

Management Discussion & Analysis (- translation -)

For operating result of 1Q/19, ended 31 March 2019

Major Events in Q1/19 and April 2019

- February Entered into the third joint venture agreement with Tokyo Tatemono Asia Pte. Ltd. (“TTA”) to develop an ultra-luxury condominium project in soi Sukhumvit 38, near BTS station – Thonglor. The project value is estimated to be approximately THB 7bn.
- April The Company’s 2019 Annual General Meeting of Shareholders passed the major resolutions as follows: -
- 1) approved dividend payments of THB 0.015 per share from the Company’s retained earnings to the shareholders whose name appear on the share register book on 9 May 2019 (Record Date). The dividend will be paid on 28 May 2019.
 - 2) approved to acquire 49% shares in Raimon Land Nineteen Co., Ltd. from KPN Land Co., Ltd. (“KPNL”), who is the Company’s connected party, to own and have the absolute controlling power in the project SHAA Asoke.
 - 3) approved investment in ONE CITY CENTER (“OCC”) – grade A office building development project for a total investment value of THB 8,771.4mn.

Management outlook and future projects

Despite the real estate market in Bangkok and vicinity responded with mixed signals, the Company’s projects were well received from our customers. The most recent completed project, The Lofts Asoke, started to transfer to our customers in December 2018. In 1Q19, THB 1,238.9mn of The Lofts Asoke project was transferred and recorded as a revenue and the Diplomat 39 project recorded a revenue from transferred of THB 271.3mn. For the future residential projects, in February, the Company had signed the 3rd joint venture agreement with Tokyo Tatemono Asia Pte. Ltd. to jointly develop an ultra-luxury condominium project in Sukhumvit 38, near BTS Thonglor, which will be launched in 3Q19. Another luxury residential project in Ratchathewi area will also be launched within this year.

For recurring income project development which the first major project is a grade A office building on Ploenchit road or ONE CITY CENTER (“OCC”) with a total investment value of approximately THB 9bn, on 29 April 2019, the 2019 Annual General Meeting of Shareholders has approved to proceed the investment as plan. The project will be launched within May 2019. For the F&B business, the Company has been studying to open more noodle store branches, Dink Dink, in Singapore and Taiwan.

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1Q/19 Financial Highlight

- Backlog volume¹ of the Company having the total value of THB 8,655.8mn as of 31 March 2019
- Sales volume of 1Q/19 has the value of THB 1,361.6mn
- Total revenue of 1Q/19 was THB 1,463.9mn, which the amount of THB 1,386.4mn was from units transferred to customers
- Gross profit of THB 397.1mn, 288.4% increase YoY, which made a gross profit margin of 28.6% or 33.1% if exclude UNIXX project which sold at special discount and the Diplomat 39 which is a project purchased for sale
- Net debt to Equity ratio² as of 31 March 2019 equals 0.84 times

Changes in accounting policy and reclassification in 1Q/19

During the three-month period ended 31 March 2019, the Company and its subsidiaries have adopted TFRS 15 “Revenue from Contracts with Customers” which become effective for fiscal years beginning on or after 1 January 2019. The Group chooses retrospectively adjustment in the period of initial application.

For statements of profit or loss and other comprehensive income, the changes are as follows: -

- 1) The commission paid to obtain a customer contract shall be recorded as an asset and amortized to expenses on a basis that is consistent with the pattern of revenue recognition. Under the previous accounting policy, the Company and its subsidiaries immediately recorded commission as selling expenses when the transaction occurred.
- 2) In case of free transfer fee and common area fee (if any) are considered payable to customers or expenses paid for the customers and therefore shall be treated as a reduction of the revenue under the contract. Whereas they were booked under selling expenses when the transaction occurred.

For statements of financial position, the changes are as follows: -

- 1) total assets as of 31 December 2018 before retrospectively adjust was THB 14,329.7mn and after the retrospectively adjust was THB 14,376.3mn, an increase of THB 46.6mn.
- 2) the unappropriated retained earnings as of 31 December 2018 before retrospectively adjust was THB 5,721.9mn and after the retrospectively adjust was THB 5,768.5mn, an increase of THB 46.6mn.

All comparisons of changes in this report are based on the adjusted accounting policy and reclassification.

¹ Backlogs include only sold units with sale and purchase agreements

² Calculated from interest-bearing debt net of cash and cash equivalents

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Operating result 1Q/19

Revenue and Backlog¹

The Company has total revenue of THB 1,463.9mn, an increase of THB 919.3mn or 168.8% YoY of which, THB 1,386.4mn, or 94.7% of the total revenue was from the units transfers of 5 real estate projects as details shown in the table below.

Source of income (Unit: THB mn)	1Q/19		1Q/18	
	Revenue	% of total revenue	Revenue	% of total revenue
The River	42.8	2.9%	-	-
185 Rajdamri	-	-	161.4	29.6%
Zire Wongamat	-	-	55.3	10.2%
UNIXX South Pattaya	7.1	0.5%	262.3	48.2%
The Lofts Ekkamai	-	-	23.0	4.2%
Mews Yen Akat	53.8	3.7%	-	-
The Lofts Asoke	1,011.3	69.1%	-	-
The Diplomat 39	271.3	18.5%	-	-
Food & Beverage	10.3	0.7%	-	-
Others ²	67.3	4.6%	42.7	7.8%
Total revenue	1,463.9	100.0%	544.7	100.0%

At end of 1Q/19, the total backlog¹ of the Company has the total value of THB 8,655.8mn, a decrease of 2.4% from THB 8,869.9mn at the end of 2018. The decreases in the backlog was mainly from units transfer and revenue recognition of project the Lofts Asoke since December 2018. The total backlog at end of 1Q/19 consists of, 32.8% from The Lofts Silom, 26.7% from TAIT 12, 17.9% from the Estelle Phrom Phong, 15.7% from the Lofts Asoke, 6.2% from the Diplomat 39 and 0.7% from 185 Rajdamri, total of 6 projects.

Cost of Sales

In 1Q/19 the Company's real estate business cost equaled THB 989.3mn, an increase of THB 589.5mn from THB 399.8mn YoY. Cost of food and beverages sold equaled THB 3.0mn. The food and beverages business had just started its operations since the final week of 1Q/18, therefore, the business unit started to contribute considerable amount of revenue and costs from 2Q/18.

¹ Backlogs include only sold units with sale and purchase agreements

² Including rental and service income, marketing commission income, project management fee, interest, and others

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Gross Profit and Gross Profit Margin (GPM)

In 1Q/19, the Company has gross profit from sales of real estate of THB 397.1mn, increase from THB 102.2mn in the same period of the previous year. GPM from sales of real estate in this quarter was 28.6%, which increased from the GPM of 20.4% in 1Q/18 due to the transfer revenue was mainly from new project recently developed by the Company therefore, the margin is in line with the industry standard. However, there were transferred revenue from the Diplomat 39 which is a project purchased for sale that made a lower GPM than the projects developed by the Company as well as special discount for sales of the UNIXX South Pattaya project. Without the 2 projects, GPM from sales of real estate in this quarter would have been 33.1%.

Sales and Administrative Expenses (SG&A)

The Company's SG&A in 1Q/19 was THB 256.1mn, an increase of THB 54.1mn, or 26.8% YoY, from THB 202.0mn in 1Q/18. However, when compare to total revenue, distribution costs and administrative expenses per total revenue in 1Q/19 was 6.5% and 11.0% respectively, decrease from 10.9% and 26.1% respectively in 1Q/18. The reduction in percentage were mainly due to the increase in revenue which resulted in the economy of scale as well as the high administration cost base from business expansion period during 1Q/18 which were starting up of the office building project and the food and beverage business.

Financial Cost

Most of financial cost resulted from loan interest borrowed to develop projects, which are capitalized as development costs for respective projects till construction completion. Thereafter, such interest costs will be amortized as finance costs in the Statement of Income. Loans are repaid in installments upon unit transfer. In 1Q/19, the Company had financial cost of THB 52.4mn, an increase of THB 29.3mn from THB 23.1mn in 1Q/18 or an increase of 126.5% YoY due to the interest from loan for the Lofts Asoke project which was booked as cost of real estate sold during the construction period was shifted to book as financial cost full quarter after the construction completed in December 2018.

Net Profit

In 1Q/19, the Company had a consolidated net profit of THB 96.1mn comparing to 1Q/18 which reported a net loss of THB 70.1mn. Net profit per share in this quarter equaled THB 0.02 per share.

Financial Position (as of 31 March 2019)

Assets

Total assets of the Company stood at THB 13,179.7mn, a decrease of THB 1,196.7mn from those of THB 14,376.4mn as of 31 December 2018. The decrease was primarily attributed to the reduction of cash and short-term investment for

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acquiring land for new projects and the reduction in project development cost and condominium purchased for sales from transferred of the Lofts Asoke project and the Diplomat 39 project in this quarter.

Liabilities

Total liabilities of the Company stood at THB 7,314.4mn, a decrease of THB 1,293.5mn from THB 8,607.9mn of the total liabilities as of 31 December 2018. The decrease was attributed to the decreased in loan from financial institutions of which THB 991.7mn was net long-term loans which was repaid when the Company transfers unit of the Lofts Asoke project and the Diplomat 39 project to customers in 1Q/19.

Shareholders' Equity

Total shareholders' equity of the Company stood at THB 5,865.3mn, an increase of THB 69.8mn from THB 5,768.5mn as of 31 December 2018, due to the increase in retained earnings.

Net debt to Equity Ratio

The interest-bearing debt of the Company stood at THB 5,562.0mn while cash and cash equivalents and current investments stood at THB 661.3mn. As a result, the debt to equity ratio¹ was 0.84 times as of 31 March 2019, decreased from 0.94 times as of 31 December 2018. Due to the plan to grow total revenue from residential development projects up to THB 10 – 12bn per year within the next 5 years, the Company is expecting this ratio to be increased. However, the Company still has the policy to maintain the D/E ratio of not exceeding 1.5 times.

Cash Flows

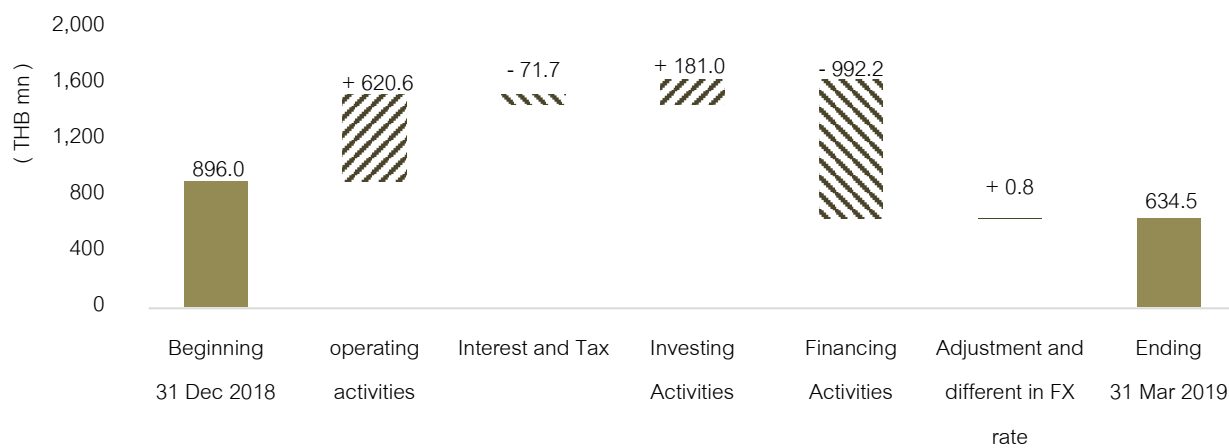
For 1Q/19, the Company had net cash received from operating activities of THB 548.9mn. The key components were the investment in condominium projects under construction, the Lofts Silom, the Estelle, and TAIT 12, net with net profit in this quarter. Net cash received from investing activities was THB 181.0mn. The key component was THB 198.1mn from selling of current investment net with cash paid for investment properties of THB 17.8mn. Net cash paid in financing activities was THB 992.2mn mainly were cash repayment for a long-term loan from financial institutions total amount of THB 991.7mn. As a result, the Company had ending cash of THB 634.5mn as of 31 March 2019.

¹ Calculated from interest-bearing debt net of cash and cash equivalents

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Cash flows movement in 1Q/19



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(Sataporn Amornvorapak)

Director and Company Secretary