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13 August 2024

Subject: Management Discussion and Analysis for the Second Quarter of 2024

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 of 2024 ending 30 June 2024 as follows.

#### **Key Highlights in the Second Quarter of 2024**

The Thai economy in the Second Quarter of 2024 showed signs of improvement, as reflected by the real value-added tax expanding for two consecutive quarters, and the number of foreign tourists tended to increase, partly due to the visa exemption measure (Visa-Free), which will have a positive impact on the related service businesses. A private investment is expected to expand by 3.6% per year, while merchandise exports and imports are expected to expand, especially capital goods, which are expected to expand in line with future private investment (source: Estimated results of the Thai economy in 2024 by Royal Thai Government). Although the Thai economy is expected to expand as a result of domestic demand and tourism sector, merchandise exports tended to be low expansion, some group of exported products faced additional pressure from high competition. The inflation rate tended to gradually increase, while the overall financial condition was stable. The cost of borrowing for the private sector through commercial bank was approximately the same as before, while the overall business loans tended to expand, but the household loans were expected to have low expansion, especially the car hire purchase loans and credit cards (source: The Bank of Thailand). More importantly, the offices market faces a challenging outlook from changing workplace behavior and the competition of upcoming office supply (source: Knight Frank Thailand).

The Company continues to manage its businesses with utmost consideration to climate and environmental changes. Various initiatives are planned and enacted to address temperature fluctuations and weather hazards, such as deploying climate control management in all buildings and managing traffic, safety and hygiene standards in surrounding areas. 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 2024 for each business are as follow:

**Offices business:** There is also high pressure from new suppliers coming into the Bangkok office market. Although some businesses have adjusted their strategies to work hybrid or able to Work from Everywhere, most still prioritize work from the office. This has caused continuous demand for office space, especially in the city center. However, the Central Business District (CBD) offices are still highly competitive, as a result, new suppliers favor to use a rental price strategy that attracts tenants which decide to renew their leases or relocate their office to new buildings. From the aforementioned reasons, the overall occupancy rate in Bangkok offices extends its downward trend as the CBD-centric new supplies are expected to indirectly impact the performance of office projects in the non-CBD areas. Despite the challenging outlook, the Company's office projects located at Grand Rama 9: the New CBD continues to outperform those in the nearby locations, thanks to their superior location and consistent interest from local and international businesses. Moreover, 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 is committed to maintain its excellence in sustainable development. During the Second quarter of 2024, the Company, together with the Thai Red Cross,

have organized a blood drive event at The Ninth Towers office building, and the Company also organized an activity “Cat Chawa”, a creating shared value between the Company and Society, by using water hyacinth to make equipment for raising cats. Furthermore, the Company still organized a waste management campaign “From Trash to Treasure” to foster awareness on the benefits of waste recycling within the Company’s premises following the success of “Better Futures Project” in the previous year.

## Summary of Financial Performance during the Second Quarter of 2024

### Revenues

The Company reported total revenue of 421 million Baht, an increase of 3% from the previous year (for the six-month period revenue stood at 838 million Baht, an increase of 3% from the previous year). The increase mainly comes from the rental and services business, which is the Company’s core business. There is an increase in retail space for rent in such project, despite facing the impact of lower occupancy rate amidst challenging industry situation; however, the Company can maintain the increase of rental rate continuously. As for the real estate business, revenues slightly declined compared to the previous year due to fewer units transferred at Nirati Donmuang but remains on track to the overall plan.

### Operating expenses

The Company reported total operating expenses of 176 million Baht, a decrease of 3% from the previous year. The decrease mainly comes from sustained efficiency levels in managing the core costs of business, such as utilities, especially electricity cost which can be reduced the Ft rate, and lower costs associated with the fewer number of units transfer of Nirati Donmuang. Hence, the Company achieved a slight growth in gross profit margin. Additionally, the Company managed its administrative expenditures with increased efficiencies, resulting in comparable operating profit margins compared to the previous year and according to plan.

### Net Profit

The Company reported net profit of 85 million Baht, an increase of 13% from the previous year. Excluding the impact of fair value adjustment and other non-recurring items, net profit would increase approximately 5% from the previous year primarily driven by higher operating profits from its business performance as explained above, despite incurring higher financing cost and in the similar magnitude of policy interest rate increases. To sustain its profitability, the Company continues to deploy prudent cost control measures and business plan 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 as of 30 June 2024 of 6,693 million Baht, an increase from the balance as of 31 December 2023 of 6,308 million Baht. The weighted average financing cost at the end of the period stood at 4.20%, which was lower than that of the end of the previous year at 4.23%.

Net interest-bearing debt to equity ratio at the end of the period stood at 0.40 times, an increase from the end of the previous year at 0.38 times. 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**

<i>Unit: million Baht</i>	2Q23	2Q24	%Chg.	6M23	6M24	%Chg.
Rental and services revenue	308	320	4%	617	640	4%
Real from sales	74	69	-6%	145	136	-7%
Revenue from operation	382	390	2%	761	776	2%
Other income	26	31	18%	49	62	22%
<b>Total revenue</b>	<b>407</b>	<b>421</b>	<b>3%</b>	<b>810</b>	<b>838</b>	<b>3%</b>
Cost of rental and services	66	63	-4%	130	124	-5%
Cost of sales	40	38	-5%	78	73	-7%
Selling & administrative expenses	76	75	-2%	151	152	0%
Total operating expenses	182	176	-3%	359	349	-3%
(Profit) loss from items not related to the business operations	58	54	-7%	109	106	-3%
Financing cost	51	60	14%	95	117	19%
<b>Profit before income tax and NCI</b>	<b>116</b>	<b>131</b>	<b>11%</b>	<b>247</b>	<b>266</b>	<b>7%</b>
Income tax expense	36	38	3%	76	78	3%
Non-controlling interest	6	8	28%	13	16	18%
<b>Net profit</b>	<b>74</b>	<b>85</b>	<b>13%</b>	<b>158</b>	<b>172</b>	<b>8%</b>

**Table 2: Summary of Financial Position**

<i>Unit: million Baht</i>	YE23	2Q24	%Chg.
Current assets	1,173	1,140	-3%
Non-current assets	28,962	29,275	1%
<b>Total assets</b>	<b>30,135</b>	<b>30,415</b>	<b>1%</b>
Current liabilities	4,556	4,316	-6%
Non-current liabilities	8,842	9,322	5%
Total liabilities	13,398	13,638	2%
Shareholders' equity	16,737	16,777	0%
<b>Total liabilities and equity</b>	<b>30,135</b>	<b>30,415</b>	<b>1%</b>
Net interest-bearing debt	6,198	6,619	6%

**Table 3: Key Financial Ratios**

	2Q23	2Q24	Chg.
<b><u>Profitability Ratio</u></b>			
Gross profit margin (%)	72%	74%	2%
Operating profit margin (%)	53%	55%	2%
Net profit margin (%)	18%	20%	2%

6M23	6M24	Chg.
73%	75%	2%
53%	55%	2%
19%	20%	1%

	YE23	2Q24	Chg.
<b><u>Liquidity Ratio</u></b>			
Current ratio (x)	0.26	0.26	0.01
<b><u>Financial Policy Ratio</u></b>			
Liabilities to equity ratio (x)	0.80	0.81	0.01
Net interest-bearing debt to equity ratio (x)	0.38	0.40	0.02