



UNIVENTURES

Ref. UV No. 002/2017

The Registration NO. 0107537001030

February 24, 2017

Subject: Management Discussion and Analysis on Financial Statements of the year 2016

Dear: The SET Board of Governors  
The Stock Exchange of Thailand

By Copy to: Secretary  
General Office of the Securities and Exchange Commission

We, Univentures Public Company Limited ("the Company"), reported audited financial statements for year ended 31 December 2016 and the financial statements of previous year. Profit attributable to the owners of the company shown in our consolidated financial statements of year 2016 was Baht 1,075.7 million, increased by Baht 444.7 million, or 70%.

The Company would like to explain the consolidated operating result for the year ended 31 December 2016 and financial position as at the same date as follows:

#### **1. Consolidated statements of comprehensive income**

The consolidated statements of comprehensive income for the year ended 31 December 2016 compared with previous year.

	2016	% of sales	2015	% of sales	Increased (Decreased)	%
Revenue from sale of goods, rendering of services and rental	17,073.1	100%	13,268.4	100%	3,804.7	29
Cost of sale of goods, rendering of services and rental	11,840.9	69%	9,429.1	71%	2,411.8	26
<b>Gross Profit</b>	<b>5,232.2</b>	<b>31%</b>	<b>3,839.3</b>	<b>29%</b>	<b>1,392.9</b>	<b>36</b>
Selling and administrative expenses	3,261.6	19%	2,481.0	18%	780.6	31
<b>Operating Profit</b>	<b>1,970.6</b>	<b>11%</b>	<b>1,358.3</b>	<b>10%</b>	<b>612.3</b>	<b>45</b>
Other Income	242.5		161.7		80.8	50
Share of profit of equity-accounted investees associates	51.3		23.3		28.0	120
<b>Profit before Depreciation and Amortization (EBITDA)</b>	<b>2,927.2</b>	<b>17%</b>	<b>2,083.8</b>	<b>16%</b>	<b>843.4</b>	<b>40</b>
Depreciation and Amortization	662.9	4%	540.6	4%	122.3	23
<b>Profit before finance costs and income tax (EBIT)</b>	<b>2,264.3</b>	<b>13%</b>	<b>1,543.3</b>	<b>11%</b>	<b>721.0</b>	<b>47</b>
Finance costs	183.7	1%	407.3	3%	(223.6)	(55)
<b>Profit before income tax (EBT)</b>	<b>2,080.6</b>	<b>12%</b>	<b>1,135.9</b>	<b>8%</b>	<b>944.6</b>	<b>83</b>
Income tax expense	384.3	2%	223.3	2%	161.0	72
<b>Profit for the period</b>	<b>1,696.3</b>	<b>10%</b>	<b>912.6</b>	<b>7%</b>	<b>783.6</b>	<b>86</b>
<b>Profit attributable to:</b>						
Owners of the Company	1,075.7	6%	630.9	5%	444.7	70
Non-controlling interests	620.6	4%	281.7	2%	338.9	120

Table 1: Consolidated statements of comprehensive income

(Unit : Million Baht)

### 1.1 Revenue from sale of goods, rendering of services and rental

According to Table 1, total revenue from sale of goods, rendering of services and rental (“core revenue”) for the year 2016 were Baht 17,073.1 million, increased from the previous year by Baht 3,804.7 million or 29%. Figure 1 illustrated revenue proportion from sale of goods, rendering of services and rental. Revenue from sale of real estate projects for the year 2016 was 84% of core revenue, increased from the previous year, which was 79% of core revenue. Meanwhile, revenue from rental and sales of goods and rendering of services decreased from 12% to 8% and from 9% to 8% respectively.

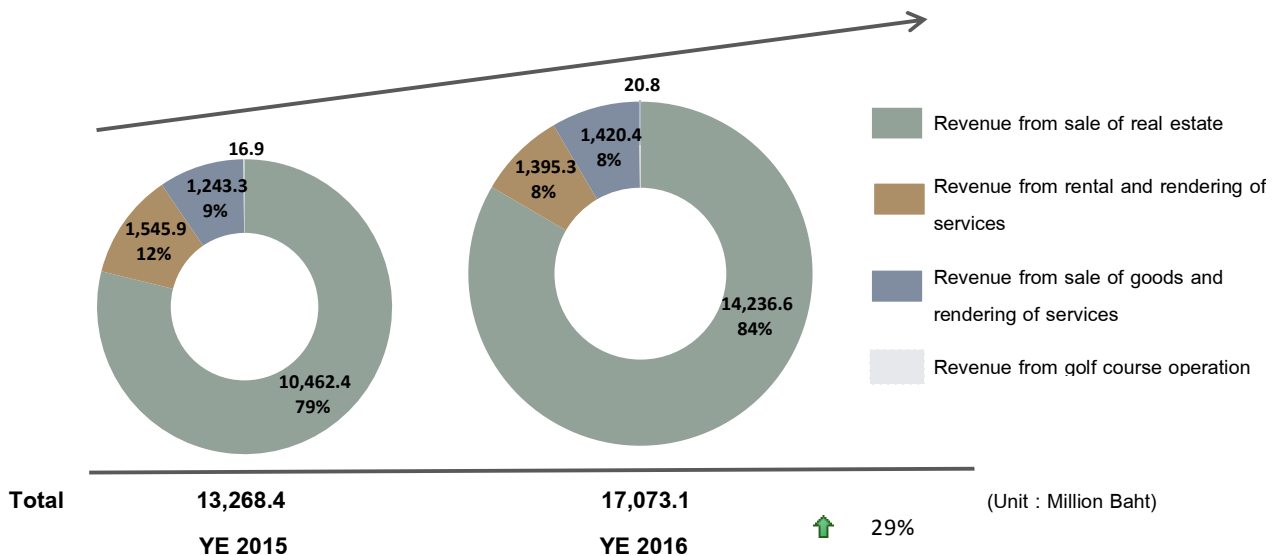


Figure 1: Proportion of revenue from sale of goods, rendering of services and rental

- **Revenue from sale of real estate projects**

For the overall 2016 real estate market, total new supply units launched were 102,236 units with total market value of Baht 358,805 million. The new supply decrease 18% comparing to the previous year<sup>1</sup> due to postponing of new projects in relevant to slower economic recovery. However, to maintain revenue growth target, those delayed projects are expected to be launched 2017, especially from low-rise projects and medium to high-end condominiums segment locating in prime areas attracting both real demand buyers and investors. Considering interest rate hike possibility in 2017, banks remain stringent on approving mortgage loan. Developers need to launch attractive marketing campaign and promotions together to attract buyers together with wisely select target customer group and location for project development.

For the year 2016, the Company reported revenue from sale of real estate from high-rise and low-rise projects of Baht 14,236.6 million, increased from the previous year by Baht 3,774.2 million or 36% per below detail:

- High-rise Projects shown in Figure 2: Revenue derived from 1,498 Units, 8 projects in value of Baht 4,411.6 million, increasing by Baht 1,254.1 million, or 40% from previous year.

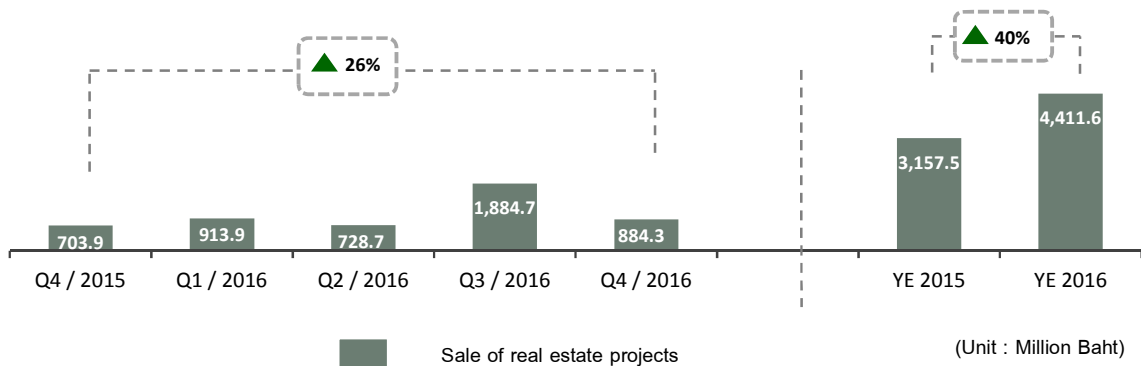


Figure 2: Graph of revenues from sale of high-rise real estate projects

- Low-rise projects shown in Figure 3: Revenue derived from 2,326 units, 40 projects in value of Baht 9,825.0 million, increasing by Baht 2,520.1 million, or 34% from previous year.

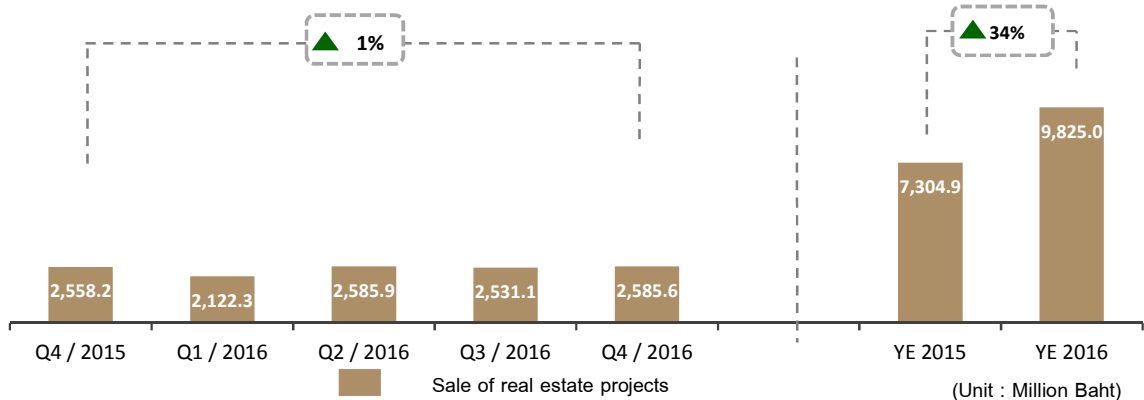


Figure 3: Graph of revenues from sale of low-rise real estate projects

<sup>1</sup> Source : Agency for Real Estate Affairs (AREA)

- **Revenue from rental and rendering of services**

From Figure 1, the Company reported revenue from rental and rendering of services of Baht 1,395.3 million in the year 2016, decreased from the previous year by Baht 150.6 million or 10%. Revenue from rental and rendering of services mainly derived from:

- From Figure 4, Grade A office buildings and service apartments of UV Group, provided rental revenue of Baht 219.6 million decreased from the previous year by Baht 128.3 million or 37% from leasing of Park Ventures Ecoplex building (excluding the Okura hotel space) to Golden Ventures Leasehold Real Estate Investment Trust (GVREIT). Rental revenue mainly from recognition of unearned leasehold rights from the lease.

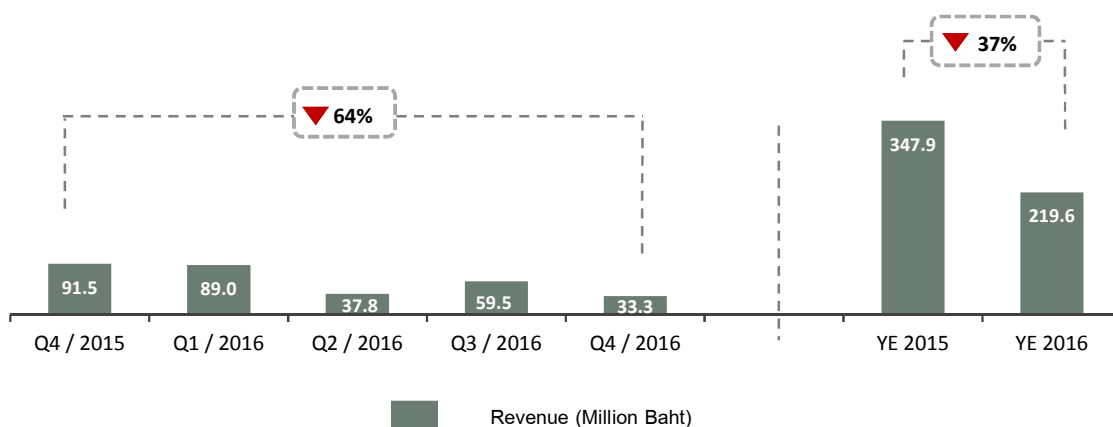


Figure 4: Graph of revenue from office buildings and services apartment from UV

- From Figure 5, office buildings, hotels and service apartments of GOLD, provided rental revenue of Baht 1,175.7 million, decreased from the previous year by Baht 22.2 million or 2% resulted from sub-lease of Sathorn Square building's to GVREIT. Revenue was mainly from recognition of unearned leasehold rights from the sub-lease and building management service provided to GVREIT.

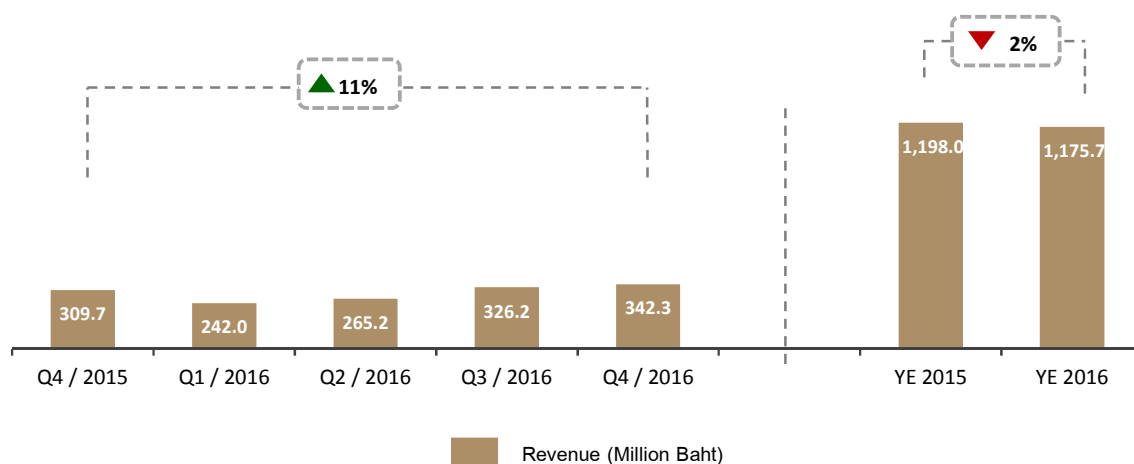


Figure 5: Graph of revenue from office buildings and services apartment from GOLD

- **Revenue from sale of goods and rendering of services**

From Figure 1, the Company reported revenue from sale of goods and rendering of services of Baht 1,420.4 million in the year 2016, increased from the previous year by Baht 177.1 million or 14%. Revenue increase was mainly from increased in zinc oxide revenue by Baht 148.6 million, or 13% compared to the previous year which was in line with the increasing of LME price ,8% compare to the previous year, as shown in figure 6.

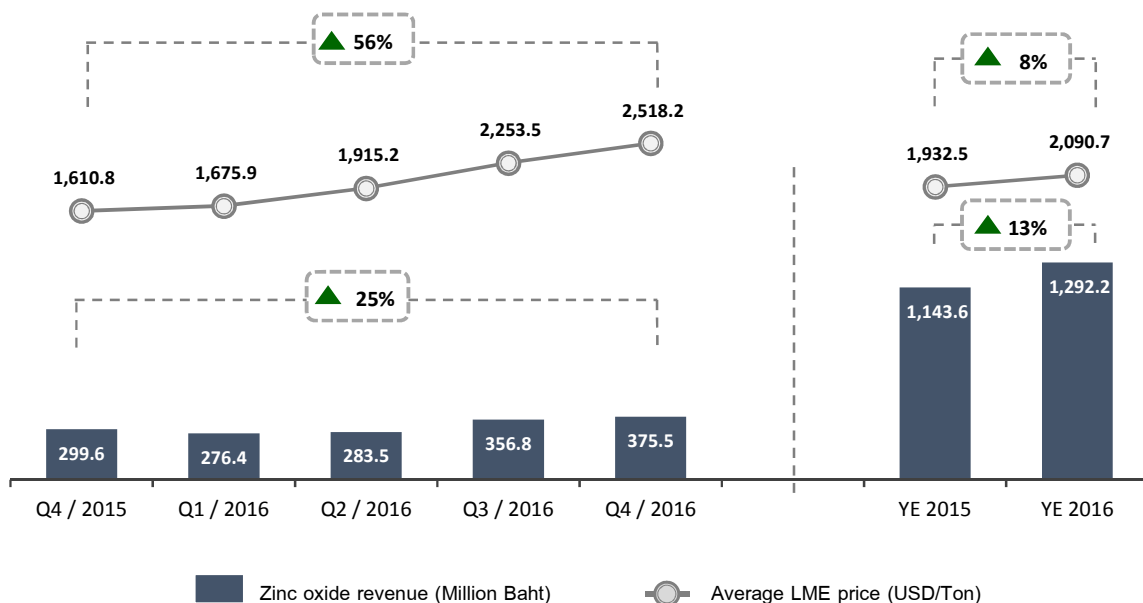


Figure 6: Graph of zinc oxide revenue

## 1.2 Cost of sale of goods, rendering of services and rental

According to Table 1, the Company reported cost of sale of goods, rendering of services and rental of Baht 11,840.9 million in the year 2016, increased from the previous year by Baht 2,411.8 million or 26%. The proportion of cost of sale of goods, rendering of services and rental to core revenue was 69%, decreased from the previous year which was at 71%. Consequently, the Company reported higher gross profit margin from 29% in the previous year to 31% this year. The analysis of cost of sale of goods, rendering of services and rental in each business segments is per below detail:

- Cost from sale of real estate was 68% in the year 2016, decreased from 70% in previous year.
- Cost from rental and rendering services was 74% in the year 2016, increased from 57% in previous year due to less revenue after lease and sub-lease buildings to GVREIT.
- Cost from sale of goods and rendering services was 84% in the year 2016, decreased from 97% in previous year due to improvement in zinc oxide cost management.

### 1.3 Selling and administrative expenses

According to Table 1, the Company reported selling and administrative expenses of Baht 3,261.6 million in the year 2016, increased by Baht 780.6 million, or 31%. The proportion of selling and administrative expenses to revenue was at 19%, increased from previous year which was at 18% as shown in Figure 7. The details of selling and administrative expenses are per below:

- Selling expense in the year 2016 was Baht 1,482.3 million, increased by Baht 394.3 million, or 36% compared with previous year, in line with the revenue growth from sale of real estate projects at 36%. The incremental of selling expense were mainly from increasing special business tax, transfer fee, marketing expense related to new projects. The proportion of selling expense to revenue in The year 2016 was at 9%, increase from the previous year which was at 8% of total revenue.
- Administrative expense in The year 2016 was Baht 1,779.3 million, increased by Baht 386.3 million, or 28% compared with previous year. The incremental of administrative expense were mainly from personal expense to accommodate company growth target. However, the proportion of administrative expense to revenue in the year 2016 was at 10%, unchanged from the previous year.

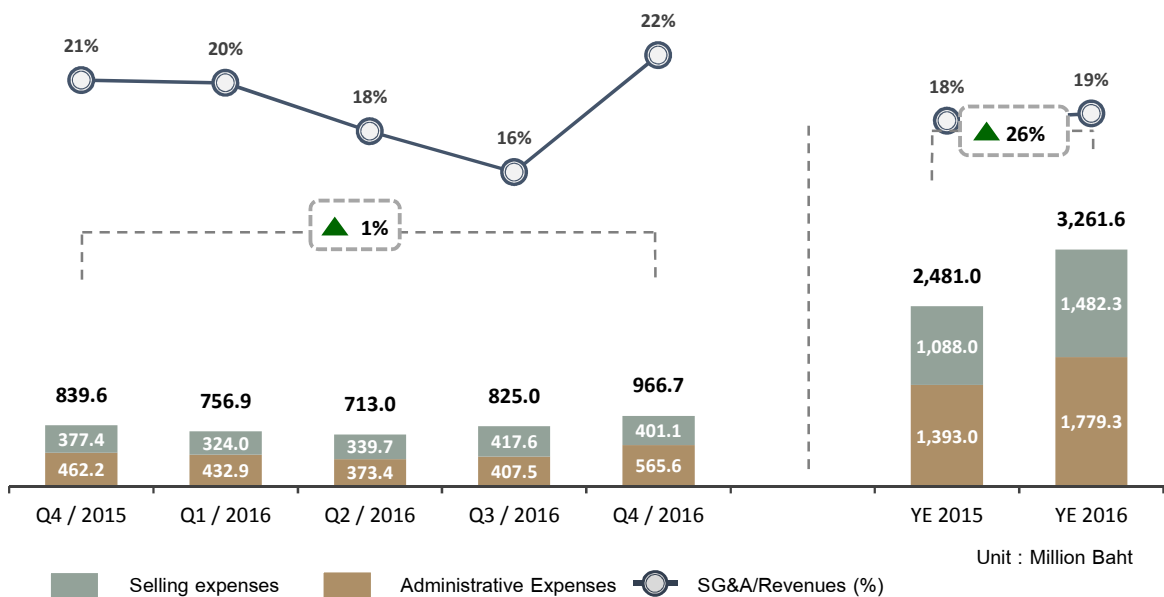


Figure 7: Graph of selling and administrative expenses

## 1.4 Finance costs

According to Table 1, Finance costs in the year 2016 were Baht 183.7 million, decreased from the previous year by Baht 223.6 million, or 55% due to loan repayment to financial institution after cash received from lease and sub-lease to GVREIT. The proportion of finance costs to revenue in the year 2016 was at 1%, decreased from the previous year which was at 3%.

## 1.5 Profit attributable to the owners of the Company

According to Figure 8, profit for the year 2016 was Baht 1,696.3 million, increased by Baht 783.6 million, or 86%. Profit attributable to the owners of the Company was Baht 1,075.7 million, increased by Baht 444.7 million, or 70% compared to the previous year.

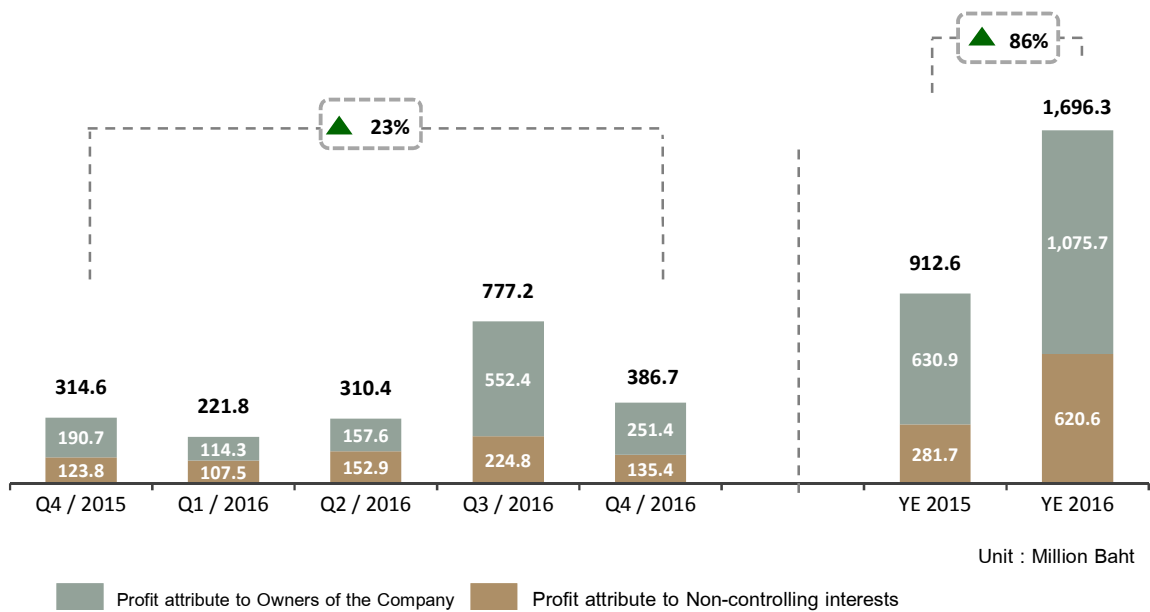


Figure 8: Graph of profit attributable proportion to the owner of the Company and Non-controlling interests

## 2. Consolidated statements of financial position

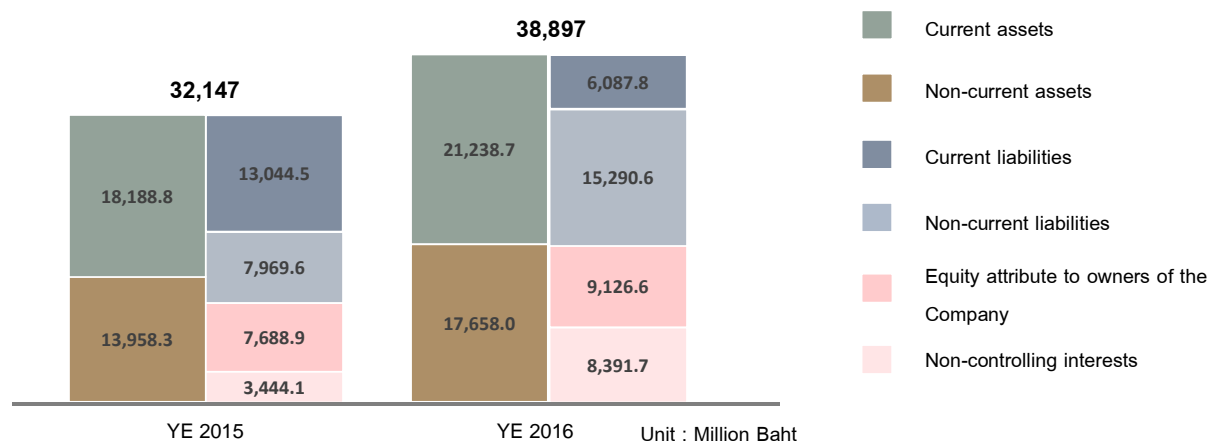


Figure 9: Consolidated statements of financial position

### Assets

As of 31 December 2016, the Company reported total assets in amount of Baht 38,896.7 million, increased from year 2015 by Baht 6,749.6 million, or 21%. The incremental asset was mainly from increase in investment in associate and joint venture composed of GOLD's investment in GVREIT and Kasemsubbhakdi Co. Ltd totaling amount of Baht 2,363.0 and UV's investment in Stonehenge Inter Co., Ltd. (STI) Baht 400 million, Incremental asset was also from increase in real estate project under development in amount of Baht 2,851.0 million together with increase in withholding tax receivable amounting to Baht 503.0 million.

### Liabilities

As of 31 December 2016, the Company reported total liabilities of Baht 21,378.4 million, increased from the end of the year 2015 by Baht 364.4 million, or 2%. The increasing liabilities were from increasing in unearned leasehold rights from lease and sub-lease to GVREIT by Baht 9,430.8 million and bond issuance by GOLD amounting to Baht 2,996.4 million netting with repayment of loans to financial institution in total of Baht 11,566.2 million.



## **Liquidity**

For the overall 2016, the Company's liquidity improved considering positive operating cash flow amounting to Baht 8,294.7 million due to unearned leasehold right amounting to Baht 9,780.4 million. The Company spent cash received from operating activity in amount of Baht 3,779.1 million in investment in associate and joint venture per discussed earlier in previous page. In addition, the Company invested in purchase of property, plant and equipment together with investment in investment properties in amount of Baht 1,044.7 million. Net cash flow used for financing activity amount of Baht 4,150.7 million was resulted from GOLD's capital increase Baht 4,971.3 million and Gold's bond issuance Baht 3,000 million netting with loan repayment totalling Baht 12,807.5 million.

The current ratio as of the end of the year 2016 and 2015 were at 3.49 times and 1.39 times respectively while debt to equity ratio as of the end of the year 2016 and 2015 were at 1.22 times and 1.89 times respectively

Please be informed accordingly.

Yours sincerely,

(Mr. Worawat Srisa-an)

President

Univentures Public Company Limited