

Date 25 February 2020

Re: Management Discussion & Analysis for the Year Ended 31 December 2020
 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 year ended 31 December 2020 as follows:

Financial Performance

	For the year ended					
	31 December 2019		31 December 2018		Change	
	Millions of THB	%	Millions of THB	%	Millions of THB	%
Revenue from sale of real estate	1,279.32	89.51%	1,931.02	96.54%	(651.70)	(33.75%)
Revenue from construction service	103.85	7.27%	14.96	0.75%	88.89	594.18%
Other Revenue	46.11	3.23%	54.21	2.71%	(8.10)	(14.94%)
Total Revenue	1,429.29	100.00%	2,000.19	100.00%	(570.90)	(28.54%)
Cost of sales	(737.96)	(51.63%)	(1,107.98)	(55.39%)	(370.02)	(33.40%)
Cost of construction service	(111.83)	(7.82%)	(11.46)	(0.57%)	100.37	875.83%
Total Cost	(849.78)	(59.46%)	(1,119.43)	(55.97%)	(269.65)	24.09%
Gross Profit	579.51	40.55%	880.76	44.03%	301.25	34.20%
Selling Expense	(256.71)	(17.96%)	(207.62)	(10.38%)	49.09	23.64%
Administrative Expense	(187.28)	(13.10%)	(196.57)	(9.83%)	(9.29)	(4.73%)
Other Expenses	(31.59)	(2.21%)	(27.59)	(1.38%)	4.00	14.50%
EBIT	103.93	7.27%	448.98	22.45%	(345.05)	(76.85%)
Financing cost	(55.43)	(3.88%)	(143.52)	(7.18%)	(88.09)	(61.38%)
EBT	48.49	3.39%	305.46	15.27%	(256.97)	(84.13%)
Corporate Income Tax	(24.35)	(1.70%)	(91.63)	(4.58%)	(67.28)	(73.43%)
Net Profit	24.14	1.69%	213.83	10.69%	(189.69)	(88.71%)

Revenue from Sale of real estate

Revenue from sale of real estate for the year ended 31 December 2019 and 2018 were THB 1,279.32 and 1,931.02 million respectively. Revenue from sale of real estate decreased by THB 651.70 million or 33.75%. 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. Furthermore, the country's economic grew considerably low in 2019. Therefore, 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 year ended 31 December 2019 and 2018 were THB 737.96 and 1,107.98 million respectively. Cost of real estate sold accounted for 57.68% and 57.38% respectively when compared to revenue from real estate.

However, gross margins for the year ended 31 December 2019 and 2018 were 42.32% and 42.62% respectively. It could be seen that gross margin percentage of the company does not change significantly as it put efforts to maintain and to sustain gross margin percentage for real estate development business. Therefore, gross margin of the Company for the past three years is quite stable.

SG&A

The Company selling expense for the year ended 31 December 2019 and 2018 were THB 256.71 and 207.62 million respectively. Selling expense had risen by THB 49.09 million or 23.64% due mainly to increase of selling, advertising and promotion expenses to accelerate revenue recognition for ready to move-in projects and to increase sale for the projects under construction. 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 year ended 31 December 2019 and 2018 were THB 187.28 and 196.57 million respectively. Administrative expense decreased by THB 9.29 million or 4.73%. This is because of a decrease in common area fee which generally paid for the inventory rooms resulted from lower of units transferred within the year. Other than that, administration expenses in general has decreased because of the inauguration of the cost and expense saving policy of the Company.

Financing Cost

The Company financing cost for the year ended 31 December 2019 and 2018 were THB 55.43 and 143.52 million respectively, a significance decreased of THB 88.09 million or 61.38%. 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 0.99 times.

Net Profit

The Company net profit for the year ended 31 December 2019 and 2018 were THB 24.14 and 213.83 million respectively, a decrease of THB 189.69 million or 88.71%. 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. Therefore, the net profit margin of the Company was 1.69% and 10.69%, respectively.

Conclusion

As 31 December 2019, the Company backlog was THB 1,092.38 million and the company's inventory was THB 3,791.53 million including 2 projects under construction which are currently on sell and expected to complete in 2020.

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-

Dr. Noppadol Mingchinda
Chief Financial Officer