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At Bor Chor Ngor 0532 /2015

9 November 2015

Subject: Management Discussion & Analysis (MD&A) of Operating Results for the Third Quarter 2015 Ending 30 September 2015

To: President
The Stock Exchange of Thailand

Quality Houses Public Company Limited and its subsidiaries (the "Company and its subsidiaries") would like to report the third quarter and 9-month performance at the end of 30 September 2015 which decreased by Baht 500 million or 47% and Baht 877 million or 33%, compared with the same period in the previous year respectively with the details as follows:

I. Revenues from operations by business segment

In the third quarter and 9-month performance of 2015, the Company and its subsidiaries' revenues from sales of real estate decreased while the property rentals business generated higher revenues compared with the same period of last year. The quarterly comparison of its performance in different business categories is shown in the table below:

	(Unit: Million Baht)							
	Third quarter				9-month period			
	2015	2014	Difference		2015	2014	Difference	
		Million Baht	%			Million Baht	%	
Sales of real estate	4,016	6,163	(2,147)	(35)	11,898	15,395	(3,497)	(23)
Rental and Service Income	292	266	26	10	851	777	74	10
Other Income	38	43	(5)	(12)	156	116	40	34
Total Revenues	4,346	6,472	(2,126)	(33)	12,905	16,288	(3,383)	(21)

In summary, the Company and its subsidiaries' total revenues in Q3/2015 and Q3/2014 are Baht 4,346 million and Baht 6,472 million respectively, a decrease of Baht 2,126 million or 33% compared with the same period of last year. The Company and its subsidiaries' total revenues for 9-month period of 2015 and 2014 are

Baht 12,905 million and Baht 16,288 million respectively, a decrease of Baht 3,383 million or 21% compared with the same period of last year with the details as follows:

1. Sales of real estate for the third quarter and 9-month period of 2015 decreased by Baht 2,147 million, or 35% and Baht 3,497 million or 23% compared with the same period in precedent year. In 9-month period of 2015, the revenue derived from revenue of condominium in the third quarter and 9-month period decreased in the amount of Baht 1,540 million, or 71% and Baht 2,878 million, or 61% compared with the same period of the precedent year, respectively, because there were 6 condominium projects completed and transferred in 2014 while there were limited number of condominium units with selling price of not exceeding Baht 2 million transferred in 9-month 2015. Due to the delay of economic recovery, lack of consumer confidence in purchasing real estate and the strict policy of banks to grant mortgage loans, these affected some customers' affordability to transfer ownership of the condominium units. Thus, the revenue from condominium projects of the Company and its subsidiaries was decreased. In addition, the revenues derived from sales of houses and land for the third quarter and 9-month period of 2015 decreased by Baht 607 million or 15% and Baht 619 million or 6 % compared with the same period in the precedent year, respectively, because the delay of economic recovery affecting customers in the middle to high segments who have the purchasing power, but lack of confidence. Some customers are also waiting for government policy relating to the reduction of property transfer fee and mortgage fee. Therefore, they slowed down their decision in purchasing the real estate in this period.

In 9-month period of 2015, the Company and its subsidiaries launched 15 new housing projects with total project value of Baht 12,726 million and 5 new condominium projects with the total project value of Baht 12,514 million, and also 9 housing project completed and transferred.

2. Rental and Service Income in the third quarter and 9-month period of 2015 increased by Baht 26 million or 10% and Baht 74 million or 10% compared with the same period of the precedent year, respectively. Revenue from its hotel business in the third quarter and 9-month period of 2015 increased by Baht 20 million or 12% and Baht 57 million or 11% compared with the same period of the precedent year, respectively, due to higher occupancy rates and room rates as the political situation calmed down. Besides a resurgence of tourism, the announcement of the lifting of martial law on 1 April 2015 allowed foreign visitors to be able to purchase travel insurance to Thailand. Owing to this fact, it restored confidence to the country, especially visitors attending meetings and seminars in Thailand.

In addition, the revenues from office buildings for rent in the third quarter and 9-month period of 2015 increased by Baht 6 million or 6% and Baht 17 million or 6% compared with the same period of the precedent year, respectively because the overall rental and occupancy rate of every project improved.

3. **Other Income** in the third quarter and 9-month period of 2015 decreased by Baht 5 million or 12% compared with the same period of the precedent year. The subsidiaries' revenues from management service provided to two Grand Centre Point hotels, Ratchadamri and Terminal 21, decreased by Baht 8 million while income from forfeiture of booking and down payments increased by Baht 3 million and also increased by Baht 40 million or 34% compared with 9 months period of the precedent year. The subsidiaries' revenue from management services provide to residential buildings and hotels increased due to the recovery of hotel operating result. In addition, the Company and its subsidiaries have forfeited the retention guarantee of contractors who breached the conditions of service or construction agreements.

II Share of profit from investments in associates

During the third quarter of 2015, the Company's share of profit from investments in associated companies was Baht 299 million, increased by Baht 32 million or 12% and it was Baht 864 million, increased by Baht 107 million or 14% for 9-month period of 2015, compared with the same period of the precedent year, respectively. The details of the Company's profit sharing from four associated companies are as follows:

	(Unit: Million Baht)							
	Third quarter				9-month period			
	2015	2014	Difference		2015	2014	Difference	
		Million Baht	%	Million Baht	%			
Home Product Center Plc.	160	150	10	7	469	450	19	4
LH Financial Group Plc.	94	78	16	21	255	191	64	34
Quality Houses Leasehold								
Property Fund	34	32	2	6	108	99	9	9
Quality House Hotel and Residence								
Freehold and Leasehold Property								
Fund	11	7	4	57	32	17	15	88
Total Revenues	299	267	32	12	864	757	107	14

III Cost of sales by business segment

	(Unit: Million Baht)							
	Third quarter				9-month period			
	2015	2014	Difference		2015	2014	Difference	
		Million Baht	%	Million Baht	%			
Cost of real estate sold	2,804	4,209	(1,405)	(33)	8,234	10,427	(2,193)	(21)
Cost of rentals and services	185	172	13	8	542	514	28	5
Total cost of sales	2,989	4,381	(1,392)	(32)	8,776	10,941	(2,165)	(20)

The total cost of sales for the third quarter of 2015 decreased by Baht 1,392 million or 32% and 9-month period of 2015 decreased by Baht 2,165 million or 20%, compared with the same period of the precedent year, respectively due to the increase/decrease of revenue and improvements in this business segment. Details are shown in the above table of revenues derived from performance classified by business segment.

IV Expenses

	(Unit: Million Baht)							
	Third quarter				9-month period			
	2015	2014	Difference		2015	2014	Difference	
			Million Baht	%			Million Baht	%
Selling expenses	468	557	(89)	(16)	1,290	1,454	(164)	(11)
Administrative expenses	449	435	14	3	1,393	1,246	147	12
Finance costs	92	81	11	14	231	198	33	17
Income tax expenses	77	215	(138)	(64)	276	526	(250)	(48)

1. Selling Expenses in the third quarter of 2015 decreased from the same period of the precedent year by Baht 89 million, or 16% because the Company and its subsidiaries' sales promotion expenses decreased by Baht 16 million and the specific business taxes and transfer fees decreased by Baht 89 million. These expenses varied with the decrease in the total sales of real estate. The Company and its subsidiaries' advertising and public relation expenses increased by Baht 16 million and in 9-month period of 2015 decreased from the same period of the precedent year in the amount of Baht 164 million, or 11% as the details mentioned above. These are from the decrease in sales promotion expenses by Baht 46 million, the decrease in the specific business taxes and transfer fees by Baht 147 million and the increase in the Company and its subsidiaries' advertising and public relations expenses due to new launch of house and condominium projects by Baht 29 million in 9-month of 2015.

2. Administrative Expenses in the third quarter of 2015 increased by Baht 14 million or 3% compared with the same period of the precedent year due to the increase in employee salaries and welfare by Baht 26 million which varied with the increase in the number of employees from the expansion of real estate projects for sales and the increase in the annual salary, other administrative expenses decreased by Baht 5 million and after-sales service expenses decreased by Baht 7 million which is contributed by decrease in maintenance of project

utilities and home improvement for clients by Baht 15 million and increase in security and other relevant expenses by Baht 8 million.

The administrative expenses for 9-month period of 2015 increased by Baht 147 million or 12%, compared with the same period of the precedent year due to the increase in the employee salaries and welfares by Baht 95 million, other operating expenses increased by Baht 8 million and the after-sale service expenses increased by Baht 32 million, which is from (I) the maintenance of project, security and other after-sale service expenses increased by Baht 26 million, Baht 23 million, Baht 12 million, respectively, (II) the decrease in repairing of the common utilities of the housing projects and repairing of customers' homes in the amount of Bath 29 million. Moreover, a subsidiary company has set aside an allowance for doubtful account of long-term loan to and interest receivable in accordance with its shares held in Harbour View Joint Stock Company ("HVC") worth Baht 34 million, of 14.15% holdings in HVC. HVC is a business that operates hotels and commercial buildings for rent in Haiphong, Vietnam. As HVC's performance showed continuous loss. The Company has reversed the provision for loss arising from guarantee of minimum rental income of three centre point hotels, Pratunam, Sukhumvit 10 and Chidlom, Baht 22 million, net of the Company's investment portion in QHHR (31.33%).

3. Finance Costs, for the third quarter and 9-month period of 2015, comprise of interest expenses, bank charges and financial advisory fees increased by Baht 11 million, or 14% and Baht 33 million, or 17% compared with the same period of the precedent year, respectively, because the Company and its subsidiaries had more loans for expansion their investments in property development for sale in anticipation of future sales growth. During the year, the Company and its subsidiaries have condominium projects completed. The interest expense under such projects cannot be capitalized and be realized as interest expense during this period.

4. Income Tax Expenses, for the third quarter performance and 9-month period of 2015, decreased by Baht 138 million, or 64% and Baht 250 million, or 48% compared with the same period of the precedent year, respectively. The expenses varied with the operating results of the Company and its subsidiaries as mentioned above.

V Profit for the period

	Third quarter		Difference		9-month period		Difference	
	2015	2014	Million Baht	%	2015	2014	Million Baht	%
	(Unit: Million Baht)							
Profit for the period	570	1,070	(500)	(47)	1,803	2,680	(877)	(33)

In the third quarter and 9-month period of 2015, the Company and its subsidiaries total profit decreased by Baht 500 million, or 47% and Baht 877 million, or 33%, compared with the same period of the precedent year, respectively. The details are as follows:

1. In the third quarter of 2015, the Company and its subsidiaries' gross profit from real estate for sales decreased by Baht 742 million, other revenue decreased by Baht 5 million and finance costs increased by Baht 11 million while the gross profit of its rental businesses increased by Baht 13 million, revenues from profit sharing of investments in the associated companies increased by Baht 32 million, selling and administrative expenses decreased by Baht 75 million and corporate income tax decreased by Baht 138 million as details mentioned above.
2. In 9-month period of 2015, the Company and its subsidiaries' gross profit from real estate for sales decreased by Baht 1,304 million and finance costs increased by Baht 33 million while the gross profit of its rental businesses increased by Baht 46 million, revenues from profit sharing of investments in the associated companies increased by Baht 107 million, other incomes increased by Baht 40 million, selling and administrative expenses decreased by Baht 17 million and corporate income tax decreased by Baht 250 million as details mentioned above.

VI Financial Position

	30 September 2015	31 December 2014	(Unit: Million Baht)	
			Million Baht	%
Total assets	53,473	48,634	4,839	10
Total liabilities	33,230	29,485	3,745	13
Total shareholders' equity	20,243	19,149	1,094	6

1. Financial Position

As of the 30 September 2015, the Company and its subsidiaries' total assets increased by Baht 4,839 million or 10%, compared with 2014 (as of 31 December 2014), as a result of more land acquisition, construction in progress, project development costs from purchasing lands and relevant investments supporting the future property project with the net increase of Baht 3,773 million and the increase in cash by Baht 889 million from houses and condominiums transfer ownership at the end of September 2015. Share of profit from investments in associated companies net of dividend payments increased by Baht 209 million, other assets decreased by Baht 32 million and total liabilities increased by Baht 3,745 million or 13%, compared with 2014 (as of 31 December

2014), due to the increase in debentures issuance by Baht 2,394 million, the net increase in short-term loans from financial institutions, short-term and long-term loans Baht 1,107 million, the increase in advance received from customers by Baht 340 million and the decrease in other liabilities by Baht 96 million.

2. Shareholders' Equity

As of 30 September 2015, the shareholders' equity of the Company's and its subsidiaries increased by Baht 1,094 million or 6%, compared with 2014 (as of 31 December 2014), because:

- The Company and its subsidiaries' net profit for the 9 months period ended 30 September 2015 is Baht 1,803 million.
- Other components of shareholders' equity decreased by Baht 3 million due to loss from changing in value of available-for sale investments in the associated companies.
- In May 2015, the Company paid its dividend in the amount of Baht 170 million as the resolution of the Annual General Meeting of Shareholders as of 17 April 2015. The Company's Board of Directors which was held on August 24, 2015 approved the interim dividend payment from the operating results of 6 months (Jan-June 2015) and/or retained earnings in the amount of Baht 536 million. Such dividend has been paid to shareholders in September 2015.

Please be informed accordingly.

Sincerely yours,

(Mrs. Suwanna Bhuddhprasart)

Senior Executive Vice President

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