

- Translation -

Management Discussion and Analysis (MD&A)

**FINANCIAL PERFORMANCE**

Consolidated Financial Statements	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Total Revenue <sup>/1</sup>	1,273.9	1,107.5	(166.5)	(13.1%)
Share of Profit from Investments in Associates and Joint Ventures	449.5	257.7	(191.9)	(42.7%)
Total Cost	677.9	519.0	(158.9)	(23.4%)
Gross Profit	429.5	451.6	(40.9)	(8.3%)
Net Profit	119.9	80.8	(39.1)	(32.6%)

/1 Including other income

In the first quarter of 2017, the Company had the net profit of THB 80.8 mm, which decreased by THB 39.1 mm or 32.6%, compared to the same period of the last year.

**KEY HIGHLIGHTS**

- Total revenue decreased by 13.1%, mainly from decrease in rental and service income from warehouses, distribution centers and factories and income from sale of real estate. These were caused from the reduction of leasable area due to the large number of asset monetization to HREIT and WHART in the fourth quarter of last year and very unusually low land transfer. However the Company has currently land backlogs of 867 rais. The part of reason was due to the Company achieved land pre-sale of 514 rais in the first quarter of 2017.
- Share of profit from associates and joint ventures decreased by 42.9% due to the planned major maintenance of Gheco-One power plant
- Total cost decreased by 23.4% as the decrease in total revenue together with the improvement of gross profit margin from utilities business.
- Financial costs decreased by 25.8%, mainly from the loan repayment during the end of 2016 and the beginning of 2016

**PERFORMANCE BY BUSINESS**

**Rental Properties Business**

	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Revenue	381.7	284.1	(97.5)	(25.6%)
Gross Profit	263.8	152.5	(111.3)	(42.2%)
Gross Profit Margin	69.1%	53.7%		
GPM before adjusted with PPA	70.9%	55.2%		

**Rental and service income from warehouses, distribution centers and factories** in the first quarter of 2017 was THB 284.1 mm, which decreased by THB 97.5 mm or 25.6% from the same period of previous year. The main reason was due to the large number of asset monetization to HREIT and WHART last year, thereby reducing the leasable area.

**Gross profit from rental and service of warehouses, distribution centers and factories** in the first quarter of 2017 was THB 152.5 mm, which decreased by THB 111.3 mm or 42.2% from the same period of the last year because of the decrease in leasable area from asset monetization to WHART and HREIT in the end of 2016. Moreover, the gross profit margin in the first quarter of 2017 was 53.7%. This gross margin had accounted for the fair value adjustment of the acquired business according to the accounting standards under WHA level. However, the genuine gross margin in the first quarter of 2017 was at 55.2% for the warehouse rental and service business which decreased from 70.9% last year, mainly due to product mix between Ready-Built and Built-to-Suit has been changed.

#### Industrial Development Business

	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Revenue	361.5	132.1	(229.42)	(63.5%)
Gross Profit	97.1	20.5	(76.68)	(78.9%)
Gross Profit Margin	26.9%	15.5%		
GPM before adjusted with PPA	34.1%	53.9%		

**Income from sales of real estate** in the first quarter of 2017 stood at THB 132.1 mm, which decreased by THB 229.4 mm or 63.5% from the same period of last year. This was mainly attributable to, during the first quarter of 2017, the Group of Company only transferred land to customers approx. 15 rais, compared to 108 rais during the same period of last year. Nonetheless, the land pre-sale during the first quarter of 2017 was 514 rais. Hence, the Group of Company currently has the land backlog approx. 867 rais which will be gradually recognized as revenue throughout the year.

**Gross profit from sale of real estate** stood at THB 20.5 mm for the first quarter of 2017, which decreased by THB 76.7 mm or 78.9% from the same period of previous year. The main reason was the slowdown of land transfer. Moreover, the gross profit margin in the first quarter of 2017 was 15.5%. This gross margin had accounted for the fair value adjustment of the acquired business according to the accounting standards under WHA level. However, the genuine gross margin in the first quarter of 2017 was at 53.9% which increased from 34.1% last year, mainly from the gross profit margin of assets transfer in this quarter was higher than the gross profit margin of assets transfer in the same period of last year.

## Utilities & Power Business

	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Revenue	427.1	554.3	127.2	29.8%
Gross Profit	131.5	278.6	147.1	111.8%
Gross Profit Margin	30.8%	50.3%		
GPM before adjusted with PPA	34.8%	53.3%		
Share of Profit from Investments in Power Associates and Joint Ventures	439.7	251.2	(188.5)	(42.9%)

**Utilities income** in the first quarter of 2017 of THB 554.3 mm, increased by THB 127.2 mm or 29.8%, compared to the same period of last year, resulting from the increase in demand of among raw water, industrial water and wastewater management of the industrial estate customers, especially power and petrochemical customers.

**Gross profit from utilities services** in the first quarter of 2017 was THB 278.6 mm, which increased by THB 147.1 mm or 111.8% from the same period of last year. This was mainly from increase in utilities demand of industrial estate customers. Moreover, the gross profit margin in the first quarter of 2017 was 50.3%. This gross margin had accounted for the fair value adjustment of the acquired business according to the accounting standards under WHA level. However, the genuine gross margin in the first quarter of 2017 was at 53.3% for the utilities business which increased from 34.8% last year, from increase in selling volume, selling price and ability to manage operating cost.

**Share of Profit from Investments in Power Associates and Joint Ventures** in the first quarter of 2017 was THB 251.2 mm, which decreased by THB 188.5 mm or 42.9%, compared to the same period of last year, mainly from the planned major maintenance of Gheco-One power plant

## Other Income

	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Dividend and Management income	50.8	77.1	26.3	51.8%
Other	52.8	59.8	7.0	13.2%
<b>Total other income</b>	<b>103.6</b>	<b>136.9</b>	<b>33.3</b>	<b>32.1%</b>

**Other income** for the first quarter of 2017 stood at THB 136.9 mm, which increased by THB 33.3 mm or 32.1% from the same period of last year. The breakdowns are the details below:

- **Dividend and management income** in the first quarter of 2017 were THB 77.1 mm, which increased by THB 26.3 mm or 51.8% from the same period of 2016. This was as a result of the increase in dividend received from investment in REITs, in tandem with the growth in asset size.

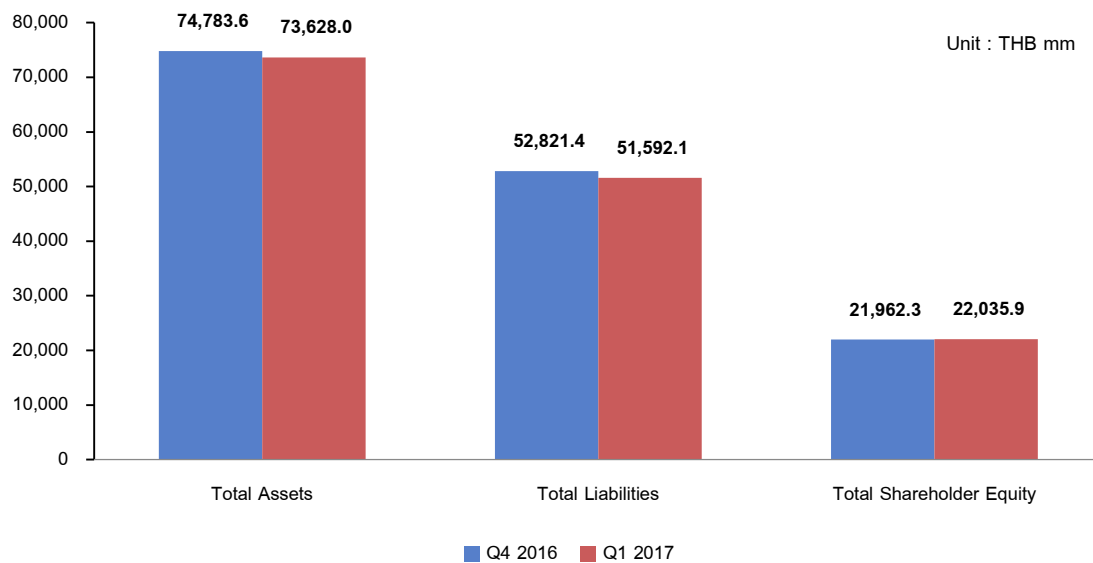
- **Other income** comprised of interest income, gain from sale of short-term investments and other income totaling THB 59.8 mm for the first quarter of 2017, which increased by THB 7.0 mm or 13.2%, compared to the same period of the previous year.

#### Expenses analysis

	Q1 2016	Q1 2017	Increase/(Decrease)	
	THB mm	THB mm	THB mm	%
Selling expense	40.7	32.9	(7.8)	(19.1%)
Administrative expense	239.5	293.5	54.0	22.6%
Finance costs	610.5	452.9	(157.7)	(25.8%)
<b>Total expense</b>	<b>890.7</b>	<b>779.3</b>	<b>(111.5)</b>	<b>(12.5%)</b>

- Selling expenses** in the first quarter of 2017 stood at THB 32.9 mm, which decreased by THB 7.8 mm or 19.1% from the same period of the last year. The selling expenses of the company composed of marketing expenses and promotion expenses associated with land sale in industrial estates.
- Administrative expense** in the first quarter of 2017 stood at THB 293.5 mm, which increased by THB 54.0 mm or 22.6% from the same period of last year, mainly due to the asset impairment, arising from the asset that was sold below its fair value recorded as the book value of asset, according to the accounting standard, totaling THB 43.9 mm which was the extraordinary item.
- The finance costs** in the first quarter of 2017 was THB 452.9 mm, which decreased by THB 157.7 mm or 25.8% from the same period of previous year, mainly from the loan repayment during the end of 2016 and the beginning of 2016

## FINANCIAL POSITION



The Consolidated Balance Sheet as of 31 March 2017 is summarized as follows.

### Assets

As of 31 March 2017, the Company had total assets of THB 73,628.0 mm, which decreased by THB 1,155.7 mm from THB 74,783.6 mm as of 31 December 2016. The main reasons are as follows:

1. Decrease in Short-term investments of THB 1,731.2 mm, which was mainly from the Company divested some investment units to repay loan from financial institutions and debentures.
2. Increase in investments in associates of THB 547.1 mm, mainly from the Group Company had purchased all increased ordinary shares to maintain their ownership interest after the 3 power associates issued ordinary shares.
3. Decrease in investment properties (net) of THB 1,640.5 mm, mainly due to the reclassification of assets, comprising of 1)WHA Mega Logistics Center Chonlaharnpichit KM.3 2)WHA Mega Logistics Center Bangna Trad KM.19 3)Omada Aerospace Factory Rayong and 4)WHA Mega Logistics Lamlukka, which will be sold to WHART in the fourth quarter of 2017.
4. Increase in non-current assets held for sale of THB 1,516.3 mm due to the reclassification of assets, which will be sold to WHART as mentioned above.
5. Decrease in short-term loans to related parties of THB 370.2 mm, mainly from the loan repayment from the joint venture totaling THB 458.2 mm

### Liabilities

As of 31 March 2017, the Company had total liabilities of THB 51,529.1 mm, which decreased by THB 1,229.3 mm from THB 52,821.4 mm as of 31 December 2016. The main reasons are as follows:

1. Decrease in short-term loans from financial institutions of THB 799.6 mm, mainly due to the loan repayment of THB 810.0 mm.
2. Decrease in debentures (net) of THB 530.3 mm, mainly from the repayment of debentures which due in period of the first quarter of 2017, totaling THB 500.0 mm.

3. Increase in advance received income of THB 411.5 mm, mainly from cash received from land pre-sale during the first quarter of 2017.
4. Decrease in deposits from long-term lease agreement of THB 33.9 mm. This was caused from the reclassification of liabilities to synchronize with the reclassification of the assets as mentioned above.
5. Decrease in other non-current liabilities of THB 71.6 mm, mainly due to the decrease in VAT payable.

#### Shareholder's equity

As of 31 March 2017, the Company had total shareholder's equity of THB 22,035.9 mm, which increased by THB 73.6 mm from THB 21,962.3 mm as of 31 December 2016, mainly due to increase of the company's retain earnings of THB 80.8 mm, mainly from the company's performance.

#### Cash flow analysis

	Q1 2016	Q1 2017
	THB mm	THB mm
Cash flows from operating activities	(909.4)	(475.7)
Net cash used in investing activities	550.9	1,853.0
Net cash from financing activities	(1,039.1)	(1,312.9)
<b>Net increase in cash and cash equivalents</b>	<b>(1,397.7)</b>	<b>64.3</b>
<b>Cash and cash equivalents - ending balance</b>	<b>1,123.0</b>	<b>2,698.9</b>

#### 1. Cash flows from operating activities

The Company had cash inflows (outflows) from operating activities for the first quarter of 2017 was THB (475.7) mm which increased by THB 433.7 mm, compared to same period of last year, mainly from decrease in financial costs and increase in advance received income.

#### 2. Cash flows from investing activities

The Company had cash inflows (outflows) from investing activities stood at THB 1,853.0 mm, which increased by THB 1,302.1 mm, compared to same period of last year, mainly from increase in proceeds from short-term investment disposal (net) and proceeds from short-term loans to related parties as the result of loan repayment from the joint venture of THB 458.2 mm, however the Company had the increase of payments of investments in associates of THB 310.4 mm

#### 3. Cash flows from financing activities

The Company had cash inflows (outflows) from financing activities was THB (1,312.9) mm, which decreased by THB 273.8 mm, compared to same period of last year, mainly due to loan repayment of financial institutions, totaling THB 810.0 mm and debentures repayment of THB 500.0 mm in this quarter.