

26 February 2020

Subject: Management Discussion and Analysis of Operating Results for Fiscal Year 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 operating results for Fiscal Year 2019 and 2018 with the detail as follows:

I The operating revenue breakdown by business segment

| | (Unit: Million Baht) | | | |
|--|----------------------|-------------|---------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Sales of real estate | 9,291 | 14,599 | (5,308) | (36) |
| Revenue from hotel business | 1,052 | 904 | 148 | 16 |
| Revenue from rental office building business | 337 | 384 | (47) | (12) |
| Other income | <u>269</u> | <u>261</u> | <u>8</u> | 3 |
| Total revenues | 10,949 | 16,148 | (5,199) | (32) |

In summary, the Company and its subsidiaries generated total revenues for the year ended 2019 and 2018 of Baht 10,949 million and Baht 16,148 million respectively, decreasing by Baht 5,199 million or 32% decrease compared to the same period of 2018. Details are as follows:

1. **Sales of real estate:** Sales of real estate for the year ended 2019 decreased by Baht 5,308 million or 36% decrease compared to the same period of 2018. This was due to a decrease in revenue from housing projects by Baht 4,826 million or 38% decrease compared to the same period of 2018 since there was an extra revenue from sales of land in the third quarter of 2018. Meanwhile, revenue from condominium projects decreased by Baht 482 million or 25% decrease compared to the same period of 2018.

In 2019, the Company and its subsidiaries launched 5 new housing projects with total project value of Baht 7,137 million and closed 5 housing projects.

2. **Revenue from hotel business:** In 2019, revenue from hotel business increased by Baht 148 million or 16% 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. **Revenue from rental office building business:** In 2019, revenue from rental office building business decreased by Baht 47 million or 12% decrease compared to the same period of 2018. This was mainly due to a decrease in revenue from Q House Convent Building since its lease agreement was ended in May 2019.

4. **Other income:** Other income for the year ended 2019 increased by Baht 8 million or 3% increase compared to the same period of 2018.

II Share of profit from investments in associates

In 2019, the Company's share of profit from investments in associates was Baht 1,927 million, which increased by Baht 151 million or 9% increase compared to the same period of 2018. Details of the Company's profit sharing from 4 associate companies are as follows:

| | (Unit: Million Baht) | | | |
|---|----------------------|-------------|---------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Home Product Center Plc. | 1,232 | 1,115 | 117 | 10 |
| LH Financial Group Plc. | 442 | 427 | 15 | 4 |
| Quality Houses Leasehold Property Fund | 192 | 174 | 18 | 10 |
| Quality House Hotel and Residence Freehold and Leasehold Property Fund | <u>61</u> | <u>60</u> | <u>1</u> | <u>2</u> |
| Total | 1,927 | 1,776 | 151 | 9 |

III Cost of sales breakdown by business segment

| | (Unit: Million Baht) | | | |
|---|----------------------|-------------|---------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Cost of real estate sold | 6,180 | 9,519 | (3,339) | (35) |
| Cost of hotel business | 761 | 637 | 124 | 19 |
| Cost of rental office building business | <u>142</u> | <u>178</u> | <u>(36)</u> | <u>(20)</u> |
| Total cost of sales | 7,083 | 10,334 | (3,251) | (31) |

Total cost of sales in 2019 decreased from the same period of 2018 by Baht 3,251 million or 31%, 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

| | (Unit: Million Baht) | | | |
|-------------------------|----------------------|-------------|---------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Selling expenses | 584 | 825 | (241) | (29) |
| Administrative expenses | 1,671 | 2,071 | (400) | (19) |
| Finance cost | 390 | 356 | 34 | 10 |
| Income tax expenses | 294 | 540 | (246) | (46) |

1. Selling expenses for the year ended 2019 decreased by Baht 241 million or 29% decrease compared to the same period of 2018. This was mainly 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 for the year ended 2019 decreased by Baht 400 million or 19% decrease 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, compared to a provision of Baht 354 million in 2018 for impairment of housing and condominium projects.

3. Finance cost for the year ended 2019, consisting of interest expenses, bank charges and financial advisory fees, increased by Baht 34 million or 10% 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 for the year ended 2019 decreased by Baht 246 million or 46% 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.

V Net Profit

| | (Unit: Million Baht) | | | |
|------------|----------------------|-------------|---------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Net Profit | 2,854 | 3,798 | (944) | (25) |

In 2019, the Company and its subsidiaries' net profit decreased by Baht 944 million, or 25% 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 1,969 million. Meanwhile, selling expenses decreased by Baht 241 million. Administrative expenses decreased by Baht 400 million and income tax expenses decreased by Baht 246 million. However, share of profit from investments in associates increased by Baht 151 million.

VI Financial Position

| | (Unit: Million Baht) | | | |
|----------------------------|-------------------------|-------------------------|---------------|-------------------|
| | <u>31 December 2019</u> | <u>31 December 2018</u> | <u>Change</u> | <u>Change (%)</u> |
| Total assets | 50,902 | 54,164 | (3,262) | (6) |
| Total liabilities | 24,039 | 27,878 | (3,839) | (14) |
| Total shareholders' equity | 26,863 | 26,286 | 577 | 2 |

- **Financial position**

As of 30 December 2019, the Company and its subsidiaries' total assets decreased by Baht 3,262 million or 6% decrease from the end of 2018 (as of 31 December 2018) and total liabilities decreased by Baht 3,839 million or 14% decrease from the end of 2018 (as of 31 December 2018). This was mainly due to short-term loan and debenture repayment of Baht 2,400 million. Meanwhile, trade accounts payable decreased by Baht 549 million, advance received from customers decreased by Baht 467 million and income tax payable decreased by Baht 231 million.

- **Shareholders' Equity**

As of 31 December 2019, the shareholders' equity of the Company and its subsidiaries increased by Baht 577 million or 2% increase from the end of 2018 (as of 31 December 2018) since the Company and its subsidiaries recorded a net profit of Baht 2,854 million for the year ended 2019. Meanwhile, other components of shareholders' equity decreased by Baht 27 million due to a loss from share of other comprehensive income of associates - net of income tax. In addition, the Company and its subsidiaries paid a 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. The Company and its subsidiaries also paid an interim dividend in September 2019 in the amount of Baht 750 million based on 6-month operating results ended 30 June 2019 in accordance with the resolution of the Board of Director Meeting dated 13 August 2019.

Please be informed accordingly.

Sincerely yours,

(Miss Apinya Jarutrakulchai)
Senior Executive Vice President

Accounting and Finance Department

Tel: 0-2677-7000

Fax: 0-2677-7011-2