Ref. CS/001/08/2021

6 August 2021

Subject: Management Discussion and Analysis for the three-month period and the six-month period ended 30 June 2021

To: President

The Stock Exchange of Thailand

According to the resolution of the Board of Directors' Meeting No.10/2021 of Nirvana Daii Public Company Limited ("**Company**" or "**NVD**") held on 6th August 2021 to approve the financial statements for the three-month period and the six-month period ended 30 June 2021, the Company would like to report the financial performance for the three-month period and six-month period ended 30 June 2021 as follows.

Comparative Operating Performance	Quarterly: yoy & qoq								Half year: yoy				
	2Q20		1Q21		2Q21		%Change		1H20		1H21		%Change
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq	Bt.m	%	Bt.m	%	yoy
Revenues:													
Revenue from sales of real estate	280	84%	694	94%	731	92%	161%	5%	599	89%	1,425	93%	138%
Revenue from construction contracts	55	16%	46	6%	64	8%	16%	38%	75	11%	110	7%	47%
Total revenues	**335**	**100%**	**741**	**100%**	**795**	**100%**	**137%**	**7%**	**674**	**100%**	**1,535**	**100%**	**128%**
Costs:													
Costs of real estate sold	216	77%	473	68%	459	63%	112%	-3%	407	60%	932	61%	129%
Costs of construction	44	80%	28	61%	57	90%	31%	102%	62	9%	86	6%	39%
Total costs	**260**	**78%**	**501**	**68%**	**517**	**65%**	**99%**	**3%**	**469**	**70%**	**1,017**	**66%**	**117%**
Gross profits	**75**	**22%**	**240**	**32%**	**278**	**35%**	**271%**	**16%**	**205**	**30%**	**518**	**34%**	**152%**
Other incomes (Reclassified in 1Q21)	16	5%	18	2%	14	2%	-14%	-23%	50	7%	32	2%	-35%
Selling expenses	(50)	-15%	(69)	-9%	(85)	-11%	70%	23%	(132)	-20%	(154)	-10%	17%
Administrative expenses	(53)	-16%	(74)	-10%	(136)	-17%	157%	83%	(100)	-15%	(210)	-14%	109%
Gain (loss) from exchange rate, net	(1)	0%	0	0%	0	0%	114%	-49%	(1)	0%	1	0%	207%
Financial costs (interest expenses)	(29)	-9%	(31)	-4%	(33)	-4%	17%	9%	(59)	-9%	(64)	-4%	10%
Profits before share of profits from JV	**(42)**	**-12%**	**85**	**11%**	**38**	**5%**	**191%**	**-55%**	**(51)**	**-8%**	**123**	**8%**	**340%**
Share of profits/(losses) from JV	0	0%	0	0%	(3)	0%	-100%	-100%	0	0%	(3)	0%	-100%
Income taxes	7	2%	(23)	-3%	(25)	-3%	-455%	-9%	9	1%	(49)	-3%	-663%
Net profits / (loss)	**(34)**	**-10%**	**61**	**8%**	**9**	**1%**	**126%**	**-85%**	**(42)**	**-6%**	**70**	**5%**	**266%**
Other comprehensive income	0	0%	0	0%	0	0%	0%	0%	(6)	-1%	0	0%	100%
Total comprehensive income /(loss)	**(34)**	**-10%**	**61**	**8%**	**9**	**1%**	**126%**	**-85%**	**(48)**	**-7%**	**70**	**5%**	**247%**
Profit (loss) attributable to													
the owners of the parent	(31)	-9%	41	6%	(4)	0%	88%	-109%	(41)	-6%	37	2%	191%
the non-controlling interests	(3)	-1%	21	3%	13	2%	498%	-38%	(2)	0%	33	2%	2250%

In 2Q21, NVD recorded a total revenue of Bt.795m growing 137% yoy and 7% qoq. The 2Q21 net profit attributable to the owners of the parent company was (Bt.4m) compared to (Bt.31m) and Bt.41m in 2Q20 and 1Q21 respectively. On the six-month basis, 1H21 total revenue was Bt.1,535m, compared to Bt.674m, growing 128% yoy. The net profit attributable to the owner of the parent company recovered from (Bt.41m) in 1H20 to Bt.37m during the first six months of 2021. The strong 1Q21 performance combined with a few land transactions in 2Q21 in bit to restructure the balance sheet were the main catalysts for this set of earnings results.

Balance-sheet Reformation Commenced

Having tolerated the disastrous impacts of COVID-19 throughout 2020, the most critical strategic drive for 2021 was to achieve higher **Efficiency**. We have guided all along that the inventory and landbank needed to be managed. On top of that, the change of shareholding structure in early 2021 had also pushed the average cost of debts up a few basis points. As such, the assets and the liabilities would need to be rebalanced.

On the asset side, NVD had entered into two sales-purchase agreements (“SPA”) for two land plots in 2Q21. The first was the 4.5-rai land plot along the purple-line skytrain next to Bangrak Yai Station. The land was added onto the Balance Sheet through the “Nirvana Development + Daii Group” M&A process in early 2017. Injected at the market price appraised in early 2017, the land given its size would be suitable only for high-rise residential development.

Amid the currently intensifying COVID-19 massacre, we decided to sell the land as mediocre return was expected had we developed it into a high-rise residential project either now or in the near future. Thus, the SPA was signed in 2Q21 with the title-deed transfer scheduled during 3Q21. As the sales price was slightly under the book value, TFRS-9 dictated that the inventory must be adjusted in 2Q21. As such, Bt.56.7m *loss from allowance for decrease of cost to net realizable value of land* was to adjust to its fair value, and it was recognized as administrative expenses in the statement of comprehensive income. This was the main cause for the abnormally high administrative expenses in 2Q21.

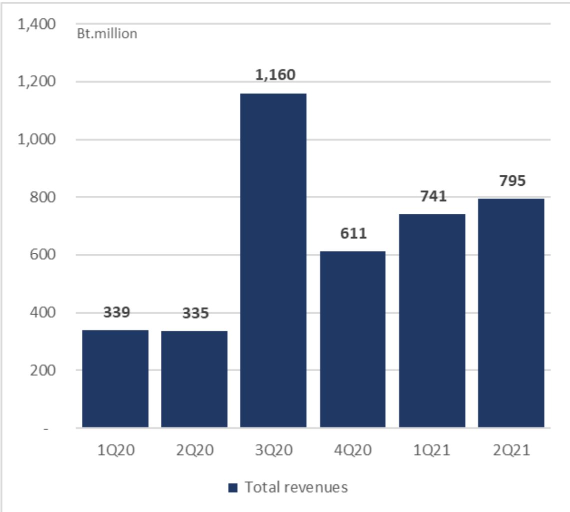
The second-plot SPA was for 10-rai along the south side of the new Krungthep-Kreetha (Srinakarin-Romklao) Road. Contrary to the first transaction, the rationale to sell this plot was to lessen landbank concentration in the Krungthep-Kreetha area and diversify NVD’s portfolio into other area. Prior to this transaction, NVD’s net landbank along the new Krungthep-Kreetha Road totaled almost 210 rais. A new land plot in other high-potential area in the Greater Bangkok would be sought for an alternative landed residential project. The bonus was that the second plot sales contributed healthily to the revenue from sales of real estate. With relatively lower acquisition costs, its healthy margins helped lessen the negative accounting impacts created by the first SPA discussed above.

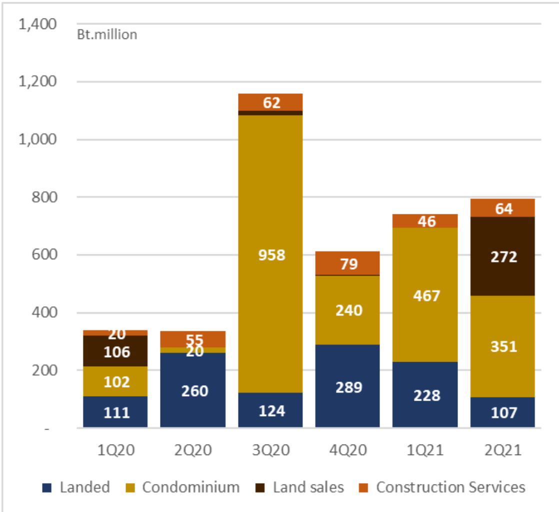
On the liability side, NVD had issued additional Callable and Secured Debentures No.1/2021 due 2023 in an amount of Bt.1,000m in Jun 2021. The purpose was for loan repayment, early partial redemption of the prior debenture, and working capital. About 39-rais of landbank on the north side of the new Krungthep-Kreetha Road was used as collateral for the new debenture. Our Krungthep-Kreetha landbank are high-potential assets with current market values much higher than their acquisition costs.

Bond issuance was the best options to deploy our quality assets for more efficient leverage, compared to the low-LTV debt that was repaid, as well as providing some extra working capital.

Resumed Pressures on Residential Revenues

While the total revenues demonstrated encouraging growth curve, the 2Q21 residential revenues from both landed and high-rise transfers were inevitably dampened by the intensifying COVID-19 massacre. Landed residential transfers were merely Bt.107m, and the condominium transfers were Bt.351m. Both segments were weaker compared to the prior quarter. The more stringent mortgage approval policy has deteriorated homebuyers' ability to transfer.





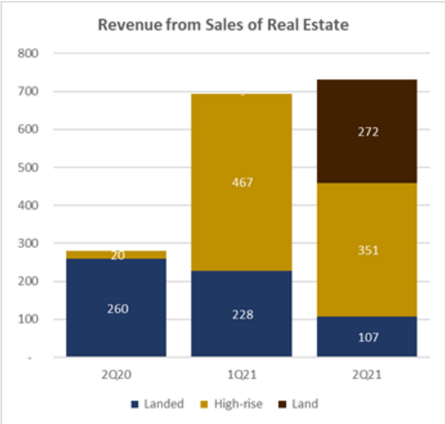
However, the condominium transfers improved significantly yoy due partly to a more diversified condominium portfolio with the addition of theMOST Issaraphap. Construction of theMOST Issaraphap (our first low-rise condominium classified as Unique Product with High Affordability) was complete, and the title deeds transfers had started since Mar 2021. NVD's both condominium projects possess unique offerings: BTRRB as alternative private, less-congested sanctuary residences, and theMOST as nearby shelters for those diligent medical personnel and/or families of those patients at the Siriraj Hospital. Both condominiums have displayed some resiliency even in less favorable circumstances (i.e. 3Q20 and 1Q21), thus are expected to continue as main revenue contributors during the current rough market condition.

Revenues

NVD reported total consolidated revenues of Bt.795m for 2Q21, increased 137% yoy and 7% qoq. Compared to the same period last year, segmented revenues increased in both segments.

- ***Revenues from Sales of Real Estate*** up 161% yoy,
- ***Revenues from Construction Contracts*** up 16% yoy,

Starting in 1Q21, ***Revenues from Sales of Goods*** had been reclassified as ***Other Incomes***. In the recent days, NVD Group's construction material products (i.e. precast-concrete fencing products, precast-concrete panels, etc.) have mostly been sold in contracts which include installations. This type of sales would be recorded as the second segmented revenue line, Revenues from Construction Contracts. Pure sales of products (without installations) had become insignificant in aggregate amount when compared to the total revenues. As such, the revenues from sales of goods of Bt0.4m during 2Q21 had been combined with the Other Incomes, as detailed in Note 17 to the financial statements.



Revenues from Sales of Real Estate increased 161% yoy mainly from the transfers of the condominiums segment and land sales 10 rais at the south side of the new Krungthep Kreetha (Srinakarin-Romklao) Road, which accounted for 37% of revenue from sales of real estate.

For the high-rise residential, BTRRB transferred 4 units in 1Q21 contributing 28% of the revenues from sales of real estate during the quarter, while theMOST Issaraphap transferred another 39 units of the backlogs contributing 20% to the same segmented revenue line. Our two condominium projects seem to offer unique selling points during this COVID-19 pandemic crisis. BTRRB is a private sanctuary residence with only a few steps away from busy, congested commercial area nearby, while theMOST offers nearby shelters for those medical personnel working round-the-clock during this difficult time.

In addition, Revenues from Sales of Real Estate from the landed residentials was hit the hardest falling 59% yoy and 53% qoq. Although interests in our townhouses, Nirvana DEFINE Srinakarin-Rama9, continued at satisfactory level despite the unfavorable situation, but most mortgage applications were however rejected by the post-financing banks. Moreover, Nirvana ELEMENT Bangna experienced some impacts from the lockdown obstructing constructions, thus delaying the completion date for transfers.

Revenues from Construction Service Contracts were up 16% yoy and 39% qoq. This segmented revenue line could be broadly categorized into two groups:

1) Constructions of Built-to-Order (BTO) houses in NVD own projects and Turnkey Solution projects ("Home Building Services") and
2) External construction services projects provided to corporate clients ("Construction Services").

The BTO Home Building Services revenues were up 36% yoy, but down about 25% qoq. This was a result of BTO house constructions from sold units primarily, at the two turnkey-solution projects at Nirvana BEYOND Att-U Park and Nirvana ICON Pinklao. The backlogs of BTO house construction for all projects remain about Bt.197m at end-2Q21. These should be realized over the next few quarters upon construction progress of the houses.

Revenues from Construction Services to other external corporate clients increased significantly 163% yoy, and 7% qoq. These revenue group consists of construction services for other developers on an OEM basis and construction services for non-residential developers. Utilizing our precast products and our factory capacity, we have been providing OEM construction services to a few residential developers as well as non-residential developers, i.e. recreational park/resort developers, telecom infrastructure developer and, most recently, gas station operators. Some of these contracts had been completed during FY20 with majority of revenues recognized during the past year. Having participated in bidding for more construction contracts, we expect this revenue stream to continue its contribution and help absorb the cyclical nature of revenues from sales of real estate.

Cost of Sales and Gross Margins

Total consolidated costs for 2Q21 were Bt.517m, increased 99% yoy and 3% qoq in line with revenue increase. The total costs consist of:

- ***Costs of Sales of Real Estate*** of Bt.459m
- ***Costs of Construction Contracts*** of Bt.57m

Gross Margins by Segment	Quarterly: yoy & qoq												
	2Q20		1Q21		2Q21		%Change		1H20		1H21		%Change
	Bt.m	%	Bt.m	%	Bt.m	%	yoy	qoq	Bt.m	%	Bt.m	%	yoy
Revenue from sales of real estate	280	100%	694	100%	731	100%	161%	5%	599	100%	1,425	100%	138%
Costs of real estate sold	(216)	-77%	(473)	-68%	(459)	-63%	-112%	3%	(407)	-68%	(932)	-65%	-129%
Gross margins: Sales of real estate	**64**	**23%**	**222**	**32%**	**271**	**37%**	**326%**	**22%**	**192**	**32%**	**493**	**35%**	**157%**
Revenue from construction contracts	55	100%	46	100%	64	100%	16%	38%	75	100%	110	100%	47%
Costs of construction	(44)	-80%	(28)	-61%	(57)	-90%	-31%	-102%	(62)	-82%	(86)	-78%	-39%
Gross margins: Construction contracts	**11**	**20%**	**18**	**39%**	**6**	**10%**	**-42%**	**-64%**	**13**	**18%**	**24**	**22%**	**80%**
Blended gross margins	**75**	**22%**	**240**	**32%**	**278**	**35%**	**271%**	**16%**	**205**	**30%**	**518**	**34%**	**152%**

Blended gross margins of 35% in 2Q21 increased from 22% in 2Q20, and 32% in 1Q21. Contributors to yoy and qoq margin improvement were solely from the ***Revenues from Sales of Real Estate*** segment. The 2Q21 gross margin of ***Revenues from Sales of Real Estate*** segment were up qoq mainly from the sales and transfers of the 10-rais land on the south side of the Srinakarin-Romklao Road (contributed about 37% of the Segmented Revenues from Sales of Real Estate for the period), and to a less extent the transfers of the high-margin BTRRB and theMOST Issaraphap units (48% of this segmented revenues). The lower-margin landed residentials transfers accounted for a smaller portion, merely 15% of this segmented revenues during 2Q21.

Meanwhile, the margins of ***Construction Contracts*** segment were lower during the quarter mainly from increasing raw material costs combined with higher proportion of OEM construction services provided to external developers. The lower-margin construction services are devised to create production volume in bid to increase utilization rate of the precast factory in Nakornprathom.

Other incomes usually comprise of interest income and management fees and other miscellaneous incomes. The main items in 2Q21 were (1) Bt4.8m interest income from loan to others, (2) Bt4.3m management fees (including revenues from the park-and-ride structures), and (3) Bt1.1m rental income from rentals of previously G406 show-unit SDH in Rama 9 and home office units at Nirvana @WORK Ladprao-Kaset Navamin. Revenues from sales of goods, reclassified as other income since 1Q21, were very minimal, only Bt0.37m, during this quarter.

Selling and General Administrative Expenses

Selling expenses during 2Q21 of Bt.85m increased 70% yoy and 23% qoq in line with the revenues. Apart from Special Business Taxes ("SBT") and transfer fees incurred in relation to the revenues from sales of real estate, i.e. 3.3% of selling price, 1% of appraised value respectively, commissions for land sales along the Srinakarin-Romklao Road were also the main cause of the relatively higher selling expenses. We have put more efforts on online marketing activities since the COVID outbreak to keep marketing spending low.

General administrative expenses in 2Q21 of Bt.136m increased 157% yoy and 83% qoq mainly from the accounting adjustment of the inventory following an upcoming transaction of land sales at slightly under the book value. As discussed above as well as in the Note 7 to the financial statements, Bt.56.7m loss from allowance for decrease of cost to net realizable value of 4.5-rai Bangrak Yai land was to adjust to its fair value, and it was recognized as administrative expenses in the statement of comprehensive income. According to TFRS 9, this loss from allowance must be booked in this quarter ahead of the actual transfer in 3Q21. Other than that, there were the allowance for decrease of cost to net realizable value of raw materials and finished goods related to the Mobile Plant in Maldives. These were conservative measures as the assets continues to be pending utilization due to the COVID-19 impacts to Tourism businesses around the world, i.e. new resort constructions have been stalled.

Financial Costs

2Q21 financial costs of Bt.33m slightly increased qoq despite declining interest-bearing debts during the period. The change in shareholding structure had impacted the average costs of debts as discussed above.

Assets

Total assets at end-2Q21 were Bt.12,312m, decreased by Bt.329m from YE20 (-3% yoy). Significant changes in line items are summarized as follow.

Consolidated Statements of Financial Position	YE2020		Jun-21		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Assets:						
Cash and cash equivalents	137	1%	494	4%	357	261%
Trade and other receivables,net & related parties	271	2%	196	2%	(76)	-28%
Inventories	2,929	23%	3,129	25%	200	7%
Costs of property development	6,686	53%	5,953	48%	(733)	-11%
Unbilled receivables	30	0%	19	0%	(11)	-37%
Land deposits	8	0%	-	0%	(8)	-100%
Other current assets	38	0%	19	0%	(19)	-51%
Total current assets	**10,100**	**80%**	**9,810**	**80%**	**(290)**	**-3%**
Restricted bank deposits	29	0%	24	0%	(5)	-17%
Long-term loans to others	-	0%	2	0%	2	100%
Long-term loans to others	242	2%	242	2%	-	0%
Land held for development	885	7%	885	7%	0	0%
Property, plant and equipment, net	458	4%	423	3%	(35)	-8%
Right-of-use assets, net	311	2%	296	2%	(14)	-5%
Intangible assets, net	28	0%	25	0%	(3)	-10%
Goodwill	332	3%	332	3%	(0)	0%
Deferred tax assets	152	1%	152	1%	1	0%
Other non-current assets	105	1%	121	1%	16	15%
Total non-current assets	**2,541**	**20%**	**2,502**	**20%**	**(38)**	**-2%**
Total assets	**12,641**	**100%**	**12,312**	**100%**	**(329)**	**-3%**

- Cash and cash equivalents increased by Bt. 357m due to the Bt.1,000m Callable and Secured Debentures No.1/2021 due 2023 issued in June 2021 for loan repayment, early partial redemption of the prior debenture, and working capital.

- Costs of Property Development decreased mainly from:
  - Sales and transfer of 10-rais Krungthep-Kreetha land along the south side of the Srinakarin-Romklao Road and
  - Bangrak Yai land being reclassified as inventories
- Inventories increased from reclassification of Bangrak Yai from Costs of Property Development and transfers of backlog units during the period.

Consolidated Statements of Financial Position	YE2020		Jun-21		Change from YE	
	Bt.m	%	Bt.m	%	Bt.m	%
Liabilities & Shareholders'Equity:						0%
PN and ST borrowings from financial institutions, net	2,202	17%	2,467	20%	264	12%
Trade, other payables & related parties	415	3%	362	3%	(53)	-13%
Interest bearing debts due within one year, net	668	5%	845	7%	178	27%
Retention payables	115	1%	122	1%	7	6%
Deposits and advance received from customers	204	2%	216	2%	13	6%
Advance from customers for construction contracts	63	0%	53	0%	(10)	-16%
Other current liabilities	49	0%	65	1%	16	33%
Total current liabilities	**3,716**	**29%**	**4,221**	**34%**	**505**	**14%**
Land payable	0	0%	-	0%	0	0%
Interest bearing debts due over one year, net	4,143	33%	3,237	26%	(906)	-22%
Other non-current liabilities	47	0%	49	0%	2	5%
Deferred tax liabilities	8	0%	7	0%	(1)	-7%
Employee benefits obligations	39	0%	41	0%	3	7%
Total non-current liabilities	**4,190**	**33%**	**3,286**	**27%**	**(904)**	**-22%**
Total liabilities	**7,906**	**62.5%**	**7,506**	**61%**	**(399)**	**-5%**
Total equity	**4,735**	**37.5%**	**4,805**	**39%**	**70**	**1%**
Total liabilities and equity	**12,641**	**100.0%**	**12,312**	**100%**	**(329)**	**-3%**
Remarks:	*Remarks:*					
Total interest-bearing debts	*7,013*	*55%*	*6,549*	*53%*	*(464)*	*-7%*

Liabilities

Total liabilities of Bt.7,506m at end-2Q21 decreased 5% by Bt.399m from Bt.7,906m at YE20. Significant changes are summarized as follow:

- Bt.1,000m Callable and Secured Debentures No.1/2021 due 2023, bearing a fixed interest rate at 6.70% per annum, issued in June 2021 for loan repayment, early partial redemption of the prior debenture, and working capital,
- Bt. 86m bridging loan of a land plot in Bangna-Trad landbank was reclassified from current liabilities to non-current liabilities,
- Bt.464m interest-bearing debts decreased from the loan repayment of some landbank on the north side of the Srinakarin-Romklao Road, early partial redemption of the prior debenture, and transfers of the real estate sold during the quarter.

Key Financial Ratios

Liquidity ratio

Liquidity ratio as of 30 Jun 2021 was 2.3x, slightly lower than 2.7x on 31 December 2020 due to decreasing in costs of property development while some interest-bearing debts were reclassified from non-current liabilities to current liabilities as discussed above.

Profitability ratios

Gross margins increased from 31% in FY20 to 35% in 2Q21. The gross profit margin of revenue from sales of real estate increased from transferred higher-margin of theMOST, BTRRB and land sales at the south side of the Srinakarin-Romklao Road as discussed above.

Financial policy ratios

As of 30 June 2021, total liabilities-to-equity ratios decreased slightly to 1.6x (from 1.7x YE20) as well as net interest-bearing debts to equity decreasing from 1.5x to 1.3x. This was a net result of the balance sheet reformation and debt repayments upon transfers of the real estate transferred during the quarter.

Please be informed accordingly.

Yours faithfully,

(Jiradej Nusthit)

Chief Financial Officer