

- Translation -

No. GL/2021/003

22 February 2021

Subject: Management Discussion and Analysis for the Year 2020

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 full year of 2020 ending 31 December 2020 as follows.

Key Highlights in 2020

Following the COVID-19 situation in Thailand that began with an outbreak early in the year and eventually improves with declining number of cases and the ease of lockdown measures throughout the second half of the year, resulting in the resumption of people’s lifestyles close to normalcy, the consumer and business confidences are beginning to recover. Meanwhile, the overall shape of the Thai economy is impacted by the tourism sector due to international travel restrictions. Although there were supportive factors to the economy during the second half of 2020, such as the advances in vaccine development and the roll-out of stimulus packages, Thailand is faced with a second round of COVID-19 outbreak towards the end of 2020 that affected the livelihood of citizens in various parts of the country, including Bangkok. Even though the government’s control measures are not as rigorous as the initial round of outbreak, citizens remain cautious in their lifestyles, reducing commutations outside home and opting work-from-home (WFH) arrangements. In 2020, Thailand’s GDP contracted approximately 6.6% from the previous year and, as a result of the second COVID-19 outbreak, will grow only 3.2% in 2021 according to the latest estimates by the Bank of Thailand.

The Company continues to manage its businesses with utmost prudence without easing its safety and hygiene practices to accommodate the visitors and customers for its projects, as well as employ effective cost control measures to be in-line with the current situation, which has not completely returned to normal. 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 2020 for each business are as follow:

Offices business: the office projects continues to operate as normal throughout the year. Prior to the second COVID-19 outbreak, more than 90% of the employees for office tenants have returned to the offices. During the second outbreak, although there are more employees opting WFH program, the Company continues to deploy stringent measures to ensure the safety and well-being of on-site employees and visitors at its office projects.

Retail area leases business: the Company's retail area faced temporary closure during March-May 2020, or a total of 56 days, upon the government's lockdown measures. Following the easing of lockdown measures, the area resumes normal operation and continues to support certain retail tenants that are affected by the COVID-19 situation, such as providing appropriate levels of rental discounts and support for marketing activities.

Real estate business: the Company continues to promote the sales of existing project, Belle Grand Rama 9, which garnered good interest from prospective customers and accumulated bookings and transfers during the year. Hence, it expects sales and transfers of the remaining units going forward.

Summary of Financial Performance for 2020

Revenues

The Company reported total revenue from core business of 1,469 million Baht, a decrease of 122 million Baht or 8%% from the previous year. The decrease mainly comes from the lower sales and transfer of real estate project shaped by the COVID-19 situation that resulted in stagnant consumer demand and purchasing power. Meanwhile, rental and services revenue from office projects, which is the Company's primary business, is not as heavily impacted and continues to be managed accordingly with the changing business environment.

Costs and administrative expenses

The Company reported total cost and administrative expenses of 555 million Baht, a decrease of 123 million Baht or 18% from the previous year and in-line with the change in revenues. Nevertheless, the Company continues to demonstrate solid cost reduction efforts for all businesses, as well as adapt more efficient work processes. As a result, the gross profit and operating profit margins improved slightly from the previous year, standing at 79% and 63% respectively in 2020 (in 2019, the gross profit and operating profit margins stood at 77% and 60% respectively).

Net Profit

The Company reported net profit of 715 million Baht, a decrease of 538 million Baht or 43% from the previous year, which included the change to the fair value of investment properties and other non-recurring items, such as gain on disposal of units invested in GLAND Office Leasehold REIT (GLANDRT) in 2020. Excluding the non-recurring items, net profit decreased slightly by 4% from the previous year. Although revenues declined, the Company manages to improve its profitability performance compared to the previous year and has also benefited from lower financing costs, which resulted from robust capital structure management throughout the course of the year.

Capital structure

As of December 31, 2020, the Company reported net interest-bearing debt of 6,588 million Baht, an decrease from the balance as of December 31, 2019 of 7,867 million Baht, mainly due to the repayment of debt due at maturity during the year and repurchases in part of the Company's debentures during the year in the effort to optimize its financing cost. The weighted average financing cost at the end of 2020 stood at 3.35%, lower than 3.93% as of December 31, 2019.

Net interest-bearing debt to equity ratio at the end of 2020 stood at 0.45 times, a decrease from the ratio at the end of 2019 at 0.58 times, due to the repayment of debt mentioned above and the recognition of net profit during the 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 accommodate its plan to develop new projects in the future. Hence, the Board of Directors announced a resolution to a non-payment of dividend for the 2020 performance to preserve the cash flow and maintain more efficient capital structure to support the investment in new projects to accommodate the Company's long-term growth.

Please be informed accordingly.

Sincerely,

-Surakit Thantananont-

(Mr. Surakit Thantananont)

Senior Assistant Managing Director Supporting Workgroup

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

Unit: million Baht	2020	2019	Change	
			Amount	%
Rental and services revenue	1,247	1,262	(15)	(1%)
Real estate sales	222	328	(106)	(32%)
Other income	16	201	(185)	(92%)
Total revenue	1,485	1,791	(307)	(17%)
Cost of rental and services	232	253	(22)	(9%)
Cost of real estate sales	77	112	(35)	(31%)
Selling & administrative expenses	246	312	(66)	(21%)
Total operating expenses	555	678	(123)	(18%)
Operating profit	929	1,114	(184)	(17%)
(Profit) loss from items not related to the business operations	(216)	(913)	697	(76%)
Financing cost	199	281	(82)	(29%)
Profit before income tax and NCI	947	1,745	(799)	(46%)
Income tax expense	207	392	(185)	(47%)
Non-controlling interest	24	100	(77)	(76%)
Net profit	716	1,254	(538)	(43%)

Table 2: Summary of Financial Position

Unit: million Baht	2020	2019	Change	
			Amount	%
Current assets	1,164	1,633	(469)	(29%)
Non-current assets	28,061	28,060	1	0%
Total assets	29,225	29,693	(468)	(2%)
Current liabilities	3,901	4,144	(243)	(6%)
Non-current liabilities	10,497	11,835	(1,338)	(11%)
Total liabilities	14,398	15,979	(1,581)	(10%)
Shareholders' equity	14,827	13,714	1,113	8%
Total liabilities and shareholders' equity	29,225	29,693	(468)	(2%)
Net interest-bearing debt	6,588	7,867	(1,279)	(16%)

Table 3: Key financial ratios

	2020	2019
Profitability Ratio		
Gross profit margin (%)	79%	77%
Operating profit margin (%)	63%	62%
Net profit margin (%)	48%	70%
Return on equity (ROE) (%)	5%	9%
Efficiency Ratio		
Return on asset (ROA) (%)	2%	4%
Liquidity Ratio		
Current ratio (x)	0.30	0.39
Financial Policy Ratio		
Liabilities to equity ratio (x)	0.97	1.17
Net interest-bearing debt to equity ratio (x)	0.45	0.58