

Executive Summary

Bank of Thailand, in late March 2020, slashed its forecast for Thai economy from the previous projected at 2.8% growth to a 5.3% contraction due to the fact that COVID-19 outbreak severely affected both external and domestic demand particularly the tourism and exporting sector which sharply contracted. In 1Q2020, hospitality business of Singha Estate Public Company Limited (“the Company”) was also significantly impacted by COVID-19. Essentially, government announced the lockdown measure to contain the spread of COVID-19 in late January on Wuhan and expand to other provinces afterwards along with the severity of the pandemic around the globe since late March played a significant role in pressuring performance of the Company’s hospitality business.

Additionally, the Company’s residential business was slightly affected due to the lockdown measure causing most of our foreign buyers decided to postpone the transfer until they can inspect their units by themselves. Potential Thai buyers, on the other hand, adopting Social distancing, a well-known campaign during COVID-19 outbreak, opted to delay their visit as well as unit inspection of our residential projects. Nonetheless, no significant impact from this pandemic on the Company’s commercial business was identified during 1Q2020.

Singha Estate Public Company Limited (“the Company”) reported 1Q2020 total revenue of THB 2,186m, decreased by 27% YoY. The major driver of such decline was 56% drop in revenue from sales of house and condominium due to the delay in ownership transfer in a certain number of our customers and lockdown policy implemented in various countries causing difficulty for real estate foreign buyers to proceed the ownership transfer. Nevertheless, revenue from rental and services increased by 14%, which mainly derived from Crossroads project phase 1 officially opening on 1 September 2019 together with the acquisition of Metropolis building in January 2020 with a plan to dispose the asset to SPRIME in a due period.

Even though, 27% declined in 1Q2020 total revenue compared with 1Q2019 mainly attributed to negative impact from COVID-19 pandemic around the globe and measures to limit the spread of COVID-19 implemented by government in various countries together with commercial launch of Crossroads in September 2019 pressuring selling expense to increase, 1Q2020 net profit reported at THB 335M or still increased by 14% YoY because of other income representing THB 423m recognized as a gain from selling share of SHR’s subsidiary together with THB 115M gain on conversion option embedded in convertible bond. According to TFRS 9, all derivative instruments must be mark-to-market to be recorded at its fair value and any changes in fair value will be realized in profit and loss statement in such period. In 1Q2020, the significant change in fair value of derivatives the Company has was from the conversion option embedded in convertible bond allowing the bondholder to convert bond to the Company’s stock at the adjusted conversion price at THB 4.40 per share.

Significant Events

The EXTRO, an affordable luxury condominium, was officially launched in February 2020 with THB 4,066m project value, 411 unit and THB 235,000 average selling price per Sqm. The project was well received by our customers as the Company expected. However, it came to the Company that quantifying size of economic slowdown from COVID-19 at this stage will be highly uncertain. The company, then, might decide to reschedule the development plan according to changes in economic situation.

In 1Q2020, S Hotels and Resorts PCL (“SHR”), a subsidiary of the Company, entered into a share sale transaction for ordinary shares in a wholly owned subsidiary of SHR to Wai Eco World Developer Pte. Ltd (“WERW”) in accordance with Joint Venture Agreement to operate and develop a high-end lifestyle resort on island 3 in Crossroads project with a transaction value of USD 16.2m. Nonetheless, the progress of design and construction has been as planned while the target construction completion is in 2022.

In response to COVID-19 pandemic, for the sake of health and safety of our clients, employees, shareholders and stakeholders as well as taking care of our partners being impacted from government’s implementation to contain the spread of COVID-19, the Company and its subsidiaries announced the following measures and assistances being employed.

- Commercial business: during April-May 2020, the Company would grant a special reduction in monthly rental and services fee to tenants in retail space with no lay-off policy as well as a discount in monthly rental, services and car park fees to tenants in office space who were effected by COVID-19. Free advertisement media space to promote tenants’ product, services and businesses is also provided.
- Hospitality business: SHR has announced a temporary suspension since April 2020 of its hotel operations in Thailand, Maldives, Fiji and Mauritius and some hotels in United Kingdom. In accordance with the government’s request to facilitate the government officers who are in duty to handle Covid-19 pandemic, some properties in UK are still in operation.
- Board of Directors of Singha Estate PCL resolved to postpone the 2020 AGM until further notice and approve the payment of the interim dividend from the 2019 net profit at THB 0.045 per share, totaling THB 308,417,372.78, and the interim dividend payment date is 21 May 2020. The dividend per share amounting to THB 0.045 and the payment date are indifferent from what proposed to shareholders included in announcement of 2020 AGM on 26 March 2020. The dividend payment, basically, represented the Company’s financial strength as well as effort to maintain monetary return in the eyes of shareholders.

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The Company has adopted financial reporting standards relating to financial instruments (TAS 32, TFRS 7 and TFRS 9) and leases standard (TFRS 16) retrospectively from 1 January 2020. The following tables show the adjustments made to the amounts recognized in each line item in the statement of financial position upon the adoption of the financial reporting standard related to financial instruments (TAS 32, TFRS 7 and TFRS 9) and leases standard (TFRS 16).

	For the three-month period ended 31 March 2020	
	Previous standard	TAS 32 and TFRS 9 Adopted standard
Change in fair value of available-for-sales investments	- Recognized loss in <u>OCI (Other Comprehensive Income)</u> THB 2.3m	- Recognized loss in <u>Profit and Loss Statement</u> THB 2.3m
Change in fair value of interest rate swap		
- cash flow hedges		
Interest rate swap	- Unrecognized change in fair value	- Recognized loss in <u>OCI (Other Comprehensive Income)</u> THB 42.7m
Cross currency swap	- Unrecognized change in fair value	- Recognized gain in <u>OCI (Other Comprehensive Income)</u> THB 103.2m
Forward contract	- Unrecognized change in fair value	- Recognized gain in <u>OCI (Other Comprehensive Income)</u> THB 4.8m
- Unhedged cash flow		
Embedded option in convertible bond	- Unrecognized change in fair value	- Recognized gain in <u>Profit and Loss Statement</u> THB 115.2m

	For the three-month period ended 31 March 2020	
	Previous standard	TFRS 16 Adopted standard
Impact to <u>Statement of Financial Position</u>	- As at 31 December 2019 Recognized leasehold right THB 1,575m	- As at 1 January 2020 Recognized right of use assets THB 3,041m and <u>lease liabilities THB 1,505m</u>
Impact to <u>Profit and Loss Statement</u>	- For the three-month period ended 31 March 2020 Recognized rental expense THB 25m	- For the three-month period ended 31 March 2020 Recognized depreciation expense THB 24m and interest expense THB 16m <u>Total expense related to lease THB 40m</u> (Expense increase THB 15m)

Note: Excluded effect from deferred income tax

The Board of Directors has resolved at the meeting no. 3/2020 dated 27 April 2020 to consent the appointment any one of the following auditors of PricewaterhouseCoopers ABAS Limited to be the Company's auditor for the year 2020; (1) Mr. Chanchai Chaiprasit Certified Public Accountant No. 3760 (who has been a certified signatory of the Company's financial statements for 3 years since 2017) (2) Ms. Nopanuch Apichatsatien Certified Public Accountant No. 5266 (who has never been a certified signatory of the Company's financial statements) (3) Mr. Boonrueng Lerdwisewit Certified Public Accountant No. 6552 (who has never been a certified signatory of the Company's financial statements).

In the event that the abovementioned auditors are unable to perform their duties, the Company can replace them with a new appointment of other certified public accountants from PricewaterhouseCoopers ABAS Limited to carry out the audit work.

2020 Outlook

The Company is aware that risk of second wave of infection remains in place even though several countries declared free of COVID-19 while global economy might experience a prolong of stagflation after the initial fall and eventually return to trend growth. With such point of view, the Company needs to ensure work efficiency and effectiveness to satisfy changing customer's demand.

Various business strategies and marketing plans to be implemented after COVID-19 were crafted especially for each business. For residential business, the Company strongly believe that thanks to prime location of the Company's residential projects as well as demand from foreign buyers looking for a second home in Thailand due to the fact that this country has done remarkably well on containing the spread of COVID-19, presales and revenue would improve as expected once the Company's proactive marketing strategies are employed.

Regarding hospitality business, SHR was in preparation to a smooth reopening after COVID-19. In order to support the guest to book and stay with confidence, SHR will be ready to welcome guests at SHR's hotels with same warmth and hospitality, but with assured safety and hygiene procedures, and most flexible booking terms possible. SHR also believes that tourists from domestic market will firstly resume their plans on travels, following by the inter-regional markets.

With respect to commercial business, the Company has heightened hygiene measures to reduce the risk of spreading COVID-19 and boost confidence among customers and visitors. The hygiene measures include sanitizing all public areas every 30 minutes, ensuring the availability of hand-sanitizing gel and daily temperature check for everyone entering the Company's properties.

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Additionally, the Company puts an emphasize on efficient cost management to ensure resilient cash flow and profitability. Effective strategies and business plan together with cooperation from business partners and employees would encourage the Company to survive the crisis and thrives afterwards.

Performance Summary

Consolidated Statement of Comprehensive Income

	1Q19		1Q20		% Y-o-Y
	THB m	%	THB m	%	
Revenue from sales of house and condominium units	1,698	57%	752	34%	-56%
Revenue from rental and services	1,247	42%	1,426	65%	14%
<i>Hospitality</i>	974	32%	1,144	52%	17%
<i>Commercial</i>	173	6%	243	11%	41%
<i>Others</i>	100	3%	39	2%	-61%
Revenue from sales of goods	55	2%	8	0%	-85%
Revenue	3,000	100%	2,186	100%	-27%
Gross profit	1,303	43%	905	41%	-31%
Other income	65	2%	654	30%	912%
Selling expense	-306	-10%	-278	-13%	-9%
Administrative expense	-437	-15%	-558	-26%	28%
Finance costs	-207	-7%	-258	-12%	25%
Net gains on exchange rate	91	3%	-21	-1%	-123%
Share of loss from investment in joint ventures	-85	-3%	-101	-5%	-18%
EBT	423	14%	344	16%	-19%
Income tax expense	-130	-4%	-10	0%	-93%
Net profit	293	10%	335	15%	14%

EBITDA	785	26%	880	40%	12%
Normalized EBITDA¹	871	29%	330	15%	-62%
Normalized Profit for the period after NCI¹	356	12%	-252	-12%	-171%

Note:

⁽¹⁾ Excluded unrealized gain from foreign exchange rate on convertible bond, gain from fair value adjustment on investment properties, reverse effective interest rate on loan, professional fees, land transfer fees and sales & marketing expenses for the launch of new residential projects

Revenue from sales of house and condominium units

As of 31 March 2020, the Company and its subsidiaries has developed 22 residential projects for sales including single-detached houses, townhouses and condominiums, valued at THB 50,026m. In 1Q2020, Revenue from sales of house and condominium units reached THB 752m, decreased by 56% YoY. The decline was essentially due to the delay in ownership transfer from some customers and lockdown policy implemented in various countries causing difficulty for real estate foreign buyers to proceed the ownership transfer.

Residential projects for sales as at 31 March 2020⁽¹⁾:

Project	Project value (THB m)	Sold	Tentative Transfer from/ Transfer progress
The ESSE Asoke	5,011	83%	72%(of project value)
The ESSE at Singha Complex	4,394	90%	65%(of project value)
The ESSE Sukhumvit 36	6,473	60%	4Q2020
EYSE Sukhumvit 43	1,936	38%	4Q2022
The EXTRO	4,066	12%	4Q2022
Santiburi The Residences	6,433	15%	n/a

Note: (1) Information provided in the table excludes residential project developed by Nirvana Daii PLC which the Company held 51.56% ownership. As of 31 December 2019, residential projects for sales developed under Nirvana Daii PLC was THB 21,713m.

Revenue from rental and services

Revenue from rental and services represents revenue from hospitality business, commercial business and other businesses.

Hospitality Business

At present, all hospitality business of the Company was under the management of SHR, the Company's subsidiary. SHR became listed on Stock Exchange of Thailand with the first day of trading on 12 November 2019.

At the end of 1Q2020, the Company's total hotels reached 39 hotels with 4,647 keys covering 5 countries – Thai, Maldives, Mauritius, Fiji, and United Kingdom. Hospitality business generated THB 1,144m in 1Q2020 or 17% increased from 1Q2019. The significant increase in revenue from Hospitality business mainly derived from revenue generated from Outrigger group being acquired on 12 June 2018 as well as Crossroads project phase 1 officially opened on 1 September 2019. Nonetheless, 1Q2020 performance was slightly affected from COVID-19 pandemic as number of guests from Europe, SHR's major customer base, started to decline in March 2020 while most hotels in SHR's portfolio became temporarily suspended since April 2020.

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Nevertheless, the Company adopts equity method of accounting for Jupiter hotels totaling of 29 hotels with 3,115 keys; consequently, performance of Jupiter hotels will be reported under share of gain/loss from investment in joint ventures.

1Q2020 operating performance of Hospitality business

Hotel	1Q19	1Q20	Change (%)
Self-Managed Hotels			
Number of hotel	2	2	-
Number of key	297	297	-
Occupancy rate (%)	81	65	-16.5
ADR (THB)	10,174	9,760	-4.1
RevPAR (THB)	8,285	6,336	-23.5
Outrigger Hotels			
Number of hotel	6	6	-
Number of key	859	859	-
Occupancy rate (%)	72	59	-13.1
ADR (THB) ⁽¹⁾	7,176	7,004	-2.4
RevPAR (THB) ⁽¹⁾	5,190	4,152	-20.0
Hotel in Crossroad project - phase 1⁽²⁾			
Number of hotel	n/a	2	n/a
Number of key	n/a	376	n/a
Occupancy rate (%)	n/a	61	n/a
ADR (THB) ⁽³⁾	n/a	10,893	n/a
RevPAR (THB) ⁽³⁾	n/a	6,606	n/a
UK Portfolio Hotels			
Number of hotel	29	29	-
Number of key	3,115	3,115	-
Occupancy rate (%)	57	50	-7.3
ADR (THB) ⁽⁴⁾	2,462	2,343	-4.8
RevPAR (THB) ⁽⁴⁾	1,405	1,167	-16.9

Notes:

(1) The exchange rate applied for translation in 1Q2019 were 31.61THB/USD, 14.88THB/FJD, 0.92THB/MUR while that in 1Q2020 were 31.29THB/USD, 14.41THB/FJD, 0.84THB/MUR.

(2) Commercially open was on 1 September 2019.

(3) The exchange rate applied for translation in 1Q2020 was 31.29THB/USD

(4) The exchange rate applied for translation in 1Q2020 was 41.18THB/GBP while that in 1Q2020 was 40.06THB/GBP

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Commercial Business

As of 31 March 2020, the Company owned 4 commercial buildings providing net leasable area 139,532 sq.m. in total. In 1Q2020, commercial business generated revenue of THB 243m or 41% increase from last year. Main drivers of the growth rate were the acquisition of Metropolis building in January 2020.

1Q2020 operating performance of Commercial business

Building	1Q19 ⁽¹⁾	1Q20
<u>Suntower</u>		
Space for rent (sq.m.)	63,566	63,786
Occupancy rate (%)	92%	89%
<u>Singha Complex</u>		
Space for rent (sq.m.)	58,745	58,745
Occupancy rate (%)	69%	82%
<u>Metropolis</u>		
Space for rent (sq.m.)	n/a	13,677
Occupancy rate (%)	n/a	97%

Note: ⁽¹⁾ Key stat in 1Q19 was revised to the updated information.

Other businesses

Other businesses, covering construction service and project management service, generated revenue at THB 39m in 1Q2020, 61% dropped from 1Q2019, due mainly to the decrease in revenue from business management service.

Revenue from sales of goods

Revenue from selling residue precast produced by Nirvana daii PLC, the Company's subsidiary, is classified as revenue from sales of goods. The Company realized revenue from sales of goods at THB 8m in 1Q2020, 85% decreased YoY.

Gross Profit

1Q2020 Gross profit at THB 905m represented a decline of 31% from the same period last year. Essentially, the Company's gross profit margin significantly decreased from 43% in 1Q2019 to 41% in 1Q2020. The lower gross profit margin attributed to revenue mix which is less contribution from revenue from residential business generating such a high gross profit margin and more contribution from revenue from Crossroads project Phase 1 of which gross profit margin considered relatively low due to the initial stage of operation.

Selling Expenses

In 1Q2020, the Company reported selling expenses amounted to THB 278m, a drop of 9% YoY. This was primarily because tax expenses related to transference dropped in accordance with a decrease of transfer value.

Administrative Expenses

Administrative expenses mainly comprise of back office personnel expenses, depreciation on assets under hospitality business, non-operating activity expenses, e.g. consulting and legal fees.

The Company reported 1Q2020 administrative expenses of THB 558m or increased by 28% YoY which mainly due to number of new hires and administrative expenses of Crossroads being in operation since September 2019.

Finance Costs

In 1Q2020, the Company reported finance costs at THB 258m, 25% increased YoY. The main rationale of the increase were additional borrowings to finance projects under development and loan facility to the acquisition of Metropolis building.

Net gains on Exchange rate

Net loss on exchange rate amounting to THB 21m reflected unrealized loss from foreign exchange rate of foreign currency borrowing at a property-level. Nonetheless, the Company, in December 2019, has entered into the Cross-Currency Swap Agreement with the commercial bank for the entire amount of convertible bond amounting to USD 180m, the largest amount of foreign currency borrowing. Thus, the foreign exchange risk related to the convertible bond has been fully hedged.

Net Profit

In 1Q2020, net profit was reported at THB 335m or 14% increase from 1Q19. The increase mainly because of other income realized in 1Q2020 representing THB 423m gain from selling share of SHR's subsidiary together with THB 115m gain from conversion of option.

Financial Position and Capital Structure

As of 31 March 2020, the Company reported total assets of THB 72,130m, an increase of THB 4,449m from 31 December 2019, including THB 24,052m Current assets and THB 48,078m Non-current assets. Total liabilities stood at THB 43,506m while the net gearing ratio stood at 0.86x, slightly increased from 0.77x as of 31 December 2019 due to additional borrowing to finance projects under development and loan facility to the acquisition of Metropolis building. Nevertheless, such net gearing ratio at 0.86x was well below the Company's covenant.

Unit: THB million	31 December 2018	31 December 2019	Change
Cash and cash equivalent	5,413	4,196	-1,217
Financial assets measured at fair value through profit or loss	0	675	
Short-term investment	503	0	
Inventories	5,371	6,851	1,480
Current assets	24,087	24,052	-35
Investment property	13,828	16,190	2,362
PPE - net	19,870	23,441	3,572
Non-current assets	43,594	48,078	4,484
Total Assets	67,681	72,130	4,449
Current liabilities	12,514	13,732	1,218
Non-current liabilities	27,571	29,774	2,203
Total liabilities	40,085	43,506	3,421
Total equity	27,596	28,624	1,028
Gearing ratio (times)	0.98x	1.03x	
Net gearing ratio (times)	0.77x	0.86x	

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