

ARIN 008/2019

November 13th, 2019

Subject : Management Discussion and Analysis for the 3rd quarter 2019 and the 9-months period of 2019, which had changed more than 20% of the same accounting period in the last year.

To : President
The Stock Exchange of Thailand

Arinsiri Land Public Company Limited (the “Company”) would like to inform the Company’s operating performance for the 3rd quarter 2019 and the 9-months period of 2019 as follows:

unit: Million Baht

For the 3rd quarter period ended September 30th, 2019

Items	The 3 rd quarter 2019		The 3 rd quarter 2018		Changes	
	Amount	%	Amount	%	Amount	%
Revenues from sales of real estate	20.03	100.00	91.81	100.00	(71.78)	(78.18)
Cost of sales	(15.93)	(79.53)	(65.07)	(70.87)	49.14	(75.52)
Gross profit	4.10	20.47	26.74	29.13	(22.64)	(84.67)
Other income	1.56	7.79	0.35	0.38	1.21	345.71
Profit before expenses, financial cost, and taxes	5.66	28.26	27.09	29.51	(21.43)	(79.11)
Selling expenses	(2.04)	(10.18)	(5.04)	(5.49)	3.00	(59.52)
Administrative expenses	(8.30)	(41.44)	(12.11)	(13.19)	3.81	(31.46)
Profit (loss) before financial cost, and taxes	(4.68)	(23.36)	9.94	10.83	(14.62)	(147.08)
Financial costs	(6.96)	(34.75)	(5.28)	(5.75)	(1.68)	31.82
Profit (loss) before taxes	(11.64)	(58.11)	4.66	5.08	(16.30)	(349.79)
Tax expense (revenue)	(2.15)	(10.73)	(0.93)	(1.01)	(1.22)	131.18
Net profit (loss)	(13.79)	(68.85)	3.73	4.06	(17.52)	(469.71)

1. Total Revenues

For the 3rd quarter 2019, the Company had revenue from sales of real estate equal to Baht 20.03 million, decreased in the amount of Baht 71.78 million or 78.18% compared to the same period of the previous year. The decrease mostly caused by the transfer of ownership of the customers of Arinsiri Sport Village in the Phase 2 project, Arinsiri Privacy project and Arinsiri Country Hill project were decrease in accordance with the real estate market situation and declining of visitors, together with the effect from Bank of Thailand policy for housing loan which customers were in the process of requesting and considering loans from financial institutions and causing inability to transfer ownership as scheduled. However, the Company was aware of the strictness in the credit review process of financial institutions in the present. Therefore, the Company has assigned the sales department to provide closely advice in preparation stage of loan requesting from financial institutions to customers, in order to facilitate customers and financial institutions for speeding up credit approval process. The decrease also cause by the number of transferred units of the Arinsiri Sport Village Phase 1 project, which has been reduced due to the gradual transfer of ownership from 2016 – 2018.

For the 3rd quarter 2019, the Company had the other incomes equal to Baht 1.56 million, increased in the amount of Baht 1.21 million or 345.71% compared to the same period of the previous year. The increase mostly caused by the Company had begun to recognize revenue from the rental of land, clubhouse building, swimming pool, pitches, which were the investment properties of the Company in the amount of Baht 1.34 million.

2. Cost of sales of sales and expenses

2.1 Cost of sales of real estate for the 3rd quarter 2019 was equal to Baht 15.93 million, decreased in the amount of Baht 49.14 million or representing with 75.52% compared to the same period of the previous year, due to lower income from the transfer of ownership. The cost of sales reduced directly according to the revenues. The cost of sales from ownership transferring to customers of Arinsiri Country Hill Project on townhome was amounting of Baht 3.61 million or 22.64%. The cost of sales from ownership transferring to customers of Arinsiri Privacy Project on twin house was Baht 12.32 million or representing with 77.36%.

2.2 Selling expenses for the 3rd quarter 2019 was equal to Baht 2.04 million, decreased in the amount of Baht 3.00 million or representing with 59.52% compared to the same period of the previous year, mainly due to lower advertising & sales promotion expenses and special business tax & ownership transfer fees in the amount of Baht 0.63 million and Baht 2.37 million, respectively.

2.3 Administrative expenses for the 3rd quarter 2019 was equal to Baht 8.30 million, decreasing in the amount of Baht 3.81 million or 31.46% compared to the same period of the previous year, mainly

because the Company had not estimated the bonus expenses for the end of 2019, resulting in a decrease in Administrative expenses in the 3rd quarter 2019. Also, due to the decrease from the reclassification of the depreciation expenses of the land and building improvement of the clubhouse building located in the Arinsiri Sports Village project, which was completely constructed, and the Company has a proprietary right to the property. The Company had reclassified the depreciation expenses to cost of service for the rental of land, clubhouse building, swimming pool, pitches, which are the investment properties of the Company, resulting in the increase in other expenses. It mostly caused by the Company has begun to recognize the cost of service for the rental of land, clubhouse building, swimming pool, pitches, which were the investment properties of the Company in the amount of Baht 0.94 million.

3. Financial costs

Financial costs for the 3rd quarter 2019 was Baht 6.96 million, increasing by Baht 1.68 million, or 31.82% compared to the same period of the previous year, mainly due to the increase in interest expenses and fees associated with the issuance and offering of name-registered unsubordinated debentures on December 14th, 2018.

4. Net profit (loss)

For the 3rd quarter 2019, the Company had a net loss amounted of Baht 13.79 million from the above mentioned causes.

unit: million baht

For the first 9-months period of 2019

Items	9-months period of 2019		9-months period of 2018		Changes	
	Amount	%	Amount	%	Amount	%
Revenues from sales of real estate	114.57	100.00	272.84	100.00	(158.27)	(58.01)
Cost of sales	(80.77)	(70.50)	(183.07)	(67.10)	102.30	(55.88)
Gross profit	33.80	29.50	89.77	32.90	(55.97)	(62.35)
Other income	4.81	4.20	1.30	0.48	3.51	270.00
Profit before expenses, financial cost, and taxes	38.61	33.70	91.07	33.38	(52.46)	(57.60)
Selling expenses	(8.24)	(7.19)	(14.43)	(5.29)	6.19	(42.90)
Administrative expenses	(29.89)	(26.09)	(38.77)	(14.21)	8.88	(22.90)

For the first 9-months period of 2019

Items	9-months period of 2019		9-months period of 2018		Changes	
	Amount	%	Amount	%	Amount	%
Profit (loss) before financial cost, and taxes	0.48	0.42	37.87	13.88	(37.39)	(98.73)
Financial costs	(17.62)	(15.38)	(12.55)	(4.60)	(5.07)	40.40
Profit (loss) before taxes	(17.14)	(14.96)	25.32	9.28	(42.46)	(167.69)
Tax expense (revenue)	(2.37)	(2.07)	(5.27)	(1.93)	2.90	(55.03)
Net profit (loss)	(19.51)	(17.03)	20.05	7.35	(39.56)	(197.31)

5. Total Revenues

For the 9-months period of 2019, the Company had revenue from sales of real estate equal to Baht 114.57 million, decreased in the amount of Baht 58.01 million or 58.01% compared to the same period of the previous year. The decrease mostly caused by the transfer of ownership of the customers of Arinsiri Sport Village Phase 2 project and Arinsiri Country Hill project were decrease accordance with the real estate market situation and declining of visitors in, together with the effect from Bank of Thailand policy for housing loan which customers were in the process of requesting and considering loans from financial institutions and causing inability to transfer ownership as scheduled. However, the Company was aware of the strictness in the credit review process of financial institutions in the present. Therefore, the Company has assigned the sales department to provide close advice in preparation stage of loan requesting from financial institutions to customers, in order to facilitate customers and financial institutions for speeding up credit approval process. The decrease also cause by the number of transferred units of the Arinsiri Sport Village Phase 1 project, which has been reduced due to the gradual transfer of ownership from 2016 – 2018.

For the 9-months period of 2019, the Company had the other incomes equal to Baht 4.81 million, increased in the amount of Baht 3.51 million or 270% compared to the same period of the previous year. The increase mostly caused by the Company had begun to recognize revenue from the rental of land, clubhouse building, swimming pool, pitches, which were the investment properties of the Company in the amount of Baht 4.02 million.

6. Cost of sales of sales and expenses

6.1 Cost of sales of real estate for the 9-months period of 2019 was equal to Baht 80.77 million, decreased in the amount of Baht 102.30 million or representing with 55.88% compared to the same

period of the previous year, due to lower income from the transfer of ownership. The cost of sales is reduced directly according to the income. The cost of sales from ownership transferring to customers of Arinsiri Sport Village Project on townhome was amounting of Baht 1.42 million or 1.76%. The cost of sales from ownership transferring to customers of Arinsiri Sports Village Phase 2 project on the single house and twin house was amounting of Baht 16.04 million or representing with 19.86% and amount of Baht 10.09 million or representing with 12.49%, respectively. The cost of sales from ownership transferring to customers of Arinsiri Country Hill Project on townhome was amounting of Baht 26.94 million or 33.35%. The cost of sales from ownership transferring to customers of Arinsiri Privacy Project on twin house was amounting of Baht 26.28 million or representing with 32.54%.

6.2 Selling expenses for the 9-months period of 2019 was equal to Baht 8.24 million, decreased in the amount of Baht 102.30 million or representing with 55.88% compared to the same period of the previous year, mainly due to lower advertising & sales promotion expenses and special business tax & ownership transfer fees in the amount of Baht 0.92 million and Baht 5.27 million, respectively.

6.3 Administrative expenses for the 9-months period of 2019 was equal to Baht 29.89 million, decreasing in the amount of Baht 8.88 million or 22.90% compared to the same period of the previous year, mainly because the Company had not estimated the bonus expenses for the end of 2019, resulting in a decrease in Administrative expenses in the 9-months period of 2019. Also, due to the decrease from the reclassification of the depreciation expenses of the land and building improvement of the clubhouse building located in the Arinsiri Sports Village project, which was completely constructed, and the Company has a proprietary right to the property. The Company had reclassified the depreciation expenses to cost of service for the rental of land, clubhouse building, swimming pool, pitches, which were the investment properties of the Company, resulting in the increase in other expenses. It mostly caused by the Company has begun to recognize the cost of service for the rental of land, clubhouse building, swimming pool, pitches, which were the investment properties of the Company in the amount of Baht 2.81 million.

7. Financial costs

Financial costs for the 9-months period of 2019 was Baht 17.627 million, increasing by Baht 5.07 million, or 40.40% compared to the same period of the previous year, mainly due to the increase in interest expenses and fees associated with the issuance and offering of name-registered unsubordinated debentures on December 14th, 2018.

8. Net profit (loss)

For the 9-months period of 2019, the Company had the net loss of Baht 19.51 million from the above mentioned causes.

9. Statement of financial position

Items	September 30 th , 2019	September 30 th , 2018	Changes	
	Million Baht	Million Baht	Million Baht	%
Trade and other current receivables	8.24	14.14	(5.90)	(41.73)
Inventories	654.75	626.89	27.86	4.44
Property, plant and equipment, Net	16.75	18.20	(1.45)	(7.97)
Other assets	190.55	241.25	(50.69)	(21.01)
Bank overdrafts from financial institution	-	9.83	(9.83)	(100.00)
Trade and other current payables	79.79	118.23	(38.44)	(32.51)
Current portion of long – term liabilities	285.88	383.30	(97.42)	(25.42)
Long – term borrowings	8.21	8.90	(0.69)	(7.75)
Other liabilities	22.26	118.37	(96.11)	(81.19)
Total shareholders' equity	474.15	261.85	212.30	(81.08)

As at September 30th, 2019, the Company had trade and other current receivables decreased in the amount of Baht 5.90 million or equal to 41.73% compared to the year-end 2018, mainly due to the decrease of expenses incurred from offering the Initial Public Offering (IPO).

The Company had inventories increased in the amount of Baht 27.86 million or equal to 4.44% compare to the year-end 2018, mainly due to the Company has developed and constructed the Arinsiri mountain Arinsiri beach@Ban Chang and Arinsiri campus which increased the inventories in the amount of Baht 3.69 million, Baht 3.21 million and Baht 48.78 million, respectively.

The Company had net of property, plant and equipment decreased in the amount of Baht 1.45 million or equal to 7.97% compare to the year-end 2018, mainly due to the increase of depreciation amounted to Baht 1.53 million.

The Company had other assets decreased in the amount of Baht 50.69 million or equal to 21.01% compare to the year-end 2018, mainly due to the Company transferred land held for development to inventory in the amount of Baht 48.26 million.

The Company had bank overdrafts from financial institution decreased in the amount of Baht 9.83 million or equal to 100.00% compare to the year-end 2018.

The Company had trade and other current payables decreased in the amount of Baht 38.44 million or equal to 32.51% compare to the year-end 2018, mainly due to the Company has paid to trade payables on the constructors cause decrease trade payables on the constructors.

Considering the total loans form the financial institutions of the Company, the Company had decreased current portion of long-term liabilities and long-term borrowings in the total amount of Baht 98.11 million, mainly due to the Company had repayment debenture and the sales and units' ownership transferring. This caused the Company to be able to repay loans to the financial institutions according to the terms of loan agreement which the repayment must be paid in the specific percentage of sale price of each ownership transferred unit.

The Company had increased Shareholders' equity in the amount of Baht 414.15 million compare to the year-end 2018, which mainly due to the Company offering the Initial Public Offering (IPO) in July 2019.

Please be informed accordingly

Yours sincerely

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Managing Director