



No. CMC Sor Lor.013/2019

Date 12 November 2019

Re: Management Discussion & Analysis for the Period Ended 30 September 2019  
 To The President of the Stock Exchange of Thailand (SET)

CHAOPRAYAMAHANAKORN PUBLIC COMPANY LIMITED (“the Company”) would like to provide an explanation regarding our financial performance for the 9-month period ended 30 September 2019 as follows:

**Financial Performance**

	For the 9-month period ended					
	30 September 2019		30 September 2018		Change	
	Millions of THB	%	Millions of THB	%	Millions of THB	%
Revenue from sale of real estate	1,003.47	91.27%	1,501.95	96.98%	(498.48)	(33.19%)
Revenue from construction service	59.91	5.45%	8.04	0.52%	51.87	645.15%
Cost of sales	(576.34)	(52.42%)	(870.10)	(56.18%)	(293.76)	(33.76%)
Cost of construction service	(68.70)	(6.25%)	(6.51)	(0.42%)	62.19	955.30%
<b>Gross Profit</b>	<b>418.34</b>	<b>38.05%</b>	<b>633.38</b>	<b>40.90%</b>	<b>(215.04)</b>	<b>(33.95%)</b>
Other Revenue	36.08	3.28%	38.79	2.50%	(2.71)	(6.99%)
Selling Expense	(175.92)	(16.00%)	(154.89)	(10.00%)	21.03	13.58%
Administrative Expense	(146.81)	(13.35%)	(140.83)	(9.09%)	5.98	4.25%
Other Expenses	(25.98)	(2.36%)	(17.80)	(1.15%)	8.18	45.96%
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<b>EBIT</b>	<b>105.71</b>	<b>9.61%</b>	<b>358.66</b>	<b>23.16%</b>	<b>(252.95)</b>	<b>(70.53%)</b>
Financing cost	(56.33)	(5.12%)	(116.70)	(7.53%)	(60.37)	(51.73%)
<b>EBT</b>	<b>49.38</b>	<b>4.49%</b>	<b>241.95</b>	<b>15.62%</b>	<b>(192.57)</b>	<b>(79.59%)</b>
Corporate Income Tax	(30.38)	(2.76%)	(55.63)	(3.59%)	(25.25)	(45.39%)
<b>Net Profit</b>	<b>19.00</b>	<b>1.73%</b>	<b>186.33</b>	<b>12.03%</b>	<b>(167.33)</b>	<b>(89.80%)</b>



### **Revenue from Sale of real estate**

Revenue from sale of real estate for the 9-month period ended 30 September 2019 and 2018 were THB 1,003.47 and 1,501.95 million respectively. Revenue from sale of real estate decreased by THB 498.48 million or 33.19%. This is because the slowdown of real estate business sector resulted from Loan to Value regulation or “LTV”. Moreover, the household debt has been steadily increased in recent years which result to the strict in granting a loan to the borrower from many financial institutions. Majority of the company’ income from real estate business in 2019 came from the condominium ready to move in.

### **Cost of sales and Gross Profit**

Cost of sales for the 9-month period ended 30 September 2019 and 2018 were THB 576.34 and 870.10 million respectively. Cost of real estate sold accounted for 57.43% and 57.93% respectively when compared to revenue from real estate.

However, gross margins for the 9-month period ended 30 September 2019 and 2018 were 42.57% and 42.07% respectively. It could be seen that gross margin of the Group of Companies does not change significantly as it has policy to maintain and to sustain appropriate range of gross margin for real estate development business. Therefore, gross margin of the group of the Company for the past three years is quite stable.

### **SG&A**

The Company selling expense for the 9-month period ended 30 September 2019 and 2018 were THB 175.92 and 154.89 million respectively. Selling expense had risen by THB 21.03 million or 13.58% due mainly to increase of selling and advertising expenses for the overall projects. Moreover, the company has integrated marketing communications where the Company incurred expense to sponsor marketing activities at a cinema in one of major leading shopping center in Bangkok.

The Company administrative expense for the 9-month period ended 30 September 2019 and 2018 were THB 146.81 and 140.83 million respectively. Administrative expense increased by THB 5.98 million or 4.25%. This is because of a reversal entry of one of asset transactions made in 2018. Other than that, administration expenses in general do not change significantly.

### **Financing Cost**

The Company financing cost for the 9-month period ended 30 September 2019 and 2018 were THB 56.33 and 116.70 million respectively, a significance decreased of THB 60.37 million or 51.73%. This is because the Company repaid majority of short-term loan and debenture. As a result, the financing cost was reduced. As 30 September 2019, the Company debt to equity ratio (D/E) equal to 0.94 times.



## **Net Profit**

The Company net profit for the 9-month period ended 30 September 2019 and 2018 were THB 19.00 and 186.33 million respectively, a decrease of THB 167.34 million or 89.80%. Major reason for sharp decrease in Company net income is due mainly to decrease in revenue from real estate business. In addition, the Company has heavily spent more in marketing and advertising activities and proactive public relation.

## **Conclusion**

Real estate market after the launch of Loan to Value regulations (LTV) on 1 April 2019 caused a slowdown in real estate development sector. The LTV generally focused on controlling and carving out real estate speculator and investor.

The revenue from the real estate business (excluded revenue from construction service, service income and income from goods sold from subsidiaries) has been decreased and lower than company original estimated. Furthermore, the Company believes that the current situation of the real estate market especially condominium market is contraction in certain segment, which is resulted from global and local economy downtrend, increase in level of household debt and exceeding supply of the real estate units.

The Company has been prepared to cope up with effect of LTV by accelerate spending in sale and promotion activities to reduce inventory continuously. Furthermore, the launching of certain new projects has been postponed by the Company to be in the last quarter of this year.

Company believes that the overview of the real estate business in the future will be gradually disrupted and transformed such as the average age of buyer will be younger, and products have to be very specific to satisfy needs. This will be a very challenging moment to most of real estate developer.

As 30 September 2019, the company's backlog was THB 644.73 million and the company's inventory was THB 1,997.43 million

The Company future business plan is to consider diversifying into other business sector such as expanding to recurring income business. Furthermore, the company is considering and evaluating a plan for joint venture with local and oversea entities to ensure sustainable growth in the future. Besides, the company has a policy to maintain both gross and net profit margin of the real estate business to inline with the average of the past 3 years.

Please be informed accordingly.

Yours truly,

*-Dr. Noppadol Mingchinda-*

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Dr. Noppadol Mingchinda  
Chief Financial Officer