

**DISCOUNTED CASH FLOW VALUATION OF QUALITY
HOUSES PUBLIC COMPANY LIMITED (QH)**



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entitled
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HOUSES PUBLIC COMPANY LIMITED (QH)**

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DISCOUNTED CASH FLOW VALUATION OF QUALITY HOUSES PUBLIC COMPANY LIMITED (QH)

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ABSTRACT

This thematic paper studies the Discounted Cash Flow Valuation Model: Free Cash Flow to Firm (FCFF) by selecting one representative company as Quality Houses Public Company Limited (QH). The Discounted Cash Flow: Free Cash Flow to Firm (FCFF) represents the net present value (NPV) of projected cash flows available to all capital providers and net cash needed to be invested for generating the projected cash flow. The concept of DCF valuation is based on the principle that the business value depends on its ability to generate cash flows for capital providers. Therefore, it relies more on the fundamental factors of the business than the precedents factors, and it is more theoretical approach relying on numerous assumptions. The result of applying DCF valuation of Quality Houses Public Company Limited with supported information such as macro-economic perspective, industry, competition, and investment analysis. It indicates that value of Quality Houses is neither overvalued nor undervalued when compares to its current price as of 16 November 2017. As a result, it is recommended to HOLD the share sales.

KEY WORDS: Valuation/ Discounted Cash Flow/ FCFF/ Real Estate/ Property Development

72 pages

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CHAPTER I

VALUATION

1.1 Highlights

1.1.1 Fundamental and valuation are indicative of HOLD.

We issue a HOLD recommendation on Quality Houses Public Company Limited (QH) with a one-year target price of THB 3.05 using the Discounted Free Cash Flow to Firm Method. This offers a 7% upside from its closing price of THB 2.84 on November 16, 2017. QH is able to grow from its core business of property development for sale with strong low-rise product portfolio and opportunity to open high-rise projects. This enables QH to lower its risks from condominium oversupply in the market during 2017-2018 and benefit from market growth during 2019-2024 due to Thai government's infrastructure development master plan. Its value also has strong support from secured recurring income and earnings from high-growth performance of its associated companies.

1.1.2 Solid Performance from Low-rise Products

QH has strong low-rise products in its portfolio having more than 80% revenue generated from townhouses and detached houses. Since QH stopped opening condominium projects in 2016, its net profit margin have been improved. To open only low-rise projects, QH can handle the condominium oversupply in the market and it will require less investments for land costs due to highly increasing land price in CBD area for condominium development. As a result, QH has no plan to open new condominium projects in 2017. It focuses on low-rise development strategy with more than 95% of its total land banks to support its low-rise project development.

1.1.3 Growth opportunity from expansion of metro lines

According to the transport infrastructure development plan of the government, Bangkok's mass transit network is expected to expand significantly from 83 stations to

240 stations within 2024. Although QH has no plan to expand high-rise projects in 2017, the management views that it can benefit the growth opportunity from urban areas expansion as a result of this enlarging mass transit network. QH also secured 81% of its land banks to support low-rise projects in Bangkok and Greater Bangkok area with many potential land banks located in 5 kilometers distance from new metro lines. From 2019 which condominium oversupply problem expects to relief and new 10 BTS lines start to open, QH has opportunity to open high-rise projects again with possible 18.6 project values to be developed. Opening high-rise project significantly enhances value of the company to increase.

1.1.4 Secured recurring income and earnings from associated companies

QH has lower risk of volatility in profits due to its recurring income from hotel and office rental income which have average occupancy rate of 86% and 94% respectively, as of 31 December 2016 (Table 2.12, 2.13). Its recurring income can grow by average 2% to 3% per year along the increase in rental rate. This helps enhance operating cash flows of QH. Moreover, QH has strong earnings support from share of profits from associated companies with expected 11.3% CAGR for the next five years. The market value of its investment is total THB 42,364 million, which exceed the market capitalization of the company of THB 30,429 million as of 16 November 2016.

1.1.5 Macro environment favors QH

Due to high household debt level in the past five years, the purchasing power in the public was limited and financial institutions has stringent policy for housing loan. From 2017 onwards, there is positive economic outlook and political continuity as well as increase in purchasing power of overall economy. Therefore, the residential developer confidence index has increased from 51.9% in Q4 2016 to 59.6% for the first half of 2017, reflecting rising in demand and positive outlook of the industry.

Table 1.1 Key Financial Ratios

Key Ratios	2012	2013	2014	2015	2016
Gross Margin: Property for Sale	30.7%	32.4%	32.5%	30.9%	29.7%
Gross Margin: Property for rent & services	34.3%	32.6%	33.7%	36.7%	37.1%
Net Profit Margin	18.2%	16.8%	15.7%	15.3%	16.1%
Total Asset Turnover	32.9%	47.3%	47.0%	40.1%	36.1%
Return on Asset	6.6%	8.4%	7.8%	6.7%	6.4%
Return on Equity	16.7%	20.2%	18.3%	15.3%	13.9%
Current Ratio	2.40	3.33	2.74	2.61	2.92
Interest-bearing Debt to Equity	1.44	1.18	1.32	1.24	1.11

1.2 Business Description

Quality Houses Public Company Limited (QH) is the leading property development company in Thailand. Established in 1983 with only THB 1 million, it currently operates property development businesses both for sale and for rent with paid-up capital of THB 10,714 million. The property development for sale business is the company's main business accounted for 86% of its revenue (Figure 1.1). The company is currently developing wide range of products including single-detached houses, town houses, and condominiums, to serve different target customers in the market. The current projects are consisted of 87 residential projects with a total remaining unsold value of THB 53,544 million THB. Of this amount, 55% are detached houses, 30% are condominiums, and 15% are town houses (Figure 1.2). Around 87% of these are located in Bangkok and Vicinity, and 13% in major provinces (Figure 1.3) including Chiangmai, Chiang Rai, Petchaburi, Chonburi, and Nakhon Prathom. All low-rise houses are sold under the pre-built concept, meaning that the company sells only completed houses, while condominium sales are based on pre-sales or off-plan concept.

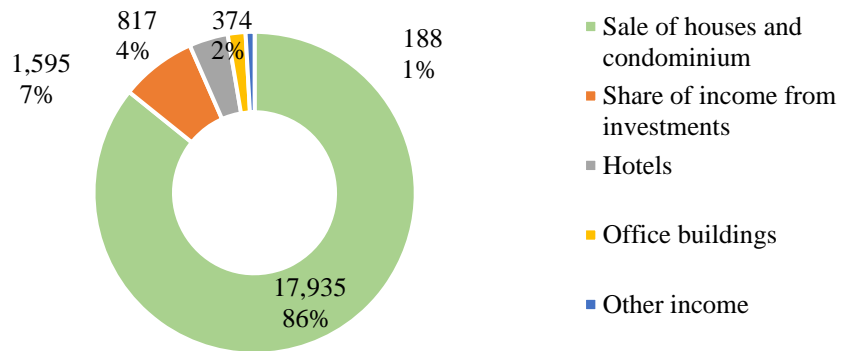


Figure 1.1 Revenue Breakdown as of December 31, 2016

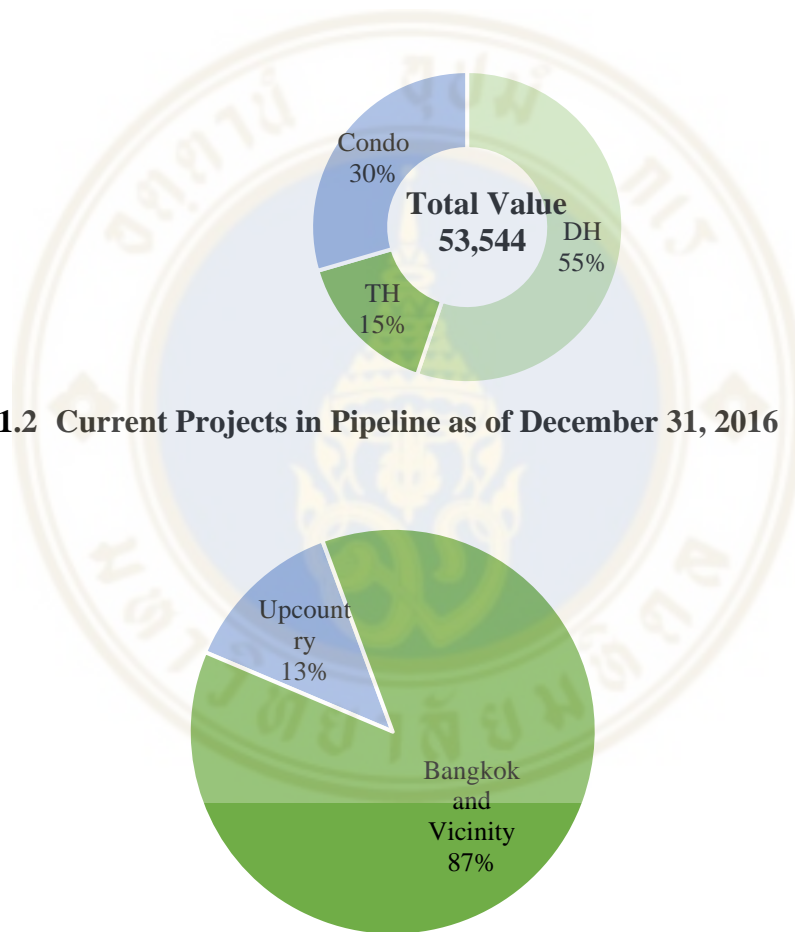


Figure 1.2 Current Projects in Pipeline as of December 31, 2016

Figure 1.3 Shareholder Structure

The projects are carried out under its brands of Q, Q.House, Prukpirom, Laddarom, Vararom, CASA, The Trust, The Point and Gusto. Each brand has different product characteristics and price range to serve different market segment. The signature brand of QH is Q.House, which is recognized as high-end, premium, and high quality

brand in the market. Regarding to the company vision and mission, it aims to become the leading real estate development company in providing quality, innovative, and premium products in each market segment. According to revenue breakdown by segmentation as of 31 December 2016, the company has received 48% of total sales from mid-end products which cover the price range between THB 3 to 12 million (Figure 1.4). The representative brand group for mid-end segment is CASA.

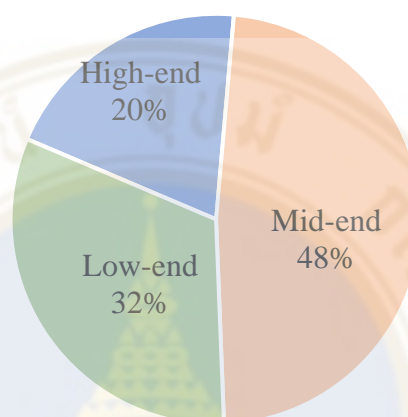


Figure 1.4 Revenue Breakdown by Segment (2016)

For the property development for rent business, the company has built hotels for rent under the brand, Centre Point, and provide hotel management services to other hotels and service apartments. Not only the hotels, but the company has also constructed high-rise buildings in central business district areas and fully equipped with public and telecommunication facilities to provide office space rental services. With its professional experience in this business, the company and its subsidiaries provide office buildings management services for other office buildings as well. The revenue from hotel and office buildings businesses accounted for about 6% of total revenues of the company (Figure 1.1). In addition, the company holds stakes in two listed companies, two property funds, and one oversea company. It invested 19.87% in Home Products Center PLC. (HMPRO), 21.34% in LH Financial Group PLC., which holds 100% in LH Bank, 25.66% in Quality Houses Leasehold Property Fund (QHPPF), 31.33% in Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (QHHR), and indirectly 14.15% in Harbour View Corporation in Vietnam through its subsidiary company. From Q3

2017, QH decreased shareholding proportion in LH Financial Group PLC. from 21.3% to 13.7% due to dilution from private placement capital increase to CTBC Bank Co., Ltd. The share income from investments account for about 7% of total revenues under equity method accounting. All of these companies and property funds are profitable and help secured net income levels of the company in long-term. Especially, HMPRO plays significant role in equity income and dividend received with expected earnings growth of 12.9% each year by analyst consensus growth, mainly due to Mega Home and oversea business expansion.

1.2.1 Shareholder Structure

QH is owned by two major parties and the public. As of December 2016, Land and Houses Public Company Limited (“LH”) owns 24.98% of total shares and GIC Private Limited holds 10.8% shares of the company. The company was first established by LH group in the beginning. In 2001, the company increased its capital and offered 20% of total shares or THB 812.0 million to the Government of Singapore Investment Corporation Pte. Ltd. (GIC); therefore, GIC holds significant amount of shares in the company, nowadays. LH is a large real estate development company in the Thailand. The LH group’s owner is Asavabhokin’s Group holding 31.16% in LH, led by Mr. Anant Asavabhokin as Chairman of LH. LH also holds major shares of 30.23% in HMPRO and 33.98% in LH Financial Group. One of Asavabhokin’s group, Mr. Anuphong Asavabhokin also holds 21.30% shares in AP (Thailand) Public Company Limited (“AP”). When combining the market capitalization of three listed companies in real estate business: LH, QH, and AP, it shows the largest amount of market capitalization among companies in the same sector.

1.2.2 Corporate Governance

QH delivers best practices in corporate finance with the highest Corporate Governance Score (CG Score) evaluated by Thai Institute of Directors Association (IOD). The company also received Annual General Meeting Score at Level 4 which is defined as excellent standard by Thai Investors Association. In term of anti-corruption perspective, QH was certified as a member of Certified Collective Action Coalition by

Thai CAC and Thai IOD. In addition, we evaluated QH's quality of governance in following main aspects:

1.2.2.1 QH has separate Corporate Governance Committee comprised of 5 members as of December 31, 2016. The duties of the committee is to determine and review the policy, requirements, and work procedures to be in accordance with the principle of good governance, to monitor the progress of corporate governance and social responsibilities work plans, to perform internal evaluation, and to represent the company in communication with stakeholders. With the enhancement by Corporate Governance Committee, it ensures the alignment of Corporate Governance Policy together with the company's Business Ethics.

1.2.2.2 QH has well-organized structure of Audit Committee, Nominating and Remuneration Committee and Risk Management Committee to perform separate internal audit function overseen by the Board of Directors and enhance transparency of remuneration and compensation policy.

1.2.2.3 The company has disclosed remunerations of the executives and remuneration policy for employees. It executes the group and self-assessment program of the Board of Directors and each committee to ensure the performance and transparency.

1.3 Macro-Economic Analysis

Thailand's economy is likely to be recovered, showing higher GDP from 2.9% in 2015 to 3.2% in 2016. In 2017, it is expected that the Thai economy will grow by 3.5% to 4.0% (Table 1.2), supported mainly by the recovery of the export, stronger expansion of both public and private investment, the acceleration of key production sectors including hotels and restaurants, manufacturing, and construction sectors, and the expansion of household income that will support private consumption. This positive outlook of Thai economy would enhance all industries growth in Thailand.

Table 1.2 Economic Projection

<u>(%YoY)</u>	<u>2016</u>	<u>2017(F)</u>
GDP	3.2	3.5-4.0
Investment	2.8	3.4
Private	3.1	3.2
Public	1.7	3.2
Exports	0.1	5.7
Import	-5.1	10.7
Inflation	0.2	0.9-1.9

Since Prime Minister Prayuth Chan-ocha has disclosed to the media that Thailand will hold a general election in November 2018, we can see the political continuity in the next five years onwards. Also, according to Thailand's Economic Targets under the 12th National Economic and Social Development plan, Thai economy will expect to grow at 5% on average from 2017 to 2021. As a result, the industry can ensure to have stable growth during short to medium term.

According to the Four Economic Action Plans under the 20-Year Strategy of the government, there are four major plans for regional economic partnerships, Eastern Economic Corridor (EEC), Thailand 4.0, and transport investment action plan. The transport infrastructure development is consisted on total 5 sub-plans with total THB 2.31 trillion budget. In term of public transport development, the government will develop 10 more metro lines in the city having THB 579.7 billion budget. This will create business opportunities in other provinces as well as Bangkok, especially for the transportation sector and real estate developers. Opportunities will grow as more residential and commercial buildings can developed across a broader area as transport costs decline. However, this will affect the industry performance in medium to long term not in short term. The direct impact to real estate industry comes from metro line expansion plan starting from 2017 to 2024 aiming to have 240 metro stations within 2024. The plan is already approved by Cabinet and started construction.

Despite lower population growth at 0.3% in 2016 (Figure 1.5), the size of household in Thailand has continually decreased from 3.3 persons per household in previous five years to about 3.1 persons per household; and expects to get smaller to about 3 persons in 2020 (Table 2.1). Within 2020, Ministry of Social Development and Human Security viewed that the number of household will increase in total about

1.94 million units: 1.44 million units in Greater Bangkok and 0.51 million unit in upcountry. It will lead in rise in demand of housing, especially in Greater Bangkok area.

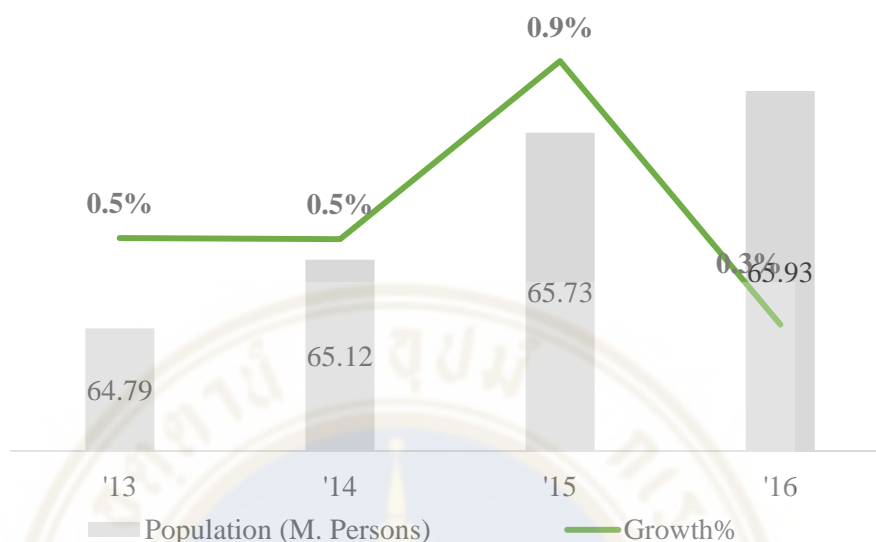


Figure 1.5 Population Growth

Private consumption continues to face ongoing risks from the previous year. Household debt persists at high level of around 80% of GDP. The slow recovery of the Thai and global economy poses uncertainty to household income. Therefore, people are cautious with their spending and financial institutions tend to tighten their lending policy. However, the purchasing power of households should bounce back as both non-farm and farm income will recover, personal income taxes will fall, and the debt impact of the first car income scheme has finally ended.

Although the household debt level has decreasing trend, the quality of household debt is not improved. The Non-performing Loan (NPL) for housing tends to increase from 2015 to 2017 (Figure 2.1). This resulted in more tightened housing loan policy for housing according to BOT survey. The housing loan amount also has slower growth, compared to the previous periods. This could affect the low-end segment of property development industry, especially houses for sale lower than THB 2-3 million (Figure 1.6, Table 2.2).

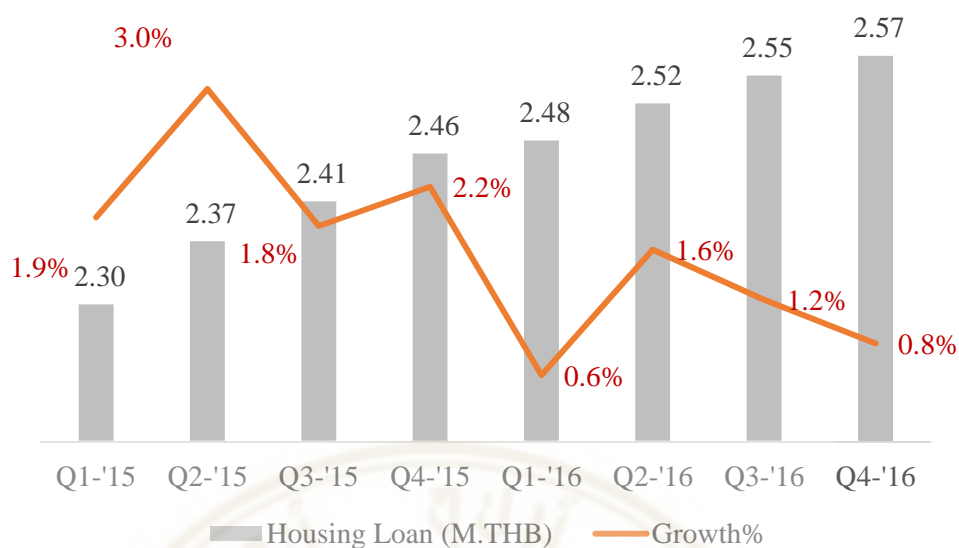


Figure 1.6 Housing Loan

1.4 Industry Analysis

Property developers still focus on launching projects in Greater Bangkok in short term. Considering land and buildings transactions in Thailand, the growth of housing transactions are centered in the Central and Northern regions of the country. Central region had transaction amount growth of +2.1% while Northern region has 6.5% growth during the first half of 2017 (Figure 1.7). Despite the high growth in Northern part, the size of transactions accounted for only 10% of total amount. Therefore, we can see no aggressive housing transactions outside Bangkok and Vicinity area this year. It is expected that real estate developers will still focus on developing projects in Greater Bangkok with small proportion of upcountry projects in short-term. Upcountry projects may rise if the transport infrastructure or special economic zones are fully executed in medium to long term, such as EEC projects in Eastern part.

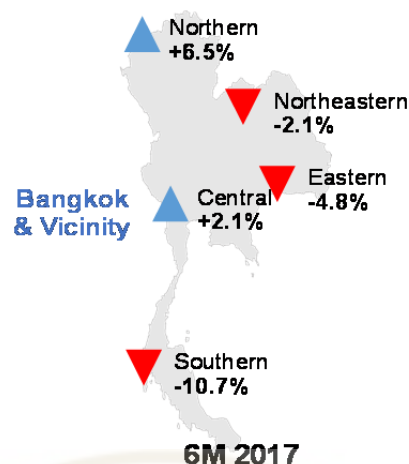


Figure 1.7 Transaction Growth by Each Region

Land prices and large condominium supply led developers opened more low-rise projects in 2016. In Bangkok and Vicinity, the demand for high-rise properties are increasing referring to higher proportion of total registration number from 37% in 2015 to 51% in 2016 (Figure 1.8). Despite higher demand for high-rise products, there are still significant amount of existing supply of condominiums, especially in Purple-line and Green-line sky train areas which expects to be slowly absorbed within more than 15 months time-to-go, estimated by Bank of Thailand. Moreover, land price grew at about 9% in 2016, especially land in CBD for condominium development grew significantly. It resulted in high growth of condominium price of 7%-8% per year. Due to higher price and large amount of supply of high-rise projects, most developers tend to change their plans to open more low-rise projects, having 15.7% growth in new projects opening in 2016. In addition, as low-rise projects are mostly demanded by real-demand buyers, it can secure income level of developers better than high-rise projects in this situation that overall industry faces uncertain growth each year. The price growth of low-rise houses is at moderate rate from 1.4% to 1.9% in 2016 (Figure 1.9).

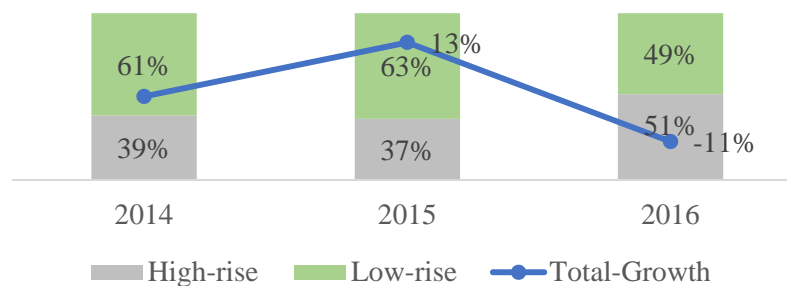


Figure 1.8 Average Price Growth

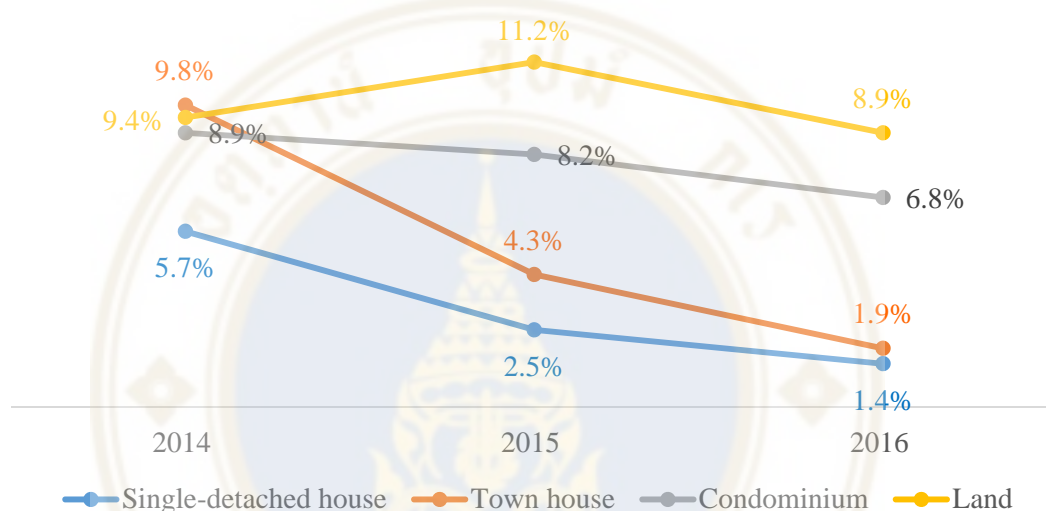


Figure 1.9 Condominium Supply in Greater Bangkok

Uncertainty of industry growth encourages developers to find other source of recurring income, or strengthen its position by joint venture with foreign partners. As there is significant supply amount both high-rise and low-rise, slow improvement of purchasing power, and the mass transit line expansion may not affect the industry in short-term, overall industry growth is still uncertain with various downside factors such as high NPL, tightened housing loan policy, and higher land price. This encourages some developers to find recurring income such as real estate management services, service apartments, hospital business, etc. Also, most developers have to focus on reducing costs and enhancing their products value by adding innovations. Some of developers use partnership strategy with foreign partners to strengthen competitive position in the industry.

2018 Land and Building Tax Law will boost land sale-purchase transactions, but gives burden to developers. The new Land and Building Tax Law is expected to become effective in 2018. Currently, there are two laws that are related to taxes for land and buildings. First, the House and Land Tax B.E. 2475 imposes 12.5% of total actual or assessed annual rental value of the property per annual basis. Second, the Local Development Tax B.E. 2508 imposes annual tax with the rate depending on the appraisal value of the property by the local authorities. By changing from these two current laws to only one law: Land and Building Tax in 2018, the land owner will be charged 0.2% to 5% tax rates of the appraisal value depending on type of land use. As the tax rate of vacant land is the highest rate at 5%, real estate developers will have higher costs holding lands in stocks. Also, they will have higher costs for built products waiting for sale in the stock. This could affect either house price or profitability of real estate companies. However, due to higher costs of holding lands, it encourages land owners to sell and buy more; therefore, there are opportunities for real estate companies to find new potential lands for development.

1.5 Competition Analysis

QH currently holds about 7% of market shares among listed companies in the industry. More than 75% of total markets are contributed by listed companies, regarding to market share by unit sold in 2016 (Figure 1.10). There are 34 listed companies in residential property development business with total revenues of THB 305 Billion. QH has 7% shares from total revenues of 34 listed companies in 2016. In term of company size, QH is in the 4th rank by considering market capitalization as of December 2016. No. 1 market capitalization company is LH with THB 115,508 million, which is major shareholders of the company. Combining three companies in Land and Houses group, it accounted for 38% of total market capitalization in the industry. In term of market positioning, all large companies in this business tend to diversify its product portfolios to cover both high-rise and low-rise product category in all market segments. The market is highly competitive, striving for gaining more market share.

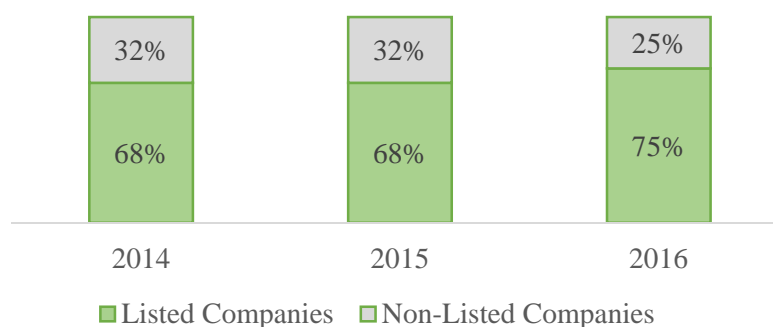
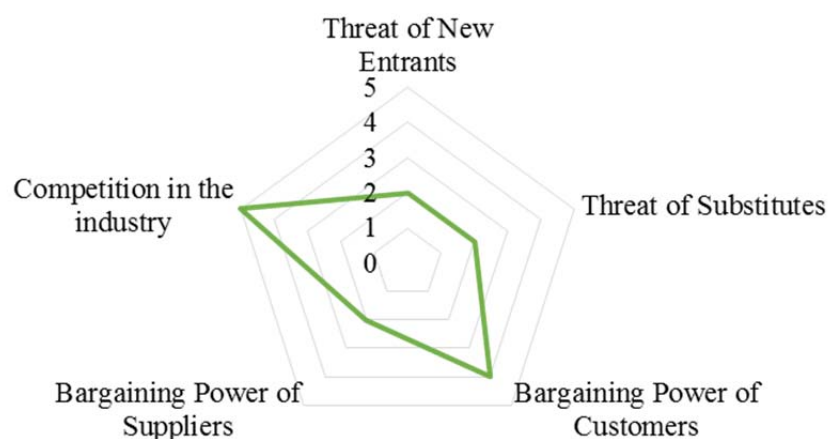


Figure 1.10 Unit Sold of Newly Launched Projects

The Land and Houses group has outstanding presence in medium to high-end markets, especially medium low-rise houses and premium detached houses and condominium' market with price range over THB 10 million per unit. QH has entered in mid to high-end detached houses, mid to low-end townhouses, and low to high-end condominium markets. Most of real estate companies are diversified its own portfolio to both low-rise and high-rise projects in different market segments. LH and AP, which are in the same Land and Houses Group, are also main competitors in the same market segment of the company. Considering market capitalization of top 10 listed companies in the same industry, the competitors of QH that tend to provide products in the same market segments are LH, AP, SIRI and SC.

Among top 5 highest revenues companies in the same business, QH ranked the fifth. However, in term of profitability perspective, QH's net profit margin in the past three years ranged from 14% to 16%, which are below the average net profit margin of those companies of 18.1%. In term of financial position, QH's debt to equity ratio were also slightly below the average at 1.3 to 1.5 times during 2014-2016. This reflects highly competitive market that many listed companies have strong performance. Therefore, we evaluate five force analysis of QH to have very high threat to the business in term of competition in the industry (Figure 1.11).



Legend 0 - No Threat to the business
5 - High Threat to the business

Figure 1.11 Five Force Analysis

LH is the largest market capitalization company among listed companies in the industry. It mainly focuses on detached houses development in medium to high-end segments with more than 65% of products in its portfolio having prices over THB 6 million. Almost 24% of its portfolio are products with price higher than THB 25 million. Average price of its products is THB 7.6 million. The representative brands are Ladawan, Nantawan, Mantana, Chollada, Chaiyapruk, Seewalee, Pruklada, Villaggio, Inizio, etc. Currently, it is developing total 70 projects with THB 64,968 million project value. It accounted for 11.4% shares of total industry revenues.

Among Top 5 highest revenues' listed companies, we have chosen the direct competitor of QH to be Sansiri Public Company Limited (SIRI). SIRI has similar revenue structure and businesses to QH. According to the revenue breakdown as of 2016, SIRI has about 87.6% revenues from property development for sale business, 9.7% property service and management, and 0.3% property for rent. SIRI also has similar size of market capitalization to QH. Its market capitalization as of November 16, 2017 is THB 32,376 million. According to SIRI's product portfolio, about 64% of total sale of real estate come from condominium whereas the other 36% of revenues are from single-detached houses and townhouses (Figure 1.12). This shows the opposite strategy of property development business to QH.

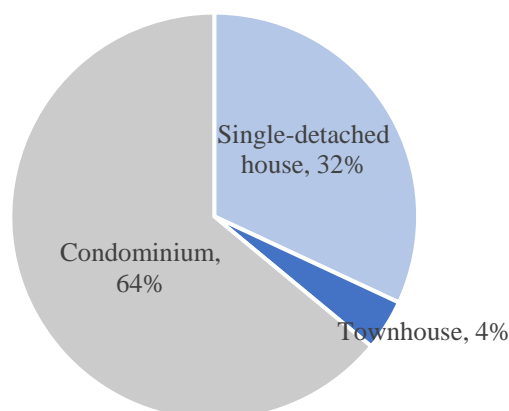


Figure 1.12 SIRI Product Portfolio

1.6 Investment Summary

We issue a HOLD recommendation on Quality Houses Public Company Limited (QH) with a one-year target price of THB 3.13 using the Discounted Free Cash Flow to Firm Method. This offers a 10% upside from its closing price of THB 2.84 on November 16, 2017. With the accommodation of Thailand's positive economic outlook, QH is able to grow from its core business of property development for sale with strong low-rise product portfolio and opportunity to open high-rise projects. This enables QH to lower its risks from condominium oversupply in the market during 2017-2018 and benefit from market growth during 2019-2024 due to Thai government's infrastructure development master plan.

The growth of QH's property development for sale business would be enhanced by high-rise project opening after postponing the condominium projects for two consecutive years. With support of the company's land banks in Bangkok areas, the company can continue to expand low-rise projects to grow along the industry growth and develop THB 18.6 billion of new high-rise projects. In addition, its value also has strong support from its recurring income together with secured earnings and strong performance of associated companies.

1.6.1 Solid Performance from Low-rise Strategy

QH has strong low-rise products in its portfolio having more than 80% revenue generated from townhouses and detached houses. It has total 66 low-rise projects with

THB 33,560 Million project values available for sale as of Q3, 2017. The low-rise projects accounted for 69% out of the total projects in pipeline of the company. Since QH stopped opening condominium projects in 2016, its net profit margin have been improved from 15.3% to 16.1% (Figure 1.13). To open only low-rise projects, QH can handle the condominium oversupply in the market and it will require less investments for land costs due to highly increasing land price in CBD area for condominium development. There is an opportunity for QH to sell out existing condominium projects in its stock. As a result, QH has no plan to open new condominium projects from 2016 to 2017. The company announced the postponement of three condominium projects without expected opening plan disclosed. It focuses only on low-rise development strategy with more than 95% of total land banks to support its low-rise project opening plan as of Q3 2017.

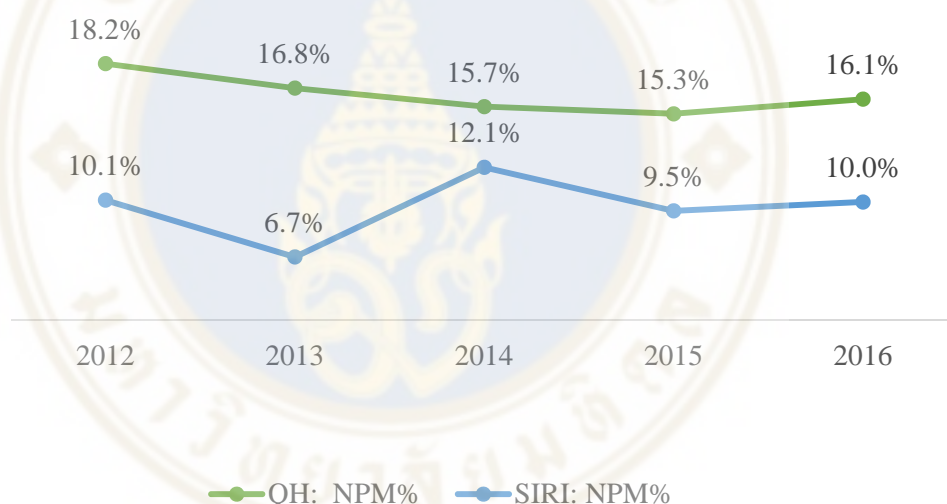


Figure 1.13 Net Profit Margin

Out of 95% of total land banks, approximate 81% are potential land banks for developing low-rise projects in Bangkok. Almost 46% of the land banks are prepared for mid to high-end projects. Moreover, low-rise projects help enhance lower inventory level and higher revenue recognition rate (Figure 2.2). The low-rise projects' target mainly real-demand customers. It leads to lower rejection rate having less impact from stringent housing loan policy of financial institutions. With solid performance of low-rise product portfolio, QH enables to effectively handle and lower risks from market

situation. The company also expects to have higher presale and net profit in 2017 from this strategy.

1.6.2 Growth from Expansion of Metro Lines

According to the transport infrastructure development plan of Thai government, Bangkok's mass transit network is expected to expand significantly from 83 stations to 240 stations within 2024. The government prepared THB 579.7 Billion for this 10 mass transit lines expansion. Although QH has no plan to expand high-rise projects in 2017, the management views that it can benefit the growth opportunity from urban areas expansion as a result of this enlarging mass transit network. The residential areas would expand from CBD areas to outer part of Bangkok. QH also secured 81% of its land banks to support low-rise projects in Bangkok and Greater Bangkok area with many potential land banks located in 5 kilometers distance from new metro lines. With expected 15-month time-to-go of condominium supply estimated by Bank of Thailand, QH may still not open high-rise project in 2018. However, there is high possibility for QH to open high-rise projects in 2019 onwards due to relief from condominium oversupply and more than 10 BTS lines will be completed and started operation during 2019 to 2021.

To open high-rise project in the next 2 years, QH currently owns land banks for high-rise projects enabling to develop THB 18.6 Billion project values. The potential project development consists of 1 Q.Condo, 3 Casa Condo, and 3 The Trust Condo in Bangkok and Vicinity area. Based on scenario analysis, it shows that only small increase in new high-rise projects opening will significantly enhance share value of the company. Therefore, the growth from expansion of metro lines is very critical to the company's expected future value.

1.6.3 Secured Recurring Income and Earnings from Associated Companies

QH has lower risk of volatility in profits due to its recurring income from hotel and office rental income which have average occupancy rate of 86% and 94% respectively, as of 31 December 2016. Its recurring income can grow by average 2% to 3% per year along the increase in the hotel room rate and office rental rate. This helps enhance operating cash flows of QH. Moreover, QH has strong earnings support from share of profits from associated companies with expected 11.3% CAGR for the next

five years. All of associated companies have good financial performance, especially HMPRO. HMPRO's net income is expected to grow at 12.9% due to its new brand of retail chain store, Mega Home, and the oversea business expansion (Figure 1.14, Table 2.3). The equity income helps maintain QH's financial performance stability even though the real estate industry usually fluctuates depending on many economic, political, and other external factors. In addition, the market value of its investment is total THB 42,364 million, which exceed the market capitalization of the company of THB 30,429 million as of 16 November 2016 (Table 1.3).

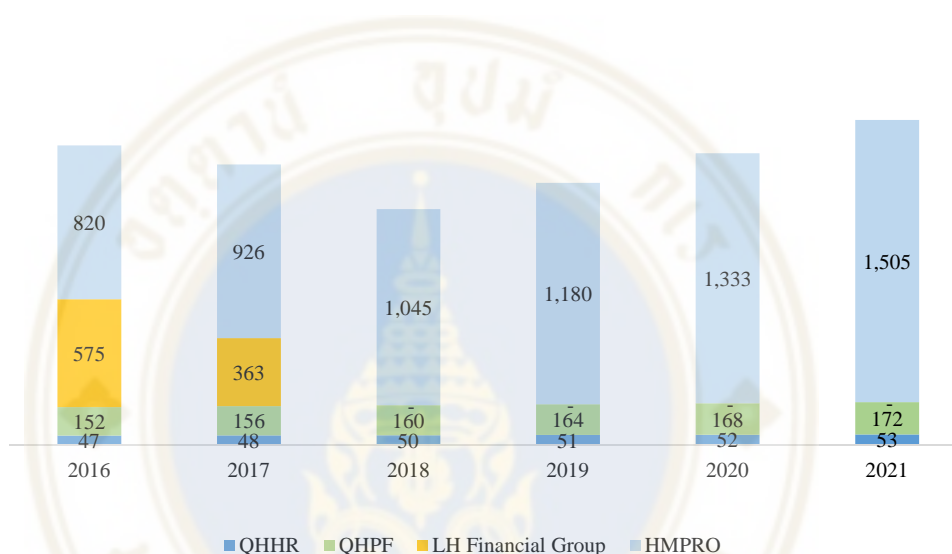


Figure 1.14 Share of Profits from Associates

Table 1.3 Associate Companies' Market Capitalization

(Unit: B. THB)	%	Mkt. Cap	Value
HMPRO	19.9	171	34.0
LHBANK	13.7	37	5.0
QHPF	25.7	9	2.4
QHHR	31.3	3	1.0
Total		220	42.4

1.6.4 Six Condominium Projects to be Recognized Revenues in 2017 and 2018

As of 2016, QH has backlogs about THB 6 billion. In 2017, there are five condominium projects to be completed and transferred: Q.Seaside Hua Hin, Casa Condo

Suandok, The Trust Condo BTS Erawan, and Casa Condo Bangyai A. It resulted in about 3.2 Billion backlogs to be recognized. Moreover, in 2018, there is large-scale condominium project to be transferred. The project is Q.Sukhumvit with total project value of THB 10,210 million and estimated backlogs to be recognized in 2018 is total THB 2,600 million. With the strategy to clear up condominium inventories and backlogs in hands, this expects to enhance revenues and net income of the company in the next two years.

1.6.5 Macro Environment Favors QH

Due to high household debt level in the past five years, the purchasing power in the public was limited and financial institutions has stringent policy for housing loan. It affected many high-rise projects and low-end projects to have high rejection rate. From 2017 onwards, there is positive economic outlook and political continuity which could enhance increase in purchasing power of overall economy. Despite the fact that the residential developer confidence index were decreasing in 2016. It has increased from 51.9% in Q4 2016 to 59.6% for the first half of 2017. It is a positive signal of the overall industry from 2017 onwards.

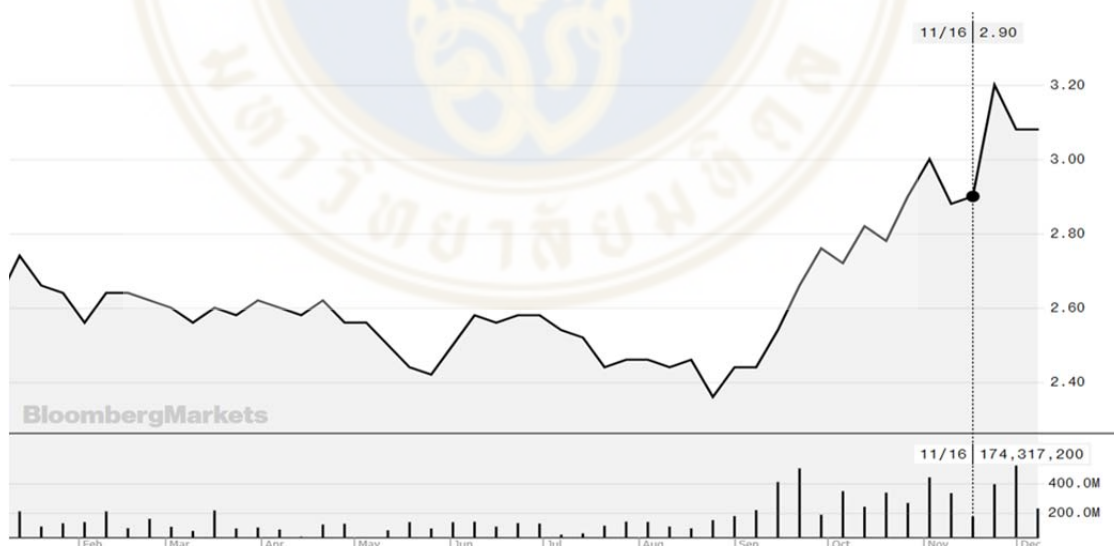


Figure 1.15 QH's Share Prices and News Flows

1.7 Valuation

1.7.1 Discounted Cash Flow Model (FCFF)

We use the Discounted Free Cash Flow to Firm (FCFF) method in arriving at a value per common share of THB 3.13. This method involves estimating the firm's value and adjusting it for net debt to arrive at equity value. This method is suitable for QH as the company has the long term and relatively stable debt structure, and it takes in consideration the time value of money. QH has potential high growth prospects and FCFF properly reflects the free cash flow value of the company. The model also accounted for free cash flows, future growth as well as a long-term perspective. It can reflect QH's business strategy and its plans for opening new projects which tend to differ each year.

In applying the DCF analysis, the company was broken down into two components: value of operating assets from core businesses and value of non-operating assets from investments in associated companies. For value of operating assets, we forecasted the core business in details year-to-year from 2017 up to 2023. The forecasting period is total 6 years from 2017 to 2023 based on the expected high growth period from new 10 metro lines opening from 2019 to 2021 in Bangkok and Vicinity, which we assume it is an opportunity for QH to open high-rise projects during the period, then new high-rise projects will be completed and transferred within 2023. The expected forecasting high growth period is within the government's metro line expansion plan which will be completed in 2024. Therefore, we assumed the terminal value using the Dividend Discounted Model (DDM) having constant growth rate after 2024 onwards to reflect normal business growth of the industry.

Based on this approach, QH's value per common share of THB 3.13 can be decomposed into the value of operating assets at THB 1.85; consisting of value of 6-year free cash flow to firm at THB 0.26 and value of terminal phase at THB 1.59, and the value of non-operating assets at THB 3.52 (Table 1.4). The value of debt per share for target price is THB 2.24.

Table 1.4 Target Price Breakdown

Components	Value (THB)
6-Year Projected CF	0.26
Terminal Value	1.59
Non-operating Assets	3.52
Current Debt	(2.24)
FCFF	3.13

1.7.2 Projected Cash Flow and Assumptions

QH's core business primarily involves property development for sale business as main sources of sale revenue. The main drivers of this business are new project opening by the company each year and selling price.

1.7.2.1 Volume (Unit available for sale)

As of December 31, 2016, the units available for sale are 11,723 units comprised of 6,731 units of low-rise projects and THB 4,991 of high-rise projects. The project to be opened in 2017 was announced by the company already. According to the company announcement, QH will open only low-rise project of total 1,698 units (Table 2.4).

In 2018, we assumed the company will continue focus on low-rise strategy as we expect the current condominium supply will need more 15 months to sell out. The new project opening for low-rise products will grow by 9% annually which is average low-rise new opening unit of the market in the past three years. From 2019, the company may open high-rise projects again due to new 10 BTS lines expected to completed and started operation during 2019 to 2021 (Table 2.6).

Based on current land banks for high-rise development, QH is able to develop total THB 18.6 billion high-rise project. Therefore, we assume the company will develop THB 6.2 billion each year which is in line with historical development of between THB 6 - 8 billion high-rise projects per year. It resulted in total units of new project opening and available for sale as follows:

Table 1.5 New Project Opening and Units Available For Sale Forecasts

<i>(Unit: units)</i>	2016	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Total Unit Launch	1,605	1,698	1,855	3,579	3,651	3,748	2,638	2,881
Low-rise	1,605	1,698	1,855	2,025	2,212	2,416	2,638	2,881
High-rise	-	-	-	1,554	1,439	1,332	-	-

<i>(Unit: units)</i>	2016	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Unit Available for Sale	11,723	13,421	11,705	11,472	11,462	11,590	10,577	10,033
Low-rise	6,731	8,430	7,766	6,958	6,631	6,627	6,847	7,230
High-rise	4,991	4,991	3,939	4,514	4,831	4,963	3,730	2,803

1.7.2.2 Price (Average unit price)

According to the company's plan of new project opening in 2017, the average price of low-rise houses is THB 5.7 million per unit while high-rise condominium's average price are THB 3.4 million per unit. To project the unit price movement from 2018 to 2021, we utilized the market information of average condominium price growth in the past three years for high-rise products. The expected growth rate for high-rise projects is 8% per year.

In term of low-rise houses, as of December 2016, townhouse prices grew at 1.9% and single-detached house prices grew at 1.4% per year. Therefore, we assumed low-rise products' price will grow by inflation rate of 2% as expected by NESDB. The forecasted unit prices for QH are as followings:

Table 1.6 Unit Price Forecasts

<i>(Unit: THB million)</i>	2016	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Low-rise	5.6	5.7	5.8	5.9	6.1	6.2	6.3	6.4
High-rise	3.2	3.4	3.7	4.0	4.3	4.7	5.0	5.4

1.7.2.3 Presales

Presales are the selling amount of real estate products before being transferred the ownership and recognized as revenue in income statement. For presale forecast, we assumed the company could sell low-rise products at 36% of total project values available for sale each year while the take-up rate of condominium is average 25% per year according to average four-year condominium project life of QH (Table 1.7). As the presales amount would be largely depended on marketing and selling competitiveness of the company, I use historical information to estimate the selling

rate of both low-rise and high-rise projects. For low-rise projects, I use the 3-year average proportion of low-rise presales to low-rise project-in-pipelines at 36%. It leads to estimated presale amount for QH each year (Table 2.7).

Table 1.7 Property Development for Sale Drivers

Key Drivers	Annual Rate
New Low-rise Project Growth	9%
Low-rise selling rate	36%
Condominium Take-up Rate	25%

Table 1.8 Presale Forecast

Presales	2016	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Low-rise	14,000	14,400	16,525	15,102	14,681	14,966	15,772	16,986
High-rise	1,300	3,600	3,615	4,475	5,172	5,738	4,658	3,781
Total Presales	15,300	18,000	20,141	19,577	19,853	20,704	20,429	20,766

1.7.2.4 Sale of Real Estate

The sale revenues of low-rise projects will have maximum backlog each year for 30 days. It means the revenue recognition rate for low-rise is approximately 92% of low-rise presale. For high-rise, the revenue recognition is mainly based on the transferrable schedule of condominium projects under development. According to QH's announcement, there are 5 condominium to be recognized in 2017 with THB 3.2 billion backlog and another 1 condominium (Q.Sukhumvit) to be completed and recognized in 2018 (Table 2.8).

To recognize revenues of high-rise projects newly opened from 2019 to 2021, we can assume that the maximum construction period will not exceed 2 years for each project according to management interview. For completed project, we assume revenues with maximum backlogs of 30 days each year; or about 92% recognition rate of high-rise presale.

1.7.2.5 Property Development for Rent Business

As of December 2017, the hotel occupancy rate is average 86% with total 124,273 sq.m. of rentable areas. The offices for rent has average occupancy rate of 94% in the same period. Due to high occupancy rate of both hotel and office for rent businesses, the key driver of this business is increase in hotel room rate and office

rental rate which would be expected to be affected by the inflation rate. As a result, we assumed the annual sale revenue of this business to grow by 2% each year.

1.7.2.6 Capital Expenditure

The CAPEX reflects the long-term investment in land purchase, land and building development costs and additional investment in the company's fixed assets. It is calculated by change of land and projects development costs and property, plant and equipment each year. For land purchase, the land purchase CAPEX announced by the company is THB 1.8 billion. Therefore, we assume the land purchase will increase by land price increase each year. The land price is expected to increase by 9% which is the historical 3-year average land price growth. The land and project development costs are assumed to be 17% of total assets while PP&E is assumed to account for 1% of total assets each year.

Table 1.9 Capital Expenditure

CAPEX	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Property, Plant And Equipments	583	499	501	544	569	573	557
Land and Project Development Costs	9,236	7,899	7,935	8,622	9,008	9,068	8,817
Change in PPE	59	-84	2	43	24	4	-16
Change in Land & project development	420	-1,337	36	687	386	60	-252
Additional Land Purchase	1,800	1,962	2,139	2,331	2,541	2,770	3,019
Total Capital Expenditure	2,279	541	2,177	3,061	2,952	2,833	2,751

1.7.2.7 Net Operating Working Capital

Land and construction in progress are considered as inventory of the company. Referring to the historical five-year inventory level of the company to cost of goods sold next year, the proportion of land and construction in progress of QH is approximately 187%. Trade and other receivables mainly come from property for rent business at about 5% of rental income.

Moreover, the trade and other payables are calculated using three-year historical information from 2014 to 2016, the average payable deferral period are 28 days (Table 1.10).

Table 1.10 Net Operating Working Capital

Key Drivers	Assumptions
Trade and other receivables	5% of Rental Income
Land and construction in progress	187% of COGS
Trade and other payables	28 days PDP

1.7.2.8 Terminal Value

For terminal value, we utilized Dividend Discount Model to estimate the terminal value as it will take into account the constant growth rate from 2024 onwards. The constant growth rate is 2% reflecting the expected inflation rate by NESDB. We assumed the constant growth to be equal to the expected inflation rate due to mature nature of the industry that long-term performance will mainly be affected by increase in house prices. The terminal value is THB 23,739 million.

1.7.2.9 Weighted Average Cost of Capital

We calculate cost of equity using CAPM model. For the risk-free rate, we assumed 10-year government bond yield of 2.43% according to Thai BMA information. Beta of the company is 0.88 as of November 16, 2017 and the market risk premium of Thailand is 7.96% according to Damadoran's website information.

As a result, the cost of equity of QH is 9.43%. In term of cost of debt, we estimate the cost of debt by financial costs and interest-bearing debt information as of Q3 2017. The after-tax cost of debt is 0.87%. Therefore, WACC of the company using in DCF model is 5.66% (Table 1.11).

Table 1.11 WACC Calculation

Inputs	Values
Risk-free rate	2.43%
Beta	0.88
Market risk premium	7.96%
Pre-tax Kd	1.25%
Marginal tax rate	20%
Weight of equity	56%
Weight of debt	44%
WACC	5.66%

1.7.2.10 Value of Non-operating Assets

The value of non-operating assets is THB 37,707 million consisting of THB 3,816 million cash and THB 33,891 million investment in associates (Table 1.12). The value of non-operating assets per share is THB 3.52 per share. To consider the major component of non-operating assets, QH has investments in four associates: HMPRO, LHBANK, QHPF, and QHHR (Table 2.14). It takes earnings from such investment by equity method as share of profits from associated companies each year. In Q3 2017, QH's shareholding in LHFG was diluted from 21.3% to 13.7% as LHFG issued new ordinary shares to CTBC Bank under a private placement scheme. Therefore, QH recognized and accounting gain of THB 712 million from the transaction and there will be no share of profits by equity method from LHBANK from Q3 2017 onwards.

To value share price by DCF, we subtract income from non-operating assets from FCFF model in order to reflect only future cash flow QH will receive from operation. We value the investments by current market value. As of November 16, 2017, total market capitalization of four associates taking into account shareholding proportion of QH is THB 42,364 million. Considering the perspective of investors holding investments indirectly through QH, we decided to designate the discount rate for the investments. To determine the discount rate for QH's investments, we calculated the discount rate by using three methods (Table 2.10).

Table 1.12 Non-operating Assets Breakdown

Components	Values (M.THB)
Cash	3,816
HMPRO	24,177
LHBANK	4,017
QHPF	1,898
QHHR	800
Total	37,707

- Method 1: Benchmark with a Holding Company

Intouch Holdings Public Company Limited (INTUCH) is the representative holding company listed in Stock Exchange of Thailand. We calculated the percentage of discount of INTUCH's share price to its major investments in Advanced Info Service Public Company Limited (ADVANC) and Thaicom Public Company Limited

(THCOM). The market capitalization of two investments of INTUCH is THB 224,688 million taking into account the shareholding as of November 16, 2017. The investment is THB 70.07 per share. The current share price of INTUCH is THB 55.25 per share. As a result, the discount rate estimated by this method is 27%.

- Method 2: Discount from Share of Profit from Associates

QH takes share of profits from associated companies with total THB 1,595 million in 2016 while it received dividend paid by associates THB 1,058 million. The share of profits is accounting income in consolidated income statements which cannot be paid as dividends to shareholders. The amount that QH can use to pay dividend to its shareholders or reinvest in its business is the amount of dividend received. Therefore, the discount rate of dividend income from share of profits calculated as of December 2016 is 34%.

- Method 3: Historical Price Discount from Investment Value

According to YTD daily share price from November 16, 2016 to November 16, 2017, we calculate price discount of QH to total market value of its investment on daily basis by taking into account the shareholding. The average daily price discount from total investment is 20%.

As a result, we assumed the lower-bound of discount rate is 20% and upper-bound of the discount rate is 34%. Considering analyst application discount rate in valuation model, we have seen some analysts applied 20% discount rate on investments in listed companies; for example, analyst report of Thonburi Healthcare Group, some QH analyst reports, etc. Therefore, the calculated discount rate by these three methods seems to be applicable and not to overvalue QH's share price. Among three methods, we assume the discount rate on non-operating assets to be 20% by choosing the lower-bound discount rate.

1.7.3 Valuation Summary

According to above assumptions, the value of operating assets by free cash flow to firm from DCF method is THB 19,842 million (Table 2.9). Added non-operating assets value after discount of THB 37,707 million, the value of firm is total THB 57,550 million. By deduction of debt amount of THB 23,986 million as of Q3 2017, the value

of equity is THB 33,563 million and value per share is THB 3.13. Comparing to current share price, the target price has 10% upside; therefore, we issue HOLD recommendation.

Table 1.13 Valuation Summary

Valuation Summary	Amount (THB Mil.)
Value of Operating Assets	19,842
Value of Non-operating Assets	37,707
Value of Firm	57,550
Value of Debt	23,986
Value of Equity	33,563
No. of Shares Outstanding	10,714
Share Price	3.13
Current Share Price	2.84

1.7.4 Rating Criteria

To assign the recommendation on target stock, we decide based on rating criteria dividing into three categories. First, when there is upside more than 10% from current price we assign BUY recommendation. Second, when the upside is -10% to 10% we assign HOLD recommendation. Third, when the target price estimated has 10% downside from current price we assign SELL recommendation.

1.7.5 Scenario Analysis

To ensure our conclusion that QH value would drive target price of QH to increase according to Investment Summary, we prepared scenario analysis by changing number of high-rise project value to be opened during 2019-2021. The result shows that only 1% increase in new high-rise project opening will increase value per share to have more than 10% upside from current share price. On the other hand, only 9% decrease in new high-rise project opening will result in more than 10% downside of target price. Therefore, high-rise opening of QH in the future is very critical to its share price.

Based on scenario analysis, the expected share price is THB 3.10 with standard deviation of 15.74%. The possibility that target price would become lower than THB 3.0 is only 27.69%. It confirms that if QH utilizes its land banks for high-rise development within 2019-2021. The share value will become similar to the target price of THB 3.13

from DCF valuation. However, the expected share price still has upside lower than 10%; therefore, we affirm the HOLD recommendation for target price.

Table 1.14 Scenario Analysis

Change in High-rise Project Launch	-30%	-20%	-10%	Sell -9%	Base 50%	Buy +1%	+10%	+20%	+30%
Probability	6%	6%	6%	6%	50%	6%	6%	6%	6%
Total Project Value (M.THB)	13,020	14,877	16,737	16,924	18,598	18,784	20,457	22,317	24,177
Result Cells:									
SharePrice (THB per share)	1.22	1.86	2.49	2.56	3.13	3.20	3.77	4.41	5.05

1.8 Financial Analysis

We divided financial analysis into two main parts: the historical income statements analysis and the forecasted financial ratios during the forecasting horizons. The analysis of historical income statements consisted of size analysis, common size analysis, trend analysis, and financial ratios. We provide the analysis by comparing information to QH's key competitor: SIRI.

1.8.1 Summary Figures from Financial Statements

Table 1.15 QH Income Statement

Items	2016	2015	2014	2013	2012
Sales of Real Estate	17,935	19,214	20,153	18,477	11,984
Rental and Service Income	1,191	1,144	1,067	1,222	1,092
Share of Profit from Investments in Associates	1,595	1,233	1,060	943	804
Other Income	188	197	158	300	1,333
Interest Income	17	15	21	16	19
Gain On Disposal Of Investments	-	-	-	-	-
Gain On Disposal Of Fixed Assets	-	-	-	-	1,184
Gain On Disposal Of Other Assets	-	-	-	140	-
Other Incomes - Others	170	183	137	143	130
Total Revenues	20,908	21,788	22,437	20,942	15,213
Cost of Real Estate Sold	12,607	13,276	13,606	12,489	8,310
Cost of Rental and Services	749	724	707	823	718
Selling Expenses	1,536	1,837	1,999	1,760	1,112
Administrative Expenses	2,155	2,012	1,882	1,634	1,526

Table 1.15 QH Income Statement (cont.)

Items	2016	2015	2014	2013	2012
Other Expenses	0	-22	31	65	77
Provision Expenses	-	-22	-	-	77
Other Expenses - Other	-	-	31	65	-
Total Expenses	17,047	17,827	18,225	16,771	11,743
EBIT	3,861	3,961	4,212	4,171	3,471
Finance Costs	335	329	255	228	295
EBT	3,525	3,632	3,958	3,943	3,176
Income Tax Expenses	440	525	628	636	790
Net Profit (Loss)	3,085	3,106	3,329	3,307	2,386

Table 1.16 SIRI Income Statement

Items	2016	2015	2014	2013	2012
Sales of Real Estate	30,099	35,152	27,174	27,724	28,954
Rental and Service Income	3,655	1,799	919	873	867
Share of Profit from Investments in Associates	0	0	0	0	0
Other Income	641	1,504	1,435	408	266
Interest Income	105	48	15	21	32
Gain On Disposal Of Investments	15	46	-	-	-
Gain On Disposal Of Fixed Assets	134	964	309	-	-
Gain On Disposal Of Other Assets	-	-	768	-	-
Other Incomes - Others	388	446	344	387	234
Total Revenues	34,395	38,455	29,529	29,004	30,087
Cost of Real Estate Sold	20,628	24,656	18,056	18,565	19,289
Cost of Rental and Services	2,825	1,455	850	703	588
Selling Expenses	3,039	3,312	2,633	3,956	3,289
Administrative Expenses	2,789	3,148	2,873	2,852	2,771
Other Expenses	175	408	141	0	-70
Provision Expenses					
Other Expenses - Other					
Total Expenses	29,455	32,980	24,553	26,075	25,866
EBIT	4,940	5,476	4,976	2,929	4,221
Finance Costs	615	728	646	616	328
EBT	4,324	4,748	4,330	2,313	3,893
Income Tax Expenses	944	1,242	937	384	874
Net Profit (Loss)	3,380	3,506	3,393	1,929	3,019

By comparing income statement of QH to its key competitor, SIRI, sale of real estate of SIRI is larger than QH. SIRI's sale of real estate is THB 30.1 billion where QH's sale of real estate THB 17.9 billion as of 2016. QH has THB 1.2 billion rental

and service income. SIRI has also the same business which generated THB 3.7 billion rental and service income for SIRI in 2016. The difference in term of income between two companies is share of profits from investments in associated companies as QH has invested in four associated companies contributed income by equity method.

The share of profits from associated companies of QH is significant. The amount as of 2016 is THB 1.6 billion. Total revenue of SIRI is also larger than QH's total revenue. QH's total revenue is THB 20.9 billion while SIRI has THB 34.4 billion. QH's total expenses are consisted of cost of real estate sold, cost of rental and services, selling expenses, administration expenses, and other expenses.

The total expenses of QH is THB 17 billion while SIRI has total expenses THB 29.5 billion as of 2016. However, the net profit sizes are similar. QH has THB 3.1 billion net profit in 2016 when SIRI has THB 3.4 billion net profit in the same year.

Table 1.17 QH Statement of Financial Position

Items	2016	2015	2014	2013	2012	2011
Cash And Cash Equivalents	2,888	2,837	1,458	1,630	1,650	1,113
Short-term Investments	0	0	0	0	0	0
Trade and Other Receivables	50	58	74	91	88	67
Land and Construction in Progress	28,835	29,098	24,949	22,558	21,697	16,427
Advance for Construction Work	516	933	1,111	586	810	352
Deposit for Land and Purchase of Assets	0	0	0	0	0	0
Other Current Assets	60	102	116	36	252	217
Total Current Assets	32,349	33,029	27,709	24,901	24,496	18,176
Restricted Deposits at Financial Institutions	128	34	28	31	30	23
Investment in Associates	9,637	9,071	8,534	7,638	7,015	6,059
Long-term Loans and Interest Receivables	-	-	38	36	9	4
Investment Properties - Net	483	491	500	514	529	544
Property, Plant And Equipments	524	576	575	339	506	1,434
Leasehold Right - Net	600	686	769	848	928	1,512
Land and Project Development Costs	8,816	8,178	9,495	6,581	7,915	10,032
Deferred Tax Assets	381	319	302	321	-	-
Deposits for Lease of Land and Building	59	572	637	403	100	152
Other Non-Current Assets	39	42	48	39	35	31
Total Non-Current Assets	20,665	19,969	20,925	16,750	17,068	19,790
Total Assets	53,014	52,998	48,634	41,652	41,565	37,966
Liabilities and Shareholders' Equity						
Short-term Loans	998	1,898	1,992	323	5,272	3,683
Trade and Other Payables	1,062	1,352	1,050	882	805	546
Current Portion of Unsecured Debentures	6,500	6,912	4,600	3,985	2,080	5,994
Income Tax Payable	140	154	192	303	528	11
Short-Term Provisions	449	380	394	232	182	201
Advance Received from Customers	630	673	650	678	493	226

Table 1.17 QH Statement of Financial Position (cont.)

Items	2016	2015	2014	2013	2012	2011
Unappropriated	10,886	9,640	8,870	7,117	5,316	3,814
Other Components Of Equity	10	-18	-14	-15	83	56
Total Shareholders' Equity	22,940	21,545	19,149	17,277	15,489	13,168
Total Liabilities and Shareholders' Equity	53,014	52,998	48,634	41,652	41,565	37,966

Table 1.18 SIRI Statement of Financial Position

Items	2016	2015	2014	2013	2012	2011
Cash And Cash Equivalents	3,541	2,672	3,051	2,120	3,408	2,863
Short-term Investments	-	-	557	36	51	105
Trade and Other Receivables	170	81	51	45	41	48
Land and Construction in Progress	49,057	51,045	57,049	45,621	34,267	25,616
Advance for Construction Work	1,233	1,464	2,017	3,414	1,618	1,435
Deposit for Land and Purchase of Assets	2,425	3,673	2,380	1,358	1,410	2,076
Other Current Assets	863	200	175	363	278	150
Total Current Assets	57,289	59,135	65,281	52,957	41,073	32,293
Restricted Deposits at Financial Institutions	-	-	-	7	9	51
Investment in Associates	468	955	50	0	0	0
Long-term Loans and Interest Receivables	4,307	1,599	700	-	-	-
Investment Properties - Net	314	88	97	597	636	677
Property, Plant And Equipments	2,080	2,440	2,434	2,700	2,356	1,881
Leasehold Right - Net	282	311	340	369	354	385
Land and Project Development Costs	7,042	4,033	3,405	2,425	1,375	701
Deferred Tax Assets	756	657	611	621	-	-
Deposits for Lease of Land and Building	0	0	0	0	0	0
Other Non-Current Assets	237	235	229	364	302	250
Total Non-Current Assets	15,485	10,316	7,867	7,083	5,033	3,944
Total Assets	72,774	69,451	73,147	60,040	46,106	36,238
Liabilities and Shareholders' Equity						
Short-term Loans	4,316	1,966	3,600	3,550	1,828	1,247
Trade and Other Payables	1,349	1,371	2,010	2,251	1,800	975
Current Portion of Unsecured Debentures	9,776	10,757	15,517	8,304	9,758	8,831
Income Tax Payable	410	471	495	184	446	381
Short-Term Provisions	117	125	110	98	105	84
Advance Received from Customers	1,580	570	78	-	64	-
Retention Guarantees	553	765	738	578	371	290
Other Current Liabilities	3,189	3,924	5,020	4,423	3,801	3,060
Total Current Liabilities	21,290	19,949	27,568	19,388	18,173	14,868
Long-term Liabilities, Net of Current Portion	21,699	20,961	19,980	22,816	12,419	9,274
Provision for Long-term Employee Benefits	130	115	80	70	27	25
Long-Term Provisions	171	178	215	160	52	53
Income Received in Advance	386	429	475	513	558	600
Deferred Tax Liabilities	1,003	621	13	26	41	40
Total Non-Current Liabilities	23,388	22,303	20,763	23,584	13,097	9,992
Total Liabilities	44,678	42,253	48,331	42,972	31,270	24,860

Table 1.18 SIRI Statement of Financial Position (cont.)

Items	2016	2015	2014	2013	2012	2011
Authorized Share Capital	19,251	19,279	19,824	11,642	11,642	11,642
Issued And Fully Paid-Up Share Capital	15,285	15,285	14,582	10,201	8,434	7,547
Share Premium	1,470	1,470	1,470	657	584	550
Retained Earnings (Deficit)						
Appropriated-Statutory Reserve	1,288	1,119	944	774	678	501
Unappropriated	10,188	9,262	7,666	5,399	4,638	2,797
Other Components Of Equity	-135	62	154	37	502	-18
Total Shareholders' Equity	28,096	27,198	24,816	17,068	14,836	11,378
Total Liabilities and Shareholders' Equity	72,774	69,451	73,147	60,040	46,106	36,238

In term of financial positions, SIRI has larger asset size with THB 72,774 million as of 2016, consisting of THB 57,289 current assets and THB 15,485 non-current assets. QH has THB 53,014 million total assets, having THB 32,349 million current assets and THB 20,665 non-current assets as of 2016. For liabilities in 2016, SIRI has THB 44,678 total liabilities while QH has total liabilities of THB 30,075 million. The major amount of liabilities for both companies is long-term liabilities which represent long-term debentures which is major source of fund for property developers. In addition, QH has shareholders' equity of THB 22,940 million while SIRI has shareholders' equity of THB 28,096 million as of 2016. SIRI has larger paid-up share capital of THB 15,285 million but smaller retained earnings of only THB 10,188 million while QH has unappropriated profits of THB 10,886 million.

1.8.2 Common Size Analysis

According to common size analysis of income statements, the major income of QH is sale of real estate having 6.6% rental and service income to sale revenues. We can see that SIRI has larger rental and service business size as it has 12.1% rental and service income to sale revenues. However, SIRI has no share of profits from associated companies. This ensures the strong perspective of QH that it has secured earnings from associated which contributed about 8.9% of sale revenues.

In cost and expenses' perspective, QH seems to be less efficient in real estate business with higher cost of real estate sold proportion of 70.3%, comparing to SIRI which has 68.5% COGS to sales. On the other hand, QH seems to perform better in

rental and service business with lower cost of rental and services; as well as, it has lower selling expenses proportion to sale of 8.6%.

Moreover, total expenses of QH is 95.1% to sales which is lower than SIRI by 2.8%. The amount of financial costs to sale revenues are similar at about 2% of sales but income tax expenses of QH is lower by having 2.5% tax expenses to sale while SIRI has more than 3%. Considering the net profit, QH has higher net profit margin to sales of 17.2% while the competitor has only 11.2% margin. It resulted from earnings from associated, lower expenses, and lower tax payment of QH.

Table 1.19 Common Size Income Statement

Items	SIRI	QH				
	2016	2016	2015	2014	2013	2012
Sales of Real Estate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Rental and Service Income	12.1%	6.6%	6.0%	5.3%	6.6%	9.1%
Share of Profit from Investments in Associates	0.0%	8.9%	6.4%	5.3%	5.1%	6.7%
Other Income	2.1%	1.0%	1.0%	0.8%	1.6%	11.1%
Interest Income	0.3%	0.1%	0.1%	0.1%	0.1%	0.2%
Gain On Disposal Of Investments	0.0%	-	-	-	-	-
Gain On Disposal Of Fixed Assets	0.4%	-	-	-	-	9.9%
Gain On Disposal Of Other Assets	-	-	-	-	0.8%	-
Other Incomes - Others	1.3%	0.9%	1.0%	0.7%	0.8%	1.1%
Total Revenues	114.3%	116.6%	113.4%	111.3%	113.3%	126.9%
Cost of Real Estate Sold	68.5%	70.3%	69.1%	67.5%	67.6%	69.3%
Cost of Rental and Services	9.4%	4.2%	3.8%	3.5%	4.5%	6.0%
Selling Expenses	10.1%	8.6%	9.6%	9.9%	9.5%	9.3%
Administrative Expenses	9.3%	12.0%	10.5%	9.3%	8.8%	12.7%
Other Expenses	0.6%	0.0%	-0.1%	0.2%	0.4%	0.6%
Provision Expenses	0.0%	-	-0.1%	-	-	0.6%
Other Expenses - Other	0.0%	-	-	0.2%	0.4%	-
Total Expenses	97.9%	95.1%	92.8%	90.4%	90.8%	98.0%
EBIT	16.4%	21.5%	20.6%	20.9%	22.6%	29.0%
Finance Costs	2.0%	1.9%	1.7%	1.3%	1.2%	2.5%
EBT	14.4%	19.7%	18.9%	19.6%	21.3%	26.5%
Income Tax Expenses	3.1%	2.5%	2.7%	3.1%	3.4%	6.6%
Net Profit (Loss)	11.2%	17.2%	16.2%	16.5%	17.9%	19.9%

Based on above common size analysis of statement of financial position, current assets of QH contributed about 61% of total assets which is lower than the competitor. SIRI has larger size of current assets due to larger inventory of 67% of total assets, representing as land and construction in progress in the statement. This resulted from the fact that SIRI has more high-rise products in its portfolio while QH

has mainly focused on low-rise project with pre-built scheme. Another major difference is investment in associated in non-current assets part. QH has about 18% investment in associates while SIRI has small size of investments. In addition, QH has larger proportion of long-term land and project development costs which may imply that it has larger proportion of land banks for future developments, otherwise, larger long-term inventories in its stocks.

In term of liabilities, SIRI seems to use more short-term loans and less long-term liabilities. It has 30% long-term liabilities in balance sheet while QH has about 34% long-term debentures net of current portion of total assets. Moreover, QH has higher retained earnings proportion of total assets at about 21%. This reflected lower liabilities proportion to total assets of the company compared to the competitor.

Table 1.20 Common Size Statement of Financial Position

	SIRI	QH				
	2016	2016	2015	2014	2013	2012
Cash And Cash Equivalents	5%	5%	5%	3%	4%	4%
Short-term Investments	-	0%	0%	0%	0%	0%
Trade and Other Receivables	0%	0%	0%	0%	0%	0%
Land and Construction in Progress	67%	54%	55%	51%	54%	52%
Advance for Construction Work	2%	1%	2%	2%	1%	2%
Deposit for Land and Purchase of Assets	3%	0%	0%	0%	0%	0%
Other Current Assets	1%	0%	0%	0%	0%	1%
Total Current Assets	78.7%	61.0%	62.3%	57.0%	59.8%	58.9%
Restricted Deposits at Financial Institutions	-	0%	0%	0%	0%	0%
Investment in Associates	1%	18%	17%	18%	18%	17%
Long-term Loans and Interest Receivables	6%	-	-	0%	0%	0%
Investment Properties - Net	0%	1%	1%	1%	1%	1%
Property, Plant And Equipments	3%	1%	1%	1%	1%	1%
Leasehold Right - Net	0%	1%	1%	2%	2%	2%
Land and Project Development Costs	10%	17%	15%	20%	16%	19%
Deferred Tax Assets	1%	1%	1%	1%	1%	-
Deposits for Lease of Land and Building	0%	0%	1%	1%	1%	0%
Other Non-Current Assets	0%	0%	0%	0%	0%	0%
Total Non-Current Assets	21.3%	39.0%	37.7%	43.0%	40.2%	41.1%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities and Shareholders' Equity						
Short-term Loans	6%	2%	4%	4%	1%	13%
Trade and Other Payables	2%	2%	3%	2%	2%	2%
Current Portion of Unsecured Debentures	13%	12%	13%	9%	10%	5%
Income Tax Payable	1%	0%	0%	0%	1%	1%
Short-Term Provisions	0%	1%	1%	1%	1%	0%
Advance Received from Customers	2%	1%	1%	1%	2%	1%
Retention Guarantees	1%	1%	1%	1%	1%	1%
Other Current Liabilities	4%	1%	1%	1%	2%	1%
Total Current Liabilities	29.3%	20.9%	23.9%	20.8%	18.0%	24.5%

Table 1.20 Common Size Statement of Financial Position (cont.)

	SIRI	QH				
	2016	2016	2015	2014	2013	2012
Long-term Liabilities, Net of Current Portion	30%	34%	34%	38%	38%	36%
Provision for Long-term Employee Benefits	0%	0%	0%	0%	0%	0%
Long-Term Provisions	0%	1%	0%	0%	0%	0%
Income Received in Advance	1%	1%	1%	1%	1%	1%
Deferred Tax Liabilities	1%	0%	0%	0%	0%	-
Total Non-Current Liabilities	32.1%	35.8%	35.4%	39.8%	40.6%	38.2%
Total Liabilities	61.4%	56.7%	59.3%	60.6%	58.5%	62.7%
Authorized Share Capital	26%	20%	20%	19%	22%	22%
Issued And Fully Paid-Up Share Capital	21%	20%	20%	19%	22%	22%
Share Premium	2%	1%	1%	1%	1%	1%
Retained Earnings (Deficit)	0%	0%	0%	0%	0%	0%
Appropriated-Statutory Reserve	2%	2%	2%	1%	1%	1%
Unappropriated	14%	21%	18%	18%	17%	13%
Other Components Of Equity	0%	-	0%	0%	0%	0%
Total Shareholders' Equity	38.6%	43.3%	40.7%	39.4%	41.5%	37.3%
Total Liabilities and Shareholders' Equity	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1.8.3 Trend Analysis

Table 1.21 QH Income Statement Trend Analysis

Items	CMS 2016	CAGR	2016	2015	2014	2013	2012	2011
Sales of Real Estate	100%	15%	203%	218%	229%	210%	136%	100%
Rental and Service Income	7%	3%	115%	110%	103%	118%	106%	100%
Share of Profit from Investments	9%	20%	250%	193%	166%	148%	126%	100%
Other Income	1%	0%	102%	108%	86%	163%	726%	100%
Interest Income	0%	4%	123%	106%	149%	117%	136%	100%
Other Incomes - Others	1%	0%	102%	110%	82%	86%	78%	100%
Total Revenues	117%	14%	196%	204%	210%	196%	143%	100%
Cost of Real Estate Sold	70%	15%	200%	210%	215%	198%	132%	100%
Cost of Rental and Services	4%	2%	113%	109%	107%	124%	108%	100%
Selling Expenses	9%	10%	161%	193%	210%	185%	117%	100%
Administrative Expenses	12%	9%	155%	144%	135%	117%	110%	100%
Other Expenses	-	-	-	-	-	-	-	-
Total Expenses	95%	13%	183%	191%	195%	180%	126%	100%
EBIT	22%	23%	287%	295%	313%	310%	258%	100%
Finance Costs	2%	2%	109%	107%	82%	74%	95%	100%
EBT	20%	28%	341%	351%	382%	381%	307%	100%
Income Tax Expenses	2%	19%	241%	288%	345%	349%	433%	100%
Net Profit (Loss)	17%	29%	362%	364%	390%	388%	280%	100%

Table 1.22 SIRI Income Statement Trend Analysis

Items	CMS 2016	CAGR	2016	2015	2014	2013	2012	2011
Sales of Real Estate	100%	9%	152%	178%	137%	140%	146%	100%
Rental and Service Income	12%	36%	473%	233%	119%	113%	112%	100%
Share of Profit from Investments	0%	0%	-	-	-	-	-	-
Other Income	2%	34%	426%	1001%	955%	271%	177%	100%
Total Revenues	114%	11%	166%	186%	143%	140%	145%	100%
Cost of Real Estate Sold	69%	10%	160%	191%	140%	144%	149%	100%
Cost of Rental and Services	9%	36%	473%	244%	142%	118%	98%	100%
Selling Expenses	10%	8%	144%	157%	125%	187%	156%	100%
Administrative Expenses	9%	6%	136%	153%	140%	139%	135%	100%
Other Expenses	1%	0%	-	-	-	-	-	-
Total Expenses	98%	11%	167%	187%	139%	148%	146%	100%
EBIT	16%	10%	164%	182%	165%	97%	140%	100%
Finance Costs	2%	23%	277%	327%	290%	277%	147%	100%
EBT	14%	9%	155%	170%	155%	83%	139%	100%
Income Tax Expenses	3%	4%	121%	159%	120%	49%	112%	100%
Net Profit (Loss)	11%	11%	168%	174%	168%	96%	150%	100%

From trend analysis, QH's sales of real estate grew at 15% during the past five years, higher than SIRI which its sale grew at only 9% on average. QH's share of profits grew at the most significant rate to 250% of year 2011 while rental and service income increased by 115% of 2011. This is the opposite perspective to SIRI's performance that SIRI's rental and service income grew at very high rate of 473% increase from year 2011. However, total revenues of SIRI as of 2016 was 166% of the past five years but QH grew at higher rate of 199% of 2011. Another important point is QH's total revenues grew at 15% faster than total expenses; however, SIRI's total expenses seem to grow faster than its revenue. This resulted in lower net profit CAGR at only 11% while QH performed much better, having 29% CAGR of net profits during the past five years. QH's net profit of 2016 is 362% of net profit in 2011. It is clear that QH outperformed the competitor in term of revenue and profit growth.

Table 1.23 QH Statement of Financial Position Trend Analysis

Items	CMS 2016	CAGR %	2016	2015	2014	2013	2012	2011
Cash And Cash Equivalents	5%	21%	259%	255%	131%	146%	148%	100%
Short-term Investments	0%	0%	-	-	-	-	-	-
Trade and Other Receivables	0%	-6%	74%	86%	110%	135%	130%	100%
Land and Construction in Progress	54%	12%	176%	177%	152%	137%	132%	100%
Advance for Construction Work	1%	8%	147%	265%	316%	167%	230%	100%
Deposit for Land and Purchase of Assets	0%	0%	-	-	-	-	-	-
Other Current Assets	0%	-23%	28%	47%	53%	17%	116%	100%
Total Current Assets	61%	12%	178%	182%	152%	137%	135%	100%
Restricted Deposits at Financial Institutions	0%	41%	566%	150%	122%	136%	135%	100%
Investment in Associates	18%	10%	159%	150%	141%	126%	116%	100%
Long-term Loans and Interest Receivables	-	0%	-	-	1074%	1017%	243%	100%
Investment Properties - Net	1%	-2%	89%	90%	92%	95%	97%	100%
Property, Plant And Equipments	1%	-18%	37%	40%	40%	24%	35%	100%
Leasehold Right - Net	1%	-17%	40%	45%	51%	56%	61%	100%
Land and Project Development Costs	17%	-3%	88%	82%	95%	66%	79%	100%
Deferred Tax Assets	1%	0%	-	-	-	-	-	-
Deposits for Lease of Land and Building	0%	-17%	39%	378%	421%	266%	66%	100%
Other Non-Current Assets	0%	4%	124%	134%	153%	125%	113%	100%
Total Non-Current Assets	39%	1%	104%	101%	106%	85%	86%	100%
Total Assets	100%	7%	140%	140%	128%	110%	109%	100%
Liabilities and Shareholders' Equity								
Short-term Loans	2%	-23%	27%	52%	54%	9%	143%	100%
Trade and Other Payables	2%	14%	194%	248%	192%	162%	147%	100%
Current Portion of Unsecured Debentures	12%	2%	108%	115%	77%	66%	35%	100%
Income Tax Payable	0%	65%	1239%	1364%	1702%	2686%	4680%	100%
Short-Term Provisions	1%	17%	223%	189%	196%	115%	90%	100%
Advance Received from Customers	1%	23%	279%	298%	287%	300%	218%	100%
Retention Guarantees	1%	17%	215%	194%	206%	170%	133%	100%
Other Current Liabilities	1%	17%	215%	230%	205%	183%	138%	100%
Total Current Liabilities	21%	0%	98%	112%	90%	66%	90%	100%
Long-term Liabilities, Net of Current Portion	34%	7%	141%	141%	146%	126%	118%	100%
Provision for Long-term Employee Benefits	0%	11%	165%	142%	134%	144%	141%	100%
Long-Term Provisions	1%	35%	451%	178%	111%	218%	183%	100%
Income Received in Advance	1%	-5%	79%	83%	88%	92%	96%	100%
Deferred Tax Liabilities	0%	0%	-	-	-	-	-	-
Total Non-Current Liabilities	36%	7%	140%	139%	143%	125%	117%	100%
Total Liabilities	57%	4%	121%	127%	119%	98%	105%	100%
Authorized Share Capital	20%	4%	121%	121%	103%	103%	103%	100%
Issued And Fully Paid-Up Share Capital	20%	5%	126%	126%	108%	108%	108%	100%
Share Premium	1%	0%	100%	100%	100%	100%	100%	100%
Retained Earnings (Deficit)	0%	0%	-	-	-	-	-	-
Appropriated-Statutory Reserve	2%	17%	215%	188%	165%	139%	119%	100%
Unappropriated	21%	23%	285%	253%	233%	187%	139%	100%
Other Components Of Equity	0%	-29%	18%	-32%	-24%	-26%	148%	100%
Total Shareholders' Equity	43%	12%	174%	164%	145%	131%	118%	100%
Total Liabilities and Shareholders' Equity	100%	7%	140%	140%	128%	110%	109%	100%

Table 1.24 SIRI Statement of Financial Position Trend Analysis

Items	CMS 2016	CAGR %	2016	2015	2014	2013	2012	2011
Cash And Cash Equivalents	5%	4%	124%	93%	107%	74%	119%	100%
Short-term Investments	-	0%	-	-	531%	34%	49%	100%
Trade and Other Receivables	0%	29%	359%	171%	108%	94%	87%	100%
Land and Construction in Progress	67%	14%	192%	199%	223%	178%	134%	100%
Advance for Construction Work	2%	-3%	86%	102%	141%	238%	113%	100%
Deposit for Land and Purchase of Assets	3%	3%	117%	177%	115%	65%	68%	100%
Other Current Assets	1%	42%	575%	133%	117%	242%	185%	100%
Total Current Assets	79%	12%	177%	183%	202%	164%	127%	100%
Restricted Deposits at Financial Institutions	-	0%	-	-	-	13%	18%	100%
Investment in Associates	1%	327%	141495%	289104%	15189%	100%	100%	100%
Long-term Loans and Interest Receivables	6%	0%	-	-	-	-	-	-
Investment Properties - Net	0%	-14%	46%	13%	14%	88%	94%	100%
Property, Plant And Equipments	3%	2%	111%	130%	129%	144%	125%	100%
Leasehold Right - Net	0%	-6%	73%	81%	88%	96%	92%	100%
Land and Project Development Costs	10%	59%	1005%	575%	486%	346%	196%	100%
Deferred Tax Assets	1%	0%	-	-	-	-	-	-
Deposits for Lease of Land and Building	0%	0%	-	-	-	-	-	-
Other Non-Current Assets	0%	-1%	95%	94%	92%	145%	121%	100%
Total Non-Current Assets	21%	31%	393%	262%	199%	180%	128%	100%
Total Assets	100%	15%	201%	192%	202%	166%	127%	100%
Liabilities and Shareholders' Equity								
Short-term Loans	6%	28%	346%	158%	289%	285%	147%	100%
Trade and Other Payables	2%	7%	138%	141%	206%	231%	185%	100%
Current Portion of Unsecured Debentures	13%	2%	111%	122%	176%	94%	111%	100%
Income Tax Payable	1%	1%	107%	124%	130%	48%	117%	100%
Short-Term Provisions	0%	7%	139%	148%	131%	117%	124%	100%
Advance Received from Customers	2%	0%	-	-	-	-	-	-
Retention Guarantees	1%	14%	191%	264%	254%	199%	128%	100%
Other Current Liabilities	4%	1%	104%	128%	164%	145%	124%	100%
Total Current Liabilities	29%	7%	143%	134%	185%	130%	122%	100%
Long-term Liabilities, Net of Current Portion	30%	19%	234%	226%	215%	246%	134%	100%
Provision for Long-term Employee Benefits	0%	39%	520%	460%	322%	279%	110%	100%
Long-Term Provisions	0%	26%	322%	335%	405%	302%	97%	100%
Income Received in Advance	1%	-8%	64%	72%	79%	86%	93%	100%
Deferred Tax Liabilities	1%	91%	2520%	1560%	33%	64%	104%	100%
Total Non-Current Liabilities	32%	19%	234%	223%	208%	236%	131%	100%
Total Liabilities	61%	12%	180%	170%	194%	173%	126%	100%
Authorized Share Capital	26%	11%	165%	166%	170%	100%	100%	100%
Issued And Fully Paid-Up Share Capital	21%	15%	203%	203%	193%	135%	112%	100%
Share Premium	2%	22%	267%	267%	267%	119%	106%	100%
Retained Earnings (Deficit)	0%	0%	-	-	-	-	-	-
Appropriated-Statutory Reserve	2%	21%	257%	223%	188%	154%	135%	100%
Unappropriated	14%	30%	364%	331%	274%	193%	166%	100%
Other Components Of Equity	0%	50%	763%	-350%	-870%	-208%	-2834%	100%
Total Shareholders' Equity	39%	20%	247%	239%	218%	150%	130%	100%
Total Liabilities and Shareholders' Equity	100%	15%	201%	192%	202%	166%	127%	100%

QH's land and construction in progress increase to 176% of the base year which is lower than SIRI's inventory that grew to 192% as of 2016. This also reflects difference in product portfolio that SIRI has more high-rise projects and QH has more pre-built house for sale. The other major items in assets side are investment in associates

which grew to 159% of 2011 and land and project development cost that seem to decrease to 88% of the base year. It means QH may reserve less land banks or it can clear up more long-term stocks. On the other hand, SIRI's land and project development cost grew significantly to 1005% of the base year with CAGR of 59%. We assumed that the competitor aggressively acquired more land banks in the past five years. In term of liabilities, SIRI's long-term liabilities grew a bit faster at 19% CAGR while QH's long-term liabilities grew at 7%. For unappropriated profits, SIRI's retained earnings in 2016 was 364% of the base year while QH's was 285% of the base year.

1.8.4 Financial Ratios: Return

Table 1.25 QH and SIRI Financial Ratios: Return

QH: Profitability	2012	2013	2014	2015	2016
Gross profit margin	30.7%	32.4%	32.5%	30.9%	29.7%
Net profit margin	18.2%	16.8%	15.7%	15.3%	16.1%
Return on assets	6.6%	8.4%	7.8%	6.7%	6.4%
Return on equity	16.7%	20.2%	18.3%	15.3%	13.9%

SIRI: Profitability	2012	2013	2014	2015	2016
Gross profit margin	33.4%	33.0%	33.6%	29.9%	31.5%
Net profit margin	10.1%	6.7%	12.1%	9.5%	10.0%
Return on assets	7.9%	4.6%	5.9%	5.7%	5.4%
Return on equity	23.0%	12.1%	16.2%	13.5%	12.2%

As of 2016, gross profit margin of QH is 29.7% while SIRI has higher gross profit margin of 31.5%. QH's gross profit became one of the company's challenge to strive for improvement. The margin has dropped from 32.5% in 2014 to 29.7% in 2016, leading QH to lose its competitiveness in the industry. On the other hand, SIRI could improve its gross margin from 29.9% in 2015 to 31.5% in 2016. Despite underperformance of gross margin of QH, the company has higher net profit margin than the competitor due to secured earnings from share of profits from associated companies, which directly contributed to its bottom line with no tax burden. It drove net profit margin of QH to 16.1% while SIRI's net profit margin was only 10%, as of 2016. In term of ROA, as if QH has no debt and still pay taxes at the effective tax rate, out of THB 100 of total assets, QH would generate net income of THB 6.4, higher than the competitor which has only

5.4% ROA. Based on this measure, QH seems to have better operating performance without the effect from its capital structure. However, by comparing Return on Equity (ROE), QH's ROE was 13.9%, meaning that out of THB 100 of its equity investment, shareholders would get a return back in form of net income of THB 13.9. It is higher than SIRI which had ROE at only 12.2% as of 2016. QH seems to be worthwhile investments that investing in SIRI.

1.8.5 Financial Ratios: Risk

Table 1.26 QH and SIRI Financial Ratios: Risk

QH: Risk	2012	2013	2014	2015	2016
Current Ratio (time)	2.40	3.33	2.74	2.61	2.92
Debt to Equity Ratio (time)	1.44	1.18	1.32	1.24	1.11
Interest Coverage Ratio (time)	11.77	18.29	16.53	12.03	11.51
Account Receivable Turnover (time)	154.54	206.51	244.05	291.48	333.40
Inventory Turnover (time)	0.44	0.56	0.57	0.49	0.44
Account Payable Turnover (time)	20.11	15.82	16.56	10.23	10.23
Cash Conversion Cycle (days)	822	625	617	719	804

SIRI: Risk	2012	2013	2014	2015	2016
Current Ratio (time)	2.26	2.73	2.37	2.96	2.69
Debt to Equity Ratio (time)	1.62	2.03	1.58	1.24	1.27
Interest Coverage Ratio (time)	12.88	4.75	7.71	7.52	8.03
Account Receivable Turnover (time)	652.56	646.87	568.20	531.41	239.20
Inventory Turnover (time)	0.64	0.46	0.35	0.46	0.41
Account Payable Turnover (time)	20.14	14.77	13.84	11.03	13.70
Cash Conversion Cycle (days)	549	761	1,012	768	861

QH's liquidity has been improved from the previous year; therefore, as of 2016, it has 2.92 times current ratio which is higher than SIRI. In term of interest-bearing debt to equity ratio, QH has lower ratio at 1.11 times which is below SIRI's debt to equity ratio of 1.27 times. However, both companies have below than average debt to equity ratio of top companies in the industry. With their low debt proportion and low level of cost of funds, they have high interest coverage ratios. QH's interest coverage ratio as of 2016 was 11.51 times while SIRI has 8.03 times in the same period. This is resulted by the fact that most real estate companies use long-term liabilities to finance their operation such as issuing debentures, or long-term project finance loan. Their source of funds require low interest payments than other debt instruments. In term of

cash conversion cycle, QH has shorter CCC of 804 days while SIRI has 861 days CCC as of 2016. It reflected higher inventory and high-rise strategy of SIRI, which is different from QH.

1.8.6 Forecasted Financial Ratios from 2017 to 2021

Table 1.27 Forecasted Financial Ratios

Ratios	2016	2017F	2018F	2019F	2020F	2021F
Profitability						
EBITDA Margin	12.5%	14.9%	14.5%	14.7%	14.7%	14.5%
Operating profit margin	11.8%	14.2%	14.0%	14.2%	14.2%	14.1%
Net profit margin	16.1%	19.0%	15.6%	17.8%	18.7%	18.6%
Return on assets	6.4%	7.1%	7.9%	7.8%	7.9%	8.2%
Return on equity	13.9%	15.1%	14.9%	13.0%	13.0%	13.6%
Liquidity & Financial Leverage						
Current Ratio	2.92	2.94	3.28	3.48	3.51	3.66
Debt to Equity	1.31	1.26	0.80	0.69	0.72	0.68
Interest-bearing Debt to Equity	1.11	1.08	0.63	0.54	0.57	0.53
Interest Coverage Ratio	11.51	14.85	16.26	23.29	28.31	31.20

In the past five years, QH's profit margin slowly improved due to lower gross profit margin from 32.5% in 2014 to only 29.7% in 2016. The gross profit margin in non-competitive when comparing to its direct competitor, SIRI (Figure 1.16). With secured earnings from associated companies, QH has higher net profit margin level than SIRI. In addition, EBITDA margin, operating profit margin, and net profit margin are expected to improve by strong performance in the next five years.

Currently, net profit margin is 16.1% as of December 2016. It would increase to 18.6% in 2021. Also, the return on assets will also improve respectively from 6.4% to more than 8.2% with low-rise strategy and high-rise project reopening of QH. However, the return on equity would become lower due to lower leverage level of the company.

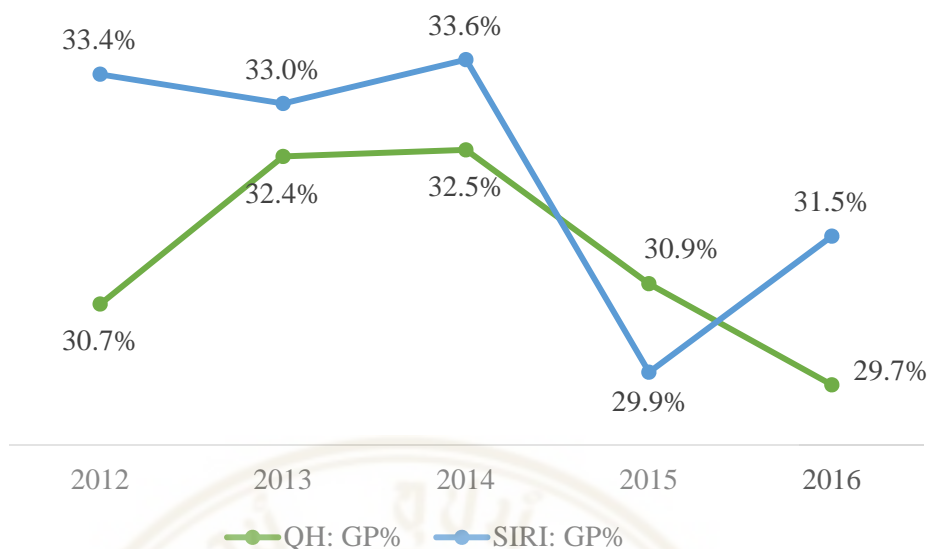


Figure 1.16 Gross Profit Margin

QH has remained strong financial performance with target debt to equity ratio not over 1.5 times. In 2016, the interest-bearing debt to equity ratio was only 1.1 times which is lower than SURI of 1.27 times (Figure 1.17). In term of current ratio and interest coverage ratio, QH is stronger than the competitor. For the outlook of the company's financial position, it is expected to become much more solid with higher liquidity and lower risks from debt level. The current ratio is expected to increase from 2.92 times in 2016 to 3.66 times in 2021. The interest-bearing debt to equity will also become lower from 1.1 times to below than 1 time level. This reflects the potential that QH has more room to increase its leverage and expand its investments even more than the assumptions. Also, with the stronger balance sheet, we expect cost of funds of the company would be stable.

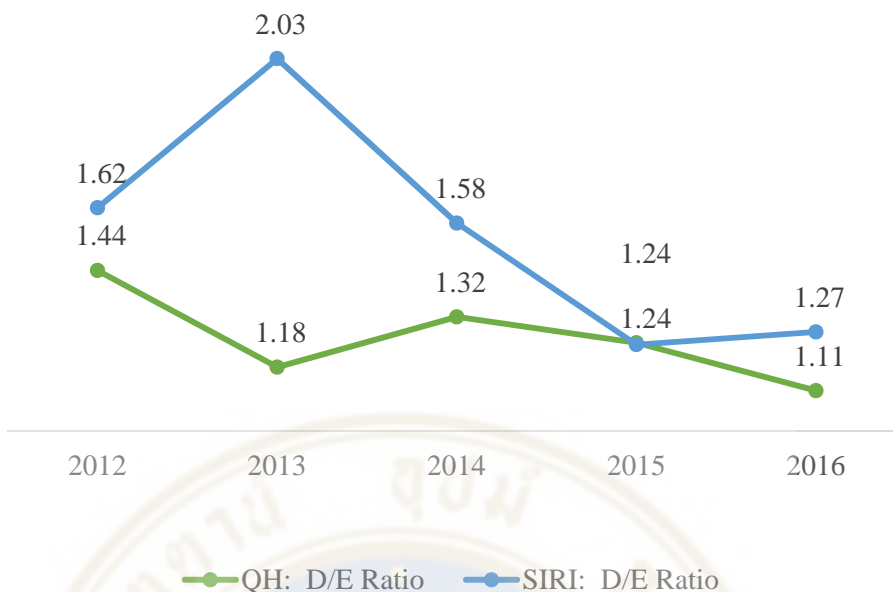


Figure 1.17 Debt to Equity Ratio

1.9 Investment Risks and Downside Possibilities

We assessed impact and likelihood of related risks which are presented in Figure 1.18.

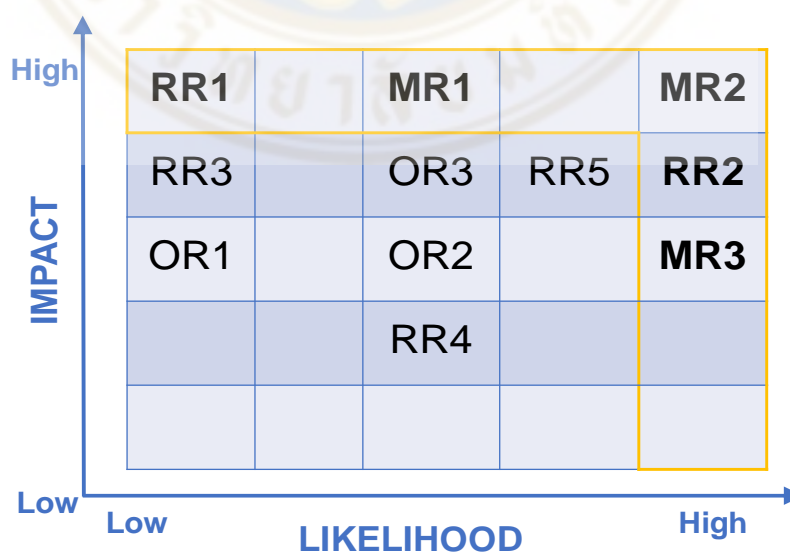


Figure 1.18 Risk Matrix

1.9.1 Regulatory Risks

1.9.1.1 Interest Rate Fluctuation (RR1, Low Likelihood, High Impact)

QH and its subsidiaries require a large amount of funds for property development, the part of which is derived from loans from financial and banking institutions and issuance of debentures. Consequently, market interest rates play a vital role in the company's cost of funds required for operations and projects developments. It would increase interest costs capitalized as cost of real estate sold which affect the company's profitability. In addition, increase in interest rate indirectly affect customer sentiment to purchase new house due to higher housing loan interest. It could also affect the market demand overall.

Mitigation Policy: QH has adopt several preventive measures depending on the trend of interest rates in particular period. It issued debentures with fixed interest rates in place of loans from banks which mostly bear floating rate and higher interest costs, or the issuance of short-term bill of exchange to institutional investors with lower interest rates to reduce interest obligations and more suitable for its business.

1.9.1.2 Postponement of Mass Transit Lines Opening (RR2, High Likelihood, High Impact)

Despite the schedule of new BTS lines opening, the infrastructure development largely depends on various factors such as the contractors, construction material supply, traffic and local management, etc. In the past projects of BTS lines expansion, most of the projects 'opening periods are delayed. The postponement of mass transit lines opening will affect forecasted presales and new project opening plan of the company.

1.9.1.3 Economic Downturn and Political Unrest (RR3, Low Likelihood, High Impact)

Referring to the expected GDP growth of Thailand by NESDB, the economy is expected to grow steadily to 5% in the next few years. Also, the new election period was announced by the government. Therefore, it is low possibility for economic downturn or political unrest to happen. However, if there is such risks occur,

it will significantly affect property sector as it mainly depend on public purchasing power and household debt level of the country.

1.9.1.4 Stringent Mortgage Loan Policy (RR4, Medium Likelihood, Medium Impact)

Due to high level of household debt, commercial banks have been more stringent in mortgage loan policies with high changes of disapproving mortgages. Consequently, customers who have reserved houses and condominium units are not able to transfer the unit ownership. It can lead to high rejection rate, resulting in volatility in revenue recognition and company performance.

Mitigation Policy: QH evaluates the basic qualifications and ability of mortgage repayment of customers before submitting them to commercial banks for consideration prior the reservation. The company also increases down payment amount for residential units that cost less than THB 10 million, from 10% to 15% of sale value.

1.9.1.5 High Cost of Holding Land from New Land and Building Tax Law (RR5, High Likelihood, Medium to High Impact)

In case that new Law and Building Tax Law become effective in 2018, the land owner will be charged 0.2% to 5% tax rates of the appraisal value depending on type of land use. As the tax rate of vacant land is the highest rate at 5%, real estate developers will have higher costs holding lands in stocks. It may probably cause land prices to rise as well.

1.9.2 Market Risk

1.9.2.1 Market Oversupply (MR1, Medium Likelihood, High Impact)

Currently, there is a problem of condominium market supply in the market, estimating time to go of existing supply of 15 months. The oversupply is expected to relief as a result of rising purchasing power and positive economic outlook. However, if the oversupply of high-rise still continues, it may affect the presale forecast and performance of the company.

1.9.2.2 Rising land prices (MR2, High Likelihood, High Impact)

Land prices rose by 8.9% from the previous year, especially land prices for developing condominium in CBD areas. It would directly increase cost of real estate sold of the company and affect land acquisition plan of the company in long term.

Mitigation Policy: The company has reserved land banks for developing future projects for total 31 projects, with total 1.68 million sq.m. It can help minimize risks of increasing land prices in potential areas, particularly after new mass transit lines opening.

1.9.2.3 Loss in market share from competition (MR3, High Likelihood, High Impact)

At present, there is increased competition in real estate development business from the increase in number of new developers and many strong current large-scale developers listed in SET. It resulted in rapid increase in supply as well as various new marketing strategies and selling campaigns have been constantly introduced to the market. This also caused the company to increase its marketing and selling activities; consequently, increase its selling expenses. According to new projects launched in the first half of 2017, there are top 10 companies that launched the highest value of new projects, accounted for 60% of total market values. However, QH has launched only 2% of total projects launched in the market. It shows that the company is less aggressive in the competition while new project opening is the key drivers of sale revenues.

Mitigation Policy: QH has a long proven track record, and well-accepted in high-quality standards in every market segments. It plans to add more innovation, product diversities and differentiators in order to cater well to the customers' requirements as well as focusing on after-sale services.

1.9.3 Operational Risk

1.9.3.1 Shortage of contractors and labors (OR1, Low Likelihood, Medium Impact)

Housing construction and development project significantly depends upon qualified contractors and skilled labors. In particular, the projects of QH are medium to high-end products which have strong emphasis on product quality. The

number of qualified contractors and skilled labors are limited or in shortage, especially when the time of the market growth.

Mitigation Policy: QH has policy that opens for new contractors. It constantly provides knowledge and skill development and promote good relationship with contractors. For example, QH provides financial support to the contractors.

1.9.3.2 Impairment loss from pre-built projects (OR2, Medium Likelihood, Medium Impact)

As QH has pre-built business model for low-rise projects, there is risks from not being able to completely sell all pre-built houses. It will cause the impairment loss from pre-built projects and affect the company's profitability.

Mitigation Policy: QH has divided construction into phases in order to control inventories and construction planning to match market demand and minimize risk of pre-built inventories.

1.9.3.3 Underperformance of associates (OR3, Medium Likelihood, High Impact)

The company gains both share of profits from associated companies as well as dividend income. In case that the associated companies have lower earnings, it will affect the company's performance significantly.

1.9.4 Drivers of Volatility in Earnings: Sensitivity Analysis

We performed a sensitivity analysis on the identified investment risks to determine their impact on the value of QH. Key variables are costs, expenses, discount rates, and leverage level. Below tables detail the effect of key variables to QH's share prices.

1.9.4.1 Costs: Costs of Goods Sold and Land Price Increase

Based on above sensitivity analysis, cost of goods sold seem to be a very critical variable of target price as only small change less than 10% in COGS affect the rating recommendation. By increasing COGS by 10%, the target price reduces from THB 3.13 to THB 0.55. It shows that COGS is a key variable to determine competitiveness in the industry. Moreover, the land price increase has some impact on target price. Increase in land price more than 20% meaning land price increases more than 10.8% each year can affect the rating from HOLD to SELL recommendation.

Table 1.28 Cost Sensitivity Analysis

		Land Price Growth%							
		-30%	-20%	-10%	0%	10%	20%	30%	
Share Value	3.13	6.3%	7.2%	8.1%	9%	9.9%	10.8%	11.7%	
	-30%	48%	11.78	11.49	11.20	10.89	10.57	10.24	9.90
	-20%	55%	9.19	8.91	8.61	8.31	7.99	7.65	7.31
	-10%	62%	6.60	6.32	6.03	5.72	5.40	5.07	4.72
COGS%	0%	69%	4.02	3.73	3.44	3.13	2.81	2.48	2.14
	10%	76%	1.43	1.15	0.85	0.55	0.23	0.11	0.45
	20%	83%	1.16	1.44	1.73	2.04	2.36	2.69	3.04
	30%	90%	3.74	4.03	4.32	4.63	4.95	5.28	5.62

1.9.4.2 Expenses: Selling and Administrative Expenses

Both selling expenses and administration expenses has similar impact on share value. Reducing each expense less than 10% of current rate will enhance target price to have a BUY rating while increasing the expenses by 10% would not significantly affect the rating recommendation. According to historical financial information, expenses of QH do not vary much from year to year. Therefore, we see no significant impact from SG&A on the target price.

Table 1.29 Expenses Sensitivity Analysis

		Administration Expenses%							
		-30%	-20%	-10%	0%	10%	20%	30%	
Share Value	3.13	6.5%	7.4%	8.4%	9%	10.2%	11.2%	12.1%	
	-30%	7%	5.50	5.09	4.69	4.28	3.88	3.47	3.07
	-20%	7%	5.11	4.71	4.30	3.90	3.49	3.09	2.68
	-10%	8%	4.73	4.33	3.92	3.52	3.11	2.71	2.30
Selling Expenses%	0%	9%	4.35	3.94	3.54	3.13	2.73	2.32	1.92
	10%	10%	3.96	3.56	3.15	2.75	2.34	1.94	1.53
	20%	11%	3.58	3.18	2.77	2.37	1.96	1.56	1.15
	30%	12%	3.20	2.79	2.39	1.98	1.58	1.17	0.77

1.9.4.3 Discount Rates: WACC and Terminal Growth Rate

As terminal growth rate is based on inflation rate of 2%, it has no significant impact on target price. Change in more than 30% of current growth rate

shows no impact on share value. However, increase in WACC more than 20% can critically change rating from HOLD to SELL. We can notice from increase in WACC by 30%, the target price is only THB 2.54, where we issue SELL rating when target price reaches THB 2.56.

Table 1.30 Discount Level and Debt Level Sensitivity Analysis

		Discount on Non-Operating Assets							
		-30%	-20%	-10%	0%	10%	20%	30%	
Share Value	3.13	14%	16%	18%	20%	22%	24%	26%	
	-30%	16,790	4.04	3.96	3.88	3.80	3.73	3.65	3.57
	-20%	19,189	3.82	3.74	3.66	3.58	3.50	3.42	3.34
	-10%	21,588	3.59	3.51	3.44	3.36	3.28	3.20	3.12
Debt Level	0%	23,986	3.37	3.29	3.21	3.13	3.05	2.97	2.90
	10%	26,385	3.15	3.07	2.99	2.91	2.83	2.75	2.67
	20%	28,784	2.92	2.84	2.76	2.68	2.61	2.53	2.45
	30%	31,182	2.70	2.62	2.54	2.46	2.38	2.30	2.22

1.10 Appendices

1.10.1 Appendix 1: Business Structure

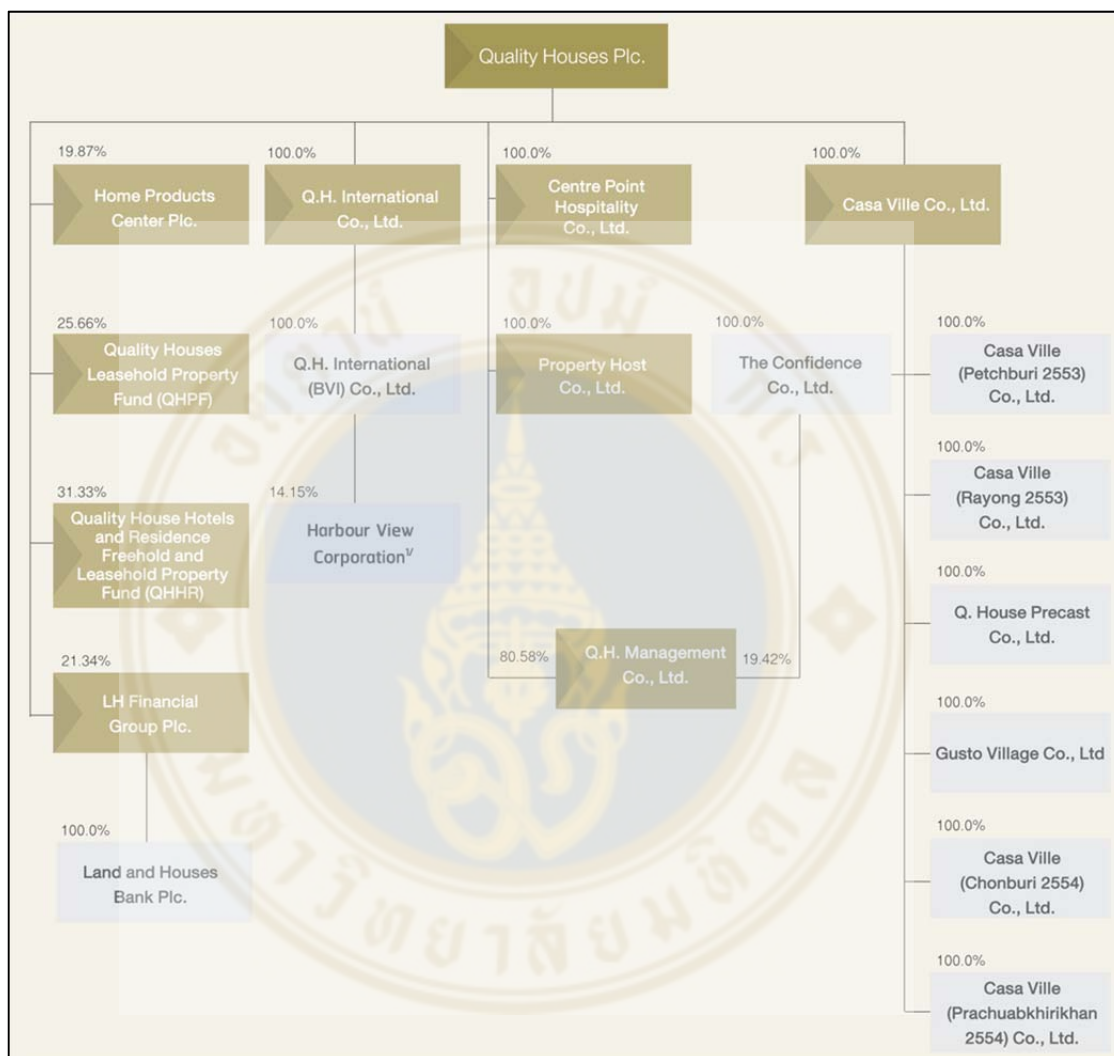


Figure 1.19 Business Structure

1.10.2 Appendix 2: Revenue Breakdown (Year 2016)

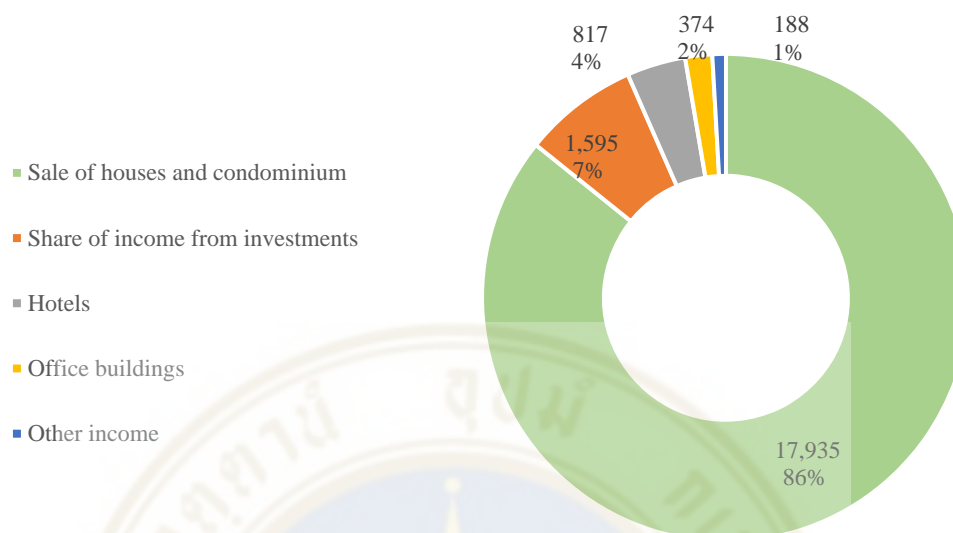


Figure 1.20 Revenue Breakdown

1.10.3 Appendix 3: Major Shareholders (as of November 16, 2017)

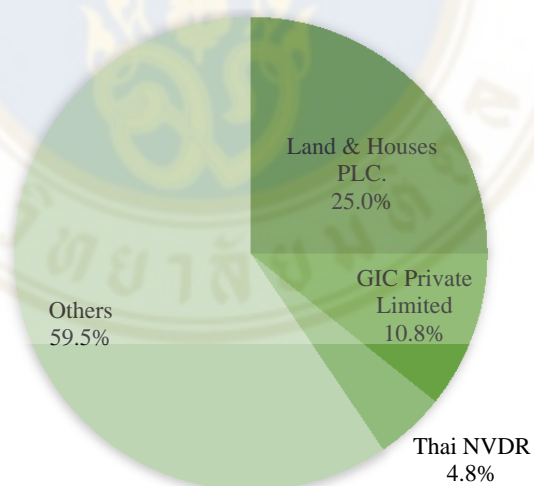


Figure 1.21 Major Shareholders

Free Float: 63% of Number of Shares Outstanding (as of March 15, 2017)

1.10.4 Appendix 4: Organizational Chart

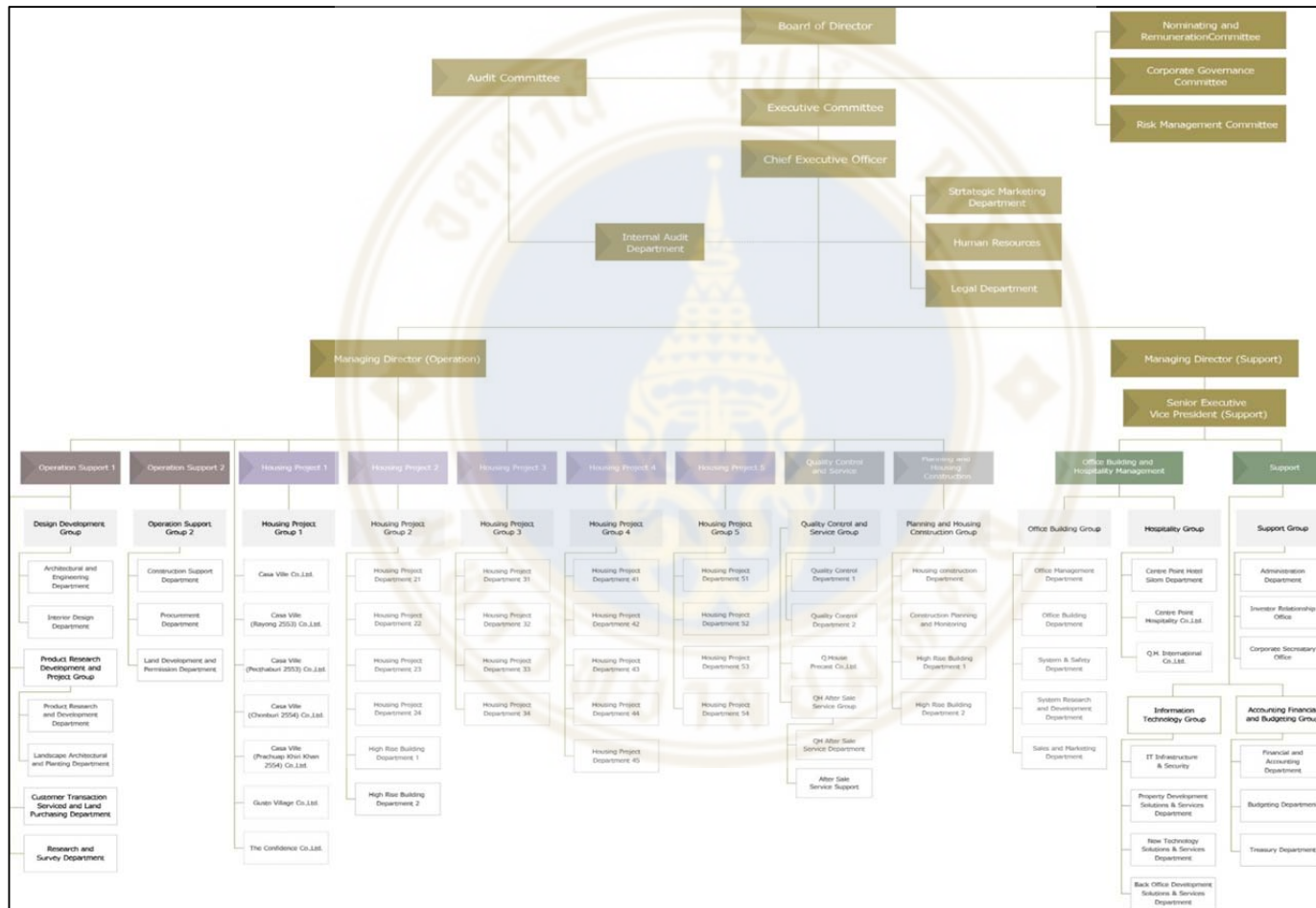


Figure 1.22 Organizational Chart

1.10.5 Appendix 5: Management

1.10.5.1 Board of Directors

Table 1.31 List of the Board of Directors

Name	Position	Date of Appointment
1. Mr. Boonsom Lerdhirunwong	Chairman and Independent Director	September 21, 2015
2. Mr. Chadchart Sittipunt	Director	January 1, 2015
3. Mr. Chulasingh Vasantasingh	Independent Director	April 17, 2015
4. Mr. Anant Asavabhokhin	Director	October 21, 1983
5. Mr. Adisorn Thananan-narapool	Director	May 9, 2003
6. Ms. Kanokvalee Viriyaprapaikit	Director	August 9, 2001
7. Mr. Rachai Wattanakasaem	Independent Director	August 10, 2005
8. Mr. Suri Buakhom	Independent Director	April 20, 2010
9. Mr. Achanun Asavabhokhin	Director	April 11, 2014
10. Mrs. Suwanna Bhuddhaprasart	Director	June 27, 2000
11. Mr. Suang Chaisurote	Director	August 23, 2016
12. Mr. Pravitt Choatewattanaphun	Director	April 20, 2010

1.10.5.2 The Executives

Table 1.32 List of the Executive Board

Name	Position
1. Mr. Chadchart Sittipunt	Chief Executive Officer
2. Mr. Suang Chaisurote	Managing Director
3. Mr. Pravitt Choatewattanaphun	Senior Executive Vice President
4. Ms. Apinya Jarutrakulchai	Senior Executive Vice President
5. Mr. Ravee Mongkoltavee	Executive Vice President
6. Mr. Sommart Promkunakorn	Executive Vice President
7. Mr. Adisak Srisook	Executive Vice President
8. Ms. Orathai Luengpaitoon	Vice President, Financial and Accounting Department

1.10.6 Appendix 6: Corporate Governance



Since 2001, the Thai Institute of Directors Association (IOD) in collaboration with the Stock Exchange of Thailand (SET) has continuously assesses corporate governance practices of listed companies for a total 14 annual periods. The overall survey results were published in the report entitled, “Corporate Governance Report of Thai Listed

Companies (CGR)” and publicized to all listed companies and related parties in the capital market. The CGR studies have significantly contributed to the improvement of good corporate governance paradigm in Thailand. The assessment criteria were based on the principles of good corporate governance by the Stock Exchange of Thailand. There are 241 criteria in the following five categories.

Table 1.33 Corporate Governance Rating Criteria

Year 2016	Item	Weight
Rights of Shareholders	32	15%
Equitable Treatment of Shareholders	19	10%
Role of Stakeholders	29	20%
Disclosure and Transparency	53	20%
Board Responsibilities	108	35%

Table 1.34 Corporate Governance Result Presentation

Score		Description
90 - 100		Excellent
80 - 89		Very Good
70 - 79		Good
60 - 69		Satisfactory
50 - 59		Pass
Below 50	No Logo Give	N/A

1.10.7 Appendix 7: Risk Matrix

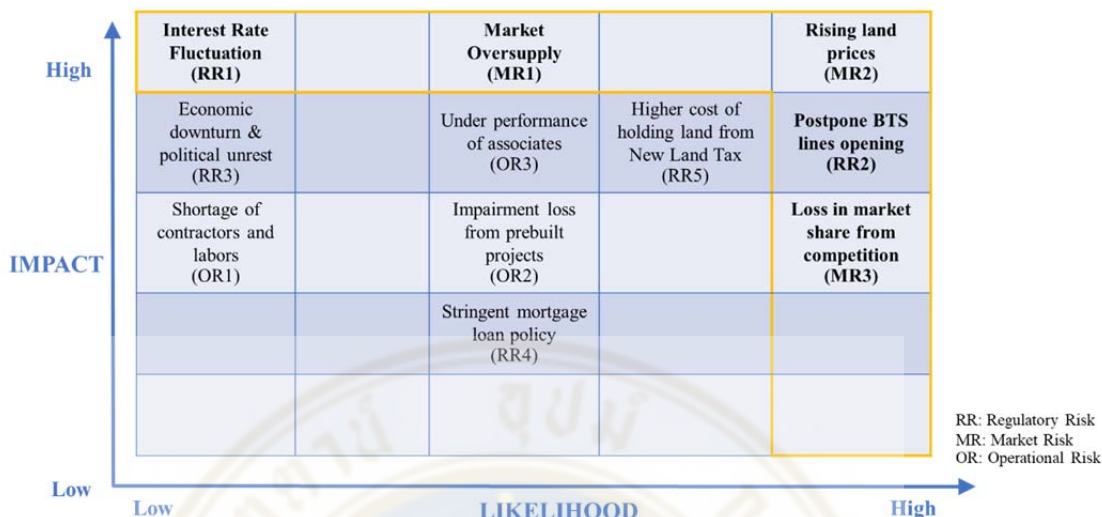


Figure 1.23 Risk Matrix (Full)

1.10.8 Appendix 8: SWOT Analysis

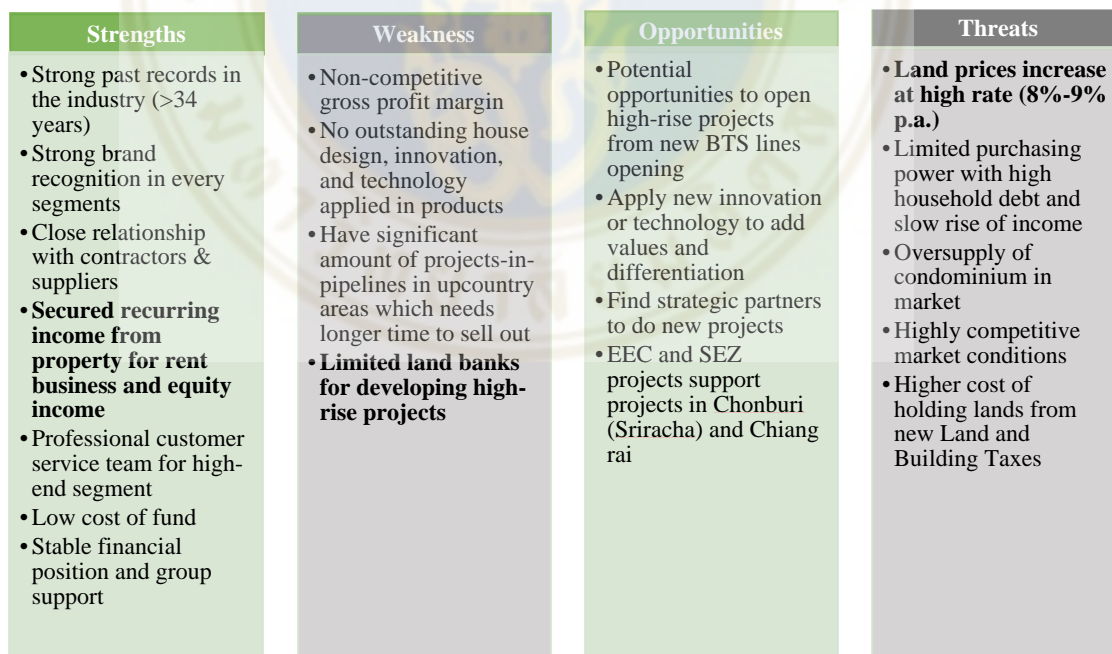


Figure 1.24 SWOT Analysis

1.10.9 Appendix 9: Five Forces Analysis

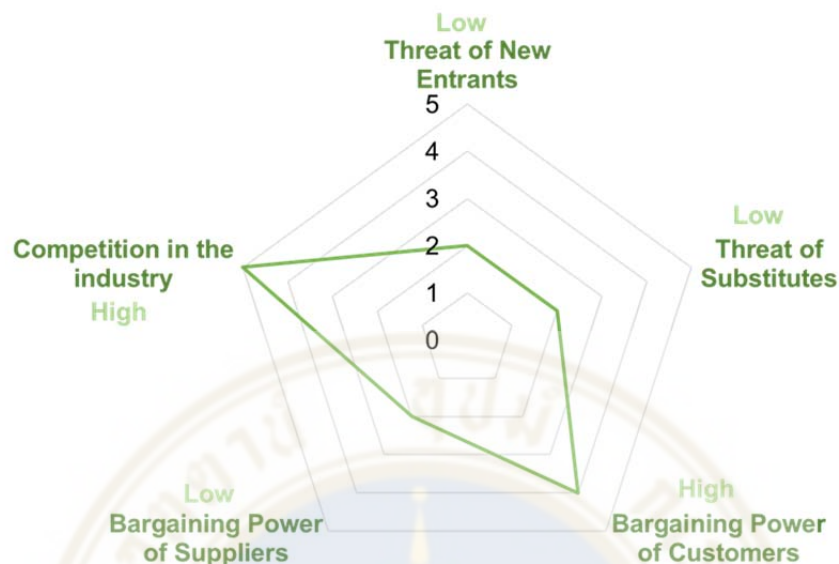


Figure 1.25 Five Forces Analysis (Full)

1.10.9.1 Low Threat of New Entrants:

Property development business requires high investment and know-how to develop real estate projects. However, for small-size projects, it is not difficult for new developer to entry the market. Land owners that own potential lands could start real estate projects easily. Despite land ownership restriction for foreign companies, they can also enter this market by having joint-venture partnership with Thai real estate developer.

1.10.9.2 Low Threat of Substitutes:

In Thailand, although there are many houses for rent available in the market such as service apartment, condominium available for rent, etc., it does not significantly affect customers who want to buy new houses. It is because real demand buyers decide to buy new houses because they want to own houses, not renting.

1.10.9.3 High Bargaining Power of Customers

Orders are highly depended on customers' sentiments where customers have various choices of products in the market. The industry has high price sensitivity competition in every market segment. Also, it requires low cost of changing to another developers' projects.

1.10.9.4 High Competition in the Industry

There are many listed competitor companies who provide competitive quality products and strong brands. Also, due to higher popularity of condominium markets, competition in acquiring potential lands seem to become higher.

1.10.9.5 Low Bargaining Power of Suppliers

QH has strong relationship with contractors and suppliers due to its strong network and over 30 years experiences in the industry. Also, there is low cost of changing from one supplier to another supplier.

1.10.10 Appendix 10: Income Statement Including Projections

Table 1.35 QH Income Statement Including Projections

	Assumptions	2013	2014	2015	2016	2017F	2018F	2019F	2020F	2021F	2022F	2023F
Sales of Real Estate	Separate Calculation	18,477	20,153	19,214	17,935	17,303	22,382	18,083	18,290	20,634	21,992	22,279
Rental and Service Income	2.0%	1,222	1,067	1,144	1,191	1,214	1,239	1,263	1,289	1,315	1,341	1,368
Share of Profit from Investments in Associates	Separate Calculation	943	1,060	1,233	1,595	1,493	1,255	1,395	1,553	1,730	1,930	2,155
Other Income	1% of Total revenues	300	158	197	188	169	210	175	178	199	213	217
Total Revenues		20,942	22,437	21,788	20,908	20,179	25,086	20,916	21,310	23,878	25,476	26,019
Cost of Real Estate Sold	69% of Sales of Real Estate	12,489	13,606	13,276	12,607	11,933	15,436	12,471	12,614	14,231	15,167	15,365
Cost of Rental and Services	64% of Rental Income	823	707	724	749	779	795	811	827	844	860	878
Selling Expenses	9% of Sales of Real Estate	1,760	1,999	1,837	1,536	1,618	2,092	1,691	1,710	1,929	2,056	2,083
Administrative Expenses	9% of Total revenues	1,634	1,882	2,012	2,155	1,724	2,199	1,801	1,823	2,044	2,172	2,202
Other Expenses		65	31	-22	0	0	0	0	0	0	0	0
Total Expenses		16,771	18,225	17,827	17,047	16,054	20,523	16,774	16,974	19,047	20,256	20,527
EBIT		4,171	4,212	3,961	3,861	4,125	4,563	4,143	4,336	4,832	5,220	5,492
Finance Costs	1.09% Kd calculation (Q3 '17)	228	255	329	335	278	281	178	153	155	148	145
EBT		3,943	3,958	3,632	3,525	3,847	4,282	3,965	4,183	4,677	5,071	5,347
Income Tax Expenses	20% Marginal Tax	636	628	525	440	328	605	514	526	589	628	638
Net Profit (Loss)		3,307	3,329	3,106	3,085	3,519	3,677	3,451	3,657	4,087	4,443	4,709

1.10.11 Appendix 11: Balance Sheet Including Projections

Table 1.36 QH Balance Sheet Including Projections

	Assumptions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Assets												
Cash And Cash Equivalents	5% of Total assets	1,630	1,458	2,837	2,888	2,471	2,113	2,123	2,306	2,410	2,426	2,358
Trade and Other Receivables	5.4% of Rental Income	91	74	58	50	65	67	68	69	71	72	74
Land and Construction in Progress	187% of COGS next year	22,558	24,949	29,098	28,835	28,822	23,286	23,553	26,571	28,320	28,689	27,740
Advance for Construction Work	of Land and 3% Construction in Progress	586	1,111	933	516	908	734	742	837	892	904	874
Other Current Assets	0.2% of Total assets	36	116	102	60	59	48	48	54	58	58	56
Total Current Assets		24,901	27,709	33,029	32,349	32,325	26,247	26,534	29,838	31,750	32,149	31,103
Restricted Deposits at Financial Institutions	0.5% of Long-term loans	31	28	34	128	121	76	69	78	77	68	51
Investment in Associates	Same as previous year	7,638	8,534	9,071	9,637	9,637	9,637	9,637	9,637	9,637	9,637	9,637
Long-term Loans and Interest Receivables	Same as previous year	36	38	-	0	0	0	0	0	0	0	0
Investment Properties - Net	-8 Depreciation	514	500	491	483	475	466	458	450	441	433	425

Table 1.36 QH Balance Sheet Including Projections (cont.)

	Assumptions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property, Plant And Equipments	1% of Total assets	339	575	576	524	583	499	501	544	569	573	557
Leasehold Right - Net	-102 Amortization	848	769	686	600	498	396	294	192	90	-12	-114
Land and Project Development Costs	17% of Total assets	6,581	9,495	8,178	8,816	9,236	7,899	7,935	8,622	9,008	9,068	8,817
Deferred Tax Assets	0.6% of Total assets	321	302	319	381	348	297	299	325	339	341	332
Deposits for Lease of Land and Building	0.8% of Total assets	403	637	572	59	448	383	385	418	437	440	428
Other Non-Current Assets	0.1% of Total assets	39	48	42	39	45	38	38	42	44	44	43
Total Non-Current Assets		16,750	20,925	19,969	20,665	21,389	19,691	19,616	20,307	20,642	20,592	20,174
Total Assets		41,652	48,634	52,998	53,014	53,714	45,938	46,150	50,145	52,393	52,741	51,277
Liabilities and Shareholders' Equity												
Short-term Loans	6% of IBD	323	1,992	1,898	998	1,622	1,023	932	1,044	1,039	917	684
Trade and Other Payables	28 days PDP	882	1,050	1,352	1,062	902	749	964	1,183	1,210	1,176	1,091
Current Portion of Unsecured Debentures	23% of IBD	3,985	4,600	6,912	6,500	5,968	3,764	3,429	3,841	3,824	3,373	2,515
Income Tax Payable	1% of total revenues	303	192	154	140	150	187	156	159	178	190	194
Short-Term Provisions	1% of Total assets	232	394	380	449	425	364	365	397	415	418	406
Advance Received from Customers	3% of Sales	678	650	673	630	591	764	617	624	704	751	761
Retention Guarantees	1% of Total assets	450	544	512	568	565	483	486	528	551	555	540
Other Current Liabilities	1% of Total assets	627	702	790	736	774	662	665	722	755	760	739
Total Current Liabilities		7,481	10,124	12,671	11,083	10,998	7,996	7,614	8,498	8,676	8,138	6,928
Long-term Liabilities, Net of Current Portion	71% of IBD	16,012	18,600	17,987	17,989	18,150	11,447	10,428	11,681	11,630	10,257	7,648
Provision for Long-term Employee Benefits	0.2% of Total assets	111	103	110	128	118	101	101	110	115	116	113
Long-Term Provisions	0.4% of Total assets	175	89	143	361	203	173	174	189	198	199	194
Income Received in Advance	2.7% of Sales	596	569	542	514	496	632	518	524	587	625	633
Total Non-Current Liabilities		16,894	19,361	18,781	18,992	18,967	12,354	11,222	12,505	12,531	11,197	8,588
Total Liabilities		24,374	29,485	31,452	30,075	29,964	20,350	18,836	21,004	21,207	19,335	15,516
Authorized Share Capital	Same as previous year	9,184	9,184	10,714	10,714	10,714	10,714	10,714	10,714	10,714	10,714	10,714
Issued And Fully Paid-Up Share Capital	Same as previous year	9,184	9,184	10,714	10,714	10,714	10,714	10,714	10,714	10,714	10,714	10,714
Share Premium		379	379	379	379	379	379	379	379	379	379	379
Retained Earnings (Deficit)												
Appropriated-Statutory Reserve	10% of Registered Capital	612	729	829	949	1,071	1,071	1,071	1,071	1,071	1,071	1,071
Unappropriated		7,117	8,870	9,640	10,886	11,574	13,413	15,138	16,966	19,010	21,232	23,586
Other Components Of Equity	Same as previous year	-15	-14	-18	10	10	10	10	10	10	10	10
Total Equity		17,277	19,149	21,545	22,940	23,750	25,588	27,313	29,142	31,185	33,407	35,761
Total Shareholders' Equity and Liabilities		41,652	48,634	52,998	53,014	53,714	45,938	46,150	50,145	52,393	52,741	51,277

1.10.12 Appendix 12: Statement of Cash Flow Including Projections**Table 1.37 QH Statement of Cash Flow Including Projections**

Items	2015	2016	2017	2018	2019	2020	2021
Cash flows from operating activities							
Net Income	3,106	3,085	3,519	3,677	3,452	3,650	4,067
Depreciation		132	128	112	103	97	90
(Increase in operating working capital)			-20	-162	5,382	-53	-2,801
Other adjustment items			-107	-3,675	-1,350	5	-1,654
Cash flows from operating activities		3,090	-190	7,821	3,506	-707	-161
Cash flows from investing activities							
Increase in restricted deposits at financial institutions	-6	-94	7	45	7	-8	0
Dividends received from associates	681	1,058	1,194	1,348	1,522	1,718	1,940
Interest income	15	17	17	17	17	17	17
Increase in leasehold rights	-17	-16	0	0	0	0	0
Increase in property, plant and equipment	-74	-18	-59	84	-2	-43	-24
Cash flows from investing activities	599	947	1,159	1,494	1,543	1,684	1,933

Table 1.37 QH Statement of Cash Flow Including Projections (cont.)

Items	2015	2016	2017	2018	2019	2020	2021
Cash flows from financing activities							
Decrease in short-term loans from financial institutions	-700	-300	624	-599	-91	112	-4
Increase (decrease) in short-term loans	600	-600	0	0	0	0	0
Repayment of long-term loans	-697	0	-251	-7,235	-3,223	920	369
Cash received from issuance of debentures	7,000	6,500	0	0	0	0	0
Cash paid for redemption of debentures	-4,600	-6,912	0	0	0	0	0
Cash paid for financial fees	-10	-5	0	0	0	0	0
Cash paid for interest expenses	-1,049	-955	0	0	0	0	0
Dividend paid	-706	-1,714	-1,759	-1,838	-1,726	-1,825	-2,033
Cash flows from financing activities	-162	-3,986	-1,386	-9,672	-5,040	-793	-1,668
Net increase (decrease) in cash and cash equivalents	1,379	51	-417	-358	10	184	103
Cash and cash equivalents at beginning of year	1,458	2,837	2,888	2,471	2,113	2,123	2,306
Cash and cash equivalents at end of year	2,837	2,888	2,471	2,113	2,123	2,306	2,410



CHAPTER II

DATA

2.1 Thailand Population

Table 2.1 Thailand Population Data 2010-2016

	2010	2011	2012	2013	2014	2015	2016
Population (Mil. person)	63.88	64.08	64.46	64.79	65.12	65.73	65.93
Population Growth%	0.6%	0.3%	0.6%	0.5%	0.5%	0.9%	0.3%
Household Units (Unit)-Bangkok	19,741	19,986	20,068	20,168	20,600	21,326	n/a
Household Units (Unit)-Upcountry	2,978.6	2,939.8	2,942.3	2,947.8	4,183.3	4,661.4	n/a
Total Household Units (Unit)	16,762	17,046	17,126	17,220	16,417	16,665	n/a
Average Household Size	3.3	3.2	3.3	3.2	3.1	3.1	n/a

2.2 Non-Performing Loan

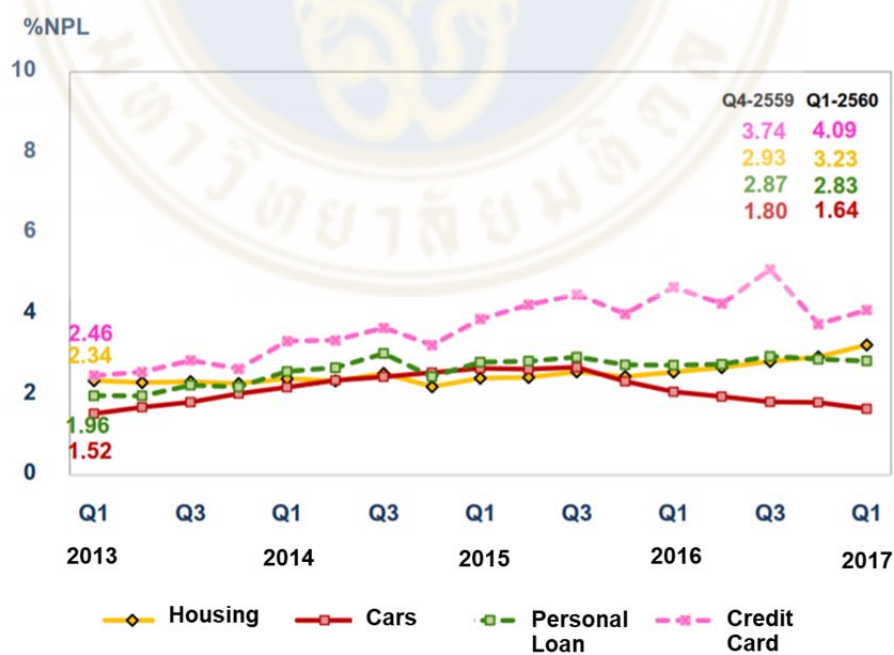


Figure 2.1 Thailand NPL Q1 2017

2.3 Housing Loan

Table 2.2 Thailand Housing Loan

(Unit: THB Billion)	Q1-'15	Q2-'15	Q3-'15	Q4-'15	Q1-'16	Q2-'16	Q3-'16	Q4-'16
Total Housing Loan	2,300	2,368	2,411	2,463	2,477	2,517	2,548	2,569
Housing Loan for Corporate	584	605	605	617	601	595	603	595
Housing Loan for Individual	1,716	1,763	1,806	1,846	1,876	1,922	1,945	1,974
Growth% - Total Housing Loan	1.9%	3.0%	1.8%	2.2%	0.6%	1.6%	1.2%	0.8%
Growth% - Housing Loan for Corporate	2.7%	3.7%	0.0%	2.0%	-2.6%	-0.9%	1.2%	-1.3%
Growth% - Housing Loan for Individual	1.6%	2.7%	2.4%	2.2%	1.6%	2.4%	1.2%	1.5%

2.4 Assumptions for Share of Profit from Associates

Table 2.3 QH Share of Profit from Associates

Growth%		2016	9M-2017	2017	2018	2019	2020	2021	2022	2023
HMPRO	12.9% per year	820	667	926	1,045	1,180	1,333	1,505	1,699	1,918
LHFG	Shareholding 21.3% > 13.7%	575	363	363	0	0	0	0	0	0
QHPF	2.5% per year	152		156	160	164	168	172	177	181
QHHR	2.5% per year	47		48	50	51	52	53	55	56
Total		1,595		1,493	1,255	1,395	1,553	1,730	1,930	2,155

- HMPRO earnings growth is based on long-term growth rate forecasted by Reuter at 12.9%
- LHFG shareholding

2.5 Units Available for Sale

Table 2.4 Units Available for Sale

(Unit: Unit)	2015	2016	2017	2018	2019	2020	2021	2022	2023
Beginning Units			11,723	9,850	7,893	7,812	7,843	7,939	7,152
Low-rise			6,731	5,911	4,933	4,419	4,212	4,209	4,349
High-rise			4,991	3,939	2,960	3,392	3,631	3,730	2,803
New Projects Launched during the year	6,406	1,605	1,698	1,855	3,579	3,651	3,748	2,638	2,881
Low-rise	2,195	1,605	1,698	1,855	2,025	2,212	2,416	2,638	2,881
High-rise	4,211	-	-	-	1,554	1,439	1,332	-	-
Units Available for Sale	13,668	11,723	13,421	11,705	11,472	11,462	11,590	10,577	10,033
Low-rise	7,431	6,731	8,430	7,766	6,958	6,631	6,627	6,847	7,230
High-rise	6,237	4,991	4,991	3,939	4,514	4,831	4,963	3,730	2,803

2.6 Project Value Available for Sale

Table 2.5 Project Value Available for Sale

(Unit: THB Million)	2017	2018	2019	2020	2021	2022	2023
New Projects Launched during the year	9,711	10,817	18,249	19,621	21,150	16,653	18,550
Low-rise	9,711	10,817	12,049	13,422	14,950	16,653	18,550
High-rise	0	0	6,199	6,199	6,199	0	0
Available for Sale	63,255	59,845	59,403	61,056	64,115	61,974	61,771
Low-rise	47,446	45,294	41,393	40,238	41,019	43,228	46,555
High-rise	15,809	14,552	18,010	20,818	23,096	18,747	15,216

2.7 Market Benchmark of New Low-rise Project Opening

Table 2.6 Market Benchmark of New Low-rise Project Opening

New Project Opening (Value)	2011	2012	2013	2014	
Low-rise	17,505	14,783	11,125	15,534	
High-rise	5,009	5,616	6,654	8,871	
Growth of new project opening					Avg. 4 Yrs
Low-rise	37%	-16%	-25%	40%	9%
High-rise	-20%	12%	18%	33%	11%

2.8 New Project Opening

Table 2.7 New Project Opening

Presales Forecast (THB Mil.)	2016	2017	2018	2019	2020	2021	2022	2023
Unit Sold								
Low-rise	2,497	2,518	2,833	2,539	2,419	2,418	2,498	2,638
High-rise	410	1,052	979	1,121	1,200	1,233	927	696
Unit Price								
Low-rise	5.6	5.7	5.8	5.9	6.1	6.2	6.3	6.4
High-rise	3.2	3.4	3.7	4.0	4.3	4.7	5.0	5.4
Presales								
Low-rise	14,000	14,400	16,525	15,102	14,681	14,966	15,772	16,986
High-rise	1,300	3,600	3,615	4,475	5,172	5,738	4,658	3,781
Total Presales	15,300	18,000	20,141	19,577	19,853	20,704	20,429	20,766

2.11 Determining Discount on Non-operating Assets

Table 2.10 Method 1: Benchmark with holding company listed in SET, INTUCH

Key Investments	Shareholding	Share Price (16 Nov 2017)	Mkt.Cap	Value of Equity
ADVANC	40.50%	182.00	541,103	219,147
THCOM	41.10%	12.30	13,482	5,541
Total			554,585	224,688
Value of Investments per share				70.07
INTUCH Share Price (16 Nov 2017)				55.25
Discount Rate				27%

Table 2.11 Method 2: Benchmark with holding company listed in SET, INTUCH

(Unit: THB Million)	2014	2015	2016
Dividend Income from Associates	379	681	1,058
Share of Profit from Associates	1,060	1,233	1,595
% Dividend to Share of Profits	36%	55%	66%
Discount Rate	64%	45%	34%

2.12 Land Bank as of Q3 2017

Table 2.12 QH Land Bank

Undeveloped Land	No. of Projects	Areas		Areas Sq.M.	%
		ACRE	Sq.W.		
Bangkok					
Low-rise Projects					
QH	3	110	110,360	441,438	26%
Casa	8	168	168,741	674,966	40%
The Trust	2	45	44,309	177,235	11%
Gusto	2	16	16,246	64,984	4%
High-rise Projects					
QH	1	-	386	1,544	0%
Casa	3	6	6,323	25,292	2%
The Trust	3	5	6,067	24,267	1%
Total Land Bank in Bangkok	22	350	352,432	1,409,726	84%
Provinces					
Low-rise Projects					
QH	3	24	23,379	93,516	6%
Casa	2	35	35,077	140,308	8%
High-rise Projects					
QH	1	1	1,276	5,103	0%
The Trust	2	7	6,995	27,980	2%
The Point	1	2	1,864	7,456	0%
Total Land Bank in Provinces	9	69	68,591	274,362	16%
Grand Total Bangkok&Provinces	31	419	421,022	1,684,089	100%

		Remaining Land of Current Projects	Land for Projects in 2017	Undeveloped Land	Total Land bank
Total company's Land Bank (ACRE)	Salable area	282	14	N/A.	296
Total company's Land Bank (Sq.Wah)	Salable area	282,277	13,582	N/A.	295,859
Total company's Land Bank (ACRE)	Gross area	809	24	421	1,255
Total company's Land Bank (Sq.Wah)	Gross area	809,133	24,378	421,022	1,254,533

Note: 1 ACRE = 1,000 Sq.W., 1 Sq.W = 4 Sq.M.

2.13 Office Buildings for Rent

Table 2.13 Office Buildings for Rent as of December 2016

Projects	Hotels	Rentable Area (Sq.m.)	Avg. Occupancy
QH-Owner	Q. Houses Convent	11,730	61%
	Q. Houses Asoke	19,677	100%
	Q. Houses Sathorn	13,970	95%
QH Property Fund	Q. Houses Ploenchit	10,855	92%
	Q. Houses Lumpini	66,587	97%
	Wave Place	24,891	99%
Total		147,711	94%



2.14 Hotel Business

Table 2.14 Summary of QH Hotel Business

Projects	Hotels	Room Units	Rentable Area (Sq.m.)	Avg. Occupancy
QH	Centre Point Hotel Silom	214	13,933	80%
Management Contract	Centre Point Sukhumvit-Thonglor	156	13,875	93%
	Centre Point Residence Phromphong	76	24,396	87%
	Mandarin Hotel Sam Yan by Centre Point	374	14,478	81%
	L&H Villa Sathon	37	13,742	96%
	Centre Point Hotel Pratunam	266	13,009	82%
QHHR	Centre Point Hotel Sukhumvit 10	234	19,095	80%
	Centre Point Hotel Chidlom	200	11,744	89%
	Total	1,557	124,273	86%

2.15 Investment in Associates

Table 2.15 Summary of QH Investment in Associates

Company / Fund	Business Type	Registered Capital (M.THB)	Holding %	Market Cap. (M.THB)
Home Products Center PLC.		13,151	19.87%	157,814
LH Financial Group PCL.	Hold 100% shares in 	21,184	21.34%	37,707
Quality Houses Leasehold Property Fund (QHPF)	Invested in 3 office buildings for rent	7,970	25.66%	9,006
Quality Houses Hotel and Residence Freehold and Leasehold Property Fund (QHHR)	Invested in 3 hotels	3,360	31.33%	3,209
Total		45,665		207,736

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