

MBK Public Company Limited and its subsidiaries

Management discussion and analysis

For the three-month period ended 31 March 2023 (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 2023 and 2022 are as follows:

(Unit: Million Baht)

For the three-month periods ended 31 March				
	2023	2022	Inc/(Dec)	
1) Operating revenue	2,376	1,991	385	19%
2) Operating profit	280	192	88	46%
3) Share of profit from investments in associates and joint venture	172	85	87	102%
4) Other income	66	29	37	128%
5) Loss on fair value measurement of investments	(60)	-	(60)	(100%)
6) Finance costs	(178)	(185)	7	4%
7) Income tax expense	(80)	(65)	(15)	(23%)
8) Net profit	200	56	144	257%
9) <u>Less:</u> Profit attributable to non-controlling interest of the subsidiaries	(28)	(9)	(19)	(211%)
10) Net profit – attributable to equity holders of the Company	172	47	125	266%
11) Earnings per share (Baht)	0.12	0.03	0.09	300%

The overall operating results of the Group for the three-month period ended 31 March 2023 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 2023 and 2022 were Baht 2,376 million and Baht 1,991 million, respectively, increased by Baht 385 million or 19%. The net profit attributable to equity holders of the Company for the three-month periods ended 31 March 2023 and 2022 were Baht 172 million and Baht 47 million, respectively, the net profit increased by Baht 125 million or 266%. The significant changes were as follows:

a) The spread of Corona Virus (“COVID-19”)

From several waves of the epidemic outbreak of COVID-19 in Thailand starting from March 2020 to late 2021 had an impact on conducting business of the Group, particularly the shopping center business, hotel and tourism business, golf business, and food center business. In addition, there was a temporary closure of such business operations according to the government measures during March to May 2020 and July - August 2021.

In 2022 until the current year, there are still several new waves of outbreaks, but the level of severity and concerns about the epidemic has steadily declined continuously. The government has gradually issued relief measures starting from the fourth quarter of 2021 to reduce the strict control of the epidemic, and launched the measures to stimulate and recover the economy, especially in the tourism sector. Moreover, the opening of the country for foreign tourists resulted that consumers are more confident in spending. As a result, all business sectors, especially the tourism business, began gradually to recover. However, entrepreneurs and consumers remained cautious in their spending as the overall and global economy continued to be affected by numerous factors such as the fuel price, inflation, technology disruption, and the Russian-Ukrainian war.

The board of directors and management made constant arrangements and strategic adjustments to the business in response to the crisis, changes, and business environment. Strategies were also modified to accommodate the improving situation and gradually recuperating purchasing power, and to create new business opportunities from the changes in consumer behaviors and circumstance, especially in the tourism-related business.

As a result, the overall revenue and net profit of the current year improved considerably. 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.

- b) Share of profit from investments in associates and joint ventures increased by Baht 87 million or 102%. The profit sharing from an associate that operates the shopping center business increased by Baht 79 million or 88% due to the situation of the epidemic outbreak of COVID-19 has continued to improve.

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, food center business, and marina for rental/service 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, and (ii) motorcycle hire-purchase business.
7. Auction business engages in the business of car and motorcycle auctions.
8. Corporate Supporting Center business performs as a back-office function for the Group, and Others business engages in the water supply business.

The significant movements in operating revenue and operating profit (loss) by segment for the three-month period ended 31 March 2023 when compared to the same period of 2022 were as follows:

2.1 Operating revenue – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2023	2022	Increase/(Decrease)	
1) Shopping Center	583	294	289	98%
2) Hotel and tourism	389	126	263	209%
3) Golf	151	101	50	50%
4) Real-estate	111	400	(289)	(72%)
5) Food Solution	395	358	37	10%
6) Finance	561	593	(32)	(5%)
7) Auction	177	111	66	59%
8) Corporate Supporting Center and Others	9	8	1	13%
Total	2,376	1,991	385	19%

The operating revenue of the Group for the three-month periods ended 31 March 2023 and 2022 were Baht 2,376 million and Baht 1,991 million, respectively, which increased by Baht 385 million or 19%. The major changes in operating revenue by segment were as follows:

- a) The revenue of shopping center business increased by Baht 289 million or 98%, mainly due to the same quarter of last year, there was a discount on rental and service fees to tenants affected by COVID-19. The measures helping tenants had been implemented since the outbreak of the disease in 2020 until the end of 2022. The discount rates for tenants have continued to decline according to the epidemic situation which has gradually improved.

During 2021 – 2022, MBK Center renovated the rental area and communal area to suit changes of the situation. There were many aspects of the overhaul and diversification of shops and goods that better met the needs of both Thai and foreign customers. In addition, the government's measure to reopen the country attracted the return of foreign customers.

As for Paradise Park shopping center, the land rental contract was renewed for another 20 years (1 August 2023 – 31 July 2043). Therefore, there is a renovation plan for Paradise Park shopping center to be a modern shopping center, selecting a variety of tenants to meet all customer groups. In addition, there will be a comprehensive health care center outside the area of Ramathibodi Hospital "Rama Health Space @Paradise Park" under the concept of "Shopping Center with Health". The rental space of Paradise Park shopping center has been gradually closed for renovation since February 2023, and is expected to be completed by October 2023.

- b) The revenue of hotel and tourism business increased by Baht 263 million or 209%. According to the government policy to re-open the country since November 2021 and the measures to boost tourism business resulted that during 2022 until present the number of Thai and foreign tourists have increased continuously. Moreover, the hotel business had prepared a promotion for room rates and package tours, including to participate in various government projects. As a result, the hotel business had higher occupancy rates and revenue per room rates which returned to normal conditions (before the epidemic).
- c) The revenue of golf business increased by Baht 50 million or 50%. The signs of tourism recovery, particularly the country reopening for foreign tourists and the preparation of promotional programs through various channels to increase the number of golfers, these factors helped to improve the performance of golf business, especially the two golf courses in Phuket as most customers are foreigners. For the two golf courses in Pathum Thani have had consistently better operating results since 2022 and had the honor of being the location for professional golf tournaments of Thailand Open 2022 and Singha Bangkok Open 2022 in cooperation with All Thailand Golf Tour, to promote the golf courses to be more famous and well-known.
- d) The revenue of real-estate business decreased by Baht 289 million or 72%, mainly due to the decrease of Baht 293 million from revenue recognition under residential projects which the significant changes were as follows:

(Unit: Million Baht)

	For the three-month periods ended 31 March		
	2023	2022	Inc (Dec)
Residential projects			
Riverdale Residence – Land	-	174	(174)
Park Riverdale – Housing	-	56	(56)
Quaritz Rama IX – Premium residential	-	90	(90)
Quinn Sukhumvit 101 - Condominium	45	25	20
Baan Rom-Mai-Borwin – Small housing	2	26	(24)
Residential projects (housing & plot of land) in Phuket	51	20	31
Total	98	391	(293)

The transfer ownership of residential in the current quarter was lower than the same period of last year by Baht 293 million. However, at present the backlog sales of residential projects are waiting for the legal transfer of ownership and will be recognized revenue in the further period of the current year amounting to Baht 467 million.

During the past period of COVID-19 epidemic, the real-estate business has slowed down the launch of new projects and has always monitored and assessed the risks of the situation to adapt the business operations under uncertainties that may arise, and to response the better needs of customers.

On 19 April 2023, MBK Resort Public Company Limited, a subsidiary operates in golf course, real-estate, and hotel businesses in Phuket, donated a plot of land 36 rai to Prince of Songkhla University to develop the project “Andaman International Health Center”, therefore, the real-estate business is planning to develop new residential projects to meet the higher demand of residence. In addition, the group management is in the process of studying to develop lots of land held for development to be a location with highest potential and benefits.

e) The revenue of food solution business increased by Baht 37 million or 10%. The significant changes were as follows:

- The revenue of rice business increased by Baht 9 million or 3% due to an increase in domestic sales by Baht 67 million, whereas a decrease in export sales by Baht 58 million.
- The revenue of food center business increased by Baht 28 million or 112%, due to the impact of the COVID-19 outbreak in the same quarter last year. At present the epidemic situation is more relaxing, resulted in a higher number of customers to eat in the food center.

f) The revenue of finance business decreased by Baht 32 million or 5%. 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 25 million or 6%. Although, the new loans for the current quarter were higher than last year period, but the business has started to get the impact of the new ceiling interest charge at 23% per annum which issued by the Office of the Consumer Protection Board and is applied to the hire-purchase contract made from 10 January 2023 onwards. However, the management plans to launch a new business by this year to create more opportunities and revenue.
- The revenue of lending business decreased by Baht 5 million or 3%.

- g) The revenue of auction business increased by Baht 66 million or 59%. The outbreak of COVID-19 situation over the past three years affected the consumer purchasing power of a new car and the government's debt moratorium policy resulted that the number of new cars, used cars and seized cars in the market declined. Currently, the situation has gradually improved, and the car auction sites were expanded to other provinces. As a result, the number of cars for auction increased accordingly.

2.2 Operating profit (loss) – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2023	2022	Increase/(Decrease)	
1) Shopping Center	(90)	(196)	106	54%
2) Hotel and tourism	128	(9)	137	1,522%
3) Golf	53	17	36	212%
4) Real-estate	23	133	(110)	(83%)
5) Food Solution	(41)	(9)	(32)	(356%)
6) Finance	135	221	(86)	(39%)
7) Auction	65	31	34	110%
8) Corporate Supporting Center and Others	7	4	3	75%
Total	280	192	88	46%

The operating profit of the Group for the three-month periods ended 31 March 2023 and 2022 were Baht 280 million and Baht 192 million, respectively, increased by Baht 88 million or 46%. 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) Due to the continual relaxation of the COVID-19 epidemic situation resulted that the group revenue had a better trend. However, the Group management has closely monitored the progress of COVID-19 situation and manage operating expenses to be more efficient.
- b) Employee expenses increased by Baht 44 million or 11%, due to the better of COVID-19 situation resulted in higher employment and increasing staff expenses in accordance with business operations.

- c) Utility expenses increased by Baht 15 million or 17%, The major increase was from electricity expense due to the higher in unit cost and consumptions because of unusually hot weather.
- d) Bad debt and provision for expected credit losses (provision for doubtful debts) of the finance business increased by Baht 45 million.
- e) Last year quarter, 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 a total of Baht 179 million.

Analysis of financial position

The significant movements in assets, liabilities and shareholders' equity as at 31 March 2023 when compared with the balance as at 31 December 2022 were as follows:

(Unit: Million Baht)

	31 Mar 2023	31 Dec 2022	Increase/(Decrease)	
Total assets	56,847	54,350	2,497	5%
Total liabilities	34,323	32,537	1,786	5%
Total shareholders' equity	22,524	21,813	711	3%

3. Assets

3.1 Cash and cash equivalents

Cash and cash equivalents balance as at 31 March 2023 was Baht 1,690 million, increased by Baht 421 million or 33% in order to manage financial liquidity and to invest in marketable debt and equity securities.

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 2023 was Baht 13,851 million, decreased by Baht 717 million or 5%. The major changes were as follows:

- a) The portfolio of motorcycle hire-purchase receivables increased by Baht 243 million due to the launch of a new motorcycle model at the beginning of this year causing an increase in sales volume of the motorcycle market.

- b) The portfolio of loan receivables which secured by pledged/mortgaged of assets specified in the loan agreements decreased by Baht 913 million. In March 2023, a major loan receivable closed his loan account before maturity amount of Baht 608 million.
- c) Allowance for expected credit losses (provision for doubtful debts) increased by Baht 46 million. The lending business provided the provision for accrued interest income of Baht 30 million, and the hire-purchase business increased the provision by Baht 11 million.

3.3 Investment in associates and joint venture

Investment in associates and joint venture balance as at 31 March 2023 was Baht 5,580 million, increased by Baht 172 million or 3% due to the recognition share of profit for the three-month period under equity method.

3.4 Other non-current financial assets

Other non-current financial assets balance as at 31 March 2023 was Baht 9,545 million, increased by Baht 2,888 million or 43%, due to the purchases of investment in available for sales marketable securities – related company of Baht 2,308 million and recognition the increase in fair value of Baht 580 million.

3.5 Investment properties

Investment properties balance as at 31 March 2023 was Baht 12,152 million, decreased by Baht 246 million or 2%. The significant movements during the period were as follows:

Description		Million Baht
1	The project costs of Riverdale Waterfront & Marina in Pathumtani	36
2	The costs of renovation shopping centers	31
3	Depreciation and amortisation	(312)
4	Others	(1)
Total net movements		(246)

3.6 Property, plant and equipment

Property, plant and equipment balance as at 31 March 2023 was Baht 5,442 million, decreased by Baht 2 million. The significant movements during the period were as follows:

Description		Million Baht
1	To reclassify a plot of land from land help for development to operate car auction business	77
2	Recognition rights of use from the long-term rental contracts – car auction sites	14
3	Purchases of other operating assets	33
4	Depreciation and amortisation	(121)
5	Others	(5)
Total net movements		(2)

4 Liabilities

4.1 Short-term loans from financial institutions

Short-term loans from financial institutions balance as at 31 March 2023 was Baht 3,837 million, increased by Baht 2,899 million or 309%. The increase in short-term borrowings was to reserve for the redemption of debenture, which was due in March 2023, and for the purchases of investments in marketable securities as mentioned above.

4.2 Long-term loans from financial institutions

Long-term loans from financial institutions (including current portion) are loans of finance business and the balance as at 31 March 2023 was Baht 938 million, decreased by Baht 494 million or 34%, due to the repayments of loans which were due of Baht 494 million.

4.3 Long-term debentures

Long-term debentures (including current portion) balance as at 31 March 2023 was Baht 13,206 million, decreased by Baht 1,003 million or 7%. In March 2023, the Company redeemed the maturity of debentures amounting to Baht 1,000 million.

4.4 Deferred tax liabilities

Deferred tax liabilities balance as at 31 March 2023 was Baht 1,287 million, increased by Baht 101 million or 9%. The increase of Baht 102 million was from the increase in fair value of investments in available-for-sale marketable securities on hand as at 31 March 2023.

5 Shareholders' equity

Total shareholders' equity balance as at 31 March 2023 was Baht 22,524 million, increased by Baht 711 million or 3%. The significant movements were as follows:

- a) The increase of Baht 243 million was the warrant holders of 40 million units exercised their rights to purchase ordinary share at Baht 2.2935 – 2.7634 each, resulted in an increase in paid-up share capital of Baht 40 million and premium on ordinary of Baht 203 million.
- b) The increase of Baht 172 million was from net profit from operations for the period.
- c) The increase of Baht 468 million was from fair value adjustment of the investment in available-for-sale marketable securities, net of related deferred tax liabilities impact.
- d) The decrease of Baht 212 million due to an increase in treasury shares. This is because a subsidiary purchased additional shares of the Company in the amount of Baht 151 million and exercised the rights to purchase ordinary share of the Company of Baht 61 million.

Analysis of the liquidity

6. Cash flows of the Group for the three-month periods ended 31 March 2023 and 2022 are summarised in the table below.

(Unit: Million Baht)

For the three-month periods ended 31 March				
	2023	2022	Cash flows Increase/(Decrease)	
Net income from operating activities before changes in operating assets and liabilities	829	557	272	49%
Net movements in operating assets and liabilities	716	160	556	348%
Net cash flows received from (used in) operating activities	1,545	717	828	115%
Net cash flow received from (used in) investing activities	(2,370)	(228)	(2,142)	(939%)
Net cash flows received from (used in) financing activities	1,246	(18)	1,264	7,022%
Net increase (decrease) in cash and cash equivalents	421	471	(50)	(11%)

6.1 Cash flows from operating activities

Net cash flows from operating activities increased by Baht 828 million or 115%. The significant movements in cash flows from operating activities and operating assets and liabilities are as mentioned in the analysis of operating results and financial status above and the significant changes as follows: -

- a) The major cash increases were from: (i) cash receipts from operating activities increased by Baht 272 million (ii) loans to customers (net of cash receipts) decreased by Baht 568 million because in March 2023, a major debtor closed his loan account before maturity date in the amount of Baht 608 million, and (iii) other current liabilities increased by Baht 165 million.
- b) The major cash decreases were from cash receipts from inventories decreased by Baht 277 million in relation to the decrease in sales of residential projects.

6.2 Cash flows from investing activities

Net cash flows received from investing activities decreased by Baht 2,142 million or 939%. The major cash decrease was in the current quarter, there were cash paid for purchases of investments in debt and equity securities (which are classified as current and non-current assets), net of sales, increased by Baht 2,421 million according to the financial liquidity management policy to get the higher returns.

6.3 Cash flows from financing activities

Net cash flows received from financing activities increased by Baht 1,264 million or 7,022%. The major cash increase was short-term and long-term loans from financial institutions (net of repayments) increased by Baht 2,343 million. However, the major cash decrease was from the repayment of long-term debentures which was due in March 2023 of Baht 1,000 million.