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THIP-SET/007/2017

February 10, 2017

Subject : Filing of Financial Statements for the years ended December 31st,
2016 and 2015 and Management Discussion and Analysis

Attention : The President
The Stock Exchange of Thailand

Enclosures : 1. Financial Statements and the Auditor's
Report for the years ended December 31st, 2016 and 2015
2. Management Discussion and Analysis

The Board of Directors Meeting No. 2/2017 of Thantawan Industry Public Company Limited which was held on February 10, 2017 had approved the Financial Statements for the years ended December 31st, 2016 and 2015. The Management Discussion and Analysis for the years ended December 31st, 2016 can be clarified as attached.

Please be informed accordingly.

Very truly yours,

G. Teerachai *P. Pojanard*
(Mr. Teerachai Siritunyanont) (Mrs. Pojanard Prinyapatpakorn)

Authorized Director



Management Discussion and Analysis for the year of 2016

Business Overview

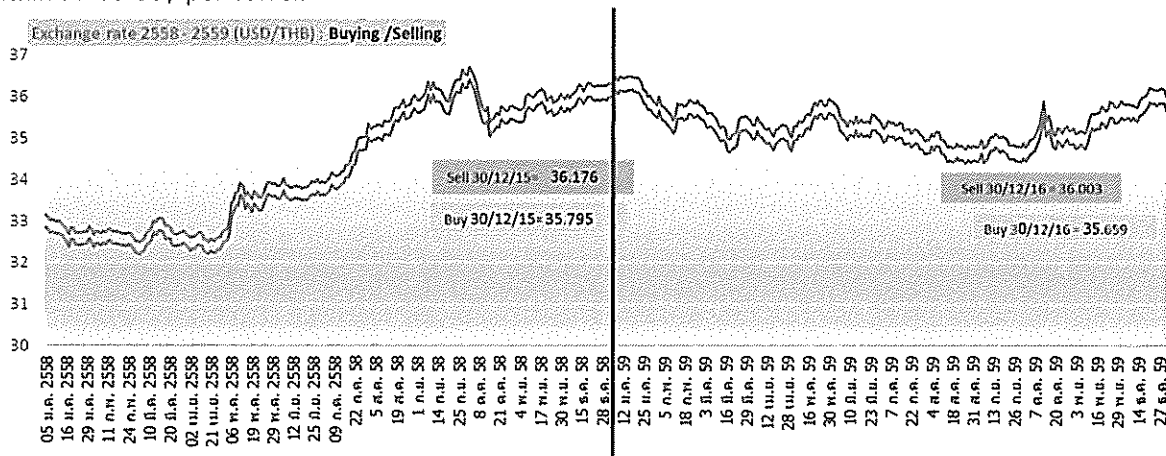
The value of world trade in recent year is much stable. The economic fundamentals are adaptable and improved continuously. Crude oil prices started to stabilize again. Nevertheless, the growth was considered low as world trade value for 11-month period still contracted by 3.1% but seemed better as compared to a year earlier which contracted by 11.9%

Thai exports in November and December showed a continued expansion of 10.2% and 6.2% respectively. Thai exports value in 2016 was accounted at US\$ 215 billion growing 0.45% the highest in the past four years and was ranked eighth in the world. Import in 2016 worth of US\$ 195 billion contracted 3.94% resulting in a total trade surplus of US\$ 20.7 billion.

Month	Thai Export value: (M\$)			% Growth (Contraction)		
	Y2014	Y2015	Y2016	Y2014	Y2015	Y2016
Jan.	17,864	17,247	15,711	(2.22)	(3.45)	(8.91)
Feb.	18,358	17,225	18,994	2.40	(6.17)	10.27
Mar.	19,766	18,878	19,125	(3.97)	(4.49)	1.30
Apr.	17,194	16,896	15,545	(1.19)	(1.73)	(8.00)
May	19,401	18,427	17,617	(2.14)	(5.02)	(4.40)
Jun.	19,714	18,159	18,146	3.23	(7.89)	(0.07)
1st Half	112,296	106,833	105,138	(0.71)	(4.87)	(1.59)
Jul.	18,895	18,206	17,045	(0.86)	(3.64)	(6.38)
Aug.	18,936	17,669	18,825	(7.44)	(6.69)	6.54
Sep.	19,913	18,816	19,460	3.19	(5.51)	3.43
Oct.	20,206	18,566	17,783	4.19	(8.11)	(4.22)
Nov.	18,542	17,163	18,911	(1.14)	(7.44)	10.19
Dec.	18,737	17,100	18,165	1.61	(8.73)	6.23
2nd Half	115,228	107,520	110,189	(0.15)	(6.69)	2.48
Jan.-Dec.	227,524	214,353	215,327	(0.43)	(5.79)	0.45

The outlook for Thai exports in 2017 are expected to adapt in a better direction than the previous year and has a potential growth continuously. The gradually increase in oil prices led prices of agricultural products and products relating to oil sore accordingly. Moreover, the direction of Baht which is likely to weaken will encourage exports likely improved. However, there still be a risk of world economic recovery from unclear trade protectionism policy of President Donald Trump including his executive order to temporarily ban all refugees and Muslims from 7 countries into the U.S which created markets concerns about the upcoming policies that would probably lean towards protectionism and de-globalization. Nevertheless, Trade Policy and Strategic office (TPSO) of Ministry of Commerce expected that Thai exports is likely to expand by 2.5 – 3.5% in 2017.

In view of volatility on foreign currency exchange, exchange rate of USD/Baht in year 2016 was considerably steady. Thai baht moved in a narrow range between 35.06-36.16 per US\$. The baht for the year 2017 was anticipated to be in the range of THB 35.5-37.5 per US\$ while oil prices will rise slowly to within 50-60 US\$ per barrel.



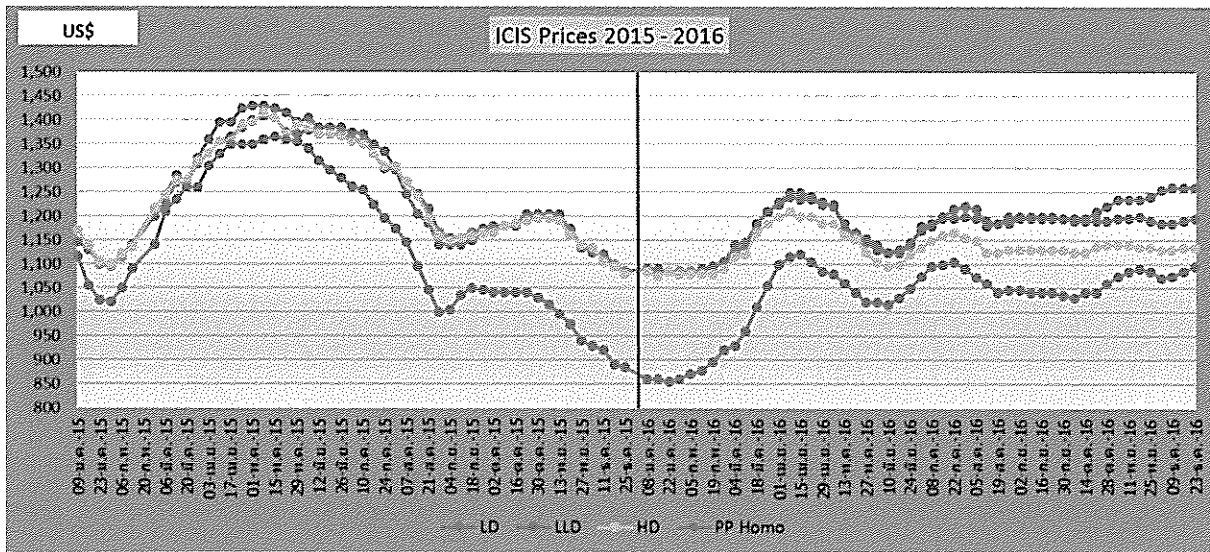
Source : Department of International Trade Promotion, Ministry of Commerce ; KBANK



S. Teerachai
Mr. Teerachai Ciritunyanont
Director

P. Pojanond
Mrs. Pojanond Dinyapotpakorn
Director

The CIF prices for Polyethylene (PE) were continuously dropping since middle of 2015 due to slump in oil prices then it's gradually heading up in second quarter of 2016 and moved in a narrow range at US\$ 1,150-1,280 per MT. Details are shown in the chart below.



The stability and mobility in a limit range of both oil and plastic resin prices, key cost drivers, could help company being able to control their production cost efficiently. Achieving in cost reduction program as well as over 20% production capacity increase and risks management to mitigate negative impacts happened in 2016 led the company's sales and net profit increased by 13.39 percent and 101.13 percent respectively.

The Risk management committee has set up the Risk management working team comprising of managements from every functions concerned to monitor, analyze and manage risks at the operational level through Risk owners. In addition, the corporate strategic planning department has also been assigned to monitor and report the results to the Risk committee to review the preventive guidelines and the adequacy of control activities to ensure that the company's risk management is carefully carry out.

The results from Risk management for the past year achieved a certain level. Risk management processes and control were implemented appropriately. The effects from risks could be managed lower to an acceptable level. As a result, the company's performance was better than a year earlier.

A) Results of Operations

The net profit for year of 2016 was at THB 324.03 million, an increase of THB 82.59 million or 34.21% compared to last year. Earnings per share was THB 40.50, an increase of THB 10.32 per share or 34.19% in line with the net profit. Details were described as below



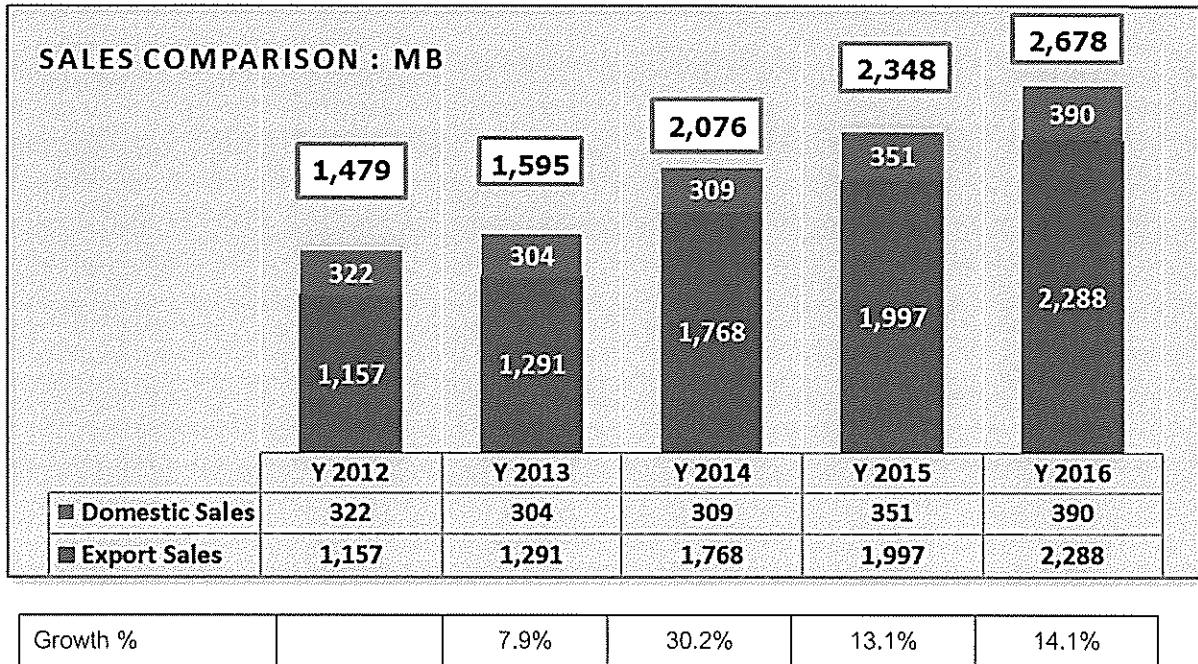
S. Teerachai
Mr. Teerachai Sittunyanont
Director

P. Bojarsud
Mrs. Bojarsud Bojarsudpakom

Revenue from sales

Total sales revenue in 2016 was THB 2,678.41 million increased by THB 330.67 million or 14.08%. Export sales rose THB 291.19 million or 14.58% due to more orders from key accounts in abroad including from new customers as well as launching new products to market. And domestic sales increased THB 39.47 million or 11.25% due mainly to expanding in industrial customers and Modern trade.

Sales revenue of the company was growing steadily as average over 10% per year for 5 consecutive years. Annual Sales since 2012 till present was shown below



The company's major customers can be categorized as followings :

1. Industry sector, most of which are manufacturing that use our products as raw materials or packaging in their production processes.
2. Wholesalers, Retailers including Modern trade
3. Entrepreneurs and end users such as Hotel, restaurant, other general business etc. who use for their business
4. Importers and Distributors who purchased for resale.

The company focused on keeping existing customers. Product development and design were consistently made in response to customers' needs as well as offering new products to customers as an alternative. In addition, the company has participated exhibition and visited overseas customers regularly. Searching for key prospected customers was prioritized as a strategic operation which must be conducted consistently. Proposals to such key customers would be emphasized on product quality and reliability. Moreover, the company has closely cooperate with customers to develop the function and design of products to meet their requirements.



S. Teerachai
 Mr. Teerachai Sirinyanont
 Director

P. Pajusud
 Mrs. Pajusud Pajapatpakom
 Director

The company emphasized on products quality together with continuous development of product design and function to suit with customers' requirement as well as warranty and after sales service.

The exchange rate of USD/Baht in year 2016 was considerably steady. Thai baht moved in a narrow range between 35.06-36.16 per US\$ weakened 3% from last year but still moved in line with other regional currencies.

The company mitigated exchange rate risk through natural hedging policy. In Year 2016 the company earned revenues in US dollars equal to 32% of total revenues matching with the expenditures spent in US dollars for raw materials and machinery purchased from abroad totally 30% of revenues as well. An exposure of difference between US dollars income and expenses is considered low and not have any significant effect to the company.

Most of Finished products, both local and overseas, are made in accordance with customers' orders (Made to Order). Type of products can be classified into 3 categories as 1.) General plastic bag, 2.) Drinking straws and 3.) Other products which mainly are Zipper profile, Body scrub, Placemat including goods purchased for sale. Performance by each segment could be summarized as below :

Table : Sales Revenue by product

Type of products	Year 2016		Year 2015		Year 2014	
	Income (Million baht)	%	Income (Million baht)	%	Income (Million baht)	%
General plastic bags	2,145.82	80.12	1,917.90	81.69	1,550.11	77.24
Drinking straws	408.50	15.25	256.36	10.92	340.98	18.76
Other products	124.09	4.63	173.49	7.39	185.22	8.92
Total	2,678.41	100	2,347.75	100	2,076.31	100

1. Plastic bags

Sales revenue from Plastic bags (Zipper and general bags) in year 2016 was THB 2,145.82 million, increased from previous year THB 227.93 million or 11.88%. This was resulting from increase in both Export and Domestic market.

2. Drinking straws

Total Drinking straws sales in 2016 was THB 408.50 million rose THB 152.15 million or 59.35% from previously. This was because one of our key customers was placing order as usual after complete redesign of their products' scheme and packaging. In addition, the company was launching new straws item thru one of the biggest superstore.

3. Other products

Sales from other products presented at THB 124.09 million declined from a year earlier THB 49.41 million or 28.48%, due mainly to discontinue in sales of placemat.



S. Teerachai
Mr. Teerachai Siritunyaont
Director

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Mrs. Pojanond Polayapatpakorn
Director

Other incomes

Other incomes for 2016 was totally at THB 25.48 Million, decreased THB 2.87 million or 10.12% from last year which was reported at THB 28.35 million. Details were described as below:

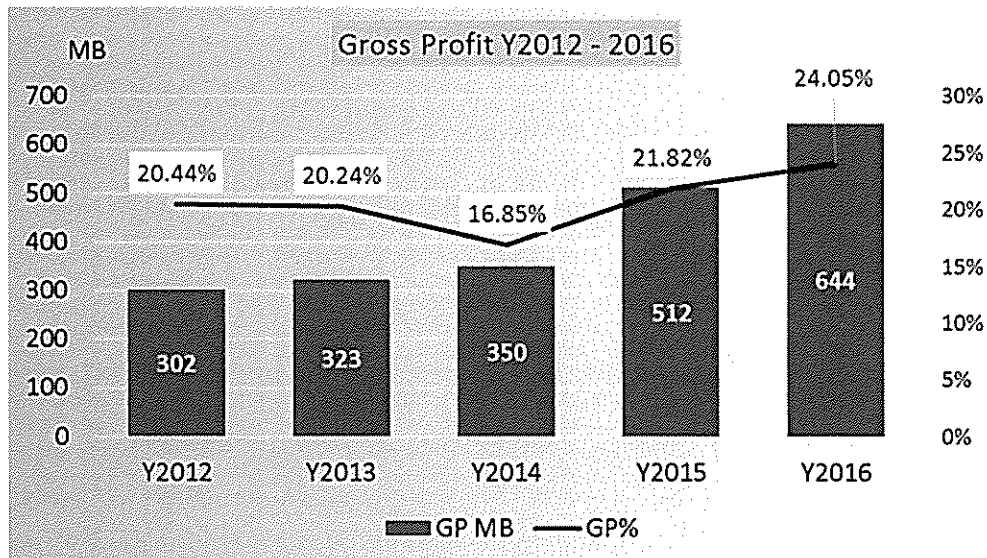
- Tax compensation income from export was THB 3.69 Million decreased by THB 1.91 million.
- Interest income was accounted at THB 6.91 Million increased by THB 2.15 million or 45.17%.

The company had deposited the excess cash from operation for short term investment with financial institutions with interest rate of 2-2.5% per year.

- Gain on exchange rate was THB 2.75 million, decreased THB 3.22 million or 53.91% from previous year. The company defined the measures to reduce foreign exchange risk by create a balance of Revenues and expenditures in foreign currencies including matching receipt and payment in US dollars.

Cost of Goods sold and expenses

Cost of sales for 2016 was totally THB 2,034.30 million, increased from a year earlier of THB 198.91 million or 10.84%. Cost of Goods sold was at 75.95% of Sales revenue better than last year which recorded at 78.18%. This was resulting from lower prices of plastic resin over 6.7% from recent year in the meanwhile, the company was able to control and reduce production cost as planned.



Selling expenses in 2016 was THB 83.10 million, increased by THB 6.90 million or 9.05% in line with Sales growth.

Administrative expenses totaled THB 182.67 million, edged up THB 21.73 million or 13.50% from last year. This was mainly due from an increase in employees' expenses of THB 14.20 million.

Finance costs and Income tax

Finance cost was accounted only THB 1.18 million, total of which was from the calculation of company's obligation in respect of employee benefits in accordance with Thai Accounting Standard 19 (TAS19) : Employee benefits.

The Company's income tax expense for the year of 2016 was THB 78.63 million calculated basing on the income tax rate 20% of net earnings before tax.



S. Teerachai
Mr. Teerachai Sirilunyanont
Director

P. Pojanond
Mrs. Pojanond Pojanondpakorn
Director

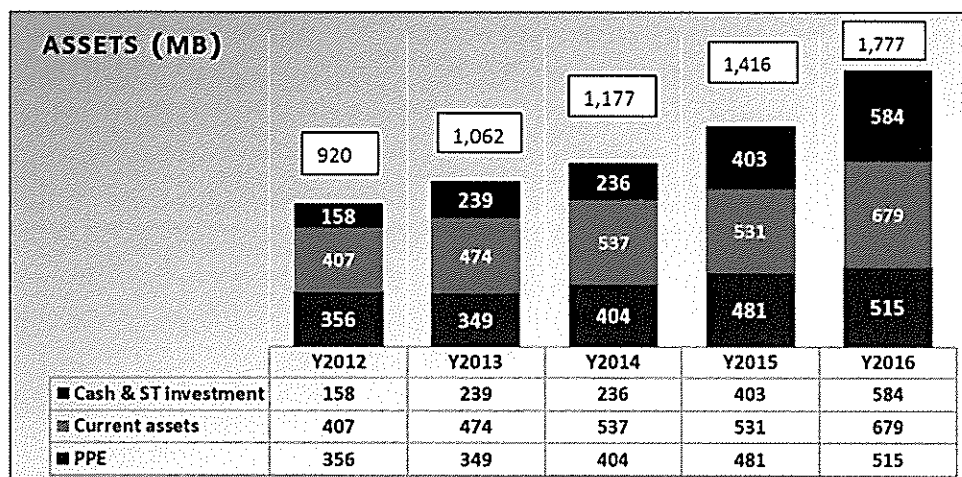
The Company is not liable to income tax other than those mentioned from the further assessment of the Government agencies.

Net earnings

The company realized net profit THB 324.03 million for 2015. Basic earnings per share was realized at 40.50 THB/share better as compared to last year which realized at 30.18 THB/share. Dividend payout for previous year performance was at 10.50 THB/share equivalent to 34.8% of net profit. However The dividend to be paid for 2016's performance will be in accordance with the resolution of Shareholders' meeting #1/2017 which will be held in April 2017.

B) Financial position

Assets





As of December 31, 2016, Company's total assets were THB 1,777.13 million, increased THB 361.37 million or 25.53% from December 31, 2015. Significant changes in assets for 2016 were followings :

- 1) **Total current assets** was THB 1,262.63 million, increased by THB 328.05 million or 35.10% due mainly to :
 - 1.1 Cash and cash equivalents was THB 149.78 million declined by THB 162.63 million
 - 1.2 Short term investment in fixed deposit were totally THB 434.32 million, increased by THB 343.40 million.
 - 1.3 Trade accounts receivable were THB 209.60 million, increased THB 5.92 million or 2.91%.
Debt collection period for 2016 was at 28 days edged down 4 days from a year earlier.
 - 1.4 Inventories were at THB 441.90 million, rose THB 144.73 million or 48.70% as compared to last year deriving from increase in raw materials and finished goods THB 102.75 and 43.67 million respectively. Inventories holding period for this year was at 66 days increased 7 days as compared to last year

As of 31 December 2016, the company conservatively considered to provision an allowance for devalue of inventories THB 5.18 million lower THB 1.75 million from last year in order to response a lower of Cost or market value according to Accounting principle.




 Mr. Teerachai Sirtunyanont
 Director

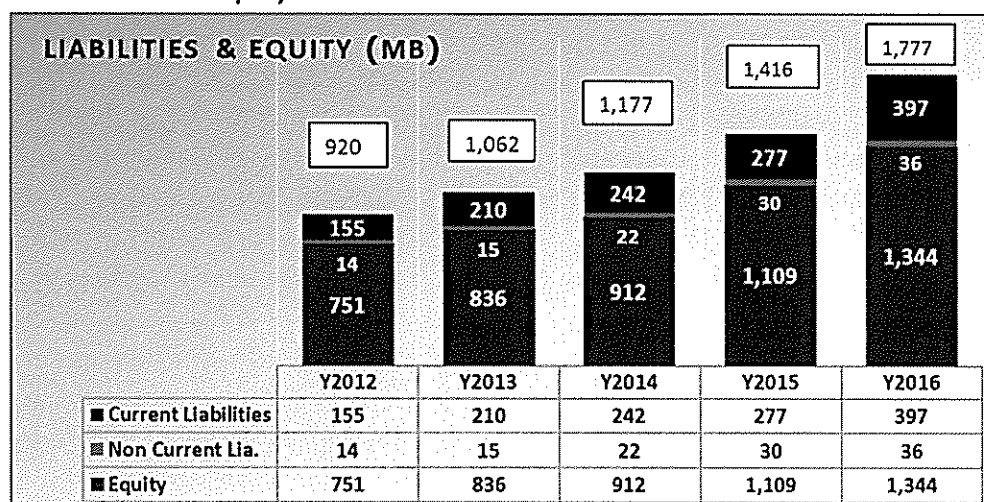

 Mrs. Pojanard Pinyapatpakorn
 Director

Description	unit	2016	2015	2014	2013
Collection period	Days	28	32	36	43
Payment period	Days	41	36	34	34
Inventories holding period	Days	66	59	59	66
Cash cycle	Days	53	55	61	75

Other current assets was THB 27.03 million, decreased THB 3.38 million.

- 2) **Non-current assets** totaled THB 514.51 million, increased from December 31, 2015 amount of THB 33.32 million or 6.92%, resulting from purchase of machine and equipment THB 78.12 million deducted with depreciation and amortization by THB 52.04 million. And other Non-current assets rose THB 10.77 million

Liabilities and shareholders' equity



As of December 31, 2016, company's total liabilities were THB 433.17 million. An increase of THB 126.86 million or 41.41% compared to the end of last year was mainly from :

- Increase in Current liabilities of THB 119.89 million deriving from increase in Accounts payable, Accrued expenses and Accrued income tax amount of THB 93.73, 6.19 and 11.84 million respectively.
- Increase in Employee benefit obligations of THB 7.69 million.
- Shareholders' equity as of December 31, 2016, was at THB 1,343.96 million, increased by THB 234.92 million or 21.14%, deriving from Net profit earned for 2016 of THB 324.03 million minus Dividend paid during a period THB 84 million and also deducted Actuarial Losses from being recalculated and recognized in other comprehensive income THB 6.88 million.

C) Cash flow

Cash flows received from operating activities for 2016 was THB 336.77 million. Company's net profit was presented at THB 324.03 million, adding back with non-cash expenses for example

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S. Teerachai
Mr. Teerachai Sirtunyanont
Director

P. Pojanand
Mrs. Pojanand Wiyapatpakom
Director

Depreciation and amortization of THB 52.04 million and the difference between Accrual and Actual payment of income tax THB 17.32 million. And deduct the reversal of doubtful account as well as allowance for declining in value of inventories and Interest income and others amount of THB 1.06, 1.74 and 5.58 million respectively. Net cash used for changes in operating assets and liabilities was THB 48.21 million. As a result, the company realized net cash provided by operating activities THB 336.77 million as mentioned above.

- Cash flows used in investment activities in 2016 was at THB 413.65 million, due mainly to
- i) Short term investment in fixed deposit and debt instrument THB 100.72 and 242.50 million respectively
 - ii) Buying fixed assets and intangible assets totally THB 78.12 million baht. And
 - iii) Proceeded from Disposal of Fixed assets and receipt of Interest income THB 0.99 and 6.71 million respectively.

Net cash used in financing activities totally THB 85.56 million resulting from dividend paid during a period of THB 84 million, Cash payment for liability under finance leases agreement including Interest paid totally of THB 1.56 million.

Conclusion : Cash and cash equivalent of company during the year of 2016, decreased by THB 162.63 million, plus the beginning cash balance of THB 312.41 million, the cash balance carried forward as of December 31st, 2016, therefore, was equal to THB 149.78 million.

D.) Key Financial Ratios

Description	unit	Y2016	Y2015	Y2014	Y2013	Y2012
Gross profit margin	%	24.05	21.82	16.85	20.24	20.44
Net profit margin	%	11.98	10.16	5.73	6.88	6.08
Return on Shareholders' equity	%	26.41	23.88	13.73	13.97	12.72
Return on total assets	%	20.30	18.62	10.72	11.19	10.30
Liquidity ratio	Times	3.18	3.38	3.19	3.40	3.64
Cash cycle	days	53	55	61	75	69
Debt to Equity ratio	Times	0.32	0.28	0.29	0.27	0.23
Book value per share	THB/share	168.00	138.68	114.04	104.56	93.88
Basic earnings per share	THB/share	40.50	30.18	15.00	13.86	11.38

E) The obligations and liabilities in the future

The Company has entered into several leases and service agreements in respect of building rental. As at December 31, 2016, the Company had commitments to pay the rentals and related service fees under the agreements as follows



L. Teerachai
Mr. Teerachai Sittunyanont
Director

P. Pojanond
Mrs. Pojanond Pinyapatpakom
Director

Payable within 1 year	18.57 THB million
Payable within 2-5 year	<u>23.33</u> THB million
Total	<u>41.90</u> THB million

On June 12, 2014, the Company entered into a manufacturing technical assistance agreement which has a term of 10 years with a foreign company. The Company agrees to pay the license fee for the use of patents in the amount of Yen 15 million by paying Yen 10 million in 30 days from the date that such agreement takes effect (paid on August 6, 2014). The rest is annually paid for 5 years in the amount of Yen 1 million per year and pay royalty fees at the rate of sales or a minimum annual rate specified in the agreement.

As of December 31, 2016 and 2015, the Company had contingent liabilities from the issuance of letters of credit and guarantees by banks for purchase of raw materials and guarantee the use of electricity to State enterprise in total amount of THB 67.11 million and THB 122.77 million respectively.



S. Teerachai
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 Director

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