

Management Discussion and Analysis

In May 2016, the major shareholder of the Company was changed from Keppel Land Limited in Singapore to King Wai Group, a conglomerate founded in Hong Kong and wholly owned by the Company's chairman Chan King Wai for over 30 years. On 20 June 2016, the Company registered the change of company name from Keppel Thai Properties Public Company Limited to King Wai Group (Thailand) Public Company Limited and the change of its security symbol from "KTP" to "KWG". After the take-over, the new management has initiated new strategies in increasing the revenue on sales of property and rental service income, reducing the expenses, as well as strategically acquiring new business.

The new initiatives to improve the Company's performance delivered strong results – in 2016 the Company recorded revenue of Baht 328.4 million, increased by 6.9% compared to Baht 307.3 million in 2015, with property sales accounting for Baht 287.6 million or 88%, and rental and service income accounting for Baht 40.8 million or 12%, respectively. In 2016, total gross profit increased by 28% to Baht 98.9 million compared to Baht 77.4 million in 2015, total gross profit margin increased by 4.94% to 30.12%, and net profit margin increased by 49.79% to 21.83%.

Strategic acquisition of new business also contributed to the Company's performance significantly. In 2016, the Company generated net profit of Baht 125.8 million, an increase of Baht 213.0 million or in equivalent to 244.26% from loss of Baht 87.2 million in 2015. The main reason of this increase is the gain from fair value adjustment on its investment properties of Baht 236.2 million, arising from the strategic acquisition, an increase of Baht 224.2 million or in equivalent to 1,868.33% from Baht 12.0 million in 2015.

During the year, the Company also recorded the foreign currency gain of Baht 10.4 million, an increase of Baht 19.7 million as compared to the foreign currency loss of Baht 9.3 million in 2015.

In 2016, Thailand's economy expansion was 3% due to the 1H2016 stimulus package including property stimulus package, government spending and economy stimulus package of the government. In 2017, even though there is limit in private consumption, the Company expected that Thailand's economy would continue to expand due to the lowering of personal tax, private sector recovery from infrastructure investment from government. The Company perceives the opportunity to invest in new projects in 2017.

Business Operation

Revenue

Income of the Company and its subsidiaries consists of revenue from rental service of the office building and sale of land and houses. The Company generated Baht 40.8 million from rental service of the office building, an increase of Baht 1.6 million or 4.08% from Baht 39.2 million in 2015. Revenue from sales of land and houses in 2016 amounted to Baht 287.6 million, an increase of 19.5 million or in equivalent to 7.27% from Baht 268.1 million in 2015. Gross profit margin was 30.12%, an increase of 4.94% from 25.18% in 2015. The Company recorded an unrealized fair value gain on its investment properties in the amount Baht 236.2 million in 2016 as compared to Baht 12.0 million in 2015, which is an increase of Baht 224.2 million or 1,868.33%. Gain from exchange rate from foreign currency loan was Baht 10.4 million, an increase of Baht 19.7 million or in equivalent to 211.83% from loss of Baht 9.3 million in 2015. The Company recorded other income of Baht 0.9 million in 2016, a decrease of Baht 0.9 million or

in equivalent to 50.00% from Baht 1.8 million in 2015 which was mainly due to the gain from sale of scrap value from the demolition of KWG's granite factory.

Expense

In 2016, KWG incurred cost of property sold of Baht 215.8 million, a decrease of Baht 0.6 million or in equivalent to 0.28% from Baht 216.4 million. Selling expense was Baht 20.6 million, an increase of Baht 2.4 million or in equivalent to 13.19% from Baht 18.2 million. This increase was attributable to the promotion expense. Finance cost was Baht 53.1 million, an increase of Baht 6.3 million or in equivalent to 13.46% from Baht 46.8 million in 2015. Administrative expense was Baht 99.9 million, a decrease of Baht 2.1 million or in equivalent to 2.06% from Baht 102.0 million in 2015, this is due to the expense control program strategically implemented by the new management.

Income Tax Expense

The deferred income tax from net gain from fair value adjustment on its investment properties amounting to Baht 47.0 million in 2016, which is Baht 45.0 million increase from Baht 2.0 million in 2015.

Financial Position

Assets

As at end-2016, KWG had total assets amounting to Baht 2,429.4 million, which is an increase of Baht 706.5 million, or in equivalent to 41.00%, as compared to Baht 1,722.9 million in 2015. KWG's total current assets were valued at Baht 1,221.0 million, a decrease of Baht 96.2 million or in equivalent to 7.30% in comparing to Baht 1,317.2 million in 2015. This decrease was mainly attributable to the decrease in the construction in progress of Villa Arcadia Phase Two in the amount Baht 112.6 million, or a decrease of 8.86%. Investment property value was Baht 1,135.2 million, an increase of Baht 788.9 million or in equivalent to 227.81% from Baht 346.3 million in 2015. This was due to the acquisition of NVV development Company Limited. Return on Asset (ROA) was 6.06%, an increase of 11.22% from -5.16% in 2015.

Liabilities

In 2016, KWG posted total liabilities amounting to Baht 2,221.9 million, which is a Baht 559.4 million, or a 33.65% increase, from Baht 1,662.5 million in 2015. This increase was mainly attributable to the additional drawn down from a short-term commercial bank loan for the purpose of Villa Arcadia Srinakarin Phase Two development and working capital, an increase of Baht 56.5 million to Baht 1,182.5 million in 2016 or in equivalent to 5.02% in comparing to Baht 1,126.0 million as stated in 2015. The long-term commercial bank loan in 2016 was Baht 438.0 million. The long-term loan from a related party was Baht 31.2 million. Debt to equity ratio was 10.71 as compared to 27.5 in 2015.

Shareholders' Equities

In 2016, KTP posted a total shareholders' equity of Baht 207.5 million, which is an increase of Baht 147.1 million, or in equivalent to 243.54% from Baht 60.4 million in 2015. Equity attributable to shareholders of the Company was Baht 213.9 million in 2016, an increase of Baht 57.6 million or in equivalent to 36.85% as compared to Baht 156.3 million in 2015. This increase was mainly due to the net profit in 2016. Return on equity (ROE) was 93.93%, an increase of 177.72% from (83.78%) in 2015. In December 2016, the Board of Director approved to propose to the Extraordinary General Meeting of the Shareholders No. 1/2017 on 22 February 2017 for the consideration and approval of the increase of the Company's registered capital from Baht 2,200,000,000 to Baht 9,240,000,000 by issuing 704,000,000

new ordinary shares with a par value of Baht 10 per share for offering to sell to the existing shareholders of the Company in proportion to their respective shareholdings at the offering ratio of 1 existing share to 3.20 newly issued ordinary shares, at the offering price at Baht 2.63 per share. Any fraction of shares shall be rounded down. The existing shareholders may subscribe for the newly issued ordinary shares in excess of their rights and for offering to sell the shares remained from the allocation and/or offering to sell to the existing shareholders in the right offering and oversubscription to a concert party. The Extraordinary General Meeting of the Shareholders No. 1/2017 on 22 February 2017 approved the increase of the Company's registered capital.