

CGD 65/0054

August 11, 2022

Subject: Report on the operating results of Country Group Development PCL for the six-month period ended June 30, 2022

To: The President
The Stock Exchange of Thailand

Country Group Development Public Company Limited (the "Company") would like to report the operating results of the Company and its subsidiaries (the "Group") for the three-month period ended June 30, 2022 as follows:

BUSINESS OVERVIEW

As per the Group's short term policy to divest the hotels to accelerate debt repayment, the hotel divestment was 88% complete as of June 2020, and the remaining 12% was completed in July 2022. As expected, the corresponding debt reduction runs in line with the shareholder mandate. The cash flow from divestment went towards debt repayment resulting in the current interest bearing debt ratio continuing to drop during the quarter down to 2.2 time compared to 2.8 time as at December 31, 2021.

For Q2 2022, the Group reported a net profit of Baht 284.7 million; resulting in, a contribution of net profit of Baht 406.3 million for Q2 2022 period end. After the Thailand Reopening and government measures lift up the Group significantly, at Q2 2022 end, the Group had achieved significantly in new sales and transfers of Four Season Private Residences Project (FSPR), at approximately Baht 2.0 Billion. Likewise, the total transfers and revenue recognition at Q2 2022 end was at Baht 3.8 Billion, 2.0 and 1.85 Billion in respectively quarter; with the six-month revenue performance already outstripping revenues for the entire of 2021 of THB 3.2 billion. The year to date gross profit margin for FSPR was still at the consistent level of 48%.

ASSETS FOR SALES BUSINESS

For the six-month and three-month periods ending June 30, 2022, the Group reported revenues from condominium sales of Baht 3.8 and 1.8 billion respectively, with the six-month revenue performance already outstripping revenues for the entire of 2021 of THB 3.2 billion. The year to date gross profit margin for FSPR was still at the consistent level of 48%.

In Q2 2022 the Group also posted strong performance in sales of Baht 2.0 billion due largely to the relaxing of COVID restrictions and government measures as foreigner travelers formed a significant portion of new sales and transfers if backlog from our foreign clientele. The performance of hotels and its popularity as a destination, as well as its “ready to move in” status were key factors that resulted in the uptick.

FSPR is presently classified as a “ready to transfer” asset with remaining value around Baht 9.8 billion, of which Baht 3.8 billion is in the form of strong quality backlog (as most of the clients have prepaid deposits of up to 30% of the contact value).

DEBT MANAGEMENT

The Group continues to follow its short term objective of significant reduction of debt and finance costs to an appropriate level that will help company to emerge with a bolstered financial position, and lay down a good foundation for future business expansion.

Currently, the Interest Bearing Debt to Equity ratio of the Group is 2.2 times, down from 2.8 times at the end of year 2021, and is forecasted to reduce down to a target of 1.8 times once all divestment is complete. Total debt to total equity ratio also reduced from 4.3 times at the end of 2021 to 3.3 times at June 30, 2022.

TABLE PRESENT FINANCIAL RATIO	June 30, 2022	December 31, 2021	Change
Interest Bearing Debt / Equity Ratio (Times)	2.2	2.8	(0.6)
Total Debt / Total Equity Ratio (Times)	3.3	4.3	(1.0)

COMPANY OUTLOOK

The continued relaxation of COVID restrictions and government measures will have a significant positive impact on new sales and transfers given the percentage of sales and transfers which are foreign for the Group. In addition, in May 2022, the Group also signed a long-term lease agreement of 32 years with a strategic tenant to rent Ovingdean Hall Project in Brighton, United Kingdom for the purposes of operating this school as a leading 6th Form College. This will result in an increase in value of this investment property.

Cash proceeds from new sales of FSPR, transfer proceeds as well as cash proceeds from the remaining 12% of hotel divestment will generate a significant cash inflow and will further reduce the current debt as well as drive down financial costs. This source of excess of cash flow will serve as equity as the company looks forward to developing the upcoming mixed use education/residential flagship project in Rama III.

SUMMARY OF FINANCIAL PERFORMANCE

The Group reported operating result for the three-month period ended June 30, 2022 as follows:

Unit : Million Baht

TABLE PRESENT SUMMARY OF FINANCIAL PERFORMANCE FOR THE THREE-MONTH PERIOD ENDED	June 30,	June 30,	Percentage change
	2022	2021	
REVENUES			
Revenue	1,906.1	769.1	147.8%
Extraordinary item	-	-	-
Total Revenues	1,906.1	769.1	147.8%
EXPENSES			
COGS	1,037.8	383.9	170.4%
SG&A	298.7	182.0	64.1%
Loss on foreign exchange rate	5.1	264.1	(98.1%)
Total Expenses	1,341.6	830.0	61.6%
PROFIT FROM OPERATING ACTIVITIES	564.6	(60.9)	(1,026.8%)
Financial income	0.5	0.1	357.1%
Financial cost	(177.4)	(280.0)	(37.1%)
Income tax expense	(94.8)	(53.6)	76.8%
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUED OPERATION	292.9	(396.4)	(173.9%)
Loss from discontinued operation	(8.2)	(164.0)	(95.0%)
NET PORFIT (LOSS) FOR THE PERIOD	284.7	(560.4)	(150.8%)

Revenue

- Group's total revenue was Baht 1,906.1 million which is an increase of 147.8% from the same period 2021. Ordinary revenue from sales of FSPR was the key contributor of total revenues with details as follows;

Unit : Million Baht

TABLE PRESENT FINANCIAL PERFORMANCE OF FSPR FOR THE THREE-MONTH PERIOD ENDED	June 30,	June 30,	Percentage change
	2022	2021	
Revenue	1,845.4	755.2	144.4%
Cost of Sales	1,037.8	383.9	170.4%
GP%	43.8%	49.2%	

Operating Profit

- The Group reported total operating profit of Baht 564.6million, an increase of 1,026.8% over the same period last year, due to increase in revenues as mention above. Total cost, selling and administrative expense increased by Baht 511.6 million which is an increase of 61.6% in respect to increase in revenue.

Financial Expense

- The Group reported finance costs of Baht 177.4 million, a decrease of 37.1% from the same period last year. The reduction in finance cost resulted from significant decline in total debt from operational performance and hotel divestment.

Operating performance of discontinued operation

- Loss from discontinued operation amount of Baht 8.2 million resulting from loss on additional sale 12% of investment in URH and WFH. Loss from discontinued operation decreased by 95% from the same period last year because the Group has stopped consolidating hotel operating performance since Q4 2021 while in Q2 2021 the Group consolidated operation loss from hotel operations (that were impacted by government lock down and COVID pandemic), in the group profit and loss statement.

Net Operating performance

- The Group reported a net profit amount of Baht 284.7 million compared with a net loss of Baht 560.4 million of the same period last year. This mainly resulted from: 1) increased in revenue from sale of condominium 2) reduction in loss on foreign exchange 3) decrease in loss from discontinued operation.

The Group reported operating result for the six-month period ended June 30, 2022 as follows:

Unit : Million Baht

TABLE PRESENT SUMMARY OF FINANCIAL PERFORMANCE FOR THE SIX-MONTH PERIOD ENDED	June 30,	June 30,	Percentage change
	2022	2021	
REVENUES			
Revenue	3,908.2	2,024.9	93.0%
Extraordinary item	-	-	-
Total Revenues	3,908.2	2,024.9	93.0%
EXPENSES			
COGS	2,219.5	857.9	158.7%
SG&A	627.0	317.9	97.2%
Loss on foreign exchange rate	5.0	746.9	(99.3%)
Total Expenses	2,851.5	1,922.7	48.3%
PROFIT FROM OPERATING ACTIVITIES	1,056.7	102.2	933.4%
Financial income	0.5	0.1	283.3%
Financial cost	(376.8)	(562.3)	(33.0%)
Income tax expense	(260.7)	(140.9)	84.9%
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUED OPERATION	419.7	(600.9)	(169.8%)
Loss from discontinued operation	(13.4)	(261.3)	(94.9%)
NET PORFIT (LOSS) FOR THE PERIOD	406.3	(862.2)	(147.1%)

Revenue

- Group's total revenue was Baht 3,908.2 million which is an increase of 93% from the same period 2021. Ordinary revenue from sales of FSPR was the key contributor of total revenues with details as follows;

Unit : Million Baht

TABLE PRESENT FINANCIAL PERFORMANCE OF FSPR FOR THE SIX-MONTH PERIOD ENDED	June 30,	June 30,	Percentage change
	2022	2021	
Revenue	3,796.3	1,726.5	119.9%
Cost of Sales	2,219.5	857.9	158.7%
GP%	41.5%	50.3%	

Operating Profit

- The Group reported total operating profit of Baht 1,056.7 million, an increase of 933.4% over the same period last year, due to increase in revenues as mention above. Total cost, selling and administrative expense increased by Baht 928.9 million which is an increase of 48.3% in respect to increase in revenue.

Financial Expense

- The Group reported finance costs of Baht 376.8 million, a decrease of 33% from the same period last year. The reduction in finance cost resulted from significant decline in total debt from operational performance and hotel divestment.

Operating performance of discontinued operation

- Loss from discontinued operation amount of Baht 13.4 million resulting from loss on additional sale 12% of investment in URH and WFH. Loss from discontinued operation decreased by 94.9% from the same period last year because the Group has stopped consolidating hotel operating performance since Q4 2021 while in Q2 2021 the Group consolidated operation loss from hotel operations (that were impacted by government lock down and COVID pandemic), in the group profit and loss statement.

Net Operating performance

- The Group reported a net profit amount of Baht 406.3 million compared with a net loss of Baht 862.2 million of the same period last year. This mainly resulted from: 1) increased in revenue from sale of condominium 2) reduced loss on foreign exchange rate 3) decrease in loss from discontinued operation.