

Management Discussion and Analysis for the First Quarter of Fiscal Year 2022

Fraser's Property (Thailand) Public Company Limited and its Subsidiaries ("the Company") would like to report the financial results of the Company for the first quarter of FY2022 ended 31 December 2021 to the Stock Exchange of Thailand (SET).

Overall operating results

Throughout the past quarter, Thai economy has been continually impacted by the COVID-19 pandemic, despite the progressive vaccination rate alongside the country's prudent reopening scheme. The effect of the COVID-19 Omicron variant widespread outbreak at the end of 2021 has derailed the recovery of business sector and consumption with softening economic activities. Whilst the household debt level remained high at 90% of GDP, the service and tourist sectors still challenged by the instability of income, leading to cautious consumer's spending, thereby resulting in a gradual recovery of overall real estate market. Amidst the uncertainties, the company has prioritised an efficient capital management to maintain financial liquidity and stability, while executing its robust business plan to tap on the prospect of market recovery. Furthermore, the company continued to focus on the safety and well-being of all stakeholders.

Over the first quarter of FY2022 (1Q22), the company reported **Total revenue** of THB 4,042.7 million, a drop of 2.6% or THB 108.1 million compared to the same period last year. The Company's Consolidated **Net profit** was THB 749.3 million, rose by 68.0% or THB 303.3 million from the same quarter of previous year. The changes were summarized as follows:

- **Revenue from Sales of Real Estate** declined by THB 310.4 million or 10.2% YoY as the overall economy has not yet recovered, while consumer confidence deteriorated from the Omicron variant outbreak with high infection rate and containment measures that hindered sales and marketing activities. Indeed, homebuyers remained cautious and postponed buying decisions due to high household debt and tighten rules on mortgage lending, which moderately impacted the town home market segment. Meanwhile, the company has focused on a strategy to expand the online sale channel, together with new product development to catch middle and upper target groups that have purchasing power. As a result, the twin home and single detached house remain in high demand with good sales performance, while the relaxation of LTV rule potentially stimulates the market further.
- **Rental and Related Service Revenue** decreased by THB 13.4 million, or down by 2.3% YoY, primarily due to a decrease in rental from commercial office business particularly from the Golden Land Building based on the expiration of land lease agreement which caused some tenants to terminate the lease contract and vacate from the property. In the face of the Omicron variant, some tenants have implemented cost control strategy by reducing their rental space requirement. Meanwhile, the company has focused on a flexible leasing strategy underlying its expertise as a leading provider of Bangkok CBD's grade A office buildings. Therefore, the performance of overall commercial office portfolio under Fraser's Property Commercial remained stable with a high occupancy rate of 90%. For industrial property, factory and warehouse rental posted a slight dip following assets recycled to Fraser's Property Thailand Industrial Freehold & Leasehold REIT ("FTREIT") last year. Nevertheless, Industrial property demand has continually risen with an all-time high occupancy rate of 86%, thanks to the uptrend of e-commerce and high growth business sectors i.e. electronics, as well as the investment flows into ASEAN and Thailand driven by manufacturing relocation for greater supply chain resilience. Moreover, the shortage of containers supply continued to drive demand for short-term warehouse leasing.
- **Hotel Business** reported an increase in revenue of THB 25.3 million or increased by 69.9% YoY due to a rise in the number of foreign visitors under the travel relaxation via Test&Go scheme in November 2021. However, the registration has been temporarily suspended in December 2021 but the downside risk is limited as hotel business contributed only 1.5% of total revenue.

- **Revenue from Management Services** increased THB 18.9 million, or 10.8% YoY from growing total assets under management and income from shared services provided to the Group Company.
- In 1Q22, the Company recorded gain on sales of investment properties by THB 45.9 million, mainly from the appeal of land expropriation. Furthermore, the Company reported THB 381.1 million gain on capital redemption of investment in associate, mainly from the dissolution of Gold Leasehold Property Fund and the repayment of the capital proceeds to unitholders after the liquidation.

The Company posted total costs and expenses of THB 3,003.6 million, decreased by 10.5% or THB 354.0 million YoY, with operating costs from core business substantially reduced by 13.1% YoY or THB 348.4 million, leading to an improved gross operating margin at 35.1%. Moreover, the company effectively maintained a control measure over its distribution costs and administrative expenses with a 0.8% drop YoY equivalent to THB 5.7 million, along with lower finance costs by 10.9% YoY or THB 29.8 million from an efficient capital management. From the aforesaid revenues and expenses, Fraser Property (Thailand) recorded a consolidated **net profit** for 1Q22 of THB 749.3 million, representing an increase of 68.0% YoY or THB 303.3 million, while **the profit attributable to owner of the Company** stood at THB 750.1 million, a rise of 67.1% YoY or THB 301.2 million. **Basic earnings per share** attributable to owner of the Company for 1Q22 was THB 0.32 per share, increased from THB 0.19 per share in 1Q21.

Financial Performance for 1Q 2022 vs. 1Q 2021

Unit: THB Million	1Q 2021	1Q 2022	% to Total Revenue	%Y-o-Y
Revenue from sales of real estate	3,054	2,744	67.9%	-10.2%
Rental and related service revenue	574	560	13.9%	-2.3%
Revenue from hotel business	36	61	1.5%	69.9%
Management fee income	175	194	4.8%	10.8%
Total operating revenue	3,839	3,560	88.0%	-7.3%
Gain on sales of investment properties	263	46	1.1%	-82.5%
Gain on capital redemption of investment in associate	-	381	9.4%	N/A
Others	49	56	1.4%	15.0%
Total revenues	4,151	4,043	100.0%	-2.6%
Total operating costs	2,657	2,309	57.1%	-13.1%
Distribution costs and administrative expenses	701	695	17.2%	-0.8%
Finance costs	274	244	6.0%	-10.9%
Total expenses	3,631	3,248	80.3%	-10.6%
Profit for the period	446	749	18.5%	68.0%
Profit attributable to owner of the Company	449	750	18.6%	67.1%
Basic earnings per share (THB)	0.19	0.32		68.4%

Financial Position as at 31 December 2021

Unit: THB Million	30 Sep 2021	31 Dec 2021	% YTD
Cash, cash equivalents and fixed deposits	975	830	-15.0%
Real estate development for sales	32,356	33,412	3.3%
Investments in associates, joint ventures, and other investment	16,310	15,990	-2.0%
Investment properties	36,311	36,437	0.3%
Property, plant and equipment	2,856	4,507	57.8%
Total assets	92,637	95,022	2.6%
Interest-bearing liabilities	50,352	51,913	3.1%
Total liabilities	58,384	60,050	2.9%
Total equity	34,253	34,972	2.1%

In conclusion, the Company's **total assets** as of 31 December 2021 ended at THB 95,021.7 million, rose by THB 2,384.7 million or 2.6% compared to 30 September 2021 mainly from an increase in real estate development for sales, property, plant and equipment due to the acquisition of the Royal Residence and Mayfair Marriott Executive Apartment respectively. **Total liabilities** stood at THB 60,049.6 million, increased by 2.9% or THB 1,665.7 million from 30 September 2021 as a result of loan drawdown from financial institutions. **Total equity** was THB 34,972.1 million, grew by 2.1% or THB 719.0 million from the interim net profit.

As at 31 December 2021, the Company had total interest-bearing liabilities at THB 51,912.9 million, increased by THB 1,560.8 million mainly from the loans from financial institutions. At the end of December 2021, an interest-bearing debt to equity ratio was at 1.48 times, marginally increased from 1.47 times at end of September 2021.

Business Outlook

World economy for 2022 rides on a recovery trend from a wide vaccine distribution, despite a somewhat slower growth rate following the uncertainties of the COVID-19 Omicron variant with the strict control measures, whilst countries coped with the volatility of the money and capital market through various financial and fiscal policy responses. Bank of Thailand (BOT) has projected a growth of Thai economy at 3.4%, based on a recovery of economic activities and higher inbound tourists alongside the economic stimulus packages. Nevertheless, consumer confidence remains uncertain due to household debt level and fragile labour market.

Frasers residential continues a robust business plan amidst the challenging year. Although the market is benefitting from government policy stimulus to support homebuyer decisions especially for the groups with financial security, the risk of a new wave of COVID-19 remains a threat to soften purchasing power and delay recovery of business growth. The low interest rate environment does provide a boost for developers to ramp-up investments with new projects launch plan, leading to a gradual recovery of residential sales particularly the single-detached houses in city location for mid-upper customer targets in response to a rebound in purchasing power.

On the other hand, Frasers Industrial and Frasers Commercial are poised to benefit from the manufacturing relocation and the investment support from the government, as well as increasing demand from high growth business sectors. Meanwhile the commercial property business is expected to recover based on a new normal protocol and adoption of hybrid working structure. While the retail sector keeps a focus on flexible approach in its strategy execution, with collaboration of partners to effectively manage the space and tenants. Meanwhile, the hotel business also sees a positive sign, thanks to Test&Go scheme which will be resumed in February 2022.

Looking into 2022, we have targeted to ramp-up the launch of low-rise housing projects to expand potential customer base. In addition, the company is strengthening recurring income capacity via many high-valued pipeline projects under development including 'Silom Edge', the new mixed-used landmark in the heart of Silom, to meet the new generation lifestyles and start-up entrepreneurs with expected completion by September 2022, in parallel with new Built-to-Suit industrial developments on track to deliver over 100,000 sqm. leasable area ready for service by this year.

Yours faithfully,

Frasers Property (Thailand) Public Company Limited

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Mr. Somboon Wasinchutchawal

Chief Financial Officer