baht from 105.39 million Baht in 2015, accounting for 3.17%. Due to the effect from the decrease of customers' purchase orders, the raw material purchase orders also decreased. Most trade account payable was raw material purchase orders.
- Provision for long-term employee benefits in 2016 was 42.20 million Baht, increased by 0.496 million Baht from 41.71 million Baht in 2015, accounting for 1.19%, because the Company had obligations for compensation paid to employees in case of employment termination under the labor law and post-employment contribution project. The Company considered such compensation as the post-employment benefits for employees.

#### Shareholders' Equity

As of December 31, 2016, shareholders' equity of the Company was 549.55 million Baht, increased by 5.86 million Baht, accounting for 1.08%, from 543.69 million Baht at the end of the year 2015, as the annual net profit of the Company increased.

#### Liquidity and Capital Adequacy of the Company

In summary, the net cash flow of the Company increased by 30 million Baht. Cash flow from operations decreased by 41 million Baht. Cash flow from investment activities was 17 million Baht. Cash was used in financing activities in an amount of 28 million Baht which was the dividend payout. Therefore, regarding the operations in 2016, the Company estimated that the settlement risk is in the low level because the Company has no obligations and contingent liabilities.

Regarding the financial structure of the Company used in investments and improvement of the Company's activities, most of cash derived from operation activities in the year. The Company has the liquidity in the good level. Most current liabilities derived from the purchase of input and investment in purchasing machinery and equipment used in the production of the Company.

For the capital management, the main objective of the Company's capital management is to adopt an appropriate capital structure for supporting business operations of the Company and promoting shareholding



value for shareholders. As of December 31, 2016, debt to equity ratio of the Company Group and the Company were 0.26: 1 (2558 = 0.27: 1) and 0.26: 1 (2558 = 0.27:1), respectively.

#### Commitments Liabilities

As of December 31, 2016, the Company had capital commitments of Baht 5 million (2015: none), relating to the purchases of machinery, equipment and motor vehicles.

The Company has entered into several lease agreements in respect of the lease of office equipment. The terms of the agreements are generally between 1 to 4 years.

The Company has entered into an agreement on services of vehicle, equipment maintenance and other services. As of December 31, 2016, the Company's minimum payment due in the future under the abovementioned agreements amounted 2.6 million Baht (2015: 1.6 million Baht).

The Company had the total minimum payment due in the future under the operating lease agreements as follows;

(Unit : Million Baht)

Term	As of December 31	
	2016	2015
In up to 1 Year	0.2	0.2
In over 1 and up to 4 years	0.4	0.5

However, the Company provided new financial reporting standards. During the present year, the Federation of Accounting Professions issued new several volumes of the Financial Reporting Standards and International Financial Reporting Interpretations (Revised 2016), including Accounting Practices, which were effective for the financial statements beginning on or after January 1, 2017. Such financial reporting standards had revised or prepared to align their content with the corresponding International Financial Reporting Standards. Most of the amendments were directed towards revision of wording and terminology, interpretations and provision of accounting practices to users of the accounting standards.

The Management of the Company believes that the revised Financial Reporting Standards and International Financial Reporting Interpretations and new accounting practices do not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as summarized follows; Thai Accounting Standards No. 27 (Revised 2016), Separate Financial Statements. This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016), Investments in Associates and



Joint Ventures. However, the entity has to apply the same accounting recording procedure for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively. This revised standard does not have any impact on the financial statements as the Management has considered and decided to continue accounting for such investments under the cost method in the separate financial statements.

#### Factors Affecting Future Operation

Most of major automobile and motorcycle manufacturers apply Global Model strategy. It is to use a production base for each model at one location in ASEAN region and each country can make the price competition based on Economics of Scale which is used as the criteria on selection and decision. This is the opportunity and obstacles in operating businesses of the Company so it requires the improvement and development of its competency beyond both domestic competitors and those in ASEAN region.

**Thus you have been notified for your information,**

**Respectfully,**

**(Mr. Rames Khempet)**

**Managing Director**