

Ref. Bor Chor Ngor 0154 /2018

10 May 2018

Subject: Management Discussion and Analysis for the First Quarter ended 31 March 2018

To President  
The Stock Exchange of Thailand

Quality Houses Public Company Limited and its subsidiaries (“The Company and its subsidiaries”) would like to report its financial performance for the First Quarter ended 31 March 2018 and 2017 with the detail as follows:

I. The operating revenue break down by business segment

In the first quarter of 2018, the Company and its subsidiaries’ revenues from sales of real estate decreased while the property rentals business generated higher revenues compared with the same period of last year. Details are as follows:

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change (%)</u>
Sales of real estate	2,929	3,135	(206)	(7)
Rental and service income	333	315	18	6
Other income	59	52	7	13
Total revenues	3,321	3,502	(181)	(5)

In summary, the Company and its subsidiaries generated total revenue in the first quarter of 2018 and the first quarter of 2017 of Baht 3,321 million and Baht 3,502 million respectively, which is equivalent to a decrease of Baht 181 million or a decrease by 5% compared to the same period of 2017. Details are as follows:

**1) Sales of real estate:** Sales of real estate in the first quarter of 2018 decreased by Baht 206 million or 7% decrease compared to that in the same period in 2017. Such decrease is due to the decrease of revenue from housing project in amount of Baht 23 million or 1% decrease and the decrease of revenue from sale of condominium by Baht 183 million or 45% decrease compared to the same period in 2017.

In the first quarter of 2018, the Company and its subsidiaries launched 2 new residential projects with a total project value of Baht 1,988 million. In addition, the Company and its subsidiaries had closed 2 housing projects.

2) **Rental and service income:** In the first quarter of 2018, rental and service income increased by Baht 18 million or increased by 6% compared to that in the same period of 2017 as the result of the increase in revenue from hotel business of Baht 18 million, due to the higher room rate and occupancy rate.

3) **Other income:** Other income in the first quarter of 2018 increased by Baht 7 million or 13% increase compared to that in the same period in 2017.

## II. Share of profit from investments in associates

In the first quarter of 2018, the Company's share of profit from investments in associates was Baht 417 million, which increased by Baht 27 million or increased by 7% compared to that in the same period in 2017. The details of the Company's profit sharing from four associates companies are as follows:

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change (%)</u>
Home Product Center Plc.	248	208	40	19
LH Financial Group Plc.*	106	125	(19)	(15)
Quality Houses Leasehold Property Fund	45	41	4	10
Quality House Hotel and Residence Freehold and Leasehold Property Fund	18	16	2	13
Total	417	390	27	7

Note : \*In July 2017, LH Financial Group Plc. increased new common shares to CTBC Bank Company Limited. As a result, the shareholding portion of the Company had diluted from 21.3% to 13.7%.

## III. Cost of sales breakdown by business segment

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change (%)</u>
Cost of real estate sold	1,926	2,227	(301)	(14)
Cost of rentals and services	205	196	9	5
Total cost of sales	2,131	2,423	(292)	(12)

Total cost of sales in the first quarter of 2018 decreased from those of the same period of 2017 by Baht 292 million or 12% decrease, which is in line with the revenue in each business segment which details are shown in the above table of revenues from operations by business segment.

#### IV Expense

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change (%)</u>
Selling expenses	189	228	(39)	(17)
Administrative expenses	370	435	(65)	(15)
Finance cost	87	78	9	12
Income tax expenses	116	75	41	55

1) **Selling expenses** in the first quarter of 2018 decreased by Baht 39 million or decreased by 17% when compared to that in the same period of 2017 as a result of the decrease in advertising and public relations expenses of Baht 18 million, the decrease in promotion expense and other selling expense of Baht 10 million. In addition, the decrease in special business tax of Baht 8 million and the transfer fee decreased by Baht 3 million which is in line with the decrease in the transfer of real estate, when compared to that in the same period of 2017.

2) **Administrative expenses** in the first quarter of 2018 decreased by Baht 65 million or 15% decrease when compared to that in the same period of 2017 due to the decrease of cost of repairing the common utilities of the housing projects by Baht 13 million, the decrease in after-sales service expenses related to maintenance of project utilities and security of Baht 24 million, the decrease in salary and employee benefit by Baht 8 million, and the decrease in other administrative expenses by Baht 20 million.

3) **Finance cost**, for the first quarter, which consist of interest expenses, bank charges and financial advisory fees which increased by Baht 9 million or 12% increase in the first quarter of 2018 when compared to that in the same period of 2017 due to increasing in interest expense because the Company and its subsidiaries had higher number of complete condominium projects compared to the same period in the first quarter of 2017 which make the interest expense could not be capitalized as part of project cost.

4) **Income tax expenses** in the first quarter of 2018 increased by Baht 41 million or 55% increase when compared to that in same period of 2017. This expense varied with the operating results of the Company and its subsidiaries as mentioned above.

#### V Net Profit

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change (%)</u>
Net Profit	845	653	192	29

In the first quarter of 2018, the Company and its subsidiaries' net profit increased by Baht 192 million, or 29% increase compared to that in the same period of 2017, mainly due to gross profit from sale of

real estate increased by Baht 95 million and selling and administrative expenses decreased by Baht 104 million.

## VI Financial Position

(Unit: Million Baht)

	<u>31 March 2018</u>	<u>31 December 2017</u>	<u>Change</u>	<u>Change (%)</u>
Total assets	53,139	53,059	80	0.2
Total liabilities	27,499	28,257	(758)	(3)
Total shareholders' equity	25,640	24,802	838	3

- **Financial position**

As of 31 March 2018, the Company and its subsidiaries' total assets increased by Baht 80 million or increased by 0.2% from the end of 2017 (as of 31 December 2017) and total liabilities decreased by Baht 758 million or decreased by 3% from the end of 2017 (as of 31 December 2017), mainly due to debenture decreased by Baht 1,000 million.

- **Shareholders' Equity**

As of 31 March 2018, the shareholders' equity of the Company and its subsidiaries increased by Baht 838 million or 3% increase when compared to the end of 2017 (as of 31 December 2017) since the Company and its subsidiaries record net profit for the period of 3 months ending 31 March 2018 of Baht 845 million and other components of shareholders' equity decreased by Baht 7 million due to loss from share of other comprehensive income of associates - net of income tax.

Please be informed accordingly.

Sincerely yours,

(Miss Apinya Jarutrakulchai)

Senior Executive Vice President

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