

(Translation)

No. GL/2022/001

10 February 2022

Subject: Management Discussion and Analysis for the Year 2021
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 year 2021 ending 31 December 2021 as follows.

Key Highlights in 2021

As the COVID-19 outbreak situation persisted throughout the year, citizens were more cautious in carrying out their daily activities outside homes, which resulted in less frequent commutes and higher adoption of work-from-home (WFH) regime and, consequently, directly and indirectly impacted the magnitude of business and recreational activities across the board. Although the situation recovered towards the end of the year, with businesses and people gradually resuming activities outside homes with higher confidence as vaccination rates in the country progresses, concerns regarding the new COVID-19 variant have affected the recovery trajectory of business and consumption activities to remain below pre-pandemic levels.

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 2021 for each business are as follow:

Offices business: the office projects continues to operate as normal, despite having been affected by the COVID-19 situation throughout the year. 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 area continues to operate as normal with reduced operating hours and closure of most businesses during lockdown during July - August 2021. The Company extends its support to certain retail tenants that are affected by the COVID-19 situation during the third waves, 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, the project is expected to sell and transfer the last remaining units by early 2022. Furthermore, the Company launched Nirati Donmuang, a new low-rise residential project, in September 2021 and has since received widely positive responses from customers. The Company has since recognized sales and transfers of the residential project from 4Q21 onwards.

Summary of Financial Performance in 2021

Revenues

In 2021, the Company reported revenue from operation of 1,555 million Baht, an increase of 87 million Baht or 6% from the previous year. The increase mainly comes from the higher sales and transfer of real estate project. Meanwhile, rental and services revenue went down from the previous year mainly due to discounts provided to tenants and retail shops in the projects that were affected by the COVID-19 situation. Additionally in the previous year, the Company recognized a non-recurring income of 56 million Baht commission fees regarding the transfer of assets from GLAND Office Leasehold REIT (GLANDRT) to CPN Retail Growth Leasehold REIT (CPNREIT).

Costs and administrative expenses

In 2021, the Company reported total cost and administrative expenses of 635 million Baht, an increase of 82 million Baht or 15% from the previous year which mainly resulted from higher costs and expenditures associated with the completion, sales and transfers of Nirati Donmuang, as well as higher administrative expenses in preparation of near-term uncertainties, support long-term business expansion and maintain high quality of services to customers and tenants. 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 stood at 79% and 60% respectively, comparable to those in the previous year.

Net Profit

In 2021, the Company reported net profit of 574 million Baht, a decrease of 142 million Baht or 20% from the previous year, which was primarily driven by the recognition of a non-recurring gain on divestment of GLANDRT units in the previous year. Excluding the aforementioned non-recurring items and the impact of financial reporting standards, which included the change to the fair value of investment properties, net profit would increase by 24% from the previous year. Although rental and services 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 31 December 2021, the Company reported net interest-bearing debt of 6,302 million Baht, a slight decrease from the balance as of 31 December 2020 of 6,588 million Baht, mainly due to the repayment of debenture due at maturity during the year. The weighted average financing cost at the end of 2021 stood at 2.86%, which was lower than that of the end of the previous year at 3.35%.

Net interest-bearing debt to equity ratio at the end of 2021 stood at 0.41 times, slightly lower than 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,

- *Somphoch Thitipalati* -

(Mr. Somphoch Thitipalati)

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

Unit: million Baht	2021	2020	Change	
			Amount	%
Rental and services revenue	1,153	1,247	(94)	(8%)
Real estate sales	402	221	181	82%
Revenue from operation	1,555	1,469	87	6%
Other income	13	16	(3)	(18%)
Total revenue	1,568	1,484	84	6%
Cost of rental and services	202	231	(29)	(13%)
Cost of real estate sales	126	77	49	64%
Selling & administrative expenses	307	245	62	25%
Total operating expenses	635	554	82	15%
Operating profit	933	931	2	0%
(Profit) loss from items not related to the business operations	(21)	(214)	193	(90%)
Financing cost	157	199	(42)	(21%)
Profit before income tax and NCI	797	946	(149)	(16%)
Income tax expense	170	206	(36)	(17%)
Non-controlling interest	53	24	29	123%
Net profit	574	716	(142)	(20%)

Table 2: Summary of Financial Position

Unit: million Baht	YE21	YE20	Change	
			Amount	%
Current assets	1,222	1,164	58	5%
Non-current assets	28,109	28,060	49	0%
Total assets	29,331	29,224	107	0%
Current liabilities	5,961	3,900	2,061	53%
Non-current liabilities	7,884	10,497	(2,613)	(25%)
Total liabilities	13,845	14,397	(552)	(4%)
Shareholders' equity	15,486	14,828	658	4%
Total liabilities and shareholders' equity	29,331	29,225	106	0%
Net interest-bearing debt	6,302	6,588	(286)	(4%)

Table 3: Key financial ratios

	2021	2020
Profitability Ratio		
Gross profit margin (%)	79%	79%
Operating profit margin (%)	60%	63%
Net profit margin (%)	37%	48%
Return on equity (ROE) (%)	4%	5%
Efficiency Ratio		
Return on asset (ROA) (%)	2%	2%

*ROE/ROA calculated based on net profit in the last twelve months

	YE21	YE20
Liquidity Ratio		
Current ratio (x)	0.21	0.30
Financial Policy Ratio		
Liabilities to equity ratio (x)	0.89	0.97
Net interest-bearing debt to equity ratio (x)	0.41	0.45