

13 August 2019

Subject: Management Discussion and Analysis for the Second Quarter ended 30 June 2019

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 Second Quarter ended 30 June 2019 and 2018 with the detail as follows:

I. The operating revenue breakdown by business segment

In the second quarter of 2019, the Company and its subsidiaries’ revenue from sales of real estate decreased from the same period of last year, but revenue from the property rental business increased from the same period of last year. Details are as follows:

	<u>Second quarter</u>		(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change (%)</u>
Sales of real estate	1,991	3,013	(1,022)	(34)
Rental and service income	318	295	23	8
Other income	<u>70</u>	<u>71</u>	<u>(1)</u>	(1)
Total revenues	2,379	3,379	(1,000)	(30)

In summary, the Company and its subsidiaries generated total revenue in the second quarter of 2019 and the second quarter of 2018 of Baht 2,379 million and Baht 3,379 million respectively, decreasing by Baht 1,000 million or 30% decrease compared to the same period of 2018. Details are as follows:

1) **Sales of real estate:** Sales of real estate in the second quarter of 2019 decreased by Baht 1,022 million or 34% decrease compared to the same period of 2018. This was due to a decrease in revenue from housing projects by Baht 1,296 million or 46% decrease compared to the same period of 2018. Meanwhile, revenue from condominium projects increased by Baht 274 million or 149% increase compared to the same period of 2018.

In the second quarter of 2019, the Company and its subsidiaries did not launch any new residential projects and closed 1 housing project.

2) **Rental and service income:** In the second quarter of 2019, rental and service income increased by Baht 23 million or 8% increase compared to the same period of 2018. This was mainly due to an increase in revenue from Centre Point Hotel Pattaya which opened in the end of 2018.

3) **Other income:** Other income in the second quarter of 2019 decreased by Baht 1 million or 1% increase compared to the same period of 2018.

II. Share of profit from investments in associates

In the second quarter of 2019, the Company's share of profit from investments in associates was Baht 469 million, which increased by Baht 42 million or 10% increase compared to the same period of 2018. Details of the Company's profit sharing from four associate companies are as follows:

	<u>Second quarter</u>		(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change (%)</u>
Home Product Center Plc.	304	261	43	16
LH Financial Group Plc.	104	111	(7)	(6)
Quality Houses Leasehold Property Fund	49	43	6	14
Quality House Hotel and Residence Freehold and Leasehold Property Fund	<u>12</u>	<u>12</u>	-	-
Total	469	427	42	10

III. Cost of sales breakdown by business segment

	<u>Second quarter</u>		(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change (%)</u>
Cost of real estate sold	1,321	1,998	(677)	(34)
Cost of rentals and services	<u>211</u>	<u>188</u>	<u>23</u>	12
Total cost of sales	1,532	2,186	(654)	(30)

Total cost of sales in the second quarter of 2019 decreased from the same period of 2018 by Baht 654 million or 30%, which was in line with the revenue in each business segment as shown in the above table of the operating revenue breakdown by business segment.

IV Expense

	<u>Second quarter</u>		(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change (%)</u>
Selling expenses	134	170	(36)	(21)
Administrative expenses	450	395	55	14
Finance cost	103	84	19	23
Income tax expenses	36	122	(86)	(70)

1) **Selling expenses** in the second quarter of 2019 decreased by Baht 36 million or 21% decrease compared to the same period of 2018. This was due to a decrease in specific business tax and transfer fee, following a decrease in transfer of real estate compared to the same period of 2018.

2) **Administrative expenses** in the second quarter of 2019 increased by Baht 55 million or 14% increase compared to the same period of 2018. This was mainly due to an increase in employee benefit provision of Baht 46 million, based on the Labor Protection Act (Issue 7) B.E. 2562 with an increase in rate of severance pay. In addition, administrative expenses increased from an operation of Centre Point Hotel Pattaya which opened in the end of 2018.

3) **Finance cost** in the second quarter of 2019, consisting of interest expenses, bank charges and financial advisory fees, increased by Baht 19 million or 23% increase compared to the same period of 2018. This was mainly due to an increase in interest expense since the Company and its subsidiaries had higher number of complete condominium projects compared to the same period of 2018. As a result, this interest expense could not be capitalized as part of the project cost.

4) **Income tax expenses** in the second quarter of 2019 decreased by Baht 86 million or 70% decrease compared to the same period of 2018. This expense varied with the operating results (excluding share of profit from investments in associates) of the Company and its subsidiaries as mentioned above.

V Net Profit

	<u>Second quarter</u>		(Unit: Million Baht)	
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>Change (%)</u>
Net Profit	593	849	256	(30)

In the second quarter of 2019, the Company and its subsidiaries' net profit decreased by Baht 256 million, or 30% decrease compared to the same period of 2018. This was mainly due to a decrease in gross profit from sales of real estate by Baht 345 million and an increase in administrative expenses by Baht 55 million. Meanwhile, share of profit from investments in associates increased by Baht 42 million. Selling expenses decreased by Baht 36 million and income tax expenses decreased by Baht 86 million.

VI Financial Position

	(Unit: Million Baht)			
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>Change</u>	<u>Change (%)</u>
Total assets	52,227	54,164	(1,937)	(4)
Total liabilities	25,804	27,878	(2,074)	(7)
Total shareholders' equity	26,423	26,286	137	0.5

- **Financial position**

As of 30 June 2019, the Company and its subsidiaries' total assets decreased by Baht 1,937 million or 4% decrease from the end of 2018 (as of 31 December 2018) and total liabilities decreased by Baht 2,074 million or 7% decrease from the end of 2018 (as of 31 December 2018). This was mainly due to debenture and short-term loan repayment of Baht 1,198 million.

- **Shareholders' Equity**

As of 30 June 2019, the shareholders' equity of the Company and its subsidiaries increased by Baht 137 million or 0.5% increase from the end of 2018 (as of 31 December 2018) since the Company and its subsidiaries recorded net profit for the period of 6 months ending 30 June 2019 of Baht 1,462 million, and other components of shareholders' equity increased by Baht 175 million due to profit from share of other comprehensive income of associates - net of income tax. In addition, the Company and its subsidiaries paid dividend in May 2019 in the amount of Baht 1,500 million in accordance with the resolution of the Annual General Meeting of Shareholders No.1/2019 dated 18 April 2019.

Please be informed accordingly.

Sincerely yours,

(Miss Apinya Jarutrakulchai)

Senior Executive Vice President

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