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No. GL/2024/007

10 May 2024

Subject: Management Discussion and Analysis for the First Quarter of 2024

To: President

The Stock Exchange of Thailand

Grand Canal Land Public Company Limited and its subsidiaries (“the Company”) would like to inform the financial performance for the first quarter of 2024 ending 31 March 2024 as follows.

Key Highlights in the First Quarter of 2024

The Thai economy expanded year-on-year in the First Quarter of 2024, albeit subtly, driven by continued growth in the tourism sector, recovery in private investments in new businesses, such as electric vehicles (EV) and technology-related products and services, and slight boost in private consumption, thanks to the Easy E-Receipt stimulus program (source: The Bank of Thailand). Despite continuous recovery to the Thai economy, uncertainties and near-term volatility remains, such as staggering global economic growth amidst geopolitical concerns in the Middle East, rising inflation from high energy prices, and uncertainty over interest rate cuts by central banks. More importantly, the offices market faces challenging outlook from changing workplace behavior and competition of upcoming office supply (source: Knight Frank Thailand).

The Company continues to manage its businesses with utmost consideration to climate and environmental changes. Various initiatives are planned and enacted to address temperature fluctuations and weather hazards, such as deploying climate control management in all buildings and managing traffic, safety and hygiene standards in surrounding areas. Most importantly, the Company continues to look after the best interest of its stakeholders, including tenants, shops, customers, business partners and shareholders. Key events in the First Quarter of 2024 for each business are as follow:

Offices business: Influx of new supplies, around 1.5 million square meters of which will enter the Bangkok office market in the next 3-4 years, continued to put pressure on the overall office market situation especially in the central business district (CBD). Combined with slow demand recovery, the overall occupancy rate in Bangkok offices extends its downward trend as the CBD-centric new supplies are expected to indirectly impact the performance of office projects in the non-CBD areas. Despite the challenging outlook, the Company's office projects at Grand Rama 9: the New CBD continues to outperform those in the nearby locations, thanks to their superior location and consistent interest from local and international businesses. Moreover, the Company continues to deploy stringent measures to ensure the safety and well-being of on-site employees and visitors at its office projects. Furthermore, the company continues to engage prospective tenants and explore services enhancement opportunities in existing projects in response to industry competition and anticipated demand recovery.

Retail area leases business: The area benefited from the recovery of not only office employees traffic, but also from those of local residents, visitors from nearby communities, and tourists. Moreover, the Company continues to carry out sales and marketing activities to support retail tenants, which resulted in commendable recovery of their sales performance. Hence, the Company is able to step back on rental discounts near pre COVID-19 levels.

Real estate business: Comprises one project, namely Nirati Donmuang. During the period, project visitations and pre-sales continue to grow as the project accelerates its pace to complete the construction and furnishing of booked units such that they can be transferred to the customers as planned.

Sustainable Business Development: The Company recognizes the importance of community, social and environmental development along with its business growth aspiration and are committed to maintain its excellence in sustainable development. During the first quarter of 2024, the Company organized a district-wide Chinese New Year celebration to promote cultural bonding and inclusion with office tenants and their employees, retail tenants and their customers, residents in nearby communities and tourists. Furthermore, the Company launched a waste management campaign "From Trash to Treasure" to foster awareness on the benefits of waste recycling within the Company's premises following the success of "Better Futures Project" in the previous year.

Summary of Financial Performance during the First Quarter of 2024

Revenues

The Company reported total revenue of 417 million Baht, an increase of 4% from the previous year. The increase mainly comes from the rental and services business, which is the Company's core business, thanks to strong recovery in retail area performance, rental rate increases and higher occupancy rate in retail area, despite facing the impact of lower occupancy rate amidst challenging industry situation. As for the real estate business, revenues slightly declined compared to the previous year due to fewer units transferred at Nirati Donmuang but remains on track to the overall plan.

Operating expenses

The Company reported total operating expenses of 172 million Baht, a decrease of 3% from the previous year. The decrease mainly comes from sustained efficiency levels in managing the core costs of business, such as utilities and office project management costs, and lower costs associated with the fewer number of units transfer of Nirati Donmuang. Hence, the Company achieved a slight growth in gross profit margin. Additionally, the Company managed its administrative expenditures with increased efficiencies, resulting in comparable operating profit margins compared to the previous year and according to plan.

Net Profit

The Company reported net profit of 87 million Baht, an increase of 4% from the previous year. Excluding the impact of fair value adjustment and other non-recurring items, net profit would increase approximately 3% from the previous year primarily driven by higher operating profits from its business performance as explained above, despite incurring higher financing cost and in the similar magnitude of policy interest rate increases. To sustain its profitability, the Company continues to deploy prudent cost control measures and business plan resiliency towards operating profits, as well as maintain robust debt and capital structure to ensure cost of capital are kept at efficient levels.

Capital structure

The Company reported total interest-bearing debt as of 31 March 2024 of 6,384 million Baht, an increase from the balance as of 31 December 2023 of 6,308 million Baht. The weighted average financing cost at the end of the period stood at 4.30%, which was higher than that of the end of the previous year at 4.23%.

Net interest-bearing debt to equity ratio at the end of the period stood at 0.37 times, which is at similar level to that of the end of the previous year. The ratio remains well in-line with the Company's policy of not exceed 1 time and debt covenant of not exceeding 3 times.

Although the Company recognizes net profit during the year, it still has considerable debt obligations to fulfill in the near-term and must prepare adequate sources of funds to support the investment in new projects to accommodate the Company's long-term growth.

Please be informed accordingly.

Sincerely,

-Ponpinit Upathamp-

(Mr. Ponpinit Upathamp)

Chief Financial Officer

Authorized Persons to Disclose Information

Table 1: Summary of Profit and Loss Statement

	1Q23	1Q24	% Chg
<i>Unit: million Baht</i>			
Rental and services revenue	309	320	4%
Revenue from sales	71	67	-6%
Revenue from operations	380	386	2%
Other income	23	31	34%
Total revenue	403	417	4%
Cost of rental and services	61	61	0%
Cost of sales	38	35	-8%
Selling & administrative expenses	78	76	-2%
Total operating expenses	177	172	-3%
(Profit) Loss from items not related to the business operations	51	52	2%
Financing cost	44	58	31%
Profit before income tax and NCI	130	135	3%
Income tax expense	40	40	2%
Non-controlling interest	7	8	8%
Net profit	84	87	4%

Table 2: Summary of Financial Position

	YE23	1Q24	% Chg
<i>Unit: million Baht</i>			
Current assets	1,173	1,136	-3%
Non-current assets	28,962	29,164	1%
Total assets	30,135	30,301	1%
Current liabilities	4,556	4,784	5%
Non-current liabilities	8,842	8,677	-2%
Total liabilities	13,398	13,461	0%
Shareholders' equity	16,737	16,839	1%
Total liabilities and equity	30,135	30,301	1%
Net interest-bearing debt	6,198	6,310	2%

Table 3: Key Financial Ratios

	1Q23	1Q24	Chg.
<u>Profitability Ratio</u>			
Gross profit margin (%)	74%	75%	1%
Operating profit margin (%)	56%	59%	3%
Net profit margin (%)	21%	21%	0%

	YE23	1Q24	Chg.
<u>Liquidity Ratio</u>			
Current ratio (x)	0.26	0.24	(0.02)
<u>Financial Policy Ratio</u>			
Liabilities to Equity (x)	0.80	0.80	(0.00)
Net Debt to Equity (x)	0.37	0.37	0.00