

The Opinion of Independent Financial Advisor about the Acquisition of Asset



March 22, 2016

Ref. No. ThorSor. 031 /2559

Subject The Opinion of Independent Financial Advisor about the Acquisition of Asset

Attention Audit Committee and shareholders.  
BuilderSmart Public Company Limited

BuilderSmart Public Company Limited (“BSM” or “the Company”) has appointed DS Prudential Management Co., Ltd. (“DS”) as the Independent Financial Advisor to provide the opinion to the Audit committee and shareholders about the reasonableness of the transaction and the fairness of price in acquisition of asset in Senior Living Project. BSM has planned to invest in a project for active foreign retirees age 50 plus who are early retire, have high passive income, and income from government benefits with the purpose of long-stay in foreign countries (“Senior Living Project” or “Project”) in the area of 13 rai 2 ngan 14 square wah. Total investment is THB 327.00 million.

DS as the Independent Financial Asset would like to propose the opinion of Independent Financial Advisor about the Acquisition of Asset as follows.

The Board of Directors of BSM has resolved in its meeting no. 1/2016 held on February 24, 2016 to propose to the 2016 Annual General Meeting of Shareholders to consider and approve the investment in Senior Living Project. This project is to build the retirement community by construction of buildings and facilities that are appropriate for retired people to live. The customers can live in the project in form of lease for life. The project is located in Black Mountain Golf Club in Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province.

For investment in this project, the Company will purchase the land from Thai Nordic Property Co., Ltd. (“Thai Nordic”) who is the owner of the land for THB 81.21 million. On February 25, 2016, the Company did the purchase and sale agreement for the land and paid the deposit of THB 30.00 million. The remaining amount will be paid on the ownership transfer date after the Company has got the approved from the 2016 Annual General Meeting of

Shareholders held on April 28, 2016. Thai Nordic has no relationship with the Company, major shareholders, and executive of the Company. The construction cost and other related expenses used to finish the construction of the project will be around THB 290.79 million. Currently, the Company considers for selection of the construction contractor. The main contractor must have no relationship with the Company, major shareholders, and executive of the Company.

This transaction is considered to be the acquisition of asset according to Notification of Capital Market Supervisory Board No. TorJor. 20/2551 about Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and Notification of the Board of Governors of the Stock Exchange of Thailand about Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 dated October 29, 2004 as well as other related notifications. The size of transaction is 97.76%, which is the highest size based on the calculation criteria, which is total value of consideration. A total asset of the Company from the financial statement audited by the Company's auditor as of December 31, 2015 was THB 380.54 million. The Company has no other transactions during the past 6 months. This transaction is classified as Class 1 transaction according to the rule on acquisition and disposal. The Company needs to disclose information to the Stock Exchange of Thailand and arrange the shareholder meeting in order to get the resolution to approve the transaction. The resolution in the shareholder meeting must consist of supporting votes at least three-fourths of the total votes of shareholders attending the meeting and having voting rights excluding interested shareholders. Moreover, the Company needs to appoint the independent financial advisor to provide the opinion regarding to the reasonableness of the transaction, the fairness of price, and the appropriateness of transactions to shareholders in order to consider for approval of the transaction.

The Board of Directors of the Company has resolved in its meeting to appoint DS who is the Independent Financial Advisor approved by the SEC Office and independent from the Company as the Independent Financial Advisor in providing the opinion about the appropriateness of the transaction and the fairness of price and conditions of the transaction to shareholders of the Company to consider for approval of this acquisition of asset.

The report about the opinion of Independent Financial Advisor has been prepared based on information from interviewing with related parties, documents from the Company, and public information. Moreover, DS has also considered the current economic condition in providing the

opinion in this report. Therefore, if there is any significant change of information used in this report, it may also change the opinion that DS provided in this report. The information used in this report includes:

- The resolution of the Board of Directors of the Company about the transaction
- Information memorandum of the Company about the acquisition of asset in the project Senior Living.
- Draft of Annual Registration Statement 2015 (Form 56-1) of the Company
- The financial statement of the Company audited by the Certified Public Accountant as of December 31, 2013-2015.
- The agreements related to the transaction
- The property appraisal report done by 2 independent appraisers
- Information and documents from the Company
- Information and documents from executives and employees of the Company
- Information and documents from executives of Thai Nordic Property Co., Ltd.
- Information and documents from executives of Deloitte Touche Tohmatsu Jaiyos Co. Ltd. who is the accounting advisor of the Company.
- Information and documents from executives of LS Horizon Co. Ltd. who is the legal advisor of the Company.

Moreover, the report of opinion of independent financial advisor is under the following assumptions.

- All information and documents that DS has received from the Company including the interview with executives and related parties are accurate, complete, correct, and can be referred to the current condition.
- There is no event that will significantly affect the global economy, the status of the Company, and the environment of the project.

The opinion of Independent Financial Advisor is based on the assumption that all information and document from the Company including the interview with executives and related parties as well as public information and other related information are accurate and correct. If the information is inaccurate, incorrect, or incomplete or there is any significant change in situations and assumptions, the opinion of Independent Financial Advisor in this report may be affected. Therefore, DS cannot verify and guarantee the impact on the Company and shareholders from those factors. Moreover, this report has the objective to provide the opinion

to shareholders in considering of approval of the transaction. It cannot be referred to be used in other purposes.

For the appropriateness of the price in this transaction, DS has considered based on the appraisal report done by T.A. Management Corporation (1999) Co., Ltd. and Fast And Fair Valuation Co., Ltd. The value of land from two independent appraisers is not different much. The fair value of land is around THB 81.21-83.92 million. DS has opined that the land price of THB 81.21 million is appropriate because the price is not more than the fair value provided by two independent appraisers. For the construction cost of THB 241.30 million, it is not more than the estimated construction cost done by Cornerstone Management Co., Ltd. who is well-known in property valuation and construction control with high expertise and experience in construction business. Moreover, there are other expenses during construction of THB 49.49 million. Total investment in construction and other related expenses are THB 290.79 million. DS has opined that the construction cost and other expenses are acceptable.

DS has also evaluated the feasibility of the project using Net Present Value (NPV) and Internal Rate of Return (IRR) compared to the weighted average cost of capital (WACC). The net present value (NPV) is THB 24.70 million. The internal rate of return (IRR) is 15.80% that is higher than the weighted average cost of capital (WACC) of 8.43%-13.18% and also higher than the required return for equity (Ke) of 13.18% as well as the highest interest rate on loans used in the project of 7.64%. Therefore, this project can create value-added to the Company. DS has opined that if the Company can do according to the plan, Senior Living Project is feasible and has potential in generating return to the Company and shareholders in long-term.

Based on all above factors, DS has opined that the investment in Senior Living Project is reasonable and the price is appropriate. Therefore, the shareholders should vote for this transaction.

However, the final voting decisions rest primarily on shareholders. Shareholders should study information and consider about advantages and disadvantages, risk factors, limitations, and other information about the acquisition of asset enclosed with the notice for the shareholders' meeting before voting. The report about opinion of Independent Financial Advisor is not the guarantee for success of the transaction as well as other related impacts. DS is not responsible for any impact from entering into this transaction directly or indirectly.

DS has confirmed that DS has studied and analyzed related information base on professional standard reasonably and fairly by concerning to the retail shareholders of the Company, which can be seen in the report about opinion of Independent Financial Advisor.

Please be informed accordingly,

Yours faithfully,  
D.S. Prudential Management Co., Ltd

(Mrs. Benjamas Bunprakhong)  
Managing Director

(Mr. Vichit Charoensakhajorn)  
Operations Manager

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**Abbreviation**

The Company or BSM  
Subsidiary

Thai Nordic

T.A.

FFV

CSM

D.S. or Independent Financial Advisor

SET

SEC

Announcement regarding Acquisition or  
Disposal of Assets

Senior Living Project or Project

**Definition**

BuilderSmart Public Company Limited

The Company which operates Senior Living, in  
which BuilderSmart Public Company Limited holds  
100% shares

Thai Nordic Property Company Limited

T.A. Management Corporation (1999) Company  
Limited

Fast and Fair Valuation Company Limited

Cornerstone Management Company Limited

D.S. Prudential Management Company Limited

Stock Exchange of Thailand

Securities and Exchange Commission, Thailand

Notification of Capital Market Supervisory Board  
No. TorJor 20/2008 titled Rules on Entering into  
Material Transactions Deemed as Acquisition or  
Disposal of Assets dated October 29, 2004 and  
amended

Senior Living Project for active foreign retirees age  
50 plus who are early retire, have high passive  
income, and income from government benefits  
with the purpose of long-stay in foreign countries

**Independent Financial Advisory Report**

**Regarding**

**The Acquisition of Assets in Senior Living Project Of  
BuilderSmart Public Company Limited**

## Part 1: Executive Summary

BuilderSmart Public Company Limited had produced and distributed the high-quality construction and building materials for office buildings and residential buildings. There are 3 main groups of products as follows.

1. BSM Wall & Ceiling) e.g. gypsum board, gypsum ceiling, etc.
2. Aluminium for Interiors e.g. ALLOY Partition, stainless steel handles and Alloy Door Hardware, etc.
3. High Performance Doors & Windows

In 2015, the Company had total revenues of THB 557.71 million and net profit of THB 14.92 million. As of December 31, 2015, the Company had total assets of THB 380.54 million, total liabilities of THB 168.35 million and total shareholders' equity of THB 212.19 million.

The Board of Directors of the Company has resolved in its meeting no. 1/2016 held on February 24, 2016 to propose to the 2016 Annual General Meeting of Shareholders to consider and approve the investment in Senior Living Project for active foreign retirees age 50 plus who are early retire. This project is to build the retirement community by construction of buildings and facilities that are appropriate for active retirees to live. The customers can live in the project in form of lease for life. The project has the area of 13 rai 2 ngan 14 square wah and is located in Black Mountain Golf Club in Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province. Total investment is THB 372.00 million.

For investment in this project, the Company will purchase the land from Thai Nordic who is the owner of the land for THB 81.21 million. On February 25, 2016, the Company did the purchase and sale agreement for the land and paid the deposit of THB 30.00 million. The remaining amount will be paid on the ownership transfer date after the Company has got the approved from the 2016 Annual General Meeting of Shareholders held on April 28, 2016. Thai Nordic has no relationship with the Company, major shareholders, and executive of the Company. The construction cost and other related expenses used to finish the construction of the project will be around THB 290.79 million. Currently, the Company considers for selection of the main construction contractor who must have no relationship with the Company, major shareholders, and executive of the Company.

For the development of retirement community, the Company will construct 43 residential units in form of Villa-type detached houses for 11 units, Semi-detached house for 2 units, 3 buildings of 3-storey apartment with total of 30 units. The construction period is 16 months.

The Company will do the lease agreement for residential units in the project with target customers who are 50 years old and above. The lease agreement will be in form of lease for life. If the customer passes away, the Company will do the lease agreement with new customers in form of lease for life. The leasing fees for future customers will be based on the market at that time but it will not be more than the leasing fees paid by former customers deducting by maintenance and marketing expenses as specified in the agreement. Moreover, the Company will provide the utility system and various facilities and services that are appropriate for elders to use and live in the community comfortably. The cost of utility system and various facilities and services will be paid by the lessee directly to each service provider.

The expected benefits from investment in this project are

- To increase the potential to the Company and shareholders in long-term
- To generate more incomes and diversify the risks to other businesses
- To start the business about retirement community for active foreign retirees age 50 plus who are early retire, have high passive income, and income from government benefits with the purpose of long-visit in foreign countries in order get first mover advantages in this business

#### **Advantages-Disadvantages of Entering into the Transaction**

##### *Advantages*

- The project will generate more incomes and diversify the business risk.
- The project is the development of residential units linking with tourism. This business is expected to earn high return from property development and the tourism market is large and has high growth rate.

##### *Disadvantages*

- The Company may face the risk of project delay and cost overrun
- The Company may face the risk that the number of customers is less than the target.
- The Company may face the risk from the claims for damages in the case that the seller does not comply and/or does not supply and/or does not meet the deadline for the agreement made between the seller and the Company for the facilities and

services, which result in the Company not being able to reimburse the damages according to the claim

### **Advantages-Disadvantages of not entering into the Transaction**

#### *Advantages*

- There is no risk from investment in Senior Living Project

#### *Disadvantages*

- The Company has loss the opportunity to generate income from the project

For the appropriateness of the price in this transaction, DS has considered based on the appraisal report done by T.A. and FFV The value of land from two independent appraisers is not different much. The fair value of land is around THB 81.21-83.92 million. DS has opined that the land price of THB 81.21 million is appropriate because the price is not more than the fair value provided by two independent appraisers. For the construction cost of THB 241.30 million, it is not more than the estimated construction cost done by CSM who is well-known in property valuation and construction control with high expertise and experience in construction business. Moreover, there are other expenses during construction of THB 49.49 million. Total investment in construction and other related expenses are THB 290.79 million. DS has opined that the construction cost and other expenses are acceptable.

DS has also evaluated the feasibility of the project using Net Present Value (NPV) and Internal Rate of Return (IRR) compared to the weighted average cost of capital (WACC). The net present value (NPV) is THB 24.70 million. The internal rate of return (IRR) is 15.80% that is higher than the weighted average cost of capital (WACC) of 8.43%-13.18% and also higher than the required return for equity (Ke) of 13.18% as well as the highest interest rate on loans used in the project of 7.64%. Therefore, this project can create value-added to the Company. DS has opined that if the Company can do according to the plan, Senior Living Project is feasible and has potential in generating the return to the Company and shareholders in long-term.

**Based on all above factors, DS has opined that the investment in Senior Living Project is reasonable and the price is appropriate. Therefore, the shareholders should vote for this transaction.**

## Part 2: BuilderSmart Public Company Limited Overview

|                           |   |
|---------------------------|---|
| <b>Business Overview</b>  | The Company is a manufacturer and distributor of aluminum alloy system, gypsum wall and ceiling systems. The Company started an operation in 2544 and expanded continuously until it was listed on the MAI on February 14, 2551 |
| <b>Registered Capital</b> | THB 142.50 Million. Paid-up capital of THB 141.74 Million in the form of 1,417,404,122 ordinary shares with the par value of THB 0.10 per share   |
| <b>Location</b>           | 905/7 Rama 3 Road, Soi 51, Bang Phongphang, Yanawa, Bangkok 10120   |
| <b>Telephone</b>          | 0-2683-4900   |
| <b>Fax</b>                | 0-2683-4949   |
| <b>Website</b>            | <a href="http://www.buildersmart.com">www.buildersmart.com</a>  |

(Summary of BuilderSmart Public Company Limited can be referred in Appendix 1 of Independent Financial Advisory Report)

## Part 3: Investment in Senior Living Project

### 3.1 Transaction date

The Company or the subsidiary (the subsidiary will be responsible for Senior Living Project and SmartBuilder Public Company Limited holds 100% ownership in that subsidiary) will start the development and construction of Senior Living Project after getting approval from the 2016 Annual General Meeting of Shareholders held on April 28, 2016. The construction period will last for around 16 months.

### 3.2 Parties related to the acquisition of assets and their relationship

#### 3.2.1 Purchase of land

|              |   |   |
|--------------|---|---|
| Buyer        | : | BuilderSmart Public Company Limited or the subsidiary   |
| Seller       | : | Thai Nordic Property Co., Ltd. (the land owner) who is the owner of Black Mountain Golf Club. Currently the authorized capital is THB 16.00 with Thai shareholders and Swedish shareholders with the proportion of 75.25:24.75 respectively |
| Relationship | : | The seller has no relationship with the Company, major shareholders, and executives of the Company.   |

#### 3.2.2 Construction

|              |   |  |
|--------------|---|--|
| Owner        | : | BuilderSmart Public Company Limited or the subsidiary  |
| Contractor   | : | Currently, the Company is selecting for the main construction contractor.  |
| Relationship | : | The main contractor shall not have relationship with the Company, major shareholders, and executives of the Company. |

The counterparty has no relationship with the Company, major shareholders, and executives of the Company and is not the connected person according to Notification of Capital Market Supervisory Board about Ruled on Connected Transactions and Notification of the Board of Governors of the Stock Exchange of Thailand about Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 or other related regulations.

### **3.3 Transaction overview**

#### **Details of Senior Living Project**

The Company or the subsidiary would like to invest in Senior Living Project for active foreign retirees age 50 plus who are early retire, have high passive income, and income from government benefits with the purpose of long-stay in foreign countries. The retirement community with various facilities appropriate for active retirees is very popular and successful in Europe and Australia. This is from the life expectancy of people is longer due to the improvement and change in living and the advancement of medical services. Moreover, there are many tourism attractions in Thailand. Thailand is also famous in term of welcoming and providing facilities in living and providing good medical services.

The Company will construct the residential units for 43 units on the land in “Black Mountain Golf Club”, Hua Hin Sub-district, Prachuap Khiri Khan Province. Total area is 13-2-14 rai. The construction will be located near 9-hole golf course with access to golf course view. The Company will provide various building, public utility system and facilities appropriate for active retirees such as basic medical services and fitness

Apart from that, The Company has entered into the contract with Thai Nordic Property Co., Ltd., who is the owner of “Black Mountain Golf Club”, that allows people living in the project, as well as their family members and guests to use facilities of the seller by charging the cost not more than the cost charged to others or customers of the seller. Moreover, people living in the project will get privilege to be the member of golf club and get special offer in playing golf in the project of the seller according to the conditions in the sale and purchase agreement of land.



The Company will do the lease agreement for residential units in the project with target customers who are 50 years old and above. The lease agreement will be in form of lease for life. The payment for lease will be one-time at the rate agreed upon the initiation of the contract date

Apart from that, the Company will hire the management who possesses an expertise in running the project including the care related to construction, public utility system and people living in the project in which the project management will consistently supply the facilities and medical services. The project will provide other services depending on the need of the people living in the project such as cooking class, sport class, Thailand tour etc. and co-ordinate in contacting, taking care and sending residents to private hospitals. The customers will be making the payment to the service providers directly.

The contract will end if the lessee passes away or if the lessee terminates the agreement. The rights in property is transferred to the Company so that the Company can lease to other customers in form of lease for life. If the Company can find a new customer, the Company will refund money to the heir of the former customer based on the market price but not exceeding the leasing fees paid by former customer deducting by the maintenance and marketing expense of 3% of leasing fees.

The details about investment are as follows.

### *3.3.1 The cost of land*

The Company or the subsidiary will purchase the vacant land for construction of buildings for active retirees in the area of 13-2-14 rai or 5,414 square wah. The land is located in "Black Mountain Golf Club" moo 7, Nong Hieng Road branching from Phetkasem Road (Bypass TorLor. 37) Km. 25 + 450, Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province. The cost of land is THB 81.21 million

### *3.3.2 The cost of construction*

The Company or the subsidiary will construct the residential units with golf course view for 43 units on the land in "Black Mountain Golf Club". The residential units include villa-type detached houses for 11 units, semi-detached house for 2 units, 3 buildings of 3-storey apartment with

total of 30 units. Including the utility system in the project, total construction cost is THB 241.30 million and othe related expenses during the project construction is THB 49.49 million. Total value of construction is THB 290.79 million.

Total value of investment in land and construction is THB 372.00 million.

### 3.4 Class and Size of Transaction

This transaction is the acquisition of asset according to the Acquisition and Disposal Rule with the maximum size of transaction of 97.76% based on total value of consideration criteria, which is calculated from the financial statement of the Company audited by the auditor of the Company as of December 31, 2015 with the following details.

| Method of calculation                                    | Calculation  | Value (%)                               |
|--|--|---|
| 1. Net tangible assets                                   | $\frac{\% \times \text{NTA of target company} \times 100}{\text{NTA of BSM}}$  | N.A                                     |
| 2. Net profit  | $\frac{\% \times \text{Net profit of target company} \times 100}{\text{Net profit of BSM}}$  | N.A                                     |
| 3. Value of consideration                                | $\frac{\text{Value of consideration paid or received}}{\text{Total asset value of BSM}}$   | $\frac{372}{380.54} \times 100 = 97.76$ |
| 4. Value of shares issued for the payment of acquisition | $\frac{\text{Value of shares by BSM for the payment of asset acquisition} \times 100}{\text{Total value of paid-up capital of BSM}}$ | N.A                                     |

Based on total value of consideration, the maximum size of transaction is 97.76% of total assets of the Company. The Company has no transaction about acquisition of asset dring the past 6 months. Therefore, this transaction is classified as Class 1 according to Notification about Acquisition and Disposal. The Company needs to disclose information to the Stock Exchange of Thailand and appoint the Independent Financial Advisor to provide the opinion about the acquisition of asset. Moreover, the Company needs to arrange the shareholder meeting in order to get the resolution to approve the transaction. The resolution in the

shareholder meeting must consist of supporting votes at least three-fourths of the total votes of shareholders attending the meeting and having voting rights excluding interested shareholders.

### 3.5 Total value of consideration and important conditions in the Purchase and Sale Agreement for the Land

#### 3.5.1 Total value of consideration

In this transaction, total value of project is THB 372.00 million including

Cost of land is THB 81.21 million, which is THB 6,000,000 per rai or THB 15,000 per square wah. The cost of land will be paid in cash. On February 25, 2016, the Company did the purchase and sale agreement of land and paid for the deposit of THB 30.00 million to the seller. The remaining amount of THB 51.21 million will be paid on the ownership transfer date after getting approval from the 2016 Annual General Meeting of Shareholders.

Construction cost and other related costs are THB 290.79 million. The Company will do the construction for 43 units of residential units in form of villa-type detached houses for 11 units, semi-detached house for 2 units, 3 buildings of 3-storey apartment with total of 30 units, as well as utility system. Total construction cost is THB 241.30 million. Other related expenses during project construction are THB 49.49 million. The Company is currently selecting the main construction contractor.

#### 3.5.2 Important conditions in sale and purchase agreement of land

| Summary of important conditions in sale and purchase agreement of land |  |
|--|--|
| Involved Parties   | 1. BuilderSmart Public Company Limited as the buyer<br>2. Thai Nordic Property Co., Ltd. as the seller   |
| Property   | Vacant land in "Black Mountain Golf Club" with land title no. 81038, parcel no. 443, dealing file no. 22012 located in Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province. Total area is 13 rai 2 ngan 14 square wah |
| Selling price  | THB 81,210,000 (THB 6,000,000 per rai or THB 15,000 per square wah)  |
| Important terms and conditions   |  |
| Conditions   | ✦ The Annual General Meeting of Shareholders of the Company has  |

|                        |   |
|------------------------|---|
|                        | <p>approved for Senior Living Project.</p> <ul style="list-style-type: none"> <li>✦ The seller can show the evidence satisfying the buyer that the title deed no. 81038 does not encroach into other people's land and/or public land and/or the land in forest area.</li> <li>✦ The seller has already removed the underground utility system from the land.</li> </ul>  |
| Payment                | <p>On February 25, 2016, the buyer signed the purchase and sale agreement of land and paid for the deposit of THB 30,000,000. The remaining amount of THB 51,210,000 will be paid on the ownership transfer date, which is expected to be on May 15, 2016.</p>  |
| Tax                    | <p>Both parties agree to share equally for the ownership transfer fee and stamp duty. The seller is responsible for special business tax and withholding tax from transferring the ownership to the buyer.</p>  |
| Confirmation of seller | <ul style="list-style-type: none"> <li>✦ The seller has confirmed that the seller is the owner of the land according to the law and the land has no charge.</li> <li>✦ Land deed no. 81038 is valid according to the law and does not encroach into other people's land and/or public land and/or the land in forest area.</li> <li>✦ There is no legal dispute for the land in the agreement.</li> <li>✦ The Seller has already paid all related tax for the land</li> </ul>   |
| Agreement              | <ul style="list-style-type: none"> <li>✦ After the ownership transfer, the sell will register for servitude to the buyer and/or anyone who live in the land to use the road inside the project of the seller.</li> <li>✦ The seller will not construct any building with the height more than 7.5 meter on the land next to the land in this agreement in order to preserve the golf course view on the land in this agreement</li> <li>✦ The seller will ensure that the water supply is enough to use for anyone who live in this project. The water supply cost is not more than 15% of the cost charged by the government.</li> <li>✦ The seller will construct and maintain 9-hole golf course on the land next to the land in this agreement. The construction will finish within March 2017.</li> <li>✦ The seller will allow people living in the project, as well as their family members and guests to use facilities of the seller by</li> </ul> |

|                  |   |
|------------------|---|
|                  | <p>charging the cost not more than the cost charged to others or customers of the seller. Moreover, people living in the project will get privilege to be the member of golf club and get special offer in playing golf in the project of the seller according to the conditions in the sale and purchase agreement of land.</p> <p>✦ The seller agrees to construct the good quality commercial zones including restaurants and beverage shops on the land next to the land in this agreement within 2 years after ownership transfer in order to support people who live in the project.</p>  |
| Compensation     | <p>The seller agrees to pay compensation (if any claim) to the buyer, subrogee, and transferee including staffs, employees, directors and any representative of the buyer ("Sufferer"). This can be the damage from any action, responsibility, legal dispute or any judgement as well as losses, damages, penalty, or any expenses (including interest, fees, legal fee, and professional service fees. That damage may incur to the Sufferer case by case that is from or related to (directly and indirectly) the incorrectness or violation of confirmation or guarantee, any agreement that the seller determined in the purchase and sale agreement of land including any invalidity of any document that the seller delivered to the buyer. This also includes the case that the issuance of title deed no. 81038 is invalid. If the seller needs to pay any compensation to the Sufferer, the seller agrees to pay within 30 days after getting any notice from the Sufferer.</p> <p>In case if the seller cannot build the golf course within 2017 and cannot build the good quality retail space which include restaurants, café within 2 years after the transfer of land ownership, the buyer will be granted the right to receive any compensation from not doing according to the promises. The seller will need to pay any compensation to the Sufferer within 30 days after getting any notice from the Sufferer.</p> |
| Other agreements | <p>The seller will refund the deposit to the buyer if</p> <ol style="list-style-type: none"> <li>1. The seller violates any confirmation or guarantee or</li> <li>2. The seller defaults the sale and purchase agreement of land or violates some conditions in the agreement or</li> </ol>   |

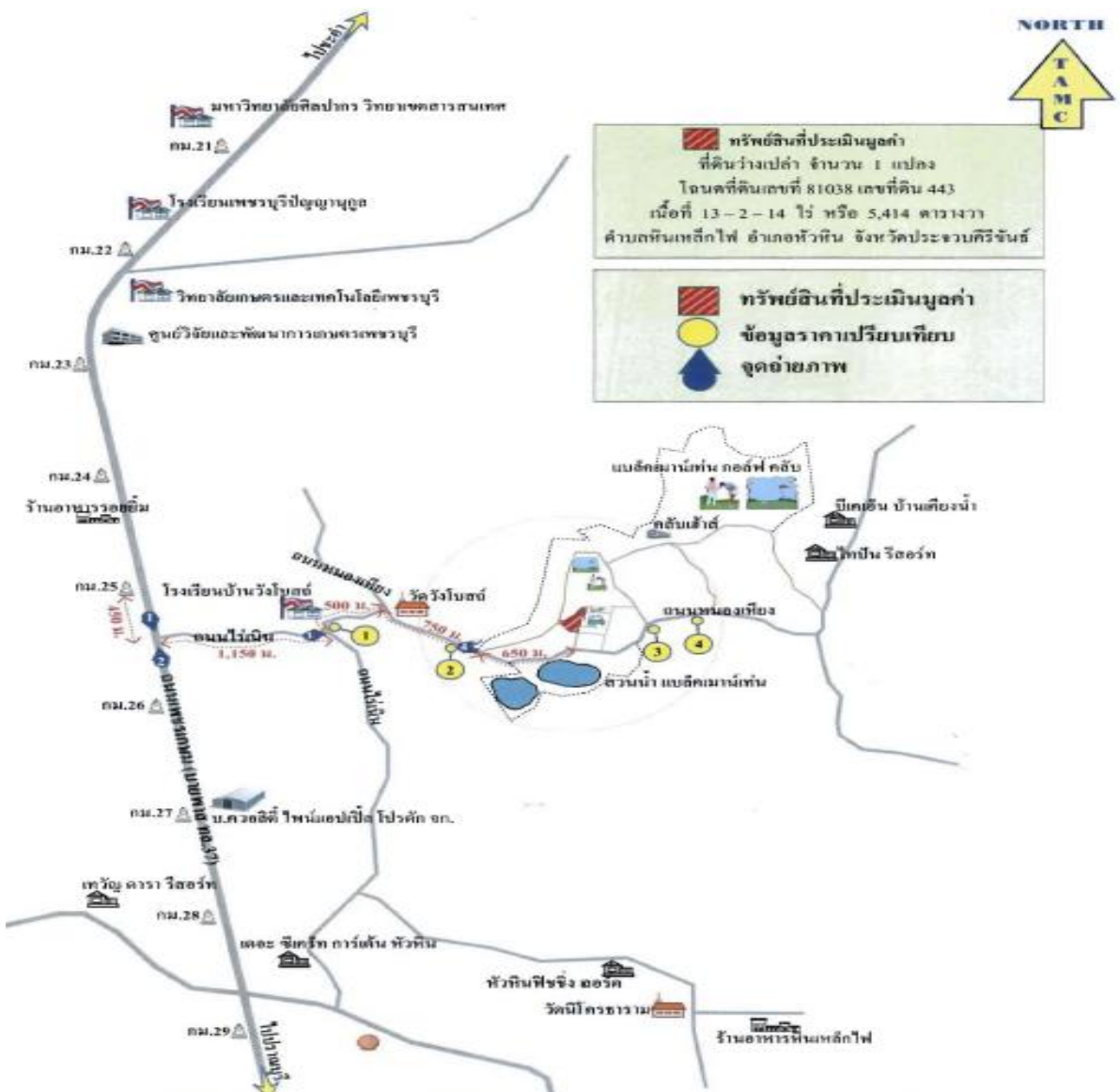
|  |   |
|--|---|
|  | 3. The buyer does not get approval from the 2016 Annual General Meeting of Shaerholders to purchase the land. |
|--|---|

### 3.6 Details of Acquired Asset

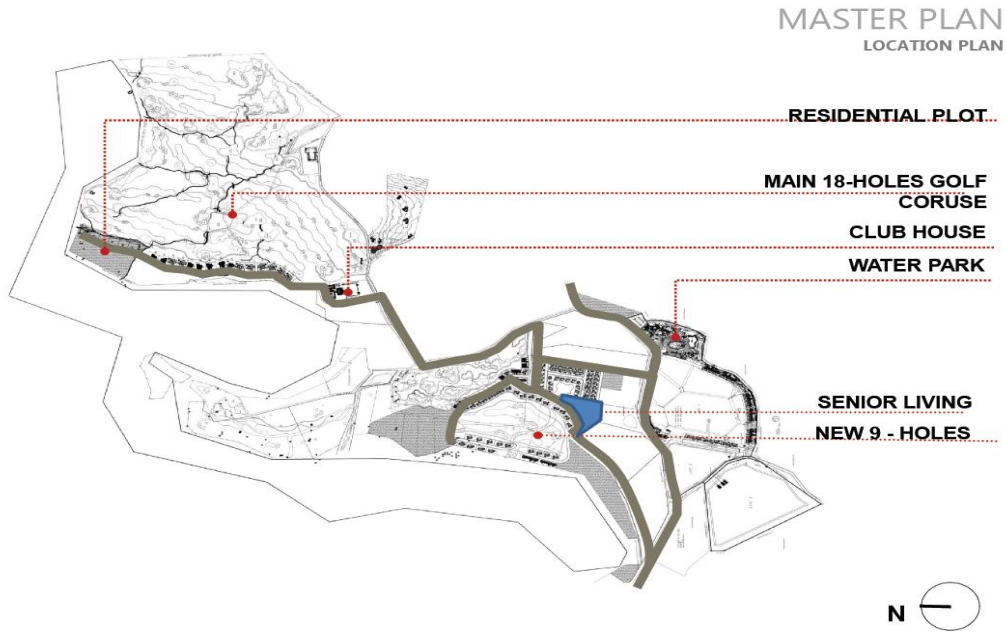
#### 3.6.1 Details of Land

| Summary for details of land |   |
|-----------------------------|---|
| Property Type               | 1 parcel of vacant land with the area of 13-2-14 rai or 5,414 square wah  |
| Location                    | within "Black Mountain Golf Club"<br>moo 7, Nong Hieng Road branching from Phetkasem Roa (Bypass TorLor. 37) Km. 25+450, Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province   |
| Price                       | THB 81,210,000 (THB 6,000,000 per rai or THB 15,000 per square wah)   |
| Title Deeds                 | Land Title no. 81038  |
| Owner                       | Thai Nordic Property Co., Ltd.  |
| Land Charge                 | Mortgated with Mr. Stik Lennart Nothlof   |
| Characteristics             | Vacant land in form of polygon next to public road in both sides. The east side is next to unnamed lane with the width of 195 meter. The west side is next to unnamed land with the width of 25 meter. The length from east to west is around 180 meter. The level of land is improved and filled to the same level as the road.  |
| Entrance-Exit               | The main road of the land is Phetkasem Road (Bypass TorLor. 37), which is the public road. It is the asphalt road with the width of 30 meter and total width including sideways of 40 meter.<br>The secondary roads are Rai Neun Road and Nong Heing, which are asphalt roads with the width of 8 meter and total width including sideways is 12 meter.<br>The frontage road is the unnamed lane used for public. It is the soil dirt road with the width of 8 meter. |
| Surrounding area            | Surrounding areas are mostly used for residential and commercial purpose. The nearby areas consist of community with medium density, stores, official places, temples, schools, gas stations, resorts, etc. The   |

|                                    |  |      |           |
|------------------------------------|--|------|-----------|
|                                    | distance from land to the point of interest is as follows. |      |           |
| Black Mountain 9-hole Golf Course  | Distance of  | 0.00 | kilometer |
| Black Mountain Water Park          | "  | 0.15 | "         |
| International School (Hua Hin)     | "  | 0.25 | "         |
| Black Mountain 18-hole Golf Course | "  | 0.60 | "         |
| Wangbost Temple                    | "  | 1.50 | "         |
| Wangbost School                    | "  | 2.00 | "         |



Source: T.A. Management Corporation (1999) Company Limited



Source: Thai Nordic Property Company Limited

### 3.6.2 Details of Project Construction

#### Summary for the details of construction of Senior Living Project

##### Background

- ✦ The retirement community with various facilities appropriate for active retirees is very popular and successful in Europe and Australia. This is from the life expectancy of people is longer due to the improvement and change in living and the advancement of medical services. Moreover, there are many tourism attractions in Thailand. Thailand is also famous in term of welcoming and providing facilities in living and providing good medical services.
- ✦ The Company sees the opportunity for this business in Thailand. The Company will develop the high-quality community for people who are 50 years old or above can live by their own in appropriate cost.
- ✦ In November 2015, the Company conducted the competition research for other businesses with the same target market as the Company from 5 villages in Hua Hin District. It found that there is no other business providing facilities for elders and no medical service packages like in retirement community. Moreover, there is no business use the model of lease for life. Therefore, the Company will introduce this concept to foreigners who may be worried about selling the



|                                     | houses if they do not need it anymore.   |                              |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
|-------------------------------------|--|------------------------------|----------------|------------------------------|-------------------------------------|----|-----|-------------------------------|---|-----|-------------------------------------|--|--|----------------------------|----|-----|----------------------------|----|-----|----------------------------|---|-----|
| Objective                           | <p>The Company will develop the retirement community by constructing 43 residential units for target customers who are 50 years old and above. The customers can do the lease agreement for residence in form of lease for life. The payment for lease will be one-time, in which the customers do not have to make any monthly or yearly fees for the whole stay of the lease for life period. After customers pass away, the Company will do the lease agreement with new customers. The Company will refund the leasing cost to former customers or anyone determined by former customers after deducting related expenses including maintenance and marketing expenses. Moreover, the Company will provide the utility system and various facilities and services that are appropriate for elders to use and live in the community comfortably. The cost of utility system and various facilities and services will be paid by the lessee directly to each service provider.</p> |                              |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Construction                        | <table border="1"> <thead> <tr> <th>Type</th> <th>Number of Unit</th> <th>Usable area per unit (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Villa-type detached house<br/>Type A</td> <td>11</td> <td>184</td> </tr> <tr> <td>Semi-detached house<br/>Type B</td> <td>2</td> <td>165</td> </tr> <tr> <td>3 buildngs of 3-storey<br/>apartment</td> <td></td> <td></td> </tr> <tr> <td>Type C – 4 units per floor</td> <td>12</td> <td>123</td> </tr> <tr> <td>Type D – 4 units per floor</td> <td>12</td> <td>123</td> </tr> <tr> <td>Type E – 2 units per floor</td> <td>6</td> <td>165</td> </tr> </tbody> </table> <p>Total usable area is 6,296 square meter<br/>Total construction area is 7,154 square meter</p>   | Type                         | Number of Unit | Usable area per unit (sq.m.) | Villa-type detached house<br>Type A | 11 | 184 | Semi-detached house<br>Type B | 2 | 165 | 3 buildngs of 3-storey<br>apartment |  |  | Type C – 4 units per floor | 12 | 123 | Type D – 4 units per floor | 12 | 123 | Type E – 2 units per floor | 6 | 165 |
| Type                                | Number of Unit   | Usable area per unit (sq.m.) |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Villa-type detached house<br>Type A | 11   | 184                          |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Semi-detached house<br>Type B       | 2  | 165                          |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| 3 buildngs of 3-storey<br>apartment |  |                              |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Type C – 4 units per floor          | 12   | 123                          |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Type D – 4 units per floor          | 12   | 123                          |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |
| Type E – 2 units per floor          | 6  | 165                          |                |                              |                                     |    |     |                               |   |     |                                     |  |  |                            |    |     |                            |    |     |                            |   |     |



Source : information from the Company as of March 2, 2016

Investment

|   |                           |             |       |                     |         |      |           |          |        |  |   |
|---|---------------------------|-------------|-------|---------------------|---------|------|-----------|----------|--------|--|---|
| Expenses before starting the construction   | 23.54                     | THB million |       |                     |         |      |           |          |        |  |   |
| Design and consulting fees  | 21.60                     | "           |       |                     |         |      |           |          |        |  |   |
| Utility system  | 35.31                     | "           |       |                     |         |      |           |          |        |  |   |
| Construction cost   |                           | "           |       |                     |         |      |           |          |        |  |   |
| <table border="1"> <tr> <td>Villa-type detached house</td> <td>11 units</td> <td>58.80</td> </tr> <tr> <td>Semi-detached house</td> <td>2 units</td> <td>9.64</td> </tr> <tr> <td>Apartment</td> <td>30 units</td> <td>137.54</td> </tr> </table> | Villa-type detached house | 11 units    | 58.80 | Semi-detached house | 2 units | 9.64 | Apartment | 30 units | 137.54 |  | " |
| Villa-type detached house   | 11 units                  | 58.80       |       |                     |         |      |           |          |        |  |   |
| Semi-detached house   | 2 units                   | 9.64        |       |                     |         |      |           |          |        |  |   |
| Apartment   | 30 units                  | 137.54      |       |                     |         |      |           |          |        |  |   |
| Total construction cost   | 205.98                    | "           |       |                     |         |      |           |          |        |  |   |
| Selling and miscellaneous expenses  | <u>4.36</u>               | "           |       |                     |         |      |           |          |        |  |   |

|                         |   |
|-------------------------|---|
|                         | <p>Total investment in construction <span style="float: right;"><u>290.79</u> "</span></p> <hr/> <p>Note: Total investment (including land cost) <span style="float: right;"><u>372.00</u> "</span></p> <hr/>   |
| Construction period     | <p>The Company expects that the utility system and sample units will be finished in June 2016. For the villa-type detached houses, semi-detached house, and apartments, the construction will start after getting licenses from government agencies and getting approval based on Environmental Impact Assessment (EIA), as well as building permit from related organizations. The construction for the whole project is expected to finish in October 2017.</p>   |
| Facilities and services | <p>Examples of facilities and services that will be provided to the active retirees living in the project are</p> <ul style="list-style-type: none"> <li>- Privilege to be the member of golf club with no first entrance fees</li> <li>- Get special offer in playing golf in the project and other facilities</li> <li>- Access to basic medical services</li> <li>- Access to fitness that are appropriate for active retirees</li> <li>- Access to doctors and nurses for health-check including other medical services</li> <li>- 24-hour emergency call when help is in need</li> <li>- Cleaning and repairing services</li> </ul> <p>Apart from that, the project will provide other services depending on the need of the people living in the project such as golf class, yoga class, Thailand tour, cooking class, dancing class etc. The customers will be making the payment to the service providers directly.</p> |
| Marketing Strategies    | <p>The Company will construct 43 residential units with golf course view on the land in "Black Mountain Golf Club" near 9-hole golf course. Each unit will have golf course view. The Company will co-ordinate with the management who has direct experience in retirement community business in developing marketing strategies, especially those from Europe, Australia, British and American. These people have high passive income and have a plan for long-stay in foreign countries. Their marketing strategies are 1) to build sample room to show that every residential unit located near 9-hole golf course will have access to golf course view 2) brochue 3) billboard 4) public announcement 5) channel</p>  |

|  |  |
|--|--|
|  | sales 6) agency sales etc. especially to target market like Europe, Australia, British and American in Huahin, Bangkok and International |
|--|--|

### 3.6.3 Black Mountain Golf Club on which Senior Living Project is located

Senior Living Project is located inside “Black Mountain Golf Club” that was developed by Thai Nordic Property Co., Ltd., who is the joint venture between Thai and Swedish with proportion of 75.25: 24.75 respectively. The land development was divided into two parts with total area of around 1,300 rai.

The first part is 18-hole golf course on the area of 500 rai designed by Pacific Coast Co., Ltd. (Australia). Black Mountain Golf Club has got many awards since the opening in 2007 because of its variety. It got the award from the Asia Pacific as the best golf course for consecutive 3 years and was the first golf course in Thailand that was included in the list of US Golf Digest that provides the ranking for 100 best golf courses outside United States. Black Mountain Golf Club is popular for both Thai and foreigners. Both professional golf players and tourists would like to visit this course. Moreover, this golf course was the host for many major competitions like Asian Tours and King’s Cup. Moreover, there is par-3 course that got the award as the best short course in the world. The golf course is located only 10 kilometers away from the west side of Hua Hin downtown.

The second part is development of the land areas surrounding golf course of 800 rai. The development was divided into different zones. For each zone, the land was divided into many parcels with the area of 100 square wah and above. The land was for sale or for long-term lease with the residential purpose. Currently, the detached house zone consists of 57 units on the land area of 450-600 square meter and usable area of 110-135 square meter. the selling price is around THB 15.00-40.0 million. The condominium zone consists of 2 buildings with 4-storey. Total residential units are 76 units with the area of 140-320 square meter. the selling price is around THB 10.90-26.80 million. Currently, it has been already sold out. The hometown zone consists of 8 units of 4-storey buildings. The usable area is 125 square meter and selling price is around THB 12.00 million. Currently, it has been sold for 50%.

At the moment, “Black Mountain Golf Club” Project is in the construction process of constructing 9-hole golf course. The expected completion date is within 2017 and the construction of good quality retail space which include restaurants and café is expected to finish within 2018.

### **3.7 Objective and Benefits of the Transaction**

The expected benefits from investment in the project are

- To increase the potential to the Company and shareholders in long-term
- To generate more incomes and diversify the risks to other businesses
- To start the business about retirement community for active foreign retirees age 50 plus who are early retire, have high passive income, and income from government benefits with the purpose of long-visit in foreign countries in order get first mover advantages in this business

### **3.8 Advantages-Disadvantages of entering and not entering into the Transaction**

#### *3.8.1 Advantages-Disadvantages of entering into the Transaction*

##### *Advantages*

The project will generate more incomes and will diversify the business risks. The Company has advantages as the producer and distributor of construction materials for buildings and housing. The Company also has expertise in construction materials. This is an opportunity to expand the business to the property development in form of retirement community from the current business. Therefore, the Company has the plan to invest in this project in order to increase more incomes and profits from the current business. Moreover, it can help in diversifying the current business risk of the Company.

- Senior Living Project is the development of residential units linking with tourism. This business is expected to earn high return from property development and the tourism market is large and has high growth rate. Thailand is the destination for many foreigners who come for traveling and long-term staying. Thailand is the land of smile and the living expenditure is relative low. Moreover, the weather is good and Thai people have the culture to respect elders. There is no tax on incomes received from retirement for retired foreigners. The medical services in Thailand had high quality but the cost is relatively cheaper compared to other countries. Moreover, the project location is appropriate for retirement community because the golf course view is beautiful and open. The environment and facilities are also appropriate for elders for living.

##### *Disadvantages*

- The Company may face the risk of project delay and cost overrun. The Company has estimated that the construction period will last for 16 months. If the actual construction period is

longer than this, it will be delay for the Company in realizing the return from investment. Moreover, if the Company cannot control the construction cost as the estimation, the return from investment in the project will be lower. However, the Company has experience in property development project because the Company is the producer and distributor of construction materials. The Company also has the policy to hire only the contractor having experience and expertise in development of residential property. Therefore, the Company expects that all activities will be done according to the planned schedule and budget.

- The Company may face the risk that the number of customers is less than the target. Around the project area, there are also other residential units for sale or for lease. Therefore, the Company may earn the revenue slower than estimation and the performance might be lower than the target. However, the Company has the clear target customers who are active retirees finding the place to live for the whole life. This is different from other businesses that may focus on short-term staying and tourists. The project also has many facilities designed specially for elders while other businesses have only general facilities and sports. Moreover, the customers who live in the project can use the facilities from both Black Mountain Golf Club and Senior Living Project according to the condition in land purchase. This will support each other and the risk from competition will be lower.

- The Company may face the risk from the claims for damages in the case that the seller does not comply and/or does not supply and/or does not meet the deadline for the agreement made between the seller and the Company for the facilities and services, which result in the Company not being able to reimburse the damages according to the claim

### *3.8.2 Advantages-Disadvantages of not entering into the Transaction*

#### *Advantages*

- There is no risk from investment in Senior Living Project

#### *Disadvantages*

- The Company will lose the opportunity to generate incomes. Black Mountain Golf Club is the community and tourism attraction as well as the famous sport place with high quality. There are always many foreigners from Asia, Europe, and United States who visit and watch the world golf competition. If the Company does not invest in the project, the Company loses the opportunity to increase incomes from this new source of incomes.

### 3.9 Fairness of Price and Conditions of the Transaction

For the fairness of price of this transaction, DS has considered from the land appraisal, construction cost, and the financial feasibility of the project with the following details.

#### 3.9.1 Land appraisal based on the appraisal from Independent Appraiser.

To consider the fairness of the price in purchase of land from Thai Nordic, DS has considered from the market price based on the property appraisal report done by independent appraisers. The Company has hired 2 independent appraisers who get the approval from the Office of SEC as follows. (Detail of land appraisal report can be found in appendix 2 of independent financial advisory report)

1. T.A. Management Corporation (1999) Co., Ltd. ("T.A.") has done the report dated February 16, 2016 to appraise the property as of February 12, 2016 with the objective for making decision about buying and selling and public use.

2. Fast and Fair Valuation Co., Ltd. ("FFV") has prepared the report dated February 17, 2016 for property appraisal on February 11, 2016. The objective is to get the market price for making decision about buying and selling as well as for public use.

Summary of land appraisal by T.A. and FFV

| Item                                   | T.A.  | FFV   |
|--|---|---|
| Appraisal date                         | February 12, 2016                                 | February 11, 2016   |
| Appraisal method                       | Market comparable                                 | Market comparable   |
| Number of sample                       | 4   | 5   |
| Area of sample (square wah)            | 2,000 – 15,360                                    | 114 – 15,360  |
| Appraisal value                        | THB 81,210,000<br>or<br>THB 15,000 per square wah | THB 83,917,000<br>or<br>THB 15,500 per square wah                                   |
| Compared to the price in the agreement | Equal   | Appraisal value is higher than the price in the agreement by THB 2,707,000 or 3.33% |

DS has opined that both independent appraisers using the market comparable approach that is appropriate. The target property is vacant land and there are many vacant lands in surrounding areas that are currently for sale. The information is sufficient to estimate the value of target property. T.A. has used 4 vacant lands and FFV uses 4 vacant lands and 1 piece of land with building. However, FFV has given the weight of the land with building for only 10%.

Both independent appraisers use weighted quality score based on the professional standard of each appraiser. The value of land by T.A. is THB 81,210,000 and the value of land by FFV is THB 83,917,000, which is higher than the value by T.A. by THB 2,707,000 or 3.33%.

The value of land from two independent appraisers is not different much. The fair value of land is around THB 81.21-83.92 million. DS has opined that the land price of THB 81.21 million is appropriate because the price is not more than the fair value provided by two independent appraisers.

### 3.9.2 Construction Cost

The Company has hired Cornerstone Management Co., Ltd. ("CSM") who is well-known and specialized in consulting and controlling the construction budget of many real estate projects in Thailand to evaluate the cost of utility system and construction cost with the following details.

| Items                                     | Construction area (sq.m.) | Number of unit (Units/ Buildings) | Price per sq.m. (THB) | Price per unit (THB million) | Total value (THB million) |
|---|---------------------------|-----------------------------------|-----------------------|------------------------------|---------------------------|
| Utility system                            |                           |                                   |                       |                              | 35.31                     |
| Villa-type detached houses                | 184                       | 11                                | 29,049.54             | 5.34                         | 58.80                     |
| Semi-detached houses                      | 165                       | 2                                 | 29,220.20             | 4.82                         | 9.64                      |
| Apartment                                 | 1,600                     | 3                                 | 28,654.06             | 45.85                        | 137.55                    |
| Total construction value * (VAT included) |                           |                                   |                       |                              | 241.30                    |

Note \*: Appraised by CMS that was established in 2001. Currently, the authorized capital is THB 8.00 million. CSM is the member of Council of Engineers Thailand and has expertise in evaluating of construction cost. CSM is also the consultant for controlling the construction budget for many real estate projects including condominium, houses, apartment, hotel, office building, factory, school, and stores e.g. Amari Resident Pattaya, AIA Capital Center, etc.



The construction cost of THB 241.29 million that was estimated by the Company is not higher than the construction cost estimated by CSM who has expertise and long experience in construction business. DS has opined that the construction cost is appropriate.

Moreover, there are other expenses of THB 49.49 million used for finishing the project. The Company has studied for 2 years in advance in term of marketing, as well as the survey for opinions of foreigners who visited surround areas of the project location. Moreover, there were the study about engineering and architecture to design for the format of residential units and environments inside the project so that the facilities are appropriate for active retirees to use. The Company also prepared for technical issues in development of retirement community including legal issues and accounting. This is a normal case of preparation for large construction project and the proportion of these costs is 13.31% of total project value with the following items.

|   |       |             |
|---|-------|-------------|
| - Expense on land ownership transfer        | 1.02  | THB million |
| - Expenses before starting the construction | 23.54 | THB million |
| - Design and consulting expenses            | 21.60 | THB million |
| - Selling and other expenses                | 3.34  | THB million |

Total investment for construction and other related expenses is THB 290.79 million. DS has opined that the construction cost and related expenses is acceptable.

### *3.9.3 Financial Feasibility of the Project*

DS has also evaluated the feasibility of the project using Net Present Value (NPV) and Internal Rate of Return (IRR) compared to the weighted average cost of capital (WACC). There are 2 approaches as follows.

1. Free Cash Flow from Project Approach
2. Free Cash Flow from Equity Approach

If the Internal Rate of Return from Project (Project IRR) is higher than the weighted average cost of capital (WACC) and the Internal Rate of Return from Equity (Equity IRR) is higher than the required return for equity ( $K_e$ ), this project will create value-added to the Company. Then, the sensitivity analysis will consider the change in Net present value (NPV) and internal rate of return (IRR) if revenues or construction cost are higher.

DS has prepared the financial projection of this project based on the projection from executives of the Company and adjusted some assumptions to reflect the current market condition, intensity of competitions in the industry, and overall economic conditions using

conservative estimation. DS has prepared the projection for 30 years so that it is consistent with the average duration of lease agreement. The Company will lease for life to customers who are 50 years old and above and the average lifespan is 80 years (Source: World Health Organization). Therefore, the average duration of lease is not more than 30 years. DS has also included the construction period of 16 months starting from June 2016 to October 2017 in the projection period.

This project is based on the assumption that the Company will continue operating on-going basis and there is no significant change. Moreover, the projection is based on the current economic condition. If there is any significant change that can affect the above assumptions, the project value might be changed. The important assumptions about investment and cash inflows-outflows are as follows.

#### Summary of the Project

| Item                  | Details  |
|-----------------------|--|
| Senior Living Project | The retirement community project for active foreign retirees age 50 plus who are early retire, have high passive income, and income from government benefits with the purpose of long-stay in foreign countries. The project is located in Black Mountain Golf Club, Hua Hin Sub-district, Prachuap Khiri Khan Province. Total area is 13-2-14 rai. The Company will construct the buildings and facilities that are appropriate to active retirees. |
| Characteristicstics   | Construction of villa-type detached houses for 11 units, semi-detached house for 2 units, 3 buildings of 3-storey apartment with total of 30 units. Total number is 43 units.  |
| Target Market         | Foreigners like Swedish, Australian, etc. who would like to spend their retirement in Thailand but they cannot have the ownership on the land.   |
| Project Value         | The land cost is THB 81.21 million. The construction cost and other related expenses are THB 290.79 million Total project value is THB 372.00 million.   |
| Construction Period   | 16 months  |
| Revenue               | Revenue from the agreement of Lease for life   |
| Conditions            | <u>During leasing</u><br>- The lessee pays the utility expenses directly to service providers.<br>- The leasee pays the service fees to each service provider<br><br><u>If the lessee passes away</u>  |

|  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>- The rights in property is transferred to the Company so that the Company can lease to other customers in form of lease for life.</li> <li>- If the Company can find a new customer, the Company will refund money to the heir of the former customer based on the market price but not exceeding the leasing fees paid by the former customer deducting by the maintenance and marketing expense of 3% of leasing fees.</li> </ul> <p><u>If the lessee terminates the agreement</u></p> <ul style="list-style-type: none"> <li>- The rights in property is transferred to the Company so that the Company can lease to other customers in form of lease for life.</li> <li>- If the Company can find a new customer, the Company will refund money to the heir of the former customer based on the market price but not exceeding the leasing fees paid by former customer deducting by the maintenance and marketing expense of 3% of leasing fees.</li> </ul> |
|--|--|

#### Important Assumptions in Financial Projection

##### 1. Cash Inflow

The project has cash inflows from leasing fees paid by customers in form of lease for life, which can be registered this leasehold at the Land Office for the period equal to the life of lessee.

| Type of Residence              | Area per Unit (sq.m.) | Leasing fees (THB per sq.m.) | Leasing fees (THB per unit) | Number of unit |
|--------------------------------|-----------------------|------------------------------|-----------------------------|----------------|
| Villa-style Detached House (A) | 184                   | 75,250.00                    | 13,846,000.00               | 11             |
| Semi-Detached House (B)        | 165                   | 62,936.36                    | 10,384,500.00               | 2              |
| Apartment (C)                  | 123                   | 70,355.69                    | 8,653,750.00                | 12             |
| Apartment (D)                  | 123                   | 70,355.69                    | 8,653,750.00                | 12             |
| Apartment (E)                  | 165                   | 83,915.50                    | 13,846,000.00               | 6              |
| Total                          |                       |                              |                             | 43             |

It is set as if the project will be able to sell all the long-term leasehold after construction has been finished. The project will receive cash payment from long-term leasehold within 3 years of the starting date of the project. The projected revenue in year 2 is 66.67% of total revenue from sales. The projected revenue in year 3 is 33.33% of total revenue from sales. The possibility that the project will receive cash payment from long-term leasehold within 3 years of the starting date of the project for the leasing fees in lease for life is determined by executives of the Company based on the survey about the opinion of foreigners from the project with similar customer base in Hua Hin District and the fees must be lower than the selling price of residences in the same area (Details about the price of residential units in Black Mountain Golf Club project is in 3.6.3 Black Mountain Golf Club on which Senior Living Project is located). The location of the project, which is located in the “Black Mountain Golf Club” near golf course with access to golf course view, is believed to be the selling point of the project. Moreover, if the customers pass away or if the customers wish to terminate the contract, the Company will find the new customers. Then, the Company will refund money to the heir of the former customer based on the market price but not exceeding the leasing fees paid by the former customer deducting expense as specified in the agreement. The customer who wish to go back to their home-country will still be able to have adequate funding for living. This increases the confidence of the Company that the Company will be able to sell all the long-term leasehold within 3 years after the initiation date of the project. Apart from that, if the market price is higher, the Company will receive more money. However, DS does not include this amount in calculating the return from investment because of uncertainty. Therefore, the Company will recognize revenues from leasing fees using straight line method for 30 years.

## 2. Cash Outflow

2.1 The major costs in the project include the costs of land, construction of residential units and utility system as well as other expenses as follows.

Unit: THB million

| <b>Items</b>   | <b>Amount</b> | <b>Year 1</b> | <b>Year 2</b> |
|--|---------------|---------------|---------------|
| Land with area of 13-2-14 rai and the price per rai is THB 6.00 million<br>Including the land transfer fees of THB 1.02 million      | 82.23         | 82.23         | -             |
| Construction cost * for 43 units<br>Including the area of 7,154 square meter and the construction cost is<br>28,795 per square meter | 205.99        | 171.61        | 34.38         |
| Utility system *   | 35.31         | 26.48         | 8.83          |
| Other costs e.g. design cost, licensing cost, and consulting cost  | 48.47         | 41.49         | 6.98          |

|             |        |        |       |
|-------------|--------|--------|-------|
| Total costs | 372.00 | 321.81 | 50.19 |
|-------------|--------|--------|-------|

Note \* projection done by CSM

2.2 Other expenses consist of marketing expense of 3% of revenue from leasing fees in form of lease for life. The operating expense during construction is THB 1.20 million. The registration expense for leasehold is 1.10% paid equally between the Company and the customers. Corporate income tax rate is 20.00% of profit calculated by 3.33% of revenues. The depreciation expense is 5% per year.

2.3 Personal income tax is 20% of net profit before deducting income tax. When calculating income tax, set the revenue calculation from the long-term leasehold that is recognized as revenue for 3.33% per year. The depreciation expense for construction is 5% per year.

#### 2.4 Source of Capital for the project

There are 3 sources of capital as follows.

| Source of Capital   | THB million   |
|---|---------------|
| 1. Debenture *including promissory notes<br>The interest rate is 7.64% estimated from the interest expense in the financial statement of the Company in 2015. | 64.52         |
| 2. Bank loan<br>The maturity is 3 years with interest rate equal to MLR-1.25, which is 6.80-1.25 = 5.55% per year.  | 150.00        |
| 3. Cash receipt from allotment of ordinary shares to existing shareholders. *<br>in form of 314,978,694 ordinary shares with par value of THB 0.50.           | 157.48        |
| <b>Total amount</b>   | <b>372.00</b> |

Note \*: The Board of Directors of the Company will propose this issue to the 2016 Annual General Meeting of Shareholders held on April 28, 2016.

Set the money collected from capital increase by quarter 2 year 2016

#### 2.5 Weighted Average Cost of Capital (WACC)

DS uses Weighted Average Cost of Capital (WACC) of the project that is calculated from

$$WACC = K_e \times [E/(D+E)] + K_d \times [D/(D+E)] \times (1-T)$$

The required return for equity ( $K_e$ ) is estimated from Capital Asset Pricing Model (CAPM) with the following details

$$K_e = R_f + \beta \times (R_m - R_f)$$

$R_f$  = the Risk Free Rate is based on 30-year government bond yield that is 3.22% per year

(Source: <http://www.thaibma.or.th/PriceYield.html> as of February 29, 2016)

$\beta$  = The variation of 3-year historical return of BSM to the market return from the Stock Exchange of Thailand is 0.96

(Source: Krungthep Turakij Newspaper as of February 29, 2016)

$R_m$  = The 30-year average market return from the Stock Exchange of Thailand is 13.60%

(Source: Stock Exchange of Thailand as of February 29, 2016)

Based on the above calculation, the required rate of return for equity or  $K_e$  is 13.18%

Therefore, the Weighted Average Cost of Capital (WACC) of the project is 8.43% that can be calculated as follows

$K_e$  = The required rate of return for equity is 13.18%

$K_d$  = The average interest rate on long-term borrowings is 6.18%  
(based on the loan for the project)

$T$  = Corporate income tax rate is 20.00%

$D/(D+E)$  = Loan from borrowing / Shareholders' equity loan + Loan from borrowing

$E/(D+E)$  = Shareholders' equity loan / Shareholders' equity loan + Loan from borrowing

Since the proportion of funding is not constant each year, WACC calculation will be as follows

| Sources of fund           | Year 1                     |             | Year 2                     |             | Year 3-30                  |              |
|---------------------------|----------------------------|-------------|----------------------------|-------------|----------------------------|--------------|
|                           | Amount<br>(THB<br>million) | Cost<br>(%) | Amount<br>(THB<br>million) | Cost<br>(%) | Amount<br>(THB<br>million) | Cost (%)     |
| Loan from borrowing       | 169.08                     | 4.94*       | 157.48                     | 4.94*       | -                          |              |
| Shareholders' equity loan | 157.48                     | 13.18       | 214.52                     | 13.18       | 157.48                     | 13.18        |
| <b>Total</b>              | <b>326.59</b>              | <b>8.91</b> | <b>372.00</b>              | <b>8.43</b> | <b>157.48</b>              | <b>13.18</b> |

Note \* after deducting 20% tax

### 3. Projection of Free Cash Flow

DS has projected the free cash flow base on the above assumptions in order to compute

- Net Present Value (NPV) is the present value of net free cash flow of the project or for equity that is equal to the present value of cash inflows deducting the present value of cash outflows using weighted average cost of capital (WACC) as the discount rate.

- Internal Rate of Return for the project (Project IRR) and internal rate of return from equity investment (Equity IRR) is the rate of return from investment (IRR: Internal Rate of Return) that makes NPV of the project of for equity equal to zero.

- Break-even Point is the calculation based on the equity in considering that the Company needs to lease out to customers for how many percentage of sale is required in order to earn incomes equal to investment from equity based on the accumulated free cash flow.

#### 3.1 Projection of Free Cash Flow from Project

Summary of projection of free cash flow from project

Unit: THB million

| Cash flow                                   | Year 1 | Year 2 | Year 3 | Year 4-30 |
|---|--------|--------|--------|-----------|
| Cash flow received                          |        |        |        |           |
| - Long-term leasehold                       | -      | 309.23 | 154.61 | -         |
| Total cash flow received                    | -      | 309.23 | 154.61 | -         |
| Cash flow paid                              |        |        |        |           |
| - Land cost                                 | 82.23  | -      | -      | -         |
| - Construction cost                         | 171.61 | 34.38  | -      | -         |
| - Public utility expenses                   | 26.48  | 8.83   | -      | -         |
| - Construction advisory and profession fees | 41.49  | 6.98   | -      | -         |

| Cash flow                             | Year 1  | Year 2 | Year 3 | Year 4-30 |
|---------------------------------------|---------|--------|--------|-----------|
| - Selling and administrative expenses | 2.40    | 11.28  | 5.49   | -         |
| - Interest paid                       | 2.35    | 8.20   | -      | -         |
| - Tax                                 | -       | -      | -      | 32.07     |
| Total cash flow paid                  | 326.56  | 69.67  | 5.49   | 32.07     |
|                                       |         |        |        |           |
| Net cash flow                         | -326.56 | 239.56 | 149.12 | -32.07    |

Summary of projection of free cash flow from project are as follows

| Item                           | Amount | Equal                 | Unit        |
|--------------------------------|--------|-----------------------|-------------|
| Net Present Value from Project | 14.53  | > 0                   | THB million |
| Project IRR                    | 15.80  | >8.43-13.18<br>(WACC) | %           |

Based on the evaluation of Free Cash Flow from Project, the net present value from project (Project NPV) is THB 14.53 million. The positive NPV means the value-added. Moreover, the internal rate of return from project (Project IRR) is 15.80%, which is higher than the weighted average cost of capital (WACC) of 8.43%-13.18%. The break-even point is 83% of total sale.

### 3.2 Projection of Free Cash Flow from equity

Summary of projection of free cash flow from equity

| Item                          | Amount | Equal      | Unit        |
|-------------------------------|--------|------------|-------------|
| Net Present Value from Equity | 16.27  | > 0        | THB million |
| Equity IRR                    | 21.25  | >13.18(Ke) | %           |

Based on the evaluation of Free Cash Flow from equity, the net present value from equity (Equity NPV) is THB 16.27 million. The positive NPV means the value-added. Moreover, the internal rate of return from equity (Equity IRR) is 21.25%, which is higher than the required rate of return for equity of 13.18%. The break-even point for equity is 85% of total sale.

Based on the above calculation of return of the project and return for equity, DS has opined that the investment in land purchase for developing Senior Living Project of the



Company is feasible. It is reasonable to invest because this investment will create value-added to the Company.

### 3.3 Sensitivity Analysis of Free Cash Flow Projection

DS has performed the Sensitivity Analysis of free cash flow projection from the change in selling period of long-term leasehold compared to the base case. There are 2 scenarios as follows.

Scenario 1 Adjust the selling period of long-term leasehold to 4 years from the Base Case which set the selling period of long-term leasehold to be within 3 years. DS has set that the Company will be able to sell 50% of long-term leasehold of total revenue in year 2 and 25% of long-term leasehold of total revenue per year for year 3-4

Scenario 2 Adjust the selling period of long-term leasehold to 5 years from the Base Case which set the selling period of long-term leasehold to be within 3 years. DS has set that the Company will be able to sell 50% of long-term leasehold of total revenue in year 2 and 16.67% of long-term leasehold of total revenue per year for year 3-5

#### Results of Sensitivity Analysis

| <b>Scenario</b> | <b>Description</b>  | <b>NPV<br/>(THB million)</b> | <b>IRR<br/>(%)</b> |
|-----------------|---|------------------------------|--------------------|
| Base Case       | Projection based on assumptions                             | 14.53                        | 15.80              |
| Scenario 1      | Adjust the selling period of long-term leasehold to 4 years | -6.44                        | 11.40              |
| Scenario 2      | Adjust the selling period of long-term leasehold to 5 years | -14.73                       | 9.76               |

Based on the above Sensitivity Analysis, the 1<sup>st</sup> scenario has the internal rate of return of 11.40% from an adjustment in the selling period of long-term leasehold to 4 years from Base Case, the 2<sup>nd</sup> scenario has the internal rate of return of 9.76% from an an adjustment in the selling period of long-term leasehold to 5 years. The net present value in the 1<sup>st</sup> scenario is THB -6.44 million. The net present value in the 2<sup>nd</sup> scenario is THB -14.73 million, which is lower than the net present value for base case. The net present value for base case is THB 14.53 million

However, DS has considered the feasibility and has projected the feasibility of each case. Then DS multiply the feasibility with the net present value which can be summarized as follows,

| <b>Case</b> | <b>NPV<br/>(THB million)</b> | <b>Feasibility<br/>(%)</b> | <b>(NPV) after weighed at<br/>each confidence level<br/>(THB million)</b> |
|-------------|------------------------------|----------------------------|---|
| Normal case | 14.53                        | 50                         | 7.26  |
| Case 1      | -6.44                        | 30                         | -1.93   |
| Case 2      | -14.73                       | 20                         | -2.95   |
|             |                              |                            | 2.38  |

The table above shows that when multiply the net present value with the percent feasibility of each case, the total net present value will equal to THB 2.38 million which proves that Senior Living project added value to the Company.

However, the projected percent feasibility of each case that DS has made is under the assumption that the Company will continue operating on-going basis and there is no significant change. Moreover, the projection is based on the current economic condition, including information related to marketing survey, construction period and others that are received by DS. If there is any significant change that can affect the above assumptions, the selling amount might be changed.

#### **Summary of opinion of DS about the investment in Senior Living Project**

Base on the feasibility analysis of the project, the net present value (NPV) is THB 24.70 million. The internal rate of return (IRR) is 15.80% that is higher than the weighted average cost of capital (WACC) of 8.43%-13.18% and also higher than the required return for equity (Ke) of 13.18% as well as the highest interest rate on loans used in the project of 7.64%. Therefore, Senior Living Project can create value-added to the Company. DS has opined that if the Company can do according to the plan, Senior Living Project is feasible and has potential in generating returns to the Company and shareholders in long-term.

## Part 4: Summary of Opinion of Independent Financial Advisor

Regarding to all analysis and consideration of various factors mentioned above, DS as the Independent Financial Advisor has the opinion about the acquisition of asset from investment in Senior Living Project of the Company that will be proposed to the 2016 Annual General Meeting of Shareholders for consideration as follows.

### 1) Reasonableness of the Transaction

The Company sees the business opportunity in expanding to the development of residences in form of lease for life to active retirees. The project is located inside Black Mountain Golf Club Hin Lek Fai Sub-district, Hua Hin District, Prachuap Khiri Khan Province. Total project value is THB 372.00 million. The investment amount is THB 157.48 million and the bank loan is THB 150.00 million. The remaining amount is from the excess cash balance used as working capital or from issuing debenture of THB 64.52 million. The investment will increase the potential to the Company and diversify the risks to other businesses with high potential. This business can utilize the current expertise of the Company in construction materials. The Company will change from the producer and distributor of construction materials to property development for residential purpose. Moreover, the project is located next to Black Mountain Golf Club with good environment and beautiful scenes. Moreover, the project will provide facilities for active retirees. This place is also a famous tourism attraction and the host of famous golf competitions. This is an opportunity to increase more incomes to the Company from developing the residences for active retirees to live own their own. The Company expects that this project will be able to generate incomes as well as higher return to shareholders in long-term.

### 2) Fairness of Price and Appropriateness of Conditions

The price land is not more than the fair value estimated by two independent appraisers at around THB 81.21-83.92 million. DS has opined that the land price of THB 81.21 million is appropriate because the price is not more than the fair value provided by two independent appraisers. For the construction cost of THB 241.30 million, it is not more than the estimated construction cost done by Cornerstone Management Co., Ltd. who has high expertise and

experience in construction business. DS has opined that the construction cost and other expenses are acceptable.

Moreover, there are other expenses during construction of THB 49.49 million, which is normal for the preparation of large construction projects. This cost is 13.31% of total project value. Therefore, total investment in construction and other related expenses are THB 290.79 million. DS has opined that the construction cost and other expenses are acceptable.

Based on the feasibility study of the project the net present value (NPV) is THB 14.53 million. The internal rate of return (IRR) is 15.80% that is higher than the weighted average cost of capital (WACC) of 8.43%-13.18% and also higher than the required return for equity (Ke) of 13.18% as well as the highest interest rate on loans used in the project of 7.64%. Therefore, it can be concluded that Senior Living Project is feasible and creates value-added to the Company.

Moreover, the term and condition in the purchase and sale agreement of land are similar to the normal conditions in purchase and sale of real estate properties. The Company does not have any disadvantage from this.

### **3) Summary of Opinion**

**Based on all above factors, DS has opined that the investment in Senior Living Project is reasonable and the price is appropriate. Therefore, the shareholders should vote for this transaction.**

DS Prudential Management Co., Ltd. as the Independent Financial Advisor of the Company has confirmed that all studies and analysis have been done base on professional standard reasonably and fairly by concerning to the benefits of retail shareholders of the Company

However, the final voting decisions rest primarily on shareholders. Shareholders should study information and consider about advantages and disadvantages, risk factors, limitations, and other information about the acquisition of asset enclosed with the notice of the shareholders' meeting in order to consider and make decision appropriately.

## BuilderSmart Public Company Limited Overview

### 1. Background

The Company was established in 2001 by distributing 2 groups of products including partitioning system branded Alloy and product distribution of Thai Gypsum Products Public Company Limited. The Company had developed the products with outstanding design that can well satisfy customers. The products of the Company are preferred by designers, contractors, and the project owners. Therefore, the products of the Company have been used for interior decoration of many residential projects, office buildings, well-known resorts in Thailand and other countries. The Company has grown up consistently until the Company has been listed in mai Stock Exchange on February 14, 2008.

#### Important Changes in 2015

##### (1) *BuilderSmart Public Company Limited*

#### Finance and Investment of the Company

The 2015 Annual General Meeting of Shareholders has the resolution for capital increase from THB 113.99 million to THB 142.49 million to support the stock dividend and the adjustment of rights in BSM-W1 and BSM-ESOP1. During the year, there are the exercises of BSM-W1 for 4 times and the number of ordinary shares increased by 97,015,342 shares with cash receipt of THB 9.70 million. Moreover, the employees of the Company have exercised of BSM-ESOP1 making the number of shares increased by 11,750,000 shares with cash receipt of THB 1.88 million. Total cash receipt from exercising both warrants is THB 11.58 million.

The Company has stopped the operation of BuilderSmart Construction System PVT Ltd. in India that is the subsidiary of the Company. The Company has changed the marketing strategies by distributing the products through the master distributor in India named ALLOY WAREHOUSE AND INTERIORS LLP who will sell products and manage inventories for the Company in India. Therefore, the Company did not need the subsidiary in India anymore.

(2) *D&W (Asia) Co., Ltd.* (the Subsidiary)

**Business**

The company has the plan to launch new products to access more customers by registering 2 brands including

- “BETTER VIEW” is the brand of ready-made doors and windows that the customers can install by themselves. The distribution will be done by distributors all over the country.
- “VISTALITE” is the brand for doors and windows for the residences requiring extra-large openings.

In 2016, the Company plans to launch the new product for condominium at competitive price.

**Important Changes and Development in the Past**

The Company and subsidiaries have many important developments since the preparation for listing in mai Stock Exchange with the following details.

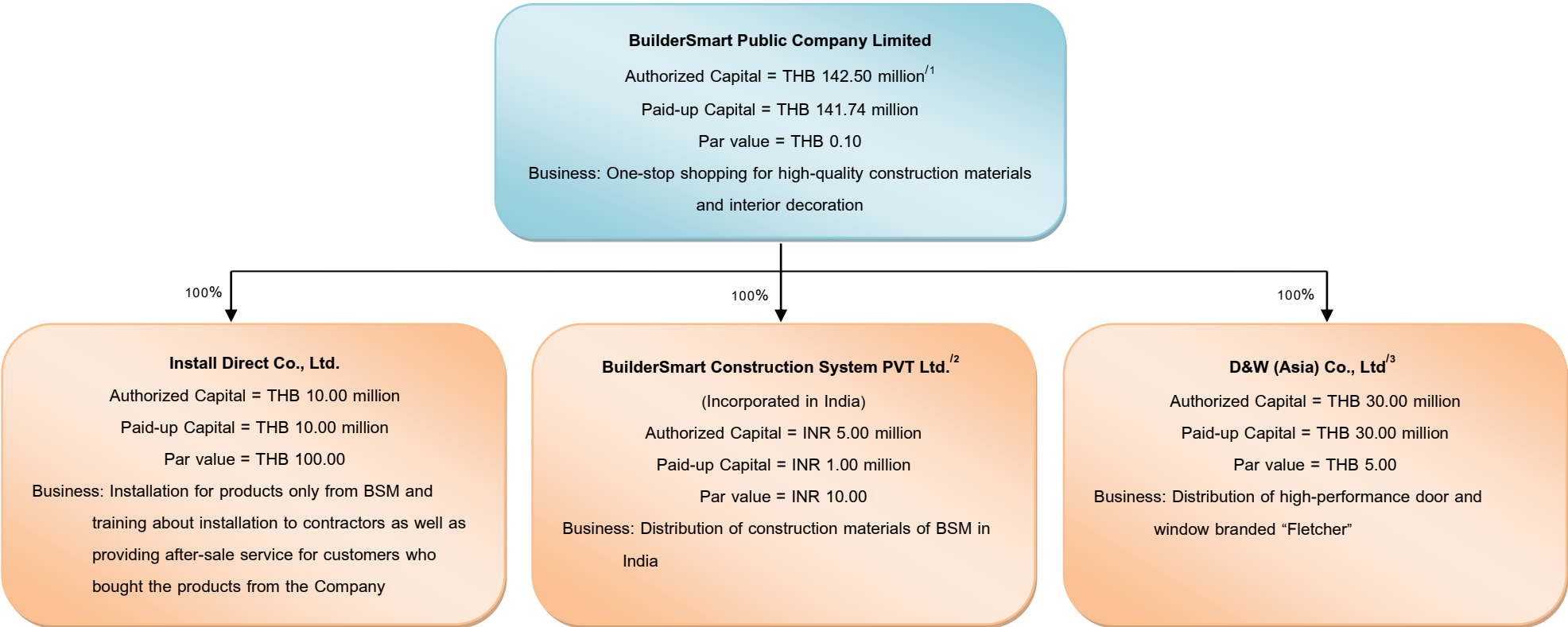
|      |   |  |
|------|---|--|
| 2007 | : | <ul style="list-style-type: none"><li>- The Company increased its capital for THB 47.00 million and has the authorize capital of THB 50.00 million. Moreover, the par value was changed from THB 100 (One Hundred baht) to THB 0.50 (Fifty satang)</li><li>- The Company increased its capital by THB 25.00 million by issuing 50 million ordinary shares with par value of THB 0.50. These ordinary shares were allotted by Initial Public Offerings (IPO). The Company had the authorized capital of THB 75.00 million.</li><li>- The Company has been transformed to public company limited and changed the name from “BuilderSmart Distribution Centre Co. Ltd.” to “BuilderSmart Public Company Limited” and was listed in mai Stock Exchange using the symbol of “BSM” on February 14, 2008.</li></ul> |
| 2010 | : | <ul style="list-style-type: none"><li>- The Company has expanded its business by establishing the subsidiary named “Install Direct Co., Ltd.” with the authorized capital</li></ul>  |

|      |   |   |
|------|---|---|
|      |   | <p>of THB 5.00 million in order to provide installation services for the products of the Company. The ownership proportion in this subsidiary is 100%</p> <ul style="list-style-type: none"> <li>- The Company has expanded its business by establishing the subsidiary named “BuilderSmart Construction System PVT Ltd.” incorporated in India with authorize capital of INR 5.00 million in order to be the distributor of products of BSM in India. The ownership proportion in this subsidiary is 100%</li> </ul>   |
| 2012 | : | <ul style="list-style-type: none"> <li>- The Company issued the warrant “BSM-W1” for 75.00 million units and allotment to current shareholders without charging any price using the exercise ratio of 1 warrant to 1 ordinary share. The exercise price is THB 0.50 (except there is the adjustment of the right of warrant). The exercise can be done at last working day of each quarter until expiration. BSM-W1 is also listed in mai Stock Exchange on February 14, 2013.</li> <li>- The Company issued the warrant “BSM-ESOP1” for 3.00 million units by allotment to directors and employees of the Company and subsidiaries for the contribution in the growth of the Company. The exercise ratio of 1 warrant to 1 ordinary share. The exercise price is THB 1.00 (except there is the adjustment of the right of warrant). The exercise can be done only once at expiration date.</li> <li>- The Company increased the authorized capital to THB 114.00 million by issuing 78.00 million ordinary shares with par value of THB 0.50 to support the exercise of BSM-W1 and BSM-ESOP1.</li> </ul> |
| 2013 | : | <ul style="list-style-type: none"> <li>- The Company has expanded its business by establishing the subsidiary named “D&amp;W (Asia) Co., Ltd.” with the authorized capital of THB 30.00 million in order to distribute high performance door and window branded “Fletcher” The ownership proportion in this subsidiary is 100%</li> </ul>   |
| 2014 |   | <ul style="list-style-type: none"> <li>- The Company did the capital decrease by cancelling 20 ordinary shares prepared for the exercise of BSM-W1. There are some remaining units from allotment of BSM-W1. Therefore, the Company</li> </ul>  |

|      |  |
|------|--|
|      | <p>had authorized capital of THB 113.99 million. There is also the stock split making the par value changed from THB 0.50 to THB 0.10 and the number of shares changed from 227.99 million shares to 1,139.99 million shares.</p> <ul style="list-style-type: none"> <li>- The capital increase from the exercise of BSM-W1. As of December 31, 2014, the authorized and paid-up capital increased from THB 75.00 million to THB 104.26 million.</li> </ul>  |
| 2015 | <ul style="list-style-type: none"> <li>- The Company had increased the authorized capital from THB 113.99 million to 142.49 million to support the stock dividend and the adjustment of rights in BSM-W1 and BSM-ESOP1</li> <li>- The capital increase from the exercise of BSM-W1 and BSM-ESOP1. As of December 31, 2015, the authorized and paid-up capital increased from THB 104.26 million to THB 141.74 million.</li> <li>- BuilderSmart Construction System PVT Ltd. has been stopped because the change in business strategy. The distribution was through the master distributor appointed in India.</li> <li>- Install Direct Co., Ltd. increased the authorized capital from THB 5.00 million to THB 10.00 million. The ownership proportion is still 100%</li> </ul> |



Company Structure as of December 31, 2015 is as follows.



**Note:** /1= The 2015 Annual General Meeting of Shareholders had the resolution to increase the authorized capital by THB 28.50 million from THB 114.00 million to THB 142.50 million in order to support the stock dividend and the adjustment of rights in BSM-W1 and BSM-ESOP1. The registration was on May 26, 2015. During the year, there are the exercise of BSM-W1 for 4 times and the exercise of BSM-ESOP1 for 1 time. For the last exercise of BSM-W1 and BSM-ESOP1 on December 30, 2015, the authorized and paid-up capital increased to THB 141.74 million.

/2= BuilderSmart Construction System PVT Ltd. has ceased its operation since the 2<sup>nd</sup> quarter of 2015. The Company has changed the marketing strategies by distributing the products through the master distributor in India

/3= The Board of Directors of the Company has resolved in its meeting no. 4/2012 held on November 8, 2012 to approve the establishment of the subsidiary named Door and Window (Asia) Co., Ltd. with authorized capital of THB 30.00 million in form of 6.00 million ordinary shares with par value of THB 5.00. The main business is about the smart door and window products branded "Fletcher". On August 7, 2013, the subsidiary "Door and Window (Asia) Co., Ltd." has changed the name to "D&W (Asia) Co., Ltd."

## Subsidiaries

1) **Install Direct Co., Ltd. (“Install Direct”)** has been registered since April 26, 2010, provides installation service for only BSM products and provides installation system training for the contractors as well as giving an after sale service for all BSM clients. Install Direct Co., Ltd. office is located at 888/7 Moo 20 T. BangPlee Yai BangPlee, Samut Prakarn 10540. Tel. 02-382-5644, Fax. 02-382-5645. As of December 31, 2015, there are 10 million registered capital divided into 100,000 ordinary shares (THB 100 per share). BSM is holding 100% of the ownership. At the present, there are three directors including Mr. Suresh Subramaniam, Mr. Sunchai Nuengsit, and Mr. Nattapong Juejantuek. The authorized directors are any two directors signing together with company’s seal.

Summary of Financial and Operational Performance of Install Direct (Separated)

| Item                      | 2013            |         | 2014            |         | 2015            |         |
|---------------------------|-----------------|---------|-----------------|---------|-----------------|---------|
|                           | THB<br>Thousand | %       | THB<br>Thousand | %       | THB<br>Thousand | %       |
| Total Current Assets      | 25,259.36       | 93.05%  | 25,916.99       | 88.35%  | 23,927.55       | 85.45%  |
| Total Assets              | 27,146.54       | 100.00% | 29,333.70       | 100.00% | 28,001.88       | 100.00% |
| Total Current Liabilities | 19,031.75       | 70.11%  | 22,630.99       | 77.15%  | 16,980.94       | 60.42%  |
| Total Liabilities         | 19,060.90       | 70.21%  | 22,690.44       | 77.35%  | 17,058.37       | 60.92%  |
| Issued Share Capital      | 5,000.00        | 18.42%  | 5,000.00        | 17.04%  | 10,000.00       | 35.71%  |
| Paid-up Share Capital     | 5,000.00        | 18.42%  | 5,000.00        | 17.04%  | 10,000.00       | 35.71%  |
| Shareholders’ Equity      | 8,085.64        | 29.79%  | 6,643.26        | 22.65%  | 10,943.51       | 39.08%  |
| Total Revenue             | 51,402.42       | 100.00% | 53,519.82       | 100.00% | 47,846.93       | 100.00% |
| Gross Profit              | 12,062.58       | 23.47%  | 8,528.65        | 15.94%  | 7,826.61        | 16.36%  |
| Net Profit (Loss)         | 2,122.72        | 4.13%   | (1,442.39)      | (2.70%) | (699.75)        | (1.46%) |

2) **Builder Smart Construction System Co., Ltd. (“Builder Smart Con”)** was registered in India since June, 6 2010. Operates as a distributor of building products of BSM in India. Builder Smart Con office is located at T-61, (New NO.7) 10TH Street, Anna Nagar West, Chennai - 600040, Tamil Nadu, INDIA Tel./Fax. +914426880180.

The operations were ceased from the second quarter of 2015 due to the company had changed its business plan to sell products through official distributors (Master Distributor) instead of establishing branches in India.

**3) D&W (Asia) Co., Ltd. (“D&W”)** has been established since January 7, 2013. Business operations are on the aluminum genius "Fletcher" doors and windows. Office is located at 636/11-12 M.3 Phutharaksa Road, Phraekasa, Muang Samutprakarn, Samutprakarn Tel. 02-178-6705, Fax. 02-178-1712. As of December 31, 2015, there were 30 million registered capital, divided into 6 million shares (THB 5 per share) held 100% by BSM. At the present, there are three directors including Mr. Suresh Subramaniam, Mr. Sunchai Nuengsit, and Mr. Christopher John Cartwright. The authorized directors are any two directors signing together with company's seal.

Summary of Financial and Operational Performance of D&W (Separated)

| Item                      | 2013            |         | 2014            |                 | 2015       |                 |
|---------------------------|-----------------|---------|-----------------|-----------------|------------|-----------------|
|                           | THB<br>Thousand | %       | THB<br>Thousand | THB<br>Thousand | %          | THB<br>Thousand |
| Total Current Assets      | 60,285.65       | 90.24%  | 56,008.85       | 84.50%          | 61,874.18  | 84.40%          |
| Total Assets              | 66,807.60       | 100.00% | 66,280.36       | 100.00%         | 73,312.17  | 100.00%         |
| Total Current Liabilities | 36,235.64       | 54.24%  | 32,564.35       | 49.13%          | 39,419.03  | 53.77%          |
| Total Liabilities         | 36,797.11       | 55.08%  | 34,272.71       | 51.71%          | 40,966.94  | 55.88%          |
| Issued Share Capital      | 30,000.00       | 44.91%  | 30,000.00       | 45.26%          | 30,000.00  | 40.92%          |
| Paid-up Share Capital     | 30,000.00       | 44.91%  | 30,000.00       | 45.26%          | 30,000.00  | 40.92%          |
| Shareholders' Equity      | 30,010.49       | 44.92%  | 32,007.65       | 48.29%          | 32,345.23  | 44.12%          |
| Total Revenue             | 68,810.51       | 100.00% | 99,814.07       | 100.00%         | 105,938.12 | 100.00%         |
| Gross Profit              | 7,737.64        | 11.24%  | 14,621.45       | 14.65%          | 22,337.57  | 21.08%          |
| Net Profit (Loss)         | 10.49           | 0.02%   | 1,997.15        | 2.00%           | 337.59     | 0.32%           |

## 2. Business overview

Company is a manufacturer and distributor of high-quality construction and decoration products focusing on both design and new innovation products.

**The company's products are divided into three groups as follows;**

1. BSM Wall & Ceiling
2. Aluminum for interior
3. High Performance Doors & Windows

## **Revenue Structure of the Company**

Revenue from sales of products for the Company and Subsidiaries can be divided into 3 groups and revenue from installation, in which the details of revenue structure for the year 2013, 2014 and 2015 are as follows

| Product Type                           | 2013           |               | 2014           |               | 2015           |               |
|--|----------------|---------------|----------------|---------------|----------------|---------------|
|  | THB<br>Million | %             | THB<br>Million | %             | THB<br>Million | %             |
| 1) BSM Wall & Ceiling                  | 226.70         | 41.97         | 193.54         | 38.12         | 214.15         | 38.40         |
| 2) Aluminium for Interior              | 193.90         | 35.90         | 179.26         | 35.30         | 212.17         | 38.04         |
| 3) High Performance Doors &<br>Windows | 90.70          | 16.79         | 104.47         | 20.58         | 105.06         | 18.84         |
| 4) Installation                        | 28.83          | 5.34          | 30.49          | 6.00          | 26.33          | 4.72          |
| <b>Revenue from sales and services</b> | <b>540.13</b>  | <b>100.00</b> | <b>507.76</b>  | <b>100.00</b> | <b>557.71</b>  | <b>100.00</b> |
| Other Income <sup>/1</sup>             | 7.14           |               | 5.14           |               | 5.42           |               |
| <b>Total Revenue</b>                   | <b>547.27</b>  |               | <b>512.90</b>  |               | <b>563.13</b>  |               |

Note: /1 – Other income means profit (loss) from foreign exchange rate, revenue from the sales of scrap aluminum and bad debt recoveries

**Product types** are divided into three types as follows;

1) **BSM Wall & Ceiling** such as BSM - TIS, BSM 40, BSM T-Bars, BMS Insulated-Wall, BSM Serve Board and Ceiling Décor.







2) **Aluminium for Interiors** includes ALLOY Partition, Alloy Door Hardware. Most of the office interior products are under the brand of the company.

3) **High Performance Doors & Windows**. This feature focuses on intuitive seamlessly design and durable.

The company focuses on providing stylish and modern design construction products and high quality materials mixed with marketing strategy, especially, fast delivery service. Moreover, the company innovates and creates new products regularly to support the needs of interior designers, contractors and other target customers. The company also provides customers the experienced and skilled consultants to support interior design and product selection to suit with the construction style.

## Summary Table of Products and Specifications

| Products   | Illustration  | Description   |
|--|---|---|
| <b>1. BSM Wall &amp; Ceiling</b>   |   |   |
| <ul style="list-style-type: none"> <li>● Quality gypsum board by “Gyproc”</li> </ul>           |    | Durable gypsum panels in a variety of sizes for any wall or ceiling configuration. Easy to install and paint with a smooth finish for attractive interiors. Complies with international standards ISO9002 |
| <ul style="list-style-type: none"> <li>● Plasterboard Frames by “BSM” and “Gryproc”</li> </ul> |    | Sturdy precision-engineered frames for securely fastening plasterboard walls and suspended ceilings in a flexible variety of configurations. Complies with international standards ISO9002                |
| <ul style="list-style-type: none"> <li>● BSM Loft Hatch by “BSM SERVE BOARD”</li> </ul>        |   | Standard-size service hatch for walls and ceilings. Easy to open and close, the BSM loft hatch seamlessly blends with the ceiling when painted over.  |
| <ul style="list-style-type: none"> <li>● “BSM Step”</li> </ul>                                 |  | Create custom ceilings with fantastic curved steps to give add depth and style  |
| <ul style="list-style-type: none"> <li>● “CeilingDécor”</li> </ul>                             |  | Stylish trim to decorate the edges, joins and corners of ceilings. Available in a variety of styles from renaissance to modern minimalist.  |
| <ul style="list-style-type: none"> <li>● “Rockwool” Insulation</li> </ul>                      |  | Excellent insulation to resist and reflect heat, eping interiors cool. Fire resistant and excellent sound proofing qualities. Ideal for partitioning in warehouses, offices and shopping malls.           |

| Products   | Illustration  | Description  |
|--|---|--|
| <b>2. Aluminium for Interiors</b>  |   |  |
| <ul style="list-style-type: none"> <li>● Alloy Partitioning</li> </ul>                               |    | <p>A cost-effective way to transform open floor space into individual office spaces with study and stylish alloy and glazing partitioning, complete with sliding doors</p>   |
| <ul style="list-style-type: none"> <li>● DSG. Partitioning</li> </ul>                                |    | <p>Double glazed floor-to-ceiling partitioning for excellent insulation against sound and heat. High sound absorption technology makes these partitions ideal for ensuring privacy in meeting rooms with an STC rating of 43.</p>      |
| <ul style="list-style-type: none"> <li>● Alloy S40</li> </ul>  |   | <p>Stylish slimline-frame partitions ideal for offices and condos. Sliding doors on suspended runners.</p>   |
| <ul style="list-style-type: none"> <li>● Vogue Wall</li> </ul>                                       |  | <p>Stylish high-quality extra wide sliding partitions in a smart design and a variety of colours and styles with glazing in multiple sliding panes on floor runners to open up more than two thirds of the partition when desired.</p> |
| <ul style="list-style-type: none"> <li>● Gypsum Panel Sets</li> </ul>                                |  | <p>Ready-to-install gypsum panels with pre-installed plasterboard frames. Available in a variety of sizes for a snug fit and smooth finish for almost any kind of room style and configuration.</p>                                    |
| <b>3. Fletcher Door &amp; Window Systems</b>   |   |  |
| <ul style="list-style-type: none"> <li>● Fletcher Door &amp; Window Systems by "FLETCHER"</li> </ul> |  | <p>Durable weatherproof aluminium-frame glazed doors and windows for modern exteriors. Ideal for homes and high-end offices. 7-year warranty</p>   |

Trademark of the Company and the only main distributors



Trademark of the leading producer from within and outside the country in which the Company is the general distributors



### Marketing Strategies

Selling products under construction in conjunction with the guide consulting and offer correct details-of-use to the designers. Especially, the specific product for the design of which are the products those have the special features in order to meet designers' and projects owners' demand and satisfaction, in terms of style, beauty and special qualities. The company's sales team is knowledgeable about construction products. The company provides rapid delivery service. BSM Call Center advises and provides after sales service to customers. As well as help coordinate the sales department to place orders to the warehouse and ensure the timely delivery service. Therefore, company has earned the trust and recognition in both products and services from both the designers and project owners.

In additions, the company has the policy to encourage all customers to be the members of the Company in order to motivate customers with good feeling and participation that will result in the repurchase. The Company also builds the connection among members organizing the meeting for networking purpose for future coordination and business success. There are many privileges for members with the following details.

| Privilege   | Customer Level |            |                |            |               |             |               |
|---|----------------|------------|----------------|------------|---------------|-------------|---------------|
|   | Platinum I     | Platinum G | Corporate Gold | Specialist | Retail Credit | Retail Cash | BSM Club Card |
| Getting credit line and credit period for the orders  | /              | /          | /              | /          | /             |             |               |
| Free delivery in Bangkok and vicinity for the order with the amount at least THB 5,000                            | /              | /          | /              | /          | /             |             |               |
| Getting the ordered products within 24 hours.   | /              | /          | /              | /          | /             |             |               |
| Getting services for credit data analysis from National Credit Bureau (BOL)                                       | /              | /          |                |            |               |             |               |
| Advising for bank loan  | /              | /          | /              | /          | /             | /           | /             |
| Fixing the price for the project  | /              | /          | /              | /          | /             |             |               |
| Collecting information about differently types of orders for the customers.                                       | /              | /          |                |            |               |             |               |
| Point Reward Program  | /              | /          | /              | /          | /             | /           | /             |
| Asking for delivering of products not more than 10% of credit line in case that the credit line is fully utilized | /              | /          |                |            |               |             |               |
| Joining the training about product installment at Training Center of BSM for free                                 | /              | /          | /              | /          |               |             |               |
| Assigning the technician to inspect and suggest for solving problems at site.                                     | /              | /          | /              | /          |               |             |               |
| Platinum hotline  | /              | /          |                |            |               |             |               |

Note: If the member orders the products with the amount more than credit line, the sales team needs to get approval from the Executive Committee who will consider case by case.

The Company also opened the training center or BSM Training Center to increase the skills in installing products of the Company free of charge as one privilege to customers.



### Price

Pricing strategies are divided by product types then incorporate with the market competitiveness as follows;

- General Building Products. This product types are commercially available with high price elasticity. Therefore, the company set the price of these products according to the market price which would be review weekly.

The Company has a policy of equivalent pricing to other vendors. Sales Director and Product Development are authorized to reduce the price in a special case.

- Specified Products. For this group, although, there are wide range of substitute products and brands in the market with high price competitiveness, the company's products can differentiate in term of quality, variety and better service. As a result, the company has no price competition policy in the market. The pricing strategy is mark-up on cost.

### Place

The company has an aggressive distribution strategy by the knowledgeable and experienced sales team building products and interior. The sales team is divided into two teams which are sales teams for contractors and sales teams for interior designers. In order to meet the needs of different customer segments, the company also focuses on rapid service with call center. Call center provides consultation and information about the interior. While there are two current distribution channels as follows;

- Customers are able to place direct order at the company's sales office (Gyproc Center)
- Members can place orders directly through the call center. Non-members can order through the sales team. Anyway, customers will be provided good service from both methods.

### Promotion

The company has organized promotional activities focusing on reward for loyalty customers (Loyalty Program). Members are able to get any special promotions from the Company including discount for class members, price fixing for the project that construction period is longer than usual, point reward program, free shipping for Platinum Members, or delivery with 24-hour, etc.

The company also has advertising, public relations and customer relation using online media such as YouTube video website or regularly participating in an event or exhibition that related to the interior design and construction of office buildings and homes.

## **Target Customers**

The decision to buy building materials and interior depend on the project owners' budget and patterns of design. Therefore, the project owners would inform this information to the interior designers then the contractors would order the product according to the design specifications to be used for interior construction. After the construction is completed, the final step is to examine the finished work by the project owners. The company understands the relationship of the parties well; therefore, the company divides target customers into three groups as follows;

1. Project Owners
2. Designers include both architect and interior designers
3. Contractors include interior contractors and general contractors.

## **Competitors**

The company has no direct competitors because the company is differentiate it from other competitors in terms of product characteristics and target customers. In other words, the company has its own product development, interior construction and production distribution under its brand as well as it is the only authorized distributor of the leading foreign brands in Thailand. Company focuses mainly on direct marketing to the interior designers and interior constructors while most of the competitors are focusing on contractors and end users where the market is competitive.

The company indirect competitors are wholesalers and retailer that sell building materials and equipment, and stores selling particular interior products. Recently, there are an increasing number of contraction material and decoration distributors. In Thailand, there are eight major distributors, which have branches and distributors located in Bangkok and metropolitan and other areas across the country. Those major distributors operate in form of wholesalers, modern trade that holding a concept as a hub of building materials and home decoration services. Customers can purchase the home-related product in one place (One-Stop Shopping).

Table shows the list of owners selling construction materials and decorations (separate by business type)

| Type of business | Name  |
|------------------|---|
| Modern Trade     | 1) Grand Home Mart Group      2) CRC Thai Watsadu<br>3) Siam Global House |
| Specialty Store  | 1) Cementthai sales and      2) Sunparadise (Thailand)<br>marketing       |

Source: Research Department, Krungthai Bank

### 3. List of shareholders

As of January 25, 2016, top 10 list of shareholders of the Company (including related person mentioned in The Securities and Exchange Act No. 258) are as follows

| List   | No. of shares (shares) | %             |
|--|------------------------|---------------|
| 1. Mr. Sanchai Nueangsit Group <sup>/1</sup> | 267,500,000            | 18.87         |
| 2. Mr. Suret Subramaniam Group <sup>/2</sup> | 229,310,312            | 16.18         |
| 3. Mrs. Pattaya Pichetpongsa                 | 222,625,000            | 15.71         |
| 4. Mrs. Kesara Manasilp                      | 65,967,850             | 4.65          |
| 5. Mr. Wicharn Treesutthacheep               | 37,000,000             | 2.61          |
| 6. Mr. Christopher John Cartwright           | 31,250,000             | 2.21          |
| 7. THAI NVDR CO.,LTD.                        | 22,083,750             | 1.56          |
| 8. Mr. Somnuk Khrengthammakhun               | 15,610,000             | 1.10          |
| 9. Miss. Nika Sophonpanichakij               | 11,407,500             | 0.80          |
| 10. Miss. Phannin On-Sirisuwat               | 11,024,600             | 0.78          |
| Other shareholders                           | 503,625,110            | 35.53         |
| <b>Total</b>                                 | <b>1,417,404,122</b>   | <b>100.00</b> |

Note: /1 Mr. Sanchai Nueangsit Group consists of Mr. Sanchai Nueangsit and Mrs. Narisa Nueangsit (wife)

/2 Mr. Suret Subramaniam Group consists of Mr. Suret Subramaniam and Mrs. Nawaporn Sobrek (wife)

#### 4. The Board of Directors and Executives

##### 4.1 Board of Directors

As of December 31, 2015, The Board of Directors consists of 8 members as follows,

| Name - Surname                    | Position  |
|-----------------------------------|---|
| 1. Mr. Suret Subramaniam          | Chairman of the Board                                 |
| 2. Mr. Sanchai Nueangsit          | Vice Chairman   |
| 3. Mr. Christopher John Cartright | Director  |
| 4. Mr. Anek Pichetpongsa          | Director  |
| 5. Mr. Yang Chuan Moh             | Director  |
| 6. Mr. Mark David Rammejan        | Chairman of Audit Committee /<br>Independent Director |
| 7. Mr. Theerathorn Tharachai      | Audit Committee / Independent Director                |
| 8. Miss Thitiya Wongjirachai      | Audit Committee / Independent Director                |

Note: Miss. Pansachol Kusolpuchong is the Company's secretary

##### Authorize signatory director

Mr. Suret Subramaniam and Mr. Sanchai Nueangsit co-signed with the Company's seal

##### 4.2 Audit Committee

As of December 31, 2015, Audit Committee consists of 3 members as follows,

| Name - Surname               | Position                    |
|------------------------------|-----------------------------|
| 1. Mr. Mark David Rammejan   | Chairman of Audit Committee |
| 2. Mr. Theerathorn Tharachai | Audit Committee             |
| 3. Miss Thitiya Wongjirachai | Audit Committee             |

Note: Audit Committee who poses accounting-finance expertise is Mr. Mark David Rammejan. Miss. Pansachol Kusolpuchong is the Company's audit committee secretary

##### 4.3 Nomination and Compensation Committee

As of December 31, 2015, Nomination and Compensation Committee consists of 4 members as follows,

| <b>Name - Surname</b>           | <b>Position</b>                                   |
|---------------------------------|---|
| 1. Mr. Anek Pichetpongsa        | Chairman of Nomination and Compensation Committee |
| 2. Mr. Yang Chuan Moh           | Nomination and Compensation Committee             |
| 3. Mr. Theerathorn<br>Tharachai | Nomination and Compensation Committee             |
| 4. Mr. Mark David<br>Rammejan   | Nomination and Compensation Committee             |

Note: Miss. Pansachol Kusolpuchong is the Company's nomination and compensation committee secretary

#### **4.4 Executive Committee**

As of December 31, 2015, Executive Committee consists of 4 members as follows,

| <b>Name - Surname</b>             | <b>Position</b>                 |
|-----------------------------------|---------------------------------|
| 1. Mr. Suret Subramaniam          | Chairman of Executive Committee |
| 2. Mr. Sanchai Nueangsit          | Executive Committee             |
| 3. Mr. Christopher John Cartright | Executive Committee             |
| 4. Mr. Yang Chuan Moh             | Executive Committee             |

#### **4.5 Executives**

As of December 31, 2015, the Executives consists of 7 members as follows,

| <b>Name - Surname</b>             | <b>Position</b>                               |
|-----------------------------------|---|
| 1. Mr. Suret Subramaniam          | Chief Executive Officer                       |
| 2. Mr. Sanchai Nueangsit          | Chief Operating Officer and Managing Director |
| 3. Mr. Christopher John Cartright | Product Development Director                  |
| 4. Mr. Yang Chuan Moh             | Chief Financial Officer                       |
| 5. Mr. Somnuk Khrengthammakhun    | Director (International)                      |
| 6. Miss. Patcharee Kercharoen     | Senior Accounting Manager                     |
| 7. Miss. Pansachol Kusolpuchong   | Senior Finance Manager                        |

## 5. Financial and Operational Performance

(Unit : THB Thousand)

| STATEMENTS OF FINANCIAL POSITION                               | Audited           |                |                   |                |                   |                |
|--|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|  | December 31, 2013 |                | December 31, 2014 |                | December 31, 2015 |                |
|  | Amount            | %              | Amount            | %              | Amount            | %              |
| Cash and cash equivalents                                      | 41,900.56         | 14.34%         | 70,707.87         | 19.86%         | 118,318.36        | 31.09%         |
| Trade and other receivables - net                              | 80,082.88         | 27.41%         | 93,322.28         | 26.21%         | 78,243.17         | 20.56%         |
| Inventories - net  | 103,767.63        | 35.51%         | 120,403.21        | 33.82%         | 109,142.63        | 28.68%         |
| Other current assets   | 8,869.25          | 3.04%          | 12,258.25         | 3.44%          | 10,767.19         | 2.83%          |
| <b>Total current assets</b>                                    | <b>234,620.33</b> | <b>80.30%</b>  | <b>296,691.60</b> | <b>83.33%</b>  | <b>316,471.35</b> | <b>83.16%</b>  |
| Restricted deposits at bank                                    | 33,028.46         | 11.30%         | 32,750.00         | 9.20%          | 34,250.00         | 9.00%          |
| Property, plant and equipment - net                            | 17,169.32         | 5.88%          | 17,918.87         | 5.03%          | 21,474.61         | 5.64%          |
| Intangible asset - net   | 1,702.35          | 0.58%          | 1,615.02          | 0.45%          | 1,211.37          | 0.32%          |
| Deferred income tax assets                                     | 3,709.53          | 1.27%          | 3,709.53          | 1.04%          | 3,867.54          | 1.02%          |
| Other non-current assets                                       | 1,957.07          | 0.67%          | 3,375.76          | 0.95%          | 3,267.55          | 0.86%          |
| <b>Total non-current assets</b>                                | <b>57,566.73</b>  | <b>19.70%</b>  | <b>59,369.17</b>  | <b>16.67%</b>  | <b>64,071.07</b>  | <b>16.84%</b>  |
| <b>Total assets</b>  | <b>292,187.06</b> | <b>100.00%</b> | <b>356,060.77</b> | <b>100.00%</b> | <b>380,542.42</b> | <b>100.00%</b> |
| Short-term loans from financial institutions                   | 27,007.74         | 9.24%          | 42,052.70         | 11.81%         | 51,052.22         | 13.42%         |
| Trade and other payables                                       | 83,750.21         | 28.66%         | 93,932.19         | 26.38%         | 82,910.11         | 21.79%         |
| Income tax payable   | 4,265.49          | 1.46%          | 4,383.88          | 1.23%          | 1,397.48          | 0.37%          |
| Current portion of long-term loans from financial institution  | 3,840.00          | 1.31%          | 3,840.00          | 1.08%          | 0.00              | 0.00%          |
| Current portion of liabilities under financial lease agreement | 275.70            | 0.09%          | 746.12            | 0.21%          | 1,465.71          | 0.39%          |
| Other current liabilities                                      | 21,816.96         | 7.47%          | 20,396.68         | 5.73%          | 24,591.71         | 6.46%          |
| <b>Total current liabilities</b>                               | <b>140,956.10</b> | <b>48.24%</b>  | <b>165,351.58</b> | <b>46.44%</b>  | <b>161,417.23</b> | <b>42.42%</b>  |
| Long-term loans from financial institution-net                 | 4,415.13          | 1.51%          | 831.35            | 0.23%          | 0.00              | 0.00%          |
| Liabilities under financial lease agreements-net               | 652.70            | 0.22%          | 1,150.02          | 0.33%          | 1,940.54          | 0.51%          |
| Employee benefit liabilities                                   | 3,418.29          | 1.17%          | 4,279.01          | 1.20%          | 5,196.31          | 1.37%          |
| <b>Total non-current liabilities</b>                           | <b>8,486.12</b>   | <b>2.90%</b>   | <b>6,260.38</b>   | <b>1.76%</b>   | <b>7,136.85</b>   | <b>1.88%</b>   |
| <b>Total liabilities</b>                                       | <b>149,442.22</b> | <b>51.15%</b>  | <b>171,611.96</b> | <b>48.20%</b>  | <b>168,554.08</b> | <b>44.29%</b>  |
| Authorised share capital                                       | 114,000.00        | 39.02%         | 113,999.99        | 32.02%         | 142,499.99        | 37.45%         |
| Issued and paid-up share capital                               | 75,000.00         | 25.67%         | 104,258.35        | 29.28%         | 141,740.41        | 37.25%         |
| Premium on share capital                                       | 26,990.70         | 9.24%          | 26,990.70         | 7.58%          | 33,218.20         | 8.73%          |
| Reserve for share-based payment                                | 1,100.00          | 0.38%          | 1,525.33          | 0.43%          | 0.00              | 0.00%          |
| Legal reserve  | 3,087.94          | 1.06%          | 4,456.93          | 1.25%          | 5,063.31          | 1.33%          |
| Unappropriated retained earnings                               | 35,954.76         | 12.31%         | 47,120.14         | 13.23%         | 31,569.77         | 8.30%          |
| Other components of equity                                     | 611.13            | 0.21%          | 97.05             | 0.03%          | 396.05            | 0.10%          |
| <b>Total equity attributable to the Company's shareholders</b> | <b>142,744.53</b> | <b>48.85%</b>  | <b>184,448.51</b> | <b>51.80%</b>  | <b>211,987.74</b> | <b>55.71%</b>  |
| Non-controlling interests                                      | 0.30              | 0.00%          | 0.30              | 0.00%          | 0.60              | 0.00%          |
| <b>Total Shareholders' Equity</b>                              | <b>142,744.83</b> | <b>48.85%</b>  | <b>184,448.81</b> | <b>51.80%</b>  | <b>211,988.34</b> | <b>55.71%</b>  |

(Unit : THB Thousand)

| STATEMENTS OF PROFIT OR LOSS AND<br>OTHER COMPREHENSIVE INCOME | Audited           |                |                   |                |                   |                |
|--|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|  | December 31, 2013 |                | December 31, 2014 |                | December 31, 2015 |                |
|  | Amount            | %              | Amount            | Amount         | %                 | Amount         |
| Revenues from sales and services                               | 540,129.26        | 100.00%        | 507,761.95        | 100.00%        | 557,710.34        | 100.00%        |
| <b>Total revenue</b>   | <b>540,129.26</b> | <b>100.00%</b> | <b>507,761.95</b> | <b>100.00%</b> | <b>557,710.34</b> | <b>100.00%</b> |
| Cost of sales and services                                     | 389,218.17        | 72.06%         | 369,281.03        | 72.73%         | 406,115.46        | 72.82%         |
| <b>Total cost of sales and services</b>                        | <b>389,218.17</b> | <b>72.06%</b>  | <b>369,281.03</b> | <b>72.73%</b>  | <b>406,115.46</b> | <b>72.82%</b>  |
| <b>Gross profit</b>  | <b>150,911.09</b> | <b>27.94%</b>  | <b>138,480.92</b> | <b>27.27%</b>  | <b>151,594.88</b> | <b>27.18%</b>  |
| Other incomes  | 3,976.04          | 0.74%          | 3,611.45          | 0.71%          | 5,392.35          | 0.97%          |
| Bad debt recoverable   | 3,163.00          | 0.59%          | 1,525.78          | 0.30%          | 34.00             | 0.01%          |
| <b>Profit before expenses</b>                                  | <b>158,050.13</b> | <b>29.26%</b>  | <b>143,618.14</b> | <b>28.28%</b>  | <b>157,021.23</b> | <b>28.15%</b>  |
| Selling and administrative expenses                            | 116,725.73        | 21.61%         | 108,049.72        | 21.28%         | 134,642.68        | 24.14%         |
| Operating profit   | 41,324.40         | 7.65%          | 35,568.42         | 7.00%          | 22,378.55         | 4.01%          |
| Finance costs  | 3,933.31          | 0.73%          | 4,093.30          | 0.81%          | 3,736.02          | 0.67%          |
| <b>Profit before income tax expense</b>                        | <b>37,391.09</b>  | <b>6.92%</b>   | <b>31,475.12</b>  | <b>6.20%</b>   | <b>18,642.53</b>  | <b>3.34%</b>   |
| Income tax expense   | 8,372.89          | 1.55%          | 6,940.75          | 1.37%          | 4,022.46          | 0.72%          |
| <b>Profit for the year</b>                                     | <b>29,018.19</b>  | <b>5.37%</b>   | <b>24,534.37</b>  | <b>4.83%</b>   | <b>14,620.07</b>  | <b>2.62%</b>   |
| Other comprehensive income                                     | 783.18            | 0.14%          | (514.08)          | (0.10%)        | 299.00            | 0.05%          |
| <b>Total comprehensive income for the year</b>                 | <b>29,801.37</b>  | <b>5.52%</b>   | <b>24,020.29</b>  | <b>4.73%</b>   | <b>14,919.07</b>  | <b>2.68%</b>   |
| <b>Profit attributable to:</b>                                 |                   |                |                   |                |                   |                |
| <b>Equity holders of the Company</b>                           | <b>29,018.19</b>  | <b>5.37%</b>   | <b>24,534.37</b>  | <b>4.83%</b>   | <b>14,620.08</b>  | <b>2.62%</b>   |
| Non-controlling interests                                      | 0.00              | 0.00%          | 0.00              | 0.00%          | 0.00              | 0.00%          |
| <b>Total comprehensive income attributable to:</b>             |                   |                |                   |                |                   |                |
| <b>Equity holders of the Company</b>                           | <b>29,801.37</b>  | <b>5.52%</b>   | <b>24,020.29</b>  | <b>4.83%</b>   | <b>14,919.08</b>  | <b>2.68%</b>   |
| Non-controlling interests                                      | 0.00              | 0.00%          | 0.00              | 0.00%          | 0.00              | 0.00%          |
| Basic earnings per share                                       | 0.20              |                | 0.02              |                | 0.01              |                |
| Par value per share  | 0.50              |                | 0.10              |                | 0.10              |                |
| No. of ordinary shares (million)                               | 150.00            |                | 1,042.58          |                | 1,417.40          |                |

(Unit : THB Thousand)

| STATEMENTS OF CASH FLOWS  | Audited            |                   |                   |
|---|--------------------|-------------------|-------------------|
|   | 2013               | 2014              | 2015              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                    |                   |                   |
| Profit before income tax  | 37,391.09          | 31,475.12         | 18,642.54         |
| <b>Adjustment to net profit for cash provided by (used in) operating activities</b> |                    |                   |                   |
| Allowance for doubtful accounts - trade and other receivables                       | 4,188.24           | 1,022.26          | 577.29            |
| Depreciation and amortization   | 7,130.84           | 7,145.43          | 8,063.26          |
| Allowance for obsolete inventory  | 180.16             | 959.08            | 352.14            |
| Gain on disposal of fixed assets  | 0.00               | (139.34)          | (186.91)          |
| Unrealised gain (loss) on exchange rate   | (223.60)           | (167.83)          | 103.43            |
| Adjustment for foreign exchange translation   | 783.18             | (514.08)          | 299.00            |
| Employee benefit expenses   | 824.83             | 860.72            | 917.30            |
| Employee share option expense   | 1,100.00           | 425.33            | (1,525.33)        |
| Finance costs   | 3,933.31           | 4,093.30          | 3,736.02          |
| <b>Gain from operating activities before change in operating</b>                    | <b>55,308.04</b>   | <b>45,159.99</b>  | <b>30,978.74</b>  |
| <b>(INCREASE) DECREASE IN OPERATING ASSETS:</b>                                     |                    |                   |                   |
| Trade and other receivables   | (8,069.23)         | (13,959.20)       | 14,605.73         |
| Inventories   | (6,249.32)         | (18,226.09)       | 10,735.11         |
| Other current assets  | (5,227.76)         | (3,388.99)        | 1,491.06          |
| Other non-current assets  | 1,336.06           | (1,418.69)        | 108.21            |
| <b>INCREASE (DECREASE) IN OPERATING LIABILITIES:</b>                                |                    |                   |                   |
| Trade and other payables  | 9,051.01           | 11,002.02         | (11,384.13)       |
| Customer deposits   | 3,974.73           | (3,242.44)        | 5,469.82          |
| Other current liabilities   | 1,820.39           | 1,822.16          | (1,274.79)        |
| Payment of Income tax   | (8,472.10)         | (6,822.36)        | (7,166.88)        |
| <b>Net Cash Provided by Operating Activities</b>                                    | <b>43,471.83</b>   | <b>10,926.40</b>  | <b>43,562.86</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                    |                   |                   |
| Cash payment for purchase of fixed assets   | (10,651.36)        | (4,891.14)        | (8,183.31)        |
| Cash received from disposal of fixed assets   | 0.00               | 17.00             | 464.20            |
| Cash payment for purchase software computer   | (347.3)            | (784.26)          | (353.40)          |
| (Increase) decrease in restricted deposit at bank                                   | (5,530.90)         | 278.46            | (1,500.00)        |
| <b>Net Cash (Used in) provided by Investing Activities</b>                          | <b>(16,529.56)</b> | <b>(5,379.94)</b> | <b>(9,572.50)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                    |                   |                   |
| Increase in short-term loans from financial institutions                            | 2,078.22           | 15,044.96         | 8,999.53          |
| Payment of long-term loans from financial institutions                              | (3,018.69)         | (3,583.76)        | (4,671.35)        |
| Payment of liabilities under financial lease agreements - net                       | (220.28)           | (871.40)          | (1,272.52)        |
| Cash receipt from capital increase  | 0.00               | 29,258.35         | 17,104.03         |
| Cash payment for financial costs  | (4,048.56)         | (4,587.28)        | (3,581.02)        |
| Dividend payment  | 0.00               | (12,000.00)       | (2,958.54)        |
| <b>Net Cash Provided by Financing Activities</b>                                    | <b>(5,209.00)</b>  | <b>23,260.85</b>  | <b>13,620.13</b>  |
| <b>Increase in cash and cash equivalent - net</b>                                   | <b>21,733.27</b>   | <b>28,807.31</b>  | <b>47,610.49</b>  |
| Cash and cash equivalent at beginning of the year                                   | 20,167.29          | 41,900.56         | 70,707.87         |
| <b>Cash and cash equivalent at end of the year</b>                                  | <b>41,900.56</b>   | <b>70,707.87</b>  | <b>118,318.36</b> |



**Summary table of important financial ratio**

| Financial Ratio               | 2013    | 2014    | 2015    |
|-------------------------------|---------|---------|---------|
| <b>Liquidity ratio</b>        |         |         |         |
| Current ratio                 | 1.66    | 1.79    | 1.96    |
| Quick ratio                   | 0.87    | 0.99    | 1.22    |
| Cash ratio                    | 0.33    | 0.07    | 0.27    |
| A/R turnover                  | 6.90    | 5.97    | 6.63    |
| Days sales outstanding        | 52.17   | 60.30   | 54.29   |
| Inventory turnover            | 4.32    | 3.64    | 3.87    |
| Days inventory outstanding    | 83.37   | 98.99   | 92.93   |
| A/P turnover                  | 6.24    | 5.79    | 6.23    |
| Days payable outstanding      | 57.68   | 62.19   | 57.82   |
| Cash cycle                    | 77.85   | 97.10   | 89.39   |
| <b>Profitability ratio</b>    |         |         |         |
| Gross profit margin           | 27.94%  | 27.27%  | 27.18%  |
| Operating profit margin       | 7.65%   | 7.00%   | 4.01%   |
| Other income margin           | 0.00%   | 0.00%   | 0.00%   |
| Cash ratio margin             | 105.20% | 30.72%  | 194.66% |
| Net profit margin             | 5.37%   | 4.83%   | 2.62%   |
| Return on equity              | 22.80%  | 15.00%  | 7.38%   |
| <b>Efficiency ratio</b>       |         |         |         |
| Return on asset               | 10.79%  | 7.57%   | 3.97%   |
| Return on fixed asset         | 245.95% | 180.57% | 115.16% |
| Total asset turnover          | 2.01    | 1.57    | 1.51    |
| <b>Financial policy ratio</b> |         |         |         |
| Debt to equity ratio          | 1.05    | 0.93    | 0.80    |
| Interest coverage ratio       | 14.18   | 5.36    | 13.74   |
| Coverage ratio - Cash basis   | 1.51    | 0.17    | 2.08    |
| Dividend payout ratio         | 41.35%  | 120.50% | 31.99%* |

Note: \* Dividend payout for the year 2015 has not yet been finalized since approval from 2016 Annual General Meeting is needed

## **Explanation and Analysis of Financial Position and Performance**

### **Performance Analysis**

#### **Revenue**

During 2013-2015, the company had total revenues of THB 540.13, THB 507.76 million, and THB 557.71 million respectively. Total revenues in 2014 decreased from 2015 from the decline of sale volume from the impact of political instability. In 2015, the Company had higher revenue from sale and services by 9.84% or from THB 507.76 million to THB 577.71 million. This was from an increase in sale from both domestic and international market, especially from the Southern Region and India. The growth in tourism in Southern Region is good and there were demands for construction of hotels or large resorts. Moreover, the Company had the master distribution in India that is ALLOY WAREHOUSE AND INTERIORS LLP who will manage the inventory and sale to retail enterprenuers in India. The sale was down quickly because of the distributor was managed by local people. In 2015, the proportion of Wall & Ceilings, Aluminum for interior, and High Performance Doors & Windows is 38.40%, 38.40%, and 18.84% respectively, which has changed the proportion in 2014 of 38.12%, 35.30% and 20.58% respectively.

Other revenues consist of gain or loss from exchange rate, revenue from sale of aluminum scraps, interest received from financial institutions, and the reverse of bad debts. During 2013-2015, other revenues are THB 7.14 million, THB 5.14 million, and THB 5.42 million respectively. Other revenues in 2015 were mainly from gain from exchange rate.

#### **Cost of Sale**

The cost of sale consists of the cost of inventory, delivery cost, and overhead cost of delivery department. During 2013-2015, cost of sale was THB 389.22 million, THB 369.28 million, and THB 406.11 million responsitvely. The ratio of cost of sale to revenue was 72.06%, 72.73%, and 72.82% respectively. The ratio was relatively stable because the Company tried to maintain the gross profit margin and the raw material cost was also stable recently.

#### **Gross Profit Margin**

The gross profit margin decreased slightly from 27.27% in 2014 to 27.18% in 2015. However, the gross profit margin is closed to the 3-yaear average of around 27%-28%.

### **Selling and Administrative Expenses**

Selling expenses consist of overhead and commission for sale department. In 2013-2015, selling expenses were THB 44.12 million, THB 46.45 million, and THB 49.73 million respectively. The ratio of selling expense to revenue from sale and services was 8.17%, 9.15%, and 8.92% respectively. In 2015, the ratio of selling expense to revenue from sale and services decreased because most of selling expenses were fixed expenses and the revenue from sale and services increased.

Administrative expenses consist of overhead for administrative department, utility expenses, compensation expenses, and consulting expenses. In 2013-2015, administrative expenses were THB 72.61 million, THB 61.60 million, and THB 84.91 million respectively. In 2015, administrative expenses of the Company increased by THB 32.31 million or 37.84% because the Company hired more employees and hired consultants who are specialized in the new business of the Company in order to support the business expansion.

The increase in selling and administrative expenses was mainly from administrative expense. The Company initiated many new projects that required more personnel from both inside and outside of the Company. In 2015, the Company hired more middle-level managers and developed current personnel to support the growth of the Company in the future. Moreover, the Company invested in developing new products to satisfy and access customers more. In order to study and research for the market, the Company also hired consultants from outside who are specialized in analyzing and evaluating the new projects occasionally.

### **Net Profit Margin**

During 2013-2015, the Company had net profit of THB 29.02 million, THB 24.53 million, and THB 14.62 million respectively. The net profit margin was 5.37%, 4.83%, and 2.62% respectively. The net profit margin showed the downward trend from time to time because the Company has more administrative expenses. Although the Company had more expenses, the Company could make the net profit of THB 14.62 million in the consolidated financial statement and THB 12.13 million for the Company financial statement in 2015.

### **Analysis of Financial Position**

#### **Assets**

As of December 2013-2015, the Company had total assets of THB 292.19 million, THB 356.06 million, and THB 380.54 million respectively. The growth rate of total assets was 6.88% in 2014. The major items for total assets of the Company include cash, trade account receivable, inventories, and property, plant & Equipment with the following details.

- At the end of 2013-2015, the Company had cash and bank deposit of THB 74.93 million, THB 103.46 million, and THB 152.57 million respectively. The increase in cash balance was from the capital increase. Moreover, the part of bank deposit was use as collateral for financial institution. The Company had cash and bank deposit that are not used as collateral of THB 41.90 million, THB 70.71 million, and THB 118.32 million respectively.

- At the end of 2013-2015, the Company had trade accounts and other receivables of THB 80.08 million, THB 93.32 million, and THB 78.24 million respectively. In 2015, trade accounts payable decreased because the Company can collect money more effectively, which could be showed in the average collection period of 60.30 days in 2014 to 54.29 days in 2015. Moreover, in 2015, the Company has the policy to follow up the collection from overdue customers and control the new customers to pay within the due date. The Company had set the allowance for doubtful accounts for the whole amount for the overdue amount more than 12 months.

- At the end of 2013-2015, the Company had inventories of THB 103.77 million, THB 120.40 million, and THB 109.14 million respectively. The Company modified its inventory management by matching the customers' demand with the amount of inventories. The inventory turnover was better from 3.64 to 3.87 and the average day's inventory outstanding decreased from 98.99 days in 2014 to 92.93 days in 2015.

- The Company has modified the warehouses and expanded the space of office building to support more employees in BSM. Moreover, the Company modified the space for the production line of window screen for the subsidiary D&W. Therefore, the net property, plant and equipment of the Company increased by THB 3.55 million.

### **Liquidity**

In 2015, the current ratio of the Company increased from 1.79 to 1.96 because of more cash flow from operating activities and from the capital increase. The quick ratio increased from 0.99 to 1.22 because the Company had more cash balance from THB 70.71 to THB 118.32 million. Meanwhile current liabilities of the Company slightly decreased from the previous year. Therefore, the Company had higher liquidity.

In 2013-2015, the Company had net cash inflow from operating activities of THB 43.47 million, THB 10.93 million, and THB 43.56 million respectively. The Company had net cash outflow from investing activities of THB 16.3 million, THB 5.38 million, and THB 9.57 million. The Company has invested in modifying the office building in order to support more number of employees, as well as modifying the warehouse area as well as purchasing more trucks. In 2013-2015, the Company had cash flow from financing activities of THB -5.21 million, THB 23.26 million, and THB 13.62 million. Most of them were from the capital increase and an increase in short-term loans. The net cash flow of the Company during 2013-2015 was THB 21.73 million, THB 28.81 million, and THB 47.71 million respectively.

### Source of Capital

#### Liabilities

As of December 31, 2013-2015, the Company had total liabilities of THB 149.44 million, THB 171.61 million, and THB 168.55 million respectively. Total liabilities at the end of 2015 decreased from 2014 by THB 3.06 million.

Total liabilities of the Company consist of trade accounts and other payables, loans from financial institutions, and other current liabilities with the following details

- At the end of 2013-2015, trade accounts and other payables are as follows.

Unit: THB Million

|   | 2013  | 2014  | 2015  |
|---|-------|-------|-------|
| Trade payables                                      | 58.58 | 69.00 | 61.46 |
| Other payables                                      | 25.17 | 24.93 | 21.45 |
| Total trade and other payables                      | 83.75 | 93.93 | 82.91 |
| Total trade and other payables to total liabilities | 56.04 | 54.73 | 49.19 |

Current liabilities decreased from THB 165.35 million in 2014 to THB 161.42 million in 2015. This is from the policy of the Company in controlling the inventory at the appropriate level. The Company decreased the purchase of inventory and trade accounts payable decreased by THB 7.54 million.

- Loans from Financial Institutions

Unit: THB Million

|   | 2013  | 2014  | 2015  |
|---|-------|-------|-------|
| Short-term loans  | 27.00 | 42.05 | 51.05 |
| Long-term loans   | 4.41  | 0.83  | 0.00  |
| Total short-term and long-term loans                      | 31.41 | 42.88 | 51.05 |
| Total short-term and long-term loans to total liabilities | 21.02 | 24.99 | 30.29 |

At the end of 2015, the Company borrowed more short-term loans by THB 9.00 million for using as working capital. Non-current liabilities increased by THB 0.88 million from an increase in financial lease obligation by THB 0.79 million for leasing of automobiles and machines. Moreover, the increase in non-current liabilities was from an increase in employee benefits obligation by THB 0.92 million. However, the Company paid back the whole amount of long-term loans from financial institutions.

- Other current liabilities consist of advance received from customers. At the end of 2013-2015, other non-current liabilities of the Company were THB 21.82 million, THB 20.40 million, and THB 24.59 million respectively. In 2015, the increase in other non-current liabilities was from an increase in advance received from customers.

### Shareholders' Equity

As of December 31, 2013 -2015, shareholders' equity was THB 142.74 million, THB 184.45 million, and THB 211.99 million respectively. Therefore, shareholders' equity increased by 29.22% and 14.93% respectively. In 2015, the Company had increased the authorized capital from THB 113.99 million to 142.49 million to support the stock dividend and the adjustment of rights in BSM-W1 and BSM-ESOP1, the exercise of BSM-W1 for 4 times in 2015, and the exercise of BSM-ESOP1. For the last exercise of BSM-W1 and BSM-ESOP1 on December 30, 2015, the Company will finish the registration of capital increased in January 2016. The authorized and paid-up capital increased from THB 104.25 million to THB 141.74 million. The Company paid the cash dividend of THB 12.00 million in 2013 and paid the stock dividend and cash dividend to shareholders from the operating performance of 2014 for THB 29.56 million.

## Capital structure

At the end of 2013-2015, the debt to equity ratio was 1.05, 0.93, and 0.80 respectively. The downward trend of debt to equity ratio was from the profitability and the capital increase. In 2014, total liabilities of the Company increased by THB 22.17 million. In 2015, total liabilities decreased by THB 3.06 million. Total liabilities have not changed much during three-year period. However, shareholders' equity increased by THB 41.71 million in 2014 and increased by THB 27.54 million in 2015.

## 6. Real Estate Industry Market Condition

The real estate market in 2015 was not active, as it should. The government policy was released to stimulate the market in late 2015, the effective date is from October 29, 2015 to April, 30 2016, period of six months. The details are to support loans to low-income house buyers, reduce transfer and mortgage fees. As a result, transfer fee is down from 2% to 0.01% of the appraised value and fee on mortgage is down from 1% to 0.01% of the mortgage. The purchase and mortgage of house, semi-detached houses, row homes and condominium market was expected to grow about 15% from year 2015 with total market capitalization of THB 3.4 trillion.

An overview of the condominium market in 2015 was not quite attractive due to the lower and middle class condominiums had been affected by the economic slowdown. The low- to moderate-income became cautious and reduce spending on housing. On the other hand, the demand for condominiums on the level of the Super Deluxe Luxury was still high. Although the prices are quite high, consumer purchasing power is still high; the buying decision was on the location, design and materials quality.

| No. of residential and development value separated by price level from 2014-2015 |         |         |        |                      |         |        |
|--|---------|---------|--------|----------------------|---------|--------|
| Selling Price  | Unit    |         |        | Amount (THB Million) |         |        |
| (THB Million)  | 2014    | 2015    | Change | 2014                 | 2015    | Change |
| Not exceeding THB 5 Million  | 100,114 | 87,668  | -12%   | 231,093              | 212,247 | -8%    |
| Between THB 5-10 Million   | 11,625  | 14,902  | 28%    | 76,687               | 98,897  | 29%    |
| Greater than THB 10 Million  | 2,355   | 5,420   | 130%   | 36,769               | 123,912 | 237%   |
| Total  | 114,094 | 107,990 | -5%    | 344,549              | 435,056 | 26%    |

Source: Research Department and Land Valuation Analysis by Agency for Real Estate Affairs: AREA

The overview of the year 2014 – 2015, the supply of housing market was reach the highest in 2015 because of the focus was on the high-end section. In the rural area, there were not many new project launched. The market expected the rural area market would have slow growth over the next 2-3 years, however, it believed that the unusual phenomenon would not last for a long period. Expected demand from the high-income level to buy expensive products would decline in 2016 because the economy is still slow down. Hence, the investment may be at greater risk. Also the supply along the rail may exceed demand in the near future.

Comparing the new supply of year 2015 and year 2014, the number of projects and units decreased, however, the project value and average sales price were increased. This was because there were more expensive items sold in the market. The overall market supply increased by 3% due to new supply that entering into the market was close to the purchasing value. As a result, the cumulative supply increased slightly.

Compared to the year 2014, the demand for the year 2015 were found to be increased by 14%; 57% was in condominiums, 26% in townhouses, 12% of single houses and the remaining 5% was other residents, including detached houses, commercial buildings and land. Considering the average selling price in 2015 that was increased up to 34% compared to year 2014. It is due to the development of the high-priced product. The products those priced greater than THB 5 million was 19% of total market, with an average of THB10.96 million per unit.

| No. of residential and development value separated by price level from 2015-2016 |         |         |        |                      |         |        |
|--|---------|---------|--------|----------------------|---------|--------|
| Selling Price  | Unit    |         |        | Amount (THB Million) |         |        |
| (THB Million)  | 2015    | 2016    | Change | 2015                 | 2016    | Change |
| Not exceeding THB 5 Million  | 87,668  | 81,531  | -7%    | 212,247              | 199,512 | -6%    |
| Between THB 5-10 Million   | 14,902  | 15,647  | 5%     | 98,897               | 106,809 | 8%     |
| Greater than THB 10 Million  | 5,420   | 4,878   | -10%   | 123,912              | 117,097 | -6%    |
| Total  | 107,990 | 102,056 | -5%    | 435,056              | 423,418 | -3%    |

Source: Research Department and Land Valuation Analysis by Agency for Real Estate Affairs: AREA

From the table above, in year 2016, the forecast estimates that the number of house priced below THB 5 million will drop about 7%, house priced between THB 5-10 million will increase about 5%, and house price over THB 10 million will reduce about 10% since there are a lot of projects launched recently. Therefore, over the year 2016, total supply in terms of units will be reduced by 5% to 102,056 units, and overall value would fell by 3% to THB 423,418 million. However, the operators expect the market will grow in 2016 due to many factors. In the



case that the economy unexpected continues to slow down similar to what happened in year 2015, there will be less supply in the market. In turn, if Thailand's economy becomes better than expected. The real estate market may be growing again, because real estate in the cyclical industry.

### **Factors affecting the real estate market in 2016**

#### **Positive factors affecting the real estate market**

- Reduction in interest rates
- Government policies such as tax incentives, reduction in transfer and mortgage fees, which benefit only to operators who are ready to transfer within the policy period.
- Large investment projects of the government that takes quite a long time to be success.
- Property price is cheaper than other countries in the region. The impact of political issues makes it becomes less interesting.
- The opening of AEC allows foreigners to purchase more real estate for living and investment.
- Reducing the amount of deposit insurance from THB 25 million to THB 1 million, which will be effective from 1 November 2016 onwards, will lead to an increase in real estate investment.

#### **Negative factors affecting the real estate market**

- Economy is still in downturn so it forces lower export and lower consumption. As a result, consumers delay their decision to purchase housing.
- Shrinking purchasing power of consumers because of the higher daily expenditure and higher household debt levels
- Higher cost of lands for development
- Consumer confidence indexes of many businesses are gradually decline.
- Drought resulting in reduced agricultural productivity. Farmers are lack of working capital; this impact on the domestic economy.

Factors that make real estate investment are more attractive than other investments.

- An increase in likelihood of the city expansion.
- Government plans on mega projects such as the MRT and the establishment of special economic zones

- Limited land availability, therefore, the land prices are likely to rise in the long-term.
- Appraisal price for new land is increased.

Analysts and major operators believe that the trend of the property market in 2016 will continue to grow at least 5% from year 2015, driven significantly by government policy, including the reduction of transfer and mortgage fees. The estimates show that operators are preparing for an intensive competition during the first four months of the year 2016, for example, promotional discount and other promotion in order to encourage consumers to make final decision before the end of real estate stimulus period.

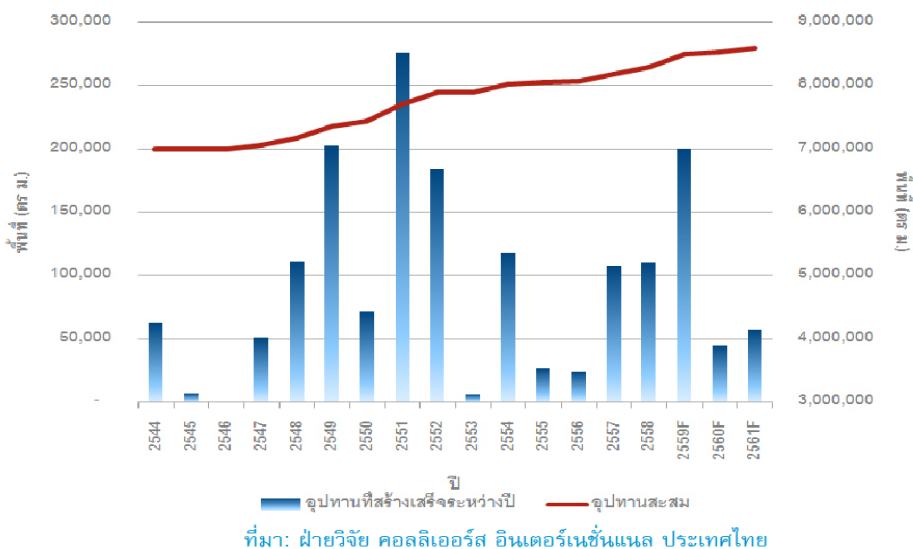
Moreover, the direction of property market is likely to have a change in product pattern. Operators would increase more investments in low-rise as detached houses and townhouses. Due to the fact that the saturation in condominium market that exhibited from the outstanding stock and speculation. The estimates from the survey of operators like LPN Development plc. in 2016 show the new condominium supply will raise by 60,000-65,000 units. Even though the quantity is close to last year, the value increases. In addition, the condominium demand is continuing to rise in the area along the rail especially Sukhumvit area. Land and Houses, Sansiri, Ananda Plc. Development is planning for new projects opening around Sukhumvit road area at the price of THB 200,000-500,000 per square metre

*Source:*

- *website thinkofliving.com*
- *Agency for Real Estate Affiars: AREA*
- *Real Estate Information Center*
- *GH Bank*

## Office building market

### อุปทานสะสม และอุปทานในอนาคต ณ ไตรมาสที่ 4 พ.ศ.2558



The occupancy rate of office building market in Bangkok is found to reach its peak in 2015 due to high demand for office spaces from both foreign and Thai companies. Most of the office buildings are located in central business areas and Phahonyothin and Ratchadapisek road. The occupancy rate in those areas is already close to 100%, especially A-grade office buildings and all new buildings completed in the last 1-3 years.

The new office space outside the central business district occupancy rate is full or almost full in a few months from the formal reservation is opened because of modern facilities, low rental rates and near public transport. The new office space demand in year 2015 is around 186,000 square meters, which represents an expansion of demand that inverse with the existing supply. As a result, the estimates of rental rate for new rental office space will continue to grow in year 2016 since the demand is probably reach the highest in the past several years by the needs of the new establish and expansion of both foreign and Thai companies. Currently, Bangkok is still suitable for investors who wish to invest in other countries in Southeast Asia, especially Myanmar, Laos PDR and Cambodia.

Approximately 109,940 square meters of office space was completed in year 2015 accumulate to be a total of 8,284,400 square meters. New office space increased significantly from 2014 to 2015 by 105,000 square meters compare to the growth from 2012 to 2013. Moreover, more than 200,000 square meters of office space is scheduled to compete in 2016.

Several new office buildings are now under construction and are scheduled to complete by 2016 – 2018. The location can be separated into area along Ratchadapisek and Phaholyothin Road with an area of approximately 129,780 square meters; the other is located in the central business area of approximately 125,380 square meters.

For example:

- Bhiraj Tower at BITEC at Bang Na BTS station as part of the exhibition center and BITEC
- F. Ice Center next to Toei subway, the inside building consists of retail space and a hotel.
- GLand Tower on Rama 9 road near Rama 9 subway station as part of GLand complex comprising of hotel, residential and retail space.

Only 2-3 new office buildings are scheduled to complete soon that located in high land prices area such as Rama 1 road, Sukhumvit, Silom, Sathorn. The high land price is not suitable for development for office buildings since the cost of development would be high. Many new developments of office buildings outside the central business district, such as the intersection of Ratchadaphisek road and Rama 9 road could be affected by an increasing in land price. Some rental land piece in the central business district is own by the estate operators that plans to develop an office building, however, there is no progress to be seen yet.

Areas along the rail extension are still not suitable for office development though many home office projects have launched several projects in the last few years.

#### *Market Forecast*

Office building is an attractive market in 2016 and the years further. The new office buildings are more attractive than the existing or older buildings in Bangkok although they are not located in the central business district. Buildings in the central business district and the area along the Skytrain and subway are still interesting for Thai and foreign companies.

There are many new office development buildings under construction in the area along Ratchadaphisek road and several buildings are under preparation stage.

*Source: Research Department, Colliers International Thailand.*

## Appraisal Report

1. T.A. Management Corporation (1999) Co., Ltd. ("T.A.") has done the report dated February 16, 2016 to appraise the property as of February 12, 2016 with the objective for making decision about buying and selling and public use.

T.A. has appraised for the land value using market comparable approach because there are many properties in the market that have similar characteristics with target property that can be used in supporting and comparison. The value will be adjusted based on the conditions and physical characteristics of the property. T.A. has selected 4 properties used as for comparison based on the physical characteristics, shape, type, size, best utilization, environment, as well as location. The weighted quality score (WQS) will be used to adjust for each factor. The details of information, comparison, scoring, and appraisal for land value are as follows.

Information of land that T.A. used in compare for the value of property

| Comparison                    | Item 1                               | Item 2                   | Item 3                 | Item 4                 |
|-------------------------------|--------------------------------------|--------------------------|------------------------|------------------------|
| Property type                 | Vacant land                          |                          |                        |                        |
| Location                      | Rai Neun Road                        | Nong Hieng Road          |                        |                        |
| Area (approximate: rai)       | 9-1-00<br>3,700 sq.wah               | 38-1-60<br>15,360 sq.wah | 6-3-70<br>2,770 sq.wah | 5-0-00<br>2,000 sq.wah |
| Shape                         | Polygon                              |                          |                        |                        |
| Width (meter)                 | 500                                  | 158                      | 70                     | 50                     |
| Land level                    | Same level as the road               |                          |                        |                        |
| Number of sides with the road | 4                                    | 1                        | 1                      | 1                      |
| Road                          | Asphalt with the wide of 8.00 meter  |                          |                        |                        |
| Utility                       | Electricity, water supply, telephone |                          |                        |                        |
| Zoning                        | Outsie the zoning                    |                          |                        |                        |
| Best utilization              | Residence                            |                          |                        |                        |
| Potential in development      | Medium                               |                          |                        |                        |
| Price per sq.wah (THB)        | 8,108.00                             | 7,500.00                 | 18,750.00              | 9,000.00               |
| Conditions                    | Offering price                       |                          |                        |                        |

Comparison of each comparable to the target property

| Comparison         | Item 1  | Item 2 | Item 3  | Item 4 |
|--------------------|---------|--------|---------|--------|
| Location           | Poorer  |        |         |        |
| Physical condition | Better  |        |         |        |
| Road               | Better  |        |         |        |
| Utility            | Similar |        |         |        |
| Environment        | Poorer  |        | Similar | Poorer |
| Utilization        | Poorer  |        | Similar | Poorer |
| Potention          | Poorer  |        | Similar | Poorer |
| Growth trend       | Poorer  |        | Similar | Poorer |
| Summary            | Poorer  |        | Similar | Poorer |

Analysis for determining the value of target property

| Factors               | Weight (%) | Comparables |     |     |     | Target Property |
|-----------------------|------------|-------------|-----|-----|-----|-----------------|
|                       |            | 1           | 2   | 3   | 4   |                 |
| Location              | 15         | 7           | 7   | 8   | 7   | 9               |
| Accessiblity          | 15         | 8           | 8   | 7   | 8   | 6               |
| Land position         | 10         | 8           | 8   | 8   | 8   | 9               |
| Shape and size        | 10         | 8           | 7   | 9   | 9   | 8               |
| Condition             | 10         | 8           | 8   | 8   | 8   | 8               |
| Infrastructure        | 10         | 8           | 8   | 8   | 8   | 8               |
| Environment           | 10         | 7           | 7   | 7   | 7   | 8               |
| Current utilitization | 10         | 7           | 7   | 8   | 7   | 8               |
| Growth trend          | 10         | 7           | 7   | 8   | 7   | 8               |
| Total                 | 100        | 755         | 745 | 810 | 765 | 795             |

Scoring principal: Low: 1-2, Fair: 3-4, Moderate: 5-6, Good: 7-8, Very Good: 9-10

| Adjustment with factors and quality level | Comparables |          |           |          | Target property |
|---|-------------|----------|-----------|----------|-----------------|
|   | 1           | 2        | 3         | 4        |                 |
| Seliing price (THB per square wah)        | 8,108.00    | 7,500.00 | 18,750.00 | 9,000.00 |                 |
| Appropriate price                         | 8,000.00    | 7,400.00 | 18,500.00 | 8,900.00 |                 |
| Weighted-score                            | 755         | 745      | 810       | 765      | 795             |

|   |          |          |           |          |           |
|---|----------|----------|-----------|----------|-----------|
| Adjustment ratio                                    | 1.0530   | 1.0671   | 0.9815    | 1.0392   | 1.0000    |
| Adjusted price                                      | 8,423.84 | 7,896.64 | 18,157.41 | 9,249.02 |           |
| Weight of each comparable                           | 0.10     | 0.10     | 0.70      | 0.10     | 1.00      |
| Value from comparable approach                      | 842.38   | 789.66   | 12,710.19 | 924.90   | 15,267.14 |
| Value of Property (THB / square wah) after rounding |          |          |           |          | 15,000.00 |

2. Fast and Fair Valuation Co., Ltd. (“FFV”) has prepared the report dated February 17, 2016 for property appraisal on February 11, 2016. The objective is to get the market price for making decision about buying and selling as well as for public use.

FFV has appraised for the land value using market comparable approach based on many factors on land e.g. regulation, characteristics, best utilization, and market condition. The appraised property is vacant land and there are many properties that can be used in comparison. FFV has selected 5 properties used as for comparison with potential and location similar to the target property. However, FFA has the assumptions that the price of comparable properties will be lower after negotiation. The weighted quality score (WQS) will be used to adjust for each factor. The details of information, comparison, scoring, and appraisal for land value are as follows.

| Comparison  | Item 1   | Item 2                         | Item 3                         |
|---|--|--------------------------------|--------------------------------|
| Type of property  | Par-3 Pool Villa                               | Vacant land                    | Vacant land                    |
| Area (rai)<br>(square wah)                              | 114  | 38-1-60<br>15,360              | 16-1-73<br>6,573               |
| Location<br>Distance from<br>phetkasem Road<br>(Bypass) | Black Mountain Golf Club<br>3,500 meter        | Nong Hieng Road<br>2,200 meter | Nong Hieng Road<br>2,200 meter |
| Frontage road   | Asphalt 6-8 meter                              | Asphalt 6 meter                | Asphalt 6 meter                |
| Shape   | Rectangular                                    | Near Trapezoid                 | Near Rectangular               |
| Width (meter)   | 15.00  | 157.00                         | 120.00                         |
| Depth (meter)   | 30.00  | -                              | -                              |
| Land conditions<br>Level of land                        | Developed<br>Higher than road by<br>0.20 meter | Non-Develop<br>Natural level   | Non-Develop<br>Natural level   |
| Building area   | 216.90 square meter                            | -                              | -                              |
| Utility   | Electricity, road                              | Electricity, water             | Electricity, water             |

|                  |  |  |   |
|------------------|--|--|---|
|                  | lighting, water supply, telephone, drainage  | supply, telephone                                    | supply, telephone                                     |
| Surrounding area | Residences and resorts   | Residences and resorts                               | Residences and resorts                                |
| Best Usage       | Residence  | Residence  | Residence   |
| Potential        | Very good  | Medium   | Medium  |
| Price            | Total THB 14.90 million including construction cost of THB 5.42 million (THB 25,000 per square meter) and land cost of THB 8.48 million or THB 83,100 per square wah | THB 3.00 million per rai or THB 7,500 per square wah | THB 4.20 million per rai or THB 10,500 per square wah |
| Note:            | Golf course view   | -  | -   |

| Comparison  | Item 4                             | Item 5                         | Target Asset  |
|---|------------------------------------|--------------------------------|---|
| Type of property  | Vacant land                        | Vacant land                    | Vacant land   |
| Area (rai)<br>(square wah)                              | 6-3-70<br>2,770                    | 15-0-00<br>6,000               | 13-2-14<br>5,414                                      |
| Location<br>Distance from<br>phetkasem Road<br>(Bypass) | Nong Hieng Road<br><br>3,400 meter | Public road<br><br>3,900 meter | Public road and road<br>of the project<br>3,150 meter |
| Frontage road   | Asphalt 6 meter                    | Walkway 6 meter                | Walkway 6 meter and<br>Asphalt 6- 8 meter             |
| Shape   | Square                             | Square                         | Trapezoid   |
| Width (meter)<br>Depth (meter)                          | 80.00<br>138.50                    | 100.00<br>-                    | 32.00 / 256.00<br>160.00                              |
| Land conditions<br>Level of land                        | Developed<br>Same level as road    | Non-develop<br>Natural level   | Developed<br>Natural level                            |
| Building area   | -                                  | -                              | -   |



|                  |   |  |                                      |
|------------------|---|--|--------------------------------------|
| Utility          | Electricity, water supply, telephone                  | Electricity, water supply, telephone                 | Electricity, water supply, telephone |
| Surrounding area | Residences and resorts                                | Residences and resorts                               | Residences and resorts               |
| Best Usage       | Residence   | Residence  | Residence                            |
| Potential        | Medium  | Relative low   | Good                                 |
| Price            | THB 7.50 million per rai or THB 18,750 per square wah | THB 3.00 million per rai or THB 7,500 per square wah |                                      |
| Note:            | -   | -  | -                                    |

Comparison of each comparable to the target property

| Comparison               | Item 1  | Item 2  | Item 3  | Item 4  | Item 5  |
|--------------------------|---------|---------|---------|---------|---------|
| Location / Accessibility | Similar | Better  | Better  | Better  | Poorer  |
| Surrounding area         | Better  | Poorer  | Poorer  | Poorer  | Poorer  |
| Prosperity               | Better  | Poorer  | Poorer  | Poorer  | Poorer  |
| Convenience in traveling | Better  | Better  | Better  | Better  | Poorer  |
| Facilities               | Better  | Poorer  | Poorer  | Poorer  | Poorer  |
| Utilization              | Better  | Poorer  | Poorer  | Poorer  | Poorer  |
| Size and shape           | Better  | Poorer  | Poorer  | Better  | Poorer  |
| Physical condition       | Better  | Poorer  | Poorer  | Poorer  | Poorer  |
| Limitation               | Similar | Similar | Similar | Similar | Similar |
| Potential                | Better  | Poorer  | Similar | Similar | Poorer  |

Analysis for determining the value of target property

|               |            | Item 1 | Item 2 | Item 3 | Item 4 | Item 5 | Target property |
|---------------|------------|--------|--------|--------|--------|--------|-----------------|
| Area          | Sq.wah     | 114    | 15,360 | 6,573  | 2,770  | 6,000  | 5,414           |
| Selling price | THB/sq.wah | 83,100 | 7,500  | 10,500 | 18,750 | 7,500  |                 |
| Discount      | %          | -15%   | -5%    | -10%   | -10%   | -10%   |                 |
| Net price     | THB/sq.wah | 70,635 | 7,125  | 9,450  | 16,875 | 8,750  |                 |

| Weighted Quality Score (WQS)                                      |            |        |        |        |        |        |                 |
|---|------------|--------|--------|--------|--------|--------|-----------------|
| Factor  | Weight (%) | Item 1 | Item 2 | Item 3 | Item 4 | Item 5 | Target property |
| Location/accessibility  | 20.00      | 6      | 7      | 7      | 7      | 4      | 6               |
| Surrounding areas   | 10.00      | 8      | 6      | 6      | 6      | 4      | 7               |
| Prosperity  | 10.00      | 8      | 6      | 6      | 6      | 4      | 7               |
| Convenience in traveling  | 10.00      | 8      | 8      | 8      | 8      | 3      | 7               |
| Facilities  | 10.00      | 9      | 6      | 6      | 6      | 3      | 7               |
| Utilization   | 10.00      | 9      | 6      | 6      | 6      | 3      | 7               |
| Size and shape  | 10.00      | 9      | 3      | 5      | 7      | 5      | 6               |
| Physical condition  | 10.00      | 9      | 4      | 4      | 6      | 4      | 7               |
| Factor  | Weight (%) | Item 1 | Item 2 | Item 3 | Item 4 | Item 5 | Target property |
| Limitation  | 5.00       | 7      | 7      | 7      | 7      | 7      | 7               |
| Potential   | 5.00       | 8      | 5      | 6      | 6      | 3      | 6               |
| Total   | 100.00     | 795    | 590    | 615    | 655    | 390    | 665             |
| Price determination   |            |        |        |        |        |        |                 |
| Ratio   | 1.0000     | 0.8365 | 1.1271 | 1.0813 | 1.0153 | 1.7051 |                 |
| Adjustment  | THB/sq.wah | 59,085 | 8,031  | 10,218 | 17,133 | 11,510 |                 |
| Weight  | %          | 10     | 30     | 20     | 10     | 30     | 100             |
| Net value   | THB/sq.wah | 5,908  | 2,409  | 2,044  | 1,713  | 3,453  | 15,527          |
| Market value of target property (THB / square wah) after rounding |            |        |        |        |        |        | 15,500          |



