



(English Translation)

Ref SS. / 0221 / 2018

28 February 2018

Subject : Clarification of Year 2017 Operating Result

To : President
The Stock Exchange of Thailand

Sansiri Public Company Limited (SIRI) would like to clarify the operating result for the year ended 31 December 2017 of the Company and its subsidiaries as follows.

Total revenue in 2017 amounted to 31,757 Million Baht, decreased by 8 percent from 34,395 Million Baht in 2016. The decrease of total revenue was caused by a 13 percent decrease in the revenue from project sales which was the core revenue accounted for 82 percent of total revenue. Nonetheless, revenue from sales of construction materials and business management in 2017 increased by 53 and 33 percent compared to that of 2016 respectively. For the year 2017, Sansiri and its subsidiaries reported net profit of 2,825 Million Baht, a decrease of 16 percent from net profit of 3,380 Million Baht in 2016.

Revenue from Property Development for Sale

The breakdown of revenue from project sales during 2015 – 2017 is as follows:

	2015		2016		2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Single-detached houses	10,108	28.8	9,616	31.9	11,401	43.7
Townhouses / Home Office	1,996	5.7	1,224	4.1	1,751	6.7
Mix	-	-	-	-	30	0.1
Condominiums	23,048	65.6	19,260	64.0	12,897	49.5
Total	35,152	100.0	30,099	100.0	26,080	100.0



In 2017, Sansiri and its subsidiaries reported the revenue from project sales amounted to 26,080 Million Baht, resulting in a 13 percent decrease in revenue from project sales from 30,099 Million Baht in 2016 due to the decrease of revenue from condominium projects. As in 2017, Sansiri had 4 new and ready-to-transferred condominium projects, 2 of which have been operated under joint venture companies between Sansiri Public Company Limited and BTS Group Public Company Limited, making the revenue from those projects been excluded from revenue from property development for sale accordingly, and resulting in the decrease in project sales in 2017. To the total revenue from project sales in 2017, 12,897 Million Baht revenue from condominium projects contributed 50 percent, 11,401 Million Baht revenue from single-detached house projects contributed 44 percent, the revenue of 1,751 Million Baht from townhouse projects contributed 7 percent, and the revenue of 30 Million Baht from mixed project contributed 0.1 percent of accordingly.

Revenue from single-detached house projects in 2017 amounted to 11,401 Million Baht, a 19 percent increase from 9,616 Million Baht in 2016. The revenue from single-detached house was mainly from four projects, including Setthasiri Charun-Pinklao, Setthasiri Krungthep Kreetha, Burasiri Ratchapruek-345 and Setthasiri Pattanakarn, which altogether contributed 3,696 Million Baht or 14 percent of total revenue from project sales.

Revenue from townhouse projects in 2017 amounted to 1,751 Million Baht, an increase of 43 percent compared to that of last year. In this regard, the main contributors were the 805 Million Baht revenue from four townhouse projects namely Town Avenue Cocos Rama2 Soi.50, Town Avenue Merge Rattanatibetr, Siri Avenue Petchkasem 81, and Siri Square Charoenkrung 80 with total revenue accounted for 3 percent of the total revenue from project sales.

In 2017, revenue from condominium projects amounted to 12,897 Million Baht or 50 percent of the total revenue from project sales, a decrease of 33 percent from 19,260 Million Baht in 2016. In this regard, 98 Wireless, MORI HAUS, and EDGE Sukhumvit 23 were the top three highest contributors in 2017, contributing revenue of 7,284 Million Baht or accounting for 28 percent of the total revenue from project sales.

In 2017, revenue from mixed project amounted to 30 Million Baht from Anasiri Ayutthaya.



Revenue from Property Services

Revenue from projects for rent increased by 12 percent from 80 Million Baht in 2016 to 89 Million Baht in 2017. Revenue from business management in 2017 amounted to 4,368 Million Baht, with an increase from 3,273 Million Baht or 33 percent from last year. The increase was driven by the revenue from property management of joint venture. Moreover, revenue from other services including revenue from hotel business and education business amounted to 293 Million Baht, a decrease of 3 percent compared to that of last year.

Cost of Goods Sold and Operating Expenses

Cost of Project Sales and Other Costs

For the year 2017, cost of project sales amounted to 17,399 Million Baht, a 16 percent decrease from that of the year 2016, in accordance with a decrease in revenue from project sales. Gross profit margin of project sales increased from 31.5 percent in 2016 to 33.3 percent in 2017, driven by the cost efficiency management. Cost of projects for rent amounted to 72 Million Baht, an increase of 31 percent from that of last year, while cost of business management amounted to 3,447 Million Baht, an increase by 42 percent corresponding to the increase in revenue from business management. In addition, cost of other services including hotel business and education business decreased by 5 percent from that of last year.

Selling, General and Administrative Expenses

In 2017, Sansiri and its subsidiaries recorded selling and administrative expenses of 6,103 Million Baht or 19.2 percent of total revenue, an increase from 16.9 percent of total revenue of last year. Selling expenses in 2017 were at 3,224 Million Baht or 10.2 percent of total revenue, an increase from 3,039 Million Baht or 8.8 percent of total revenue in 2016 due to the marketing expenses for managing the inventory in preparation for a great deal of new units launched in the next year. The administrative expenses (including management benefit expenses) increased to 2,879 Million Baht or 8.1 percent of total revenue in 2016 from 2,789 Million Baht or 9.1 percent of total revenue in 2016.



Financial Expense

In 2017, financial expense decreased from 615 Million Baht in 2016 to 411 Million Baht due to the developing land plots process and the increase in project sales of complete projects.

Net Profit

For the year 2017, Sansiri and its subsidiaries reported net profit of 2,825 Million Baht, a decrease of 16 percent from 3,380 Million Baht in 2016. In this regard, the net profit margin decreased from 9.8 percent of total revenue in 2016 to 8.9 percent of total revenue in 2017 due to the increase in Selling, General and Administrative Expenses. In 2017, Loss on diminution in value of property development for sale, land held for development, investment property, and land, building, and equipment significantly increased from 57 Million Baht in 2016 to 336 Million Baht. In addition, an effective corporate income tax in 2017 was at 22.7 percent of earnings before corporate income tax.

Assets

Total assets of Sansiri and its subsidiaries as of 31 December 2017 amounted to 80,150 Million Baht, an increase of 7,376 Million Baht from that of 31 December 2016. Current assets as of 31 December 2017 was at 54,222 Million Baht, decreased from 57,289 Million Baht as of 31 December 2016 due to the decrease in cost of property development for sale and cash and cash equivalents. Moreover, total non-current assets as of 31 December 2017 was at 25,927 Million Baht, increased by 10,443 Million Baht from that of 31 December 2016 due to the increase in land plots, current portion of loans to related parties, and other long term loans.



Liabilities

Total liabilities of Sansiri Group amounted to 49,672 Million Baht as of 31 December 2017, an increase of 4,994 Million Baht from that of 31 December 2016. Total current liabilities was at 30,500 Million Baht, an increase of 9,210 Million Baht from that of 31 December 2016 due to the increase in current portion of unsecured debentures and current portion of long-term promissory notes – purchase of land. On the other hand, non-current liabilities decreased by 4,216 Million Baht from that of 31 December 2016 to 19,172 Million Baht mainly due to the decrease in long-term promissory notes - purchase of land, and unsecured debentures. The interest bearing debt increased from 32,276 Million Baht as of 31 December 2016 to 35,527 Million Baht as of 31 December 2017. The debt-to-equity ratio was 1.63 times with the interest-bearing debt-to-equity ratio (Gearing ratio) of 1.17 times. In this regard, Sansiri has been operating under restrictive financial covenants with gearing ratio less than 2.5 to 1.

Shareholders' Equity

Shareholders' Equity as of 31 December 2017 amounted to 30,478 Million Baht, an increase of 2,382 Million Baht from that of 31 December 2016, mainly driven by the net profit of 2,825 Million Baht, and the issuance of new shares for capital increase amounted to 1,443 Million Baht. Sansiri paid dividend from 2016 net profit of 1,857 Million Baht as well.

Cashflow

For the year 2017, beginning cash balance was 3,541 Million Baht with net cash received from operating activities of 1,936 Million Baht, net cash used in investing activities of 4,021 Million Baht, and net cash received from financing activities of 1,531 Million Baht, resulting in the ending cash balance of 2,978 Million Baht, as of 31 December 2017. In this regard, profit from operating activities before changes in operating assets and liabilities was at 22,143 Million Baht, whereas, cash outflow as development costs for property development for sale amounted to 19,077 Million Baht. For investing activities, loans to related parties amounted to 4,042 Million Baht. For financing activities, cash outflow for loan repayment including interest payment to financial institutions amounted to 6,489 Million Baht, while cash outflow from repayment of debentures and dividend payment amounted to 2,000 Million Baht and 1,857 Million Baht respectively.



Liquidity Ratio

The liquidity ratio of Sansiri Group decreased from 2.69 times as of 31 December 2016 to 1.78 times as of 31 December 2017 as total current liabilities increased by 43 percent due to the increase in current portion of unsecured debentures and long-term promissory notes – purchase of land whereas total current assets decreased by 5 percent from that of 31 December 2016.

Return on Equity

As of 31 December 2017, the return on equity was 9.64 percent, a decrease from 12.23 percent as of 31 December 2016 mainly due to a decrease in the return on assets to 3.69 percent from 4.75 percent in 2016, together with a decrease in net profit from 9.8 percent in 2016 to 8.9 percent in 2017, while the debt-to-equity ratio increased from 1.59 times as of 31 December 2016 to 1.63 times as of 31 December 2017.

Please be informed accordingly.

Yours Sincerely,

(Mr. Wanchak Buranasiri)

Authorised Director