

Management Discussion and Analysis for the Fiscal Year Ended 30 September 2021

Frasers Property (Thailand) Public Company Limited and its Subsidiaries (“the Company”) would like to report the financial results of the Company for the accounting period starting from 1 October 2020 to 30 September 2021 to the Stock Exchange of Thailand (SET).

Overall operating results

In 2021, Thai economy encountered a recession due to the COVID-19 pandemic severely impacted on businesses and industry sectors. Despite the infection rate trended downward recently, the economy remained fragile from a slow growth rate alongside rigorous financial policy enforcement to tackle the situation. As household debt level has reached a record high at 91% of GDP, higher mortgage rejection by the bank led to a downturn for overall real estate market. Amidst the uncertainties, the company has prioritised capital management to maintain stability and support execution of its business plan under the One Platform Strategy. FPT's well-balanced investment portfolio encompassing multiple asset classes with recurring income capacity has strengthened its financial liquidity while effectively diversifying risks associated with the market volatility. The company continued to focus on the safety and well-being of all stakeholders, as well as preserving good governance in conducting business with the responsibility to communities, society and the environment in order to enhance long-term shareholder's value.

For a 12-month period ended 30 September 2021, the company reported **Total revenue** of THB 15,721.0 million, a drop of 23.3% or THB 4,788.1 million compared to the same period last year. The Company's Consolidated **Net profit** was THB 1,566.9 million, decreasing by 44.9% or THB 1,275.1 million from 2020. The changes were summarized as follows:

- **Revenue from Sales of Real Estate** declined by THB 3,221.3 million or 22.0% to THB 11,426.7 million from THB 14,648.1 million in 2020 as the economy has not yet recovered from the COVID-19 outbreak which was prolonged and widespread especially over the last quarter of fiscal period where the infection case highly surged. The government ordered to close the worker's camp site and suspend construction activities in the red zone area during July 2021. Meanwhile, homebuyers remained cautious and postponed buying decisions due to a record-high household debt with declining purchasing power and tighten rules on mortgage lending; altogether resulted in a drop in residential transfer. Furthermore, the market competition in the low-rise housing segment has become more intense with aggressive pricing from many operators. Nevertheless Frasers Home has made a strategic shift to cope with challenging landscape, through its professional team that specialized in townhome, semi-detached houses, and single-detached houses, the company focused on the right product-market fit to serve customers in the potential locations. Consequently, the full-year residential presales stood at THB 29,995 million, moderately dropped by 6% year-over-year from a total of 63 active projects, with highlights on the new projects such as 'Grandio Sathorn' that generated sales above the target. The company put an emphasis on the launch of new projects in prime locations and expansion of sales channels via online platforms. With regards to the construction protocol, the company implemented strict measures to contain the Covid-19 infections with appropriate action plans that gain confidence from both customers and nearby communities.
- **Rental and Related Service Revenue** decreased by THB 559.8 million, or down by 20.3% to THB 2,191.9 million from 2,751.8 million compared to the same period last year, primarily due to the adoption of Thai Financial Reporting Standard 16 - Leases (“TFRS 16”) which led to the absence of revenue from unearned leasehold rights associated with land sub-lease contracts amounting to THB 360 million. By excluding the effect of TFRS 16 adoption, rental from commercial office business slightly decreased particularly from the Golden Land Building which the expiration date of land lease agreement is approaching. Consequently, some tenants have

opted to terminate the lease contract. Furthermore, the rental was impacted by the discount granted to selective tenants with business closure during the state-ordered lockdown. While the performance of overall commercial office under Frasers Property Commercial remained stable with high occupancy rate continued. For industrial property, factory and warehouse rental posted a slight drop following assets recycled to Frasers Property Thailand Industrial Freehold & Leasehold REIT ("FTREIT") in FY21 amounted to THB 3,526 million. Meanwhile, Industrial property demand has continually risen on the back of the growth of e-commerce, rising country exports in line with trading partner's economic recovery, as well as the manufacturing relocation for greater supply chain resilience. Moreover, the shortage of containers supply has driven demand for short-term warehouse leasing this year.

- **Hotel Business** reported a decrease in revenue of THB 168.8 million to THB 162.6 million, or dropped by 50.9%, from THB 331.4 million in 2020 due to the COVID-19 outbreak and travel restriction. The hotel business contributed only 1% of total revenue. To cope with the Covid-19 situation, the company has adopted tactical operating plan given the path of the pandemic remains under high uncertainty. Furthermore, it has long-term-stay clients which help to mitigate the negative impact to a certain extent.
- **Revenue from Management Services** increased THB 49.7 million, or 7.4%, to THB 716.4 million primarily from the growing total assets under management and income from shared services provided to the Group Company.
- This year, the Company recorded gain on sales of investment properties by THB 860.6 million or down by 36.8% compared to the previous year, as the properties sales value was lower than last year.
- Furthermore, the Company reported gain on sales of investment in associate and subsidiaries of THB 20.3 million, a decrease of THB 384.3 million from 2020, or dropped by 94.7% YoY, mainly caused by the absence of sales of Frasers Property Thailand Industrial Freehold & Leasehold REIT ("FTREIT") units to the business alliance and institutional investors last year.

The Company posted total costs and expenses of THB 12,853.8 million, decreased by 18.2% or THB 2,861.2 million from 2020, while operating costs from core business reduced by 19.7% YoY or THB 2,483.2 million in accordance with lower revenue. Consequently, the gross operating margin was well-maintained at 30.4%. Moreover, the company successfully implemented a control measure over its distribution costs and administrative expenses with a 12.0% drop YoY equivalent to THB 378.1 million, together with efficient capital management leading to lower finance costs by 5.9% YoY or THB 67.1 million.

From the aforesaid revenues and expenses, Fraser Property (Thailand) recorded a consolidated **net profit** for the fiscal year 2021 of THB 1,566.9 million, representing a decrease of 44.9% YoY or THB 1,275.1 million, while **the profit attributable to the owner of the Company** stood at THB 1,586.3 million, decreasing 43.2% YoY or THB 1,205.2 million. **Basic earnings per share** attributable to the owner of the Company for the fiscal year 2021 was THB 0.68 per share, decreased from THB 1.34 in the fiscal year 2020.

Fiscal Year 2021 Financial Performance

Unit: THB Million	2020	2021	% to Total Revenue	%Y-o-Y
Revenue from sales of real estate	14,648	11,427	72.7%	-22.0%
Rental and related service revenue	2,752	2,192	13.9%	-20.3%
Revenue from hotel business	331	163	1.0%	-50.9%
Management fee income	667	716	4.6%	7.4%
Total operating revenue	18,398	14,498	92.2%	-21.2%
Gain on sales of investment properties	1,361	861	5.5%	-36.8%
Gain on sales of investment in associates	384	20	0.1%	-94.7%
Others	366	342	2.2%	-6.5%
Total revenues	20,509	15,721	100.0%	-23.3%
Total operating costs	12,576	10,093	64.2%	-19.7%
Distribution costs and administrative expenses	3,139	2,761	17.6%	-12.0%
Finance costs	1,131	1,064	6.8%	-5.9%
Total expenses	16,846	13,918	88.5%	-17.4%
Profit for the period	2,842	1,567	10.0%	-44.9%
Profit attributable to owner of the Company	2,791	1,586	10.1%	-43.2%
Basic earnings per share (THB)	1.34	0.68		-49%

Financial Position as at 30 September 2021

Unit: THB Million	30 Sep 2020	30 Sep 2021	% YTD
Cash, cash equivalents and fixed deposits	2,582	975	-62.2%
Real estate development for sales	32,878	32,356	-1.6%
Investments in associates, joint ventures, and other investment	14,327	16,310	13.8%
Investment properties	34,364	36,311	5.7%
Property, plant and equipment	2,546	2,856	12.2%
Total assets	93,186	92,637	-0.6%
Interest-bearing liabilities	47,055	50,056	6.4%
Total liabilities	61,053	58,384	-4.4%
Total equity	32,133	34,253	6.6%

From 1 October 2020, the Company has initially adopted the new Thai Financial Reporting Standard 9 - Financial Instruments (TFRS 9) which brought about changes to the classification and measurement of financial instruments that represent the true and fair view of financial position and performance of the entity. In addition, the Company has adopted Thai Financial Reporting Standard 16 - Leases (TFRS 16) which impacted the Company accounting treatment for operating leases to appropriately reflect the financial risks of the Company. The adoption of new accounting standards caused significant changes to the Company's statement of financial position as at 1 October 2020. Please refer to the notes to financial statements 3: Changes in accounting policies for further details.

As of 30 September 2021, the Company's statement of financial position has already reflected the adoption of such reporting standards. Furthermore, over the past year, the Company engaged in various investment activities such as the subscription to a capital increase of FTREIT by THB 2,248 million, the incremental joint investment in STT GDC (Thailand) Company Limited by THB 433 million, the capital increase in an associated company - the North Sathorn Hotel Company Limited by THB 260 million, the incorporation of New Motion Industrial Company Limited for development of industrial estate business in Vietnam, and the incorporation of Baan Mae Phim Company Limited as a joint venture with investment value at THB 182 million. Altogether, these transactions resulted in lower cash and cash equivalent while investments in associates and joint ventures increased significantly.

In conclusion, the Company's **total assets** as of 30 September 2021 ended at THB 92,637.0 million, dropped by THB 548.5 million or 0.6% compared to 30 September 2020 mainly from reduced cash and cash equivalents, the absence of leasehold rights, and lower short-term loans for project investment. **Total liabilities** stood at THB 58,383.9 million, declined by 4.4% or THB 2,668.7 million from 30 September 2020 from unearned leasehold rights. **Total equity** was THB 34,253.1 million, increased by 6.6% or THB 2,120.2 million, from the operating profit during the period.

As at 30 September 2021, the Company had total interest-bearing liabilities at THB 50,055.6 million, increased by THB 3,000.2 million due to the recording of lease liabilities in accordance with the new financial reporting standards which included the item as part of the interest-bearing debt. A combination of loan repayment net with new debenture issued, also led to THB 897 million net borrowing over the period. At the end of September 2021, interest-bearing debt to equity ratio remained stable from last year at 1.46 times.

Business Outlook

World economy for 2022 rides on a gradual recovery path from declining infection case and widely distributed vaccination, together with government stimulus packages from various countries likely supporting a rebound in economic activities. Bank of Thailand (BOT) has projected a slight growth of Thai economy at 0.7% for this year, surpassing the bottomed-out since the third quarter of 2021. The economy has continued to recover from improving outbreak situation and accumulated vaccination rate; thereby the government announced the lockdown easing measures since 1 September 2021 onwards. This provides a strong boost to consumer confidence and accelerating private consumption, BOT has also projected the Thai economy to expand by 3.9% in 2022 based on rising economic activities along with higher foreign tourists that would benefit both the service and tourism sectors.

Fraser's residential business is positioned to a gradual recovery after the lockdown easing in tandem with the government expediting monetary and fiscal policy support, particularly in relaxing LTV rules effective from 20 October 2021 -31 December 2022, alongside the overall stable interest rate regime. This will boost more customers' purchasing power, which many developers will gear towards new single-detached residential project to match the demand recovery. As a result, the outlook of Fraser's Home sales and housing transfer is likely to improve continuously. The company remains focused on its project development to reach potential target groups in response to the evolving needs towards the wellness trends as well as the work-life balance and work from home arrangement.

Similarly, Frasers Industrial and Frasers Commercial businesses are poised to benefit from the country reopening, which enables the potential customers to perform site inspection and signing of the lease contract. Business sector has now been able to adjust and cope with the situation well with a flexible working model. In addition, the demand for industrial and logistics property will be supported by the manufacturing relocation for greater supply chain resilience as well as the strong expansion of e-commerce businesses to accommodate online consumer behaviour. For the commercial property business, we have rolled out series of marketing initiatives to support the business recovery of retail tenants after the retail spaces were allowed to reopen under new normal scenario. The company directs its strategy with key focus on flexibility, resilience, and effectiveness. Meanwhile, the hotel business also sees a positive sign, thanks to the government policy to allow foreign travellers entering the kingdom without quarantine from November 2021 onwards. Optimistically, we believe to see a meaningful recovery by the end of next year.

Looking into 2022, we have targeted to continually launch low-rise housing projects to expand customer base and drive business growth. On the commercial and industrial property front, we continue to develop many pipeline projects such as Silom Edge, the new mixed-used landmark in the heart of Silom with expected completion by September 2022, at the same time we are on track to deliver new Built-to-Suit industrial development with over 100,000 sqm. leasable area ready for service by next year, altogether providing visibility of strengthen recurring income growth forward.

Yours faithfully,

Frasers Property (Thailand) Public Company Limited

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Mr. Somboon Wasinchutchawal
Chief Financial Officer