

10 August 2020

Subject: Management Discussion and Analysis for the Second Quarter ended 30 June 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 Second Quarter ended 30 June 2020 and 2019 with the detail as follows:

### I The operating revenue breakdown by business segment

(Unit: Million Baht)

	<u>Second quarter</u>				<u>6-month period</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Revenue from sales of real estate	2,233	1,992	241	12	3,859	5,045	(1,186)	(24)
Revenue from hotel operations	26	230	(204)	(89)	213	520	(307)	(59)
Revenue from office rental operations	77	88	(11)	(13)	153	181	(28)	(15)
Other income	<u>56</u>	<u>70</u>	<u>(14)</u>	(20)	<u>116</u>	<u>132</u>	<u>(16)</u>	(12)
Total revenues	2,392	2,380	12	1	4,341	5,878	(1,537)	(26)

In summary, the Company generated total revenues in the second quarter of 2020 and the second quarter of 2019 of Baht 2,392 million and Baht 2,380 million respectively, increasing by Baht 12 million or 1% increase compared to the same period of 2019. Details are as follows:

1) **Revenue from sales of real estate** in the second quarter of 2020 increased by Baht 241 million or 12% increase compared to the same period of 2019. This was due to an increase in revenue from housing projects by Baht 487 million or 32%, mainly from an increase in transfer of single detached houses compared to the same period of 2019. Meanwhile, revenue from condominium projects decreased by Baht 246 million or 54% compared to the same period of 2019 since the Company had completed a construction and started to transfer a new condominium project, *Q1 Sukhumvit*, from the end of 2018 to the second quarter of 2019.

In the first 6 months of 2020, the Company launched 2 new housing projects with total project value of Baht 2,065 million.

2) **Revenue from hotel operations** in the second quarter of 2020 decreased by Baht 204 million or 89% 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 second quarter of 2020 decreased compared to the same period of 2019.

3) Revenue from office rental operations in the second quarter of 2020 decreased by Baht 11 million or 13% 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 second quarter of 2020 decreased by Baht 14 million or 20% decrease compared to the same period of 2019. This was mainly due to a decrease in management fees and interest income by Baht 6 million and Baht 5 million, respectively.

## II Share of profit from investments in associates

In the second quarter of 2020, the Company's share of profit from investments in associates was Baht 311 million, which decreased by Baht 158 million or 34% decrease compared to the same period of 2019. Details of the Company's profit sharing from 4 associate companies are as follows:

(Unit: Million Baht)

	<u>Second quarter</u>				<u>6-month period</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Home Product Center Plc.	187	304	(117)	(38)	435	586	(151)	(26)
LH Financial Group Plc.	78	104	(26)	(25)	210	215	(5)	(2)
Quality Houses Leasehold Property Fund	43	49	(6)	(12)	83	96	(13)	(14)
Quality Houses Hotel and Residence								
Freehold and Leasehold Property Fund	<u>3</u>	<u>12</u>	<u>(9)</u>	(75)	<u>14</u>	<u>28</u>	<u>(14)</u>	(50)
Total	311	469	(158)	(34)	742	925	(183)	(20)

## III Cost of sales breakdown by business segment

(Unit: Million Baht)

	<u>Second quarter</u>				<u>6-month period</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Cost of real estate sold	1,529	1,321	208	16	2,610	3,376	(766)	(23)
Cost of hotel operations	80	172	(92)	(53)	221	373	(152)	(41)
Cost of office rental operations	<u>27</u>	<u>39</u>	<u>(12)</u>	(31)	<u>57</u>	<u>79</u>	<u>(22)</u>	(28)
Total cost of sales	1,636	1,532	104	7	2,888	3,828	(940)	(25)

Total cost of sales in the second quarter of 2020 increased from the same period of 2019 by Baht 104 million or 7%, mainly due to an increase in cost of real estate sold which varied with an increase in revenue from sales of real estate.

#### IV Expense

(Unit: Million Baht)

	<u>Second quarter</u>				<u>6-month period</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Selling expenses	104	135	(31)	(23)	195	306	(111)	(36)
Administrative expenses	345	450	(105)	(23)	727	858	(131)	(15)
Finance cost	102	103	(1)	(1)	202	202	-	-
Income tax expenses	58	36	22	61	102	147	(45)	(31)

1) Selling expenses in the second quarter of 2020 decreased by Baht 31 million or 23% decrease compared to the same period of 2019. This was mainly due to a decrease in advertising and public relations expenses compared to the same period of 2019.

2) Administrative expenses in the second quarter of 2020 decreased by Baht 105 million or 23% decrease compared to the same period of 2019. This was mainly because the Company focused on costs control and there was an increase in employee benefit provision of Baht 46 million in the second quarter of 2019, based on the Labor Protection Act (Issue 7) B.E. 2562 with an increase in rate of severance pay. In addition, after-sales service expenses decreased by Baht 13 million compared to the same period of 2019.

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

4) Income tax expenses in the second quarter of 2020 increased by Baht 22 million or 61% increase compared to the same period of 2019. These expenses varied with an increase in operating profit of the Company (excluding share of profit from investments in associates).

#### V Net Profit

(Unit: Million Baht)

	<u>Second quarter</u>				<u>6-month period</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>%</u>
Net Profit	458	593	(135)	(23)	969	1,462	(493)	(34)

In the second quarter of 2020, the Company's net profit decreased by Baht 135 million or 23% decrease compared to the same period of 2019. This was mainly due to a decrease in share of profit from investments in associates and gross profit from hotel operations by Baht 158 million and Baht 112 million, respectively. Meanwhile, gross profit from sales of real estate increased by Baht 33 million. In addition, selling and administrative expenses decreased by Baht 136 million.

## VI Financial Position

	30 June 2020	31 December 2019	Change	(Unit: Million Baht) Change (%)
Total assets	49,736	50,902	(1,166)	(2)
Total liabilities	23,771	24,039	(268)	(1)
Total shareholders' equity	25,965	26,863	(898)	(3)

- **Financial position**

As of 30 June 2020, the Company's total assets decreased by Baht 1,166 million or 2% decrease from the end of 2019 (as of 31 December 2019). This was mainly due to a decrease in land and construction in progress as well as land and project development costs by Baht 970 million and Baht 586 million, respectively. Meanwhile, total liabilities decreased by Baht 268 million or 1% decrease from the end of 2019 (as of 31 December 2019).

- **Shareholders' Equity**

As of 30 June 2020, the shareholders' equity of the Company decreased by Baht 898 million or 3% decrease from the end of 2019 (as of 31 December 2019) since the Company recorded a net profit of Baht 969 million for the period of 6 months ending 30 June 2020. Meanwhile, other components of shareholders' equity decreased by Baht 365 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. In addition, the Company paid an interim dividend of Baht 1,393 million in May 2020 in accordance with the resolution of the Board of Directors' Meeting No.4/2020 dated 20 April 2020.

Please be informed accordingly.

Sincerely yours,

(Miss Apinya Jarutrakulchai)

Senior Executive Vice President

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