

KUN 105/2023

9 November 2023

Subject : Management Discussion and Analysis (MD&A) for the Third Quarter of 2023

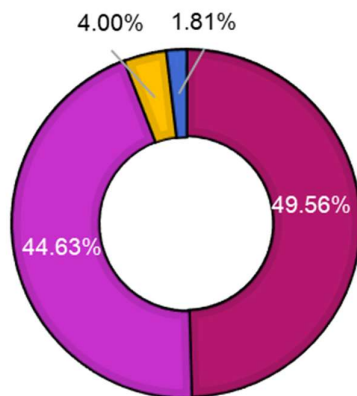
Attention: Directors and Managers of The Stock Exchange of Thailand

The performance of Villa Kunalai Public Company Limited (“KUN”) for the 3 month and 9 month period ended 30 September 2023 compared to the prior period are summarized as follows:

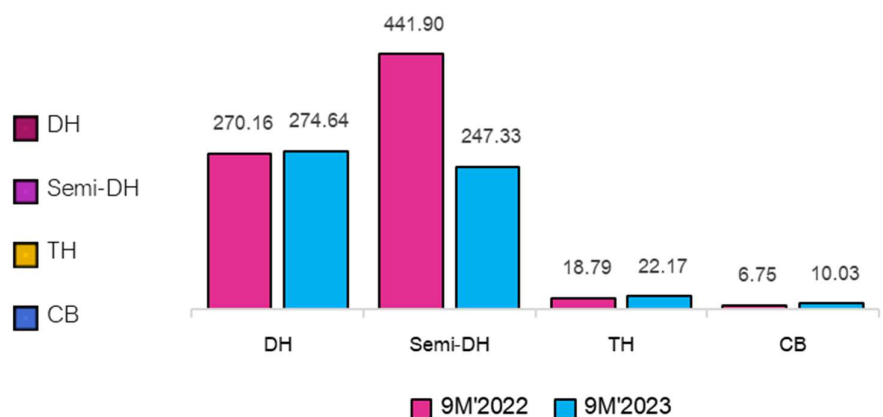
| Income Statement (3 month) | Q3'2023 | | Q3'2022 | | Movment | |
|---|--------------|---------------|--------------|---------------|---------------|----------------|
| Revenue from sales of real estates | 157.66 | 100.00% | 193.93 | 100.00% | (36.27) | -18.70% |
| Cost of sales | (115.58) | -73.31% | (146.35) | -75.47% | 30.77 | -21.02% |
| Gross profit | 42.08 | 26.69% | 47.58 | 24.53% | (5.50) | -11.56% |
| Other income | 0.81 | 0.51% | 0.83 | 0.43% | (0.02) | -2.41% |
| Selling expenses | (12.78) | -8.11% | (14.17) | -7.31% | 1.39 | -9.81% |
| Administrative expenses | (15.04) | -9.54% | (13.97) | -7.20% | (1.07) | 7.66% |
| Finance costs | (0.24) | -0.15% | (0.03) | -0.02% | (0.21) | 700.00% |
| Profit before income tax expense | 14.84 | 9.41% | 20.23 | 10.43% | (5.39) | -26.64% |
| Income tax expense | (3.00) | -1.90% | (4.12) | -2.12% | 1.12 | -27.18% |
| Profit for the period | 11.84 | 7.51% | 16.11 | 8.31% | (4.27) | -26.51% |
| Profit/(Loss) attributable to: | | | | | | |
| Owners of the parent | 11.80 | 7.48% | 16.08 | 8.29% | (4.28) | -26.62% |
| Non-controlling interests | 0.04 | 0.03% | 0.03 | 0.02% | 0.01 | 33.33% |
| | 11.84 | 7.51% | 16.11 | 8.31% | (4.27) | -26.51% |
| Basic earnings per share | 0.02 | | 0.02 | | | |

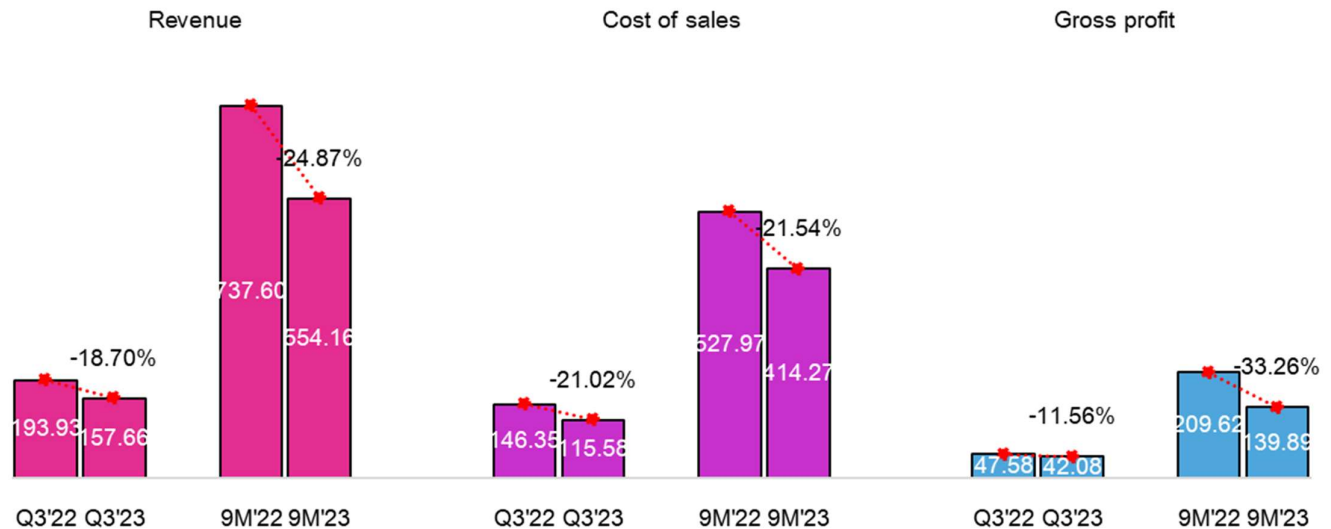
| Income Statement (9 month) | 9M'2023 | | 9M'2022 | | Movment | |
|---|---------------|---------------|---------------|---------------|----------------|----------------|
| Revenue from sales of real estates | 554.16 | 100.00% | 737.60 | 100.00% | (183.44) | -24.87% |
| Cost of sales | (414.27) | -74.76% | (527.97) | -71.58% | 113.70 | -21.54% |
| Gross profit | 139.89 | 25.24% | 209.62 | 28.42% | (69.73) | -33.26% |
| Other income | 2.55 | 0.46% | 2.64 | 0.36% | (0.09) | -3.41% |
| Selling expenses | (43.79) | -7.90% | (50.00) | -6.78% | 6.21 | -12.42% |
| Administrative expenses | (47.97) | -8.66% | (45.46) | -6.16% | (2.51) | 5.52% |
| Finance costs | (2.78) | -0.50% | (1.48) | -0.20% | (1.30) | 87.84% |
| Profit before income tax expense | 47.91 | 8.65% | 115.33 | 15.64% | (67.42) | -58.46% |
| Income tax expense | (9.75) | -1.76% | (23.32) | -3.16% | 13.57 | -58.19% |
| Profit for the period | 38.16 | 6.89% | 92.01 | 12.47% | (53.85) | -58.53% |
| Profit/(Loss) attributable to: | | | | | | |
| Owners of the parent | 37.99 | 6.86% | 91.86 | 12.45% | (53.87) | -58.64% |
| Non-controlling interests | 0.17 | 0.03% | 0.14 | 0.02% | 0.03 | 21.43% |
| | 38.16 | 6.89% | 92.01 | 12.47% | (53.85) | -58.53% |
| Basic earnings per share | 0.05 | | 0.13 | | | |

TRANSFER BREAKDOWN BY PRODUCT (MB.)



TRANSFER BREAKDOWN BY PRODUCT (MB.)





Revenue from sales of real estates

In Q3'2023, revenue from sales of real estates decreased by THB 36.27 million or 18.70% compared to the same period last year, from THB 193.93 million to THB 157.66 million. The reason for the company's decreased revenue from sales of real estate is due to the economic slowdown in Thailand, affecting both the country's export conditions and the slower than expected recovery in tourism. Furthermore, the continuous increase in the country's interest rate policy, at 2.5% as of September 2023, has tightened financial institutions' credit release and raised the rejection rate for credit applications.

For the 9 month accumulated revenue from sales of real estates decreased from THB 737.60 million to THB 554.16 million baht, an decreased of THB 183.44 million or 24.87% from the 6 month period of the previous year.

Cost of sales

In Q2'2023, cost of sales decreased by THB 30.77 million or 21.02% compared to the same period last year from THB 146.35 million to THB 115.58 million. The decrease in the cost of sales aligns with the proportional decrease in revenue. In terms of the cost of sales to revenue in the third quarter, it is close to that of the previous second quarter.

For the 9 month accumulated gross profit decreased from THB 527.97 million to THB 414.27 million baht, decreased of THB 113.70 million or 21.54% from the 9 month accumulated period of the previous year. However, the cost of sales to revenue ratio in the third quarter increased from 71.58% to 74.76%. This is due to homes transferred

for sale in 2023, which began construction at the end of 2022. The construction costs, including material and labor costs, have increased. Additionally, financial costs have been rising due to the continuously increasing interest rate policy that started at the end of 2022, leading to an increase in the cost of sales.

Gross Profit

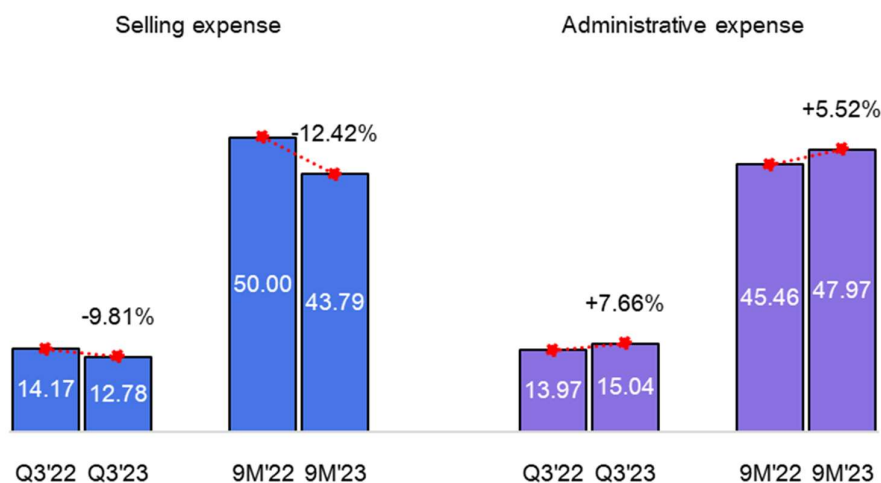
In Q3'2023, gross profit decreased by THB 5.50 million or 11.56% compared to the same period last year from THB 47.58 million to THB 42.08 million. However, the initial profit margin to revenue in quarter 3 improved due to recognizing full-quarter revenue from a new project, namely the Kunalai Navara Rama 2, which has a higher initial profit margin than the average initial profit margin of the company.

For the 9 month accumulated gross profit decreased from THB 209.62 million to THB 139.89 million baht, decreased of THB 69.73 million or 33.26% from the 9 month accumulated period of the previous year.

Other income

In Q3'2023, other income decreased by THB 0.02 million or 2.41% compared with the same period last year from THB 0.83 million to THB 0.81 million.

For the 9 month accumulated other income decreased from THB 2.64 million to THB 2.55 million baht, an decreased of THB 0.09 million or 3.41% from the 9 month accumulated period of the previous year.



Selling expenses

In Q3'2023, selling expenses decreased by THB 1.39 million or 9.81% compared to the same period last year from THB 14.17 million to THB 12.78 million. The sales expenses consist of both sales expenses (transfer

expenses, Specific business tax) and marketing expenses. Sales expenses fluctuate in accordance with the company's revenue recognition. Hence, a decrease in sales revenue results in reduced sales expenses. Marketing expenses, there was a 2% increase from Q3 of 2022, attributed to marketing activities to promote sales and increased advertising and public relations for ongoing projects from Q1 and Q2.

For the 9 month accumulated selling expenses decreased from THB 50.00 million to THB 43.79 million baht, an decreased of THB 6.21 million or 12.42% from the 9 month accumulated period of the previous year. The reduction in sales expenses aligned with the company's revenue. However, marketing expenses increased by 8% from 2022, accounting for the previous year's marketing expenses. This rise was due to the company conducting marketing activities to promote sales and increase advertising and public relations for new projects. Therefore, the cumulative marketing expenses over the 9 months of 2023 increased.

Administrative expenses

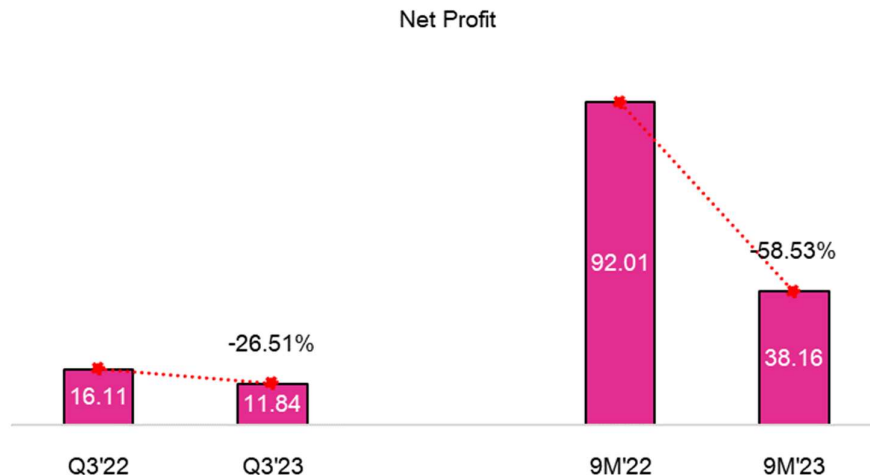
In Q3'2023, administrative expenses increased by THB 1.07 million or 7.66% compared to the same period last year from THB 13.97 million to THB 15.04 million.

For the 9 month accumulated administrative expenses increased from THB 45.46 million to THB 47.97 million baht, an increased of THB 2.51 million or 5.52% from the 9 month accumulated period of the previous year.

Finance cost

In Q3'2023, finance cost increased by THB 0.21 million or 700.00% compared to the same period last year from THB 0.03 million to THB 0.24 million. Because some financial cost can't be capitalized as real estate development cost.

For the 9 month accumulated finance cost increased from THB 1.48 million to THB 2.78 million baht, increased of THB 1.30 million or 87.84% from the 9 month accumulated period of the previous year.



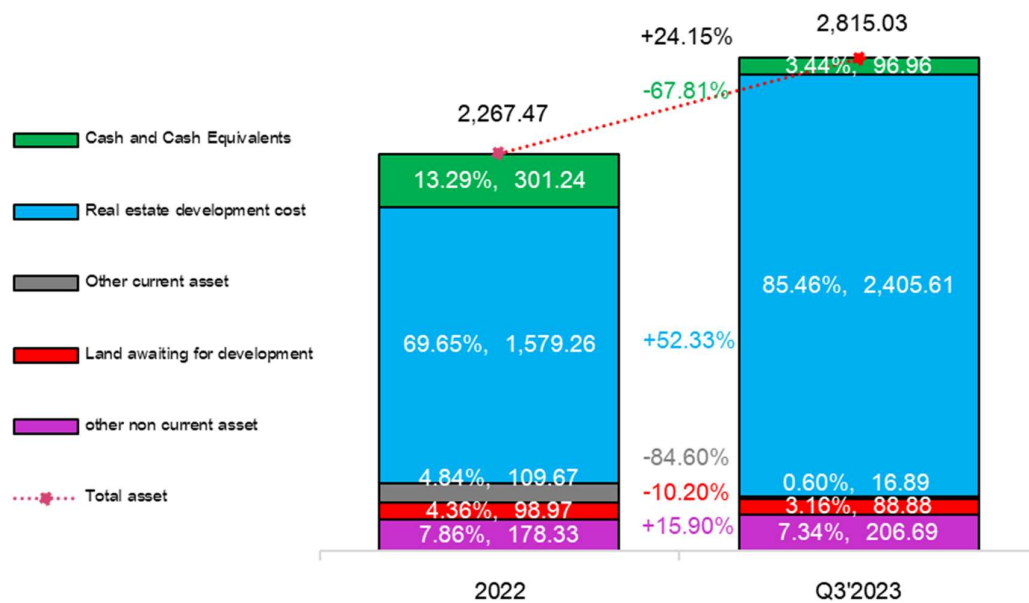
Net profit

Overall performance of the Company for the 3 month period ended 30 September 2023 was net profit of THB 11.84 million, compared to net profit of THB 16.11 million, the company had decreased of 26.51% compared to the same period last year. The decline was due to reduced sales revenue combined with increased cost of sales that have been rising since the end of 2022.

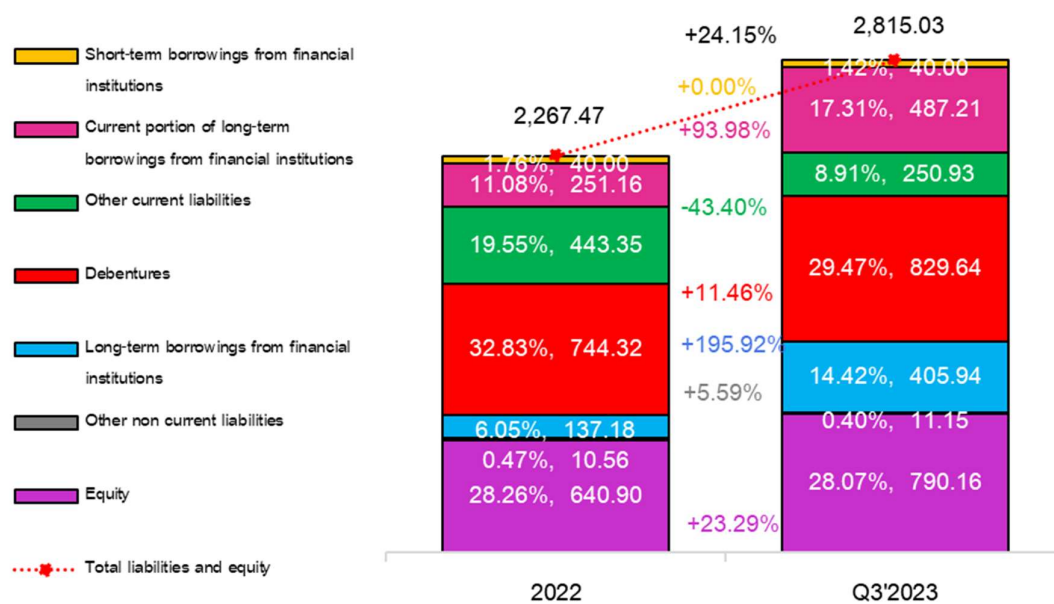
For the 9 month accumulated net profit decreased from THB 92.01 million to THB 38.16 million baht, an decreased of THB 53.85 million or 58.53% from the 6 month accumulated period of the previous year. The decline resulted from decreased sales revenue and increased construction material costs, labor costs, including financial costs. The company has revised its project layouts and modified materials used in the projects to reduce cost of sales. For the year 2023, the company expects a slight increase in marketing expenses due to advertising for the launch of new projects, particularly the Kunalai Navara Rangsit – Klong 2 , which boasts a higher gross profit rate than the company's average. The company expect recognizing revenue starting from the fourth quarter of 2023 onwards.

| Statement of Financial Position | Q3'2023 | 2022 | Movment | |
|---|-----------------|-----------------|---------------|---------------|
| Assets | | | | |
| Current assets | 2,519.46 | 1,990.17 | 529.29 | 26.60% |
| Non-current assets | 295.57 | 277.30 | 18.27 | 6.59% |
| Total assets | 2,815.03 | 2,267.47 | 547.56 | 24.15% |
| Liabilities and equity | | | | |
| Current liabilities | 778.14 | 734.51 | 43.63 | 5.94% |
| Non-current liabilities | 1,246.73 | 892.06 | 354.67 | 39.76% |
| Total liabilities | 2,024.87 | 1,626.57 | 398.30 | 24.49% |
| Equity | | | | |
| Issued and paid-up share capital | 374.56 | 343.20 | 31.36 | 9.14% |
| Premium on paid-up capital | 223.88 | 123.55 | 100.33 | 81.21% |
| Convertible Debentures - equity portion | - | 2.03 | (2.03) | -100.00% |
| Warrants | 6.79 | 6.79 | - | 0.00% |
| Retained earnings | | | | |
| Appropriated - Legal reserve | 25.74 | 25.74 | - | 0.00% |
| Unappropriated | 171.29 | 151.86 | 19.43 | 12.79% |
| Other components of equity | (13.67) | (13.67) | - | 0.00% |
| Non-controlling interests | 1.57 | 1.40 | 0.17 | 12.14% |
| Total equity | 790.16 | 640.90 | 149.26 | 23.29% |
| Total liabilities and equity | 2,815.03 | 2,267.47 | 547.56 | 24.15% |

Asset



Liabilities & Equity



Statement of Financial Position**Total Assets**

Total assets increased by THB 547.56 million or 24.15 percent from THB 2,267.47 million to THB 2,815.03 million.

Cash and cash equivalents

Cash and cash equivalents decreased by THB 204.28 million or 67.81% from THB 301.24 million to 96.96 million

Real estate development costs

Real estate development costs increased by THB 826.35 million or 52.33% from THB 1,579.26 million to THB 2,405.61 million because the company received the land and began developing the Kunalai Navara Rangsit - Klong 2, expected to generate revenue in the fourth quarter of 2023. Additionally, the company developed a new project land awaiting for development, anticipated to open in the year 2024.

Land awaiting for development

Land awaiting for development decreased by THB 10.09 million or 10.20 percent from THB 98.97 million to THB 88.88 million. because the company transferred the land awaiting for development to real estate development costs and acquired additional land for future project development.

Total liabilities

Total liabilities increased by THB 398.30 million or 24.49% from THB 1,626.57 million to THB 2,024.87 million. Because of the company has redeemed debentures and convertible debentures 270.00 million baht. This involved issuing and offering new debenture worth 200.00 million baht. Additionally, the company obtained new project financing from financial institutions for the development of the Kunalai Navara Rangsit - Klong 2, as per the company's project development plan. Furthermore, it utilized credit facilities for other ongoing project developments, leading to an increase in total liabilities.

Total equity

Total equity increased by THB 149.26 million or 23.29% from THB 640.90 million to THB 790.16 million. Because in the previous quarter 2, the company issued and offered additional common shares to existing shareholders, raising funds amounting to 131.69 million baht. This was designated for redeeming convertible debentures and utilized as working capital for the company's project development plans.



Or Add Line ID : @kun-insight

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Please be informed accordingly.

Villa Kunalai Public Company Limited

Mr. Suradech Prachubsirat

Chief Financial Office