

MBK Public Company Limited and its subsidiaries

Management discussion and analysis

For the three-month period ended 31 March 2022 (The first quarter)

Analysis of operating results

1. Overall operating results

The operating results of MBK Public Company Limited and its subsidiaries (“the Group”) for the three-month periods ended 31 March 2022 and 2021 are as follows:

(Unit: Million Baht)

For the three-month periods ended 31 March				
	2022	2021	Inc/(Dec)	
1) Operating revenue	1,991	2,033	(42)	(2%)
2) Operating profit	192	114	78	68%
3) Share of profit (loss) from investments in associates and joint venture	85	(7)	92	1,314%
4) Other income	29	37	(8)	(22%)
5) Finance costs	(185)	(192)	(7)	4%
6) Income tax expense	(65)	(76)	11	14%
7) Net profit (loss)	56	(124)	180	145%
8) <u>Less:</u> Profit attributable to non-controlling interest of the subsidiaries	(9)	(19)	10	53%
9) Net profit (loss) – attributable to equity holders of the Company	47	(143)	190	133%
10) Earnings (loss) per share (Baht)	0.03	(0.11)	0.14	127%

The overall operating results of the Group for the three-month period ended 31 March 2022 in comparison with the same period of last year showed that the Group had better operating results. The operating revenue for the three-month periods ended 31 March 2022 and 2021 were Baht 1,991 million and Baht 2,033 million, respectively, decreased slightly by Baht 42 million or 2%. The net profit (loss) attributable to equity holders of the Company for the three-month periods ended 31 March 2022 and 2021 were net profit of Baht 47 million and net loss of Baht (143) million, respectively, the net profit increased by Baht 190 million or 133%. 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, especially in 2021, the new outbreaks of COVID-19 epidemic are widespread and more severe. This situation has affected the business operation of the Group. the Group's business activities temporarily closed in accordance with the government measures during 2020 and 2021 as follows:

- In 2020, all shopping centers and food centers closed from 22 March to 16 May 2020 (56 days), all golf courses closed from 22 March to 2 May 2020 (42 days), and most hotels closed from 1 April to 17 July 2020 (108 days).
- In 2021, all shopping centers and food centers closed from 19 July to 31 August 2021 (44 days), two golf courses in Pathumtani closed from 23 July to 31 August 2021 (40 days).

In addition, some hotels have temporarily closed their services during May to October 2021 to control operating costs during low season periods.

In the first quarter of 2022, the situation of concern over the epidemic continued to decrease after the Government has gradually issued relief measures starting from the fourth quarter of 2021 until present to reduce the strict control of the epidemic including the opening of the country for foreign tourists. As a result, all business sectors, especially for tourism business, began to recover.

The overall revenue and net profit for the current period in comparison with the same period of last year has continued improvement. 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) Share of profit from investments in associates and joint venture increased by Baht 92 million or 1,314% due to the following reasons:

- Share of profit from an associate that operates shopping center business increased by Baht 157 million. Because the government has issued the relief measures to control COVID-19 and concerns over the disease have decreased as mentioned above.

- Share of profit from an associate that operates life assurance business decreased wholly by Baht 64 million. In August 2021, the investment in such associates were sold to the existing shareholders therefore, there was no profit sharing recognized in the current period. In the same quarter of last year, the recognition of profit sharing of Baht 64 million were mainly from a decrease in provision for life assurance liabilities because of higher Zero-Coupon Bond Yield and the increase in fair value of marketable securities.

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 three-month period ended 31 March 2022 when compared to the same period of 2021 were as follows:

2.1 Operating revenue – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2022	2021	Increase/(Decrease)	
1) Shopping Center	293	440	(147)	(33%)
2) Hotel and tourism	126	48	78	163%
3) Golf	101	79	22	28%
4) Real-estate	400	247	153	62%
5) Food Solution	358	449	(91)	(20%)
6) Finance	593	599	(6)	(1%)
7) Auction	111	167	(56)	(34%)
8) Corporate Supporting Center and Others	9	4	5	125%
Total	1,991	2,033	(42)	(2%)

The operating revenue of the Group for the three-month periods ended 31 March 2022 and 2021 were Baht 1,991 million and Baht 2,033 million, respectively, which decreased by Baht 42 million or 2%. The major changes in operating revenue by segment were as follows:

- a) The revenue of shopping center business decreased by Baht 147 million or 33%, mainly due to the impact of epidemic of COVID-19 since March 2020 until the period of current year. In addition, in the second quarter of last year, there were several new outbreaks of COVID-19 which were more severe. As a result, the shopping center business still has measures to help tenants to be able to continue their business until the situation returns to normal such as exemption of rental and service fees throughout the closing period, rental and service fees discount during the opening period, 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 increased by Baht 78 million or 163% because in November 2021, the government opened the country for foreign tourists but still maintained strict epidemic control measures and has issued relaxation measures periodically. Moreover, the benefits programs such as “Tour Taew Thai” and “Rao Taew Duay Kan” resulted in higher number of Thai people which is the major traveler in the country. Therefore, the hotel and tourism business has started to recover continuously.

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 increased by Baht 22 million or 28%. The major reasons were the opening of the country causing more foreign golfers to travel and play a golf in Phuket and the promotion packages through various channels to increase number of golfers. As a result, golf courses in Phuket began to recover. In addition, the golf courses in Pathumtani also increased in number of local and foreign golfers.
- d) The revenue of real-estate business increased by Baht 153 million or 62% mainly due to the recognition of revenue under residential development projects as follows:

(Unit: Million Baht)

Project - Description	2022	2021	Inc/(Dec)
1 “Riverdale Residence” is a premium residential project consisted of house with land and vacant land, located in the Riverdale Golf Course in Pathum Thani.	174	-	174
2 “Park Riverdale” is a mid-level residential project, located in the Riverdale Golf Course in Pathum Thani.	56	17	39
3 “Quaritz Rama IX” is a luxury residential project, located next to the shopping center The Nine Center Rama 9.	90	-	90
4 “Baan Rom Mai – Bo Win” is a small size residential project, located in Chonburi and Rayong.	26	13	13
5 Residential projects in Phuket.	21	-	21
6 “Quinn Condominium 101” which 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.	25	202	(177)

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 91 million or 20%. The significant changes were as follows:
- The revenue of rice business decreased by Baht 94 million or 22% mainly due to a decrease in domestic sales by Baht 121 million. The major reasons were that the rice mills business is both manufacturer and distributor of rice causing many retailers ceased its operation or reduced purchase volume of rice. In addition, the government programs to help people living cost to be lower. However, export sales increased by Baht 27 million.
 - The revenue of food center business increased slightly by Baht 3 million or 16%.
- f) The revenue of finance business decreased slightly by Baht 6 million or 1%. 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 finance business had a slight change in revenue as follows: the revenue of lending business decreased by Baht 9 million, but the revenue of hire-purchase for motorcycle business increased by Baht 3 million.
- g) The revenue of auction business decreased by Baht 56 million or 34%. The COVID-19 situation over the past two years, affected to the consumer purchasing power of a new car, the financial institutions have more conservative in lending, and the automobile industry reduced its production capacity. Consequently, the number of new cars, used cars and seized cars in the market declined.

2.2 Operating profit (loss) – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2022	2021	Increase/(Decrease)	
1) Shopping Center	(196)	(128)	(68)	(53%)
2) Hotel and tourism	(9)	(111)	102	92%
3) Golf	(18)	(3)	(15)	(500%)
4) Real-estate	168	46	122	265%
5) Food Solution	(9)	6	(15)	(250%)
6) Finance	221	240	(19)	(8%)
7) Auction	31	65	(34)	(52%)
8) Corporate Supporting Center and Others	4	(1)	5	500%
Total	192	114	78	68%

The operating profit of the Group for the three-month periods ended 31 March 2022 and 2021 were Baht 192 million and Baht 114 million, respectively, increased by Baht 78 million or 68%. In overall, operating results varied according to the movements of operating revenue by segment 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 and hotel business received a rental discount on land and its related buildings due to the impact of the COVID-19 epidemic. The rental discount can be recognised when receiving the official notice from the lessor only. The recognition of rental discounts for the three-month periods ended 31 March 2022 and 2021 were Baht 179 million (the discount for October 2021 to March 2022) and Baht 58 million (the discount for October to December 2020), respectively.
- c) As a result of COVID-19 epidemic which affected to the operations of the group hotel business, in the same quarter of last year, hotel business reduced number of employees in order to adjust the size of business operation and to reduce fixed costs in accordance with the situation and recognized the cost of staff reduction in the amount of Baht 26 million.

- d) Bad debt and provision for expected credit losses (provision for doubtful debts) of the finance business increased by Baht 30 million. The major increase was from the provision for accrued interest income.

Analysis of financial position

The significant movements in assets, liabilities and shareholders' equity as at 31 March 2022 when compared with the balance as at 31 December 2021 were as follows:

(Unit: Million Baht)

	31 Mar 2022	31 Dec 2021	Increase/(Decrease)	
Total assets	56,110	55,257	853	2%
Total liabilities	34,299	34,199	100	0.3%
Total shareholders' equity	21,811	21,058	753	4%

3. Assets

3.1 Loans to customers

Loans to customers (including current portion), net of allowance for expected credit losses (allowance for doubtful accounts), balance as at 31 March 2022 was Baht 14,697 million, decreased by Baht 102 million or 1%. 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 145 million. However, loan receivables which secured by pledged/mortgaged of assets specified in the loan agreements increased by Baht 56 million mainly due to the increase of accrued interest income of Baht 47 million.
- b) Allowance for expected credit losses (provision for doubtful debts) increased by Baht 13 million.

3.2 Inventories

Inventories balance as 31 March 2022 was Baht 2,154 million, decreased by Baht 143 million or 6%. 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).

3.3 Investment in associates and joint venture

Investment in associates and joint venture balance as at 31 March 2022 was Baht 5,197 million, increased by Baht 85 million or 2% due to the recognition share of profit under equity method for the three-month period.

3.4 Other financial assets – Investments in equity marketable securities

Long-term investments in equity marketable securities balance as at 31 March 2022 was Baht 5,700 million, increased by Baht 700 million or 14% due to the increase in fair value of investments in marketable securities on hand at period ended.

3.5 Investment properties

Investment properties balance as at 31 March 2022 was Baht 12,864 million, decreased by Baht 201 million or 2%. The significant movements during the period were as follows:

	Description	Million Baht
1	The construction costs of a new shopping center "The Nine Tiwanon"	37
2	The costs of renovation shopping centers	46
3	Depreciation and amortisation	(298)
4	Others	14
	Total net movements	(201)

3.6 Property, plant and equipment

Property, plant and equipment balance as at 31 March 2022 was Baht 5,549 million, decreased by Baht 74 million or 1%. The significant movements during the period 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	38
2	Purchases of other operating assets	24
3	Depreciation and amortisation	(135)
4	Others	(1)
Total net movements		(74)

3.7 Land held for development

Land held for development balance as at 31 March 2022 was Baht 1,893 million, increased by Baht 96 million or 5% due to the purchase of a plot of land located near Riverdale residential projects in Pathumtani for further development of residential project.

4 Liabilities

4.1 Short-term loans from financial institutions

Short-term loans from financial institutions, which are loans of food solution business, balance as at 31 March 2022 was Baht 856 million, decreased by Baht 134 million or 14% due to the repayment during the period by using cash receipts from exercised warrants of the shareholders of food solution business.

4.2 Long-term loans from financial institutions

Long-term loans from financial institutions (including current portion) balance as at 31 March 2022 was Baht 2,436 million, increased by Baht 196 million or 9% for the purposes of finance business expansion.

4.3 Deferred tax liabilities

Deferred tax liabilities balance as at 31 March 2022 was Baht 1,177 million, increased by Baht 142 million or 14%. The increase of Baht 140 million was from the increase in fair value of investments in available-for-sale marketable securities on hand as at 31 March 2022.

5 Shareholders' equity

Total shareholders' equity balance as at 31 March 2022 was Baht 21,811 million, increased by Baht 753 million or 4%. The significant movements were as follows:

- a) The increase of Baht 47 million was from net profit from operation for the period.
- b) The increase of Baht 102 million was the warrant holders of 34 million units exercised their rights to purchase ordinary share at Baht 2.8 - 3.0 each, resulted in an increase in paid-up share capital of Baht 34 million and premium on ordinary of Baht 68 million.
- c) The increase of Baht 563 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 three-month periods ended 31 March 2022 and 2021 are summarised in the table below.

(Unit: Million Baht)

For the three-month periods ended 31 March				
	2022	2021	Cash flows	
			Increase/(Decrease)	
Net income from operating activities before changes in operating assets and liabilities	557	596	(39)	(7%)
Net movements in operating assets and liabilities	160	(249)	409	164%
Net cash flows received from (used in) operating activities	717	347	370	107%
Net cash flow received from (used in) investing activities	(228)	(110)	(118)	(107%)
Net cash flows received from (used in) financing activities	(18)	757	(775)	(102%)
Net increase (decrease) in cash and cash equivalents	471	994	(523)	(53%)

6.1 Cash flows from operating activities

Net cash flows from operating activities increased by Baht 370 million or 107% due to the following major reasons: -

Factors in cash increases:

- a) Loans to customers (net of cash receipts) decreased by Baht 191 million, mainly due to COVID-19 situation causing more stringent and conservative in lending loans.
- b) Cash receipts from trade and other receivable increased by Baht 121 million.
- c) Cash payments to trade and other payables decreased by Baht 88 million.

Factors in cash decreases:

- d) Cash receipts from operating activities decreased by Baht 39 million.

6.2 Cash flows from investing activities

Net cash flows received from investing activities decreased by Baht 118 million or 107% due to the following major reasons: -

Factors in cash increases:

- a) Cash payments for purchases of property, plant and equipment, and investment properties decreased by Baht 103 million.

Factors in cash decreases:

- b) Cash paid for purchase of land for development increased by Baht 100 million.
- c) In the same period of last year, there was net cash receipt from purchased a new subsidiary of Baht 131 million.

6.3 Cash flows from financing activities

Net cash flows received from financing activities decreased by Baht 775 million or 102%. The major cash decrease was from the repayments of short-term and long-term loans from financial institutions increased by Baht 883 million. However, the major cash receipt was from the shareholders of the Company and subsidiaries exercised their warrants to ordinary shares increased by Baht 99 million.