

CGD64/0015

March 1, 2021

Subject: Report on the operating results of Country Group Development PCL for the year ended December 31, 2020

To: The President
The Stock Exchange of Thailand

Country Group Development Public Company Limited (the "Company") would like to report the operating results of the Company and its subsidiaries for the year ended December 31, 2020 as follows:

Business Overview

Chao Phraya Estate, the flagship project of the company started to deliver the residential unit transfers of Four Seasons Private Residences (FSPR) to clients towards the tail end of 2019 which is the first time the company recognized revenue for this project after almost 5 years of the construction period.

The Four Seasons Hotel Bangkok and Capella Bangkok (Hotels Business), 2 hospitality assets within the Chao Phraya Estate, were gradually ready to open its doors to the general public since the beginning of 2020. Four Seasons Hotels Bangkok hosted its first events in January 2020 and was ready for full service in March 2020. The hotel opened to very positive feedback as was evidenced by the number of advance bookings backlog for both the rooms business as well as banqueting business. Its neighbor, Capella Bangkok planned to commence full operations to the general public in April 2020.

Unfortunately, the COVID-19 pandemic and the subsequent lock down measures in Thailand and all over the world in Q1 2020 had a direct impact to the Thai economy, hitting all sectors but hospitality in particular and needless to say had a material impact on the company's business plan. As a result, the delivery / transfer plans for the residential units of FSPR were delayed and the 2 hotels had to push back its opening dates.

Assets for Sales Business

Four Seasons Private Residences, a 366 residences with a project value of THB 20.5 billion, currently has sold backlog in excess of THB 13 billion (quality backlog as most of the clients have prepaid deposits of up to 30% of the contact value). In 2020, the company reported revenues from condominium sales of THB 3,263.2 million (an increase of 691% from previous years at a gross profit margin of 52%).

Table present revenue, cost of sale and gross profit margin of Four Season Private Residence project

Unit : THB Million

	2019	2020	Change (%)
Revenue	412.4	3,263.2	691%
Cost of Sales	181.5	1,559.7	759%
GP%	56%	52%	

Despite the significant increase in revenue, the actual transfers were still varied significant from the company's pre-COVID-19 expectations. The necessary lock down measures from the Thai government (and globally) was the key factor which resulted in the slower transfers as in excess of 50% of our clientele are foreign.

Hotel Business

Due to the postponement of the opening for both Four Seasons Hotel Bangkok and Capella Bangkok, the company implemented stringent cost control measures to ensure that the company was able to maintain necessary liquidity and readiness to be able to resume operations when the government lift up the restriction measures.

Capella Bangkok was only finally able to open its operation successfully in October 2020 while Four Seasons Hotel Bangkok resumed its operations in December 2020 (unfortunately only just in time for the second wave of COVID-19 in late December). Notwithstanding, this marks the first time the company reports revenue from hotel business of THB 92.6 million in 2020.

Debt Management

It is the nature of large scale mixed use development projects, which see continued increase in debt during the construction period peaking close to or at completion. The Chao Phraya Estate Project followed a similar trend which naturally impacted total debt levels at the parent CGD as per the table below:

Table present debt to equity

Unit : THB Million

	2016	2017	2018	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Debt	6,694	10,868	19,117	23,910	25,648	25,501	22,960	22,271
Equity	5,973	5,914	5,227	5,043	4,094	4,610	4,582	4,641
DE Ratio	1.12	1.84	3.66	4.74	6.27	5.53	5.01	4.80

The company reported the maximum DE ratio in Q1 2020 which gradually reduced as transfers of FSPR came in over time.

At the beginning of 2020, the management obtained the refinancing deal upon completion to be settled in March 2020 but it was postponed due to COVID-19 situation. Therefore, the company needed procure the backup financing plan as per the project financing from Ping An Bank (PAB) is going to due on September 2020. At maturity of the loan the company was successfully returned the PAB loan as part of a refinance agreement with partner of the project. At the beginning of 2020, management was able to secure a comprehensive refinancing deal in March 2020 to refinance the main project finance which would fall due in September of that year but unfortunately the facility was postponed indefinitely due to COVID-19. Therefore, the company needed procure the backup financing plan as per the project finance from Ping An Bank (PAB) and in September 2020, the entire project finance facility of USD 375m was successfully repaid on time as part of a refinance agreement with our partners in the project.

Given the impact of COVID-19 on both hospitality and prolonged transfers and determined to drastically drive down debt in a significant way (to avoid high financial costs), management proposed a scheme to divest its two hospitality assets to achieve immediate and drastic debt reduction.

The divestment of Four Season Hotels Bangkok and Capella Bangkok will generate a significant cash inflow and aims to reduce the current debt from the divestment proceed and expected to lower debt levels into half as well as drive down financial costs, which over the past two years was by far our greatest expense averaging 127% of our operating losses.

The divestment of the hotels has since been approved by our shareholders in the Extraordinary General Meeting of Shareholders No. 1/2021 dated 18 January 2021.

Company Outlook

The hotel divestment transaction will have the following positive impact on the company:

Lower debt level and financial costs

THB 10.5 billion expected proceed from the hotels transaction will repay the current debt which will lower the debt level as well as the financial costs will be significant lower.

Improved liquidity and focus on ready to transfer assets

Post transaction, the remaining of value of FSPR of approximately THB 16 billion (of which 50% is backlog and remaining 50% is completed ready-to-transfer units) will enable the company to be in a strong position to convert assets into cash as well as immediately recognize the revenue. The average achieved gross profit margin for FSPR has been 53% and the company aims to maintain this level of GP throughout.

The improved debt position means total proceeds remaining to be collected will be in excess of 10 times debt position. Moreover, the excess of cash flow will be an important source of equity as the company looks forward to developing the upcoming mixed use education/residential flagship project in Rama III, and mixed use retail/residential project in Chachoengsao; both projects the company has already acquired the land and ready to resume in 2021.

Summary of 2020 Financial Performance

Unit : THB Million

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020	Dec 31, 2019	Dec 31, 2020	%
REVENUES			
Total Revenues	943.81	3,810.60	303.75
EXPENSES			
Cost of condominium sale	181.49	1,559.72	759.42
Cost from hotel operation	0.00	87.91	0.00
Direct operating expenses arising from investment property	2.79	2.86	2.64
Distribution costs	182.98	207.75	13.54
Administrative expenses	464.42	821.86	76.97
Directors and managements' remuneration	39.94	40.17	0.58
Loss on impairment of assets	0.00	739.90	0.00
Loss on remeasuring fair value of investment property	15.64	22.11	41.41
Total Expenses	887.25	3,482.29	292.48
PROFIT FROM OPERATING ACTIVITIES	56.56	328.31	480.51
FINANCE INCOME	7.27	0.61	(91.55)
FINANCE COSTS	(454.61)	(609.15)	33.99
LOSS BEFORE INCOME TAX EXPENSE	(390.79)	(280.22)	(28.29)
INCOME TAX EXPENSE	43.71	126.09	188.49
NET LOSS FOR THE PERIOD	(434.49)	(406.31)	(6.49)

Revenue

The company reported total revenue in 2020 of THB 3,810.60 million increasing by 303% from 2019, which was mainly due to:

- Revenue from transfer of FSPR during the years THB 3,263.20 million
- Revenue from hotel business THB 92.63 million
- Exchange rate gain THB 230.89 million

Expenses

The company reported total expenses in 2020 of THB 3,482.29 million increased by 292% from 2019 which was mainly due to:

- Cost of FSPR during the year of THB 1,559.72 million which represented 55% of the GP
- Administration expenses of THB 821.86 million which was mainly due to the pre-operating expenses of both Four Seasons Hotel Bangkok and Capella Bangkok throughout the year (prolonged pre-opening period due to COVID-19).
- Loss on impairment of assets THB 739.90 million (see below).

Profit from Operating Activities

The company reported profit from operating activities in 2020 of THB 328.31 million, increasing by 481% from 2019.

Financial Cost

The company reported total financial cost in 2020 of THB 609.15 million, increasing by 34% from 2019 due to the effect of peak debt during the period.

Net Profit (Loss)

The company reported net loss in 2020 of THB 406.31 million decreasing by 6% from 2019.

Impairment of Assets

Even though the divestment of the hotels has not yet occurred, the company considered and estimated an allowance for impairment of assets related to hotel business in accordance with Thai Accounting Standard No. 36 "Impairment of Assets" by determining recoverable amount of the assets related to hotel business from fair value less costs of disposal which is mainly net cash proceeds from the assets according to hotel divestment strategy.

The management conducted an impairment testing for the assets related to hotel business as at December 31, 2020 and recognized estimated allowance for impairment of assets to be disposed in the amount of Baht 739.90 million. And such impairment loss is deductible temporary difference, so the company recorded deferred tax assets of Baht 205.79 million from this transaction.

Consequently, the company has net loss from the transaction of Baht 534.11 million in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

Table present the impact on impairment of assets

Unit : THB Million

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Dec 31,	Impact on	Without
FOR THE YEAR ENDED DECEMBER 31, 2020	2020	Impairment	Impact on
			Impairment
REVENUES			
Total Revenues	3,810.60	0.00	3,810.60
EXPENSES			
Total Expenses	3,482.29	(739.90)	2,742.39
PROFIT (LOSS) FROM OPERATING ACTIVITIES	328.31	(739.90)	1,068.21
FINANCE INCOME	0.61	0.00	0.61
FINANCE COSTS	(609.15)	0.00	(609.15)
GAIN (LOSS) BEFORE INCOME TAX EXPENSE	(280.22)	(739.90)	459.68
INCOME TAX EXPENSE (REVENUE)	126.09	(205.79)	331.88
NET LOSS FOR THE PERIOD	(406.31)	(534.11)	127.80

Rationale for the divestment of the hotel are provided above but it is important to highlight the impact of this impairment and the table above shows the total impact for this extraordinary non-recurring item.

Even though the company chose to reported the overall performance in 2020 as a loss of THB 406.31, but if we consider the effect of the impairment separately (as the divestment has yet to occur), the company was able to achieve a net profit of THB 127.80 million for the year 2020.

Please be informed accordingly.

Yours sincerely,

Ben Taechaubol

Chief Executive Officer