

## Financial Statements and Performance

### 13. Financial Highlights

#### 1. Summary of Financial Statements

Consolidated Financial Statements Comparison of 3 Years Performance

Summary of Financial Positions, Comprehensive Income Statement, Statement of Cash Flows Comparison of 3 Years Performance

Financial Positions (Consolidated) as of 31 December

Balance Sheet	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB.	%	MB	%
<b>Current assets</b>						
Cash and cash equivalents	278.6	7.3	134.6	3.4	1,039.3	12.1
Trade account receivables - net	-	-	0.3	0.0	13.3	0.2
Inventories	945.9	24.8	307.2	7.7	144.3	1.7
Real estate projects for sales under development	-	-	-	-	278.5	3.2
Other receivables from subsidiaries and related companies	0.4	0.0	1.5	0.0	3.3	0.0
Interest receivable from shareholder	-	-	-	-	-	-
Refundable value added tax	17.9	0.5	8.3	0.2	38.7	0.5
Prepaid advertising expenses	-	-	-	-	-	-
Other current assets	7.8	0.2	13.8	0.3	19.8	0.2
<b>Total current assets</b>	<b>1,250.7</b>	<b>32.7</b>	<b>465.8</b>	<b>11.7</b>	<b>1,537.3</b>	<b>17.9</b>

Balance Sheet	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB	%	MB	%
<b>Non-current asset</b>						
Investment in available for sale equity security - at fair value	15.0	0.4	-	-	-	-
Restricted of saving deposit	30.6	0.8	61.1	1.5	-	-
Interest receivable from related companies	35.1	0.9	138.6	3.5	-	-
Advance for purchase of land & relate exp.	-	-	-	-	-	-
Long - term loan to shareholder and related companies	632.1	16.5	832.1	21.0	-	-
Advances payment for land	-	-	52.1	1.3	-	-
Real estate project for sales under development	-	-	6.3	0.2	-	-
Deferred loan agreement fee	-	-	19.2	0.5	-	-
Leasehold rights on land - net	1,063.3	27.8	1,052.6	26.5	2,083.8	24.3
Advances for leasehold rights on land	-	-	51.4	1.3	-	-
Advance payments for construction	6.3	0.2	128.3	3.2	231.9	2.7
Construction in progress	560.3	14.7	928.6	23.4	3,093.4	36.1
Land	-	-	-	-	579.6	6.8
Residential condominium unit and equipment for rent	28.2	0.7	26.2	0.7	-	-
Building improvement, sales gallery and equipment - net	103.6	2.7	101.7	2.6	144.0	1.7
Property for lease - net	-	-	-	-	141.8	1.7
Goodwill - net	-	-	-	-	501.8	5.9
Deferred income tax assets	93.2	2.4	106.6	2.7	259.6	3.0
Other non-current assets	1.4	0.0	1.3	0.0	3.3	0.0
<b>Total non-current asset</b>	<b>2,569.3</b>	<b>67.3</b>	<b>3,506.0</b>	<b>88.3</b>	<b>7,039.3</b>	<b>82.1</b>
<b>Total Assets</b>	<b>3,820.1</b>	<b>100.0</b>	<b>3,971.8</b>	<b>100.0</b>	<b>8,576.6</b>	<b>100.0</b>

Balance Sheet	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB	%	MB	%
<b>Current liabilities</b>						
Bank overdraft and short-term loans from financial institutions	18.5	0.5	14.9	0.4	244.9	2.9
Short-term loans from other company	-	-	-	-	323.5	3.8
Trade account payables	68.3	1.8	89.7	2.3	201.7	2.4
Other payables to related companies	0.3	0.0	0.4	0.0	0.6	0.0
Other account payables	2.3	0.1	4.7	0.1	2.6	0.0
Current portion of long - term loan from financial institution	280.2	7.3	34.4	0.9	-	-
Current portion of liability under finance lease contracts	0.3	0.0	1.1	0.0	1.8	0.0
Advances received from customers	204.3	5.3	67.9	1.7	58.8	0.7
Loans from shareholders and accrued interest	-	-	532.2	13.4	-	-
Income tax payable	27.4	0.7	39.9	1.0	3.3	0.0
Retention payables to contractors	17.3	0.5	7.0	0.2	20.7	0.2
Accrued expenses	6.8	0.2	19.2	0.5	12.0	0.1
Accrued construction costs	63.6	1.7	47.1	1.2	29.4	0.3
Other current liabilities	14.8	0.4	3.9	0.1	12.8	0.1
<b>Total current liabilities</b>	<b>704.1</b>	<b>18.4</b>	<b>862.5</b>	<b>21.7</b>	<b>912.1</b>	<b>10.6</b>
<b>Non-current liabilities</b>						
Deposits received from customers	184.3	4.8	368.3	9.3	1,471.3	17.2
Retention payable to contractor	-	-	1.7	0.0	19.2	0.2
Provision for loss on litigation case	9.4	0.2	9.5	0.2	9.6	0.1
Long-term loans and accrued interest from shareholders	1,683.1	44.1	1,488.6	37.5	2,320.8	27.1
Long-term loans from financial institutions - net	384.3	10.1	340.9	8.6	1,685.5	19.7
Liabilities under finance lease contracts - net of current portion	2.0	0.1	5.1	0.1	7.6	0.1
Provision for employee retirement benefit	1.3	0.0	1.9	0.0	2.6	0.0
<b>Total non-current liabilities</b>	<b>2,264.3</b>	<b>59.3</b>	<b>2,216.1</b>	<b>55.8</b>	<b>5,516.7</b>	<b>64.3</b>
<b>Total liabilities</b>	<b>2,968.4</b>	<b>77.7</b>	<b>3,078.5</b>	<b>77.5</b>	<b>6,428.8</b>	<b>75.0</b>

Balance Sheet	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB	%	MB	%
<b>Shareholders' equity</b>						
Share capital	1,454.3	38.1	1,454.3	36.6	2,054.3	24.0
Premium (discount) on share capital	-	-	-	-	1,431.1	16.7
Surplus on swap of investment in subsidiary under common control	(753.8)	(19.7)	(753.8)	(19.0)	(61.4)	(0.7)
Change in available for sale equity security	0.0	0.0	-	-	-	-
Legal reserve	-	-	7.0	0.2	15.6	0.2
Retained Earnings (Deficit)	151.2	4.0	185.8	4.7	(689.5)	(8.0)
<b>Total equity attributable to equity holders of parent</b>	<b>851.7</b>	<b>22.3</b>	<b>893.2</b>	<b>22.5</b>	<b>2,750.1</b>	<b>32.1</b>
Non-controlling interests	-	-	-	-	(602.3)	(7.0)
<b>Total shareholders' equity</b>	<b>851.7</b>	<b>22.3</b>	<b>893.2</b>	<b>22.5</b>	<b>2,147.7</b>	<b>25.0</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>3,820.1</b>	<b>100.0</b>	<b>3,971.8</b>	<b>100.0</b>	<b>8,576.6</b>	<b>100.0</b>

**Statement of Comprehensive Income (Consolidated) as of 31 December**

Statement of Comprehensive Income	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB	%	MB	%
Revenue from sale residential condominium units and furniture	1,041.3	94.7	938.9	86.2	287.4	83.3
Costs of sales residential condominium units and furniture	(768.2)	(69.8)	(656.1)	(60.2)	(188.1)	(54.5)
<b>Gross Profit</b>	<b>273.1</b>	<b>24.8</b>	<b>282.9</b>	<b>26.0</b>	<b>99.3</b>	<b>28.8</b>
Rental income and service income	1.6	0.1	1.9	0.2	3.9	1.1
Gain on sales of residential condo for rent	0.4	0.0	-	-	-	-
Gain on sales of equipment	-	-	-	-	-	-
Income from insurance claim	-	-	-	-	-	-
Reversal of advances received and payment	1.1	0.1	-	-	-	-
Reversal of unbilled construction payables	7.0	0.6	-	-	-	-
Reversal of unbilled retention payables.	0.7	0.1	-	-	-	-
Interest income	36.6	3.3	104.4	9.6	32.3	9.3
Management fee income	10.0	0.9	30.0	2.8	15.0	4.3
Other income	1.5	0.1	13.2	1.2	6.6	1.9
Selling expenses	(55.2)	(5.0)	(65.7)	(6.0)	(186.6)	(54.1)
Administrative expenses	(110.0)	(10.0)	(121.9)	(11.2)	(119.0)	(34.5)
Management benefit expenses	(10.1)	(0.9)	(25.6)	(2.3)	(28.2)	(8.2)
Gain (loss) on foreign exchange - net	(7.5)	(0.7)	0.5	0.0	(0.9)	(0.3)
<b>EBIT</b>	<b>149.2</b>	<b>13.6</b>	<b>219.6</b>	<b>20.2</b>	<b>(177.7)</b>	<b>(51.5)</b>
Finance costs	(153.2)	(13.9)	(119.2)	(10.9)	(97.6)	(28.3)
<b>EBT</b>	<b>(4.0)</b>	<b>(0.4)</b>	<b>100.4</b>	<b>9.2</b>	<b>(275.3)</b>	<b>(79.8)</b>
Income Tax Income (Expense)	(54.2)	(4.9)	(58.9)	(5.4)	18.3	5.3
<b>NI before extra items</b>	<b>(58.3)</b>	<b>(5.3)</b>	<b>41.6</b>	<b>3.8</b>	<b>(257.0)</b>	<b>(74.5)</b>
<b>Extra items ;</b>						
Unrealized gain on revaluation of investments	0.0	0.0	(0.0)	(0.0)	-	-
Loss on derecognition of discount on business combinations under common control - net	-	-	-	-	(584.1)	(169.2)
<b>Profit (loss) for the period</b>	<b>(58.3)</b>	<b>(5.3)</b>	<b>41.6</b>	<b>3.8</b>	<b>(841.0)</b>	<b>(243.7)</b>

Statement of Comprehensive Income	The Consolidated Financial Statements					
	31-Dec-11 (Restated)		31-Dec-12 (Restated)		31-Dec-13	
	MB	%	MB	%	MB	%
Total comprehensive income (loss) for the period attributable to:						
Owners of the parent	55.4	5.0	41.6	3.8	(795.4)	(230.5)
Non-controlling interests	(113.6)	(10.3)	-	-	(45.7)	(13.2)
Profit (loss) for the period	(58.3)	(5.3)	41.6	3.8	(841.0)	(243.7)
Total comprehensive income (loss) for the period attributable to:						
Owners of the parent	55.4	5.0	41.6	3.8	(795.4)	(230.5)
Non-controlling interests	(113.6)	(10.3)	-	-	(45.7)	(13.2)
Profit (loss) for the period	(58.3)	(5.3)	41.6	3.8	(841.0)	(243.7)
Basic Earnings (Loss) per Share Attributable to Owners of the Parent (In Baht)	0.038		0.029		(0.387)	
Weighted Average Number of Shares (In Million Shares)	1,454.3		1,454.3		2,054.3	

## Statement of Cash Flows (Consolidated) for the year ended 31 December

Statement of Cash Flows	2011	2012	2013
	MB.	MB.	MB.
Net Cash Provided by (Used in) Operating Activities	401.3	477.3	(369.1)
Net Cash Used in Investing Activities	(695.4)	(472.8)	(719.5)
Net Cash Provided by (Used in) Financing Activities	522.1	(148.4)	1,993.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	228.1	(144.0)	904.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50.5	278.6	134.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	278.6	134.6	1,039.3

## 2. Financial Ratio

Financial Ratio	Unit	The Consolidated Financial Statement		
		31-Dec-11 (Restated)	31-Dec-12 (Restated)	31-Dec-13
<b><u>Liquidity Ratio</u></b>				
Current ratio	Times	1.8	0.5	1.7
<b><u>Profitability Ratio</u></b>				
Gross Profit Margin	%	26.2	30.1	34.5
Operating Profit Margin (1)	%	13.5	23.4	(61.8)
Other Income Margin (2), (3)	%	-	-	-
Operating Cash Flow to Net Income Ratio (1), (4)	%	285.7	217.3	N/A
Net Profit Margin (2), (5)	%	(5.3)	3.8	(74.5)
Return on Average Equity	%	(28.1)	4.8	(56.4)
<b><u>Efficiency Ratio</u></b>				
Return on Assets*	%	(1.7)	1.1	(5.5)
Return on Fixed Assets (6)	%	(2.8)	3.1	(7.0)
Total Assets Turnover (2)	Times	0.3	0.3	0.1
<b><u>Financial Policy Ratio</u></b>				
Debt to Equity Ratio	Times	3.5	3.4	2.3
Financial Institutions Debt and Short-term loans from other company to Equity* Ratio	Times	0.8	0.4	0.8
Debt to EBITDA Ratio	Times	19.4	12.7	(45.1)
Financial Institutions Debt and B/E to EBITDA Ratio	Times	4.5	1.6	(15.8)
Interest Coverage Ratio	Times	4.0	5.5	(3.0)
Leverage Ratio (Cash Basis) (7)	Times	(0.3)	(0.6)	0.1
Dividend Payout Ratio	%	-	-	-

#### 14. Management Discussion and Analysis (MD&A)

The following is the overall business operation and significant changes during the year:

In 2013, there are many significant changes that occurred with the Company, such as the shares being listed in the Stock Exchange of Thailand in July 2013. The Company also acquired shares and shareholder's loans of subsidiaries, causing the Company's total assets, liabilities and shareholders' equity to increase significantly. The Company is currently working on two large property development projects, MahaNakhon and MahaSamutr Hua Hin projects, and plans to launch another luxurious residential condominium project in 2014.

Operation for the year ended 31 December 2013, the Company recorded sales revenue from sales of condominium units and furniture from Saladaeng Residences and Ficus Lane of Baht 287.4 million and other revenue of Baht 57.7 million, making total revenue of Baht 345.1 million. The Company also recorded net losses of Baht 841.0 million during the year, which implied negative net margin of 243.7%. Such Baht 841 million losses can be classified into Baht 795.4 million losses attributed to owners of the parent and Baht 45.6 million from non-controlling interests. The losses are mainly contributed to extraordinary item "loss on derecognition of discount on business combinations under common control" according to the accounting standard, 3<sup>rd</sup> edition. After acquiring shares and shareholder's loans of the subsidiaries to increase shares in subsidiary from 50% to approximately 68%, the Company recognized the losses from recognition of discount on business combinations under common control from subsidiary worth Baht 584.1 million. However, such negative was recorded in the shareholders' equity since 2011 but was just recorded in the income statement during 2013, so such extraordinary item was not from normal business operation and does not affect shareholders' equity.

In 2012, the Company recorded sales revenue from sales of condominium units and furniture from Saladaeng Residences and Ficus Lane of Baht 938.9 million and other revenue of Baht 150.0 million, making total revenue of Baht 1,088.9 million. The Company recorded net profits of Baht 41.6 million during 2012, which implied net margin of 3.8%.

Details and progress of the Company's residential projects as of 31 December 2013 are as follows:

Project	Operated by	Project value	Total units	Sales recognized			Construction progress	Start of transfer
				Rooms	Btm	%		
Ficus Lane	Company	910.0	70	67	832.9	91.5	100	2549
Saladaeng Residences	YLP	2,338.0	132	127	2,200.8	94.1	100	2554
The Ritz-Carlton Residences Bangkok	Pace 2	12,000.0	200	-	-	-	19.37	2558



**Revenue****Core revenue**

The Company operates a core business of developing residential condominium projects and will be able to recognize revenue only when the construction is completed and the ownership of such condominium projects has been transferred to the buyers.

In 2013, the Company has transferred ownership of nine condominium units of Saladaeng Residences project to condo buyers, valued Baht 245.1 million, which make accumulated transfers of 94.1% of the project. The Company also transfer ownership of a unit from Ficus Lane worth Baht 42.9 million, making accumulated transfer at Ficus Lane project at 91.5% of the project.

For The Ritz-Carlton Residences Bangkok residential project, which is part of Mahanakhon Project, the Company has presold 112 units with 21,999.86 sqm, which is 45.9% of the project space.

In 2013, the Company recorded sales revenue of Baht 287.4 million down 69.4% from 2012 sales revenue of Baht 287.4 million during 2012. The decline was mainly due to the Company has transfer a lot of units of the Saladaeng Residences project during 2012, but has limited no. of units left to be transferred during 2013 as most of the clients has already took the units. The Company is developing two big projects, MahaNakhon and MahaSamutr Hua Hin projects.

The Company plan to recognize the sales revenue from MahaSamutr Hua Hin and The Ritz-Carlton Residences Bangkok when the projects are completed and transferred. The Company expects those two projects to be finished and ready to be transferred from 2015 onward.

**Other income**

The Company operates other related businesses, such as residential condominium leasing, interest income, management fee, foreign exchange gains, etc.

In 2013, the Company received equipment, furniture and space rental income of Baht 3.9 million from subsidiary, up 105.3% from Baht 1.9 million during 2012 as the subsidiary has transferred some space to the tenants in the Retail Cube building, which is part of MahaNakhon project, and the tenants started to decorate their stores to open in 2014.

**Costs, expenses and profits****Costs of sales**

In 2013, the Company recorded costs of sales of condo suites of Saladaeng Residences of Baht 162.9 million, which is lower than 2012 costs of sales and representing 66.5% of condo sales revenue. During 2012, the costs of sales of Saladaeng Residences project were at Baht 641.5 million, or 70.2% of condo sales revenue.

In 2013, the Company recorded costs of sales of condo suites of Ficus Lane of Baht 25.2 million, which is higher than 2012 costs of sales of the project and representing 59.6% of condo sales revenue. During 2012, the costs of sales of Ficus Lane project were at Baht 14.5 million, or 59.2% of condo sales revenue.

**Selling and administration expenses**

The Company recorded selling and administration expenses (SG&A expenses) of Baht 213.2 million and Baht 333.7 million, respectively during 2012 and 2013. The 2013 SG&A expenses was up 56.5% year-on-year due to an increase in marketing expenses to support presales activities of MahaNakhon project, which is the super-luxurious The Ritz-Carlton Residences Bangkok. The Presales value was at Baht 2,424.8 million as of end-2013. The Company also launched MahaSamutr Hua Hin property project during mid 2013 as well.

In 2012, the Company incurred SG&A expenses of Baht 213.2 million, mainly comprised of marketing expenses of Baht 65.7 million, management remuneration of Baht 25.6 million, special business tax for transferring units in Saladaeng Residences and Ficus Lane of Baht 40.7 million, and other management fees of Baht 81.2 million.

In 2013, the Company incurred SG&A expenses of Baht 333.7 million, mainly comprised of marketing expenses of Baht 186.6 million, management remuneration of Baht 28.2 million, special business tax for transferring units in Saladaeng Residences of Baht 10.0 million, and other management fees of Baht 108.9 million.

**Finance costs**

The Company has recorded finance cost of Baht 119.2 million and Baht 97.6 million, respectively, during 2012 and 2013. The 2013 finance costs has declined Baht 21.6 million, or 18.1% decline, from 2012 finance costs due to debt repayment for Saladaeng Residences. The Company used the proceeds from the Company share IPO to make investments, which comprised of shares and shareholder's loan of MahaNakhon project from IBC Thailand Company Limited and IDJ Holdings Company Limited.

In 2012, the Company recorded finance costs of Baht 119.2 million, 62% of which are contributed by MahaNakhon project, the Company's finance cost of 25.8%, and Saladaeng Residences of 12.1% of total finance costs.

In 2013, the Company recorded finance costs of Baht 97.6 million, 49.5% of which are contributed by MahaNakhon project, the Company's finance cost of 43.3%, and Saladaeng Residences of 7.2% of total finance costs.

#### **Gross profits and net profits/losses**

In 2012, the Company reported gross profits of Baht 282.9 million, representing gross profit margin of 30.1% from revenue recognition of Saladaeng Residences and Ficus Lane sales. The Company reported earnings before interest and tax of Baht 219.6 million and net profits of Baht 41.6 million, representing net profit margin of 3.8%.

In 2013, the Company reported gross profits of Baht 99.3 million, representing gross profit margin of 34.5% from revenue recognition of Saladaeng Residences and Ficus Lane sales. The Company reported losses before interest and tax of Baht 177.7 million and net losses of Baht 795.4 million, representing net loss margin of 243.7%.

#### **Statement of Financial position**

##### **Assets**

As the Company acquired shares and shareholder's loan of subsidiaries, making the Company's total assets, liabilities and shareholders' equity increased significantly. From the statement of financial position as at 31 December 2013, the Company's total assets were at Baht 8,576.6 million, imply an increase of 115.9% from Baht 3,967 million at the end of 2012. Total liabilities were at Baht 6,428.8 million, imply an increase of 108.8% from Baht 3,078.5 million at the end of 2012. Total shareholders' equity also increased to Baht 2,750.1 million, an increase of 207.9% from Baht 893.2 million at the end of 2012.

In addition to purchasing shares and shareholder's loan from the MahaNakhon project, the Company has acquired land to develop MahaSamutr Hua Hin project with project value of Baht 3,280 million (excluding Country Club). An increase in assets was attributed to an increase in assets under development of Baht 278.5 million. Land (of MahaNakhon and MahaSamutr Hua Hin projects) is valued Baht 579.6 million and the fixed asset sport club is valued Baht 101.3 million.

As of the end of 2013, the Company reported a total assets of Baht 3,071.8 million, comprised of leasehold right of MahaNakhon project valued Baht 1,052.6 million, work in progress of MahaNakhon project of Baht 928.6 million, long-term loans to subsidiaries of Baht 832.1 million and remaining inventories in Saladaeng Residences and the Ficus Lane projects of Baht 144.3 million, rental assets worth Baht 141.8 million. Aforementioned assets contributed 66.9% of the Company's total assets.

### Land leasehold rights and deposits for land lease

As of the end of 2012 and 2013, MahaNakhon project land leasehold right was at Baht 1,052.6 million (equity accounting) and Baht 2,083.8 million, respectively. According to the independent appraiser, who valued the leasehold right on 16 March 2012, such leasehold right was valued at Baht 2,822.0 million (or Baht 1,411.0 million equity accounted according to share of investment in the joint venture) for the 99-year leasehold right.

In 2012, the jointly controlled entities (now “subsidiaries”) have entered into a contract to buy land for parking building construction. As of the end of 2012, the jointly controlled entities (now “subsidiaries”) has paid deposit for the land cost worth Baht 102.7 million, whereby the Company realized Baht 51.4 million from such expenses. In 2013, the subsidiaries have received land ownership and such deposit as part of the land costs.

In 2013, the additional land for parking building construction has been transferred to the subsidiary. The Company land costs and related expenses have been recorded under “Land” item worth Baht 308.6 million in the consolidated statement of financial position as of 31 December 2013. The details of the leasehold right and deposit as of end-2012 and 2013 as follows:

Unit: Baht million	2012	2013
Leasehold right – cost	2,207.2	2,207.2
Accumulated land amortization (expenses)	(69.8)	(75.3)
Accumulated land amortization (construction cost capitalized)	(32.2)	(48.1)
Leasehold right - net	2,105.2	2,083.8
<b>Value shown in the financial statement</b>	<b>1,052.6</b>	<b>2,083.8</b>
Deposit for land leasehold right for parking building	102.7	-
Value shown in the financial statement	51.4	-

### Property project under development and under construction

Presently, the Company has two property development projects under development, the MahaNakhon and MahaSamutr Hua Hin, and will launch another project in the near future.

After having completed two property development projects, Ficus Land (Construction 2004-2006) and Saladaeng Residences (Construction 2008-2011), the Company has transferred construction value to inventory as of end-2012 and 2013 for Baht 307.2 million and Baht 144.3 million, respectively.

MahaNakhon has gradually paid for construction costs. Presently, the Company has completed the sales office, showroom and foundation work of the main and shopping buildings. The construction progress of the Mahanakhon project is as follows:

Unit : Baht million	2012	2013
Construction in progress – Mahanakhon	1,978.2	3,265.2
Deduct Related transaction	(60.5)	(171.8)
Construction in progress – after elimination	1,917.1	3,093.4
Value shown in financial statement	928.6	3,093.4

#### Long-term loans for subsidiaries and interest receivable

As of 31 December 2013, the Company granted long-term loans to subsidiary valued at Baht 2,944.2 million, but due to the acquiring shares and shareholder's loans of the subsidiaries, such loan was eliminated in the consolidated statement of financial position.

Long term loan to subsidiaries and interest receivable can be summarized as follows:

Unit : Baht million	2012	2013
Loans to subsidiaries – beginning balance	1,264.3	1,664.3
Increase (decrease) during the period	400.0	1,279.9
Loans to subsidiaries – ending balance	1,664.3	2,944.2
Value shown in financial statement	832.1	-
Interest receivable from subsidiaries – beginning balance	70.3	277.1
Increase (decrease) during the period	206.8	439.8
Interest receivable from subsidiaries – ending balance	277.1	717.0
Value shown in financial statement	138.6	-

#### Inventories

As of the end of 2012, the Company has ending inventories valued Baht 307.2 million, comprised of completed residential building units that are ready for sales and transfer, of which four units of Ficus Lane and 14 units of Saladaeng Residences, worth a total of Baht 289.0 million, land held for sales of Baht 14.2 million and furniture for sales valued Baht 4.0 million.

As of the end of 2013, the Company has ending inventories valued Baht 144.3 million, comprised of completed residential building units that are ready for sales and transfer, of which three units of Ficus Lane with total space of 951.69 sqm and valued Baht 59.1 million; and five units of Saladaeng Residences with total space of 689.11 sqm and valued Baht 82.5 million.

#### Sources of fund

##### **Liabilities**

As of the end of 2012 and 2013, the Company has total liabilities of Baht 3,078.5 million and Baht 6,428.8 million, respectively. Liabilities mainly comprised of shareholder's loan and interest payable of Baht 1,488.6 million and Baht 2,320.8 million, respectively. There were unearned revenue and customer deposits valued of Baht 436.2 million and Baht 1,530.1 million, respectively. Those key items accounted for 75.2% and 95.0%, respectively, of total liabilities.

In 2013, the Company has shareholder's loan and interest payable of Baht 2,320.8 million, or an increase of 55.9%, mainly due to accounting consolidation after the acquiring shares and shareholder's loans of the subsidiaries.

##### **Loans from financial institutions and third parties**

As of the end of 2013, the Company recorded loans from financial institutions and third parties of Baht 2,253.9 million, or an increase of 477.6% from Baht 390.2 million at the end of 2012. The main reason being the Company is in the process of developing MahaNakhon project as well as land acquisition for MahaSamutr Hua Hin project development. As a result of project developments and accounting consolidation after acquiring shares and shareholder's loans of the subsidiaries, the loans from financial institutions had increased.

##### **Advances Received from Customers and Deposits Received from Customers**

Details of the advances received from customers and deposits received from customers are as follows:

Unit : Baht million	2012	2013
Advances Received from Customers	67.9	58.8
Deposits Received from Customers	368.3	1,471.3

As of the end of 2013, the Company has advances received from customers of Baht 58.8 million, down 13.4% from Baht 67.9 million at the end of 2012, as the Company has transferred units of Saladaeng Residences and Ficus Lane to customers. However, during 2013, the Company has deposits received from customers for presale units from The Ritz-Carlton Residences Bangkok of Baht 1,471.8 million, up 299.5% from Baht 268.3 million at the end of 2012 due to higher presales.

**Shareholders' equity**

As of the end of 2013, the shareholders' equity was at Baht 2,750.1 million, up 207.9% from Baht 893.2 million at the end of 2012. This is mainly due to the IPO of the Company's 600 million shares with par of Baht 1 each, causing paid-up capital to increase by Baht 600 million and share premium to increase by Baht 1,431.1 million. The Company also recorded a capital gains of Baht 875.3 million from the losses from negative book write down due to business consolidation of Baht 584.1 million.

**Appropriateness of the funding structure**

As of the end of 2012 and 2013, the Company has recorded total debt to equity ratio of 3.4x and 3.0x, respectively. The Company's liabilities are comprised of no-repayment risk liabilities such as unearned revenue of Baht 58.8 million, customer deposits of Baht 1,471.3 million and shareholder's loans and interest payable of Baht 2,320.8 million, which totaled 59.9% of the Company total liabilities. Therefore, when considering only the external source of funds, which including loans from financial institutions, to equity as of the end of 2012 and 2013, the debt ratio are 0.4x and 1.0x, respectively.

The total debt ratio has declined over 2013 was driven by the IPO of the Company's shares, causing the equity value to increase from Baht 893.2 million in 2012 to Baht 2,147.7 million in 2013. However, the financial institution debt ratio has increased over 2013 due to continued investment in Mahanakhon project. Such debt ratio will not decline in the near future as the Company continues to invest in Mahanakhon project development.

Although the Company has interest bearing debt of Baht 4,574.7 million, but the Company has debt obligation from financial institutions in the amount of only Baht 2,253.9 million. The shareholder's loan has an agreement to pay back principal and interest only when the subsidiary has positive net cash flow. The Company's debt ratio will decline when the Company starts to repay debt from the cash flow from condominium unit transfers from Mahanakhon condominium project which is scheduled to be completed in 2015.

**Liquidity**

In 2012, the Company has cash inflow from operation of Baht 477.3 million, mainly from the unit transfers of Saladaeng Residences and Ficus Lane, causing the inventories to decline by Baht 616.9 million. Construction in progress of MahaNakhon project and advance payment for construction increased by Baht 136.1 million and Baht 118.3 million, respectively. The Company reported cash outflow for investment worth Baht 472.8 million, mainly from lending to subsidiary worth Baht 200 million, investment in construction project of Baht 142.0 million and deposit payment for purchase of land, leasehold rights and construction of Baht 112.8 million. The Company reported cash outflow from financing activities of Baht 148.4 million, due to loan and interest expense repayment of Baht 663.4 million and acquiring short term loans from shareholder of Baht 505.8 million.

The current ratio of the Company was at 1.7x at end-2013, up from 0.5x at the end of 2012, mainly due to an increase in cash position from shareholder's loan and the IPO funds to be used as working capital, making current ratio improved.

As at the end of 2013, the Company reported cash outflow from operation activities of Baht 369.1 million, mainly from an increase in unearned revenue and customer deposit worth Baht 417.1 million, an increase in work-in-progress construction for property development for sales of Baht 661.9 million and tax payment of Baht 53.1 million.

In 2013, the Company reported cash outflow from investment activities of Baht 723.2 million, mainly from an increase in investment in subsidiary of Baht 247.8 million, paying for land and construction of Baht 984.1 million and the restricted cash deposit has declined (increased) by Baht 78.6 million.

#### **2013 Auditor's remuneration**

Accounting auditor's fee for auditing interim and annual financial statement for year 2013, ending 31 December 2013 totaled approximately Baht 3.4 million.

#### **Factors that may influence business operation and financial status in the future:**

##### **Domestic and overseas economic condition**

Domestic political standoff that started since 2013 has begun to affect domestic economies and investment, including the tourism and property development business. Many Thai and international investors deterred their investment decision and slowed down consumption which may affect the Company's residential projects and commercial rental for the project under construction. However, the marketing survey indicated that the high-end property development continued to grow as there are limited numbers of high-end property development projects in the market, while the demand in this segment is resilient. Moreover, the depreciated Baht has prompted interest from overseas buyers as Baht depreciation made the property units cheaper. The property investment in the high-end property segment is usually more resilient to the economic downturn than in other business segments.



**Profit generation capability of Mahanakhon and Mahasamutr Hua Hin project**

The Company aims to sell 70% of the super-luxurious Ritz-Carlton Residences Bangkok by 2014 and will launch luxurious vacation residential villa MahaSamutr Hua Hin in the same year. The construction progresses of both projects are on schedule, and the Company expect to recognize revenue after the construction completion in 2015 onward. However, the Company still expect the projects currently under construction to continue to recognize losses during 2013-14, making the Company unable to pay dividend over such period of time.