

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

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 three-month period ended 30 June 2019 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 three-month period and the six-month period ended 30 June 2018 and 2019 with the following details.

|  | the three-month period ended 30 June |               |               |               |                | the six-month period ended 30 June |               |                 |               |                |
|--|--------------------------------------|---------------|---------------|---------------|----------------|------------------------------------|---------------|-----------------|---------------|----------------|
|  | 2019                                 |               | 2018          |               | Changes        | 2019                               |               | 2018            |               | Changes        |
|  | THB mm                               | %             | THB mm        | %             | %              | THB mm                             | %             | THB mm          | %             | %              |
| Revenue from hotel operations                | 279.41                               | 68.61         | 284.71        | 51.49         | (1.86)         | 646.47                             | 71.23         | 666.78          | 49.31         | (3.05)         |
| Revenue from property development operations | 89.64                                | 22.01         | 254.35        | 46.00         | (64.76)        | 204.60                             | 22.54         | 658.55          | 48.70         | (68.93)        |
| Revenue from sales of food and beverage      | 8.44                                 | 2.07          | 4.22          | 0.76          | 99.91          | 14.15                              | 1.56          | 7.56            | 0.56          | 87.14          |
| Revenue from management service              | 6.99                                 | 1.72          | 3.62          | 0.65          | 92.81          | 14.59                              | 1.61          | 7.31            | 0.54          | 99.64          |
| Interest income                              | 0.18                                 | 0.04          | 0.09          | 0.01          | 110.07         | 0.18                               | 0.02          | 0.09            | 0.01          | 92.39          |
| Other income                                 | 22.59                                | 5.55          | 5.93          | 1.07          | 282.50         | 27.64                              | 3.05          | 11.93           | 0.88          | 131.74         |
| <b>Total revenue</b>                         | <b>407.24</b>                        | <b>100.00</b> | <b>552.92</b> | <b>100.00</b> | <b>(26.34)</b> | <b>907.63</b>                      | <b>100.00</b> | <b>1,352.22</b> | <b>100.00</b> | <b>(32.88)</b> |

Total revenue decreased from 552.92 THB mm for the three-month period ended 30 June 2018 to 407.24 THB mm 2019 or representing a decreased rate of 26.34%, mainly due to the decrease in revenue from property development operations as second quarter of 2018 was transferred 44 units of residence units while in the second quarter of 2019 was transferred 17 units with revenue from property development operations from Veranda Residence Pattaya project is already recognized accounted for 82.2 % of the project value.

Revenue from food and beverage business for the three-month period ended 30 June 2019 8.44 THB mm, representing a growth rate by 99.91% from 2018, due to the opening of 2 additional food and beverage branches

in June 2019, which are Skoop & Co, Thonglor and Skoop & The Alley, Chiang Mai. In addition, Skoop Beach Café has both growth in revenues. Further, revenue from management service increased to 6.99 THB mm representing a growth rate by 92.81%, mainly due to increase of the number of residences units participating in the Veranda Residence Pattaya rental program compared to the previous year which residence units had started to participate in the program in first quarter of 2018.

Revenue decreased from 1,352.22 THB mm for the six-month period ended 30 June 2018 to 907.63 THB mm for the six-month period ended 30 June 2019 or representing a decreased rate of 32.88%, mainly due to the decrease rate of 68.93% in revenue from property development operations.

### Revenues and gross profit from hotel operations

#### Revenues from hotel operations

The details of revenues from hotel operation for the three-month period and six-month period ended 30 June 2018 and 30 June 2019 are as following table.

|   | Unit            | For the three-month period ended 30 June |               |               | For the six-month period ended 30 June |               |               |
|---|-----------------|--|---------------|---------------|--|---------------|---------------|
|   |                 | 2019                                     | 2018          | Changes (%)   | 2019                                   | 2018          | Changes (%)   |
| The number of operating hotel               | Hotel           | 5  | 5             | -             | 5                                      | 5             | -             |
| The number of rooms                         | Room            | 637                                      | 637           | -             | 637                                    | 637           | -             |
| Occupancy rate                              | %               | 61.6                                     | 64.3          | (2.6)         | 69.0                                   | 71.3          | (2.3)         |
| Average daily room rate                     | Baht/Room/Night | 4,312                                    | 4,065         | 6.09          | 4,466                                  | 4,327         | 3.29          |
| <u>Revenues from hotel operations</u>       |                 |  |               |               |  |               |               |
| Room revenues                               | THB mm          | 154.62                                   | 151.31        | 2.19          | 357.32                                 | 356.49        | 0.23          |
| Food and beverage revenues                  | THB mm          | 87.30                                    | 93.43         | (6.56)        | 202.40                                 | 217.15        | (6.79)        |
| Revenues from other service                 | THB mm          | 37.49                                    | 39.98         | (6.24)        | 86.75                                  | 93.15         | (6.87)        |
| <b>Total revenues from hotel operations</b> | THB mm          | <b>279.41</b>                            | <b>284.71</b> | <b>(1.86)</b> | <b>646.47</b>                          | <b>666.79</b> | <b>(3.05)</b> |

For the three-month period ended 30 June 2019, revenues from hotel business has a slightly decrease compared to the same period of last year. This is mainly due to the reduced number of guests from Wholesale FIT and MICE which also resulted in a decrease of food and beverage revenues. However, the average room rate increased 6.09% due to the growth of online channels (Both directly through the company website and online travel agent) and Thai customers continue to support, in which this group of customers is the main proportion.

For the six-month period ended 30 June 2019, revenues from hotel business of 646.47 THB mm, decrease from 666.79 THB mm or representing 3.05% decrease compared to the same period of last year. This is mainly due to the reduce in revenues from food and beverage.

#### Gross profit from hotel operations

|   | Unit   | For the three-month period ended 30 June |        |             | For the six-month period ended 30 June |        |             |
|---|--------|--|--------|-------------|--|--------|-------------|
|   |        | 2019                                     | 2018   | Changes (%) | 2019                                   | 2018   | Changes (%) |
| Revenues from hotel operations            | THB mm | 279.41                                   | 284.71 | (1.86)      | 646.47                                 | 666.78 | (3.05)      |
| Cost from hotel operations                | THB mm | 193.33                                   | 193.35 | (0.02)      | 398.11                                 | 407.37 | (9.36)      |
| Gross profit from hotel operations        | THB mm | 86.07                                    | 91.36  | (5.29)      | 248.37                                 | 259.31 | (0.61)      |
| Gross profit margin from hotel operations | %      | 30.81                                    | 32.09  | (1.28)      | 38.42                                  | 38.89  | (0.47)      |

For the three-month period ended 30 June 2019, due to the revenue from the hotel operations that has been reduced as mentioned above, gross profit from hotel operations slightly decreased as the revenue of the hotel operations compared to the same quarter of the last year.

For the six-month period ended 30 June 2019, the group had gross profit and gross profit margin from hotel operations close to the same period of last year.

#### Revenue and gross profit from property development operations

##### Revenue from property development operations

For the three-month period ended 30 June 2019, the group had revenues from property development operations decreased by 164.71 THB mm from the same period of previous year due to the number of transferred units in Veranda Residence Pattaya and recognized as revenues in the current quarter has a total of 17 units compared to 44 units in last year. In addition, the company has revenue from the transferred of 1 unit in the Veranda High Residence Chiang Mai, amounting 8.25 THB mm.

### Gross profit from property development operations

| ข้อมูล   | Unit   | For the three-month period ended 30 June      |        |             | For the six-month period ended 30 June |         |             |
|--|--------|---|--------|-------------|--|---------|-------------|
|  |        | 2019  | 2018   | Changes (%) | 2018                                   | 2019    | Changes (%) |
|  |        | Revenues from property development operations | THB mm | 89.64       | 254.35                                 | (64.76) | 204.60      |
| Cost from property development operations                | THB mm | 67.77   | 182.74 | (62.91)     | 143.32                                 | 461.47  | (68.94)     |
| Gross profit from property development operations        | THB mm | 21.87   | 71.61  | (69.46)     | 61.28                                  | 197.08  | (68.90)     |
| Gross profit margin from property development operations | %      | 24.40   | 28.15  | (3.75)      | 29.95                                  | 29.93   | 0.02        |

For the three-month period ended 30 June 2019, the Company had the cost of property development operations decreased by 114.97 THB mm from the previous year in accordance with the decrease in revenues. However, due to the units in Veranda Residence Pattaya had transferred during this current quarter the average selling price per square meter is lower than the same quarter of the previous year. Therefore, the gross profit margin was 24.40% which decreased by 3.75%.

However, during the current quarter the Company was able to manage the cost and received the construction management fee totaling amount of 14.50 THB mm which are presented in "Other income". This result in a cost reduction of the Veranda Residence Pattaya project which increase in gross profit margin approximately 1%.

For the six-month period ended 30 June 2019, the Company had gross profit from property development operations of 61.28 THB mm with a profit margin of 29.95%, close to the same period of the previous year.

### Net profit

For the three-month period ended 30 June 2019, the Company had a net profit of 10.09 THB mm, a decrease of 13.54 THB mm from the same period of last year, partly due from an adjustment in provision for rental revenue guarantee of the Veranda Residence Pattaya of 3.48 THB mm and increase of reserve for long-term employee benefits of THB 1.25 mm. Total amount of 4.73 THB mm are considered as one-time expenses in the second quarter of 2019.

Accumulated net profit in the 2019 is 68.20 THB mm, a decrease 76.48 THB mm from the previous year.

## Financial Statement

|                   | unit   | 30 June 2019 | 31 Dec 2018 | Changes (%) |
|-------------------|--------|--------------|-------------|-------------|
| Total assets      | THB mm | 5,218.97     | 4,781.37    | 9.15        |
| Total liabilities | THB mm | 3,143.70     | 3,440.77    | (8.63)      |
| Total equity      | THB mm | 2,075.26     | 1,340.60    | 54.80       |
| D/E               | times  | 1.51         | 2.57        |             |
| IBD/E             | times  | 0.99         | 1.80        |             |

As of 30 June 2019, the group had total assets of 5,218.97 THB mm, an increase from 31 December 2018, 4,781.37 THB mm or 9.15%, mainly due to property development operations costs from the Veranda Residence Hua Hin project have been increased in accordance with the progress of construction.

As of 30 June 2019, the group had total liabilities of 3,143.70 THB mm, decreased from 31 December 2018 to 3,440.77 THB mm or 8.63 %, mainly due to the repayment of short-term and long-term loans. Shareholders' equity of 2,075.26 THB mm increased 734.66 THB mm or 54.80 % from 31 December 2018, mainly due to increasing in paid-up capital and premium on ordinary shares from the initial public offering.

Please be informed accordingly,

Yours Sincerely,

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(Mrs. Tosaporn Angsuwarangsi)

Chief Financial Officer