

## Part 1 Business

### Type Of Business and Operation

The Company and Subsidiaries Characteristic Overviews of Property Development Business

The company and 8 subsidiaries do business as a low-rise real estate developer. The commercial real estate for sales and short-long term rental along with distribution of housing include rental of commercial space for short and long term. The products are divided into four groups as follows;

1. Low-rise commercial project such as commercial building, shopping mall and community mall.
2. Housing project such as townhome and condominium.
3. Project management for the company and subsidiaries which is under the operation of the "JPM".
4. Property rental for person which is under the operation of the "JPM".

The company and subsidiaries focuses on development the project in Bangkok and suburban area in the prime location near community with convenient transportation routes. Besides, products of the company are variation and high quality that can respond for needs of target customers as well.

Low-rise commercial project and housing project that developed by the company and subsidiaries are sold before completion or sales during project construction. Due to the construction project requires a long time, so the company completed the sale before the project is completed. There is mock-up commercial building, mock-up residential building or mock-up condominium that was fully furnished for customers to consider before making a decision. The company cans bring cash portion of the deposit and down payment used in construction project. On contract date, customers have to pay the down payment to the company at a rate of approximately1020 depends on the price and type of property. When the operation is completed, customers will pay the rest of the company for full amount and the company will transfer ownership of property to the customer.

The company and subsidiaries have the criteria for choosing type of product following the guide to buying property of the company by considering the trends in the real estate market conditions, location, consumer demand and appropriate price. That criterion is intended to allow the company to develop the project and comply with the economic and consumer demand. The company focuses on creating different type of real estate project that developed by the company and subsidiaries. After defining model and appropriate product characteristics successfully. The company will prepare a project plan that is clear in every step. For larger project, the company has a policy to divide the area will be developed into phase in order to develop a modified form of commercial buildings and housing in a variety of projects following the plan of the company to comply with the point determination of sale and assist in the management and construction Control of the project in different areas more effectively. In addition, the project will develop a policy to phase out is the risk management of the company's projects. Namely, the company will launch the sale and construction of each phase when any contracts to sell at least 50 to 60 percent of each phase. It can be seen that more effective way to manage the risk of the project.

## 2.1 Product Characteristics and service

### Product Characteristics and service

#### **Sampeng 2 Project**

Sampeng 2 project developed by the company and subsidiaries under a concept of the biggest retailwholesale empire in Thonburi area. It located on Kanlapaphruek Road which is connected with Kanchanaphisek Road and Ratchaphruek Road and far from Bangkok Mass Transit System (BTS sky train) Silom line (Bang Wa station) around 6 km. Sampeng 2 project focus on the expansion of retailers & wholesalers and other entrepreneurs from commercial sources throughout Bangkok such as Sampeng, Phahurat and Bobe. The project area of approximately 160 hectares can be divided into two parts such as;

#### **Sales area**

Sales area includes commercial building divided to 4 phases as follows;

1. Phase 1 Commercial building 4 floors, Width 6 m. Depth 10 m. and Width 8 m. Depth 10 m. Total area 22.50 square wah, 30 square wah and amount 151 units on approximately area 23 rai with a value of 1,452 million Baht.

2. Phase 2 Commercial building 4 floors, Width 4 m. Depth 12 m., Width 8 m. Depth 10 m. and Width 8 m. Depth 12 m. Total area 17 square wah, 30 square wah and 34 square wah, amount 325 units on approximately area 39 rai with a value of 2,218 million Baht.

3. Phase 3 Commercial building 4 floors, Width 4 m. Depth 12 m. and Width 8 m. Depth 12 m. Total area 17 square wah and 34 square wah, amount 37 units on approximately area 4 rai with a value of 413 million Baht.

4. Phase 4 Avenue Zone is commercial building 4 floors, Width 8 m. Depth 10 m. Total area 33 square wah with corridor under the building width 3 m. amount 121 units. Sampeng - Pratunam zone on idea 'Walking Street style' have corridor width 8 m. and 2 Front Shop Houses are commercial building 3 floors with half. Width 4 m. Depth 12 m. Total area 17 square wah amount 293 units, total amount of the unit for sales in Sampeng 2 phase 4 is 414 units on approximately area 51 rai with a total value of 3,476 million Baht.

#### **The progress of Sampeng 2 project for sales area as of December 31, 2015**

<b>Sampeng 2 project</b>	<b>Percent of the Reservation and Contracted</b>	<b>Percent of the Ownership Transfer</b>
1. Sampeng 2 Phase 1	100.00%	97.11%
2. Sampeng 2 Phase 2	100.00%	99.37%
3. Sampeng 2 Phase 3	72.16%	38.99%
4. Sampeng 2 Phase 4	83.28%	8.96%*

\*Beginning Transfer 27/12/2014

## Sampeng 2 Project





Sampeng 2 Phase 1 - Commercial building 4 floors, total 151 units width 8m. depth 10m. area 30 square wah.

Project Status - Sale 100%  
- Ownership Transfer 97.11%

Sampeng 2 Phase 2 - Commercial building 4 floors, total 325 units  
width 4m. depth 12m. area 17 square wah.  
width 8m. depth 10 m. area 30 square wah.  
width 8m. depth 12 m. area 34 square wah  
and 2 park building.

project status - Sales 100.00%  
- Ownership Transfer 99.37%

Sampeng 2 Phase 3 - Commercial building 4 floors with half, total 37 units  
width 4m. depth 12m.area 17 square wah.  
width 8m. depth 12m.area 34 square wah.  
1 park building\*

Project Status - Sampeng 2 Plaza building.  
- Sales 72.16%  
- Ownership Transfer 38.99%





- Sampeng 2 Phase 4
- Commercial building 4 floors (Avenue Zone) total 121 units width 8m. depth 13m. area 33 square wah.
  - Corridor under the building width 3m.
  - Commercial building 3 floors with half (Pratunam Zone) total 293 units width 4m. depth 12 m. area 17 square wah.
- Project Status
- Sales 83.28%
  - Ownership Transfer 68.96%



## Sampeng 2 Project

1. **Rent Area** – The company plans to develop a rent area 11,000 square meter includes Sampeng 2 plaza building , Floating market and Zone Park
2. **Service Area** – The company plans to develop a service area are parking building 4 buildings (approximately 1,109 cars)







### **Tulip Square Project**

Tulip Square project developed under the company and subsidiary as project management both the construction and sales. The Project located at Phetkasem road, Omnoi, Krethum baen, Samutsakhon. The project covers areas of about 33 rai, Dividing to 2 parts as follows;

Sales Area include condominium and commercial building on approximately areas 24 rai as follows;

1. Condominium divided to 2 sections as follows;

- Grand Tulip high-rise building 8 floors, 2 buildings, 336 unit and start from 1.25 million Baht.

- Tulip Lite high-rise building 8 floors, 5 building, 694 units and start from 1.05 million Baht.

2. Commercial building “Tulip Biz Town” is commercial building 3 floors with half and 4 floors with half and 95 units and start from 3.79 million Baht per unit.

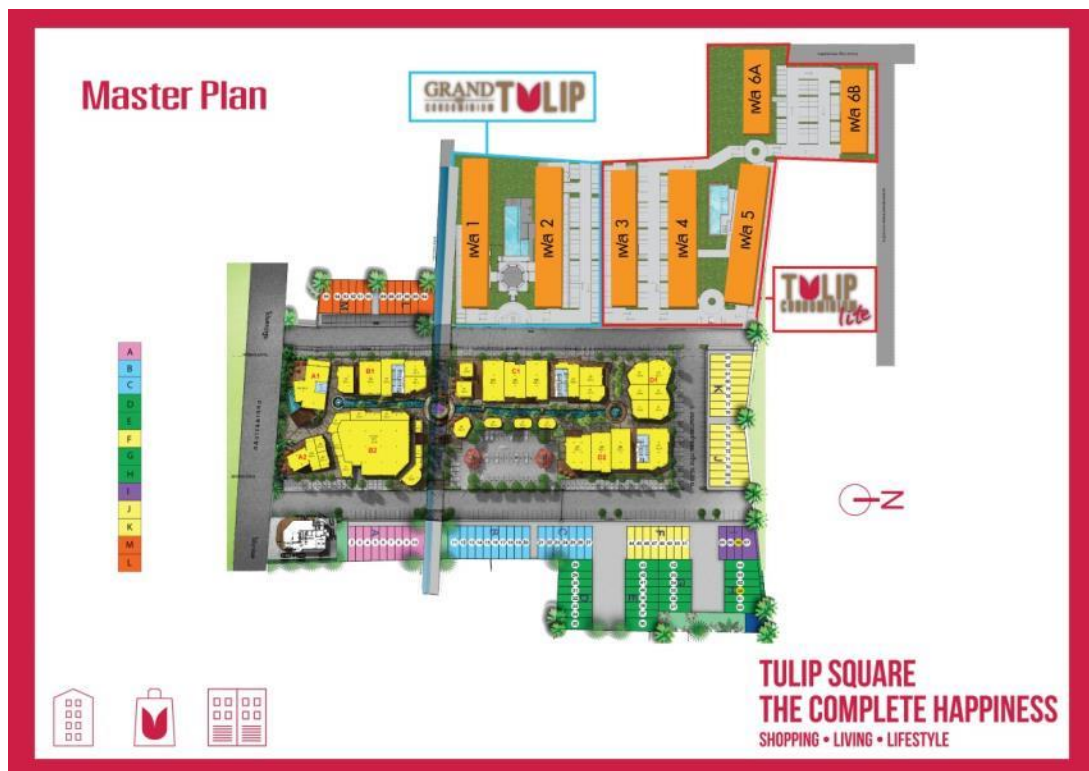
Total value of sales area approximately 1,710 million Baht, target customer is intermediate customer such as businessman, personnel and overseer who work in Omnoi area and neighborhood. Which areas are located a factory area of more than two thousand.

The strengths of the project are location of project in the transportation network that can connect to various major roads such as Omnoi Road, Phetkasem Road, Borommaratchachonnan Road and Phutthamonthon Sai 3 4 and 5 Road and the form of projects Commercial Low-rise and Residential (completely comprising housing and shopping malls).

The progress of the project for sales area as of December 31, 2015

Tulip Square Project	Percent of the Reservation and Contracted	Percent of the Ownership Transfer
1. Grand Tulip Condo	65.49%	21.98%
2. Tulip Lite Condo	41.94%	Q1-2016
3. Tulip Biz Town	79.42%	48.08%

### Tulip Square Project







### **Grand Tulip Condominium**

- Building 8 floors, 2 building total 336 units
- Project Status - Sales 65.49%
- Ownership Transfer 21.98%



### **Tulip Biz Town**

- Building 3 floors with half , Building 4 floors with half total 95 Units
- Project Status - Sales 39.42%





### Tulip life Condominium

- Building 8 floors, 5 building total 694 units
- Project Status - Sales 41.94%
- Ownership Transfer Q1-2016

### Tulip Mall Project

**Rent Area** The company plans to develop is Community Mall in the area of 9 rai





### **Miami Bangpu Project**

Miami Bangpu project is under development by the company and subsidiary as a project developer. The project is located at Thai Ban, Mueang Samutprakan district, Samutprakan. The project area of approximately 120 rai, the project is a residential type of Villa Condominium (Resort style) with shopping mall. The project is divided into two parts as follows;

Sales area such as condominium on approximately area 85 rai divided to 2 parts as follows;

- Garden Villa Condo building 5 floors, 3,840 unit and start from 0.85 million Baht.
- Beachfront Villa Condo building 5 floors, 1,170 units, start from 1.52 million Baht.

The value of sale areas approximately 5,718 Million Baht, target customer is intermediate customer such as businessman, personnel and overseer who work in Samutprakan area and those who have settled in Bangkok need to own beachfront condominium most near Bangkok.

Strength of project includes:

- 1) Projects located next to the BTS sky train, the front near the Sukhumvit road and the back near the Gulf of Thailand.
- 2) Convenient transportation, it can travel by car and the BTS sky train green line.
- 3) The form of projects Commercial Low-rise and Residential Development that blend completely comprising housing and shopping malls.
- 4) Near Bangpu Industrial Estate and Bangphli.

### **The progress of the project for sales area as of December 31, 2015**

Miami Bangpu Project	Percent of the Reservation and Contracted	Percent of the Ownership Transfer
1. Garden Villa Condominium	34.74%	Q2-2016
2. Beachfront Villa Condominium	31.25%	Q2-2016

### **Miami Bangpu Project**





### **Garden Villa Condominium**

- Building 5 floors total 3,840 units

Project Status - Sales 31.25%

- Ownership Transfer  
Q2-2016



### **Beach Front Villa Condominium**

- Building 5 floors total 1,170 units.

Project Status - Sales 34.74%

- Ownership Transfer  
Q2-2016



## Miami Mall & Barza Project

Rent Area The company plans to develop are Community Mall and night bazar in the area of 35 rai



### **Sampeng 2 Condominium Project**

Sampeng 2 Condominium developed under the company and subsidiaries, location on Kanlapapruet Road connect with Kanchanapisek Road and Ratchapruet Road. It is far from the BTS sky train Silom line (Bangwa Station) 6 Kilometer. The project covers an area of approximately 20 rai, type of the project is condominium. The project can be divided into the following areas;

Sales Area include condominium 2 building and 1 park building as follow;

1. Condominium 25 floor, total 1,039 units and start from 1.1 million Baht.
2. Condominium 16 floor, total 1,748 units and start from 1.1 million Baht.

Total value of sales area 4,113 million Baht, target customer is the customer 's group Sampeng 2 that the developer ,employee ,who desire to have their own houses and are not buying for investment And the customer's group investor who 're buying for investment from famous projects "Sampeng 2" the customer's group desire for reducing the commuting time to work help pushed ,near BTS and middle income residents with selling prices of square meters not over 55,000 Baht. And the customer 's group to work near sathon,silom that who's not buying condominium by BTS , over income 15,000 Baht

Strength of project includes:

1. Projects location near Kanlapapruet Road, Travel in several directions and convenient transportation. Take a trip to sathon – silom is 15 minutes and near wuthakard station .
2. Price is not high compared to the competition for customers are buying less and take a trip to BTS is 10 minutes.

### **The progress of the project for sales area as of December 31, 2015**

<b>Sampeng 2 Condominium Project</b>	<b>Percent of the Reservation and Contracted</b>	<b>Percent of the Ownership Transfer</b>
1. Building 25 floors.	54.23%	Q1-2017
2. Building 16 floors.	3.21%	Q1-2018



## Sampeng 2 Condominium Project



### Sampeng 2 Condominium

- High-rise Building 25 floors total 1,039 unit
- Swimming Pool

Project Status - Sales 54.23%  
- Ownership Transfer Q1-2017

### Sampeng 2 Condominium

- High-rise Building 16 floors total 1,748 unit
- Project Status - Sales 0.97%  
- Ownership Transfer Q3-2016



### **JSP@CITY Sukhumvit-Preaksa Project**

JSP@CITY Sukhumvit-Preaksa Project developed under the company and subsidiaries, location on Preaksa Road ,Thai Ban , Mueang Samutprakan district, Samutprakan. The project covers an area of approximately 210 rai.

Sales Area include commercial building and on approximately areas 24 rai as follows;

1. Commercial building “JSP@CITY Sukhumvit-Preaksa” is commercial building 3 floors with half and 4 floors with half and 160 units and start from 3.6 million Baht per unit.

2. Townhome 2 floors and 356 units and start from 1.59 million baht per unit. (opening) start from 1.64 million baht (at present)

Total value of sales area approximately 3,625 million baht, target customer is intermediate customer Bangpu Industrial Estate

The strengths of the project are location of project in the transportation network that can connect to Sukhumvit Road and Teparak Road. And it located near by the BTS sky train green line ,Robinson Bangpu. Altogether facilities such as vegetable market ,sport club (fitness) ,swimming pool ,garden and Sarasas Witaed Suksa School.

### **The progress of the project for sales area as of December 31, 2015**

<b>JSP@CITY Sukhumvit-Preaksa Project</b>	<b>Percent of the Reservation and Contracted</b>	<b>Percent of the Ownership Transfer</b>
Commercial building	42.52%	Q4-2016
Townhome	62.93%	Q3-2016

## JSP@CITY Sukhumvit-Preaksa Project







**Commercial building under J.S.P.Property Ltd.,**

- Commercial Building 3 floors with half and 4 floors with half 160 units

Project Status - Sales 42.52%

- Ownership Transfer Q4-2016



**Townhome under Ban Ruen Rom 2015 Ltd.**

- Townhome 2 floors Total 356 units

Project Status - Sales 62.93%

- Ownership Transfer Q3-2016





### **JSP@CITY Rangsit – Klong 1**

JSP@CITY Rangsit-Klong1 developed under the company and subsidiaries, location on Rangsit-Nakornnayok Road ,Prachathipat , Thunyaburi district, Pathumthani.

Sale area include commercial building and townhome ,the project covers an area of approximately 140 rai. as follows;

1. Commercial building 3 floors with half and 254 units and start from 3.8 million baht
2. Townhome 2 floors amount 811 units and start from 1.64 million baht (opening) and start from 1.69 million baht (at present)

Total value of sales area approximately 3,396 million baht, target customer is intermediate customer

The strengths of the project are location of project near community , express way , BTS sky train red line Bang Sue-Rangsit - Thammasart University , Future Park Rangsit. Altogether facilities within project such as shopping mall ,sport club (fitness) ,swimming pool ,garden ,Security Officer and CCTV

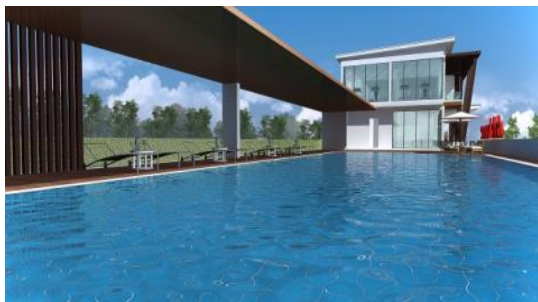
#### **The progress of the project for sales area as of December 31, 2015**

<b>JSP@CITY Rangsit-Klong1</b>	<b>Percent of the Reservation and Contracted</b>	<b>Percent of the Ownership Transfer</b>
Commercial building	19.33%	Q4-2559
Townhome	78.37%	Q2-2559

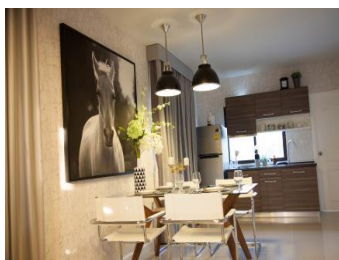
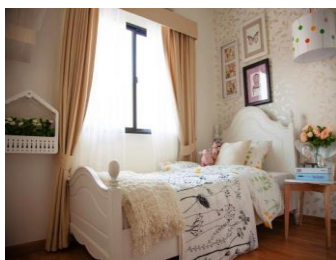


**JSP@CITY Rangsit-Klong1**





Commercial building under J.S.P.Property Ltd., (public)  
 - Commercial building 3 floors with half 254 units  
 Project Status  
 - Sales 19.33% Ownership Transfer of Date Q4-2559



Townhome under Ban Ruen Rom 2015 Ltd.  
 - Townhome 2 floors 377 units  
 Project Status  
 - Sales 81.96% Ownership Transfer of Date  
 Q2-2559







### Conducting the follow-up of customers those overdue down payments

According to the manual operation of the sale revised as of July 9, 2014, the company has follow-up of customers those overdue down payments. It will follow by down payment schedule of each project, Sales division will be responsible for the preparation of reports to follow-up every month to the implementation of the next following. The follow-up can be divided into 4 periods as follows;

Period	Overdue Down Payment Period	Performance
1	30 days	Notification of the financial plan to the customers
2	60 days	Finance division made a letter to let customers pay the debt with interest within 15 days and informed sales managers follow-up and report back within 25 days of each month.
3	90 days	Finance division made a letter to let customers pay the debt with interest within 15 days and informed sales managers follow-up and report back within 25 days of each month.
4	120 days	Finance division informed the legal advisor made a letter to let customers pay the debt with interest within 7 days by the company will hold earnest money and down payment.

There may be some cases that the company flexibility to customers with overdue payments. It is at the discretion of the executive and must be approved by the managing director as a case. As of 31 December 2015 the payment of the arrears is as follows;

Overdue Down Payment Period (Million Baht)	Value Overdue Payment (Million Baht)	Value Contract (Million Baht)	% Value Contract Revenue
1-30 days	1.82	278.37	2.20
31-60 days	1.68	251.45	1.98
61-90 days	3.74	180.46	1.42
Overdue rate 91 days	34.87	1,484.60	11.72

### **Project management business and rental and real estate services**

“JPM” doing project management business of the company and subsidiaries, operation of the Project Management of group in scope of field in construction management and sales project. “JPM” is potent enough to get property of non-project and project management of the group but in the present the group has projects under the sale and construction all 3 projects. It cans divine into several phases and also plans to develop future projects for the group will have a higher growth rate continue. The Board of Directors Meeting #16/2013 on September 10, 2013 has agreed “JPM” to invest in properties for rental projects, as a result “JPM” has not been able to get work from another developer.

“JPM” operates rental service real estate of the company and subsidiaries as of December 31, 2014, property of the Company and subsidiaries are as follows;

Project		Type Project	Completion Schedule
Sampeng 2	Sampeng 2 Phase 2 Sampeng 2 Phase 3 Sampeng 2 Phase 4 Sampeng 2 Phase 3 Sampeng 2 Phase 4 Sampeng 2 Phase 4	2 Paking Building 1 Paking Building 1 Paking Building Rental Area Food Court Rental floating Market	Quarter 4 - 2015
Tulip Square		Rental Area	Quarter 4 - 2015
Miami Bangpu		Rental Area	Quarter 4 - 2015

### **Marketing strategy and competitive**

The company doing business in real estate development, focus on low-rise commercial real estate in the area around Bangkok. Currently, there are no companies listed on the main targets close to the company so that make The Company has seen a market gap. The company expects to increase its market share in the property type by using the policies that will make a difference and quality of the project. For residential property, the company created by allocating points to areas beyond the standard to enhance the quality of life for our customers. For the commercial area (rental area), the company emphasize with the promoting the projects are widely known which helps entrepreneurs and small confidence in the company's projects.

The Company focuses on presenting quality products and diverse in the model including the design to accommodate the needs of the target group of companies such as;

Product strategy

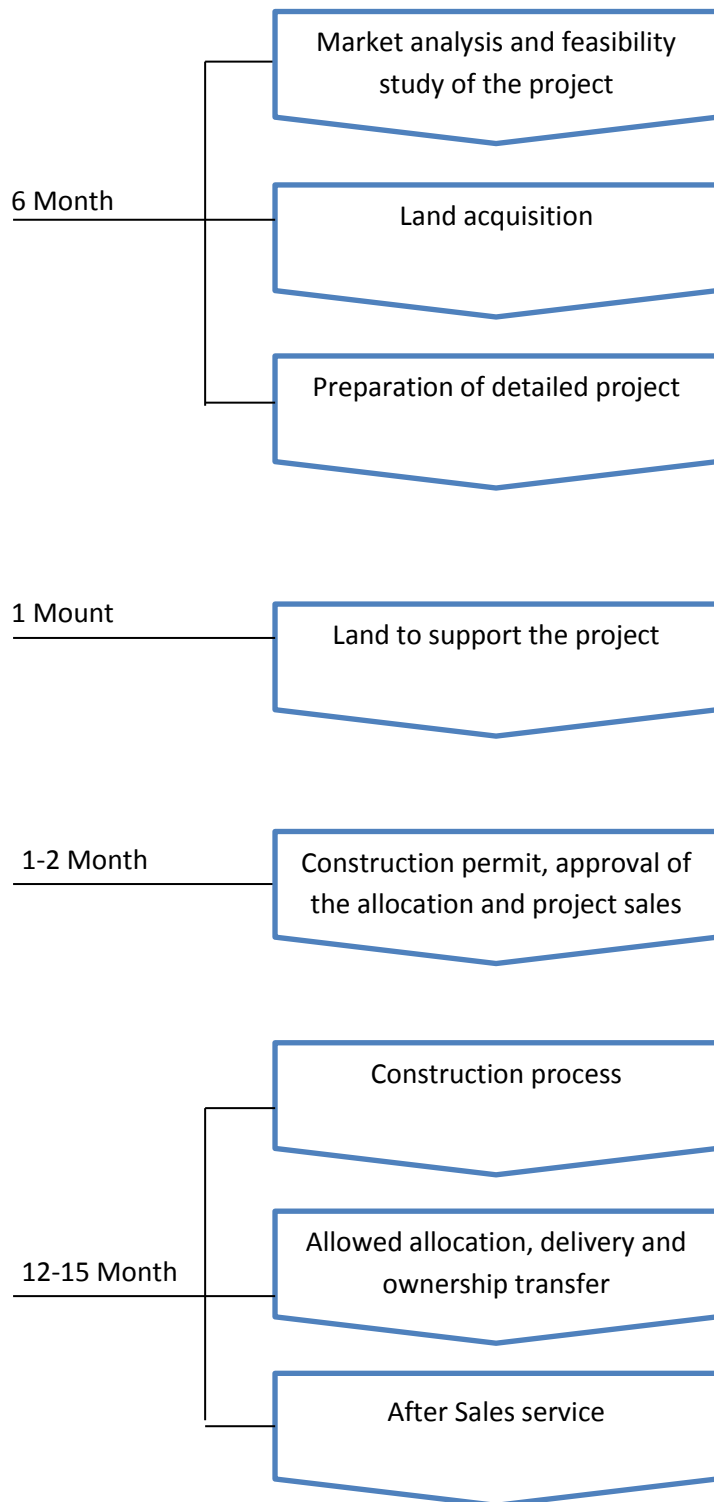
Location: Location of the project needs to be a potential location, nearby communities, main road routes and convenient transportation. In addition, Potential for expansion of urban planning and transport as determined by the public sector as a key factor that The Company is aware of the project area.

Design: The Company began to develop the conceptual framework project before the project design for satisfy the needs of consumers by assign the operator team whose has a long experience.

Construction quality: The Company has effective control measures and construction standards. The Company focuses on the selection of contractors and construction quality with a selection process involve the evaluation of contractors to ensure the quality of the construction is in accordance with the standards set.

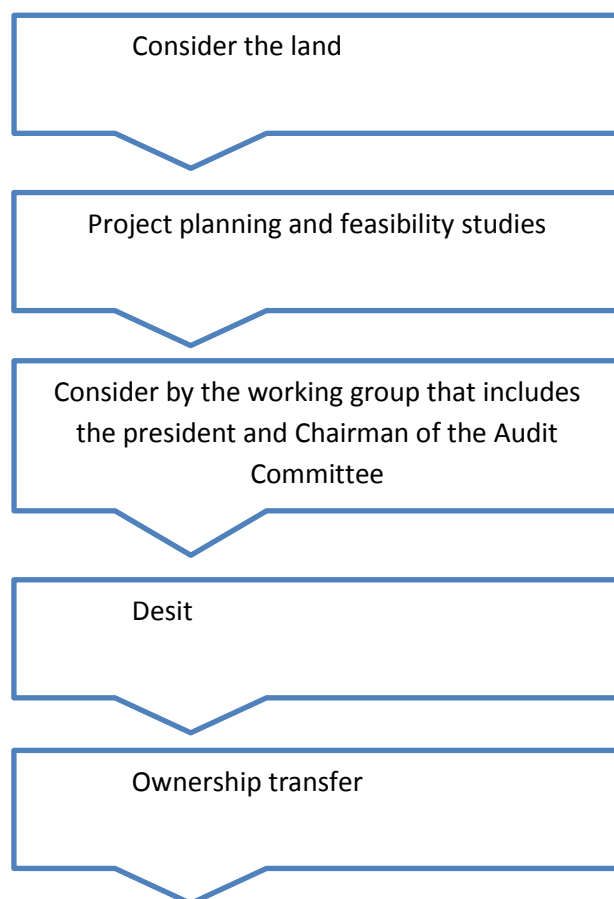
Product supply: The Company is in the process of acquiring the land, product development, sale through a proprietary ownership transfer to customers. That can summarize as follows;





### **Market analysis and feasibility study of the project and land acquisition.**

Project development division is responsible for studying the feasibility of the project by the land for development will be procured through a broker or Project development division. After that project development division will work with the design team to produce detailed introduction to approve the purchase of land by the President and Chairman of the Audit Committee. The main factors to consider: focus on potential location, convenient public transport, utilities and support. The company has personnel with the ability to procure land, consider the restriction and legal issues that may affect the project. It can be summarized the process of purchasing land as follows;



For the preparation of the detailed project, The Company tasked this with design division or hiring external agencies which is specialized in the implementation of a product model to respond the needs of the ultimate goal.

### **Construction and construction policy**

The company operates a construction plan for contractors performed in the Turn Project. Construction management division will determine the quantity of materials and labor (Bill of Quality system) for the central price of the construction of each project. Bill of Quality system will offer the main contractor bids to the Group by the price do not exceed the specified price. The Company will evaluate and compare the price and quality of each

contractor and defined as the standard price in the construction of each project. After that construction control division will jointly select a contractor with the purchasing division and other divisions by considering both price and quality. All of these must be based on criteria selected contractors and manual operation of the fair price, to evaluate the contractor, preparation of contracts and controlled by Company

The company assigned the construction control division control all steps closely. The company is a contractor through a preliminary assessment in the vendor list not less than 20. This can reduce the risk of reliance on any single contractor and allows the Company Able to construct more efficiently as well. In addition, the Company will assess contractors by the division concerned both before and after for ensure the quality of products as the standard.

### **Purchase of construction materials**

Purchasing division is responsible for the purchase of materials used in finishing some projects such as roof, tile, balustrade, sanitary ware and other finishing. Due to the need to have the same standard of quality control materials and projects, purchasing division will coordinate in advance with the material supplier to agree the price and volume purchase materials for each project. The company has a leading supplier in vendor list about 20.

The company procures the construction plans and bill of quality that prepared by construction control division to ensure that the construction cost will be based on estimates of construction.

### **Public relation and advertisement strategy**

The company advertising the company's project in the form of integrated marketing communication which covers the use of mass media with customers in a wide range such as; outdoor billboards, newspaper and magazine. The company also uses marketing materials for direct marketing such as details of the project showcase by invitation only group invited, meeting the target customers individually and delivering brochure about details of the project.



### **Distribution channel strategies**

The Company's distribution channel strategy by direct sales through the company's sales office for the presentation of the product in its entirety. It can make customers understand the product and buy with confidence. The company also developed its sales continued, to gain an understanding of the products and the strength of the project. In addition, the company also has an old customer of the project is to propose new projects and get feedback. It is regarded as an important channel for the distribution channel, especially the low rise commercial projects. However, some project may have hired a professional agency to support the company and reach the target customers of the other one.

### **Target customers strategy**

Because of each company's projects have different feature and clear targets, so that the company is strategically positioned to reach customers more effectively. It can be formed as follows;

1. Delivering the brochures about details of the project to the target customers.
2. Sending invitation letters to the target customers for come and get detailed information on the proper place such as sales Office, hotel and restaurant.
3. Meeting the target customers individually at the place of the customer to provide detailed project.

## **Risk Factors**

### **The risks associated with the business and operations of the Company**

#### **3.1.1 The risk of a large real estate development projects and high-value projects**

The company and subsidiaries' projects are in progress include 7 projects with total value of Baht 23,037 million, the total project value plus a new project on pipeline is approx. Baht 24,650 million. Each of project that the company and subsidiaries develop is a big project and relatively high value, it may consider the risk of the company and subsidiaries in development the project to be successful. If the company and subsidiaries are not be able to develop the project to be successful, it would affect to the results of operation of the company and subsidiaries further.

However, the company and subsidiaries have a policy to develop large and high value real estate projects by carrying out divided area to develop into phase for to be able to develop and modify the model of the project are appropriate to market conditions and demand of prospective customers during that time. The policy will assist in the management and supervision of the construction of projects in different areas more effectively.

In addition, the policy that divided the projects into phase will manage the risk of the project also. Namely, the company and subsidiaries will open and begin the construction of each phase when that phase has a contract to sell the property for at least 50-60 percent of each phase.

#### **3.1.2 The risk of earnings in the future depends on the success of a project being developed**

As of December 31, 2015, the Company and subsidiaries have all 7 projects in progress and that total project value Baht 23,037 million by dividing are parts of sold and ownership transfers that can be recognized as revenue and approximately Baht 6,580 million and the distribution and is awaiting the ownership transfer of approximately Baht 6,089 million. In addition, the company and subsidiaries have property in the pending sale of approximately Baht 10,368 million, the company expects to recognize revenue within 2-3 years.

Beyond that the company and subsidiaries have future project for rental area calculated as total investment of approximately Baht 1,483 million.

For this reason, the performance of the company is uncertain based on the factors and market conditions such as the adequacy of funding for develop the project, capabilities for find new project in the future, domestic economy, changes in tax policy, monetary and fiscal policies in Thailand, demand and supply of real estate and the expansion of public transport. As well as other factors affecting to the confidence of buyers such as interest rates and oil prices including the politics of the country. But the company is planning to hedge both the marketing and finance.

#### **3.1.3 The risk of the Company's principal business is highly competitive**

The real estate market conditions in 2015 are considered quite volatile. From the beginning of the year, the market was quite sluggish due to political and economic instability while there were a lot of inventories in the housing market since the excess supply situation from 2 years ago, together with the high reject rates of credit loans in housing market. Thus the developers have to provide the extra promotion, to accelerate the buyer's decision. Nevertheless, the market conditions remain slowdown, thus most of the big players announced to delay the new project developments.

The situation began to improve in the last quarter of last year after the government stimulus measures has been announced, which covers both monetary & fiscal policies (effective 19 October 2015).

The above fluctuation factors increased the competition in the housing market and commercial buildings, that made the cost of construction and the cost of sale and administration of entrepreneurs rose, mostly from the marketing strategy in different ways. Currently, the

competition in the market come from the major operators. The market share of major operators are increasing steadily. As result of higher investment potential, the ability to adapt better than its competitors on the volatility of the market. And also the ability of financial funding through various channels.

However, the company realized risks mentioned in this section, and try to manage by providing more emphasis on the development of ongoing projects. To meet the highest customer satisfaction and to increase the capacity of the competition by focusing on two main factors.

- 1) Differentiate project development by focusing on “Commercial Low Rise” development, each project will be built to create a unique selling point. While the other major players do not have the same type of such products, there are many opportunities for this product types. Since the fourth quarter of 2015, the company opened the new projects focusing on townhouse & twin-house, including the commercial buildings which are able to develop quicker than the other type of products. Moreover, the company also has the construction partners, using the PREFAB construction process which can deliver to customers more quickly and able to reduce the product defect. The Company also focuses on the quality of materials and construction process to increase a customer satisfaction, and help the company able to transfer the products to our customers more quicker.
- 2) The location of all our projects located on the main roads, easy to access as well as provide more infrastructure & utilities. Furthermore, the company has experience in this industry for more than 20 years, this should guarantee its reputation for reliability advantages and quality standard.

#### **3.1.4 The risk of land acquisition for future development**

The company and subsidiaries have no policy to purchase a lot of land bank for future development project because the company and subsidiaries do not want to have the burden of cost which may cause liquidity problems for the company and subsidiaries. The company and subsidiaries need reduce the risk of modifying the urban planning and land expropriation which may change in the future. Therefore, the company and subsidiaries still have a risk of not being able to buy land in need or the risk from the high price of land makes the company and subsidiaries have no land perfectly in development or have a higher cost of development projects that cannot develop as planned which may have an impact on the financial position and results of operations of the company and subsidiaries in the future.

However, the company and subsidiaries have prepared a plan of land purchasing for development as a future project in accordance with the business plan of the company which is predefined for 4-5 years. This ensures that the associated company will have land to develop steadily by the Directors team of company and subsidiaries are being tracked property information and studied closely for understand the trends and the potential for development of land in various locations. From the direction of growth of the commercial area, residence, the development of Bangkok Mass Transit project, legal restrictions and checked thoroughly to reduce the risk of ownership in all aspects before deciding to buy the land includes a survey and feasibility studies in marketing and finance. Therefore, it is believed that the company and subsidiaries still have enough time to procure land before the launch of a new project because the Directors teams of company and subsidiaries have extensive experience in concerning land purchasing and contact with the estate agent for over 20 years. So that the company and subsidiaries will buy land at a rate that can be developed to generate sales revenue and profit levels that meet the criteria of the company and subsidiaries only.

In addition, shareholders and/or related persons and/or related companies to the ownership of the land that has signed Right of First Refusal contract to purchase the land. In the future, if the owner of the land intends to sell the land ownership, must permit the company to buy that land first



and if the company refuses to buy that land, landowner will have the right to sell the land to someone else in the same price and terms offered to the company further.

### **3.1.5 The risk of higher construction cost**

Overview of construction material price index in 2015 compared to a previous year (2014), the annual average construction price index in 2015 decreased 5.1 percent from 2014 (source: Bureau of Trade and Economic Indices, Ministry of Commerce)

In 2015, the construction in property development business slowed down from many factors such as the negative economic environment, the rising of household debt that distorted the purchasing power of consumers, stricter in lending by commercial banks as well as its outstanding stock oversupply of homes and condominiums. Most of the government construction projects are still in the pending procurement contracts. Construction materials prices dropped due to the world market commodity prices, such as oil and steel prices in the world market fell steadily all the year, Chinese steel oversupply situation.

However, in 2016, the construction material prices tend to gradually increase from the government's stimulus policies, as a year of investments such as driving infrastructure investment, the strategic plan of housing 10 years (2016-2025), investment in the special economic zone. These investment policies from the government could create the confidence to invest from the private sector in the construction industry. As a consequence, the demand for construction materials will be increased.

The company has a policy to reduce this kind of risk by being partners with our major suppliers in steel, cement etc. The company pay to our suppliers directly that can ensure our reliability and enhance our bargaining power.

### **3.1.6 The risk of a shortage of workers and quality contractors**

Although the property development businesses in 2015 was not good as we expected, but the shortage of workers and contractors was still an important factor for the business, especially shortages of labors from the investing in government and the private sector is likely to expand in near term.

The success factors in this business do not come from the presales alone, if the construction progress part does not come along, it would be useless since the property development business will recognize the revenue after transfer the ownership to the customers.

The Company's policy is to build alliances with the contractors that work with the company for more than 5 years and has qualified workers and able to work for the company at any time.

In addition, it can be seen the adaptability of property developer especially the production management of the top five major property developers in the market by expand investment project prefabricated construction system and import new construction technology to replace skilled workers.

### **3.1.7 The risk of conflict and political instability in the country that may have an impact on the business**

The political changing, law and regulations that happens a few times in Thailand are the factors that influence the business and operations of the Company. The changing may affect to business planning, costs and expenses in the development of both commercial low rise and commercial high rise such as; the changing terms of land allocation following the land allocation act (such as Determining the area to determine the width of the corridor area and road, determining public areas, delivering and ownership transfer the communal property to juristic person, determining regulations to assess and make report on the environmental impact and assess and report the results to determine the high building.) including changes to the rules on land use zoning,

city planning law, traffic planning and Thai express way. In the past, the government has ever intervened Thailand economy by changing significant policy includes foreign exchange controls, wage controls, price of capital controls and limiting imports. In adjusting the policy, sometimes is change after the new policy was announced. In addition, there are also uncertainties about the political implications which may affect the political, economic and legal status in Thailand.

However, the company completed the study and follow up changes to the regulations that may occur continuously and order to prepare for modification the implementation of development projects in accordance with the changes that may occur coupled with the market conditions study regularly. The readiness can believe that the company will be modified as promptly as possible.

### **3.1.8 The risk of housing lending of financial institutions**

Housing loan is one of the most importance credit types in the economy and the financial institutional system. In 2015, the total private credit grew up 5.6 percent, increased from 4.2 percent in 2014 (source: Office of National Economic and Social Development Board), which is a result of the expansion of the business sector. While the household credit slowed down. Housing loan is one component of the household loan.

Banks continue to be rigorous in lending residential home buyers so there is a risk that banks will refuse to approval to the customers which may affect the transfer including the results of operations of the company. To reduce this risk, the company will let the banks screening the basic features and loan payment capabilities of our customers.

The company is partnering with many banks by jointly promotions that can make it easier for customers to borrow money and lowering interest rate. The Banks will determine the ability to pay the loan (pre-approved process) and advises clients to prepare for the loan and the ownership transfer at least 6 months.

## **Internal control and risk management**

### **1. Recommendation about internal control from Board of Directors**

Company is aware the important of the working systematic flow which support the business to get the highest capability and efficiency. In the Board of Directors meeting 1/2014 on January 24, 2014, they have been assigned the audit committees which conclude of 4 people for auditing the internal management to ensure that the company and subsidiary following the management policy which relate to the Thai's stock exchange law and regulations

In the Board of Directors meeting 3/2016 on February 4, 2016, the audit committees have been attended to the meeting for estimating 5 internal controls which consist of internal control management, risk management, operation management, information systems and data communication control, and tracking system. The details are explained below:

#### **Internal control management**

Company's has a business concrete goal and policies that clarify and review consistently which able to apply and adapt to the unpredictable situations. The goal settings and code of conduct are feasible for the personnel to have motivation in the work place. Working manual, policy and penalty have been set to control all the management team and subordinates. The training staff at all levels across the organization on Corporate Governance to develop skills and knowledge for applying in the company. Organization charts are writing clearly defines the authority of Board of Directors, Committees and management team.

#### **Risk management**

Board of directors has set the risk management committee and risk management policies to ensure that the subordinate are understand and realize about the policies. All subordinates are participates to analyze and estimate both internal and external impact to a company for preparation and defending the risk that may occurred with practical and efficiency solutions. Moreover, company is defending about corruption by setting up the clear regulations to control over it. (in the company website)

#### **Operation management**

Company has clearly authorization in term of responsibility and approval in each level which announced in the manual and review consistently to match the important and flexibility of each position. Moreover, the process of approvals been written for the personnel to work easily according to the manual Ex: Land acquisition, Project approval, Loan approval and etc. If there any transaction with the major shareholders, Executive Director, manager or related to the above, company has to follow the flow process according to the announcement of stock exchange market then summarized report to the Board of Directors in every quarter. If there any special business, company need to get approval and report to Thai's stock exchange due to the regulations.



## **Information system and data communication control**

Company has set effective information system for communicate both internal and external for collecting information in systematic and generating financial statement according to the general accounting policies. The company statement have been reviewed by the Audit committees and certified by the auditors. The information system must ensure that the information is efficient and reliable then update the core information to the Board for making decision. Moreover, information and time management must support the Board of Directors meeting for considering the formation. The information must been record every meeting for summarizing the important of the meeting also the Board of Directors recommendation or questions (if any) must be covered. External communications, company must providing investor relations and channels to investors related and dissemination of information on the website of the Company and the Stock Exchange of Thailand.

## **Tracking system**

The Company's operations are monitored monthly by comparison with the same period of previous year and other company's activities in the same industry for analyzing the cause of the difference and adjust their strategies to achieve our goals. Board & Executive Committee is monitored weekly on the Company's system of internal control to ensure that the system is effective. Therefore, Board of Directors are assigned the audit agency to report audit results directly to audit committees and if there are any significant drawbacks, the Audit Committee needs to report to the Board of Directors frequently with update status of the problems.

Due to the 5 internal controls above, Board of Directors and Audit Committees have a confidential that the internal control system is already sufficient. The recognition form Board of Directors on the guaranteed of no failure is impossible but the internal control and risk management are able to prevent in a reasonable level.

### **2. The different opinions & recommendations by Audit Committees to Board of directors**

- No different opinions & recommendations -

The opinions & recommendations of audit committees are showed in the report of audit committees (on the attachment no.5)

### **3. Head of internal audit committee**

In the internal audit committee meeting 4/2015 on November 12, 2015, It was resolved to appoint Dharmniti Public Company Limited which Mr. Khamnung sarisa (CPIAT) who is primarily responsible for performing the audit of the Company. The qualifications of auditors of Law Limited and Mr. Khamnung sarisa are qualified to take the responsibilities because the knowledge they had are able to apply in all parts of the company business. The reveal history of the audit is on Attachment No. 3.

## Detail of the Company

Detail of the Company Symbol	J.S.P. Property Public Company Limited
Business type :	Property Development
Head Office Address :	43 Soi Pharam 2 Soi 54 samaedum, Bangkhuntien , Bangkok 10150
Registration Number :	0107557000012
TEL :	02-897-8800 #330,632
Fax :	02-897-8801
Chief Financial Officer :	Mr. Sithipon Ratanaporn
E-mail :	sithipon_r@jsp.co.th
Home Page :	www.jsp.co.th
Investor Relation :	ir@jsp.co.th , jiraroj_c@jsp.co.th
Authorized Capital :	2,100,000.00 Baht
Paid-up Capital :	2,100,000.00 Baht
Issued and fully Paid :	4,200,000,000 ordinary Share of Baht 0.50

### References

1. Registration of Securities :	Thailand Securities Depository Company Limited 62 Set Tower, Ratchadapisek Road, Klongtoey, Bangkok 10110
Tel :	0-2229-2800
TSD Call Center :	0-2229-2888
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E-mail :	TSDCallCenter@set.or.th
2. Auditor :	EY Office Limited (Formerly Known as Ernst & Young Office Limited) 33rd Floor, 193/136-137 , Lake Rajada Office Complex, Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand
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3. Partner :	Mr. khumnueng salisra
4. Lower :	Mr. Praveeyuth Pusawangsakul
5. Legal Advisor :	Mr. Srawuth Sinsajjatham

6. Main Bank :

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