



Ref : CHEWA 2560/003

11 August 2017

Subject Management Discussion and Analysis for the three-month and six-month period ended 30th June 2017

To Managing Director  
The Stock Exchange of Thailand

Chewathai Public Company Limited would like to clarify the company and its subsidiaries' operating performance for the Quarter 2/2017 as follows

(Unit : million baht)

Statement of comprehensive income	For three-month period				For six-month period			
	Q2/2017	Q2/2016	Increase (Decrease)	%	1H 2017	1H 2016	Increase (Decrease)	%
<b>Revenues</b>								
Revenue from sales of real estate	313.60	283.70	29.90	10.54	415.07	815.91	(400.84)	(49.13)
Rental and service income from factory	4.70	4.82	(0.12)	(2.49)	9.43	8.59	0.84	9.81
Other income	2.34	5.39	(3.05)	(56.59)	4.29	10.74	(6.45)	(60.06)
<b>Total Revenues</b>	<b>320.64</b>	<b>293.91</b>	<b>26.73</b>	<b>9.09</b>	<b>428.79</b>	<b>835.24</b>	<b>(406.45)</b>	<b>(48.66)</b>
<b>Expenses</b>								
Cost of real estate sold	218.38	201.46	16.92	8.40	291.77	592.20	(300.43)	(50.73)
Cost of Rental and service from factory	2.68	2.69	(0.01)	(0.37)	5.34	5.37	(0.03)	(0.56)
Selling expenses	48.00	28.62	19.38	67.71	78.24	66.02	12.22	18.51
Administrative expenses	26.34	28.79	(2.45)	(8.51)	52.33	53.10	(0.77)	(1.45)
<b>Total Expenses</b>	<b>295.40</b>	<b>261.56</b>	<b>33.84</b>	<b>12.94</b>	<b>427.68</b>	<b>716.69</b>	<b>(289.01)</b>	<b>(40.33)</b>
<b>Profit before share of profit (loss) from investment</b>	<b>25.24</b>	<b>32.35</b>	<b>(7.11)</b>	<b>(21.98)</b>	<b>1.11</b>	<b>118.55</b>	<b>(117.44)</b>	<b>(99.06)</b>
in joint venture, finance costs and income tax							-	
Share of profit (loss) from investment in joint venture	1.41	(0.12)	1.53	1,275.00	0.95	(0.33)	1.28	387.88
<b>Profit before finance costs and income tax</b>	<b>26.65</b>	<b>32.23</b>	<b>(5.58)</b>	<b>(17.31)</b>	<b>2.06</b>	<b>118.22</b>	<b>(116.16)</b>	<b>(98.25)</b>
Finance costs	4.73	16.22	(11.49)	(70.84)	12.44	32.69	(20.25)	(61.95)
<b>Profit (loss) before income tax</b>	<b>21.92</b>	<b>16.01</b>	<b>5.91</b>	<b>36.91</b>	<b>(10.38)</b>	<b>85.53</b>	<b>(95.91)</b>	<b>(112.13)</b>
Income tax expenses	(0.54)	6.31	(6.85)	(108.56)	(1.23)	18.00	(19.23)	(106.83)
<b>Profit (loss) for the period</b>	<b>22.46</b>	<b>9.70</b>	<b>12.76</b>	<b>131.55</b>	<b>(9.15)</b>	<b>67.53</b>	<b>(76.68)</b>	<b>(113.55)</b>
<b>Gross profit %</b>	<b>31%</b>	<b>29%</b>			<b>30%</b>	<b>28%</b>		
<b>Gross Profit Margin from sales of real estate (%)</b>	<b>30%</b>	<b>29%</b>			<b>30%</b>	<b>27%</b>		
<b>Net profit %</b>	<b>7%</b>	<b>3%</b>			<b>-2%</b>	<b>8%</b>		



### **Performance for the three-month and six-month periods ending 30th June, 2017**

For the Quarter 2/2017 the company and its subsidiaries generated net profit of 22.46 million baht or 7% of total revenue, a increase of 12.76 million baht or 131.55% compared to the same period of previous year. The main factor was the increase in the revenue from sale of real estate during the three month period.

For the first six-months of 2017, the company and its subsidiaries recorded a net loss of 9.15 million baht a decrease of 76.68 million baht or a decrease of 113.55% from the same period last year. There was due to a loss in declining property sales.

### **Total Revenue**

For the Quarter 2/2017, the company and its subsidiaries recorded total revenue of 320.64 million baht, increased of 26.73 million baht or 9.09% compared to the same period of last year. This was divided into the revenue from sale of real estate of 313.60 million baht. An increase of 29.90 million or 10.54% from the same period of last year due to the increase in revenue from real estate sales from two projects, Chewarom Rangsit and Hallmark Chaengwattana. Chewarom Rangsit, which is the first housing project of the company, started to recognize revenue in the second quarter with 92 million baht and Hallmark Chaengwattana project at 130 million baht. In addition, Chewathai Interchange and Hallmark Ngamwongwan continue to recognize revenue continuously.

For the first six-months of 2017, the company and its subsidiaries recorded total revenue of 428.79 million baht, decreased by 406.45 million baht or 48.66% from the same period last year. The revenue from sale of real estate was 415.07 million baht, a decrease of Baht 400.84 million or 49.13% as compared with the same period last year. This is due to the transfer of ownership of Chewathai Interchange in the previous year, which had a relatively high income of 487 million baht, marking the main difference in the first half of 2017 as compared with 2016.

### **Cost of Goods Sold and Gross Profit**

For the Quarter 2/2017, the company and its subsidiaries recorded the cost of sales of 218.38 million baht or 69% of revenue from sales of real estate and 291.77 million baht or 70% of the proceeds from the sale of real estate, respectively.

The gross margin for Q2/2017 and the first six-month period of 2017 were equal to 31% and 30%, respectively, when compared to the same period of last year. Due to profit from higher sales, the company continues to maintain its gross margin. However the company still maintains gross profit ratio although recently there has been very high level of competition in the market.



### Selling & Administrative Expenses

For the Quarter 2/2017, the company and its subsidiaries had total selling and administrative expenses of 74.34 million baht, an increase of 16.93 million baht or 29.5% from the same period last year. Selling expenses increased from the same period last year by 19.38%. The main factor of this increase was the increase in marketing and public relations expenses, and the cost of ownership transfer. The administrative expenses decreased by 2.45 million baht, mainly due to the decrease in expenses related to condominium juristic person.

For the first six-months of 2017, the company and its subsidiaries had total selling and administrative expenses of 130.57 million baht, increased by 11.45 million baht or 9.61% from the same period of last year. This was mainly due to the increase in selling expenses from the same period last year by 12.22 million baht. The administrative expenses decreased slightly by 0.77 million baht.

### Financial Position as at 30 June 2017 and 31 December 2016

Financial Position	30 June 2017	31 Dec 2016	Increase (Decrease)	%
Total asset	3,879	3,171	708	22
Total Liability	2,935	2,195	740	34
Shareholders' equity	945	976	(31)	(3)

Total assets as at 30th June 2017 amounted to 3,879 million baht, an increase of 708 million baht from the previous year. The main factor of the increase was the development of real estate under construction. An increase of 773 million baht from the previous year. At present, there are 5 projects under development, of which two are housing developments.

Total liabilities as at 30th June 2017 amounted to 2,935 million baht, an increase of 740 million baht from the previous year. There were loans from financial institutions amounting to 700 million baht and borrowings from related persons of 250 million baht to be used as working capital for current development projects. The company has gradually paid off short-term loans from bills of exchange and extended long-term loans to maintain liquidity.

As of 30th June 2017, the shareholders' equity was 945 million baht, a decrease of 31 million baht from the previous year. This was due to the dividend payment to shareholders in the amount of 22.50 million baht.

As a result, the Company's debt to equity ratio as of 30th June, 2017 was 2.07 times and its interest-bearing debt ratio was 1.71 times. Still, the debt-to-equity ratio will not be higher than that of financial institutions.



### **Future Project**

For this year, the company have two projects completing construction and there will be revenue recognition in Q3 and Q4, namely Chewathai Residence Bang Pho and Chewathai Residence Asoke. There will be four other projects completing construction and transfer in 2018, one of which is a joint venture and has been incorporated as a new joint venture, Chewa Heart Company Limited.

Please be informed accordingly

Sincerely Yours,

----- signature-----

(Mr. Boon Choon Kiat)

Managing director