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8 August 2023

Subject: Management Discussion and Analysis for the Second Quarter of 2023

To: President

The Stock Exchange of Thailand

Grand Canal Land Public Company Limited and its subsidiaries (“the Company”) would like to inform the financial performance for the second quarter and six months of 2023 ending 30 June 2023 as follows.

Key Highlights in the Second Quarter of 2023

During the second quarter of 2023, the Thai economy continues its recovery momentum as the number of local and foreign tourists continues to expand, boosting the services sector, private consumption and private investments (source: The Bank of Thailand). Furthermore, the citizens resume their daily activities close to normal level post COVID-19 pandemic, resulting in sustained recovery in the commercial real estate sector. Despite early recovery momentum to the Thai economy, uncertainties and near-term volatility still remains, such as staggering global economic growth, rising inflation and interest rates, that may impact business performance in the coming periods. More importantly, the offices market faces challenging outlook from changing workplace behavior, as well as from competition of upcoming office supply (source: Knight Frank Thailand).

The Company continues to manage its businesses to accommodate top quality services to the visitors and customers for its projects, Furthermore, to address temperature fluctuations resulting from climate changes, the company deploys an energy management system, including building temperature control, alongside effective cost management to align with revenue. Most importantly, the Company continues to look after the best interest of its stakeholders, including tenants, shops, customers, business partners and shareholders. Key events in the second quarter of 2023 for each business are as follow:

Offices business: The number of office employees that return to office continues to increase at gradual pace. Meanwhile, following the COVID-19 pandemic situation, demand for office space have varied among office tenants. Whilst some tenants continue to adopt flexible work schemes and work-from-policy, others have steadily brought employees back into the office full-time. Regardless of workplace policies adopted by the tenants, the Company continues to deploy stringent measures to ensure the safety and well-being of on-site employees and visitors at its office projects. Furthermore, the company continues to engage prospective tenants and explore services enhancement opportunities in existing projects in response to industry competition and anticipated demand recovery.

Retail area leases business: The area benefited from the recovery of not only office employees traffic, but also from those of local residents, visitors from nearby communities, and tourists. Moreover, the Company continues to carry out sales and marketing activities to support retail tenants, which resulted in commendable recovery of their sales performance. Hence, the Company is able to step back on rental discounts near pre COVID-19 levels.

Real estate business: Comprises one project, namely Nirati Donmuang. During the period, project visitations and pre-sales continue to grow as the project accelerates its pace to complete the construction and furnishing of booked units such that they can be transferred to the customers as planned.

Sustainable Business Development: The Company recognizes the importance of community, social and environmental development along with its business growth aspiration and are committed to maintain its excellence in sustainable development. During the second quarter of 2023, the Company organized a project-wide merit making ceremony for the occasion of Thai New Year with over 200 participants. Moreover, the Company, together with the Thai Red Cross Society and Siam Commercial Bank PCL, have organized a blood drive event at G Tower office building.

Summary of Financial Performance in the Second Quarter of 2023

Revenues

The Company reported total revenue of 407 million Baht, a decrease of 5% from the previous year (for the six-month period revenue stood at 810 million Baht, an increase of 1% from the previous year). The decrease mainly comes from slightly lower rental and services revenue driven by lower occupancy rate amidst challenging industry situation. Despite a compromised performance, the Company managed to secure solid rental rate increases at or

slightly better than industry benchmarks. Meanwhile, revenue of real estate business stood similarly close to the previous year as the Company clocked in similar number of unit transfers from Nirati Donmuang.

Operating expenses

The Company reported total operating expenses of 182 million Baht, an increase of 10% from the previous year (for the six-month period total operating expenses stood at 359 million Baht, an increase of 13% from the previous year). The increase mainly comes from higher costs and expenditures associated with the completion, sales and transfers of Nirati Donmuang, as well as higher cost of services and administrative expenses in-line with rising inflation and energy cost. Despite having lower gross profit and operating profit margins compared to the previous year, the overall business performance remains resilient to the changing industry dynamics and according to plan.

Net Profit

The Company reported net profit of 74 million Baht, a decrease of 65% from the previous year (for the six-month period net profit stood at 158 million Baht, a decrease of 47% from the previous year). Excluding the impact of fair value adjustment and other non-recurring items, net profit would decrease approximately 29% from the previous year (a decrease of 18% from the previous year for the six-month period) primarily from higher financing cost and in the similar magnitude of policy interest rate increases. Despite the impact to net profit, the Company's core business performance demonstrates prudent cost control and resiliency towards operating profits, as well as maintain robust debt and capital structure to ensure cost of capital are kept at efficient levels.

Capital structure

The Company reported total interest-bearing debt of 6,334 million Baht, an increase from the balance as of 31 December 2022 of 6,256 million Baht. The weighted average financing cost at the end of the period stood at 3.87%, which was higher than that of the end of the previous year at 3.03%.

Net interest-bearing debt to equity ratio at the end of the period stood at 0.38 times, unchanged from that of the end of the previous year. The ratio remains well in-line with the Company's policy of not exceed 1 time and debt covenant of not exceeding 3 times.

Although the Company recognizes net profit during the year, it still has considerable debt obligations to fulfill in the near-term and must prepare adequate sources of funds to support the investment in new projects to accommodate the Company's long-term growth.

Please be informed accordingly.

Sincerely,

-Ponpinit Upathamp-

(Mr. Ponpinit Upathamp)

Chief Financial Officer

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

	2Q22	2Q23	% Chg		6M22	6M23	% Chg
<i>Unit: million Baht</i>							
Rental and services revenue	313	308	-2%	0	606	617	2%
Revenue from sales	76	74	-3%	0	133	145	9%
Revenue from operations	389	382	-2%	0	739	761	3%
Other income	37	26	-31%	0	59	49	-18%
Total revenue	427	407	-5%	0	798	810	1%
Cost of rental and services	52	60	16%	0	103	121	17%
Cost of sales	38	40	5%	0	60	78	30%
Selling & administrative expenses	75	82	9%	0	154	161	4%
Total operating expenses	165	182	10%	0	316	359	13%
(Profit) Loss from items not related to the business operations	(46)	58	-226%	0	6	109	1774%
Financing cost	32	51	59%	0	69	95	39%
Profit before income tax and NCI	275	116	-58%	0	407	247	-39%
Income tax expense	56	36	-35%	0	89	76	-14%
Non-controlling interest	11	6	-44%	0	21	13	-36%
Net profit	209	74	-65%	0	298	158	-47%

Table 2: Summary of Financial Position

	YE22	2Q23	% Chg
<i>Unit: million Baht</i>			
Current assets	1,162	1,116	-4%
Non-current assets	28,546	28,783	1%
Total assets	29,709	29,899	1%
Current liabilities	2,454	2,340	-5%
Non-current liabilities	10,987	11,107	1%
Total liabilities	13,441	13,447	0%
Shareholders' equity	16,267	16,452	1%
Total liabilities and equity	29,709	29,899	1%
Net interest-bearing debt	6,149	6,254	2%

Table 3: Key Financial Ratios

	2Q22	2Q23	Chg.
<u>Profitability Ratio</u>			
Gross profit margin (%)	77%	74%	-3%
Operating profit margin (%)	61%	55%	-6%
Net profit margin (%)	49%	18%	-31%

	6M22	6M23	Chg.
	78%	74%	-4%
	60%	56%	-5%
	37%	19%	-18%

	YE22	2Q23	Chg.
<u>Liquidity Ratio</u>			
Current ratio (x)	0.47	0.48	0.00
<u>Financial Policy Ratio</u>			
Liabilities to Equity (x)	0.83	0.82	(0.01)
Net Debt to Equity (x)	0.38	0.38	0.00