

Ref. CHEWA 20-08/01

7 August 2020

**Subject:** Management Discussion and Analysis Quarter 2/2020 And six-month Ending 30 June 2020

**Dear:** Directors and Managers

The Stock Exchange of Thailand

### **Summary on the Operating Performance Overview**

For the quarter 2/2020, It was during this time that both domestic and international activities were interrupted. Causes due to the outbreak of COVID-19. Resulting in the global economy in crisis and expected to have a long-term continuation which the real estate industry has to stop or postpone marketing activities resulting in a decrease visitor to the project. The operational guideline of the company has been revised to be in accordance with the real estate business slowdown and the company have prepared a business continuity plan by focusing on enhancing the liquidity and increasing cash flow. Since real estate business requires a large amount of investment fund, target to clear existing inventory including the management of the financial structure at reasonable costs and manage costs for maximum efficiency. In order to keep the business running stable

For the quarter 2/2020, Chewathai Public Co., Ltd. and subsidiary companies has total revenue of 331.20 million baht increased from the same period of the previous year by 19.68% The increase was mainly due to the transfer of ownership of low-rise projects, expanding by 134.23% but since the gross profit margin from real estate sales decreased from 25.61% to 21.17%, resulting in the company having a Net loss of 11.32 million baht. Net loss decreased from the same period of the previous year in the amount of 1.88 million baht or loss decreased 14.24%.

New projects in the future that are expected to be transferred in the second half of 2020, total value of the project is 3,793 million baht, including the Chewa Home Rangsit-Pathum Project value of 1,093 million baht., Chewathai Kaset-Nawamin Project value 1,700 million baht and Chewathai Residence Thonglor Project value of 1,000 million baht.

## Comparison performance of the Company for the three months and six-months ended 30

June 2020 and 2019

(Unit: million baht)

Statement of comprehensive income	For three-months period				For six-month period			
	Q2'2020	Q2'2019	Change	%	2020 six-month	2019 six-month	Change	%
<b>Revenue</b>								
Revenue from sale of real estate	315.92	267.19	48.73	18.24	635.23	600.01	35.22	5.87
Rental and service income from factory	9.25	4.65	4.60	98.92	18.48	9.31	9.17	98.50
Other income	6.03	4.89	1.14	23.31	10.67	9.32	1.35	14.48
<b>Total Revenue</b>	<b>331.20</b>	<b>276.73</b>	<b>54.47</b>	<b>19.68</b>	<b>664.38</b>	<b>618.64</b>	<b>45.74</b>	<b>7.39</b>
<b>Expenses</b>								
Cost of real estate sold	249.05	198.68	50.37	25.35	498.34	440.05	58.29	13.25
Cost of Rental and service from factory	3.25	3.26	(0.01)	(0.31)	6.50	6.48	0.02	0.31
Selling expenses	37.83	44.48	(6.65)	(14.95)	88.16	88.81	(0.65)	(0.73)
Administrative expenses	47.06	40.74	6.32	15.51	94.18	78.81	15.37	19.50
<b>Total Expenses</b>	<b>337.19</b>	<b>287.16</b>	<b>50.03</b>	<b>17.42</b>	<b>687.18</b>	<b>614.15</b>	<b>73.03</b>	<b>11.89</b>
<b>Profit before share of profit (loss) from investments in joint venture and associate, finance costs and income tax</b>	<b>(5.99)</b>	<b>(10.43)</b>	<b>(4.44)</b>	<b>(42.57)</b>	<b>(22.80)</b>	<b>4.49</b>	<b>(27.29)</b>	<b>(607.80)</b>
Share of profit (loss) from investment in joint venture	(1.26)	(0.38)	0.88	231.58	(0.69)	1.54	(2.23)	(144.81)
Share of loss from investments in associates	(2.52)	(0.32)	2.20	687.50	(5.75)	(0.75)	5.00	666.67
<b>Profit before finance costs and income tax</b>	<b>(9.77)</b>	<b>(11.13)</b>	<b>(1.36)</b>	<b>(12.22)</b>	<b>(29.24)</b>	<b>5.28</b>	<b>(34.52)</b>	<b>(653.79)</b>
Finance costs	5.12	4.03	1.09	27.05	13.43	12.55	0.88	7.01
<b>Profit (loss) before income tax</b>	<b>(14.89)</b>	<b>(15.16)</b>	<b>(0.27)</b>	<b>(1.78)</b>	<b>(42.67)</b>	<b>(7.27)</b>	<b>35.40</b>	<b>486.93</b>
Income tax expenses	3.57	1.96	1.61	82.14	5.48	0.86	4.62	537.21
<b>Profit (loss) for the period</b>	<b>(11.32)</b>	<b>(13.20)</b>	<b>(1.88)</b>	<b>(14.24)</b>	<b>(37.19)</b>	<b>(6.41)</b>	<b>30.78</b>	<b>480.19</b>
<b>Gross profit %</b>	<b>22.41%</b>	<b>25.71%</b>			<b>22.77%</b>	<b>26.72%</b>		
<b>Gross Profit Margin from sales of real estate (%)</b>	<b>21.17%</b>	<b>25.64%</b>			<b>21.55%</b>	<b>26.66%</b>		
<b>Net profit %</b>	<b>(3.42%)</b>	<b>(4.77%)</b>			<b>(5.60%)</b>	<b>(1.04%)</b>		

## Revenue from Operating Performance

## 1. Revenue from sale of real estate

For the quarter 2/2020, the revenue from sale of real estate was 315.92 million baht representing 95.39 percent of the total revenue, increased from the same period of the previous year by 48.73 million baht or increased by 18.24 percent, divided into

- Revenue from condominiums projects in the amount of 91.14 million baht or 28.85 percent of revenue from sale of real estate which decreased from the same period of the previous year by 80.09 million baht or decrease by 46.77 percent. For the quarter 2/2020, the company has revenue from condominiums 3 projects which is the Chewathai Hallmark Charan13 that was completed and the income recognized this year. And for

Chewathai Phetkasem 27, Chewathai Residence Asoke is expected to close this year as well.

- Revenue from housing projects in the amount of 224.77 million baht or 71.15 percent of revenue from sale of real estate which increased from the same period of the previous year by 128.81 million baht or increase 134.23 percent for the quarter 2/2020, the company has revenue from housing 6 projects, which is the Chewarom Nakhon In which is the main revenue of 115.56 million baht 51.41 percent of revenue from sale of real estate causing the company to have income from housing projects expanding more

**2. Rental and service income form Factory** was in the amount of 9.25 million baht, representing 2.79 percent of the total revenue. The company has received full income from factory rental and service fees which 10 units start in the quarter 1/2020, and quarter 2/2020 the company has rental and service income form Factory increased from the same period of the previous year by 4.60 million baht or increased 98.92 percent

### **3. Other incomes**

The company has other incomes of 6.03 million baht or 1.82 percent of total revenue, other incomes consist of management services for the related companies, interest income etc. In the quarter 2/2020, the company has other incomes an increase of 1.14 million baht from the same period of the previous year or increased 23.31 percent.

### **Cost of Goods Sold and Gross Profit**

For the quarter 2/2020, the company had cost of real estate sold in the amount of 249.05 million baht, that increased from the same period of the previous year by 50.37 million baht or increased 25.35 percent. And gross profit margin from sales of real estate which decreased from the same period of the previous year by 4.47 percent to 21.17 percent due to price competition in order to clear existing inventory

Cost of Rental and service from factory is the depreciation cost of investment properties including Ready Built Factories for rent and shops units for rent. In the quarter 2/2020, the company has cost of rental and service from factory of 3.25 million baht.

As a result, In the quarter 2/2020, the company had the gross profit amount of 72.87 million baht that increased the same period of the previous year by 2.97 million baht or increased by 4.25 percent. And gross profit margin of 22.41 percent decreased from the same period of the previous year 3.30 percent.

### **Selling and Administrative Expenses**

For the quarter 2/2020, the company had the total selling and administrative expenses in the amount of 84.89 million baht, which decreased from the same period of the previous year by 0.33 million baht or decreased 0.39 percent. If compared the total selling and administrative expenses with the total revenue the company had an decreased in the SG&A Ratio from the same period of the previous year by 30.80 percent to 25.63 percent.

#### **Share of Profits (Loss) from Investments in Joint Ventures and associates**

The profit sharing from the investment in the joint venture is the recognition of the profit sharing from the investment in Chewathai Hup Soon Company Limited (“CTHS”) in the proportion of 50 percent and Chewa Heart Company Limited (“CWH”) in the proportion of 70 percent. In this regard, the company recognized the share of loss from the investments in the joint ventures in the amount of 1.26 million baht.

The Profit sharing from the investment in the associates is the recognition of the profit sharing from the investment in Kamala Senior Living Company Limited, which the company entered into a consortium contract with the proportion of shareholder at 25 percent. The company recognized the share of loss from the investment in the associates in the amount of 2.52 million baht.

#### **Net Profit**

From the operating performance in the quarter 2/2020, the company and its subsidiaries had a Net loss of 11.32 million baht which Net loss decreased from the same period of the previous year in the amount of 1.88 million baht or decreased 14.24 percent and the net profit margin –3.42 percent

#### **Financial Position as at 30 June 2020 and 31 December 2019**

(Unit: million baht)

<b>Financial Position</b>	<b>30 Jun 20</b>	<b>31 Dec 19</b>	<b>Change</b>	<b>%</b>
<b>Total Asset</b>	6,870.17	6,404.31	465.86	7.27
<b>Total Liability</b>	5,166.91	4,663.86	503.05	10.79
<b>Shareholders'equity</b>	1,703.25	1,740.45	(37.20)	(2.14)

#### **Total Assets**

As of 30 June 2020, the company had total assets of 6,870.17 million baht, an increase of 465.86 million baht or 7.27 percent from the previous year. Increased from project development in which the company has 11 projects under development

#### **Total Liabilities**

As of 30 June 2020, the company had the total liabilities of 5,166.91 million baht, an increase of 503.05 million baht or 10.79 percent from the previous year. Due to the company issued debentures and

long-term loans from financial institutions to be used as investment funds for future project development

**Shareholders' Equity**

The shareholders' equity as of 30 June 2020 is 1,703.25 million baht, a decrease of 37.20 million baht or 2.14 percent from the previous year. Decrease due to the company has loss from operations in the quarter 2/2020.

Please be informed accordingly

Sincerely Yours,

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(Mr. Boon Choon Kiat)

Managing director