

Subject: Management Discussion and Analysis for the year ended December 31, 2018

To Director and Manger  
The Stock Exchange of Thailand

Veranda Resort Public Company Limited (the "Company") would like to inform management discussion and analysis for its results of operations from the financial statements for the year ended December 31, 2018 as follows:

### Revenue Structure

The following table shows the total revenue structure of the Company by business type according to the consolidated financial statements for the year ended 31 December 2017 and 2018 with the following details

	For the year ended 31 December			
	2017		2018	
	Value	%	Value	%
Revenue from hotel operations <sup>/1</sup>	1,300.78	75.14	1,313.61	54.03
Revenue from property development operations <sup>/2</sup>	386.28	22.31	1,053.20	43.32
Revenue from sales of food and beverage <sup>/3</sup>	7.64	0.44	20.53	0.84
Revenue from management service <sup>/4</sup>	9.13	0.53	19.23	0.79
Interest income	0.17	0.01	0.16	0.01
Other income <sup>/5</sup>	27.25	1.57	24.57	1.01
<b>Total revenue</b>	<b>1,731.25</b>	<b>100.00</b>	<b>2,431.30</b>	<b>100.00</b>

Note: <sup>/1</sup> Revenues from hotel operations which are connected party transactions with a conflict person was 0.58 THB mm and 0.15 THB mm for the year 2017 and 2018 respectively

<sup>/2</sup> Revenues from property development operations which are connected party transactions with a conflict person was 37.88 THB mm and 8.63 THB mm for the year 2017 and 2018 respectively

<sup>/3</sup> Revenues from sales of food and beverage for the year 2017 and 2018 consisted of revenue from opening of Skoop Beach Café which operated by VBP and the Company and KOF which operated by OKT and VCS

<sup>/4</sup> Revenue from the management of the Veranda High Residence Chiangmai and Veranda Residence Pattaya project will be included in revenues from management service for the year 2017 and 2018.

<sup>/5</sup> Other revenue included rental revenue from space and billboard, income from project delay penalty and income from expiration of vouchers

2 years financial summary

	Unit	For the year ended 31 December	
		2017	2018
Total assets	THB mm	5,442.45	4,781.37
Total liabilities	THB mm	4,286.24	3,440.77
Total equity	THB mm	1,156.21	1,340.60
Total revenues	THB mm	1,731.25	2,431.30
Total expenses	THB mm	1,578.88	2,033.55
Net profit for the period	THB mm	21.65	235.78
Net profit attributable to equity holders of the Company	THB mm	22.23	235.78
Net profit per shares attributable to equity holders of the Company	Baht per share	0.18	0.98
Gross profit margin	%	32.98	35.38
Net profit margin	%	1.28	9.70
ROE Ratio	%	1.94	18.89
ROA Ratio	%	0.42	4.61
D/E Ratio	Time	3.71	2.57
IBD/E Ratio	Time	2.71	1.80
Occupancy rate <sup>1</sup>	%	68.11	69.89

Note: <sup>1</sup> The calculation of occupancy rate and average room rate were not included the number of rooms and income from management of residential projects that the owner of the room who joint the project according to the contract for rental housing

Management Discussion and Analysis

Total revenue for the year 2017-2018 grew continuously from 1,731.25 THB mm in 2017 to 2,431.31 THB mm in 2018 or representing to 40.44% in 2018.

### Revenues from hotel operations

The details of revenues from hotel operation for the year 2017-2018 are as following table

	Unit	For the year ended 31 December	
		2017	2018
The number of operating hotel	Hotel	5	5
The number of rooms	Room	637	637
Occupancy rate <sup>/1</sup>	%	68.11	69.89
Average daily room rate <sup>/1</sup>	Baht/Room/Night	4,398	4,289
<u>Revenues from hotel operations</u>			
Room revenues	THB mm	698.55	696.95
Food and beverage revenues	THB mm	429.61	430.56
Revenues from other service	THB mm	172.62	186.10
<b>Total revenues from hotel operations</b>	<b>THB mm</b>	<b>1,300.78</b>	<b>1,313.61</b>

Note: <sup>/1</sup> The calculation of occupancy rate and average room rate were not included the number of rooms and income from management of residential projects that the owner of the room who joint the project according to the contract for rental housing.

Revenue from hotel business of the Company continuously increased from 1,300.78 THB mm in 2017 to 1,313.61 THB mm in 2018 or representing a growth rate of 0.99% which was from an increasing in revenues from other services such as spa service in hotel.

### Revenue from property development operations

The Company has revenue from property development operations from the sale of both low rise and high rise residential projects. The Company will recognize revenue when room is transferred to the buyer and after the Company completely receives all payments from the buyer. Revenues from property development operations also includes revenues from the sale of decoration equipment in the condominium which are not included in the sale and purchase agreement.

Revenues from property development operations for the year 2017 and 2018 were 386.28 THB mm and 1,053.20 THB mm respectively or representing 22.31 % and 43.32 % of the Company's total revenue, respectively.

The details of revenue recognition from property development operations were classified by each project for the year 2017-2018 and can be summarized as follows:

	For the year ended 31 December			
	2017		2018	
	Value	%	Value	%
Veranda High Residence Chiangmai	-	-	-	-
Veranda Residence Pattaya	386.28	22.31	1,053.20 <sup>1)</sup>	43.42
<b>Total revenue from property development operations</b>	<b>386.28</b>	<b>22.31</b>	<b>1,053.20</b>	<b>43.42</b>

Note : <sup>1)</sup> As of 31 December 2018, the Company had 44 units of Veranda Residence Pattaya which has been sold but not yet transferred 311.16 million baht. Out of 44 units, there were a number of units that were in the process of canceling, requesting to return room or the down payment was not completed which is likely to be canceled by the Company and / or customers in total of 10 units or equivalent to 71.64 THB mm.

The details of transferred units which based on the value of each project for the year 2017-2018 can be summarized as follows:

Project	Starting construction month	Starting transferring month	Vale THB mm	Status of transferring <sup>1)</sup>	
				For the year ended 30 December	
				2017	2018
				%	%
Veranda High Residence Chiangmai	December 2007	February 2010	229.63	-	-
Veranda Residence Pattaya	January 2015	October 2017	1,946.10	19.85	54.12

Note : <sup>1)</sup> Calculated from project value of the current year.

In 2017, the Company had revenue from property development operations which was from the revenue recognition from transferring of ownership in Veranda Residence Pattaya since October 2017. The company had recognized the revenue amount of 386.28 THB mm for 64 units transferred in the year 2017 and 1,053.20 THB mm for 175 units transferred in the year 2018. Revenue from property development operations included revenue from the sale of decoration equipment in the amount of 2.86 THB mm and 12.66 THB mm respectively.



Revenue from property development operations recognized in the year 2017 and 2018 were representing 19.85 % and 54.12 % of the value of project, respectively. A total of 239 units transferred of the Veranda Residence Pattaya was representing to 73.97 % of the total project value.

#### Revenue from sales of food and beverage

The Company has revenues from sales of food and beverage from total 4 food and beverage outlets including Skoop Beach Café Pattaya operated by VBP, Skoop Beach Café Hua Hin operated by the Company and KOF at G floor in So Sofitel Bangkok operated by OKT and KOF Thonglor branch which operated by VCS

In 2018, revenue from sales of food and beverage significantly increased from 7.64 THB mm in 2017 to 20.53 THB mm in 2018 or representing a growth rate of 168.72 % which was from the launching of one dessert and drink restaurant and 2 additional cafes under KOF at G floor in the Sofitel Bangkok and KOF Thonglor branch.

#### Other incomes

Other income of the Company consists of space rental income in So Sofitel Bangkok. The Company received revenue from rental space from advertising boards in So Sofitel Bangkok (Please see more details in Section 2.2.5 Assets 5.3.1.2 Lease agreement on the side wall of the So Sofitel Bangkok), revenue from project delay penalty and revenue from the expiration of vouchers. The revenue of other incomes was mainly from rental income from rental space which accounted to 48.30 % and 55.71 % of total other incomes in 2017 and 2018 respectively.

In 2018, other incomes decreased from 27.25 THB mm in 2017 to 24.57 THB mm in 2018 or equivalent to 9.85 % due to the Company had no revenues from project delay penalty, decreasing in recognition of expired vouchers and decreasing in the rental fee from the shuttle bus for the customers.

Expenses

Expenses	For the year ended 31 December			
	2017		2018	
	Value	Value	Value	Value
Cost of hotel operations	835.08	73.65	821.54	52.83
Cost of property development operations	286.68	25.28	705.81	45.39
Cost of sales of food and beverage <sup>1</sup>	6.44	0.57	14.55	0.94
Cost of management service <sup>2</sup>	5.71	0.50	13.19	0.85
<b>Total expenses</b>	<b>1,133.91</b>	<b>100.00</b>	<b>1,555.09</b>	<b>100.00</b>

Note: <sup>1</sup> Costs of sales of food and beverage for the year 2017 consisted of cost from operating Skoop Beach Café which operated by VBP and the Company and KOF which operated by OKT and VCS for 2018

<sup>2</sup> Costs of management service for the year 2017 was cost from management of Veranda High Residences Chiangmai and for the year 2018 included costs from management service of Veranda Residence Pattaya

Core expenses of the Company are cost of hotel operations and cost of property development operations. Approximately 53 -74 % is from hotel operations, which included cost of the room's amenities, cost of cleaning staff, cost of food and beverage, salaries and wages and depreciation. Cost of property development operations included land costs, construction costs and financial cost which capitalized as property development costs in the statement of financial position during construction period. Property development costs will then be transferred to the cost of the property development operations in the statement of comprehensive income when the ownership of condominium units is transferred to the buyer and recognize the revenue from property development operations,

In the year 2017 - 2018, expenses of the Company increased from 1,133.90 THB mm to 1,555.09 THB mm in 2018 respectively or representing a growth rate of 37.14 % in 2018 which was mainly from the recognition from transferring of ownership in Veranda Residence Pattaya project in total of 64 units and 175 units in 2017 and 2018 respectively.

In 2018, Cost of the hotel operations of the Company decreased from 835.08 THB mm in 2017 to 821.54 THB mm in 2018 t or equivalent to a decrease of 1.62 % which mainly due to the Company's cost reduction management resulted in a decreasing of room's cost.

For cost of property development operation in 2017 amount of 286.68 THB mm from transferring of ownership in the Veranda Residence Pattaya Project in total of 64 units. For the year 2018, cost of property development operations of the Company was at 705.81 THB mm due to the transferring of ownership in Veranda Restaurant Residence Pattaya in total of 175 units which resulted in an accumulation of Veranda Restaurant Residence Pattaya's transferred unit was at 239 units.

Net profit for the year 2017 and 2018 were at 22.23 THB mm and 235.78 THB mm respectively or equivalent to net profit margin of 1.28 % and 9.70 %. The Company had an increasing of profits in the year 2018 was mainly due from the more units transferred of ownership in Veranda Residence Pattaya than 2017.

#### **Total Assets**

As of 31 December 2017 and 2018, the Company had total assets of 5,442.45 THB mm and 4,781.37 THB mm respectively. The core assets of the Company included cash and cash equivalents, trade and other receivables, property development costs, advance payment for construction, other current assets, property, plants and equipment, leasehold rights, goodwill and deferred tax assets. In 2017, the increasing in assets mainly due to an increasing in property development costs from the construction of Veranda Residence Hua Hin, Veranda Resort Pattaya project and the Veranda Residence Pattaya which invested and developed under the operation of VBP. In 2017 – 2018, the decreasing in total assets due to the decreasing in property development costs from the transferring of ownership in Veranda Residence Pattaya.

#### **Total liabilities**

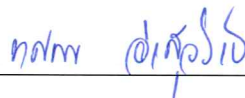
As of 31 December 2017 and 2018, the Company had total liabilities of 4,286.24 THB mm and 3,440.77 THB mm respectively. The core liabilities of the Company consisted of short-term and long-term loans from financial institutions, trade and other payables and advance received from customers. A decreasing in the total liabilities was mainly due from a total long-term loan repayment to a financial institution for Veranda Residence Pattaya project credit facilities.

#### Total shareholders 'equity

As of 31 December 2017 and 2018, shareholders 'equity was 1,156.21 THB mm and 1,340.60 THB mm respectively. In 2017, shareholders 'equity increased from an increasing of retained earnings. As of 31 December 2017, shareholders' equity increased from 1,156.21 THB mm to 1,340.60 THB as of 31 December 2018 or equivalent to 15.95% growth rate which mainly was from an increasing in retained earnings of the Company. In addition, the Annual General Meeting of shareholders for the year 2019 which was held on 28 March 2019 has approved the dividend payment to the shareholders from the operating results for the year ended 31 December 2018 at the rate of 0.29 THB per share or in the total amount of 70.96 THB mm and the payment of dividends will occurred on 5 April 2019. Therefore, retained earnings and shareholders' equity of the Company will decrease in the amount of 70.96 THB mm and the transaction will reflect in the financial statements for the sixth months period ended 30 June 2019.

Please be informed accordingly,

Yours Sincerely,



(Mrs. Tosaporn Angsuwarangsi)

Chief Financial Officer