

13 May 2020

Subject: Management Discussion and Analysis for the First Quarter ended 31 March 2020

To President
The Stock Exchange of Thailand

Quality Houses Public Company Limited and its subsidiaries (“The Company”) would like to report its operating results for the First Quarter ended 31 March 2020 and 2019 with the detail as follows:

I The operating revenue breakdown by business segment

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Revenue from sales of real estate	1,626	3,053	(1,427)	(47)
Revenue from hotel operations	187	290	(103)	(36)
Revenue from office rental operations	76	93	(17)	(18)
Other income	<u>60</u>	<u>62</u>	<u>(2)</u>	(3)
Total revenues	1,949	3,498	(1,549)	(44)

In summary, the Company generated total revenues in the first quarter of 2020 and the first quarter of 2019 of Baht 1,949 million and Baht 3,498 million respectively, decreasing by Baht 1,549 million or 44% decrease compared to the same period of 2019. Details are as follows:

1) **Revenue from sales of real estate** in the first quarter of 2020 decreased by Baht 1,427 million or 47% decrease compared to the same period of 2019. This was due to a decrease in revenue from housing projects by Baht 1,057 million or 41% and a decrease in revenue from condominium projects by Baht 370 million or 74% decrease compared to the same period of 2019. In particular, the COVID-19 epidemic has resulted in the economic slowdown in the first quarter which caused demand for real estate to decrease.

In the first quarter of 2020, the Company launched 2 new housing projects with total project value of Baht 2,084 million.

2) **Revenue from hotel operations** in the first quarter of 2020 decreased by Baht 103 million or 36% decrease compared to the same period of 2019. This was mainly due to the COVID-19 epidemic which has resulted in a substantial decrease in the number of tourist arrival in Thailand. As a consequence, the occupancy rate in the first quarter of 2020 decreased compared to the same period of 2019.

3) **Revenue from office rental operations** in the first quarter of 2020 decreased by Baht 17 million or 18% decrease compared to the same period of 2019. 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** in the first quarter of 2020 decreased by Baht 2 million or 3% decrease compared to the same period of 2019.

II Share of profit from investments in associates

In the first quarter of 2020, the Company's share of profit from investments in associates was Baht 431 million, which decreased by Baht 25 million or 5% decrease compared to the same period of 2019. Details of the Company's profit sharing from 4 associate companies are as follows:

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Home Product Center Plc.	247	282	(35)	(12)
LH Financial Group Plc.	132	111	21	19
Quality Houses Leasehold Property Fund	41	46	(5)	(11)
Quality House Hotel and Residence Freehold and Leasehold Property Fund	<u>11</u>	<u>17</u>	<u>(6)</u>	(35)
Total	431	456	(25)	(5)

III Cost of sales breakdown by business segment

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Cost of real estate sold	1,080	2,055	(975)	(47)
Cost of hotel operations	141	201	(60)	(30)
Cost of office rental operations	<u>30</u>	<u>40</u>	<u>(10)</u>	(25)
Total cost of sales	1,251	2,296	(1,045)	(46)

Total cost of sales in the first quarter of 2020 decreased from the same period of 2019 by Baht 1,045 million or 46%, which varied with a decrease in the revenue from each business segment as shown in the table of the operating revenue breakdown by business segment.

IV Expense

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Selling expenses	92	171	(79)	(46)
Administrative expenses	381	408	(27)	(7)
Finance cost	100	99	1	1
Income tax expenses	45	110	(65)	(59)

1) Selling expenses in the first quarter of 2020 decreased by Baht 79 million or 46% decrease compared to the same period of 2019. 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 2019.

2) Administrative expenses in the first quarter of 2020 decreased by Baht 27 million or 7% decrease compared to the same period of 2019. This was mainly due to a decrease in after-sales service expenses by Baht 21 million.

3) Finance cost in the first quarter of 2020, consisting of interest expenses, bank charges and financial advisory fees, increased by Baht 1 million or 1% increase compared to the same period of 2019.

4) Income tax expenses in the first quarter of 2020 decreased by Baht 65 million or 59% decrease compared to the same period of 2019. This expense varied with a decrease in operating profit of the Company (excluding share of profit from investments in associates).

V Net Profit

	<u>First quarter</u>		(Unit: Million Baht)	
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
Net Profit	511	870	(359)	(41)

In the first quarter of 2020, the Company's net profit decreased by Baht 359 million, or 41% decrease compared to the same period of 2019. This was mainly due to a decrease in gross profit from sales of real estate by Baht 452 million as well as a decrease in gross profit from hotel operations by Baht 43 million. In addition, share of profit from investments in associates decreased by Baht 25 million. Meanwhile, selling and administrative expenses decreased by Baht 106 million, and income tax expenses decreased by Baht 65 million.

VI Financial Position

			(Unit: Million Baht)	
	<u>31 March 2020</u>	<u>31 December 2019</u>	<u>Change</u>	<u>Change (%)</u>
Total assets	53,377	50,902	2,475	5
Total liabilities	26,519	24,039	2,480	10
Total shareholders' equity	26,858	26,863	(5)	(0.02)

- **Financial position**

As of 31 March 2020, the Company's total assets increased by Baht 2,475 million or 5% increase from the end of 2019 (as of 31 December 2019). This was mainly due to an increase in cash and cash equivalent item by Baht 2,233 million. Meanwhile, total liabilities increased by Baht 2,480 million or 10% increase from the end of 2019 (as of 31 December 2019). This was mainly due to an increase in short-term loans from financial institutions by Baht 1,700 million and an increase in lease payables by Baht 908 million.

- **Shareholders' Equity**

As of 31 March 2020, the shareholders' equity of the Company decreased by Baht 5 million or 0.02% decrease from the end of 2019 (as of 31 December 2019) since the Company recorded a net profit for the period of 3 months ending 31 March 2020 of Baht 511 million. Meanwhile, other components of shareholders' equity decreased by Baht 407 million due to a loss from share of other comprehensive income of associates-net of income tax and changes in accounting policy of associates which resulted in a decrease in the shareholders' equity by Baht 109 million.

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