SINGHA ESTATE

Singha Estate Public Company Limited
Management Discussion and Analysis Q2/2023

Executive Summary

The Company announced the total revenue for the first half of the year 2023 (1H2023) of THB 6,843m, increased by 18% from the first half of 2022 (1H2022). Whereas the Company predicts the positive momentum on the revenue growth, backed by the business expansion projects and the resumption of economic activities. This will be supported by a revenue growth of tourism and service sectors, an increase in household spending, and the higher private investment.

The revenue from sales of real estate amounted to THB 1,381m in 1H2023, comprising of (1) the revenue from sale houses and condominium units amounted to THB 1,172m which separated to condominium 11% and landed properties 89% of total sales, (2) the revenue from sale industrial area amounted to THB 36m from the land transfer in S Industrial Estate Angthong and (3) the rental fee from long term lease agreement of Singha Complex building amounted to THB 175m. In the said period, a decline in revenue from sales of real estate compared to the last year was mainly due to the full revenue recognition of The ESSE Asoke and The ESSE at Singha Complex in Q1/2022 and the industrial area transfer of 77 Rais to BGRIM Power Angthong in Q2/2022. However, the Company estimates the accelerated transferred activities of the landed properties and industrial land for remainder of this year on the back of new project launch plans and the progress of industrial land development. Furthermore, the Company has the optimistic view on the strong demand in housing projects along with the recovery of business activities and investment.

In addition, the revenue from rental and services for 1H2023 in an amount of THB 5,461m improved by 25% from the last year, brought up by the remarkable performance of hospitality business. Accordingly, revenue from hospitality business reported at THB 4,821m, improving by 28% from same period last year. The revenue generated from commercial business is able to deliver a stable performance in every quarter, reporting a revenue of THB 508m for 1H2023. In addition, the revenue from construction increased to THB 110m from the construction of Santiburi The Residences and anticipated to grow in line with the new launched of 2 Cluster Home projects.

The Company reported Adjusted EBITDA for the period of THB 1,493m, improved 33% from the same period last year. This was mainly attributed to the strong turnaround of hospitality business and the greater economy of scale.

In August 2023, Singha Estate has succeeded in the offering of 3-years unsubordinated and unsecured debentures with a debenture holders' representative in the name-registered certificate with an interest rate of 5.00% per year with the total offering value of THB 1,700 million for supporting of business expansion.

Residential business

During the period, the Company recorded revenue from sale of horizontal-housing projects in an amount of THB 853m, comprising of (1) Land transfer of 1 plot at Santiburi the Residences, making the backlog of 5 land plots (2) Detached houses transfer of 4 plots at SIRANINN Residences, making the backlog of 11 land plots and (3) First time revenue recognition from land transfer of LA SOIE De S, making the backlog of 1 plot. Consequently, the backlog pending for transfer as of 30 June 2023 amounted to THB 3,362m. The Company expects to realize revenue from the ownership transfer approximately 65% of total backlog for remainder of this year.

With respect to high-rise projects, the Company recorded revenue from sale of condominium project in an amount of THB 319m, followed by the expansion of share ownership of The ESSE Sukhumvit 36 project, resulting in the ability to fully recognize the revenue and profits from the project. This will support the revenue growth of the Company during the rest of the year towards 2024. Moreover, The Extro has grew its sales and development progress continuously, held backlog pending for transfer of THB 1,123m with target to start transfer from Q1/2024 onwards.

In relation to portfolio expansion and the speed to market strategies, In May 2023, the Company has entered into joint partnership to develop condominium project which is considered as the different type of product under Singha Estate market segmentation which will be the key source of revenue for the Company in the future. This project sets target to start transfer from 2024 onwards as the Company foresee the promising recovery in the condominium market particularly the mid income buyers and above. In July 2023, the company unveils “SMYTH’S Ramintra” as its latest brand for Ultra Luxury homes. The cluster home projects will feature just four super exclusive homes, with specially curated functions and designs for specific target groups. This will play an important role to differentiate Singha Estate product from competitors.

The Company unveils its plan to launch new 3 horizontal housing projects, bringing target project values up to THB 10 billion in 2023. The focus lies on new housing projects will concentrate to broaden the luxury housing segmentation which is considered as the Company’s expertise. According to the current progress of development, the construction is still on track and the Company sets target to transfer ownership of housing projects by 2023, pushing the revenue of residential business to significantly improve from the previous year.

Detail of the segmentation and price range of Singha Estate’s housing projects can be summarized as follows:

Brand	Project	Segment	Price range	Unit
LA SOIE de S	Cluster Home	Ultra Luxury	THB 550 million per unit	2 plots
Smyth Residences	Cluster Home	Super Luxury	THB 100 million per unit	4 plots
Brand to be launched in 2023	Single-detached house	Premium Luxury	THB 30 - 50 million per unit	89 plots
Brand to be launched in 2023	Single-detached house	Luxury	THB 15 - 30 million per unit	73 plots
Brand to be launched in 2023	Single-detached house	Luxury	THB 15 - 30 million per unit	174 plots

Hospitality business

At present, all hospitality business of the Company was under the management of the Company's subsidiary – SHR, operating 38 properties 4,552 keys in the portfolio.

For 2023, the United Nations World Tourism Organization (UNWTO) expects a continuing recovery through the rest of the year, supporting by the pent-up demand, and the increasing number of international flights. Additionally, significant increase in outbound bookings could be observed in China, signaling the return of Chinese tourists to the rest of the world. However, there are some concerns needed to be cautious including rising inflation and utilities price which will directly impact consumer spending, the transportation cost which will impact travel budget, and the geopolitical tensions which can lead to other downside risks.

Management expects that the Company's operating performance will be able to recover significantly in 2H2023 owing to the entering into the peak travel season of the Company's key geographies. The tourism situation of the countries where the Company's existing business can be summarized as follows:

Thailand

The situation of foreign tourists travelling to Thailand continued to expand from the end of 2022. The cumulative number of tourists in the first half of 2023 was more than 13 million, an increase of more than five times compared to the same period last year. The top visitors are East Asia and Europe which accounted for 67% and 15%, respectively. Chinese tourists showed a promising sign as returning visitors was almost 80% higher in Q2/2023 compared to that of Q1/2023 after many restrictions have been lifted. In addition, the tourists preferred to stay with a longer period compared to the same period in 2022. Consequently, the number of tourists is expected to reach the goal of the Tourism Authority of Thailand (TAT) of at least 25 million people in 2023, considered a double growth from the previous year, which accounted for 67% of the foreign tourists travelling to Thailand in 2019. The main contributing factor is the continual increase in the density of Chinese tour groups that apply for travel permits in Thailand. Other supporting factors gear toward an increasing number of international flights and the expectation in the ease of e-visa procedure.

SHR's properties Thailand has reported the average occupancy for the 1H2023 at 76%, compared with 48% for the same period last year. A greater performance has derived from the Prime Location of major tourist attractions and the efficiency of The Company's hotel management. In addition, the strength of distribution channels plays an important role to push up the growth of ADR. For 1H2023, ADR stood at THB 8,431 or increased by 72% from the same period last year.

The Company plans to partial close for major renovations of Sai Laguna Phuket Hotel and Sai Phi Phi Island Village. This is conducted during the second quarter to the third quarter, which is the low season in Thailand during the years 2023 - 2024. The first renovation phase (Phase 1) will be completed in the fourth quarter of 2023. Based on the aforementioned factors, the Company expects the remarkable performance of hotels in Thailand towards December 2023 and April 2024. This has been supported by positive feedback on hotel improvements and services to meet the current tourism trend continuously.

Republic of Maldives

The number of tourists travelling to the Republic of Maldives continued to grow from the same period last year. The number of tourists has surpassed 900,000 in the first six months of 2023, an increase of 10% from the first six months of 2022. The top 2 counties contributing above 20% of the tourist market share include India and Russia. In addition, after the Chinese government declared the country's opening at the beginning of the year. Consequently, the number of Chinese tourists travelling to the Maldives gradually rebounded. They accounted for about 7% of the market share, which is still lower than the pre-COVID-19 outbreak. Meanwhile, Chinese tourists accounted for nearly 20% of Maldives' tourism market share 2019.

For 2023, the Ministry of Tourism of the Republic of Maldives still targets foreign tourists travelling to the Republic of Maldives at a level of not less than 1.8 million people. Although the travel of Asian tourists, especially in China, has not recovered to normal levels. It is expected that the number of tourists in 2023 will increase by approximately 6% higher than the year before the outbreak of COVID-19. It is considering the supply of hotels in the Republic of Maldives, which has an average number of beds in operation of 60,383. This is 33% higher than the year before the outbreak of COVID-19, resulting in a more challenging situation in tourism industry in 2023. This is reflected in the hotel's average occupancy rate in the first six months of 2023 at 65%, down from 69% in the same period in 2019.

As for the performance of hotels in the CROSSROADS project, the occupancy rate in the first six months of the year was above 71%, which is higher than the industry average. The Company's primary customers are tourists from Russia, Great Britain and the US, with approximately 24%, 14%, and 7% of market share. This reflects the hotel's strengths in attracting high-spending tourists. The Company anticipates an improve in the operating results of hotels in the CROSSROADS project towards Q4/2023 and 2024 on the back of the recovery of travel demand from Asian tourists, particularly Chinese. Moreover, the Company concentrates on RevPAR management to boost occupancy rates by managing the most effective customer mix and improving ADR by targeting potential customers.

United Kingdom

The demand for tourism continues to grow strongly. It reflects through statistics of average performance in the first six months of 2023 with the average occupancy rate of 70% and ADR of £83, significantly expanding from the previous year and 2023. The Company expects an accelerated trend in occupancy from May to late 2023, in line with the high season in Q2 to Q3 and the New Year holiday season. The Company aims to raise it's 2023 to beat a stable level of no less than 70% with high record ADR levels to fully offset the inflation. All of the Company's hotels in the United Kingdom are mid-to-high-end hotels located regionally in tourist destinations and major economic cities. Which mainly depends on domestic tourism demand, accounting for approximately 90% of hotel guests. Therefore, the Company is confident in the prospects for solid growth in tourism demand despite the headwind of economic conditions.

The Company is attentive to managing and controlling operating costs, such as increasing room and food prices to reflect variable costs. They further included cost management by managing the workforce rate to vary according to the occupancy rate and entering into contracts to hedge the cost of electricity and natural gas, which are the Company's major energy costs. At present, the Company has hedged the utilities price towards the winter next year more than 50% of its total consumption between the fourth quarter of 2023 and the first quarter of 2024. In addition, the financial tools such as interest rate swap will remain a cushion to mitigate financial risks.

Republic of the Fiji

The outlook for tourism's rapid recovery reflects the strength of robust travel demand from interregional customers from Australia and New Zealand, which together account for over 80% of Fiji's total tourist arrivals. Nearly 0.8 million tourist arrivals to the Republic of Fiji accounted for 85% of the total arrivals in 2019, supported by growing travel demand. This, coupled with Fiji's unique selling point, responds to today's trend of increasingly focused leisure tourism, a positive sign for more extended stays and rising tourist expenses.

Both hotels in the Republic of Fiji have characteristics that directly respond to the leisure tourism sector—combined with the hotel's strength and the partners' distribution channels. As a result, it has consistently received a high response regarding tourism demand. However, the average occupancy rate in 2023 may be similar to the previous year. This was mainly due to the gradual closing of some rooms for hotel improvement plan according to the major renovation of Outrigger Fiji Beach Resort so that the products can better match the trend of tourism and increase the opportunity to increase the average room rate 20% according to the target.

The hotel renovation plan will be implemented during the low season, starting to close some rooms in October 2022. The first phase of renovation (Phase 1) will be completed in June 2023 to have the number of rooms ready to accommodate the tourists for the high season of this year. This will result in the ADR of Outrigger Fiji Beach Resort in the second half of the year. It is increased in the range of 25% - 35% compared to the year's first half.

Republic of Mauritius

The Mauritius tourism sector is quite strong following the recovery in travel volume from top source markets such as France and the UK. As a result, in 2023, the number of foreign tourists travelling to the Republic of Mauritius will exceed 1.4 million, successfully recovering and reaching above pre-COVID-19 levels. The high demand for leisure travel supports the performance of the Outrigger Mauritius Beach Resort Hotel. The average daily room rate (ADR) is expected to increase higher than 2019 level, although the overall average occupancy rate in 2023 will be affected by the temporary closure of the hotel to improve the water management system.

The Company expects to resume the hotel operation during the high season and predicts that the Outrigger Mauritius Beach Resort enable to push its occupancy rate to 70% by the end of 2023.

Commercial business

The average occupancy stood at 84% for the first half of 2023. However, the Company expects for a lease renewal with key tenants. Moreover, the additional space set to let out to the new customer as the Company's existing properties have been well maintained to ensure their attractiveness. The Company continued to focus on the balancing customer portfolio management and the offering of new business models to cope with tenants' changing demand. With the prime location in alternative areas like Vibhavadi and CBD periphery zone such as Prompong and Asoke is perfectly match with the requirement of tenants who seek for the reasonable budget. Moreover, the Company concentrates to secure the long-term rentals to mitigate the impact of fierce competition from the oversupply situation in the near future.

The S OASIS project is the latest Grade A office building located in Non-CBD are with a leasable area of approximately 54,000 square meters. The competitive advantage of this building is the integration of Hybrid Workplace that can provide high working flexibility. The S OASIS building is located in a high potential area. The design adheres to LEED standards (Leadership in Energy & Environmental Design), prioritising energy conservation and environmental issue, an essential component of office buildings that will be an alternative for tenants. Therefore, the Company is confident in boosting the occupancy rate of S OASIS. According to the current progress of leasing space, the occupancy rate for retail space has reached over 96% in June 2023. For the office space has secured a contract with the anchor tenants for approximately 18% which will cause a positive impact on the rapid pace of ramping up in the next phase.

New Business: Industrial estate and Infrastructure

Singha Estate's industrial estate and infrastructure business comprises three parts:

(1) Industrial estate business: The revenue stream is comprised of the revenue from sale industrial area, the facilities management fee, and income from warehouse rental space.

The industrial zone included General Industrial Zone, Food Industrial Zone, and Power Plants, considering as the total Saleable Area of 992 rais. With its current progress of development of S Industrial Estate Angthong, the construction progress is still on track and holds the accumulative land transfer of 87 rais as of June 2023. The Company expects the accelerate growth of transfer activities in 2023 in line with the progress of land and infrastructure development. S Angthong has already completed more than 90% of its construction plans. It also sets to unveil an Industrial Estate Authority of Thailand's (I-EA-T) One Stop Service Center in its compound. This center will comprehensively support S Angthong's operations as an industrial estate. With supportive factors, the Company targets to transfer during the next three year of 20% - 25% of total saleable area per year during 2023 - 2025.

(2) Power plant business: The company will recognize the revenue through profit-sharing with a business partner.

Under 30% joint-venture deal, Singha Estate will operate three power plants with more than 400 MW capacity, with licensing 270 MW, or around 70% being under the 25-year-term power purchase agreement with the Electricity Generating Authority (EGAT). B.Grimm Power (Angthong) 1 Company Limited has commenced commercial operation and B.Grimm Power (Angthong) 2 – 3 are under development and expected to start Commercial Operation Date in Q4/2023.

(3) Infrastructure business: Covering power generation business, energy, engineering services, service providing, and innovation-related businesses.

Consolidated Statement of Comprehensive Income

	Q2/2022		Q2/2023		% Y-o-Y	1H2022		1H2023		% Y-o-Y
	THB m	%	THB m	%		THB m	%	THB m	%	
Revenue from sales of real estate	396	14%	926	26%	134%	1,419	25%	1,381	20%	-3%
House and condominium units	*198*	*7%*	*752*	*21%*	*280%*	*1,222*	*21%*	*1,172*	*17%*	*-4%*
Industrial Estate	*197*	*7%*	*0*	*0%*	*N/A*	*197*	*3%*	*36*	*1%*	*N/A*
Rental fee from long term lease	*0*	*0%*	*175*	*5%*	*N/A*	*0*	*0%*	*175*	*3%*	*N/A*
Revenue from rental and services	2,386	86%	2,582	74%	8%	4,371	75%	5,462	80%	25%
Hospitality	*2,071*	*74%*	*2,277*	*65%*	*10%*	*3,761*	*65%*	*4,821*	*70%*	*28%*
Commercial	*255*	*9%*	*258*	*7%*	*1%*	*511*	*9%*	*508*	*7%*	*-1%*
Others business	*60*	*2%*	*46*	*1%*	*-23%*	*98*	*2%*	*131*	*2%*	*34%*
Revenue	**2,782**	**100%**	**3,508**	**100%**	**26%**	**5,790**	**100%**	**6,843**	**100%**	**18%**
Gross profit	**1,009**	**36%**	**979**	**28%**	**-3%**	**1,860**	**32%**	**2,255**	**33%**	**21%**
Other income	28	1%	110	3%	288%	48	1%	180	3%	277%
Selling expense	-133	-5%	-166	-5%	24%	-292	-5%	-335	-5%	15%
Administrative expense	-618	-22%	-636	-18%	3%	-1,161	-20%	-1,258	-18%	8%
Finance costs	-300	-11%	-427	-12%	42%	-586	-10%	-898	-13%	53%
Net gains on exchange rate	14	0%	7	0%	-49%	8	0%	-10	0%	-218%
Share of loss from investment in joint ventures	-14	-1%	19	1%	234%	36	1%	47	1%	30%
EBT	**-14**	**0%**	**-114**	**-3%**	**-740%**	**-86**	**-1%**	**-18**	**0%**	**79%**
Income tax expense	78	3%	-33	-1%	143%	24	0%	-58	-1%	342%
Profit (loss) for the period	**64**	**2%**	**-147**	**-4%**	**-330%**	**-62**	**-1%**	**-76**	**-1%**	**-23%**
EBITDA	**570**	**20%**	**634**	**18%**	**11%**	**1,087**	**19%**	**1,485**	**22%**	**37%**
Normalized EBITDA	**589**	**21%**	**625**	**18%**	**6%**	**1,120**	**19%**	**1,493**	**22%**	**33%**
Normalized Profit for the Period after NCI	**120**	**4%**	**-112**	**-3%**	**-193%**	**63**	**1%**	**-15**	**0%**	**-123%**

Note: Excluded professional fees, land transfer fees, sales & marketing expenses for the launch of new residential projects, unrealized gain from foreign exchange rate on convertible bond, gain from fair value adjustment on investment properties, loss from impairment, gain from fair value adjustment on investment in joint venture company prior to becoming the Company's subsidiary and impact from disposal of the Company's subsidiary

Revenue from sales of real estate

Revenue from sales of real estate represents revenue from sales of house and condominium units, revenue from sales of industrial area and the rental fee from long term lease agreement.

Revenue from sales of house and condominium units

As of 30 June 2023, the Company and its subsidiaries has developed 6 residential projects for sales including horizontal houses and condominiums, valued at THB 19,091m[1]. In 1H2023, revenue from sales of house and condominium units reached THB 1,172m. This was mainly attributed to the 100% revenue recognition of The ESSE Sukhumvit 36 after became a single shareholder in an amount of THB 319m together with the first-time recorded revenue from LA SOIE De S, the new cluster home project in an amount of THB 450m. However, a decline in revenue from THB 1,221m for the previous year was mainly from the revenue recognition from The ESSE Asoke and The ESSE at Singha Complex had already fully completed in Q1/2022.

Residential projects for sales as of 30 June 2023[1]:

Project	Project value (THB m)	Sold	Transfer
The ESSE Sukhumvit 36	5,981	76%	74% (of project value)
Santiburi The Residences	5,012	100%	67% (of project value)[2]
Siraninn Residences	2,913	74%	38% (of project value)
SENTRE	92	52%	29% (of project value)
LA SOIE De S	1,100	100%	41% (of project value)[2]
The EXTRO	3,994	28%	Q1/2024

Note: [1] Information provided in the table excludes the under development projects.

[2] The project value for Santiburi The Residences and LA SOIE De S are comprised of the land transfer and the house construction which will be gradually booked based on the work progress during the 14-month period

Revenue from sales of industrial area

The Company reported revenue from sales of industrial area in an amount of THB 36m for the first half of 2023.

Rental fee from long term lease agreement

The Company recorded the rental fee from long term lease agreement of Singha Complex building in an amount of THB 175m for the first half of 2023.

Revenue from rental and services

Revenue from rental and services represents revenue from hospitality business, commercial and other businesses.

Hospitality Business

In the first half of 2023, the company had revenue from sales and services of THB 4,821m, increased by 28% from the previous year. This was mainly due to the revenue growth in all geographies across the portfolio where the company operates business, aligns with the continuously expanding global tourism situation. In particular, Thailand presented the growth of 156% from the same period last year. The UK portfolio and CROSSROADS Maldives remained the major revenue contributor and experienced the great momentum, generating higher revenue from last year by 15% and 10%, respectively.

Operating performance of Hospitality business

Hotels	Q2/2022	Q2/2023	1H2022	1H2023
Self-Managed Hotels(1)				
Number of hotel(1)	4	4	4	4
Number of key(1)	604	604	604	604
% Occupancy	54%	64%	48%	76%
ADR (THB)	4,276	6,528	4,889	8,431
RevPAR (THB)	2,319	4,184	2,330	6,385
Outrigger Hotels(1)				
Number of hotel	3	3	3	3
Number of key	499	499	499	499
% Occupancy	64%	46%	48%	50%
ADR (THB) (2)	6,894	9,582	6,930	8,079
RevPAR (THB)(2)	4,386	4,362	3,342	4,074
Project CROSSROADS Hotels				
Number of hotel	2	2	2	2
Number of key	376	376	376	376
% Occupancy	65%	54%	70%	71%
ADR (THB)(3)	12,499	13,521	13,741	13,813
RevPAR (THB)(3)	8,146	7,258	9,579	9,736
UK Portfolio Hotels				
Number of hotel(5)	28	27	27	27
Number of key(5)	2,990	2,940	2,940	2,940
% Occupancy	62%	74%	54%	70%
ADR (THB)(4)	3,475	3,866	3,300	3,524
RevPAR (THB)(4)	2,146	2,866	1,782	2,463

Remark: (1) SHR terminated the Hotel Management Agreement with Outrigger and employed a Self-managed platform in 3 out of 6 Outrigger hotels in 2021; Excluded Konotta Maldives which is temporarily closed

(2) The exchange rates applied for translation in 1H2022 were 15.75 THB/FJD, 0.75 THB/MUR while those in 1H2023 were 15.48 THB/FJD, 0.75 THB/MUR

(3) The exchange rate applied for translation in 1H2022 was 33.72 THB/USD while that in 1H2023 was 34.20 THB/USD

(4) The exchange rate applied for translation in 1H/2022 was 43.80 THB/GBP while that in 1H2023 was 42.18 THB/GBP

(5) The change in number of keys (50) keys came from the sold of Mercure Burton upon Trent Newton Park Hotel

Commercial Business

As of 30 June 2023, the Company owned 5 commercial buildings providing net leasable area 193,180 sq.m. in total. Revenue generated from commercial business in 1H2023 was THB 508m, on par with the same period last year. This was mainly due to the revenue recognition for the first year of S OASIS building could fully compensate a decline in occupancy rate of Singha Complex building. However, the Company is working on negotiating a new lease agreement with the long-term rental conditions and the effective selection of the target customers, focusing on high-growth industries. This will lead to the solid performance of the business amidst the intense competition, pressured by the new supply.

Operating performance of Commercial business

Building	Q2/2022	Q2/2023	1H2022	1H2023
Suntower				
Space for rent (sq.m.)	63,673	63,673	63,673	63,673
Occupancy rate (%)	84%	84%	83%	83%
Singha Complex				
Space for rent (sq.m.)	58,927	58,927	58,927	58,927
Occupancy rate (%)	95%	83%	95%	82%
S Metro				
Space for rent (sq.m.)	13,677	13,677	13,677	13,677
Occupancy rate (%)	91%	93%	91%	93%

Other businesses

Other businesses, covering construction service and project management service, generated revenue at THB 46m in Q2/2023, declined from THB 60m in Q2/2022 due mainly to a drop in revenue from project management service. For 1H2023, revenue from other business grew to THB 131m, compared with THB 98m in 1H2022 thanks to an increase in revenue from construction of Santiburi The Residences.

Gross Profit

Gross profit for Q2/2023 reported at THB 979m, slightly decreased from THB 1,009m for Q2/2022. In term of margin, the gross profit margin stood at 28%, dropped from 36% as the hospitality business performance was pressured by the temporarily suspension of the Outrigger Mauritius Beach Resort to solve the contaminated water issue and the partial closure for major renovations at the Outrigger Fiji Beach Resort which limit the maximum occupancy rate. For 1H2023, gross profit amounted to THB 2,255m or improved 21% from THB 1,860m of the first half of the previous year. In term of margin, the gross profit margin stood at 38%, increased from 28% in the same period last year. Gross profit margin in the said period was at 33% better than 32% in 1H2022.

This was represented the lower proportion of costs of service to sales from an improvement in economy of scale of hospitality business during Q1/2023 and the fabulous margin of residential project.

Selling and Administrative Expenses

In Q2/2023, the Company reported selling and administrative expenses in an amount of THB 802m, increased 7% from THB 751m in Q2/2022. At the same time, the selling and administrative expenses for 1H2023 amounted to THB 1,593m, increased from THB 1,453m in the same period last year. This was mainly from an increase in administrative expense in accordance with the business resumption. However, the %SG&A to revenue remained declined from the level of the previous year, reflected the efficient resource utilization.

Finance Costs

The Company reported finance costs at THB 427 in Q2/2023, increased from THB 300m in Q2/2022. For 1H2023, the financial costs rose to THB 898m, compared with THB 586m from the same period last year. This was mainly attributed to the continual increase in interest rate. However, the Company already mitigated the risk by hedging foreign currency loan which will limit the impact to the Company's performance.

Net Profit (loss)

The Company announced a net profit (loss) for the period of THB (147m) in Q2/2023, reversed from net profit of THB 64m for the second quarter of prior year. For 1H2023 amounted to THB (76m) or slightly dropped from THB (62m) in the same period last year.

For the net profit (loss) attributable to Owners of the parent amounted to THB (102m), reversed from THB 102m for Q2/2022. While the first half of 2023 amounted to THB (77m) or reversed from profit of THB 54m in 1H2022. This was primarily due to the lower performance of hospitality business from the temporarily suspension of the Outrigger Mauritius Beach Resort and the sharp rise in interest expenses during the period.

Unit: THB m	31 December 2022	30 June 2023	Change
Cash and cash equivalent	3,422	2,321	-1,101
Inventories	763	1,848	1,086
Current assets	13,983	15,843	1,861
Investment property	19,720	19,585	-135
PPE – net	28,820	30,189	1,369
Non-current assets	54,827	55,696	869
Total Assets	**68,810**	**71,539**	**2,729**
Current liabilities	9,984	8,911	-1,073
Non-current liabilities	36,221	39,673	3,453
Total liabilities	**46,204**	**48,594**	**2,380**
Total equity	**22,606**	**22,955**	**350**
Interest-bearing debt excluding lease liability	29,866	31,628	1,761
Gearing ratio (times)	1.32x	1.38x	
Net gearing ratio (times)	1.17x	1.28x	

As at 30 June 2023, the Company reported total assets of THB 71,539m or increased by 4% from 31 December 2022, including (1) Current assets in an amount of THB 15,843m, increased THB 1,861m from the ending of last year. This was mainly due to an increase in inventories from the acquisition of The ESSE Sukhumvit 36 project and cost of property development from construction and development costs of Siraninn Residences project and S Industrial Estate Angthong (2) Non-current assets in an amount of THB 55,696m, increased THB 869m from an increase in Property, plant and equipment.

Total liabilities stood at THB 48,5946m increased by 5% from 31 December 2022 from the drawdown facility to support future projects and the consolidation of borrowing of The ESSE Sukhumvit 36 project into company' financial statement. The interest bearing debt raised to THB 31,628m. The gearing ratio consequently grew to 1.28x which well below the Company's covenant.

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