

24 February 2021

No. KUN 007/2021

Subject Management Discussion and Analysis for the year ended 31 December 2020

To President

The Stock Exchange of Thailand

Items	2020		2019		Change	
	Million Baht	Percentage	Million Baht	Percentage	Million Baht	Percentage
Revenue from sales of real estate	799.64	99.48	649.46	99.51	150.18	23.12
Other Income	4.15	0.52	3.21	0.49	0.94	29.28
Total Income	803.79	100.00	652.67	100.00	151.12	23.15
Cost of sales	582.79	72.88	470.02	72.37	112.77	23.99
Selling expenses	58.22	7.28	49.24	7.58	8.98	18.24
Administrative expenses	57.27	7.16	59.53	9.17	(2.26)	(3.80)
Financial costs	0.24	0.03	2.89	0.44	(2.65)	(91.70)
Income tax expense	20.62	2.58	14.35	2.21	6.27	43.69
Profit for the period	84.64	10.58	56.64	8.68	28.00	49.44

Villa Kunalai Public Company Limited (“the Company”) and its subsidiary (“The Group”) would like to inform management discussion and analysis for its results of operations from the financial statements for the year ended 31 December 2020 as follows:

Revenue from sales of real estate

In 2020, the Group has revenue from sales of real estate amounting to THB 799.64 million, increasing from 2019 by THB 150.18 million or 23.12 percent since the unit transferred increased from 200 units in 2019 to 244 units in 2020. Moreover, the Group had opened 2 new projects during the year which are Kunalai Begins 2 and Kunalai Preem, which transferred 19 and 63 units respectively.

Cost of sales

In 2020, the Group has cost of sales of THB 582.79 million, which amount to 72.88 percent of revenue from sales of real estate. Cost of sales is slightly increased from 2019 which amount to 72.37 percent of revenue from sales of real estate. Because of COVID-19, Thai economic growth is negative. In addition, real estate is getting more competitive since most of the developers, both high and lose rise, have been trying to get their ready to transfer stocks transferred. To achieve the target, the group did not increase the product price during Q1-Q3'2020.

Gross profit

In 2020, the gross profit is THB 216.85 million and gross profit margin is 27.12 percent, slightly decreased from 2019. Because the economic regression from COVID-19, the group did not increase the selling price. Moreover, even the group could control the cost well, with promotion and discount given to customer in order to increase the sale, the margin dropped from 27.63 percent to 27.12 percent in 2019 and 2020 respectively.

Selling expenses

In 2020, the Group's selling expense was THB 58.28 million, increased by THB 8.99 million from 2021 or 15.18 percent. The group had transferred expense, which varied with unit transfer, of 33.32 in 2020. The promotion expense was slightly decreased due to the similarity of the new project to the existing one (Kunlai Joy).

Administrative expenses

In 2020, administrative expenses were THB 57.27 million, decreased from last year by THB 2.26 million or 3.80 percent. In 2020, the Group, main expense was employee related. However, ratio between employee expenses related and administrative is lower than it was in 2019. The expenses which got decreased during 2020 are financial advisor fee since the IPO process is completed during 2019.

Financial Costs

In 2020, Financial costs was THB 0.03 million, decreased by THB 2.86 million or 98.96 percent from 2019 because the Group has better financial costs management which reduced interest expense and invests more in the real estate project which allow the financial cost to be capitalized as real estate development cost

Profit and profit margin

In 2020, increased profit from 2019 by THB 28 million to THB 84.64 million, the Group's revenue from sales of real estate was increased from THB 649.46 million in 2019 to THB 799.64 million in 2020. The Group has transferred 244 unit in 2020, while only transferred 200 units in 2019. The cost of sales margin increased from 72.37 percent in 2019 to 72.88 percent in 2020 because of the economy downturn from COVID-19 and higher competition in real estate market. However, the Group was able to reduced selling expenses and administrative expenses by THB 2.26 million or 3.80 percent from THB 59.53 million in 2019 to THB 57.27 million. As a result, the Group has higher net profit.

	2020	2019	Change	Change%
Total Assets	1,034.98	940.41	94.58	10.06%
Cash and cash equivalents	89.14	54.71	34.44	62.95%
Real estate development cost	698.28	694.38	3.90	0.56%
Land awaiting for development	98.97	86.89	12.08	13.90%
Total Liabilities	522.02	481.36	40.66	8.45%
Short-term borrowing from a financial institution	30.00	-	30.00	100.00%
Current portion of debentures	1.33	-	1.33	100.00%
Debentures	87.01	-	87.01	100.00%
Current portion of long-term borrowings from financial institution	183.18	194.65	(11.47)	-5.89%
Long-term borrowings from financial institution	40.51	118.51	(78.00)	-65.82%
Total Equity	512.96	459.05	53.92	11.75%

Assets

Real estate development cost

In 2020, the Group has real estate development cost of THB 698.28 million, increased by THB 3.90 million or 0.56 percent from 2019 because the Group did not purchase any land for project development. In addition, Kunalai Begins 2 and Kunalai Preem were transferred and recognize as revenue during 2020. Even though, The Group made investment in the projects, real estate development cost was slightly increased because more units were transferred.

Land awaiting for development

In 2020, land awaiting for development was THB 98.97 million, increased by THB 3.90 million because the Group acquired land for the future development.

Liabilities

Borrowing from financial institution

In 2020, the Group had outstanding borrowing from financial institution of THB 223.69 million, decreased by 28.57 percent. The Group issued debenture 1/2020 with the value of THB 90.00 million to use as its working capital and acquire land for future development. Therefore, the Group drawdown loan less from the financial institution.

Debentures

In 2020, the Group had outstanding debenture of THB 90.00 million with collaterals. The debenture was 1/2020 value 1,000 THB each unit with the effective interest rate of 8.52 percent. The debenture is used as its working capital and acquired land for future development.

Equity

Equity of the Group was THB 512.96 million on 31 December 2020, increased from THB 459.05 million. The major reason for its increase are profit for the period of THB 84.64 million in 2020. However, the Group paid interim dividend of THB 30.72 million.

Please be informed accordingly.

Mr. Suradech Prachubsirat

Chief Financial Officer