



August 15, 2017

Managing Director

Stock Exchange of Thailand

Dear Sir,

### **Re. Management's explanation for the operating results of the 2<sup>nd</sup> Quarter**

The Company wishes to explain its operating results and its subsidiaries' in the 2<sup>nd</sup> quarter of fiscal year 2017 which showed a reduced net profit from the same quarter last year by Baht 33.15 million equivalent to 344% which caused by following factors :-

1. The Company has reduced revenue from Baht 814 million to Baht 505 million, a reduction by Baht 309 million equivalent to 38% contributed by the reduction of revenue from property transfer of Baht 333 million equivalent to 50.6%. Those revenues comes from the continued transfer of title in ISSI Condominium Suksawad, Issara Village Huahin-Cha Am townhouse, and Baan Thew Talay phase1, 2 and BLU on Cha-Am Huahin beach which has been completed. For the Issara Collection Sathorn, the title transfer is still delayed from schedule so its revenue has not yet been realized in quarter 2 according to the target. The Company expects to be able to start transfer in the following quarter. Such delay therefore made the total revenue in this quarter reduced.
  
2. The Company has cost of goods sold and expenses as follow:-
  - 2.1.1 Cost of property sale reduced by Baht 207 million due to the reduced transfer of title while the gross profit slightly decrease from 35.34% to 31.60% caused by the fact that the Company has conduct a promotion to speed up sales and transfer in various projects.
  
  - 2.1.2 Cost of rental and services reduced at constant revenue which made gross profit increased from 46.34% to 50%
  
  - 2.1.3 Cost of hotel operation increased along with the increased revenue of 14% while its gross profit reduced from 13.03% to 8.36%



- 2.1.4 Sales expenses reduced by Baht 5.6 million equivalent to 8.6% as a result of re-change the policy to advertise more in digital media and expenses control to improve efficiency.
- 2.1.5 Administration expenses has increased by Baht 6.9 million which partly come from the preparation of staff for another two hotels operation mentioned above.
- 2.2 The Company has a reduced financial expenses by Baht 3.7 million from loan repayments in various projects which has been gradually transferred to customers.
- 2.3 It also has a reduced tax expenses by Baht 35 million from reduced transfer of property to customers.

The balance sheet as of June 30, 2017 when compare to that of December 31, 2016 can be summarized as follows:-

#### Total Assets

The Company has increased total assets from Baht 7,328 million as of December 31, 2016 by Baht 188 million out of the total assets as of June 30, 2017 of Baht 7,516.36 million or equivalent to an increase of 2.5%. Items with material increased include property, plant and equipment of Baht 325 million which mainly consist of construction and decoration of the two hotels namely Baba Beach Club Phuket and Baba Beach Hua Hin- Club Cha Am whereas those two hotels will be operating in the 4<sup>th</sup> quarter of this fiscal year. The cost of property development projects for sale increased by Baht 54 million. For cash and current investments which has reduced were used in the construction of both Baba Beach Club aforementioned. Other than those were increase and decrease in normal business operation.

#### Total Liabilities

The Company has total liabilities increased from Baht 5,040 million that of December 31, 2016 by Baht 138.4 million. The total liabilities as of June 30, 2017 stood at Baht 5,178.18 million or equivalent to an increase of 2.75% Item which has material increase was the issuing of long term debenture of Baht 439 million of which partly had been used to repay short term promissory notes of Baht 300 million upon maturity.



From details explained above the Company's net profit had decreased from that of the same quarter last year. However, the Company expect to increase its revenue to meet the target.

Report filed herewith for your kind information.

Yours truly,

Songkran Issara

Chief Executive Officer and Managing Director