

SECTION 3

FINANCIAL PERFORMANCE

13. FINANCIAL HIGHLIGHTS

FINANCIAL STATEMENTS

13.1 SUMMARY OF AUDIT REPORT DURING A PAST 3 YEARS

EY Office Limited is the Independent Auditor who audited Keppel Thai Properties Public Company Limited (the “Company”)’s consolidated and separate financial statements for the year ended 2015

PricewaterhouseCoopers ABAS Ltd is the Independent Auditor who audited King Wai Group (Thailand) Public Company Limited (the “Company”)’s consolidated and separate financial statements for the year ended 2016, and 2017

13.1.1 Auditor’s report for the year ended 2015

The consolidated and the separate financial statements of Keppel Thai Properties Public Company Limited for the year ended 31 December 2015 are prepared in accordance with Thai Financial Reporting Standards and with unqualified auditor’s opinion.

13.1.2 Auditor’s report for the year ended 2016

The consolidated and the separate financial statements of King Wai Group (Thailand) Public Company Limited for the year ended 31 December 2016 are prepared in accordance with Thai Financial Reporting Standards and with unqualified auditor’s opinion.

13.1.3 Auditor’s report for the year ended 2017

The consolidated and the separate financial statements of King Wai Group (Thailand) Public Company Limited for the year ended 31 December 2017 are prepared in accordance with Thai Financial Reporting Standards and with unqualified auditor’s opinion.

13.2 FINANCIAL HIGHLIGHTS

King Wai Group (Thailand) Public Company Limited and its Subsidiaries

	UNIT	31 December 2017	31 December 2016	31 December 2015
Total Assets	Million Baht	4,738.4	2,429.4	1,722.9
Total Liabilities	Million Baht	2,585.0	2,221.9	1,662.5
Total Shareholders' Equity	Million Baht	2,153.5	207.5	60.4
Net Tangible Assets for the year	Million Baht	2,158.2	212.4	154.4
Liquidity Ratio				
Current Ratio	Times	1.71	0.99	1.09
Quick Ratio	Times	0.36	0.05	0.04
Financial Policy Ratio				
Debt Equity Ratio	Times	1.20	10.71	27.54
	UNIT	2017	2016	2015
Total Revenues	Million Baht	643.9	575.9	311.8
Total Expenses	Million Baht	466.6	350.0	350.2
Profit/(Loss) before finance cost and tax	Million Baht	177.3	225.9	(38.4)
Net Profit/(Loss) for the year	Million Baht	67.5	125.8	(87.2)
Total Number of Listed Shares	Million Shares	924.0	220.0	220.0
Net Profit/(Loss) per share for the year	Baht	0.07	0.56	(0.40)
Net Profit/(Loss) per share (of the company) for the year	Baht	0.09	0.28	(0.31)

13.2 FINANCIAL HIGHLIGHTS (Continue)

	UNIT	2017	2016	2015
Profitability Ratio				
Gross Profit Margin	%	28.00	30.12	25.18
Net Profit Margin	%	10.57	21.83	(27.96)
Return on Equity	%	5.72	93.93	(83.79)
Efficiency Ratio				
Return on Total Assets	%	1.88	6.06	(5.16)
Total Assets Turnover	Times	0.11	0.16	0.18
Financial Policy Ratio				
Interest Coverage Ratio	Times	(5.87)	1.34	(0.26)

14. MANAGEMENT DISCUSSION & ANALYSIS

In 2017, the healthy growth of world economy, especially in America and Europe, enhanced the export sector and manufacture sector of Japan and also strengthened the continuous growth of China's economic. These main factors in Y2017 virtually contributed Thailand not only export sector, but also the tourism which have expanded continually are from the new public transportation route that interchange between cities and towns of Thailand and neighbour countries and the improvement in volume and qualities of Chinese tourists. Similar to the investment from Property sector which upsized after the recent clearance of housing units brought about to the improvement of household consumption expenditure in upper-middle-income level. Although the low-income level still confronted the high household debt issues and the flat growth of agricultural income. From the healthy expansion of economic in 2017 and the forecast of continuous growth of world economy and Thailand economy made the company bought the key strategic land plots located along the high speed public rail route at Wangnoi, Ayutthaya province and acquired AEC City Co., Ltd which is landlord in Chachoengsao Province and their land plots are beneficial from government's "Eastern Economic Corridor" (EEC) industrial policy. The company planned to invest in Insurance business by acquiring QBE Insurance (Thailand) Public Co., Ltd. which the company foresee the high potentiality in Thailand's Insurance businesses.

In 2017, Thailand's economy upsized with higher public consumption of upper-middle-income level made the company recorded total income Baht 406.0 million, increased by 23.63% compared to Baht 328.4 million in 2016, with property sales accounting for Baht 363.6 million and service income accounting for Baht 42.4 million, or in equivalent to 90.00% and 10.00% respectively by comparing to total incomes. In 2017, the company generated net profit of Baht 113.7 million, an increase of 14.76% comparable to Baht 98.9 million in 2016. The operating result in 2017 presented Baht 69.7 million for the holding company, increased by Baht 8.9 million or 14.64% comparable to Baht 60.8 million in 2016. The main reason of this increment is due to recognition of gain from fair value adjustment on its investment property and margin from property sales and service income in Y2017.

In 2017, from acquisition of new key strategic businesses, the company had total assets of Baht 4,738.4 million, increased by Baht 2,309.0 million or 95.04 % comparable to Baht 2,429.4 million in Y2016. Total current assets were Baht 2,299.3 million, increased by Baht 1,078.3 million or 88.31% comparable to Baht 1,221.0 million in 2016. The main reason of this increment was from the upsize of Property development cost, by acquiring new Land for developing 3 Condominium projects. The company had net Investment property of Baht 2,163.8 million, increased by 1,028.6 million or 90.61% comparable to Baht 1,135.2 million in 2016, mainly from acquiring an additional land at Wangnoi, Ayutthaya Province.

BUSINESS OPERATION

• Revenue

Income of the Company and its subsidiaries consists of revenue from rental service of the office building and sale of land and houses. In Y2017, the Company generated Baht 42.4 million from rental service of the office building, an increase of Baht 1.6 million or 3.92% from Baht 40.8 million in Y2016. Revenue from sales of land and houses in 2017 amounted to Baht 363.6 million, an increase of 76.0 million or in equivalent to 26.43% from Baht 287.6 million in Y2016. Gross profit margin was 28.00%, decreased by 2.12% from 30.12% in Y2016. The Company recorded an unrealized fair value gain on its investment properties in the amount Baht 230.0 million in Y2017 decreased by Baht 6.2 million or -2.62%, comparable to Baht 236.2 million in 2016. Gain from exchange rate from foreign currency loan was Baht 5.1 million, declined by Baht 5.3 million or 50.96% from Baht 10.4 million in year 2016. The Company recorded other income of Baht 2.7 million in 2017, an increase of Baht 1.8 million or in equivalent to 200.00% from Baht 0.9 million in 2016, that was mainly from interest income.

• Expense

In Y2017, KWG incurred cost of property sold of Baht 278.1 million, an increase of Baht 62.3 million or 28.87% from Baht 215.8 million in 2016. Administrative expense was Baht 147.8 million, an increase of Baht 47.9 million or 47.95% from Baht 99.9 million in 2016. These main reasons of increment were due to Staff cost, Office rental, Professional fee which contributed to the company expansion. Finance cost was Baht 63.8 million, an increase of Baht 10.7 million or 20.15% from Baht 53.1 million in 2016. Selling expense was Baht 26.5 million, an increase of Baht 5.9 million or 28.64% from Baht 20.6 million in Y2016, mainly due to the Property tax and commission payment which paralleled with higher volume of sold units of properties.

• Income Tax Expense

In 2017, the deferred income tax from net gain from fair value adjustment on its investment properties amounting to Baht 46.0 million, decreased by Baht 1.0 million or 2.13% from Baht 47.0 million in 2016.

FINANCIAL POSITION

• Assets

As ended of Y2017, the company had total assets amounting to Baht 4,738.4 million, increased by Baht 2,309.0 million or 95.04% compared to Baht 2,429.4 million in Y2016. Total current assets were Baht 2,299.3 million, increased by 1,078.3 million or 88.31% compared to Baht 1,221.0 million in Y2016 mainly due to the Cash and Cash equivalent which valued at Baht 475.4 million, increased by Baht 420.9 million or 772.29% compared to Baht 54.5 million in Y2016. The cost of property development were Baht 1,808.1 million, an increase of Baht 650.1 million or 56.14% compared to Baht 1,158.0 million in Y2016, mainly due to the acquisition of land plot for 3 condominium projects. And the investment property were Baht 2,163.8 million, increased by Baht 1,028.6 million or 90.61% from Baht 1,135.2 million mainly due to the land acquisition at Wangnoi, Ayutthaya province. In Y2017, Return from Assets (ROA) was 1.88%, decreased by -68.98% from 6.06% in Y2016. And total asset turnover ratio was 0.11%, decreased by -31.25% from 0.16% in Y2016

• Liabilities

As ended of Y2017, total liabilities were Baht 2,585.0 million, increased by Baht 363.1 or 16.34% compared to Baht 2,221.9 million in Y2016, mainly due to increasing in bank loan which were Baht 1,948.7 million, increased by Baht 328.2 million or 20.25% compared to Baht 1,620.5 million in Y2016, mainly due to the land acquisition for future project development. Total of short term loan and current portion of long-term loan which the amount of principal that will be due within one year were Baht 916.6 million, decreased by Baht 265.9 million or -22.49% compared to Baht 1,182.5 million in Y2016. Long-term loans from financial institution were Baht 1,032.1 million, increased by Baht 594.1 million or 135.64% compared to Baht 438.0 million in Y2016. The company had settled Baht 31.2 million to the long-term loans from related parties of Y2016. A debt to equity ratio equaled to 1.20x, decreased by 88.80% from 10.71x in Y2016 and Liquidity Ratio equaled to 1.71x, increased by 72.73% from 0.99x in Y2016.

• Shareholders' Equities

As ended of Y2017, the company posted a total shareholders' equity of Baht 2,153.5 million, increased by Baht 1,946.0 million or 937.83% compared to Baht 704.0 million in Y2016, mainly due to the increase of registered capital amounting to 704.0 million ordinary shares at Par value of Baht 10.00 per share and the offering price of Baht 2.63 per share. The company maintained their proportion of equity capital in the entire group in equivalent to Baht 2,162.1 million, increased by Baht 1,948.2 million or 910.80% compared to Baht 213.9 million in Y2016. Return on equity (ROE) was 5.72%, decreased by 93.91% compared to Baht 93.99% in Y2016.

On 22 December 2017, the Board of Director Meeting No. 9/2017 has approved to set up King Wai Capital Co., Ltd., owned 99.98% of total ordinary shares, to purchase the ordinary shares of QBE Insurance (Thailand) Public Company Limited ("QBE Thailand") from the existing shareholders as follows;

- 1) 34,670,029 common shares or 47.49% of total issued shares from QBE Asia Pacific Holding Limited
- 2) 37,043,594 common shares or 50.75% of total issued shares from Sinkaonamahasarn Company Limited.

Accordingly, the Subsidiary will become a holder of 71,713,623 ordinary shares in QBE Thailand, representing approximately 98.24% of total issued shares in QBE Thailand. The initial purchase price for the Sale Shares is THB 815,000,000.00 and the final purchase price will comprise Baht 295,000,000.00 and the amount equal to 98.24% multiplied by net assets of QBE Thailand as of the completion date.

The Extraordinary General Meeting of the Shareholders No. 1/2018, held on 6 February 2018, has approved the increase of the Company's registered capital and the purchase, by a subsidiary which will be incorporated and wholly owned by the company, of 98.24% shares in QBE Thailand. The Company will increase registered capital from Baht 9,475,754,700.00 to Baht 13,170,534,700.00 by issuing 369,478,000 newly ordinary shares (approximately 28.05% of total issued shares after completion of registered the change of registered capital) with a par value of Baht 10.00 per share for offering to sell to the existing shareholders of the Company in proportion to their respective shareholdings at the offering ratio of 2.564633 existing share to 1 newly issued ordinary shares, at the offering price at Baht 2.49 per share. The company will define the name list of existing shareholders who have right to subscribe for the newly issued ordinary shares in 14 February 2018.