

Major Events in 4Q/2019 and January 2020

- November
- 1) EGM no. 1/2019, on 20 November 2019 approved the appointment of 2 new non-executive directors, Mr. Kris Narongdej to be Chairman of the Board of Directors and Mr. Korn Narongdej to be a member of the Board of Directors.
 - 2) Started construction of “Hotel Kitch”, a new lifestyle hotel on Charoen Nakhorn Rd., in front of the River condominium.
- December
- 1) Issued unsubordinated unsecured debentures with bondholder representative, total value of THB 194.0mn, interest rate 5.25% p.a., quarterly payment, 2 years, having maturing date on 4 December 2021.
 - 2) open a new branch of Dink Dink noodle store in Taiwan
- January
- 1) Appointed Mr. Vichet Kasemthongsri to be an Independent Director / Audit Committee Member to fulfill the vacated position, effective on 16 January 2020
 - 2) Received EIA approved for the construction of TAIT 12 – a luxury condominium, located on Sathorn Road, soi 12

Management outlook and future projects

Since August 2019 until the beginning of 2020, the Monetary Policy Committee (MPC), Bank of Thailand, had cut the policy rate 3 times, from 1.75% p.a. down to 1.00% p.a. in February 2020. This is the lowest record, lower than the rate during 2009 following the Hamburger crisis. The Committee viewed that the Thai economy would expand at a slower rate in 2020 than previously forecasted and much further below its potential due to the outbreak of coronavirus, the delayed enactment of the Annual Budget Expenditure Act, and the drought that would affect a large number of related businesses and employment. Number of tourists was expected at a much lower number than the previous forecast. Exports of goods would decline in line with trading partner economies and potential impacts of regional supply chain disruptions.* However, the Company sees that the lower interest rate also provide an opportunity for overall real estate industry due to a potential lower cost for both, real estate developer and buyer. The Company's focus is on developing projects to serve real demand for residential property as well as for a long-term investment. Before starting every project, we carefully selecte locations and requirement of our target buyers. Although overall economy is soft, the Company's target group of customers can maintain their purchasing power.

For recurring income business, in November 2019, the Company kicked off the construction of “Hotel Kitch”, a 72-room hotel that will be managed in-house. The hotel, where the word “Kitch” derives from “Kitchen”, is all set to accommodate lifestyle of gastro-tourists, who are looking to cover in local Thai cultures, mainly focusing on Thai food which famous and being accepted from people around the world. The Company has an expansion plan to open hotel under brand “Hotel Kitch” in major tourist cities in Thailand soon. For the development of 4 stars hotel at Sukhumvit soi 19, it is currently on designing stage and choosing hotel brand operator. The Company targets to own 1,000 room keys within 2023. For the F&B business, in 2019, the Company had expanded branches of noodle store, “Dink Dink”, which made a total number of 4 restaurants under management, 3 in Singapore and 1 in Taiwan. The Company is currently considering expanding more branches of the F&B business. The target revenue from food and beverage business is THB1,000mn within 2023.

(* source: Press Release no. 5/2020 from Bank of Thailand, 5 February 2020)

4Q/2019 3-month period and full-year 2019 highlight

- Backlog¹ of the Company and its subsidiaries stood at THB 8,010.5mn as of 31 December 2019
- Presales of 4Q/2019 was THB 517.7mn and full-year 2019 was THB 2,909.0mn
- Total revenue of 4Q/2019 was THB 557.5mn while that of full-year 2019 was THB 3,624.2mn. Of which, THB 499.0mn and THB 3,055.6mn, respectively, were from sales of real estate (transfer ownership to buyers)
- Gross profit from sales of real estate in 4Q/2019 was THB 146.5mn while that of full-year 2019 was THB 835.5mn. GPM of 4Q/2019 and full-year was 29.4% and 27.3% respectively
- Total assets as of 31 December 2019 stood at THB 12,904.7mn and total liabilities stood at THB 7,174.9mn
- Debt to Equity ratio stood at 1.04 times as of 31 December 2019, decreased from 1.14 times as at end of 2018

Change in accounting policies and reclassification in 2019

During the year ended 31 December 2019, the Group has adopted TFRS 15 “Revenue from Contracts with Customers” which become effective for fiscal years beginning on or after 1 January 2019. The Group chooses retrospectively adjusts in the period of initial application.

The adjustments are described below:

- 1) Commission paid to obtain a contract - the Group has determined that commission paid to obtain a customer contract should be recorded as an asset and amortized to expenses on a basis that is consistent with the pattern of revenue recognition. Under the previous accounting policy, the Group immediately recorded commission as selling expenses when the transaction occurred.
- 2) Free transfer fee and common area fee - the Group considers the fees to be considerations payable to customers or expenses paid for the customers and therefore should be treated as a reduction of the revenue under the contract. Under the previous accounting policy, the Company and its subsidiaries immediately recorded such fees as selling expenses when the transaction occurred.

Reclassifications

The effect of changes in accounting policies and those reclassifications to comparative numbers are illustrated as below:

- 1) total assets as of 31 December 2018 before retrospectively adjust was THB 14,329.7mn and after the retrospectively adjust was THB 14,376.4mn, an increase of THB 46.7mn.
- 2) the total shareholders' equity as of 31 December 2018 before retrospectively adjust was THB 5,721.9mn and after the retrospectively adjust was THB 5,768.5mn, an increase of THB 46.7mn.

All comparisons of changes in this report are based on the adjusted accounting policy and reclassification

¹ Backlog include only sold units with sales and purchase agreements

Operating result 4Q/2019 3-month period and full-year 2019

Source of income	2019		2018		Change		3M 4Q/2019		3M 4Q/2018		Change	
	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%	THB mn	%
North Point	-	-	100.0	3.0	- 100.0	- 100.0	-	-	-	-	-	-
The River	42.8	1.2	203.8	6.1	- 161.0	- 79.0	-	-	43.2	2.9	- 43.2	- 100.0
185 Rajdamri	58.7	1.6	617.8	18.6	- 559.1	- 90.5	-	-	252.7	16.7	- 252.7	- 100.0
Zire Wongamat	-	-	105.8	3.2	- 105.8	- 100.0	-	-	23.5	1.6	- 23.5	- 100.0
UNIXX South Pattaya	14.0	0.4	798.2	24.0	- 784.2	- 98.2	-	-	57.7	3.8	- 57.7	- 100.0
The Lofts Ekkamai	4.5	0.1	40.5	1.2	- 36.0	- 88.9	-	-	-	-	-	-
Mews Yen Akat	53.8	1.5	203.5	6.1	- 149.7	- 73.5	-	-	114.5	7.6	- 114.5	- 100.0
The Lofts Asoke	1,793.0	49.5	227.6	6.8	1,565.4	+ 687.8	161.4	28.9	227.6	15.0	- 66.2	- 29.1
The Diplomat 39	748.9	20.7	626.5	18.8	+ 122.4	+ 19.5	-	-	626.5	41.4	- 626.5	- 100.0
The Diplomat Sathorn	20.4	0.6	9.6	0.3	+ 10.8	+ 113.6	20.4	3.7	9.6	0.6	+ 10.8	+ 112.5
The Lofts Silom	319.5	8.8	-	-	+ 319.5	+ 100.0	317.2	57.3	-	-	+ 317.2	+ 100.0
Revenue from sales of real estate	3,055.6	84.3	2,933.3	88.2	+ 122.3	+ 4.2	499.0	89.5	1,355.3	89.5	- 856.3	- 63.2
Gain on sales of condo purchased for sales	-	-	67.0	2.0	- 67.0	- 100.0	-	-	16.9	1.1	- 16.9	- 100.0
Revenue from sales of F&B	45.1	1.2	29.4	0.9	+ 15.7	+ 53.5	10.7	1.9	9.2	0.6	+ 1.5	+ 16.3
Gain on sales of land and investment properties	139.0	3.8	-	-	+ 139.0	+ 100.0	-	-	-	-	-	-
Gain on losing control of investment in a subsidiary	64.4	1.8	82.6	2.5	- 18.2	- 21.9	-	-	49.5	3.3	- 49.5	- 100.0
Others ¹	320.1	8.8	214.6	6.5	+ 105.5	+ 49.2	47.8	8.6	83.2	5.5	- 35.4	- 42.5
Total Revenue	3,624.2	100.0	3,326.9	100.0	+ 297.3	+ 8.9	557.5	100.0	1,514.1	100.0	- 956.6	- 63.2

Revenue

In 2019, the Company and its subsidiaries (“the Company”) reported a total revenue of THB 3,624.2mn. This represented an increase of THB 297.4mn or 8.9% YoY. Of which, THB 3,055.6mn or 84.3% of the total revenue was from sales of real

¹ Including rental and service income, marketing commission income, project management fee, guarantee fee income, interest, and others

estate (transfer ownership to buyers) of 9 projects which details are presented as above table, THB 45.1mn was from F&B business and THB 320.1mn was from other businesses¹. In addition, there were one-time revenue recognitions during 2Q/2019 and 3Q/2019, total of THB 203.4mn, which were gain on sales of investment in a subsidiary THB 64.4mn, gain on sales of land awaiting for development THB 89.0mn and gain on sales of investment properties, which was SPACE 48 - an office building for rent on Ratchadaphisek Road, THB 50.0mn.

In 4Q/2019, 3-month period, the Company reported a total revenue of THB 557.5mn, a decrease of THB 965.6mn or 63.2% YoY. Of which, THB 499.0mn, or 89.5% of total revenue was from sales of real estate (transfer ownership to buyers) of 3 projects which details are presented as above table, THB 10.7mn was from F&B business and THB 47.8mn was from other businesses.¹

Backlog²

As of 31 December 2019, the Company recorded a total backlog of THB 8,010.5mn, reducing by 9.7% from THB 8,869.9mn as at end of 2019. There was a decrease in backlog value of The Lofts Asoke and The Diplomat 39 due to unit transferred for revenue recognition during the year 2019. On the other hand, the backlog in 2019 also increased by presales value of TAIT 12 and the Estelle Phrom Phong from international roadshow as well as presales value of “The Lofts Ratchathewi”, the newly launched luxury condominium project. Of the total backlog at end of 2019, 33.3% was from TAIT 12, 31.3% was from The Lofts Silom, 24.9% was from The Estelle Phrom Phong, 6.1% was from The Lofts Ratchathewi, 4.0% was from The Lofts Asoke, 0.3% was from the Diplomat 39 and 0.1% was from was from UNIXX South Pattaya, totaling of 7 projects.

Cost of Sales

Cost of real estate sold in 2019, slightly increased to THB 2,220.0mn from THB 2,193.2mn in 2018, in line with the increasing in sales. The costs of F&B business in 2019 decreased to THB 13.7mn, from THB 19.1mn in 2018 as the Company started F&B business in March 2018, which caused setting up costs as one-time expenses during 2018.

Cost of real estate sold in 4Q/2019 decreased to THB 352.5mn from THB 1,010.8mn in 4Q/2018 in line with the decrease in revenue from sales of real estate. The costs of F&B business decreased to THB 3.6mn from THB 6.4mn in 4Q/2018 due to the F&B business’s setup cost during 2018, as explained above.

Gross Profit and Gross Profit Margin (GPM)

In 2019, gross profit from sales of real estate was THB 835.5mn, increased from THB 740.1mn in 2018. GPM this year also improved to 27.3% from 25.2% in 2018. That was mainly due to the 43.1% of the total revenue from sales of real estate

¹ Including rental and service income, marketing commission income, project management fee, guarantee fee income, interest, and others

² Backlog include only sold units with sales and purchase agreements

in 2018 was from a project that selling at special discount and low profit-margin generating projects as follows; 1) sales of UNIXX South Pattaya project accounted for 24.0% of total revenue. The special discount was given because it is an old project, ready to transfer since 2015. Also, its' target customers are difference group from what the Company is experienced, and locations is out of the main business operation. For those reasons, the Company aimed to close sales of total project as soon as possible. 2) the Diplomat 39 and the Diplomat Sathorn made a total of 19.1% of total revenue in 2018. The lower GPM of these 2 projects was due to their readiness to transfer and recognize revenue when the Company bought them in for sell, which eliminate construction risk for the Company. For F&B business, the Company gained THB 31.4mn of gross profit, represented a GPM of 69.6%, increased from THB 10.2mn, represented a GPM of 34.8% in 2018 due to the reduction in setup cost as explained in the cost of sales section.

in 4Q/2019, the Company had gross profit from sales of real estate of THB 146.5mn, decreased from THB 344.6mn in 4Q/2018 in line with the decreasing in revenue. However, GPM in this quarter improved to 29.4% from 25.4% in 4Q/2018 due to the revenue mainly was from sales of projects with normal profit margin. For F&B business, the Company gained THB 7.0mn of gross profit in this period, represented a GPM of 66.1%, increased from THB 2.8mn in 4Q/2018, where GPM was 30.4% due to the reduction in the setup cost as explained in the cost of sales section.

Distribution costs and Administrative Expenses (SG&A)

In 2019, the Company's distribution costs, and administrative expenses was THB 960.3mn, increased by THB 88.5mn, or 10.2% YoY, from THB 871.8mn in the previous year. The increase was mainly from THB 10.0mn donation to "Better Lives Foundation" as well as the administrative expense and expenses related to feasibility study research on new projects domestically and internally, because the Company is in an expansion period.

In 4Q/2019, the Company's distribution costs and administrative expenses was THB 249.2mn, decreased by THB 63.3mn, or 20.3% YoY, from THB 312.5mn in 4Q/2018, mainly due to the decrease in commission cost and expenses related to unit transferred which in line with the decrease in revenue from transferred.

Financial Cost

Most of financial cost resulted from loan interest borrowed to develop projects, which are capitalized as development costs for respective projects till construction completion. Thereafter, such interest costs will be recorded as finance costs in the Statement of Income. Loans are repaid in installments upon unit transfer.

In 2019, the Company had financial cost of THB 203.5mn, an increase of THB 54.5mn, or 36.5% YoY from THB 149.0mn in 2018 mainly due to the loan interest expense for the Lofts Asoke project was recognized as financial cost after the construction completed in December 2018. Moreover, the average interest rate of debenture that were active during 2019 was higher than that during 2018.

In 4Q/2019 3-month period, the Company had financial cost of THB 46.9mn, a slightly decrease of THB 0.4mn, or 0.8% YoY from THB 47.3mn in 4Q/2018 due to the loan for the Lofts Asoke project had been all paid up in this quarter.

Net Profit

In 2019, the Company had consolidated net profit of THB 59.9mn, an increase of THB 56.9mn, or 1,896.6% YoY, from the net profit of THB 3.0mn in 2018. Net profit per share in 2019 was 0.019.

In 4Q/2019 the Company had consolidated net loss of THB 129.0mn, a decrease of THB 233.0mn, or 224.0% YoY from net profit of THB 104.0mn in 4Q/2018. Net loss per share in 4Q/2019 was 0.03.

Financial Position (as of 31 December 2019)

Assets

On 31 December 2019, the total assets of the Company stood at THB 12,904.7mn, a decrease of THB 1,471.7mn, or 10.2% decreased from total asset of THB 14,376.4mn as of 31 December 2018. The decrease was primarily attributed to 1) the decrease in leasehold right net of investment in joint venture increased THB 93.8mn due to the leasehold right for One City Centre project ("OCC"), which was recorded under a subsidiary, was deconsolidated from the Company's consolidate financial statement after MEA Commercial Holding Pte. Ltd. invested 40% in the subsidiary and caused the status of the subsidiary changed to be a joint venture company; 2) THB 776.0mn decrease in land awaiting development and investment properties when the Company sold an empty land plot in 2Q/2019 and sold SPACE 48 – an office building project on Ratchadapisek road in 3Q/2019; and 3) THB 650.4mn decrease in condominium purchased for sales when The Diplomat 39 and The Diplomat Sathorn were gradually transferred and recognized as revenue.

Liabilities

As of 31 December 2019, the Company's total liabilities stood at THB 7,174.9mn, a decrease of THB 1,432.9mn, or 16.6% decreased from THB 8,607.9mn of that as of 31 December 2018. It was mainly due to a net decrease in loan from financial institutions, loan from related parties and the Company's debentures of THB 601.0mn after the Company payback loan for The Lofts Asoke project and a decrease in deposits and advance received from customers after the construction of the project completed and began the units transferred. In 2019, there was a matured debenture amount of THB 1,000mn, on 21 September 2019 which the Company had repaid in full amount. In addition, the Company issued 2 tranches unsecured unsecured debenture with bondholder representative. The first one was on 1 August 2019, due 2022 amount of THB 1,005.0mn and the second one was on 4 December 2019 due 2021 amount of THB 194.0mn.

Shareholders' Equity

As of 31 December 2019, the Company's shareholders' equity stood at THB 5,729.8mn, a decrease of THB 38.7mn or 0.7% from THB 5,768.5mn as at end of 2018 mainly from an increase portion of shareholding of the Company's subsidiary in its subsidiary.

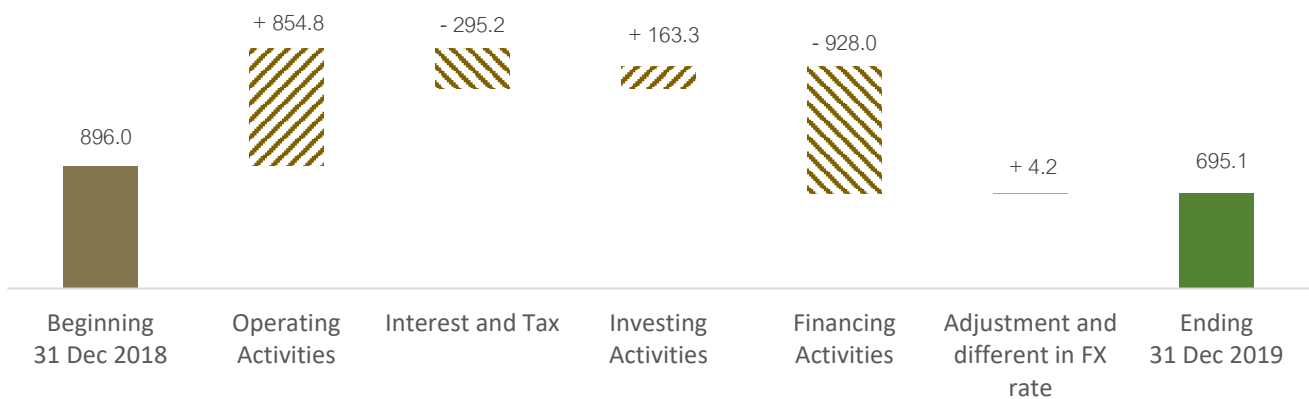
Net Debt to Equity Ratio

As of 31 December 2019, the Company's interest-bearing debt stood at THB 5,951.8mn, as a result, the D/E ratio at end of 2019 was 1.04 times, decreased from 1.14 times as of 31 December 2018. Regarding to the Company's target revenue from residential real estate projects of THB 10,000 -12,000mn per year within 5 years, the Company expects this ratio may continue to increase. However, the debt's policy is maintained by limiting the D/E ratio at below 1.5 times.

Cash Flow

In 2019, the Company had net cash received from operating activities of THB 559.6mn. The key components were the net profit of the year and cash received from the transferred of The Lofts Asoke, The Diplomat 39 and The Lofts Silom as well as net cash paid for interest payment and tax of THB 295.2mn. Net cash received from investing activities was THB 163.4mn. The key components were THB 593.9mn cash received from selling land awaiting development and received payback loan from related parties THB 587.1mn net of cash paid for 1) investment properties of THB 333.1mn; and 2) investment in subsidiaries and paid for losing control from subsidiaries to joint venture of THB 605.2mn. Net cash paid in financing activities was THB 928.0mn. The key components were cash paid for:- payback long-term borrowings from financial institutions of THB 1,159.2mn; payback short-term loan from related parties of THB 122.5mn and cash dividend paid out of THB 62.2mn, net of THB 312.8mn cash received from short-term loan from financial institution and THB 144.4mn received from debenture. As a result, the Company had ending cash of THB 695.1mn as of 31 December 2019.

Cash flow movement in 2019



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