

MBK Public Company Limited and its subsidiaries

Management discussion and analysis

For the year ended 31 December 2021

Analysis of operating results

1. Overall operating results

The operating results of MBK Public Company Limited and its subsidiaries (“the Group”) for the years ended 31 December 2021 and 2020 are as follows:

(Unit: Million Baht)

For the years ended 31 December				
	2021	2020	Inc/(Dec)	
1) Operating revenue	7,631	8,636	(1,005)	(12%)
2) Operating profit	16	626	(610)	(97%)
3) Share of profit (loss) from investments in associates and joint venture	(334)	(227)	(107)	(47%)
4) Other income	577	598	(21)	(4%)
5) Finance costs	(734)	(550)	(184)	(33%)
6) Income tax expense	(269)	(255)	(14)	(5%)
7) Net profit (loss)	(744)	192	(936)	(488%)
8) <u>Less:</u> Profit attributable to non-controlling interest of the subsidiaries	(60)	(43)	(17)	(40%)
9) Net profit (loss) – attributable to equity holders of the Company	(804)	149	(953)	(640%)
10) Earnings (loss) per share (Baht)	(0.60)	0.11	(0.71)	(645%)

The overall group operating results in comparison with the same period of last year showed that the revenue for the years ended 31 December 2021 and 2020 were Baht 7,631 million and Baht 8,636 million, respectively, decreased by Baht 1,005 million or 12%. The net profit (loss) attributable to equity holders of the Company for the year ended 31 December 2021 represented net loss of Baht (804) million but for the year 2020 represented net profit of Baht 149 million, the net profit decreased by Baht 953 million or 640%. The significant changes were as follows:

a) The spread of Corona Virus ("COVID-19")

The impact of the epidemic outbreak of COVID-19 in all regions of the world since 2020 has caused a hugely sluggish economy and continued impact to the present year. In Thailand has been affected since March 2020 onwards. This situation has affected the business operation of the Group. In 2020, the Group's business activities temporarily closed in accordance with the government measures, such as closing all shopping centers and food centers from 22 March to 16 May 2020, closing all golf courses from 22 March to 2 May 2020 and closing most hotels from 1 April to 17 July 2020.

In 2021, Thailand is facing new outbreaks of COVID-19 epidemic which is more violent wave. As a result, the government announced the lockdown measures again to reduce the spread of disease. The shopping centers and food centers closed from 19 July to 31 August 2021, and golf courses in Pathumtani closed from 23 July to 31 August 2021. The new outbreaks have affected the recovery of the private sector, slow-down of tourism sector, lower employment and a household debt ratio is still high. The Group is still affected by the crisis. As a result, the overall revenue and net profit for the current period in comparison with the same period of last year declined accordingly. The significant changes in operating revenue and operating profit (loss) of the Group business segments were noted in No. 2.1 - Operating revenue – by segment and No. 2.2 – Operating profit (loss) – by segment. However, the Group's management has followed up continuously on the situations for strategic planning and coping with changes in several contexts.

b) The Group recognized share of loss from investments in associates and joint venture for the year 2021 and 2020 of Baht 334 million and Baht 227 million, respectively, increased by Baht 107 million or 47%, due to the following reasons:

- Share of loss from an associate that operates shopping center business increased by Baht 308 million according to the lower performance causing from the impact of COVID-19 as mentioned above.
- Share of loss from associates that operates life assurance business decreased by Baht 201 million, mainly due to a decrease in provision for life assurance liabilities because of higher zero-coupon bond yield and the increase in fair value of marketable securities. In August 2021, the investment in such associates were sold to the existing shareholders.

c) Finance costs increased by Baht 184 million or 33% as detailed below:

(Unit: Million Baht)

Finance costs		2021	2020	Inc/(Dec)
1	Interest expense – Borrowings	96	125	(29)
2	Interest expense – liabilities under financial lease agreements (TFRS # 16)	634	421	213
3	Other finance costs	4	4	-
Total		734	550	184

From recognition rights of use and lease liabilities under the Financial Reporting Standard or TFRS #16 – Leases, resulted recognition of interest expense on the lease liabilities. The increase of Baht 213 million in interest expense was mainly due to the changes in recognition of rental discount basis as follows: In 2021, the whole rental discount was recognised to reduce cost of rental but in 2020, the allocated rental discount of Baht 238 million was recognised to reduce interest expense account.

However, if the interest expense in 2020 excluded such rental discount adjustment, the finance costs for the year 2021 and 2020 would be Baht 734 million and Baht 788 million, respectively, decreased by Baht 54 million according to the decrease of lease liabilities from the annual rental payment.

2. Revenue and operating results by segment

The Group's business operations are divided into 8 principal segments as follows:

1. Shopping Center business engages in the business of rental space to retail tenants in the shopping centers and the business of office space for rent.
2. Hotel and tourism business engages in providing for lodging, food and drink, fitness and other facilities and services related for accommodation and travel.
3. Golf business engages in golf services, clubhouse and selling golf equipment.
4. Real-estate business engages in residential for sale, property management and asset appraisal.
5. Food Solution business engages in selling rice for both local and export markets, and the food center and restaurant business.

6. Finance business engages in (i) providing general loan for housing and bridge loan of which the security is marketable property in good location, (ii) motorcycle hire-purchase business, and provision of life assurance business*.
7. Auction business engages in the business of car and motorcycle auction.
8. Corporate Supporting Center business performs as a back-office functions for the Group, and Others business engages in the water supply business.

Note:

* The company that engages in life assurance business is classified as an associate therefore the recognition of operating results is in the form of profit (loss) sharing. The investment in the associates were sold in August 2021.

The significant movements in operating revenue and operating profit/(loss) by segment for the year ended 31 December 2021 when compared to the same period of 2020 were as follows:

2.1 Operating revenue – by segment

(Unit: Million Baht)

For the years ended 31 December				
Segment	2021	2020	Increase/(Decrease)	
1) Shopping Center	1,480	2,363	(883)	(37%)
2) Hotel and tourism	221	484	(263)	(54%)
3) Golf	258	322	(64)	(20%)
4) Real-estate	1,000	715	285	40%
5) Food Solution	1,646	1,748	(102)	(6%)
6) Finance	2,412	2,486	(74)	(3%)
7) Auction	602	490	112	23%
8) Corporate Supporting Center and Others	12	28	(16)	(57%)
Total	7,631	8,636	(1,005)	(12%)

The operating revenue of the Group for the years ended 31 December 2021 and 2020 were Baht 7,631 million and Baht 8,636 million, respectively, which decreased by Baht 1,005 million or 12%. The major changes in operating revenue by segment were as follows:

a) The revenue of shopping center business decreased by Baht 883 million or 37%, mainly due to the epidemic of COVID-19 in 2020 which caused all shopping centers were closed since 22 March to 16 May 2020 (total 56 days). In addition, in the current year, the shopping centers were also closed from 19 July to 31 August 2021 (total 44 days) in compliance with the Government measures. The tenants were waived for rental and service fees throughout the closing periods. The shopping center business has been affected continuously by a new outbreak of COVID-19 which is more severe since March 2020 until throughout the period of current year. As a result, the Group has still implemented measures to assist the tenants to maintain their business operation until the situation returns to normal such as rental and service fees discount, reducing the number of rental deposits, and extension of payment period etc. The rental discount rates will vary depending on the business impact of each tenant.

In 2021, the management has implemented new marketing strategies in accordance with the current lifestyle of consumers such as selecting the potential new tenants to meet the needs of customers, closing the certain rental space for renovation to be more modern and developing new technologies to adjust to the new normal trends.

b) The revenue of hotel and tourism business decreased by Baht 263 million or 54% mainly due to the global epidemic of COVID-19. Most of the countries are implementing lockdown measures and the foreign tourists have stopped traveling to Thailand since April 2020. In November 2021, the epidemic situation is getting better so the government decided to reopen the country for foreign tourists but still maintained the tight epidemic control measures.

The hotel and tourism business were severely affected by COVID-19. In 2020, the most hotel group temporarily ceased its operations from 1 April to 17 July 2020 (total 108 days). During this closing period, Pathumwan Princess Hotel and Layana Resort & Spa in Krabi renovated hotel rooms. In addition, in 2021 the followings hotels have temporarily closed their services to control operating costs during low season periods as follows:

Hotel	Start	End
1. Tinidee@Ranong	1 Mar. 21	Indefinitely
2. Layana Resort & Spa in Krabi	1 May 21	31 Oct. 21
3. Tinidee@Phuket and Loch Palm Residence in Phuket	6 May 21	30 Sep. 21
4. Tinidee Hideaway@Tonsai Beach Krabi	1 Aug. 21	31 Oct. 21
5. Dusit Thani Krabi Beach Resort	1 Sep. 21	30 Sep. 21
6. Fitness Center at Pathumwan Princess and Paradise Park	26 Apr. 21	30 Sep. 21
7. Fitness Center at Bangkok Golf Club	26 Apr. 21	25 Dec.21

The impact of COVID-19 resulted that the hotel business has to adapt itself to have flexibility for business operation by focusing on offering services to satisfy the needs of local guests, offering a special price or package tour, participating in the public sector's campaign such as the project of "Rao Tiew Duay Kan" (We Travel Together), and increasing distribution channels to reach different groups of customers etc.

- c) The revenue of golf business decreased by Baht 64 million or 20%. According to the Government measures, in 2020, all golf courses were closed from 22 March – 2 May 2020 (total 42 days), and in the current year, two golf courses in Pathumtani were closed from 23 July to 31 August 2021 (total 40 days). After re-opened the golf courses, the number of golfers at Riverdale Golf Course and Bangkok Golf Course in Pathumtani have increased continuously. On the other hand, the golf courses in Phuket are still slow-down same as 2020 because most of golfers are foreign golfers from aboard.
- d) The revenue of real-estate business increased by Baht 285 million or 40% mainly due to the significant changes as followings:

- Residential development projects:

(Unit: Million Baht)

Project - Description	2021	2020	Inc/(Dec)
1 "Quinn Condominium 101" whcih located on Sukhumvit Road 101 was completed in October 2020 and the legal transfer of ownership and revenue recognition has been made since the fourth quarter of 2020.	318	389	(71)
2 "Riverdale Residence" is a premium residential project consisted of house with land and vacant land, located in the Riverdale Golf Course in Pathum Thani.	362	135	227
3 "Park Riverdale" is a mid-level residential project, located in the Riverdale Golf Course in Pathum Thani.	57	81	(24)
4 "Quaritz Rama IX" is a luxury residential project, located next to the shopping center The Nine Center Rama 9.	52	-	52
5 "Baan Rom Mai – Bo Win" is a small size residential project, located in Chonburi.	108	40	68
6 Residential projects in Phuket.	54	7	47

- In the second quarter of last year, the real-estate business reversed accrued reserve for housing maintenance relating to after-sales service agreements for several housing projects amounting to Baht 21 million to other income due to the end of warranty period.
 - Due to the uncertainty of COVID-19 situation, the real-estate business decided to postpone the residential development projects in other locations until the economic returns to normal situation. However, the real-estate business continues studying to develop residential project to meet the needs of consumers who are constantly changing behavior according to the context, society, and environment.
- e) The revenue of food solution business decreased by Baht 102 million or 6%. The significant changes were as follows:
- The revenue of rice business decreased by Baht 34 million or 2% as below details.
 - The export sales increased by Baht 57 million, mainly due to the global COVID-19 situation causing a shortage in number of containers for export goods. However, since the third quarter of 2021, there are enough number of containers for export sales of rice.
 - The domestic sales decreased by Baht 91 million.
 - The revenue of food center business decreased by Baht 68 million or 54%. Because in 2020, the food centers were closed from 22 March to 16 May 2020 (total 56 days), and in the current year, the food centers were closed from 19 July to 31 August 2021 (total 44 days). At present, the number of customers declined as results of facing a new outbreak of COVID-19 and several government programs to help people and retailers affected by COVID-19 crisis. The food seller who registered as a company is unable to participate with the programs.
- f) The revenue of finance business decreased by Baht 74 million or 3%. Under COVID-19 situation, finance business is more conservative in lending loans to customers, monitored debt collection status, and reviewed credit risk assessment on a regular basis to reduce default debtor.
- The revenue of hire-purchase for motorcycle business decreased by Baht 71 million. The same period of last year, there was revenue recognition of Baht 75 million from the disposition by auction process of non-performing loan receivables portfolios. However, if such item was excluded, the hire-purchase revenue would be increased by Baht 4 million.

- The revenue of lending business decreased slightly by Baht 3 million. Because in 2020, there was interest income recognition from a default debtor of Baht 45 million due to the auction process of collateral asset to settle the outstanding principal and interest. However, if such item was excluded, the revenue would be increased by Baht 42 million.
- g) The revenue of auction business increased by Baht 112 million or 23%, mainly due to the economic downturn leading to the higher in number of car seized and higher market demand for used cars.

2.2 Operating profit (loss) – by segment

(Unit: Million Baht)

For the years ended 31 December				
Segment	2021	2020	Increase/(Decrease)	
1) Shopping Center	(846)	(118)	(728)	(617%)
2) Hotel and tourism	(318)	(291)	(27)	(9%)
3) Golf	(35)	(13)	(22)	(169%)
4) Real-estate	192	129	63	49%
5) Food Solution	(39)	(2)	(37)	(1,850%)
6) Finance	851	762	89	12%
7) Auction	229	164	65	40%
8) Corporate Supporting Center and Others	(18)	(5)	(13)	(260%)
Total	16	626	(610)	(97%)

The operating profit of the Group for the years ended 31 December 2021 and 2020 were Baht 16 million and Baht 626 million, decreased by Baht 610 million or 97%. In overall, operating results varied according to the movements of revenue as mentioned in No.2.1, normal economic conditions and the significant changes as follows:

- a) The epidemic of COVID-19 situation resulted in the decline of revenue of the Group whereas the fixed costs still incurred. However, the Group management has closely monitored the progress of COVID-19 situation and continuously reduced operating expenses to minimize the impact on the Group operating results.

- b) Shopping center business received a rental discount on land and its related buildings due to the impact of the COVID-19 for the year 2021 and 2020 were Baht 293 million and Baht 363 million, respectively, decreased by Baht 70 million. The rental discount can be recognised after receiving the official notice from the lessor.
- c) Due to the epidemic of COVID-19, the number of foreign and Thai tourists traveling within the country declined significantly. This affected to the operations of the group hotel business. As a result, in the current period hotel business reduced number of employees in order to adjust the size of business operation and to reduce operating costs in accordance with the current situation. The additional severance pays were recognized for the year 2021 of Baht 26 million.
- d) Employee expenses of the Group decreased by Baht 146 million due to the reduction in number of hotel staff as mentioned above, the temporarily closed for hotel business operation as mentioned in No. 2.1 (b) and the decrease in other related staff expenses of the Group since the second quarter of last year.
- e) Bad debt and provision for expected credit losses (provision for doubtful debts) of the finance business decreased by Baht 139 million, mainly due to more stringent measures in lending loans resulted in lower loan portfolios, the better debt collection and the government programs helping people for living allowance.
- f) In 2021, the impairment of investment in Thai Airways Debentures was recognized of Baht 29 million.

Analysis of financial position

The significant movements in assets, liabilities and shareholders' equity as at 31 December 2021 when compared with the balance as at 31 December 2020 were as follows:

(Unit: Million Baht)

	31 Dec. 2021	31 Dec. 2020	Increase/(Decrease)	
Total assets	55,257	57,142	(1,885)	(3%)
Total liabilities	34,199	35,757	(1,558)	(4%)
Total shareholders' equity	21,058	21,385	(327)	(2%)

3. Assets

3.1 Cash and cash equivalents

Cash and cash equivalents balance as at 31 December 2021 was Baht 4,449 million, increased by Baht 607 million or 16%, mainly due to the uncertainty situation of COVID-19 pandemic therefore, the Group needs to maintain adequate financial liquidity for further business operations. The significant increase in sources of cash and cash equivalents during the current year, apart from operating cashflows, was cash receipt from sale of investments in group associates that operated in life assurance in August 2021 amount of Baht 487 million.

3.2 Other financial assets – Investments in equity marketable securities

Investments in equity marketable securities balance as at 31 December 2021 was Baht 5,000 million, increased by Baht 401 million or 9% due to the increase in fair value of investments in marketable securities on hand at period ended.

3.3 Loans to customers

Loans to customers (including current portion), net of allowance for expected credit losses (allowance for doubtful accounts), balance as at 31 December 2021 was Baht 14,798 million, decreased by Baht 731 million or 5%. The major changes were as follows:

- a) From the epidemic of COVID-19 situation, the finance business has conservative policy in lending to a customer to avoid non-performing loan. As a result, the hire-purchase receivables for motorcycle portfolio decreased by Baht 486 million, and loan receivables which secured by pledged/mortgaged of assets specified in the loan agreements decreased by Baht 377 million.
- b) Allowance for expected credit losses (provision for doubtful debts) decreased by Baht 133 million, mainly because the hire-purchase for motorcycle business has more conservative credit control, better debt collection process and the government policy launching the economic stimulus program for people affected by COVID-19.

3.4 Inventories

Inventories balance as 31 December 2021 was Baht 2,297 million, decreased by Baht 543 million or 19%. The major decrease was from the transfer development costs of several residential projects to cost of sales according to the revenue recognition as mentioned in No. 2.1 (d).

3.5 Investment in associates and joint venture

Investment in associates and joint venture balance as at 31 December 2021 was Baht 5,112 million, decreased by Baht 810 million or 14%. The major changes were as follows:

- a) The decrease of Baht 474 million was from sale of investments in group associate that engaged in life assurance business in August 2021.
- b) The decrease of Baht 334 million was from the recognition share of loss under equity method.

3.6 Investment properties

Investment properties balance as at 31 December 2021 was Baht 13,065 million, decreased by Baht 849 million or 6%. The significant movements during the year were as follows:

Description		Million Baht
1	The construction costs of a new shopping center "The Nine Trianon"	256
2	The costs of renovation shopping centers	227
3	The development costs of a port project Marina@Riverdale District	46
4	Reclassification of certain plot of land in Pathumtani to present under land held for development	(93)
5	Depreciation and amortisation	(1,233)
6	Others	(52)
Total net movements		(849)

3.7 Property, plant and equipment

Property, plant and equipment balance as at 31 December 2021 was Baht 5,623 million, decreased by Baht 303 million or 5%. The significant movements during the year were as follows:

Description		Million Baht
1	The construction costs of a new office building and car auction site located at Tiwanon Road in Pathumthani and improvement of car auction sites in provincial branches	77
2	The costs of renovation golf courses in Pathumthani	50
3	The costs of a new food court at "The Nine Tiwanon" shopping center and renovation costs of food court at Samyan Mid-Town shopping center	34
4	The costs of renovation shopping centers	30
5	Depreciation and amortisation	(538)
6	Others	44
Total net movements		(303)

4 Liabilities

4.1 Long-term debentures

Long-term debentures (including current portion) balance as at 31 December 2021 was Baht 14,877 million, decreased by Baht 886 million or 6%. In the current year, interest costs are in a downtrend according to the economic conditions. To manage financial costs effectively, therefore in July 2021, the Company issued additional debenture of Baht 1,000 million for a period of 3 years, bearing interest rate of 1.91% per annum. In September 2021, the partial debentures of Baht 856 million, which were due for repayment in 2022 and bearing interest rate of 4.7% - 4.9% per annum, were redeemed. In addition, in November 2021, the Company redeemed the debenture of Baht 1,000 million, which due for repayment in 2033 and bearing interest rate of 3.9% per annum.

4.2 Long-term liabilities under financial lease agreements

Long-term liabilities under financial lease agreements (including current-portion) balance as at 31 December 2021 was Baht 11,684 million, decreased by Baht 478 million or 4%. The major item is represented liabilities related to the lease agreements granting the right to utilize the shopping center at Pathumwan intersection which is presented net of related deferred interest expense. The movements were as follows:

- a) Liabilities under financial lease agreements was due for payment in April 2021 amounting to Baht 985 million. The Company paid for such liabilities, net of discount received under COVID-19 situation, of Baht 760 million.
- b) Deferred interest expense decreased by Baht 617 million due to the amortization over the lease period as interest expense for the period.

5 Shareholders 'equity

Total shareholders' equity balance as at 31 December 2021 was Baht 21,058 million, decreased by Baht 327 million or 2%. The significant movements were as follows:

- a) The decrease of Baht 804 million was from net loss from operation for the year.
- b) The increase of Baht 198 million was the warrant holders of 66 million units exercised their rights to purchase ordinary share at Baht 2.9 - 3.0 each, resulted in an increase in paid-up share capital of Baht 67 million and premium on ordinary of Baht 131 million.
- c) The increase of Baht 325 million was from fair value adjustment of the investment in available-for-sale marketable securities, net of related deferred tax liabilities impact.

Analysis of the liquidity

6. Cash flows of the Group for the years ended 31 December 2021 and 2020 are summarised in table below.

(Unit: Million Baht)

For the years ended 31 December				
	2021	2020	Cash flows	
			Increase/(Decrease)	
Net income from operating activities before changes in operating assets and liabilities	1,779	2,909	(1,130)	(39%)
Net movements in operating assets and liabilities	651	(1,813)	2,464	136%
Net cash flows received from (used in) operating activities	2,430	1,096	1,334	122%
Net cash flow received from (used in) investing activities	319	2,038	(1,719)	(84%)
Net cash flows received from (used in) financing activities	(2,142)	(79)	(2,063)	(2,611%)
Net increase (decrease) in cash and cash equivalents	607	3,055	(2,448)	(80%)

6.1 Cash flows from operating activities

Net cash flows received from operating activities increased by Baht 1,334 million or 122% due to the following major reasons: -

Factors in cash increases:

- a) Cash receipts from trade and other receivable increased by Baht 284 million.
- b) Loans to customers (net of cash receipts) decreased by Baht 1,258 million, mainly due to COVID-19 situation causing more stringent and conservative in lending loans.
- c) Cash paid for inventories decreased by Baht 702 million. In 2020, the major transaction was payments for construction costs relating to the project "Quinn Condominium 101" which completed in October 2020.
- d) Cash paid for deposits received decreased by Baht 261 million.

Factors in cash decreases:

- e) Cash receipts from operating activities decreased by Baht 1,130 million, mainly due to the impact of COVID-19.

6.2 Cash flows from investing activities

Net cash flows received from investing activities decreased by Baht 1,719 million or 84% due to the following major reasons:-

Factors in cash increases:

- a) In May 2020, an associate that operates life insurance business increased its share capital of Baht 300 million, the Company paid for the increase in share capital in proportion of shareholding of Baht 147 million.
- b) On 1 February 2021, a subsidiary paid for investment in all shares of Q Mall Company Limited (formerly "Bangkok-Tokyu Department Store Company Limited") at a net asset value of Baht 30 million. At acquisition date, Q Mall had cash and cash equivalents balance was Baht 161 million, therefore, the net cash received from acquisition of the new subsidiary was Baht 131 million.
- c) In August 2021, there was cash receipt from sale of investments in group associate that operates life assurance business in the amount of Baht 487 million.

Factors in cash decreases:

- d) Cash payments for purchases of property, plant and equipment, and investment properties increased by Baht 96 million.
- e) In January 2020, there was special dividend receipt of Baht 533 million from an associate that operated finance business.
- f) In March 2020, there was cash receipt of Baht 439 million from the capital reduction of an associate that operated hotel business abroad.
- g) In 2020, investments in available-for-sale marketable securities were sold in order to manage financial liquidity under COVID-19 situation. The cash receipts from the sales transactions, net of cash payments for purchases, was Baht 1,322 million.

6.3 Cash flows from financing activities

Net cash flows received from financing activities decreased by Baht 2,063 million or 2,611% due to the following major reasons:-

Factors in cash increases:

- a) Cash paid for dividend payment decreased by Baht 559 million because warrants were issued to shareholders instead of dividend payment to maintain financial liquidity under the COVID-19 situation.
- b) The increase in cash receipts from short-term loans from financial institutions (net of cash repayments) by Baht 141 million.
- c) Cash received from warrant holders exercising their rights to purchase ordinary shares in the amount of Baht 198 million.

Factors in cash decreases:

- d) Cash receipts of long-term loans from financial institutions (net of cash repayments) decreased by Baht 2,332 million.
- e) Cash payments for debentures (net of debentures issuance) increased by Baht 652 million, mainly because in 2021, there were redemptions of debentures before maturity dates as mentioned in No. 4.1 – Long-term debentures.