

MBK Public Company Limited and its subsidiaries

Management discussion and analysis

For the three-month period ended 31 March 2024 (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 2024 and 2023 are as follows:

(Unit: Million Baht)

	For the three-month periods ended 31 March			
	2024	2023	Inc/(Dec)	
1) Operating revenue	2,887	2,376	511	22%
2) Operating profit	435	280	155	55%
3) Share of profit from investments in associates and joint venture	563	172	391	227%
4) Other income	42	66	(24)	(36%)
5) Loss on fair value measurement of investments	(9)	(60)	51	85%
6) Finance costs	(201)	(178)	(23)	(13%)
7) Income tax expense	(141)	(80)	(61)	(76%)
8) Net profit	689	200	489	245%
9) <u>Less</u> : Profit attributable to non-controlling interest of the subsidiaries	(22)	(28)	6	21%
10) Net profit – attributable to equity holders of the Company	667	172	495	288%
11) Earnings per share (Baht)	0.44	0.12	0.32	267%

The overall operating results of the Group for the three-month period ended 31 March 2024 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 2024 and 2023 were Baht 2,887 million and Baht 2,376 million, respectively, increased by Baht 511 million or 22%. The net profit attributable to equity holders of the Company for the three-month periods ended 31 March 2024 and 2023 were Baht 667 million and Baht 172 million, respectively, the net profit increased by Baht 495 million or 288%.

The significant events and movements were as follows:

- a) From the COVID-19 epidemic situation that has improved in a better direction since 2023 onwards, it has become a local disease. People's way of life and living conditions have changed according to the environment, economy, society and new technology. In addition, the tourism business sector is recovering gradually. These factors have resulted in the Group's operating performance improving continuously. However, from the overall and global economic situation that has been affected by various factors such as oil prices, inflation, technology disruption, as well as war crisis and unrest in various regions of the world continues to cause entrepreneurs and consumers to be cautious in spending.

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 period 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 venture increased by Baht 391 million or 227% (net of related deferred tax of Baht 313 million), mainly due to the following reason. On 20 April 2023, the investment in Thanachart Capital Public Company Limited (“TCAP”) changed the status from investment in equity securities designated at fair value through other comprehensive income to investment in associated company. Therefore, the recognition of profit sharing under equity method started from 20 April 2023 onwards. In the current quarter, the recognition of profit sharing was Baht 371 million (net of related deferred tax of Baht 297 million)

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 2024 when compared to the same period of 2023 were as follows:

2.1 Operating revenue – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2024	2023	Increase/(Decrease)	
1) Shopping Center	770	583	187	32%
2) Hotel and tourism	468	389	79	20%
3) Golf	162	151	11	7%
4) Real-estate	150	111	39	35%
5) Food Solution	579	395	184	47%
6) Finance	583	561	22	4%
7) Auction	166	177	(11)	(6%)
8) Corporate Supporting Center and Others	9	9	-	-
Total	2,887	2,376	511	22%

The operating revenue of the Group for the three-month periods ended 31 March 2024 and 2023 were Baht 2,887 million and Baht 2,376 million, respectively, which increased by Baht 511 million or 22%. The major changes in operating revenue by segment were as follows:

- a) The revenue of the shopping center business increased by Baht 187 million or 32% because most shopping centers have increased in occupancy rate and average rental fee.

In addition, Paradise Park Shopping Center increased in revenue by Baht 39 million or 41% because the land rental contract was renewed for another 20 years (1 August 2023 – 31 July 2043). Therefore, major renovation was made for the shopping center to be a modern and selecting varieties of tenants to serve all customer needs. The rental space has been gradually closed for renovation by zones since February 2023, and is expected to be completed wholly by the second quarter of 2024. The completed renovation area has gradually opened for operation. In addition, there were discounts on rental and service fees provided to assist existing and new tenants that opened their shops during the renovation period.

- b) The revenue of hotel and tourism business increased by Baht 79 million or 20% mainly due to the growth of tourism business sector. In addition, the number of both Thai and foreign tourists have increased continuously. As a result, all hotels had higher occupancy rates and revenue per room rates. In addition, the new hotel business located near Khao San Road in Bangkok opened for operation since 1 December 2023 which generated revenue for the current quarter of Baht 34 million.
- c) The revenue of golf business increased by Baht 11 million or 7%. All golf courses in Pathumtani and Phuket generated higher revenue due to the increase in number of golfers both Thai and foreign coming to use the golf services and the increase in average income per round.
- d) The revenue of real-estate business increased by Baht 39 million or 35%, mainly due to the increase of Baht 35 million from revenue recognition under residential projects which the significant changes were as follows:

(Unit: Million Baht)

Residential projects	For the three-month periods ended 31 March		
	2024	2023	Inc (Dec)
1. Riverdale Residence – Land	21	-	21
2. Park Riverdale – Housing	18	-	18
3. Quartz Rama IX – Premium residential	62	-	62
4. Quinn Sukhumvit 101 - Condominium	6	45	(39)
5. Baan Rom-Mai-Borwin – Small housing	-	2	(2)
6. Residential projects (housing & plot of land) in Phuket	26	51	(25)
Total	133	98	35

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 current year amounting to Baht 215 million.

The Group also has many vacant plots of land located around golf courses in Pathum Thani and Phuket which the management is in the process of studying and developing the land in various projects to get the most benefits.

In addition, 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 vacant land around the health center will become a potential area. The real-estate business plans to launch new residential projects to meet the higher demand for housing, and other business to support or expand on the business of the health center.

- e) The revenue of food solution business increased by Baht 184 million or 47% from the increase in domestic sales of rice by Baht 160 million. The increase of Baht 139 million was sales via channel OEM (Original Equipment Manufacturer) which had higher order volumes from both existing and new customers.
- f) The revenue of finance business increased by Baht 22 million or 4%. Currently 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 slightly by Baht 5 million or 1%, while the loans portfolio has been growth. The is because the Office of the Consumer Protection Board announced the new ceiling interest charge at 23% per annum which is applied to the hire-purchase contract made from 10 January 2023 onwards. Therefore, the business focuses primarily on providing quality loans.
 - The revenue of lending business increased by Baht 27 million or 14%.
- g) The revenue of auction business decreased by Baht 11 million or 6% due to a decrease in the number of cars entered for auction. Currently, financial institutions are now more stringent in lending car loans to reduce the impact of non-performing loans (NPL) and car repossession.

2.2 Operating profit (loss) – by segment

(Unit: Million Baht)

For the three-month periods ended 31 March				
Segment	2024	2023	Increase/(Decrease)	
1) Shopping Center	92	(90)	182	202%
2) Hotel and tourism	175	128	47	37%
3) Golf	53	53	-	-
4) Real-estate	4	23	(19)	(83%)
5) Food Solution	(10)	(41)	31	76%
6) Finance	101	135	(34)	(25%)
7) Auction	46	65	(19)	(29%)
8) Corporate Supporting Center and Others	(26)	7	(33)	(471%)
Total	435	280	155	55%

The operating profit of the Group for the three-month periods ended 31 March 2024 and 2023 were Baht 435 million and Baht 280 million, respectively, increased by Baht 155 million or 55%. In overall, operating results varied according to the movements of operating revenue by segment as mentioned in No. 2.1 and normal economic conditions.

Analysis of financial position

The significant movements in assets, liabilities and shareholders' equity as at 31 March 2024 when compared with the balance as at 31 December 2023 were as follows:

(Unit: Million Baht)

	31 Mar 2024	31 Dec 2023	Increase/(Decrease)	
Total assets	60,980	60,471	509	1%
Total liabilities	37,889	38,087	(198)	(1%)
Total shareholders' equity	23,091	22,384	707	3%

3. Assets

3.1 Other current financial assets

Other current financial assets, mainly represented investments in equity securities and debt securities at fair value through profit or loss, balance as at 31 March 2024 was Baht 1,256 million, decreased by Baht 159 million or 11%, due to sales of the investments during the period of Baht 150 million and recognition the decrease in fair value of Baht 9 million.

3.2 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 2024 was Baht 14,220 million, decreased by Baht 1,207 million or 8%. The major changes were as follows:

- a) The portfolio of motorcycle hire-purchase receivables increased by Baht 206 million or 3% due to the increase in lending to small and medium bikes. Because other leasing companies have slowed down in lending, therefore it is opportunity of the business to screen out more quality customers.
- b) The portfolio of loan receivables which secured by pledged/mortgaged of assets specified in the loan agreements decreased by Baht 1,390 million or 15%. In March 2024, a major loan receivable closed his loan account and repaid all outstand debts amounting to Baht 1,767 million.
- c) Allowance for expected credit losses (provision for doubtful debts) increased by Baht 24 million or 2%.

3.3 Investment in associates and joint venture

Investment in associates and joint venture balance as at 31 March 2024 was Baht 17,673 million, increased by Baht 1,743 million or 11%. The major changes were as follows:

- a) The increase of Baht 1,179 million was from the purchases of additional investment in an associate - TCAP.
- b) The increase of Baht 563 million was from the recognition share of profit under the equity method.

3.4 Investment properties

Investment properties balance as at 31 March 2024 was Baht 13,302 million, decreased by Baht 121 million or 1%. The significant movements during the period were as follows:

Description		Million Baht
1	The costs of renovation Paradise Park Shopping Center	103
2	The purchase plots of land at Na Di Subdistrict in Udon Thani Province	62
3	Depreciation and amortisation	(268)
4	Others	(18)
Total net movements		(121)

3.5 Land held for development

Land held for development balance as at 31 March 2024 was Baht 2,113 million, increased by Baht 315 million or 18% due to the purchase of additional vacant land near the Reiverdale golf course in Pathumtani for further development residential project.

4 Liabilities

4.1 Short-term loans from financial institutions

Short-term loans from financial institutions balance as at 31 March 2024 was Baht 1,470 million, decreased by Baht 1,375 million or 48%. In March 2024, there was a cash receipt from a major debtor to close the loan account in the amount of Baht 1,767 million. Therefore, the repayments of the short-term loans were settled to manage financial costs for maximum benefits.

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 2024 was Baht 185 million, decreased by Baht 136 million or 42%, due to the repayments of loans which were due during the period.

4.3 Long-term debentures

Long-term debentures (including current portion) balance as at 31 March 2024 was Baht 18,604 million, increased by Baht 1,033 million or 6%. In January 2024, the Company issued long-term debentures of Baht 1,000 million for a period of 10 years and bearing interest rate of 4.37%, which for the purposes of investments in various projects.

4.4 Deferred tax liabilities

Deferred tax liabilities balance as at 31 March 2024 was Baht 1,487 million, increased by Baht 109 million or 8%. The increase of Baht 113 million was from the recognition profit sharing from associates for the period.

5 Shareholders' equity

Total shareholders' equity balance as at 31 March 2024 was Baht 23,091 million, increased by Baht 707 million or 3%. The significant movements were as follows:

- a) The increase of Baht 4 million was the warrant holders of 1.33 million units exercised their rights to purchase ordinary share at Baht 2.7192 – 2.8881 each, resulted in an increase in paid-up share capital of Baht 1.4 million and premium on ordinary of Baht 2.6 million.
- b) The increase of Baht 667 million was from net profit from operations for the period.

Analysis of the liquidity

6. Cash flows of the Group for the three-month periods ended 31 March 2024 and 2023 are summarised in the table below.

(Unit: Million Baht)

For the three-month periods ended 31 March				
	2024	2023	Cash flows Increase/(Decrease)	
Net income from operating activities before changes in operating assets and liabilities	1,030	828	202	24%
Net movements in operating assets and liabilities	1,103	717	386	54%
Net cash flows received from (used in) operating activities	2,133	1,545	588	38%
Net cash flow received from (used in) investing activities	(1,553)	(2,370)	817	34%
Net cash flows received from (used in) financing activities	(674)	1,246	(1,920)	(154%)
Net increase (decrease) in cash and cash equivalents	(94)	421	(515)	(122%)

6.1 Cash flows from operating activities

Net cash flows from operating activities increased by Baht 588 million or 38%. 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 202 million, (ii) cash receipts from loans to customers (net of cash payments) increased by Baht 531 million because in March 2024, a major debtor closed the loan account and settled outstanding loan balance of Baht 1,767 million, and (iii) cash receipts from inventories increased by Baht 128 million.
- b) The major cash decreases were from (i) cash receipts from trade and other receivables decreased by Baht 143 million, and (ii) cash payments to other current liabilities increased by Baht 154 million.

6.2 Cash flows from investing activities

Net cash flows from investing activities increased by Baht 817 million or 34% due to the following major reasons: -

- a) The major cash increases were from cash payments for purchases of investments in debt and equity securities, which are classified as current and non-current assets, (net of sales), decreased by Baht 2,571 million.
- b) The major cash decreases were from: (i) cash payments for purchases of additional investment in an associate (TCAP) of Baht 1,179 million, (ii) cash payments for purchases of land held for development increased by Baht 391 million, and (iii) cash payments for purchases of property, plant and equipment, and investment properties (net of cash receipts from sales) increased by Baht 200 million.

6.3 Cash flows from financing activities

Net cash flows from financing activities decreased by Baht 1,920 million or 154% due to the following major reasons: -

- a) The major cash increases were from: (i) cash receipts from long-term debentures (net of repayments) increased by Baht 2,000 million, (ii) cash payments to long-term loans from financial institutions (net of receipts) decreased by Baht 358 million, and (ii) cash payments for treasury stock decreased by Baht 202 million.
- b) The major cash decreases were from: (i) cash payments to short-term loans from financial institutions (net of cash receipts) increased by Baht 4,274 million, and (ii) cash receipts from an increase in share capital decreased by Baht 172 million.