



Ref: CHEWA 2560/004

8 November 2017

Subject Management Discussion and Analysis for the three-month and nine-month period ended 30th September 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 three-month and nine-month periods as follows

(Unit : million baht)

Statement of comprehensive income	For three-month period				For nine-month period			
	Q3/2017	Q3/2016	Increase (Decrease)	%	2017 nine-month	2016 nine-month	Increase (Decrease)	%
<b>Revenues</b>								
Revenue from sales of real estate	394.85	174.40	220.45	126.40	809.92	990.30	(180.38)	(18.21)
Rental and service income from factory	5.08	3.73	1.35	36.19	14.51	12.33	2.18	17.68
Other income	2.05	12.7	(10.65)	(83.86)	6.34	21.82	(15.48)	(70.94)
<b>Total Revenues</b>	<b>401.98</b>	<b>190.83</b>	<b>211.15</b>	<b>110.65</b>	<b>830.77</b>	<b>1,024.45</b>	<b>(193.68)</b>	<b>(18.91)</b>
<b>Expenses</b>								
Cost of real estate sold	275.59	117.27	158.32	135.00	567.36	709.45	(142.09)	(20.03)
Cost of Rental and service from factory	2.72	2.69	0.03	1.12	8.06	8.07	(0.01)	(0.12)
Selling expenses	47.11	26.66	20.45	76.71	125.36	92.69	32.67	35.25
Administrative expenses	28.98	27.92	1.06	3.80	81.30	79.39	1.91	2.41
<b>Total Expenses</b>	<b>354.40</b>	<b>174.54</b>	<b>179.86</b>	<b>103.05</b>	<b>782.08</b>	<b>889.60</b>	<b>(107.52)</b>	<b>(12.09)</b>
Share of profit (loss) from investment in joint venture	0.31	2.98	(2.67)	89.60	1.26	2.64	(1.38)	52.27
<b>Profit before finance costs and income tax</b>	<b>47.89</b>	<b>19.27</b>	<b>28.62</b>	<b>148.52</b>	<b>49.95</b>	<b>137.49</b>	<b>(87.54)</b>	<b>(63.67)</b>
Finance costs	5.96	12.34	(6.38)	(51.70)	18.40	45.02	(26.62)	(59.13)
<b>Profit (loss) before income tax</b>	<b>41.93</b>	<b>6.93</b>	<b>35.00</b>	<b>505.05</b>	<b>31.55</b>	<b>92.47</b>	<b>(60.92)</b>	<b>(65.88)</b>
Income tax expenses	8.29	3.19	5.10	159.87	7.06	21.19	(14.13)	(66.68)
<b>Profit (loss) for the period</b>	<b>33.64</b>	<b>3.74</b>	<b>29.90</b>	<b>799.47</b>	<b>24.49</b>	<b>71.28</b>	<b>(46.79)</b>	<b>(65.64)</b>
<b>Gross profit %</b>	30%	33%			30%	28%		
<b>Gross Profit Margin from sales of real estate (%)</b>	30%	33%			30%	28%		
<b>Net profit %</b>	8%	2%			3%	7%		

#### Performance for the three-month and nine-month periods ending 30th September, 2017

For the Quarter 3/2017, the company generated the net profit of 33.64 million baht or 8% of total revenue, an increase of 29.90 million baht compared to the same period of previous year. The main factor is the economic recovery in properties sector during half year later in 2017, effected to increase the revenue of sale of real estate during the three month period.



For the first nine-months of 2017, the company generated the net profit of 24.49 million baht or 3 % of total revenue, a decrease of 46.79 million baht or a decrease of 65.64% from the same period of previous year. It was due to the slowdown in economy that has affected very much to the sale of real estate.

### **Total Revenue**

For the Quarter 3/2017, the company and its subsidiaries have an increase of the total revenue of 211.15 million baht or 110.65% compared to the same period of previous year. This main revenue generated from sale of real estate of 394.85 million baht. An increase of 220.45 million baht or 126.40% which was increase from the economic recovery and due to the launch of new campaign to boost sales, the revenue from Q3/2017 is increase from two projects that are started to recognize in year 2017 which are Chewarom Rangsit Don Mueang of 57.36 million baht and Chewathai Residence Bang Pho of 164.13 million baht, and Hallmark Chaengwattana, Chewathai Interchange and Hallmark Ngamwongwan started to recognize revenue continuously. The total revenue is 173.36 million baht.

For the first nine-months of 2017, the company and its subsidiaries had a decrease in the total revenue of 193.68 million baht or 18.91% compared to the same period of previous year. This main revenue from the revenue from sale of real estate of 809.92 million baht. A decrease of 180.38 million baht or 18% from the same period of previous year, due to the company's operation in Q1 which was the decreasing of sale of real estate effected from the economic recovery from 2016.

Other revenue of Quarter 3/2017 and first nine-months, the company and its subsidiaries had a decrease of 10.65 million baht and 15.48 million baht respectively. Because the previous year, the company had revenue from the deposit confiscation due to inflexibility of the home loan approval.

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

For the Quarter 3/2017, the cost of goods sold had an increase of 158.32 million baht compared to the same period of previous year, which is in line with the **increase** of revenue from real estate, and had the gross margin of 30% compare with the previous year of 33 %, due to the decrease from the third quarter of pervious year, when the Company was able to make more profit from sales of the Chewathai Interchange project.

For the first nine-months of 2017, the cost of goods sold had a decrease of 142.09 million baht compared to the same period of previous year, and had the gross margin of 30% higher than that of the same period of previous year with gross profit margin of 28%, due to the higher profit from sales than the previous year.

### **Selling & Administrative Expenses**

For the Quarter 3/2017, the company and its subsidiaries had the total selling and administrative expenses of 76.09 million baht or 18.93% of the total revenue, an increase of 21.15 million baht or 39.41% compared to the same period previous year. The result from Selling expenses increased from the same period previous year of



20.45 million baht or 76.71%. The main factor of this was the increase from the special Business tax and transfer fees, which is in line with the increase of revenue from real estate.

For the first nine-months of 2017, the company and its subsidiaries had the total selling and administrative expenses of 206.66 million baht or 24.88% of the total revenue, an increase of 34.58 million baht or 20.10% compared to the same period previous year. The result was from Selling expenses increased from the same period previous year of 32.67 million baht or 35.25%. The main factor of this increase from the public relation and advertising expense to launch projects which were Chewarom Rangsit Don Mueang, Chewathai Residence Bang Pho and Chewathai Residence Asoke.

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

Financial Position	30 Sep 2017	31 Dec 2016	Increase (Decrease)	%
Total asset	4,026	3,171	855	27
Total Liability	3,047	2,195	852	39
Shareholders' equity	978	976	2	0

Total assets as at 30<sup>th</sup> September 2017, had an increase of 855 million baht from the previous year. The main factor of the increase was the real estate development costs of 872 million baht. Currently, there are 4 projects under development.

Total liabilities as at 30<sup>th</sup> September 2017, had an increase of 852 million baht from the previous year, due to the company has drawdown loans from financial institutions for the current development projects with an increase of 861 million baht. Moreover, the company and its subsidiaries borrowed from related persons of 250 million baht to be used as working capital. The company has gradually paid off short-term loans from bills of exchange amount of 356 million baht. As such, the company focuses on long-term debt drawdown to maintain liquidity in debt repayment.

The shareholders' equity as at 30<sup>th</sup> September 2017, had an increase of 2 million baht from the previous year. As a result of the quarter 2, dividends were paid to the shareholders in the amount of Baht 22.50 million and the Company's profit for the nine-month period was Baht 24.49 million baht

The Company's debt to equity ratio as at 30<sup>th</sup> September 2017 was 2.10:1 times and its interest-bearing debt ratio was 1.72:1 times. Still, the debt-to-equity ratio will not be higher than that of financial institutions.



**Significant matter**

During July 2017, the company made investment by incorporating an associated company which was Kamala Senior Living Company Limited development of real estate for senior living. The Company holds of total share in 25%. And the Quarter 4/2017, the company has one projects completing construction and there will be revenue recognition namely Chewathai Residence Asoke which has sold for more than 60%.

Please be informed accordingly

Sincerely Yours,

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(Mr. Boon Choon Kiat)

Managing director